



Year Book

2013–2014

Government of Pakistan
Finance Division
Islamabad
www.finance.gov.pk

Finance Minister



Mohammad Ishaq Dar
Minister for Finance
Revenue, Economic Affairs, Statistics
and Privatization

FOREWORD

I appreciate that the Finance Division has prepared a Year Book that elaborated its work performance, achievements and progress made during the Financial Year 2013-14.

Since the PML (N) government came into power in June 2013, Pakistan has undergone a remarkable economic recovery over a short period of time, which is widely acknowledged by independent analysts, particularly international financial institutions. The key achievements in a short period include impressive economic growth. GDP growth which had averaged around 2.9% in the five years before our government, grew at 4.1% during 2013-14, compared to 3.7% in 2012-13. This is the highest growth in the last six years.

Similarly per capita income which stood at US\$ 1340 in 2012-13 increased to US\$ 1386, showing a growth of 3.5%. Inflation which had averaged around 12% in the five years before our government was recorded at 8.6% for 2013-14, despite undertaking significant fiscal adjustments and enhanced tax efforts; CPI was recorded at 4.3% in December 2014, the lowest level in last 11 years. It has further plunged to 3.9% in January, 2015. FBR revenues which had registered one of the poorest performances in the recent past registering a meager 3% growth in 2012-13, were up by 16.44% in 2013-14.

Appreciating our efforts for strengthening the national economy, international think tanks and research groups have recognized Pakistan's impressive economic turnaround during the present government regime. Japan External Trade Organization (JETRO) declared Pakistan as likely to be the 2nd choicest place for Foreign Direct Investment; Goldman Sachs forecast that Pakistan which is currently at 44th position as a global economy would become world's 18th largest economy by 2050; Overseas Investors Chamber of Commerce & Industry (OICCI) raised Pakistan's index from negative 34 to positive 2; Moody's raised our economic outlook from negative to positive; in Nielsen's Global Survey of Consumer Confidence, Pakistan's index rose to 99 in the 1st Quarter of 2014 from the lowest level of 86 in the 3rd Quarter of 2011 and Morgan Stanley has recently declared that rise of Pakistan is just a matter of time I am sure that this economic recovery will allow Pakistan to play a major role in the region beside positively impacting lives of Millions of Pakistanis.

I hope that, this Year Book will be helpful to the readers about the accomplishments made by the different arms, sections and wings of the Finance Division. This will be a useful source of information for all the stakeholders and serve as an important source material/reference document for the public in general and researchers in particular.

SENATOR MOHAMMAD ISHAQ DAR

*Minister for Finance, Revenue,
Economic Affairs, Statistics & Privatization*



Rana M. Afzal Khan
Parliamentary Secretary for
Finance, Revenue,
Economic Affairs, Statistics and Privatization



Dr. Waqar Masood Khan
Finance Secretary

PREFACE

It gives me great pleasure to present the Year Book 2013-14 of Finance Division. This Year Book has been prepared in pursuance of sub rule (2), Rule 25 of the Rules of Business, 1973 for information of the Cabinet and the general public.

Under the Rules of Business Finance Division is committed to developing and implementing pragmatic economic policies and promoting sustainable and equitable economic growth through transparent and efficient financial management of public resources.

The Year Book elaborates functions and organization command of Finance Division which is reflected in the activities and accomplishments during fiscal year 2013-14. The Year Book highlights the main achievements of Finance Division as a whole and also individually of its attached departments and organizations in their concerned operational and policy areas.

Despite the external and internal challenges confronted to the domestic economy during the year, Pakistan's economy has shown signs of recovery and improvements. It is envisaged that the implementation of ongoing structural reforms will take the country to a higher growth era during the regime of the present government.

I appreciate the work done by the staff and the officers of the Finance Division in preparation of this Year Book. Soft version of this Year Book 2013-14 has been uploaded on the website www.finance.gov.pk. I hope that Year Book 2013-14 will be informative. We would appreciate suggestions/comments and feedback to improve the quality of this book in future.

Dr. Waqar Masood Khan
Finance Secretary

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VISION STATEMENT OF THE FINANCE DIVISION

*To manage the national
economy in the most efficient
and effective manner both at the
Macro and Micro levels.*

MISSION STATEMENT OF THE FINANCE DIVISION

To pursue sound and equitable economic policies that put Pakistan on the path of sustained economic development and macroeconomic stability with a view to continuously and significantly improving the quality of life of all citizens through prudent and transparent public financial management carried out by dedicated professionals.

GENERAL

Functions of the Finance Division

The following functions are allocated to the Finance Division under the Rules of Business, 1973:

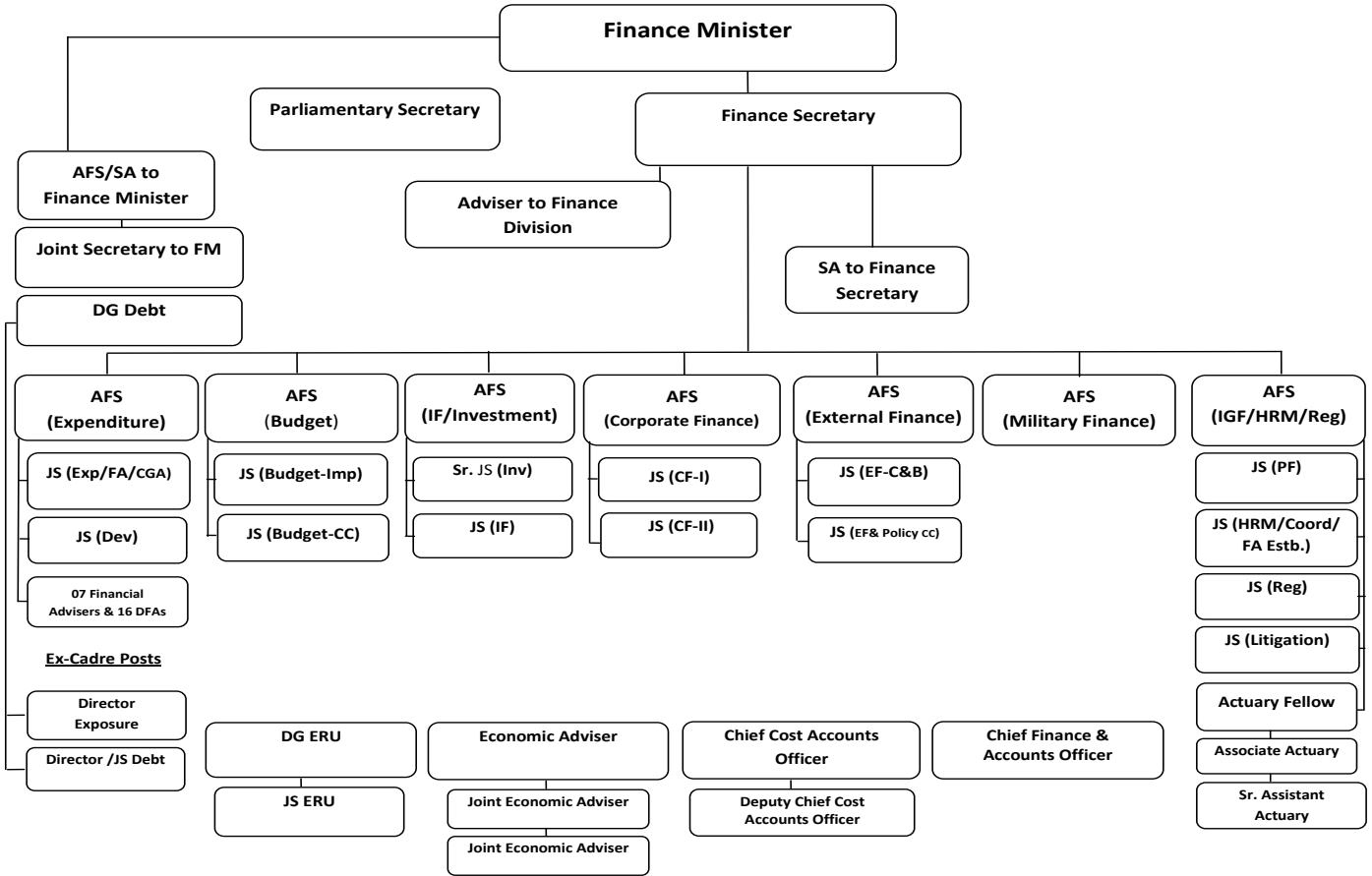
1. Finances of the Federal government and financial matters affecting the country as a whole.
2. The Annual Budget Statement and the Supplementary and Excess Budget Statements to be laid before the National Assembly; the schedules of authorized expenditure.
3. Accounts and Audit.
4. Allocation of share of each Provincial government in the proceeds of divisible Federal Taxes; National Finance Commission.
5. Public debt of the Federation both internal and external; borrowing money on the security of the Federal Consolidated Fund.
6. Loans and advances by the Federal Government.
7. Sanctions of internal and external expenditure requiring concurrence of the Finance Division.
8. Advice on economic and financial policies; promotion of economic research.
9. Proper utilization of the country's foreign exchange resources.
10. Currency, coinage and legal tender, Pakistan Security Printing Corporation and Pakistan Mint.
11. Banking, investment, financial and other corporations, that is to say:
 - (i) Central Banking; State Bank of Pakistan;
 - (ii) Other banking (not including co-operative banking) and investment and financial corporations with objects and business not confined to one Province; and
 - (iii) Incorporation, regulation and winding up of corporations including banking insurance and financial corporations not confined to or controlled by or carrying on business in one Province.
12. Company Law: Accountancy, Matters relating to the Partnership Act, 1932.

13. Investment policies; Capital issues (Continuance of Control) Act, 1947; statistics and research work pertaining to investment and capital.
14. Stock exchanges and future markets with objects and business not confined to one Province; Securities Regulations.
15. Financial settlement between Pakistan and India and division of assets and liabilities of the pre-independence Government of India.
16. Framing of rules on pay and allowances, retirement benefits, leave benefits and other financial terms and conditions of service.
17. Cost Accountancy.
18. International Monetary Fund.
19. State lotteries.
20. Monopoly Control and Anti-Cartel Laws.
21. Deregulation policies.
22. Administration of Economic Reforms Order, 1978.
23. Negotiations with international organizations and other countries and implementation of agreements thereof.

FUTURE GOALS OF FINANCE DIVISION

- Preparation of Annual Budget/Financial Planning & Budgeting.
- Publishing Pakistan Economic Survey and Year Book annually.
- Proper utilization of country's Foreign Exchange resources.
- Proper application of share of each Provincial government in the proceeds of divisible Federal Taxes, National Finance Commission.
- Framing of Investment Policies.
- Issues with IMF and negotiations Economic Affairs Division (EAD) job.
- Reforms of Public Sector Enterprises.
- Deepen Power Sector Reforms
- Investment Climate Improvement Reforms.
- Banking Sector Reforms
- Formulation and Implementation of Austerity measure.

