



# Priority Reform Implementation Plan

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Excise & Taxation Department

## Punjab Government Efficiency Improvement Programme

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July 2011

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**Final**

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List of Abbreviations

ADB .....Asian Development Bank

BoR ..... Board of Revenue

BPOs ..... Budget Preparation Officers

BPR ..... Business Process Reengineering

CSR ..... Civil Service Reform

DDOs .....Drawing and Disbursement Officers

DFID ..... UK Department for International Development

DoF .....Department of Finance

E&TD ..... Excise and Taxation Department

FR ..... Functional Review

GDP ..... Gross Domestic Product

GoPb ..... Government of Punjab

HR/OD ..... Human Resource / Organisational Development

HRM ..... Human Resource Management

L&DD ..... Livestock and Dairy Department

MTBF ..... Medium Term Budgetary Framework

NOC .....No Objection Certificate

P&DD ..... Planning and Development Department

PFM ..... Public Financial Management

PGEIP ..... Punjab Government Efficiency Improvement Programme

PRMP ..... Punjab Resource Management Programme

PKR ..... Pakistani Rupees

S&GAD ..... Services and General Administration Department

UIPT ..... Urban Immoveable Property Tax

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# Executive Summary

## Executive Summary

This Priority Reform Implementation Plan seeks approval from the Excise & Taxation Department and Punjab Resource Management Programme to focus on a specific group of reform areas within the Department for the remainder of the project (until May 2012). These priority areas have been arrived at following the submission of analytical reports on the functions/structures of the Department, its business processes and its human resource management practices. They were distilled from a 'long-list' of potential reform areas, which have been discussed in depth with senior management and rigorously appraised in terms of feasibility, likely impact, relevance and appropriateness.

It is important to recognise that while this Plan is based on a Department-wide analysis, it itself is not a reform plan for the entire Department. Instead it is a Plan designed to enable technical assistance being provided under PGEIP to the Departments to have maximum utility by focussing on a limited number of high priority areas. The existence of this plan does not lessen the need for the Department to develop an over-arching medium term reform strategy, based on policy objectives endorsed by Cabinet.

For each of the priority areas identified in this Plan, a comprehensive appraisal sheet is included illustrating objectives, outputs, inputs, a schedule of activities and risks. Consolidated input and implementation schedules are also included to facilitate project management (by the consultants) and project monitoring (by the Department and by PRMP).

The priority areas for reform described in this report are shown in Table 1.

Table 1 - Summary of Priority Reform Areas

Component	Objectives
<b>Human Resource Management</b>	<ul style="list-style-type: none"> <li>• Establishment of dedicated HRM Units</li> <li>• Development of functional HRMIS with requisite analytical capacity</li> <li>• Execution of Training Needs Analysis</li> <li>• Development of a comprehensive Training Strategy (covering both pre- and in-service training)</li> </ul>
<b>Performance Management</b>	<ul style="list-style-type: none"> <li>• Development of generic and personal Job Descriptions to act as foundation for performance management</li> <li>• Development of Action Plan for moving to performance management, in liaison with Performance Incentives Project</li> </ul>
<b>Functional Reform</b>	<ul style="list-style-type: none"> <li>• IT Strategy and IT management function</li> <li>• Development of tax appeals/dispute mechanism at Provincial Level</li> </ul>
<b>Business Process Reengineering</b>	<ul style="list-style-type: none"> <li>• Support to automation of selected key business processes (UIPT and Professional Tax)</li> </ul>

The majority of consultant skills required to implement this agenda are already available in the project team. However, some are not and these individuals will need to be recruited. This will take place once this Plan has been approved by the Department and PRMP. In all cases, resources will also need to be made available by the Department – in particular nominated counterparts given responsibility for each work-stream.

**Section 1: Background, Priorities & Rationale**



## 1. Intro and Background

This Draft Priority Reform Implementation Plan has been produced in close collaboration with the Excise & Taxation Department following extensive analysis of the Department's functions, structures, business processes and human resource management systems. This analysis is reflected in three reports<sup>1</sup> produced under the auspices of the Punjab Government Efficiency Improvement Programme (PGEIP) between January and March 2011; and these reports themselves built on previous analysis contained in a number of other reports<sup>2</sup>.

While this Plan is based on a Department-wide analysis, it itself is not a reform plan for the entire Department. Instead it is a Plan designed to enable technical assistance being provided under PGEIP to the Departments to have maximum utility by focussing on a limited number of high priority areas. This technical assistance is being provided until the end of May 2012, so naturally there is a focus in this plan on interventions likely to bear fruit during this period. Nonetheless, the Plan is still designed to enable the Department to move towards the longer term goals set for it under PGEIP – namely to become a 'model' department within the government.

The structure of this Plan is as follows:

- **Section 1** summarises the findings of analysis conducted to date, describes the main priority areas for reform the Department, and explains the rationale and methodological process behind the selection of these areas
- **Section 2** presents the detailed design of each 'work-stream' in the plan, indicating objectives, proposed outputs, resources and a work-plan
- **Section 3** aggregates each work-stream to present a consolidated work-plan, activity schedule and personnel input schedule to facilitate project management (and project monitoring by PRMP and the Departments)

### 1.1 Findings from Analysis Conducted to-Date

The Excise & Taxation Department has been subject to significant policy and operational analysis in recent years, mostly funded by international aid. Even prior to this project, reports funded by the World Bank and Asian Development Bank made many recommendations regarding tax policy and administration.

