



FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING

TECHNICAL SERVICES DEPARTMENT

Terms of Reference for the engagement of a Consultant on Trade Taxation and Customs Policy Study

1. BACKGROUND

The Federal Government of Nigeria has agreed with the World Bank on a multi-year (2018-2022) project to support the Federal Government of Nigerian to strengthen public finance management through the World Bank USD125 million credit facility in support of Fiscal Governance and Institutions Project. The Project is designed as an Investment Project Financing (IPF) with Disbursement Linked indicators (DLIs). The reform is to support key MDAs in critical reforms to public financial management at the federal level. The Project Development Objective (PDO) is to improve the credibility of public finance and national statistics in Nigeria. It is also to strengthen

The Project is expected to address the following three main governance challenges and bottlenecks hampering the effectiveness of Government in promoting growth and development:

- (i) Poor oversight of revenue accruing to the Federation Account;
- (ii) Weak controls, transparency and accountability in the use of public funds by the Federal Government; and
- (iii) Lack of information and inconsistencies in the Nigeria's fiscal and economic statistics.

The four components of the Project are the following:

- Strengthening Revenue Management;
- Strengthening controls, transparency and accountability in the use of public funds;
- strengthening economic and fiscal statistics; and
- Implementation support.

The Technical Services Department (TSD) of the Federal Ministry of Finance as a beneficiary of the support is expected to implement Sub-component 1.2 on **strengthening revenue analysis and forecasting**, strengthen the capacity of the FMoF and the Federal Ministry of Budget and National Planning in revenue forecasting and analysis. The TSD is through the Tax Policy Division responsible for formulating tax policies that promote the development of Nigeria in a tax regime environment that is competitive, equitable, fiscally sound and resilient.

As part of the capacity building initiatives, the Technical Services Department (TSD) intends to use part of the IDA Credit in carrying out several studies aimed at strengthening revenue analysis and forecasting, including interagency coordination and consistency of fiscal information.

2. THE OVERALL OBJECTIVE

The objective of this bid is to appoint a suitable Tax Consultancy firm with an expertise in trade taxes and customs policy expertise to carry out studies and provide appropriate taxation as well as customs advisory services to TSD and Tax agencies in Nigeria.

3. REQUIRED SERVICES

The Consultant firm shall be required to carry out the following assignments aimed at strengthening revenue analysis and forecasting:

- i. **Stocktaking and cost-benefit analysis of tariff incentives (exemptions, reductions, credits).** A tariff is a tax imposed by a government of a country or of a supranational union on imports or exports of goods. Besides being a source of revenue for the government, import duties can also be a form of regulation of foreign trade and policy that taxes foreign products to encourage or safeguard domestic industry. Tariffs are among the most widely used instruments of protectionism, along with import and export quotas. The purpose of a tariff is generally to protect domestic production and jobs, though economists

say other domestic sectors and customers ultimately pay for tariffs. Tariff incentives are available to a wide range of industries, including manufacturing, shipping, trading, investment and financial services sectors. They are either in the form of an exemption from taxation or a reduction in the tariff rates. The study should take stock of all existing customs tariffs and export duties incentives in Nigeria, undertake cost-benefit analysis of tariff incentives and customs duties and estimate of the revenue forgone from these incentives. The scope of the study should include:

- a. Coverage and itemization of all import and export tariff incentives in effect during five fiscal years 1st January 2017 to 31st December 2021.
 - b. An accurate quantification of all revenues and funds forgone as a result of each tariff incentive and in total for each fiscal period.
 - c. An assessment of non-financial impacts achieved or attributable to each tariff incentive or to a combination of tariff incentives. The evidence obtained to support the conclusions reached in this regard should be stated in the report.
 - d. A conclusion or opinion on whether the objectives/ justification for implementing each tariff incentive have been achieved. The objectives/ justification for implementing each tariff incentive should be clearly stated in the report.
 - e. Recommendations on any changes to each tariff incentive, including cancellations or variations in structure, rates, terms, and conditions. The justification for each recommendation should be clearly stated.
 - f. Key observations and notes from stakeholders following the exposure of an advanced draft of the analysis report to consultation.
- ii. **Custom duties regional harmonization incidence analysis.** The focus of this study should among other things include:
- a. Examination of the evidence that bilateral and regional trade agreements have contributed to a reduction in trade and investment barriers. Consider also to what extent such agreements are suited to tackling such barriers, including in the context of the proliferation of such agreements between other countries;