ORGANIZATION CHART OF FINANCE DIVISION



HUMAN RESOURCE MANAGEMENT (HRM) WING

INTRODUCTION

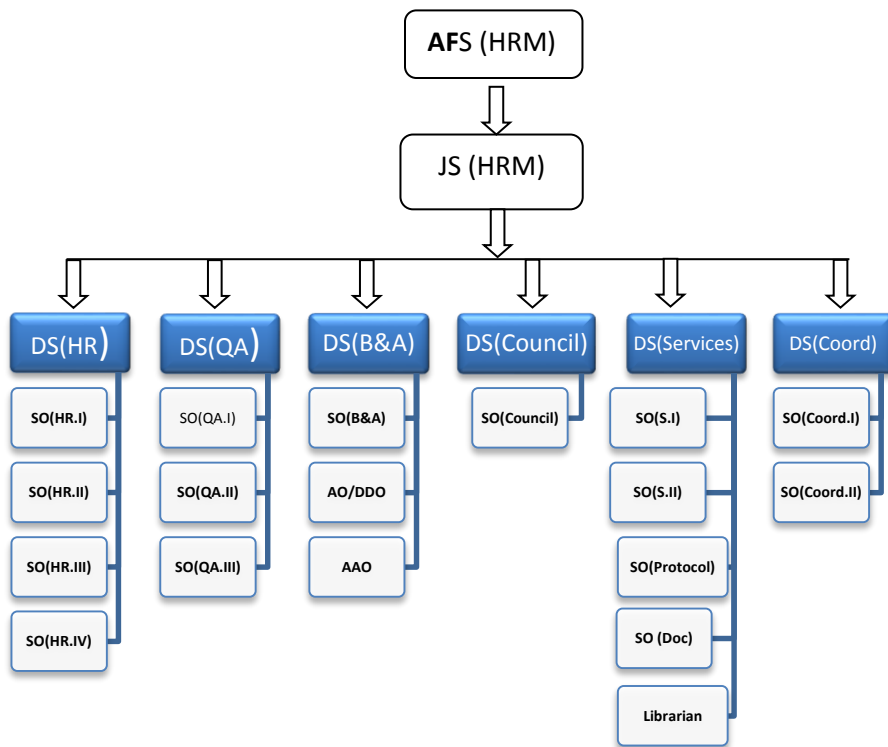
Administration/Human Resource Management serves as a foundation for an organization on which its overall edifice is established. In Finance Division, a number of characteristics have been evolved since the transformation of Administration into HRM Wing. The Wing plays an effective role for planning, organizing, staffing, re-structuring and facilitating top management and leadership to achieve the organizational objectives and goals set at the beginning of the Financial Year within the available resources.

As Finance Division is the only Division which is ISO certified, HRM Wing oversees and analyzes the quality and output of services being delivered by the respective Wings continuously with a view to achieve the optimum level of customers satisfaction. Input/suggestions are also invited from all the Ministries/Divisions/Departments and Provincial governments for further improvement.

In achieving above objective, HRM Wing has to make all out efforts to manage the affairs of the Division as a whole and to meet the requirements of personal and material of all the Wings beside working for the career advancement/capacity building of the officers and staff. At the time of budget preparation, its presentation in the Parliament and till passing of Finance Bill, this Wing has to put extra efforts till the finalization of all the process of approval of the Federal Budget each year. Other Parliament business pertaining to Finance Division i.e. Questions/Answers/Resolutions/Call Attention Notices and meetings of Select Committees is also handled in this Wing beside reporting progress and implementation of President and Prime Minister's directives, ECC and other high for a meeting decisions.

To achieve the task, HRM wing functions under a Joint Secretary (HRM) with the guidance and supervision of Finance Secretary and Additional Finance Secretary (HRM). Joint Secretary (HRM) also works as Financial Adviser (Establishment), Federal Public Service Commission (FPSC) and National School of Public Policy (NSPP). JS(HRM) is assisted by six Deputy Secretaries, 11 Section Officers, one Accounts officer, Librarian and an Assistant Accounts officer as depicted in the following organogram.

ORGANOGRAM OF HRM WING



FUNCTIONS OF HUMAN RESOURCE MANAGEMENT WING

Human Resources Management Wing deals with Personnel Management, General Administration, Protocol and Documentation, Budgetary/Financial Matters of Finance Division, Parliamentary Business and Quality Assurance aspects. The major achievements of the Wing during the year are as under:-

RECRUITMENTS/APPOINTMENTS

Due to ban on fresh recruitment, the HRM wing faced difficulties to provide the required and essential staff to various wings during the year. Shortage met by appointment on deputation basis from other organizations.

PROMOTION/GRANT OF HIGHER SCALE

Employees in following cadres were promoted in higher scales on the recommendations of Departmental Promotion Committee (DPC) as per following breakup:

S No.	From	To	No. of employees
1	Private Secretary (BPS-18)	Sr. Private Secretary (BPS-19)	03
2	Assistant Private Secretary	Private Secretary	07
3	Stenotypist (BPS-14)	Assistant Private Secretary (BPS-16)	02
4	Assistant (BPS-14)	Superintendent (BPS-16)	03
5	UDC (BPS-09)	Assistant (BPS-14)	03
6	LDC (BPS-07)	UDC (BPS-09)	07

VERIFICATION OF PAY

On grant of premature increment vide Regulations Wing's O.M No. F.11(4)-R.2(2011)-1153/2013 dated 31-05-2013, pay of Assistant Private Secretaries, Stenotypists, UDCs, LDCs and Class-IV employees was re-fixed and got verified from the office of the AGPR, Islamabad. The breakup is as under:

S No.	DESIGNATION	No. of employees
1	Assistant Private Secretary	07
2	Stenotypists	02
3	UDCs	03
4	LDCs	07
5	Naib Qasid/Qasid/Daftary/DR/Drivers/Record Keeper/DMO/Chowkidar/Sweeper/Farash	601
	Total	620

HIRING OF PRIVATE RESIDENTIAL ACCOMMODATION

S No.	Number of houses hired during FY 2013-2014	Total No. of Houses Hired
1	51	367

MEDICAL REIMBURSEMENT

S No.	Number of Medical Bills received during FY 2013-2014	Total No. of Medical Bills disposed off
1	419	419

PROTOCOL CASES

S No.	NATURE OF CASES	NO. OF CASES RECEIVED	Cases Disposed off
1.	Issuance/ renewal of Official/Gratis Passports.	40	40
2.	Issuance of Note Verbal from M/o Foreign Affairs	63	63
3.	Issuance of No Objection Certificates in respect of Officers of BPS-17 and above.	76	76
4.	Arranging Airport Entry Passes to Senior Officers to facilitate the delegates	07	07

Protocol Services were provided to foreign delegates/guests, Ambassadors, Ministers/MOS. Visa services were provided to the Officers of Finance Division (BPS-17 and above) who proceeded abroad on official meeting/training/courses/seminars/workshops etc. Protocol Services were also provided to the senior officers of Finance Division.

PUBLIC GRIEVANCES/DOCUMENTATION

S No.	NATURE OF CASES	CASES RECEIVED	CASES DISPOSED OFF
1	Public grievances/ petitions received from President's/ Prime Minister's secretariats through Parliamentary Affairs Division.	71	71
2	Publication of Year Book of Finance Division	01	200 copies of the Year Book (2012-13) were printed and distributed to Cabinet Division and officers of Finance Division.

3	Verification and Safe Custody Certificates, Security Booklet and War Book.	08	All 08 Safe Custody Certificates were got verified from the concerned officers.
4	Preparation of Permanent and Temporary Security Passes of Officers/Officials of Finance Division	Permanent 292 Temporary 395	292 through NADRA 395 by Documentation Section
5	Issuance of No Demand Certificates(NDC) in respect of officers/officials on their retirement and transfer from Finance Division.	45	45 NDC issued during the last year.

Besides the above duties, measures were taken to ensure strict security of office buildings of Finance Division. A full time desk has been established at the Reception to enlist the visitors in a Register for which a report is submitted to the higher officers of the HRM wing for their information. To further improve the security, CCTV cameras have also been installed on all the floors, reception and car parking area.

LOGISTICS AND SERVICES

S No.	NATURE OF CASES/SERVICES	DESCRIPTION	Number of Purchased items
1	Physical Assets purchased	Photostat Machines	02
		Computers with LCD/Monitors	30
		Lazer jet Printers	30
		Fax Machines	03
		Shredders	04
		LED/TV for installation of CCTV System to improve Security of Q-Block	02

2.	Vacation of rented building	Development and Expenditure Wing of Finance Division accommodated in rented building (House No. 43-A, School Road, F-6/2, Islamabad was vacated and shifted in Government building (FBC). This has saved an expenditure of Rs. 47,87,436/- per annum.	
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COORDINATION:

S. No.	NATURE OF CASES	NO. OF CASES RECEIVED	NO. OF CASES DISPOSED OFF
1.	Circulation of Instructions/ Orders/ Notifications/ Circulars in Finance Division, its Attached Departments, Corporations, Autonomous/ Semi-Autonomous Bodies received from Prime Minister's Office, Finance Minister's Office, Cabinet Division, Establishment Division/ Interior Division and other Ministries Divisions.	91	91
2.	Timely publication of Notifications issued by Finance Division in Gazette of Pakistan.	419	419 notifications were forwarded to PCPP Karachi/Islamabad
3.	To issue annual books of Service Book Club to the officers of Finance Division.	01	206 books were distributed.
4.	Obtaining information from Attached Departments/Sub-Ordinate Offices requested by the following: - <ul style="list-style-type: none"> • Establishment Division • Cabinet Division • Prime Minister's Office • Other Ministries /Divisions • Council Section Finance Division. 	18	47 cases disposed off.
		05	
		10	
		14	
		10	

5.	Implementation of the decisions/directives received from	
i.	Cabinet Division.	30
ii.	Economic Coordination Committee (ECC) of the Cabinet	47
iii.	National Economic Council (NEC)	05
iv.	Executive Committee of National Economic Council (ECNEC)	10
v.	Cabinet Committee on Restructuring (CCOR)	01
vi.	Cabinet Committee on Privatization (CCOP)	—
vii.	Council of Common Interests (CCI)	—
viii.	Prime Minister's secretariat.	01

PARLIAMENT BUSINESS

Following Parliament business pertaining to Finance Division, was disposed of during the Year:

S#	NATURE OF CASES	NO. OF CASES RECEIVED	No. Of Cases disposed off
1	Senate Questions (171) Motions (13) Resolutions (15) Adjournment Motions (10) Calling Attention (06) Privilege Motions (03)	218	218
2	National Assembly Questions (216) Motions (10) Resolutions (12) Adjournment Motions (05) Calling Attention Notices (04) Privilege Motions (02) Provincial Assembly Resolutions (06)	255	255
3	Other miscellaneous receipts	241	241

In addition to the above, FBR, EAD, Privatization Commission, Statistics Division were also coordinated for timely disposal of their business.