This project is concerned primarily with tax administration, rather than policy, and in this regard made recommendations in three broad areas:

- Functional/structural organisation
- Human resource management
- Business processes and systems

#### 1.1.1 Functional/Structural Organisation

The Functional Review of the Department described the Department's 4 main functions:

- Tax administration (of various taxes, especially property tax)
- Regulation and licensing of motor vehicles
- Regulation and licensing of controlled substances (narcotics and alcohol)
- Policy, planning and management (main support function)

The review found that, far from being a 'pure' revenue-focussed department, E&TD also has substantial regulatory or policing functions related to motor vehicles and controlled substances.

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<sup>1</sup> Functional Review Report, January 2011; Business Process Improvement Report, March 2011; Human Resource Management Report, March 2011

<sup>2</sup> See Final Inception Phase Report, November 2010

The review also found that:

- There remains confusion of devolution: PLGO 2001 intended to devolve control of property tax policy to the TMA level, and many E&TD staff are actually employed by the districts, but in practice policy and administration of UIPT appears to remain a provincial subject
- E&TD's mandate may well change with implementation of the 18<sup>th</sup> Amendment, which, while still being negotiated, may result in devolution of sales tax on services and/or increased responsibility for policing of controlled substances

The review made a number of further structural recommendations, including on tax appeals, the opium alkaloid factory and the potential benefits of semi-autonomous agencies for (a) motor vehicle regulation and (b) revenue administration across government.

### **1.1.2 Human Resource Management**

The Human Resource Management Review of E&TD looked both at cross-government systems, rules and processes as well as at the specific HRM challenges facing the department.

The review found that management of the Civil Service workforce is heavily regulated by statute and service rules, so that there is currently limited scope for unilateral action by a single Department which diverges from the service rules currently in force. Consequently it strongly recommended a move towards more decentralised control of workforce management practices, in particular by implementing the nascent Civil Service Reform Policy.

In terms of specific recommendations for E&TD, the review proposed that the department:

- Develop both pre- and in-service training strategies to maintain and improve specialist skills within the department
- Commission the development of Human Resource Management Information System
- Begin to introduce standardised and personalised job descriptions increase role clarity and performance alignment
- Seek to improve incentives for good performance where possible, including building on the conclusions of the ongoing pay/incentives experiment

### **1.1.3 Business Process Re-Engineering**

The Business Process Re-Engineering Review analysed a number of key (government-to-citizen) processes central to the Departments, functions, relating primarily to tax administration objectives but also covering licensing of controlled regulations. It made a variety of recommendations for practical, short-to-medium term improvements to these processes, including:

- Consolidation and computerisation of PT1 records at a central level to support management of UIPT collection
- Use of product identification labels (e.g. bar codes) to track illegal on-sale of alcohol products sold under license
- Policy development supported by computerisation of tax registers to improve professional tax collection
- Change of entertainment duty calculation to average occupancy, including computerisation of NOC process to enable web-based applications
- Issuance of yearly tax stickers and potentially non-transferable number plates to support motor vehicle licensing and fee collection

## **1.2 Appraisal Process**

The appraisal process used to select the proposed priority reforms described in this report has been both systematic and participative, with strong engagement from the Departments.

After the completion of the Functional Review in January 2011, we produced a summary of potential 'Areas for Improvement' (AFIs) based on the FR and recommendations from previous reports. This summary analysed each potential AFI in terms of its likely impact (what benefits would it produce?) and its feasibility (is there sufficient absorptive capacity? could it be completed

within the project timeframe?). These AFIs were discussed informally with the Department at a variety of meetings during February 2011.

Following the completion of the HRM and BPR reports in, this summary was refined into a 'Long-List of Potential Priority Reforms', which also now included BPR and HRM-related recommendations. This long-list again identified benefits, but also raised a wider range of 'issues and requirements'. Again this was discussed with the Department on a number of occasions during March, as well as with PRMP, enabling the proposal of a 'short-list' of interventions, which was formally presented to the Department in early April 2011.

A key decision made during the Inception Phase was to move away from the 'supply-driven' approach to TA traditionally used in Punjab to a more 'demand-driven' approach whereby the priorities of the Departments were more clearly taken into account. We believe the participative appraisal process used has enabled this shift, and is reflected in the priority reforms identified in this plan.

### 1.3 Priority Areas Considered

The 'Priority Reform Long-List' described above enabled us to consider with the Department the following potential interventions:

Table 2 - Summary of Potential Interventions from 'Long-List'

Potential Intervention	Details
<b>HRMIS &amp; HR Function</b>	<ul style="list-style-type: none"> <li>• Making HRMIS fully operational, customisation if required</li> <li>• Conducting analysis on data to inform long term plans</li> <li>• Strengthening HR function to create professional HR capacity</li> </ul>
<b>In-Service Training Strategy</b>	<ul style="list-style-type: none"> <li>• Training Needs Analysis</li> <li>• Development of strategy and policy (incl. costing, rules)</li> <li>• Identification of training providers</li> <li>• Development of business processes for management</li> </ul>
<b>Specialist Career Paths</b>	<ul style="list-style-type: none"> <li>• Development of career paths in taxation or excise skills, plus audit, IT, others</li> <li>• Link with training above</li> <li>• Incentives to reward specialisation and qualifications</li> </ul>
<b>Performance Management &amp; Incentives</b>	<ul style="list-style-type: none"> <li>• Development of key performance indicators and baseline data</li> <li>• Publication of annual/medium term plans and reports</li> <li>• Department and unit-based measurement/targets</li> <li>• Development of JD's and performance target annex to ACR</li> </ul>
<b>Tax Payer Facilitation</b>	<ul style="list-style-type: none"> <li>• Improved web-access, e.g. for NOCs</li> <li>• Professional standards at service centres, possibly through private sector participation</li> </ul>
<b>IT Strategy &amp; Unit</b>	<ul style="list-style-type: none"> <li>• Development of IT strategy for the department</li> <li>• Creation of specialist IT operations department for maintenance, etc</li> </ul>
<b>UIPT Database Computerisation</b>	<ul style="list-style-type: none"> <li>• Computerisation of PT-1 database to enable efficiency savings and improved analysis and policy</li> </ul>
<b>Excise – Improved Policing &amp; Prevention</b>	<ul style="list-style-type: none"> <li>• Use of ID cards &amp; NADRA database to detect suspicious consumption patterns/limit household purchases</li> <li>• Use of product bar codes to enable traceability once discovered on black market</li> </ul>
<b>Professional Tax Reform</b>	<ul style="list-style-type: none"> <li>• Development of legal/regulatory basis for taxation, incl. rationalisation of tax levels</li> <li>• Computerisation of Demand Register</li> </ul>