- b. Examination of the evidence that bilateral and regional trade agreements have safeguarded against the introduction of new barriers. Consider also the potential for trade discrimination against Nigerian businesses without full engagement in the evolving network of bilateral and regional agreements;
- c. Considering the role of bilateral and regional trade agreements as part of regional integration in lending support to the international trading system and the World Trade Organization;
- d. Analysis of the potential for trade agreements to facilitate adjustment to global economic developments and to promote regional integration;
- e. Assessment of the impact of bilateral and regional agreements on Nigeria's trade and economic performance, in particular any impact on trade flows, unilateral reform, behind-the-border barriers, investment returns and productivity growth;
- f. Assessment of the scope for Nigeria's trade agreements to reduce trade and investment barriers of trading partners or to promote structural reform and productivity growth in partner countries. Considering alternative options for promoting productivity improving reform in partner countries; and
- g. Assessment of the scope for agreements to evolve over time to deliver further benefits, including through review provisions and built-in agenda.

iii. Review of customs tariffs from the perspective of regional trade integration.

Regional integration is an important element of the political and economic landscape worldwide. The WCO and Customs contribute to the enhancement of regional integration and trade facilitation. This section will concentrate on Customs and trade tools which are essential to enhance revenue collection, safety and security and how they contribute to the achievement of economic and social development objectives. The scope of the Review will cover:

- a. Impact analysis of the harmonization of trade taxes exemptions. Tax harmonization is generally understood as a process of adjusting tax systems of different jurisdictions in the pursuit of a common policy objective. Tax

harmonization involves the removal of tax distortions affecting [commodity](#) and factor movements in order to bring about a more efficient [allocation of resources](#) within an integrated market. Tax harmonization may serve alternative goals, such as equity or stabilization. It also can be subsumed, along with public expenditure harmonization, under the broader concept of fiscal harmonization. Narrowly defined, tax harmonization guided by this policy goal implies — under simplifying assumptions about other policy instruments and economic structure — convergence toward a more uniform effective tax burden on commodities or on factors of production. Convergence may be attained through the alignment of one or several elements that enter the determination of effective tax rates: the statutory [tax rate](#) and [tax base](#), and enforcement practices.

In addition, the review should provide an understanding in the following:

- All imports and export tariffs in effect during the fiscal year 2022
 - An accurate itemization of all tariffs relevant to regional trade integration
 - An assessment of financial and non-financial impacts expected as a result of changes to tariffs that are applicable in the region, and as a result of the harmonization of exemptions
- b. Analysis of the impact of the Continental Free Trade Agreement on Nigeria. The Continental Free Trade Agreement will facilitate the creation of a single, continent-wide market for goods and services, business and investment would reshape African economies. The implementation of AfCFTA would be a huge step forward for Africa, demonstrating to the world that it is emerging as a leader on the global trade agenda. The scope of AfCFTA is large. The agreement will reduce tariffs among member countries and cover policy areas such as trade facilitation and services, as well as regulatory measures such as sanitary standards and technical barriers to trade. Full implementation of AfCFTA would reshape markets and economies across the region and boost output in the services, manufacturing and natural resources sectors. The Report should also show:

- An assessment of the financial and non-financial impacts expected as a result of the Continental Free Trade Agreement, to include an accurate itemization of the tariffs affected by the Continental Free trade Agreement.
- Recommendations on any proposed changes to each customs tariff, including proposals for harmonization, cancellation, variations in structure, changes in rates, terms, and conditions.
- Key observations and notes from stakeholders following the exposure of an advanced draft of the Tariffs review report to consultation.