BUDGETARY & ACCOUNT MATTERS

Budget of Finance Division (Main) FTOs,/ICMAP, Economic Ministers, USA, Japan and China was prepared and expenditure incurred to carry out the day to day business of these units within the parameters of policy instructions.

Cases for DAC/PAC were prepared for discussion in the respective meetings of the Committees.

LIBRARY:

S. No.	NATURE OF CASES	NO. OF CASES RECEIVED	No. Of Cases disposed of
1	Purchase of Books	09	09
2	Technical processing of Books i.e. Accessioning, Cataloging, Classification and Computerization of Books	982 books	982
3	Issuance of Books	52	50
4	Receiving of Books	46	46
5	Issuance of NOC/NDC	31	31
6	Provision of Newspapers	121	121
7	Maintenance of record	299	299

Quality Assurance

- ▶ LRQA, Karachi has extended its ISO Certification to Finance Division on satisfactory performance for further three (03) years w.e.f 14-08-2013.
- ▶ ISO Secretariat facilitated LRQA, Karachi (as an External Auditor) to carry out "Certificate Renewal Audit" on 02 - 06 September, 2013 to verify compliance with ISO 9001:2008 Standards.
- ▶ 14 DQACs from each Wing have been nominated/appointed to coordinate and manage the work in compliance with Quality Assurance Program
- ▶ 85 nominations for various trainings were processed out of which five Officers availed the Foreign training facilities.
- ▶ 130 nominations of officers/officials were processed for local trainings, out of which 42 Officers and 88 Officials have availed trainings.
- ▶ 5th issue of Quality Review Newsletter (October, 2012 to March 2013 and 6th issue April – December 2013) were issued.

- ▶ Customers Satisfaction Surveys for the period Jan–June 2013 and Jul–December, 2013 were conducted to ascertain the Customer’s satisfaction Index (CSI) which showed results of 69.53% and 72.12% respectively.
- ▶ Document Change Request(DCR) received from the Wings was examined and after approval of Finance Secretary, these have been revised. 132 copies of revised Quality Assurance Procedures (QAPs) were printed and distributed to all concerned.
- ▶ The Job Descriptions of Additional Finance Secretaries (AFSs) and other Wings have been revised during 2013-2014 and distributed to all concerned with the approval of Finance Secretary during the year 2013-14.
- ▶ Departmental Quality Assurance Coordinators (DQACs) meetings were held regularly to discuss the issues pertaining to the respective Wings according to Quality Assurance Procedures (QAPs) and ISO Standards.
- ▶ 8th& 9thbi-annual Work Efficiency Survey was carried out for the period July–December, 2013 and for the period January–June, 2013 and for the period of July–December, 2013.
- ▶ Internal Quality Audit for the calendar year 2013 was carried out on 20-21 January 2014.

BUDGET WING

Budget and its Functions

Budget documents on approval of the parliament, authorizes the government to raise revenues, incur debts and effect expenditure in order to achieve certain goals. It reflects the Government's determination to maintain a responsible and realistic attitude towards overall economic management in the country. Since the budget determines the origin and application of public financial resources, it plays a central role in the process of government, fulfilling economic, political, legal and managerial function.

Economic

The budget is the state of the financial plan. As a tool of economic policy, budget provides the means by which the government seeks to achieve three key economic policy goals: firstly, fiscal discipline, by controlling aggregate expenditure in line with macroeconomic constraints; secondly, the allocation of resources in line with the government's policy priorities; and thirdly, the economic, efficient and effective use of resources in achieving its policy goals.

Political

The budget process ensures the peoples representatives scrutinize and approve the raising of taxes, the contracting of debts and the application of public funds by government. This is achieved through a formal separation of powers; government proposes the budget, which is approved by parliament, then executed by the government, and finally subject to monitoring and appraisal by parliament to ensure compliance.

Legal

Enactment of the budget in law by parliament limits the powers of government, since the government may not raise taxes that have not been approved by the parliament and may not exceed parliament's expenditure appropriations. An auditor, usually accountable to parliament, scrutinizes the budget to ensure compliance with parliamentary authorizations. Institutions and individual managers who fail to comply, by, for instance, spending in excess or parliamentary appropriations, are accountable before the law.

Managerial

The budget communicates government policy to public institutions by informing them how much may be spent for what purpose, thereby guiding policy implementation. In some budgeting systems, this function may be

reinforced by the inclusion of specific service performance targets within the budget documents.



Prime Minister Muhammad Nawaz Sharif attended the concluding budget session at National Assembly, Islamabad, 21st June 2014. Federal Minister for Finance, Mr. Ishaq Dar delivered his final remarks during the session

These functions are interdependent: the government is unlikely to implement successful economic policies (economic function) as approved by parliament (political function) if the budget does not effectively communicate its policies to public agencies (managerial function) and compliance with approved policy is not verified (legal function).

BUDGET WING'S PROFILE

The basic functions of the Budget Wing are to coordinate, prepare, print and publish the budget of the Federal government. Budget is an instrument by which the government expresses its priorities and allocates resources to implement its policies. Budget wing comply with it moreover, Budget Wing is also responsible to implement the budgetary targets and prepares a monthly report thereon.

The budget making process goes through the stages of,

- ▶ Preparation
- ▶ Coding/ formulation
- ▶ Compilation
- ▶ Authentication
- ▶ Execution
- ▶ Monitoring and coordinate implementation of budgetary targets.

- ▶ Liaise with all relevant Ministries/ Divisions/ Organizations and get reports on implementation status of the targets given in the budget, indicating various budgetary measures.

FUNCTIONS OF VARIOUS SECTIONS OF THE BUDGET WING

AEA (BR-I) Section

- ▶ Coordination with Federal Board of Revenue in relation to tax receipts
- ▶ Preparation and compilation of the Budget documents and “Budget-in-Brief”.
- ▶ Reviews the proposals and suggestions for increase in tax receipts and for the improvement of the Federal resources.

Budget Resources-II

- ▶ Examination of Foreign Aid Agreements with foreign governments/agencies and subsequent amendments, revisions and extension thereof to evaluate the impact on Budget.
- ▶ Preparation of statements of Estimates and actual of foreign aid and Foreign Debt Servicing
- ▶ Review and compilation of foreign assistance inflows/out flows.
- ▶ Regulation of flow of budgetary funds through various channels i.e. Assignment Account.
- ▶ Examination/processing of cases pertaining to permission for opening of Assignment Accounts in the light of procedure devised/issued by Finance Division.
- ▶ General Coordination within Budget Wing.
- ▶ Preparation of the Budget documents “Estimates of Foreign Assistance” and “Explanatory Memorandum on Federal Receipts.

Budget Resources-III

- ▶ Examination of recommendations of M/o Planning for formulation of Development Budget.
- ▶ Conducting of Priorities Committee meetings for formulation of Annual Development Programme in respect of Federal Ministries and Divisions.
- ▶ Implementation/Incorporation of decisions of the Annual Plan Coordination Committee/ National Economic Council and implementation/ Incorporation of decisions of the NEC.

- ▶ Scrutiny of Budget Orders/New Item Statements and their reconciliation with the allocations agreed by the NEC.
- ▶ Compilation of details of demands for grants and appropriations relating to Development expenditure.
- ▶ Examination and Issuance of Federal government guarantees in respect of Loans provided by Commercial Banks/State Bank of Pakistan and Development Financial Institutions to the Public Sector Enterprises.
- ▶ Coordination with Ministry of Planning Development and Reforms and Economic Reforms Division in respect of foreign aid provision for the Annual PSDP.

Government Securities-I

- ▶ Preparation of Budget Estimates, Re-appropriations and Supplementary Grants in respect of “Servicing of Domestic Debt”, and “Repayment of Domestic Debt”.
- ▶ Maintenance of Security wise Domestic Debt Stocks.
- ▶ Framing of rules of various government securities.
- ▶ Determination of rate of mark up of General Provident Fund and Cash Development Loans.
- ▶ Processing of complaints on investments with Central Directorate of National Savings

Government Securities-II

- ▶ Processing of cases regarding appointment/ promotion/ disciplinary cases of officers for CDNS in BS-17 and above.
- ▶ Processing of appeal cases of National Savings Organization.
- ▶ Nomination of Government counsel in court cases through Ministry of Law, Justice and Human Rights.
- ▶ Miscellaneous cases relating to administrative and financial matters of CDNS.
- ▶ Restructuring of National Savings Organization.
- ▶ Budgetary matters of CDNS.

Government Adjuster

- ▶ Adjustment of Inter Govt. agencies claims with each other through deduction at source.

- ▶ In case of disputed claims, convening meetings for settlement of outstanding dues.
- ▶ Processing of the claims in accordance with Standing Operating Procedures.
- ▶ Analysis and submission of claims to Govt. Adjuster with views of the defaulting Govt. agencies/agencies for an appropriate order.
- ▶ Implementation of Govt. Adjuster's decision regarding deduction at source by pursuing the offices/agencies concerned.

Budget Publication Section

- ▶ Coordination of manuscript/materials of Budget Documents, summaries/reports of the Budget Wing for printing purposes.
- ▶ Supply of Budget Documents to the Cabinet/ Senate/ National Assembly during the Budget Session, Press Information Department/ all Federal and Provincial Governments Offices.
- ▶ Keeping record and maintenance of Budget Wing's Library.
- ▶ Supervision of Photocopying and composing section of the Budget Wing and;
- ▶ Urdu translation of the Budget Documents, Schedules, Finance Minister's Press Brief/Press Release.

Budget & Accounts Section

- ▶ Compilation of Annual Budget Statement to be laid down in the National Assembly at the time of presentation of Budget.
- ▶ Preparation of data of "Deficit Financing". Monitoring of Cash Balance of the Federal and Provincial governments.
- ▶ Calculations of daily flash estimates of deficit financing and its monitoring with State Bank of Pakistan estimates and its analysis and other ancillary work thereto.
- ▶ Clearance of Release of individual payments in accordance with the limits prescribed by the competent authority from time to time.
- ▶ Preparation and compilation of quarterly fiscal data.
- ▶ Submission of monthly/ quarterly/ annual actuals in respect of Tax, Non-tax Revenues, Capital Receipts, External Assistance, and Development Expenditure of the Federal government.

Budget Implementation Unit-I

- ▶ Pursuing and prompting collection of non-tax revenue from Public Sector Enterprises (PSEs)

- ▶ Liaison with Internal, External, Investment, Provincial, Expenditure & Corporate Finance Wings of the Finance Division for collection of data regarding revenue receipts, expenditure etc.
- ▶ Monitoring and coordinating implementation of overall budgetary targets and to prepare analytical reports on monthly basis.
- ▶ Maintaining tables reflecting picture of financing of overall fiscal deficit on monthly basis.
- ▶ Analysis of External Financing, Sector wise non-bank Financing, Bank Finance and Privatization Receipts.
- ▶ Preparation of reports based on data received on financing of fiscal deficit and identifying the reasons for variations, on monthly basis for taking corrective measures.
- ▶ Monitoring, evaluation, reconciliation and reporting on Revenue Receipts of the Federal Government being collected other than by FBR.
- ▶ To deal with the miscellaneous/policy matters relevant to Budget Implementation.