	<ul style="list-style-type: none"> <li>• Creation of database of taxpayers</li> <li>• Formal survey process and/or use of deductions</li> <li>• Improved awareness and incentives for voluntary compliance</li> </ul>
<b>Entertainment Duty</b>	<ul style="list-style-type: none"> <li>• Duty based on average occupancy rather than actual participation</li> <li>• Clarification and simplification of NOC process</li> </ul>
<b>Motor Vehicle Processes</b>	<ul style="list-style-type: none"> <li>• Continued modernisation, through:                     <ul style="list-style-type: none"> <li>○ Automatic issuance of default notice</li> <li>○ Web-based access to registration authorities</li> <li>○ Yearly payment stickers for token tax</li> <li>○ Options re. non-transferable plates</li> </ul> </li> </ul>
<b>Motor Vehicle Executive Agency</b>	<ul style="list-style-type: none"> <li>• Creation of an executive agency with human resource and financial autonomy</li> <li>• Funded by mechanism that allows retention of some revenue according to formula</li> <li>• Could take on responsibility for currently absent emissions control and road safety testing</li> <li>• Reporting to Board with mixed tax, transport and home/law representation</li> </ul>
<b>Independent Tax Appeals Mechanism</b>	<ul style="list-style-type: none"> <li>• Creation of independent tax appeals authority; or use of existing independent appeals mechanism</li> <li>• Awareness raising of taxpayer rights and obligations</li> </ul>
<b>Tax Policy Unit</b>	<ul style="list-style-type: none"> <li>• Creation of unit to analyse revenue and recommend policy changes (within overarching policy framework set by FD)</li> </ul>
<b>Assessment of Semi-Autonomous Revenue Agency Proposal</b>	<ul style="list-style-type: none"> <li>• Assessment of potential for a semi-autonomous GoPb revenue authority</li> <li>• Detailed analysis presenting costs, timeframes, sequence, key steps, legislative impediments, management challenges, risks</li> </ul>

## 2. Priorities Areas & Rationale

### 2.1 Priority Areas

The reforms we propose to support are intended to be practical and achievable within the lifetime of the project. PRMP and other stakeholders are keen on ‘visible’ changes to ensure support for the concept of reform is maintained, although we also suggest it would be wise to consider the proposed interventions as short term activities in support of what should be medium-to-long term objectives.

In total, technical assistance will be provided in support of 5 work-streams as shown in Table 3<sup>3</sup>:

Table 3 - Priority Reform Areas

Component	Objectives
<b>Human Resource Management</b>	<ul style="list-style-type: none"> <li>• Establishment of dedicated HRM Units</li> <li>• Development of functional HRMIS with requisite analytical capacity</li> <li>• Execution of Training Needs Analysis</li> </ul>

<sup>3</sup> Our presentation to E&TD initially proposed 6 work-streams; following a request during the meeting this increased to 7; we subsequently merged all three HRM-related work-streams into a single integrated work-stream to better reflect the interdependence of these activities

	<ul style="list-style-type: none"> <li>• Development of a comprehensive Training Strategy (covering both pre- and in-service training)</li> </ul>
<b>Performance Management</b>	<ul style="list-style-type: none"> <li>• Development of generic and personal Job Descriptions to act as foundation for performance management</li> <li>• Development of Action Plan for moving to performance management, in liaison with Performance Incentives Project</li> </ul>
<b>Functional Reform</b>	<ul style="list-style-type: none"> <li>• IT Strategy and IT management function</li> <li>• Development of tax appeals/dispute mechanism at Provincial Level</li> </ul>
<b>Business Process Reengineering</b>	<ul style="list-style-type: none"> <li>• Support to automation of selected key business processes (UIPT and Professional Tax)</li> </ul>

The project therefore addresses a lack of modernisation, both in respect of the use of IT and HRM practices. It encompasses some aspects of policy/legislative reform (with regards to professional tax), and aims to increase accountability. However, ultimately all of these activities have shared common objectives:

- To increase the efficiency of operations and therefore enable more effective tax collection (i.e. improving the revenue-to-cost of collection ratio)
- To improve the experience of tax paying by the citizen (in terms of ease of payment, clarity and means of grievance redress)

On face value, the prospect of all of these activities being completed by the end of the project in May 2012 (just over a year from the date of this report) is a credible one. However, the history of reform implementation in GoPb and the weak absorptive capacity of the Departments suggests that some of these activities may need to be supported beyond the life of the project to enable full benefit realisation. In any case, all of these activities will need strong counterpart support and clear leadership from Departmental senior staff if they are to be implemented effectively.