4. DELIVERABLES/REPORTING

The consultants will as a minimum have to provide:

- An **inception report** (within 4 weeks of Contract signing) consisting of the review of existing literature, methodology for the coverage of each area as contained in 3 (i-iii) as well as Structure of the Report. This report will be discussed with a reference group appointed by the Director, Technical Services Department and if timing allows with the Tax Policy Implementation Committee (TIPC) and others including FIRS, FMBNP, plus selected sector Ministries.
- A **draft full report** (within 12 weeks of Contract signing) containing (i) Stocktaking and cost-benefit analysis of tariff incentives; (ii) Custom duties regional harmonization incidence analysis, and (iii) Review of customs tariffs from the perspective of regional trade integration. The report should reflect the scope of the studies described in the Required Services section and contain statistical annexes in a format that allows further analyses. This report will also be discussed with the stakeholders mentioned above at a **Validation Workshop** and comments will be incorporated as appropriate.
- A **final report** (within 20 weeks of Contract signing) incorporating the above and including a **brief policy paper version** of the study findings to be discussed with key stakeholders and subsequently presented to National Assembly, Private Sector and Civil Society.

5. TIMELINE AND ESTIMATED INPUT

The task should be completed no later than one hundred and twenty days (24 weeks) after the Contract signing. The estimated staff input is 350 expert days.

6. PAYMENT SCHEDULE

The following Payment Schedule will subsist for this assignment:

Upon submission and acceptance of Inception Report – 10% of the Contract

Upon submission and acceptance of a draft full report – 50% of the Contract

Upon submission and acceptance of a final Report – 40% of the Contract

7. QUALIFICATIONS

Qualification of the consultant/Firm:

- A reputable firm with a minimum of 10 years' expertise and experience in advising on tax and customs issues. Attach a list of current and past clients where the bidder carried tax consulting along with the name of the organization, contact person, designation, and contact number, nature of the consulting services and length of the appointment.
- Demonstrated experience in the analysis of Nigeria's tax and customs system. At least 2 prior experiences on similar or related assignments delivered in the public sector in the last five years.
- Demonstrable understanding of international practice and methodologies used for cost-benefit analysis of tax expenditures and custom duties regional harmonization incidence analysis.

At least 2 prior assignments on customs policy and tariffs analysis in other African countries.

- Number of tax / customs experts with ICAN/ANAN/ CPFA Certification.
- Evidence of Tax Compliance Certificate.

The composition of the team of consultants; the mix between international and local experience; the exact numbers of days spent locally in Nigeria and the price will be part of the bidding.

Team Composition & Qualification Requirements for the Key Experts

Key Expert 1 (Team Leader)

- Minimum of master's degree in public finance, accounting, economics, public policy, development studies, trade studies or other relevant professional qualification.
- Proven expertise in trade facilitation and Customs Operations. Minimum of 12 years of relevant work experience in tax and taxation issues and 5 years in Customs Administration.
- Proven quantitative and qualitative research and drafting skills;
- Proven and extensive experience in the development of training curricula and materials;
- Proven ability and experience in leading and facilitating workshops on multidisciplinary and multicultural teams;
- Multidisciplinary skills and the ability to communicate effectively;
- Ability to work both independently and as part of a team;
- At least 3 prior experiences of development programs or projects in relevant subject areas.
- Excellent report-writing skills in English.
- Demonstrated capacity to lead a team.
- Openness to change and ability to receive and integrate feedback.

Key Expert 2 & 3 (2 Tax Experts)

The proposed team should collectively have the following qualifications:

- At least Master's degree in Finance or Economics or another relevant field.
- Experience in Customs Operations Tax policy and administration experience in relevant fields (public financial, macroeconomic policies and open government).
- Minimum of 10 years of experience in development and implementation of policies guiding Nigeria Taxation System, the Nigeria Tax Law and Public Financial Management practice in Nigeria is required.
- Ability to interpret trade laws, tariffs and taxes.
- Has expert knowledge in INCOTERMS, International Payment Systems, International Trade integration.
- In-depth understanding of the operations in the Nigeria Customs Service, Export Import Regulations, schedule and tariff on Imports and Export Duties.
- Knowledge of conduct of Customs Valuation.

- Experience in public financial management but specifically proficient in theories and practices of international trade and trade facilitation.
- Local knowledge/familiarity with the operations and processes of the Federal Government of Nigeria, knowledge of relevant FIRS and FMF data bases.
- Senior level international economic expertise; ability to conduct advanced macro-economic statistical analysis.

Furthermore, the team (or as minimum the team leader) should have proven experience in carrying out similar analyses.

8. SELECTION METHOD

The Consultant will be selected through Consultant Qualification Selection Method as stipulated in World Bank Procurement Regulations for IPF Borrowers dated November 2020.