Budget Implementation Unit-II

- ▶ Monitoring and follow up the implementation of announcements made in Budget speech Delivered by the Minister for Finance.
- ▶ Liaise with Internal, External, Investment, Provincial, Expenditure & Corporate Finance Wings of the Ministry of Finance and all other relevant Ministries/ Organizations for collection of data regarding revenue receipts, expenditure etc. and get report on implementation status of the targets given in the Budget.
- ▶ Monitoring & follow up the implementation status of the decision made by Cabinet on the Summary for the Cabinet regarding Revised Estimates and Budget estimates of the year concerned.
- ▶ Collection of Non-tax revenues from Public Sector Enterprises (PSEs).
- ▶ Correspondence with the organizations from where above said report organizes for identifying the areas of concern and initiate action for taking corrective measures.
- ▶ Preparation of monthly statements of Revenue receipts and Expenditure and comparison with historical data to suggest corrective measures.

Budget Computerization

- ▶ Receipt of Budget Orders/New Item Statements in the office of Director (BC) from all Ministries and Departments within Pakistan and Foreign Missions abroad.

- ▶ Data Entry of received BIs/NISs into computer system.
- ▶ Supervising the work relating to reconciliation of Demands for Grants.
- ▶ To prepare summaries and schedule for submission to Prime Minister for approval and authentication of Federal Government Budget.
- ▶ Work relating to processing the approval of Budget by the Cabinet, National Assembly and the Senate.
- ▶ Improve operation using techniques and equipments.
- ▶ To monitor and supervise the activities being performed for smooth functioning of installed SAP R/3 system in the Computer Centre, Budget wing.
- ▶ Liaison and coordination with PIFRA Directorate/Auditor General Office/CGA etc. for successful implementation of PIFRA Project regarding Annual Federal Government Budget Computerization.

Chief Accounts Officer

- ▶ General Coordination of Public Accounts Committee work with Ministries/Divisions/Departments and with National Assembly Secretariat, PAC Wing, including the work relating to PAC Coordination for Finance Division Accounts and Report – compliance etc.
- ▶ Preparation and finalization of Schedule of Authorized expenditure for Budget and Supplementary Grants and Notice of intention (Urdu/English) for Budget and Supplementary Grants.
- ▶ Issuance of Corrigendum to the book of Details of Demands for Grants and Appropriations (Vol-I and II).

TYPES OF BUDGET

According to the conventional classification, the budget is divided into two main sections namely:

- Revenue Budget
- Capital Budget

The revenue budget presents the current or day to day non-development expenditure i.e., defence, debt, repayments and running of civil government and other activities which are financed from current revenues derived through taxes, duties and other miscellaneous receipts. The difference between revenue receipts and current/non-development expenditure results in revenue surplus for the year which is transferred to the capital budget. The deficit of capital, revenue or both is met out of borrowings.

The capital budget is designed to create material assets which add to the economic potential of country. Its main features are that, it must involve construction of a work or acquisition of permanent assets of public utility such as irrigation and industrial projects. With ever increasing investment to promote economic development, the capital budget is assuming increasing importance. The capital expenditure is generally met from the revenue surplus, revenue funds borrowing for specific or general purpose.

The aforesaid two divisions of the Government budget are merged together to work out the resource estimates which indicate the cash balance position of the Government at the beginning and at the end of the financial year.

Budget Process

The Budget Year

The budget year in Pakistan is from 1st July to 30th June. The process of budget formulation starts in October each year on issuance of a Budget Call Circular (BCC) by the Budget Wing, of Finance Division. The original estimates are framed in minute detail by the agencies and departments, which collect the receipts and incur the expenditure, keeping in view the past actual, current trends and future expectations and commitments. These estimates are submitted by the estimating authorities to their administrative Ministries and Divisions who, in turn, examine and pass these on to the concerned Financial Advisors with their recommendations. The Financial Advisors and Finance Division as recommended by the Administrative Ministries and Division scrutinize these estimates in detail before they are finally accepted for inclusion in the budget.

Budget Call Circular

The procedure applicable to the preparation of the budget estimates for a financial year is indicated by the Ministry of Finance every year in a "Budget Call Circular" issued to the administrative Ministries/Divisions and Departments of the Federal government. The circular contains comprehensive instructions for the preparation and scrutiny of the budget estimates. It also sets out the target dates by which the various stages of budget formulation are to be completed. Since time factor is important, emphasis is laid, among other things, on the strict observance of the budget time table at all stages of budget making.

Preparation of Estimates

The budget estimates for the ensuing year are formulated separately in respect of non-development/current expenditure and development expenditure. The estimates are supported by complete details.

The revised estimates for the current year, prepared simultaneously, include provision for such expenditure as has been duly authorized and for which there is reasonable expectation that it will be incurred before the close of year. In all cases where revised estimates for the year exceed the authorized grants, these have to be supported by documentary evidence to show that the increase has been duly authorized by the competent authority, and also the manner in which this excess is to be met, i.e., whether by re-appropriation of savings in the existing grants/re-appropriations from other items or a supplementary grant. In case the revised estimates are less than the authorized grants, the reasons for short utilization of the grants are to be invariably stated. Similarly, the development expenditure estimates are submitted to the Budget wing by the various Ministries/Divisions and Departments on a specific proforma devised by the Planning Division. These preliminary estimates are discussed in a priority committee meeting in the presence of the representatives of the Planning Division and the economic affairs division. The preliminary draft is again discussed in the APCC. The final draft of development expenditure is approved in the NEC.

The revenue estimates are submitted to the Budget Wing by the CBR. The non tax receipt is submitted to the Budget Wing by the various Ministries/Divisions and Departments where as the external receipts estimates are submitted to the Budget Wing by Economic Affairs Division.

After the finalization of the budget estimates in respect of receipt and expenditure an Annual Budget Statement of the federal government in respect of every financial year along with other budget publication is laid down in the National Assembly. After the approval of the budget by the parliament the budget publications are released to the various ministries / divisions and departments with the authorization to utilize the budget fund from the 1st July of each financial year.

As the budget is essentially based on the cash accounting system, the estimates are required to be prepared on the basis of what is expected to be actually received or paid for during the ensuing year and not merely the revenue demand or the liability of expenditure falling due in that year.

Annual Development Program (ADP)

Provision for development expenditure is included in the budget on the basis of the Annual Development Program prepared by the Planning Commission in consultation with the Ministry of Finance and the Provincial Governments and approved by the National Economic Council.

The Formulation of the Annual Development Program is one the most important aspect of the budget making. Emphasis is laid on drawing-up the annual Development Program so that only approved projects, which go through careful technical scrutiny in the Development Working Party and approved by the National Economic Council (NEC), or have otherwise received the approval of the competent authority, are included in the Annual Development Program. The Program, as finally approved by the National Economic Council (NEC), is reflected in the Budget.

The exercise for the preparation of the Annual Development Program starts some time in early November when keeping in view the overall requirements of the economy and plan targets, the size of the Annual Development Program is fixed and communicated sector-wise to the executing agencies and the Provincial government by the Planning Commission. Within the overall allocations so intimated by the Planning Commission, the detailed sector-wise development Program are formulated by the sponsoring agencies and finalized after detail discussion with the Planning Commission. These allocations are then discussed and finalized in the meetings of the Priorities Committee in March/April/May by the Annual Plan Coordination Committee (APCC) and finally by the National Economic Council. The annual Development Program, as finally approved and incorporated in the budget, presents the blue print for action by the Federal and Provincial Government and indicates the financial allocations along with physical targets in respect of various development schemes.

Resources Estimates:

Since the successful implementation of the Annual Development Program as an instrument of economic development largely depends upon the availability of resources, the determination of the size of the Program is preceded by a detailed exercise in resource estimation. Ministry of Finance undertakes this exercise in coordination with the concerned Government agencies, particularly the Federal Board of Revenue (FBR) and the Provincial Finance Departments. The components of resource estimates are :

- ▶ Public Savings, i.e. the excess of revenue receipt over current expenditure of the Federal and Provincial Government.
- ▶ Net capital receipts of the Federation and the Provinces (i.e., Recovery of Loans, saving schemes and prize bond proceeds etc).
- ▶ The Federal Government's estimates of:

- (a) Foreign Economic Assistance
- (b) Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of economy.

As the development outlays in the provincial field are increasing and the provincial resources for this purpose are not adequate, the Federal Government render financial assistance to the Provincial governments on a larger scale for implementation of their development Program.

Foreign Exchange Component of ADP

Side by side with the finalization of the Annual Development Program, endeavour is made to estimate the foreign exchange which is shown separately from the expenditure in local currency, both in the revenue and capital budget. This also serves as an indication to the administrative authorities that the budgetary allocation for foreign exchange expenditure is not available for expenditure in local currency.

Effect to New Taxation Proposals

The proposals for new, enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation. This legislation is an integral part of the budget presentation and without it no tax can be levied, enhanced or revised.

Financial Procedure

Submission of Budget Proposals (Books) to the Federal Cabinet

The Budget proposals prepared by the Ministry of Finance are considered by the Federal Cabinet and approved for presentation to the Parliament.

Submission of Budget/Finance Bill to the National Assembly

The Minister of Finance in consultation with the Prime Minister and the Speaker, prepares a timetable for the consideration of the Annual Budget by the National Assembly. The Secretary of the Assembly intimates the timetable so decided upon to all concerned.

Submission of Budget to the Senate

Prior to the introduction of Legal Framework Order, there was no provision for the Senate to consider the Money bill (Budget). As per the current

provision, a copy of the Annual Budget Statement (Budget) is transmitted to the Senate at the same time when it is submitted to the National Assembly. The Senate may, within seven days, make recommendations thereon to the National Assembly. The National Assembly shall, consider the recommendations of the Senate and may pass the Budget with or without incorporating the recommendations of the Senate.

Authentication of the Schedule of Authorized Expenditure

After the Budget is passed by the National Assembly, the schedule of authorized expenditure is authenticated by the Prime Minister. The schedule so authenticated shall be laid before the National Assembly, but shall not be open to discussion or vote thereon.

Schedule of Authorized Expenditure

After the budget has been approved by National Assembly, an authenticated Schedule of Authorized Expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure. This schedule on approval and signed by the Prime Minister constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the Annual Budget statement. The Schedule reflects the extent of expenditure to be made under a specific grant/appropriation. It also specifies the expenditure charged upon Federal Consolidated Fund and otherwise. The Charged portion is always reflected in italics.

Article 82 of the Constitution provides that the expenditure 'charge' upon the Federal Consolidated Fund may be discussed in, but shall not be submitted to the vote of, the National Assembly.