## 2.2 Rationale

As discussed above, a number of criteria were considered in the appraisal of potential interventions, primarily relating to impact and feasibility. Within these broad areas we considered, in partnership with the departments, for each potential intervention:

- Could substantial or complete and sustainable progress be made by May 31 2012?
- Would the improvement ultimately result in improved service delivery or achievement of GoPb policy?
- Would the consultants have sufficient resource to provide effective support?
- Is there a clear case for consultant support, or is it already within the department's competence to proceed to implementation?
- Is there likely to be resistance to the reform that the department would be unable to overcome?
- Is the logic underpinning the intervention clear, persuasive and supported by the Department?
- Is the intervention sufficiently practical and straightforward, given departmental capacity constraints?
- Does the intervention require additional financial resources that it would be difficult for the Department's to secure?
- Does the intervention require something to be achieved first (a 'condition precedent') that seems particularly unlikely for any reason?

We also considered criteria for the whole 'portfolio' of work-streams:

- Are there enough 'visible' outputs or results within the lifetime of the project?
- Is there a mix of HR and/or BPR initiatives?

- Is the number of work-streams manageable overall, or would consultant resources be spread too thin?

This led to the following key judgements of those interventions that are not proposed for consulting support at this point:

- The development of **specialist career paths** (e.g. in audit, IT, or specific taxes) would likely also require the restructuring of the department
- An experiment with **results-oriented incentives** is already ongoing with support from academics at Harvard and LUMS
- Significantly improved **tax-payer facilitation** (especially through internet-enabled payment mechanisms) firstly requires back-office automation (e.g. of the PT1 database), which in turn requires an comprehensive IT strategy and internal IT management capacity
- Improved **excise policing and prevention** (especially in relation to alcohol products) would require clear policy guidelines in terms of whether the objective is to increase revenue, or reduce black market trading
- Improvements to **entertainment duty** collection are already within the competence of the Department and arguably do not need consultant support for implementation
- Improvements to **motor vehicle processes** (especially through IT) are already under implementation through the MTMIS initiative
- The establishment of a **motor vehicles executive agency** would likely require consultant support well beyond the life of the project, and has no evident political support at this point
- The establishment of a **Tax Policy Unit** is already planned, to be housed in FD with wings in both E&TD and BoR
- The proposal for a **semi-autonomous revenue agency** has already been made by HLGR, and would only justify further investigation once political endorsement of the concept is evident



**Section 2: Work-Stream Descriptions**



### **3. Work-Stream 1 - Human Resource Management**

#### **3.1 Objective/Purpose**

The aims of this work-stream are three-fold:

- To establish a dedicated Human Resource Management Unit within the Department to oversee HR policy, processes and systems
- To develop a relevant and effective Training and Capacity Building Strategy designed to improve the managerial, professional and technical capability of the E&TD workforce
- To select and implement the most effective HRMIS solution, whether by continuing with the present initiative, or by selecting a commercial, off-the-shelf HRMIS product, to enable the Department to manage, develop and deploy its workforce to maximum effect.

Progress in this work-stream could be measured by:

- An effective HRM unit is established, and given the requisite training support
- Professional HR training programme in place and started
- Fully functional HRMIS installed and HR section staff trained to use it

#### **3.2 Outputs**

Key outputs will include:

- Concept Note, Job Descriptions and Organogram for establishment of HR Unit
- Training and Capacity Building Strategy Statement accepted by E&TD
- HRMIS installed and operational

#### **3.3 Timeframe & Sequence**

Figure 1 below provides an indication of the activities and sequencing for this work stream.

Figure 1 - HR Training Strategy Implementation Schedule

Excise & Taxation Department		2011								2012				
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Human Resource Management</b>														
<u>Establishment of HR Unit</u>														
a	Draft concept paper; scope, structure, staffing, training													
b	Gain agreement for concept													
c	Prepare outline JDs & Person Specs for HR posts													
d	Identify potential HR staff and involve in JD & TNA processes													
e	Assist Depts to gain approval from S&GAD, etc													
f	Assist formal selection of candidates for HR posts													
g	Initial briefing / training of senior HRM jobholders													
h	Establish long-term training plan for HRM posts													
i	Provide mentoring & guidance (subject to available time)													
<u>Training &amp; Capacity Building Strategy</u>														
a	Review current induction & training activities													
b	Develop & agree organisational TNA process													
c	Train selected line managers in TNA process													
d	Line managers carry out TNA													
e	Report back and consolidation of training needs													
f	Analysis to identify key training interventions required													
g	Identify potential training suppliers (internal & external)													
h	Develop cost estimates for best options													
i	Develop Policy / Strategy statement for Dept. training													
j	Prepare & submit suggested training strategy statement													
<u>Support to HRMIS</u>														
a	Review current status of HRMIS w Dept and PITB													
b	Prepare and justify recommendation for best way forward													
c	Gain agreement with relevant authority in both Depts													
d	Assist contractual arrangements with PITB													
e	Assist devt of User Spec* & Data Dictionaries for both Depts													
f	Assist establishment of data validation & cleaning protocol													
g	Monitor progress of customisation by PITB													
h	Monitor adjustment of databases by PITB to link with HRMIS													
i	Assist set-up of training arrangements for HRMIS users													
j	Trail run & commissioning of HRMIS in one or both Depts													

### 3.4 Conditions Precedent

For the project to begin and/or have effect, the following ‘conditions precedent’ will need to be met by the Department or by PRMP as appropriate:

- The Department must be committed to the implementation of a HRMIS; and PITB must be committed to providing and maintaining the technical solution
- There must also be a firm commitment to establishing a permanent HRM Unit, without which no HRM reforms will be sustainable

### 3.5 Resources

#### 3.5.1 Consultants

This work-stream will be led by an International HR Expert, supported by a National HR Expert. The National Consultant will be available on a time-share basis throughout the project, while the International Consultant will be available, also on a time-share basis, during the periods shown on the chart below. Occasional inputs from other members of the CSR team will be available as / when required

