

**GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
(SEMP)

C.No. 1(2)Member FBR(HQ)/2014

Islamabad, the 22nd July, 2014

Mr. Sohail Muzzafar,
Chairman,
Transparency International - Pakistan

Subject: OBJECTIONS ON FBR TENDER FOR MONITORING OF
MANUFACTURING INDUSTRIES, AN EYE WASH, AN NOT A
SERIOUS EFFORT TO COLLECT RS. 2,000 BILLION TAX
EVASION.

Your letter of 17th July 2014 has been examined. FBR finds the complaint to not contain any actual objection to FBR's procurement process related to monitoring of production in factories.

2. The letter mostly states opinions of the complainant. It does not contain any transparency- related objection. Objection (2) actually states alternate ways to monitor production, and contains no objection on what is wrong with FBR's procurement process. Similarly objection (3) is not an "objection" per se, but promotes that FBR should use a monitoring system that not only counts production but should also trace production (once production leaves that factory premises). This (tracking feature) is beyond the scope of FBR's present procurement as FBR is now only asking for a system that counts production. Therefore in effect the complaint is promoting a particular solution, whereas solutions are to be considered in the procurement process itself. The complaint therefore appears trying to bypass the procurement process.

3. The complaint seems self contradictory in that first it states that no such monitoring system exists and then suggests that FBR should have a larger system (that includes post-production tracking too!). Objection (4) is incorrect. FBR has not abandoned monitoring in cigarette industry as this continues to form part of present procurement process. Objection (5) and (6) are apprehensions that industry/ chambers of commerce will oppose this production-monitoring. This is not a transparency objection at FBR's procurement process, but is a fear of the complainant, and contains no suggestion for mitigation.

4. Objection (7) is again no actual objection on the procurement process but proposes an alternate funding mechanism for the project, and carries no data why such financing mechanism be preferred. The proposal puts the burden on factories to foot the expense of affixing monitoring stamps on products. Such proposal is not a transparency issue, but is an alternate finance strategy (and the USA has studies showing such strategy to be burdensome for industry/ consumers). Objection (8) contains wrong and unsubstantiated allegation (e.g. the exercise is being taken to allow the corrupt mafia....)

5. It appears that the complainant has not examined the Bid Documents in detail, and may have jumped to conclusions. The TI may like to keep in mind the following salient features of the present FBR process.

- a) The monitoring of cigarettes industry is not abandoned, but continues to form part of present process. Bid Documents clearly list the 05 sectors to be monitored, which are beverages, aerated waters, cement, cigarettes, fertilizer and sugar.
- b) Bid Documents explain this as a two (2) stages process, where only 1st stage Technical Bids are called initially. Once those are examined, FBR will convey any changes in Technical requirements to qualifying bidders. This method ensures that optimum monitoring solutions are used as

technical/ functional specifications. This method is not in violation of Rule 36 (c) or PPRA Rules, 2004 and is superior to simply using a solution proposed by complainant (as that could favour specific solution – providers). FBR is confident that TI will agree in this.

- c) Firm's qualification criteria has been given in Bid Documents to ensure that such firms come forward that have past experience of monitoring factory production; and that the size of their past experience is adequate enough to allow them to undertake work of the size that FBR is asking— which is, to monitor about 150 taxpayers covering 05-industry sectors, and where most factories will contain several assembly lines. (e.g. beverage plants usually contains over 08 assembly lines per plant, while sugar and cigarette too mostly use 04 to 06 assembly lines per plant). Simple multiplication will show that the job entails simultaneous monitoring of assembly lines in proximately of one thousand, so for a firm to have experience of monitoring 50 assembly lines is only a least experience that can be expected to monitor 1,000 assembly lines.

6. FBR does not find any actual incident of transparency-compromisal in the present complaint, and looks forward to suggestions that TI may like to give on ensuring transparency


(Nadeem Dar)
Project Director (SEMP)

Copy for information to:-

- (i) Secretary to the Prime Minister, for information of the Prime Minister, Islamabad.
- (ii) Chairman, NAB, Islamabad.
- (iii) Minister for Finance, Islamabad.
- (iv) The Federal Tax Ombudsman, Islamabad.
- (v) Registrar, Supreme Court of Pakistan.