Article 81, of the Constitution provides that following expenditures shall be charged upon the Federal Consolidated Fund:-

- ▶ The remuneration payable to the President and other expenditure relating to his office, and the remuneration payable to:-
- ▶ The judges of the Supreme Court;
- ▶ The Chief Election Commission;
- ▶ The Chairman and Deputy Chairman (of the Senate);
- ▶ The Speaker and the Deputy Speaker of the National Assembly;
- ▶ The Auditor General;
- ▶ Federal Ombudsman

- (a) The administrative expenses, including the remuneration payable to officers and servants of the Supreme Court, the department of the Auditor General and the office of the Election Commission and the Secretariat of the Senate and the National Assembly;
- (b) All debt charges for which the Federal Government is liable, including interest, sinking fund charges, the repayment or amortization of capital, and other expenditure in connection with the raising of loans, and the services and redemption of debt on the security of the Federal Consolidated Fund;
- (c) Any sum required to satisfy any adjustment, degree or award against Pakistan by any court or tribunal and;
- (d) Any other sum declared by the Constitution or by Act of (Majlis-e-Shoora) (Parliament) to be so charged.

ROLE OF PARLIAMENT

The Annual Budget statement containing estimated receipts and expenditure is tabled in the National Assembly of Pakistan and transmitted to Senate of Pakistan as required under Article 80(1) and 73(1) of the Constitution of Islamic Republic of Pakistan.

In Pakistan, budget is governed by the Constitution and rules relating to Parliamentary procedure. The Constitution requires that the Federal Government presents an annual budget statement to the National Assembly in respect of start of each financial year, which begins on first day of July. The business of the National Assembly is governed by the Rules of Procedure and Conduct of Business in the National Assembly Rules 2007.

Essentially, Rules 182-197 govern the manner in which the National Assembly participates in the budgetary process. Prior to presentation to the National Assembly, the budget is discussed and approved by the Cabinet. The budget shall then presented to the National Assembly by the Finance Minister on a date determined by the Leader of the House. No other business is allowed in the House on that day. After this, at least two days are set aside before any discussion of the Budget. At least four days must then be allocated for discussion on the Budget.

Stages

The stages of the discussion of the Budget in the National Assembly of Pakistan are as follows:

- ▶ General Discussion on the Budget
- ▶ Discussion on Appropriations
- ▶ Discussion and Voting on Demands for Grants

The general discussion may deal with issues of principle and the budget as a whole, but may not give rise to any motions or any vote. The Minister then has a general right of reply. Consideration of expenditure to be charged to the fund is limited to discussion and may not be voted up in accordance with the Constitutional provisions.

Cut Motions

Discussions on Demands for Grants made by various departments may be both discussed and voted upon, as these sum are not chargeable to the fund. Members move more advance motions in relation to individual grants to reduce (but not increase) the level of the grant sought.

Such motions are known as “cut motions.” Cut motions must be made in one of three forms:

- ▶ Disapproval of policy cuts: which seek the reduction of expenditure to Rs. 1 as a sign of policy disapproval-
- ▶ Economy cuts: which seek to reduce the demand by a specified sum; or
- ▶ Token cuts: which seek to reduce the demand by Rs. 100 in order to raise a specific grievance.

Cut motions are subject to a number of admissibility conditions which, amongst others, require that they relate solely to one demand, must not seek to increase or change the destination of the grant, must not relate to any charge to the fund and must not seek to amend or repeal any law. Admissibility is determined by the Speaker.

ROLE OF STANDING COMMITTEES

In Pakistan's Parliament, both National Assembly and the Senate, amendments were made in the respective rules of procedures in the decade of 1990s to allow for wide powers to Standing Committee to debate legislation relating to, and oversee the working and performance of, the relevant Ministry or Division; to call witnesses, requisition official records, seek statements on oath and take up any matter within their jurisdiction, without reference by the House Clause 201 (4) of the National Assembly Rules of Procedure further defines committee powers as follows:

“A Committee may examine the expenditures, administration, delegated legislation, public petitions and policies of the Ministry concerned and its associated public bodies and may forward its report of findings and recommendations to the Ministry and the Ministry shall submit its reply to the Committee.”

Clause 201 (5) of the National Assembly Rules of Procedure allows Committees to receive public petitions on a variety of issues:

“Public petitions may be presented on a bill which has been introduced, or any matter connected with the business pending before the House, or any matter of general public interest which is primarily the concern of the Government, provided that it is not one which falls within the cognizance of a court, nor shall it relate to a matter pending before any court or other authority performing judicial or quasi-judicial functions.”

Recent Reforms

Standing Committees in the National Assembly have now the power to scrutinize ministerial budget proposals before these are made part of the Federal Budget.

A recent reform, passed in the shape of an amendment to the National Assembly of Pakistan, has helped strengthen Standing Committees' role in effective scrutiny of departmental budget. The change in rules will now allow Standing Committees to scrutinise budgetary proposals before these are submitted to the Ministry of Finance. According to the amendment, passed unanimously in the Rules of Procedures on Budget Process in the National Assembly of Pakistan on January 29, 2013:

“Each Standing Committee shall scrutinize and suggest amendments, if necessary, and recommend Ministry's Public Sector Development Program (PSDP) for the next financial year before the same is sent to the Ministry of Finance for inclusion in the Federal Budget for the next financial year. Each Ministry shall submit its budgetary proposals relating to Public Sector Development Program (PSDP) for the next financial year to the relevant Standing Committee not later than the 31st January of preceding financial year and the Standing Committee shall make recommendations thereon not later than the 1st March of the preceding financial year: Provided that where such recommendations are not made by the 1st March, the same shall be deemed to have been endorsed by the Standing Committees”.

The Budget Documents

The Budget Speech of the Finance Minister

(Without Tax Proposals)

It contains the information on the performance of the economy during the previous year and major efforts proposed to be made during the new budget year for improving the working of the economy.

It also contains proposals for levy of new taxes. The new, enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation called Finance Act. This legislation is an integral part of the budget presentation and without it no tax can be levied, enhanced or revised.

Annual Budget Statement

This is a Constitutional document as per Article 80 (1) of the Constitution, and is printed in Urdu and English.

The Annual Budget Statement gives, in broad details and by function classification-wise accounts, the estimates of:

- ▶ Revenue receipts and expenditure on revenue account.
- ▶ Capital receipts and disbursements.
- ▶ Transactions anticipated under the debt, deposit and remittance heads.

The estimates of receipts and payments included in the annual budget statement are further segregated into transactions relating to the Federal Consolidated Fund and Public accounts.

Budget in Brief

The Budget-in-Brief attempts a presentation of the budget in a simple language. It deals with all aspects, which are important to the economy. This document contains the brief features of revenue/expenditure. It also contains the main features of past year achievement/performance. This book also contains a brief summary titled as "Budget at a Glance". It explains the overall budgetary position covering all aspects both revenue and expenditure.

Budget at a Glance

This is a one-page picture of the budget, which provides information on board aggregates like tax revenue, non-tax revenue receipts, net capital receipts

(non bank), external receipts (net), bank borrowing, current and development expenditures. The Budget at a Glance is a part of the Budget in Brief.

Explanatory Memorandum on Federal Receipts

This compilation exhibits the receipts of the Federal Revenue as well as Capital Receipts.

The explanatory notes pertaining to receipts included in 'The Budget' serve to indicate among other things, the basis on which proceeds of Federal Taxation are shared with the provincial governments and also specifies the provincial shares in the proceeds of various taxes and duties.

It is tabled along with the annual Budget Statement, as additional information, in order to help the readers understand the details of the receipts included in the Statement. The Memorandum distinguishes revenue from capital receipt. Revenue receipt is further categorized as tax and non-tax receipt. The section on capital provides information on public debt and external resources, which are further explained in a separate publication titled 'Estimates of Foreign Assistance'. A brief overview of self-financing of the Public Sector Development Program by the Provinces is also included in this Memorandum.

Estimates of Foreign Assistance

External resources mainly comprises of:

- ▶ Loans and credits from friendly countries and specialized international agencies.
- ▶ Grants assistance under Food Aid Convention, World Food Program and other specific country Programs.

The loans and credits and grants assistance, collectively described as Foreign Aid fall into four broad categories, namely project aid, non-project commodity aid, food aid and other aid. Project aid generally takes the shape of foreign exchange loans and grants for procurement of project equipment and supplies of services. Project loans are of two types. Whereas loans and credits are subject to subsequent repayment according to schedule, the grant portion is not to be repaid:

- ▶ Loans contracted by the Federal government for public or private sector projects and generally termed as Federal loans.
- ▶ Loans contracted direct by public or private sector agencies but guaranteed by the Federal government for payment of interest and repayment of principal. These are called guaranteed loans.

Sometimes, commodities received under foreign aid generate rupee counterpart funds, which either by prior agreement at the time of commitment of commodity assistance or subsequently after generation of rupee counterpart by mutual agreement is made available for specific projects.

Commodity aid as a rule is utilized for commercial importers to lend general support to the economy. The goods imported under this aid generally are industrial raw materials equipments and spares, consumer goods, chemical and fertilizer and such other commodities as may be specified or may have been generally agreed to or, if the aid is united, as the country may actually need. Besides enabling the country to meet its requirements of essential commodities, commodity aid also helps generate rupee funds, which augment country's rupee resources to meet development needs.

Food aid is used for the import of foodstuff, such as wheat, wheat-flour, sorghum, edible oil etc. From USA, this aid is generally received on loan basis as a part of the surplus agricultural commodities program under public law-480 title I. Bulk of the rupee counterpart generated by this aid is available to Pakistan as loans or grants for specific development projects. Food aid from other sources comprises of food aid convention grants from member countries and grants under the World Food Program of the United Nations Food and Agriculture Organization. In most cases, the net sale proceeds of this other type of food aid are required to be deposited as counterpart funds in a separate account with SBP which eventually become available for the country's agreed uses with mutual consultation.

This assistance under "Other Aid" comprises loans and grants from non-traditional sources generally by way of balance of payment support.

Details of Demands for Grants and Appropriation(*Pink Book*)

This document consists of the following two volumes:

Volume I and II: Current Expenditure - contains Demands and Appropriations relating to current expenditure.

Volume III: Development Expenditure—this document contains development expenditure.

The document containing Details of Demands for Grants and Appropriations reflects in detail the budget estimates of last year, revised estimates of current year and budget estimates of next financial year of the Federal Government.

It has been decided by the Federal Government that the Defence services budget from 2008-09 onward will be reflected under various heads of accounts (instead of showing the same as one line budget).

Volume I – Current Expenditure

Part I : Details of current expenditure

Part II: Details for appropriations charged upon the Federal Consolidated Fund.

Volume III – Development Expenditure

Part III: Details for development expenditure

Since an expenditure is made for a defined Function/Object (Full details are given in the Chart of Classification), the book also presents Function-cum-Object-wise classification of expenditure of every office/Department separately.

Function-wise classification include expenditure on general administration, defence, law and order, community services, social services, economic services, subsidies, debt servicing etc. The object-wise classification include expenditures on establishment charges, purchase of durable goods, construction of works and repair & maintenance of durable goods and works, investment, loans & repayments etc.