Estimated input days are as indicated in Figure 2:

Figure 2 - Human Resource Management Input Schedule

Name of Expert/Position	International or National	Home/Field	Professional Expert Input												Days					
			2011						2012											
			Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		Apr	May	Total		
HR Specialist Alan Gilmour	International	Home Field		11.0					11.0	11.0					11.0	11.0		11.0	11.0	77.0
HR Specialist Nofel Daud	National	Home Field		11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	143.0
IT Systems & Strategy Advisor Name	National	Home Field						10.0												10.0
E&TD Coordinator Abdul Mueed Khan	National	Home Field		13.0	13.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	116.0

### 3.5.2 Department Staff

It is essential that the Department commits to establishing and staffing a permanent HRM/Training Section to manage the JD process and training activities according to the strategy, to monitor progress and evaluate the effectiveness of training. By the end of the project, this unit should be sufficiently experienced and resourced to be able to continue implementation of the JD process and training strategy with minimal external support. Further enhancement of the HR function would require a core group of this Section to undergo longer term (6 – 12 months) professional HR training, probably in Australia or UK.

In addition, it is likely that selected Department officers or staff with technical expertise in relevant subjects may be nominated as tutors to deliver short training or refresher events from time to time.

Management and upkeep of the HRMIS should be the responsibility of a small team of HR Section Key Users, not IT specialists (whose role should be to deal with technical bugs and other software problems).

### 3.5.3 Other

In addition to the in-house tutors, it is likely that external experts or training suppliers outside the department will be needed to deliver the full range of training interventions required. In some cases, dependent on the volume of work involved, the Department may wish to recruit certain suppliers on a time-limited contract basis. While some of the training activity will be handled in-house at minimal additional cost, full implementation of the strategy will require the use of external resources which will need significant financial support. However one of the aims of the work-stream is to prepare cost estimates to build a sound business case for this additional funding.

## 3.6 Risks

The following risks to effective implementation are relevant:

- Department may not be willing or able to set up and staff the HR & Training Coordination Section
- Funding for implementation of Training Strategy or HRMIS may not forthcoming from central GoPb or donor sources
- PITB may not be able to provide appropriate technical support

## 4. Work-Stream 2 - Performance Management

### 4.1 Objective/Purpose

- To create a body of up-to-date “super JDs”; *ie.* Job Descriptions with Key Result Areas which will provide an introduction to the concept of managing performance
- To support moves within the Department to increase the performance orientation of the Department, including through the development of an action plan in liaison with the Performance Incentives Pilot

### 4.2 Outputs

Key outputs will include:

- Written and signed Job Descriptions for all officer posts and all technical / clerical / semi-skilled posts from BS5 and above
- Performance Management action plan, based on the platforms approach
- Support to the development of performance reporting (e.g. annual reports)

### 4.3 Timeframe & Sequence

Project activities are scheduled as indicated in Figure 3:

Figure 3 - Performance Management Implementation Schedule

Excise & Taxation Department		2011								2012				
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Performance Management</b>														
<u>Performance Management Action Plan</u>														
a	Liaison with RBM Unit													
b	Development of high level sequencing (platforms)													
c	Workshop to agree platforms													
d	Assessment of monitoring capacity and systems													
e	Draft apportionment of performance targets to unit level													
f	Draft performance management action plan													
g	Final performance management action plan													
h	Formats for annual report													
i	Coaching and support at unit level													
j	Support to development of annual report													
<u>Job Descriptions</u>														
a	Select and agree sample of 2 or 3 key job types													
b	Interview selected jobholders & draft generic JDs													
c	Present to L&DD for approval to proceed													
d	Discuss & agree Department counterpart resources													
e	Select and train JD Core Team members													
f	Agree list of Generic jobs in L&DD													
g	Core Team write generic JDs													
h	Review draft generic JDs, finalise and publish													
i	Train Line Managers to prepare personal JDs													
j	Monitor progress and support as necessary													

### 4.4 Conditions Precedent

For the project to begin and/or have effect, the following ‘conditions precedent’ will need to be met by the Department or by PRMP as appropriate:

- The Department must be committed to making counterpart staff available for writing generic JDs
- The team must be able to liaise effectively with the Performance Incentives Project



## 5. Work-Stream 3 - Functional Reform

### 5.1 Objective/Purpose

To support implementation of key selected reforms identified by the Department following the earlier Functional Review, in particular to enable the Department to achieve its goals of greater modernisation and a more citizen-focussed approach. Two main functions will form the focus:

- Strengthening of the IT function, through an IT strategy and accompanying capacity building
- Strengthening of the tax appeals/dispute management function

### 5.2 Outputs

Key outputs will include:

- Medium Term IT Strategy
- Concept Note for IT Management Unit
- Project documentation for priority IT projects
- Procedures and guidance notes for IT project management & maintenance
- Situational analysis of current provincial level tax appeals/disputes system (including legal assessment)
- Options Paper for the development of an appropriate independent tax appeals/disputes mechanism

### 5.3 Timeframe & Sequence

Project activities are scheduled as indicated in Figure 3:

Figure 5 - Functional Reform Implementation Schedule

Excise & Taxation Department	2011								2012				
	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Functional Reform</b>													
<i>IT Strategy &amp; Management Function</i>													
a Review of existing IT initiatives and capacity													
b Development of strategy													
c Drafting of key project documentation													
d Development of IT management procedures, guidance													
e Training on IT management & maintenance													
<i>Tax Appeals/Grievance Function</i>													
a Situation Analysis & Feasibility Study													
b Legal & Regulatory Review													
c Options Analysis & Recommendations													
d Support to Implementation													

### 5.4 Conditions Precedent

For the project to begin and/or have effect, the following 'conditions precedent' will need to be met by the Department or by PRMP as appropriate:

- Commitment from the Department to form an IT Management/Maintenance Unit, including to recruit appropriately skilled staff

### 5.5 Resources

#### 5.5.1 Consultants

The assignment will be coordinated by the E&TD Coordinator, with support from international and national consultants, as illustrated in Figure 4.

