

OFFICE MEMORANDUM

DATE: March 19, 2010

TO: Roberto Lenton, Chair, The Inspection Panel

FROM: Yusupha Crookes, Country Director, Pakistan

EXTENSION: 5722+300

SUBJECT: **Supplement to the Bank Management Response to Request for Inspection Panel Review of the Pakistan Tax Administration Reform Project (TARP)**

In response to your request, please find attached two additions to the Management Response submitted on February 19, 2010 to address the concerns raised:

- ***TARP restructuring and career development of the FBR staff:*** In the context of the proposed restructuring and extension of the TARP, Management proposes to put increasing emphasis on as well as to expand the project component relating to human resources (HR) management and development. Project activities would be focused on supporting FBR management to facilitate an effective integration of the FBR staff into the new functionally integrated administration and to ensure appropriate support for the career development of all FBR officers. Such activities would include: (i) support for new HR policies consistent with the new organizational structure on job classification, compensation, appraisal, integrity, and mobility; (ii) support for the development of career paths and the updating of position descriptions based on the new organizational structure; (iii) support for retraining of the FBR staff in line with new career development opportunities and performance criteria; and (iv) support for an internal and external communications campaign to enhance awareness of the rationale for and the objectives of tax administration reforms.
- ***Involvement of the Federal Public Services Commission:*** In relation to the recent press release issued by the Federal Public Service Commission (FPSC) referring to the implementation of the tax administration reforms and administrative re-organization of the FBR by means of the Establishment Division's OM No. F.6/2/2009 CP-II (Cabinet Secretariat) without the involvement of the FPSC, Management is of the opinion that the issues raised in the said press release are of a procedural nature concerning the internal governance arrangements of the Federal Government of Pakistan and have no material implications vis-à-vis the Requesters, nor should they threaten or compromise the success of the ongoing reform.

As per Ordinance XLV of 1977 the FPSC mandate includes: providing "advise to the President [...] on principles to be followed in making appointment by promotion to posts in BS-18 and above, and transfer from one service or occupational group to another; and on any other matter which the President may refer to the Commission." We understand the interest of the FPSC in being part of any human resource management decision concerning Pakistan's civil servants. However,

there seem to be reasonable arguments to justify that: (i) decisions concerning the structural organization of the FBR along functional lines are outside the FPSC's mandate; and (ii) the fair and equitable treatment extended to the FBR staff was sufficiently guaranteed and premised on the principles of voluntariness, respect to *inter se* seniority, horizontal mobility and stability in the career path.

Notwithstanding the foregoing, Management confirmed with the FBR that the FPSC was indeed aware of, and informed on, the FBR's structural reorganization. The FBR further noted that the FPSC was properly notified of the issuance of OM No. F.6/2/2009 CP-II (see last page of Annex II to the Request), and has been informed of the procedural steps taken, and, as per rules, will continue to be formally involved in the upcoming recruitment of new FBR officers.

Management is mindful of the importance of the FPSC's role in ensuring proper compliance with the fair and equitable opportunities for the career development of all operational groups in Pakistan's Civil Service. Management will continue to work with the FBR to include the FPSC as a key stakeholder to consult in the design of the human resource strategy to be developed for all FBR staff under the proposed restructuring of the TARP. Likewise, Management will continue monitoring any development regarding the Customs and Excise officers' pending petition before the Sindh High Court.

cc: Messrs/Mmes. Guerrero, Isabel M.; May, Ernesto; Kahkonen, Satu; Hellman, Joel; Serrano, Martin; Abushakra, Hadi; Barlas, Dilek; Zaman, Mishka