Demands for Grants and Appropriations

Demands for Grants and Appropriations contains of expenditure on both revenue and capital accounts. Besides, distinctly showing the expenditure which is charged to the Federal Consolidated Fund under the legal provisions, each demand also exhibits separately summary of Function-cum-object classification. When budgetary allocations for a particular purpose consist wholly of charged expenditure, these are included in Appropriations which, contrary to Demands, bear no serial number.

Part I : Details of current expenditure

Part II: Demands for development expenditure

Part III: Appropriations charged upon the Federal Consolidated Fund

The demands for each Ministry, as shown in Part I and II, are further bifurcated into two sector:

- (i) Expenditure met from revenue; and
- (ii) Expenditure met from capital

Part III comprises wholly of the 'charged' expenditure. However, the expenditure shown in Part I and II comprises both 'charged' as well as other than charged expenditure. For distinction, the charged expenditure appears in Italics.

The demands and appropriations as appearing in this book are of gross amounts. The receipts and recoveries which are required to be adjusted in accounts in reduction of expenditure are shown below the relevant demands for appropriations. Three very useful schedules are also appended at the end of the book.

Schedule I, the demands and appropriations are listed in their serial order indicating the nomenclature of each and further classifying the estimates of gross expenditure into:

- I. Sum required to meet expenditure charged upon the Federal Consolidated Fund.
- II. Other than charged expenditure.
- III. Total expenditure (Charged + Other than charged)

(This schedule indicates the total amount allocated to a Ministry/Division under a specific demand/appropriation for expenditure in ensuring year).

Schedule II, classifies the expenditure included in the demands and appropriations by major functions which serves as a means of reconciling these estimates with disbursements out of Federal Consolidated Fund. The schedule will help understanding as to what amount has been allocated for a particular function i.e. Health – Education etc.

Schedule III, which indicates the object of current and development expenditure, provides a more useful and informative economic analysis of the expenditure. This schedule gives details as to what specific allocation (under a demand or object as a whole) has been proposed to be allocated i.e. for pay and allowances and other purpose i.e. purchases, repairs etc.

Supplementary Demands for Grants and Appropriations

Supplementary Demands for Grants and Appropriations are prepared in terms of Article 84 of the Constitution. This is to cater for the additional requirement of current financial year i.e. the budget year. It represents details of estimates of additional expenditure from the Federal Consolidated Fund.

This book is also divided in three parts:-

- (i) Demands for current expenditure

- (ii) Demands for development expenditure
- (iii) Appropriations charged upon the Federal Consolidated Fund.

One of the two schedules appearing at the end, lists the supplementary demands in running serial order with a further break-up of the expenditures by:

- (i) Sum required to meet charged expenditure.
- (ii) Sums required to meet other than charged expenditure

The second schedule gives the classification of supplementary expenditure according to various functions, also showing the original provision and a sum total of both i.e. after adding supplementary allocation to the original budget.

This book is laid before the National Assembly according to Article 84 of the Constitution for obtaining legislative approval to the additional expenditure made during the year.

Excess Demands for Grants and appropriation

This book contains details of Excess Expenditure incurred by Ministries/Divisions from the Federal Consolidated Fund under various Grants/appropriations during the specific year as recommended by the Public Accounts Committee for regularization through Excess Budget Statement under Article 84(b) of the Constitution of Islamic Republic of Pakistan.

Under Article of 84(b) of the Constitution, the Excess Budget Statement is required to be laid down before the National Assembly and the provisions of Articles 80 to 83 applies of Excess Budget Statement as they apply to the Annual budget Statement.

Winding – up Budget Speech by the Finance Minister

Answer by the Finance Minister on the points raised by the members of the House and detailed explanation regarding various aspects of the budget and the suggestions for accelerating the pace of economic development and social progress etc. form part of winding up Budget Speech of the Finance Minister.

PART 3

MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)

Introduction

Medium Term Budgetary Framework (MTBF) is a budget reform program of Ministry of Finance aimed at enhancing fiscal discipline, linkages of Government's priorities with the budget and improving efficiency and effectiveness in Government's spending. The program requires budget preparation to:

- ▶ Include a medium-term horizon Three years - where year one becomes the budget and the outer two years are used for planning purposes),
- ▶ Develop Medium-Term Fiscal Framework keeping in view the macro implications to guide budget preparation process,
- ▶ Develop Budget Strategy Paper to specify Government's priorities (including fiscal policy) and its linkages with the budget. This paper also provides recommendations in terms of resources available to the Ministries over the medium-term in shape of Indicative Budget Ceilings,
- ▶ Introduce output-based budget. The term output means services delivered. Through this method of budget preparation, the budget is linked with the services delivered by a Ministry and areas such as impact of services on target population, budget allocated for each output and the performance targets for the medium-term are addressed. Output-based budgeting provides results-orientation to the budget which can be used to build enhanced accountability for public service delivery.

Implementation

The MTBF program has received approval by the Cabinet in its meeting of 2nd January 2009 through the rollout of MTBF Budget Call Circular across the Federal Government (except Defence Services grant). Cabinet has also approved the issuance to Ministries of indicative budget ceilings for 2009-12 on the recurrent side. Accordingly, Ministries are currently compiling their budget on lines of service delivery. For the entire Federal Government, 'Medium-Term Budget Estimates for Service Delivery - 2009/12' which presents Federal budget by outputs (services) was prepared.

Way Forward

The reform program is planned to be further improved notably through the following activities:

- ▶ Improvement in the budget preparation process through enhancing linkages of recurrent and development budget to focus on the cost of services and by increasing involvement of the political leadership in budget preparation,
- ▶ Introduction of monitoring function in the Federal Government to monitor the performance against the targets identified by the Ministries,
- ▶ Commencement of 'Ministerial Strategic Reviews' to review the policy in selected Ministries, thereby embedding the process of regular review processes each year,
- ▶ Establishment of linkages with PIFRA (Project to Improve Financial Reporting and Auditing) reform program to allow monitoring of expenditure on outputs and outcomes, and
- ▶ Presentation of the medium term budget estimates for service delivery in the Cabinet and Parliament.

CENTRAL DIRECTORATE OF NATIONAL SAVINGS (CDNS)

The history of National Savings Organization dates back to the 2nd World War when the British government of undivided India launched the savings schemes to meet the war time expenditure. To have a permanent arrangement, a National Savings Bureau was established as an Attached Department of the Ministry of Finance, offices of which were established in almost all provinces of the sub-continent with the objective of popularizing the savings schemes among the masses as well as to supervise, guide and control the working of the agents authorized to sell the savings instruments.

On her independence, Pakistan inherited the same setup. However, in 1953, keeping in view the recommendations of the “Public Investment Enquiry Committee” the National Savings Bureau was renamed as the Central Directorate of National Savings (CDNS). In August, 1960, the CDNS was given the status of an “Attached Department” making it responsible for all policy matters and execution of various National Savings Schemes. In early 1972, the scope of the CDNS was enhanced and it started selling Prize Bonds. Subsequently, it engaged in the operation of other savings schemes.

At present, the CDNS is operating with a network of 429 offices, comprising 12 Regional Directorates, 16 National Savings Treasuries, 378 National Savings

Centers, one Directorate of Inspection and Accounts, 07 Zonal Inspection and Accounts Offices, 12 Regional Accounts Offices and 02 Training Institutes.

The CDNS is responsible for mobilization of domestic savings through the sale of various Government securities called National Savings Schemes (NSSs). Presently, the following NSSs are in operation:

Defence Savings Certificates

A ten years maturity instrument offering an average compound rate of 10.36% p.a. on maturity. The profit in this scheme is paid for completed years on maturity or encashment, whichever is earlier.

Special Savings Certificates (Regd)/Accounts

A three years maturity scheme available both in the form of certificates and accounts providing bi-annual return @ 8.80% p.a. for the first five profits and @ 9.50% p.a. for the last profit.

Regular Income Certificates

A five years scheme providing monthly profit payment @ 9.48% p.a. subject to 10% withholding tax at source.

Bahbood Savings Certificates

A new savings scheme exclusively launched for widows and senior citizens with maturity period of 10 years, which offers monthly profit payment @ 12.24% p.a. The profit earned on this scheme has been exempted from withholding tax at source w.e.f. 01-07-2004.

Savings Account

Savings Account is an ordinary account offering profit @ 6.00% p.a.

Pensioners' Benefit Account

A new savings scheme exclusively launched for pensioners with maturity period of 10 years offering monthly profit payment @ 12.24% p.a. The profit accrued on or after 01-07-2004 on this scheme has been exempted from withholding tax at source.

Prize Bonds

A bearer type of security, available in denominations of Rs.100/-, Rs.200/-, Rs.750/-, Rs.1,500/-, Rs.7,500/-, Rs.15,000/-, Rs.25,000/- and Rs.40,000/-. The scheme offers prizes drawn on quarterly basis. The return on this scheme is 10.00% p.a.

National Savings Bonds

A tradable type of security was launched in January, 2010 under the Second Generation of Capital Market Reforms Programme. The National Savings Bonds are available in the 5 and 10 years maturity. The subscription of first issue was closed on 26.01.2010. The rate of return is paid bi-annually which for first issue were 12.55% and 12.60%.

Short Term-Savings Certificates.

Short-Term scheme with the taxonomy of Short-Term Savings Certificates was introduced and launched w.e.f. 01.07.2012. In view of the liquidity position and demand for short-term paper in the financial market. The rates of return are 8.45%, 8.50% and 8.55% for 3 months, 6 months and one years. The profit is paid on maturity but not less than a period of three months, if encashed before maturity.

- ▶ The gross and net investment targets of National Savings Schemes for FY 2012-13 were pitched by the Finance Division at Rs.948,427 million and Rs.223,798 million respectively. The CDNS has surpassed the target by mobilizing gross receipts of Rs.1,022,826 million and net receipts of Rs.385,075 million during FY 2012-13.
- ▶ In order to provide best clientele services to public and better working environment for employees, around 80% of National Saving Centers have been upgraded or shifted to more suitable places during last five years. Further, to provide better and speedy services to general public, automation of National Savings Centres is under process.
- ▶ The CDNS has computerized 108 sites comprising 83 National Savings Centers (NSCs), 9 National Savings Treasuries (NSTs) and 16 other controlling offices during automation project which has been successfully completed on 28th February 2013. The newly introduced computerized System is aimed for improvement of quality of services, decrease in workload on staff, satisfied customers and to have good governance, uniformity of business and better control over the financial business.