Figure 6 - Functional Reform Input Schedule

Name of Expert/Position	International or National	Home/Field	Professional Expert Input														Days
			2011							2012							
			Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	
E&TD Coordinator Abdul Mueed Khan	National	Home Field		4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	63.0
Tax Administration Expert Name	International	Home Field							5.0	10.0		10.0	5.0	5.0	15.0		50.0
Legal Expert Ali Murtaza	National	Home Field				10.0	5.0										15.0
IT Systems & Strategy Advisor Name	National	Home Field					2.0	2.0	22.0	2.0	12.0	2.0	2.0	12.0	17.0	17.0	90.0

It is critical that the Department commit to establishing a permanent IT Management/Maintenance Unit, staffed with appropriately qualified IT experts. The staff may need to be recruited on a contract basis initially. By the end of the project, this unit should be sufficiently qualified and resourced to be able to continue implementation of the IT strategy without external support.

### 5.5.2 Other Resources

Implementation of the strategy clearly would require significant financial support, but one of the aims of the work-stream is to develop effective business cases for this additional funding.

### 5.6 Risks

The following risks to effective implementation are relevant:

- The Department is not willing or able to resource an effective IT Management/Maintenance Unit
- Funding for implementation is not forthcoming
- Process changes in tax administration are not approved, significantly limiting the impact of IT system improvements

## 6. Work-Stream 4 - Business Process Reengineering

### 6.1 Objective/Purpose

- To enable the Department to carry out reengineering of key business processes by overseeing reform efforts, utilising IT where appropriate, in selected key priority areas:
  - UIPT assessment and collection, and
  - Professional tax assessment and collection

### 6.2 Outputs

Key outputs will include:

- **UIPT:**
  - Development of project documentation
  - System specification
  - Software development & testing
  - Development of procedures and associated recommendations for management
  - Input in initial analysis of data and scenario analysis
  - System operational in pilot ta circles
- **Professional Tax**
  - Creation of simplified regulatory and legislative scheme for imposition of professional tax
  - Development of project documentation
  - IT support to system procurement, commissioning and testing
  - Development of procedures and associated recommendations for management

### 6.3 Timeframe & Sequence

Project activities are scheduled as indicated in Figure 3:

Figure 7 - Business Process Reengineering Implementation Schedule

Excise & Taxation Department		2011							2012					
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>Business Process Reengineering</b>														
<u>UIPT Business Process</u>														
a	Concept Note for Departmental approval/sensitisation													
b	Business case, system specification & user requirements													
c	Development of PC1 for financial approval													
d	Data migration plan													
e	Procurement plan													
f	Support to procurement (hardware and software)													
g	Revised procedures and system maintenance guidelines													
h	Support to data migration													
i	System testing													
j	Initial analysis of data for scenario planning													
<u>Professional Tax Business Process</u>														
a	Policy Review: revenue potential, costs of collection, skills													
b	Assessment of sales tax on services vs professional tax													
c	Legal framework revision													
d	IT Business case, system specification & user requirements													
e	Development of PC1 for financial approval													
f	Procurement plan													
g	Support to procurement (hardware and software)													
h	Revised procedures and system maintenance guidelines													



## 6.4 Conditions Precedent

For the project to begin and/or have effect, the following 'conditions precedent' will need to be met by the Department or by PRMP as appropriate:

- E&TD will need to secure funding for the procurement of software and hardware as appropriate
- It will need to be clearly established at the outset that the potential benefits of professional tax reform will outweigh the costs of such reform

## 6.5 Resources

### 6.5.1 Consultants

The assignment will be coordinated by the BPR Expert supported by national consultants, as illustrated in Figure 4.

Figure 8 - Business Process Reengineering Input Schedule

Name of Expert/Position	International or National	Home/Field	Professional Expert Input													Days Total		
			2011										2012					
			Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr		May	
BPR Expert Hasaan Khawar	National	Home Field		11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	143.0
Tax Administration Expert Name	International	Home Field						15.0	5.0		10.0		10.0			9.0	49.0	
Senior IT Developer Name	National	Home Field				22.0	22.0	22.0	22.0	22.0								110.0
Junior IT Developer Name	National	Home Field				22.0	22.0	22.0	22.0	22.0								110.0
Junior IT Developer Name	National	Home Field				22.0	22.0	22.0	22.0	22.0								110.0

### 6.5.2 Department Staff

Excise and Taxation Department has not only to agree to counterpart teams but also to commit to specialized and technical staff in terms of establishing IT management/maintenance unit in order to create management capacity within the department. The counterpart teams may need to become full-time specialist units in order to fully realise the benefits of proposed BPR reforms.

### 6.5.3 Other

Automation of UIPT/Property Tax databases would require significant financial resources, adequate political will and effective change management and communication strategies.

## 6.6 Risks

The following risks to effective implementation are relevant:

- Financial constraints of the provincial government may not allow procurement of software and/or hardware
- There could be associated regulatory risks since consolidation and automation may require changes in legislation/rules
- This work stream may encounter operational risks due to weak capacity within the departments and the difficulties associated with recruiting required staff in public sector
- Process changes in tax administration may not be approved, significantly limiting the impact of automation and consolidation

**Section 3: Project Management & Monitoring**

## 7. Resources

Proposed use of project resources (consultant inputs) is displayed in the Activity Schedule below. This Schedule is organised on the basis of work-stream, so consultants working in more than one work-stream may appear twice.