Pakistan – Consolidated Fiscal Operations 2013-14

Budget wing is also responsible to disseminate quarterly data in respect of Fiscal Operations, Federal, and Provincial as well as Consolidated, on the web-site of the Finance Division. The Summary of Fiscal Operations for the year 2013-14 is given below:

PAKISTAN—CONSOLIDATED FISCAL OPERATIONS 2012-13

(Rs, in Billion)

Description	B.E. 2013-14	Pro. Actual 2013-14
Total Revenue	3,646.7	3,637.3
Tax Revenue	2,768.1	2,564.5
Federal	2,598.1	2,374.5
Provincial	170.0	190.0
Non-Tax Revenue	878.6	1,072.8
Federal	808.6	1,023.4
Provincial	70.0	49.1
Total Expenditure	5,297.2	5,026.0
Current	3,963.0	4,004.6
Out of which		
Markup payments	1,153.5	1,147.8
Defence	627.3	623.1
Development and Net Lending	1,334.3	1,236.5
Unidentified expenditure	0.0	(215.1)
Budget Deficit	1,650.4	1,338.7
Financing	1,650.6	1,338.7
External	168.7	511.7
Domestic	1,481.8	877.0
Bank	506.8	553.3
Non-Bank	975.0	323.7
Privatization Proceeds	0.0	0.0
As % of GDP		

Total Revenue	14.0	14.3
Tax Revenue	10.6	10.1
Federal	10.0	9.3
Provincial	0.7	0.7
Non-Tax Revenue	3.4	4.2
Federal	3.1	4.0
Provincial	0.3	0.2
Total Expenditure	20.4	19.8
Current	15.2	15.8
<i>Out of which</i>		
<i>Interest payments</i>	4.4	4.5
<i>Defence</i>	2.4	2.5
Development & Net Lending	5.1	4.9
Budget Deficit	6.3	5.5
GDP (Rs. In billion)	26001.0	25402.0

CORPORATE FINANCE WING

The present Government inherited a deepening energy crisis as a consequence of poor policy planning and bad governance by successive governments in the past. The energy shortages imposed a heavy cost on economy estimated at 2 % of GDP annually, while its social cost is even higher. The liabilities on account of energy purchase and fuel supply were accumulating and could not be fully settled. This led to accumulation of Circular Debt to the tune of Rs. 503 billion as on 23rd May 2013. The liquidity crisis and fuel shortages within the power sector resulted into daily 10-12 hours of load shedding.

The newly elected government soon after coming into power, committed to settle the issue of power sector circular debt within 60 days. In line with the public commitment given by the Finance Minister on the floor of the Parliament during his budget speech last year, the Ministry of Finance completed settlement of power sector circular debt in two phases. In the first phase Rs.342 billion were settled on 28th June, 2013. In the second phase, a non-cash settlement of Rs.138 billion was completed on 21st July, 2013. This settlement was completed within a record time of 45 days Settlement of power sector circular debt is a major achievement of the present Government that has yielded immediate gains as mentioned under:

Settlement of these liabilities resulted in huge saving to GoP in interest payments of around Rs. 67 billion annually which was to be paid in case the circular debt was not cleared. After paying interest for Pakistan Investment Bond (PIB) issued, the actual saving is around Rs.55 billion.

- ▶ Improved power supply by addition of around 1700 MW of electricity in the national grid.
- ▶ Helped to increase fuel storage of IPPs / GENCOS from 2-3 days to 10 days, ensuring sustainable generation by IPPs/GENCOS for a longer period of time.
- ▶ GDP registered a healthier growth during current fiscal as against 2.9 % same period last year.
- ▶ Large scale manufacturing registered a high growth during the current fiscal as against lower growth same period last year.
- ▶ 4 IPPs with combined generation capacity of 2000 MW agreed to convert from furnace oil to coal based generation in two years.

In addition to clearance of Circular Debt of Rs. 480 billion, the Government also rationalized consumers end tariffs. Effective 1st August, 2013 electricity tariff rates were increased for commercial, industrial, and bulk consumers while domestic consumer tariff was increased with effect from 1st October 2013. As a result of tariff rationalization, tariff differential gap was reduced from Rs.5.88 to Rs.3 per unit reducing subsidy burden substantially.

In order to meet the liquidity requirements of power sector and to keep the system running GoP as of 30th June 2014 has paid Rs. 292 billion in subsidy to power sector as per detail given below: -

(Rs. in billion)

Name	Actual Allocation	Additional Allocation (TSG/SG/ Re-appropriation)	Final Grant	Releases till 30.06.2014
Tariff Differential Subsidy (TDS)				
TDS DISCOs	150.00	75.00	225.00	225.00
TDS K-Electric	55.00	9.00	64.00	64.00
Total TDS	205.00	84.00	289.00	289.00
Non TDS				
FATA Receivable	12.00	-	-	-
ATW for Balochistan	3.00	-	3.00	3.00
Total Non TDS	15.00	-	3.00	3.00
Grant Total	220.00	84.00	292.00	292.00

During the year 2013-14 the Government also made substantial investment in new power projects in order to bridge the supply deficit. Nandipur Power Project was revived and put on fast track implementation after delay of several years. Ministry of Finance facilitated domestic financing facilities of Rs.37.650 billion against Govt. of Pakistan guarantee. During the year the GoP facilitated issuance of TFCs/Sukuk to the tune of Rs.20 billion for meeting cash requirements of Neelum Jhelum Hydropower Project. It may also be highlighted that cash development loan of Rs.17 billion was provided to WAPDA for acquisition of land for Diamer Bhasha Dam Project. Furthermore, in order to provide support for the flag ship Gaddani Power Park Project of 6600 MW, the Government of Pakistan provided equity injection of Rs.one billion for Pakistan Power Park Management Company Limited.

Notwithstanding the above mention measures, serious challenges to power sector remains. On one hand the challenge is to augment energy supplies to bridge the demand supply deficit while on the other generation, transmission and distribution inefficiencies continue to impose heavy costs. Energy sector losses including theft and low level of recoveries of billed amount from consumers is a serious challenge to the financial sustainability of the energy sector. During coming months and years the government will take necessary steps to confront these challenges.

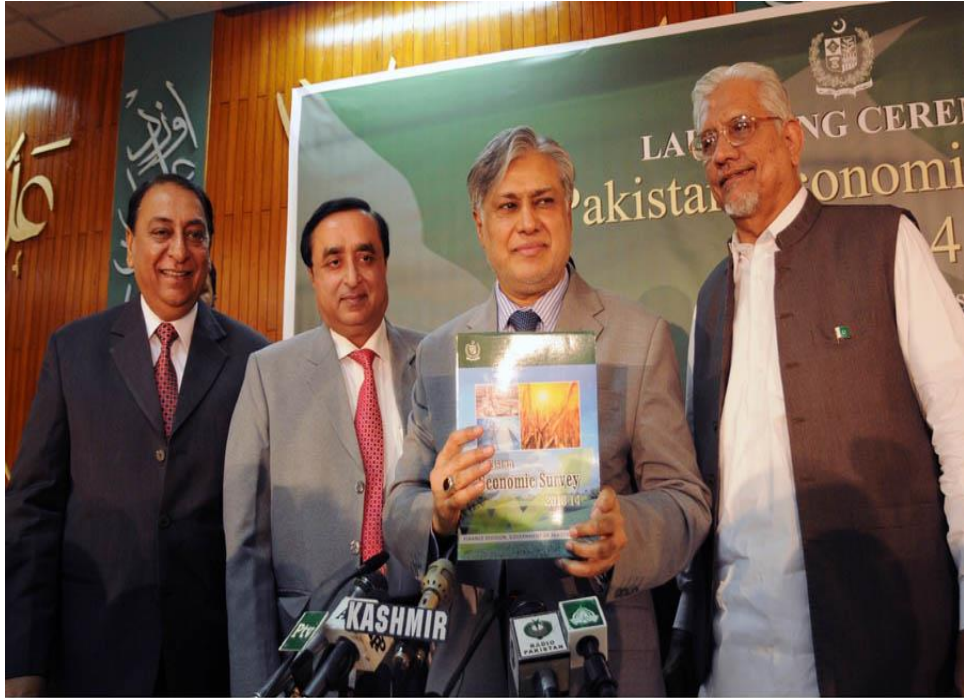
Bail out Pakistan International Air Line (PIA)

In order to provide immediate liquidity support for revival of PIA's operations, the Government of Pakistan set aside Rs.16 billion in an Escrow account, as equity for the Corporation to be disbursed by the ECC to enable it to make payments of, Eximbank loan installments to overdue vendors and for dry lease of aircraft. Pursuant to the ECC decisions so far an amount of Rs.14.70 billion has been disbursed to PIA as per the following details:

(Rupees in billion)

Purposes	Allocation	Released	Balance
Vendors payments	7.0	6.10	0.90
Exim Banks Loans	5.7	5.65	0.05
Dry lease of Aircrafts	3.3	2.95	0.35
Total :	16.0	14.70	1.30

In pursuance of restructuring package for PIA approved in 2007 loan facilities/TFCs amounting to Rs. 19.6 billion were re-profiled and converted into new TFCs/SUKUK. It was also decided that Federal Government will pick up markup liability on these TFCs/Sukuk for a period of five years, and amounts released will be treated as GoP Equity in PIA. Accordingly, Ministry of Finance released Rs.645.034 million to PIA on account of mark up on TFCs/Sukuk of PIA as GoP Equity during 2013-14.



Islamabad, June 02, 2014: Federal Minister for Finance Senator Mohammad Ishaq Dar launching Economic Survey of Pakistan 2014.

ECONOMIC ADVISER'S WING

Publication-Pakistan Economic Survey

Economic Adviser's Wing prepares and publishes the 'Pakistan Economic Survey' every year. This Survey presents a comprehensive account of the country's economy, government policies and implementation status in all sectors. Data and feedback reports on each sector is received from the concerned organizations like; State Bank of Pakistan, Pakistan Bureau of Statistics, Federal Board of Revenue and various Ministries/Divisions/Agencies & Departments. Pakistan Economic Survey is placed in Budget session of the Parliament for perusal and discussion in the august house for approval of the forthcoming financial year budget.

Pakistan Economic Survey is formally launched every year by the Federal Finance Minister in a ceremony. Pakistan Economic Survey is widely distributed complementary during the year on demand amongst the students, academia, research organization, institutions, departments in public and private sectors, ministries and embassies etc. Soft version can also be accessed on the official Website of Finance Division *www: finance.gov.pk*

This year Economic Survey and its Highlights both in Urdu and English were published on 2nd June 2014. Around 11,065 visitors accessed the document in the months of June and July 2014.

Publication-Supplement of Pakistan Economic Survey

Pakistan Economic Survey comprises data from July to March period of the financial year. Data of complete financial year from July-June along with data series of several preceding years are published in the Supplement booklet. This Statistical Supplement of Pakistan Economic Survey is compiled for the convenience of Policy makers, researchers, academia and other users. Statistical Supplement of the Pakistan Economic Survey 2012-13 was published on 18th December 2013.