The majority of consultant skills required are already available in the project. However, some are not and these individuals will need to be recruited, with the support and approval of PRMP and E&TD. In particular this includes:

- **An International Tax and IT Expert** – though it may be necessary for two experts to be recruited for this role, one specialising in IT project management, the other in tax administration
- **A National IT Systems Expert** – with good technical knowledge of software and hardware, but also sufficient business analysis skills to be able to produce user requirements and system specifications for procurement



## 8. Work-Plan

This Work-Plan shows the consolidated implementation schedule for the project. Light grey shading indicates ‘activities’; dark grey shading indicates intended ‘outputs’.

Figure 10 - E&TD Consolidated Implementation Schedule

Excise & Taxation Department		2011								2012				
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>I</b>	<b>Human Resource Management</b>													
	<u>Establishment of HR Unit</u>													
	a Draft concept paper; scope, structure, staffing, training													
	b Gain agreement for concept													
	c Prepare outline JDs & Person Specs for HR posts													
	d Identify potential HR staff and involve in JD & TNA processes													
	e Assist Depts to gain approval from S&GAD, etc													
	f Assist formal selection of candidates for HR posts													
	g Initial briefing / training of senior HRM jobholders													
	h Establish long-term training plan for HRM posts													
	i Provide mentoring & guidance (subject to available time)													
	<u>Training &amp; Capacity Building Strategy</u>													
	a Review current induction & training activities													
	b Develop & agree organisational TNA process													
	c Train selected line managers in TNA process													
	d Line managers carry out TNA													
	e Report back and consolidation of training needs													
	f Analysis to identify key training interventions required													
	g Identify potential training suppliers (internal & external)													
	h Develop cost estimates for best options													
	i Develop Policy / Strategy statement for Dept. training													
	j Prepare & submit suggested training strategy statement													
	<u>Support to HRMIS</u>													
	a Review current status of HRMIS w Dept and PITB													
	b Prepare and justify recommendation for best way forward													
	c Gain agreement with relevant authority in both Depts													
	d Assist contractual arrangements with PITB													
	e Assist devt of User Spec* & Data Dictionaries for both Depts													
	f Assist establishment of data validation & cleaning protocol													
	g Monitor progress of customisation by PITB													
	h Monitor adjustment of databases by PITB to link with HRMIS													
	i Assist set-up of training arrangements for HRMIS users													
	j Trail run & commissioning of HRMIS in one or both Depts													

Excise & Taxation Department		2011								2012				
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>II</b>	<b>Performance Management</b>													
	<i>Performance Management Action Plan</i>													
a	Liaison with RBM Unit													
b	Development of high level sequencing (platforms)													
c	Workshop to agree platforms													
d	Assessment of monitoring capacity and systems													
e	Draft apportionment of performance targets to unit level													
f	Draft performance management action plan													
g	Final performance management action plan													
h	Formats for annual report													
i	Coaching and support at unit level													
j	Support to development of annual report													
	<i>Job Descriptions</i>													
a	Select and agree sample of 2 or 3 key job types													
b	Interview selected jobholders & draft generic JDs													
c	Present to L&DD for approval to proceed													
d	Discuss & agree Department counterpart resources													
e	Select and train JD Core Team members													
f	Agree list of Generic jobs in L&DD													
g	Core Team write generic JDs													
h	Review draft generic JDs, finalise and publish													
i	Train Line Managers to prepare personal JDs													
j	Monitor progress and support as necessary													

Excise & Taxation Department		2011								2012				
		May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
<b>III</b>	<b>Functional Reform</b>													
	<u>IT Strategy &amp; Management Function</u>													
	a Review of existing IT initiatives and capacity													
	b Development of strategy													
	c Drafting of key project documentation													
	d Development of IT management procedures, guidance													
	e Training on IT management & maintenance													
	<u>Tax Appeals/Grievance Function</u>													
	a Situation Analysis & Feasibility Study													
	b Legal & Regulatory Review													
	c Options Analysis & Recommendations													
	d Support to Implementation													
<b>IV</b>	<b>Business Process Reengineering</b>													
	<u>UIPT Business Process</u>													
	a Concept Note for Departmental approval/sensitisation													
	b Business case, system specification & user requirements													
	c Development of Project Documentation													
	d Data migration plan													
	e Software development plan													
	f Software development & testing													
	g Revised procedures and system maintenance guidelines													
	h Support to data migration													
	i System testing													
	j Initial analysis of data for scenario planning													
	<u>Professional Tax Business Process</u>													
	a Policy Review: revenue potential, costs of collection, skills													
	b Assessment of sales tax on services vs professional tax													
	c Legal framework revision													
	d IT Business case, system specification & user requirements													
	e Development of Project Documentation													
	f Procurement plan													
	g Support to procurement (hardware and software)													
	h Revised procedures and system maintenance guidelines													

## 9. Change Management & Communications

The original Project ToRs strongly emphasised the importance of change management and communications in reform efforts. And we produced generic ‘change management’ and ‘communications’ reports at an early stage to signpost key principles in these domains.

The objectives of communications and change management efforts should be to:

- Build acceptance and ownership of the proposed new ways of working across the concerned Departmental organisation and subordinate units
- Build commitment to new structures, systems and processes
- Sell the benefits of these new structures, systems and processes both internally and externally to customers and other stakeholders
- Manage user and customer expectations and information needs

Overall, experience internationally and in Pakistan shows that adherence to basic change management principles and effective use of communications strongly improves the chances of reform success.

However, it is important that change management and communications efforts are not treated as isolated, stand-alone activities. Efforts to pro-actively ‘manage change’ and communicate benefits/intentions should be part and parcel of everyday reform implementation.

For this reason we have not identified change management or communications as warranting a distinct work-stream: consultants and counterparts will be required to consider the wider impacts, challenges and concerns that change creates on a daily basis.

That said, some practical recommendations (for consultants, but particular for departmental managers, who are ultimately responsible for leading change) are suggested here:

- Senior Management must communicate to staff and stakeholders consistently, frequently, and through multiple channels, including speaking, writing (memos and perhaps a newsletter about the reforms)) and training to explain and set out the benefits of the proposed changes
- It is important to communicate all that is known about the changes, as quickly as the information is available. It may be a naturally cautious approach to keep plans confidential but withholding all communication until no problems remain can be disastrous in effective change management, because staff will fear that plans are being made without consultation
- Management should try to provide time for people to ask questions, request clarification, and provide input. Changes should not normally be presented as a *fait accompli*. True communication is a “conversation” – management should recognise and be seen to recognise that staff input is valuable
- Departments should nominate counterparts for the consultants who are not simply technically able, but who can also act as change leaders or sponsors who will need to spend time conversing one-on-one or in small groups with the people who are expected to make the changes. They should be prepared to notify the consultants of any concerns, resistance, or other impediments as soon as these may become apparent
- Answers to questions should only be provided if the answer is known. Leaders destroy their credibility when they provide incorrect information or appear to stumble or back-peddle, when providing an answer. It is much better to offer to get back to the questioner and ensure that this happens.
- Management should give thought to how rewards and recognition for positive approaches and accomplishments in the changes and change management might provide momentum. It would be helpful to celebrate each small win publicly with praise for those who made it happen.



## 10. Risks

The following specific risks have been identified, which may challenge effective implementation of the reforms envisaged. Potential mitigation strategies and are also proposed.

Table 4 - Risk Matrix

Identified Risk	Type	Response/Treatment
<b>Human Resource Management</b>		
Funding for implementation of HRMIS may not be forthcoming from central GoPb or donor sources	Funding	<b>Mitigate:</b> Use PITB and open source software (OrangeHRM) in order to reduce financial requirement
Reduced impact if not accompanied by reforms to career paths, compensation and incentives	Legal Funding Ownership / commitment	<b>Mitigate:</b> Provide ongoing ad-hoc advice re. HR policy to support ongoing initiatives (e.g. cadre reform) <b>Accept:</b> GoPb needs to implement CSR Policy for major improvements to be possible
Department may not be willing or able to resource implementation of effective training strategy	Ownership / commitment Capacity constraints	<b>Accept:</b> Consultants to support drafting of PC1s, but ultimately this is a GoPb decision
Department not ready to part with the staff for induction and periodic training programmes	Ownership / commitment	<b>Mitigate:</b> Agreement in advance from Secretary and DGs to make staff available for training
<b>Performance Management</b>		
Department lacks commitment to performance management reforms in absence of strong leadership from Office of CS or political executive	Ownership / commitment	<b>Accept:</b> PRMP to advise on engagement with senior level decision makers <b>Mitigate:</b> Liaise with RBM Unit and Performance Incentives Project to build momentum
<b>Functional Reform</b>		
Department is not willing or able to resource an effective IT Strategy/Support Unit	Resources and funding	<b>Mitigate:</b> Inform Department of specifications and resources required, including through formal communication from PRMP if required <b>Accept:</b> Ultimately this is a GoPb decision
Funding for IT Strategy implementation is not forthcoming	Funding	<b>Accept:</b> Consultants to support drafting of PC1s, but ultimately this is a GoPb decision.

Identified Risk	Type	Response/Treatment
The viability of Tax Appeals and Dispute Resolution Mechanism is yet to be proven	Legal / Regulatory Capacity constraints	<b>Mitigate:</b> Consultants will conduct feasibility study
This task would require comprehensive legal and regulatory changes that often require time; therefore, the implementation of the exercise may go beyond May 2012	Legal / Regulatory	<b>Accept:</b> Dependent on legal review and implications of 18 <sup>th</sup> Amendment <b>Mitigate:</b> Provide expert legal and regulatory advice to ensure full understanding of issues
E&TD might face fiscal constraints since the provincial government is working in such an environment	Funding	<b>Accept:</b> Consultants to support drafting of PC1s, but ultimately this is a GoPb decision
Commitment within the department for change has to be assessed	Ownership / Commitment	<b>Mitigate:</b> Both DG and Secretary required to approve plans; also consultants will work to keep other senior staff on board
<b>Business Process Reengineering</b>		
Financial constraints of the provincial government may not allow this automation to proceed	Funding	<b>Accept:</b> Consultants to support drafting of PC1s, but ultimately this is a GoPb decision.
There could be associated regulatory risks since consolidation and automation may require changes in legislation/rules	Legal - Approval	<b>Mitigate:</b> Provide legal opinion on changes required
Staff capacity is limited and recruitment of staff (e.g. for management of database) may take time	Capacity constraints Regulations	<b>Mitigate:</b> Staff resources to be identified clearly and early; including to take advantage of additional posts recently approved
Commitment within the department for change has to be assessed	Ownership / Commitment	<b>Mitigate:</b> Both DG and Secretary required to approve this plan; also consultants will work to keep other senior staff on board
Process changes in tax administration may not be approved, significantly limiting the impact of automation and consolidation	Approval	<b>Mitigate:</b> Initial Concept Note to clearly highlight process changes required and the potential impact of these. Consultations to be held on the basis of this Note.



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