Economic Adviser's Wing, represents Finance Division in meetings with International Monetary Fund, World Bank and other national high level committees like; Committee of National Accounts, Standing Committee on Finance, Revenue, Economic Affairs, Statistics & Privatization, Revenue Federal Committee Agriculture, National Economic Council. Economic Adviser's Wing has also performed the following functions during the financial year 2013-14:

State of the Economy-Presentation to the ECC and Cabinet meetings

Economic Adviser's Wing presented the consolidated picture on state of the economy and on price situation to the ECC and Cabinet meetings. This covers review of price situation, commodities stock position, analysis of regional prices of consumer items and other key economic indicators.

National Price Monitoring Committee meetings

National Price Monitoring Committee (NPMC) has been constituted since January 2011 under the Chairmanship of Secretary Finance. EA wing is the secretariat of this committee. Representatives from concerned departments of provincial governments and relevant Federal Ministries and agencies attend the meeting. NPMC reviews the price movement of essential food items on monthly basis. The committee is assigned to improve mechanism to mitigate the price pressure and to streamline the demand and supply position. To give the due importance to this forum in facilitating the general public through price stability and to ensure the availability of essential food items Federal Finance Minister, Senator Mohammad Ishaq Dar chairs the meeting since inception of the present government.

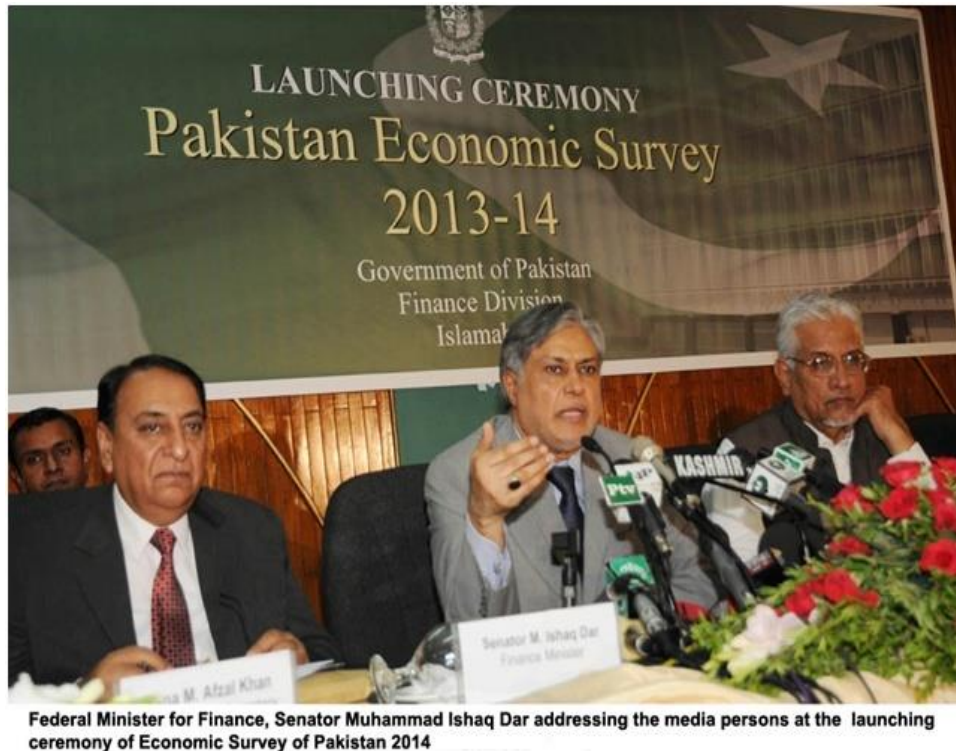
Monetary and Fiscal Coordination Board meeting

Economic Adviser's Wing also arranges the Monetary and Fiscal Policies Coordination Board meetings which is chaired by the Minister for Finance and represented by Federal Minister for Commerce, Minister for Planning-Development & Reforms, Secretary Finance Division, Governor State Bank of Pakistan and two eminent economist members namely; Dr. Asad Zaman and Dr. Ishrat Hussain. The Monetary and Fiscal Coordination Board meeting was held in May 2014 under the chairmanship of the Finance Minister.

Impact of the Incidents of Terrorism

In order to assess the impact of the incidents of terrorism on the economy of Pakistan during the past several years, Finance Minister constituted a committee under the chairmanship of Adviser to Finance Division with Economic Adviser as Secretary/Member and also members from Ministries of Interior, Foreign Affairs, Commerce and Inter-Provincial Coordination. EA wing coordinated with all relevant departments/organizations and estimated the impact of conflict in Afghanistan and the ensuing terrorism on exports, foreign investment, privatization, industrial output, tax collection etc. and updated the estimates for FY12, FY13 and FY14. These estimates have been published in Pakistan Economic Survey 2013-14.

Economic Adviser's Wing also provided technical and professional inputs on all economic and financial matters like Development Strategy Formulation Plan and implementation matrix of the government development priorities, Working Draft on Fiscal Development for the five years plan 2013-18 also



participated in the working group for preparation of vision 2025 and the 11th five year plan 2013-18. Economic Adviser's Wing also performed key and professional role in the preparation and launching of Pakistan Sovereign Bonds, 2014.

A number of other tasks were performed like assessment of socio-economic situation of the country along with reflection of government's initiatives on various dimensions of the economy during the year.

Parliament Business

A number of answers to the National Assembly and Senate questions, resolution and replies to the motions were prepared for the Finance Minister/Minister of State. Similarly, briefs and speeches for Finance Minister/MoS for different economic fora were also prepared.

Training of the Officers

During 2013-14 two officers attended the short term training on "Expenditure Tracking of Pro-poor Sector" sponsored by Finance Division under Institutional Strengthening of Finance Division project. Joint Economic Adviser attended one week training course on "Inclusive Growth" in Washington DC USA.

EXPENDITURE WING

Expenditure Wing is entrusted with implementation of the System of Financial Control and Budgeting, custodian of General Financial Rules and Federal Treasury Rules. The Wing strives for financial propriety and rationalization of public expenditure through various mechanisms. The wing also functions in the capacity of Financial Advisor of Office of the Accountant General of Pakistan and Office of the Controller General of Accounts. Expenditure Wing looks after some of the administrative and financial matters of Benazir Income Support Programme. The performance of the Expenditure Wing can be summarized as under:

Austerity Measures

Government of Pakistan in order to strengthen the economy and to reduce unnecessary expenditure announced certain austerity measures during currency of the financial year. During financial year 2013-14, Expenditure Wing in pursuance of Government's decision imposed a 30% cut on non-development expenditures of Ministries/Division, etc. excluding debt serving, defence, pay and allowances, some necessary subsidies and grants and placed ban on purchase of vehicles other than operational vehicles of law enforcement agencies and critical development projects. Due to imposition of austerity measures, the Government of Pakistan has been able to restrict purchase of vehicles to a large extent. Expenditure Wing processed cases for relaxation of ban imposed on purchase of vehicles only where there was a dire need for purchase of vehicles. Similarly, through strict implementation of 30% cut on expenditures the Government was able to save billions of rupees .

Clarifications To Ministries/Divisions Regarding System Of Financial Control And Budgeting 2006

Expenditure Wing has given clarifications to various Ministries/Divisions on the System of Financial Control and Budgeting 2006 which includes revisions/modifications of the said system and the system is amended and updated whenever needed keeping in view genuine requirement of the users.

Coordination Regarding Prime Minister's Skill Development Programme And Youth Training Programme

Expenditure Wing has been conducting necessary coordination as and when needed regarding Prime Minister's Skill Development Programme. A sum of Rs. 800 million have been allocated for Prime Minister's Skill Development Programme. The Programme aimed at training of 25000 middle pass youth for

5 months in 100 common trades with 34% women and 10% for disabled quota Rs.450 million as per requirements of the programme has already been released during the period. The Programme targeted youth from the four provinces, FATA, AJK and Gilgit Baltistan.

Quarterly Releases And Some Administrative Matters Of Benazir Income Support Programme

Benazir Income Support Programme was launched in 2008 as the flagship Social Safety Net initiative for women empowerment poverty alleviation. The programme was intended to cushion the sluggish effects of slow economic growth, food crises and inflation on the poor. The present Government enhanced the monthly installment to Rs.1200 per month for financial year 2013-14. It has been the largest single cash transfer programme in Pakistan's history. Expenditure Wing has been processing cases of quarterly releases required for Benazir Income Support Programme. Sum of Rs.33.316 billion has been released to BISP from January to June, 2014. Expenditure Wing has also been entrusted with some of administrative matters of the said programme including creation of posts.

The programme has to its credit the following achievements:

- i. Continued enhancement of cash transfers through automatic transfer cards.
- ii. Identification of target population/families living below the poverty line.
- iii. Involvement of third parties in the surveys.
- iv. BISP has been involved in complementary and graduation initiatives to defeat poverty on permanent basis. The programme has launched Waseela-e-Rozgar, Waseela-e-Haq, Waseela-e-Sehet, Life Insurance, Health Insurance, Waseela-e-Taleem etc.
- v. International cooperation: The programme has been widely recognized and appreciated by International Financial Institutions and has been adopted by many developing and third world countries like India, Bangladesh, Mongolia, Nigeria etc.
- vi. The programme is getting appreciable technical, advisory and financial support from International Financial Institutions like World Bank, USAID, Asian Development Bank, Department for International Development (DFID).
- vii. The number of beneficiaries of the programme has increased to 4.6 million.

Specific Administrative And Budgetary Matters Of Offices Of AGP and CGA

Being Financial Adviser of Offices of Auditor General of Pakistan and Controller General of Accounts, Expenditure Wing has been actively involved in rationalization of budgetary allocations and allied matters, creation of posts and legal matters of the said Offices. The performance /achievement of Office of the CGA is as under:

- i. The format of appropriation accounts of the Federal Government, Provincial Governments, District Governments and Self Accounting Entities(SAEs) revised with the approval of Auditor General of Pakistan. The revised format is helpful in achieving more clarity and transparency in the presentation of accounts. It is also likely to facilitate the Public Account Committee in accountability process.
 - ii. Prepared annual accounts including Appropriation Accounts and Financial Statements of the Federation, Provincial Governments and District Governments on revised format for the Financial Year 2012-13 and submitted to Audit within two months after the close of financial year. The Accounts also got audited, certified within stipulated time and signed by the Auditor General of Pakistan(AGP).
 - iii. Unqualified opinion was given by the Audit on the accounts of the Federation, Provincial governments and District governments for the 2012-13, which reflects the accuracy and reliability of the Accounts.
 - iv. During the 2013-14, the Monthly Civil Accounts of the Federation and Provincial Governments were prepared in time.
 - v. The implementation of New Accounting Model(NAM) like some of the important organizations of the government such as Pakistan Railways, Azad Jammu & Kashmir etc. is in progress.
 - vi. A uniform solution to incorporate third party/direct payments relating to the Federal/Provincial Governments in the Accounts through SA SAP system has also been initiated.
 - vii. During the 2013-14, following Accounting Procedures relating organizations/funds established by Federal government and Provincial government were vetted.
1. Accounting Procedure for operation/utilization of the Provincial Disaster Management Fund of the Govt. of Khyber Pakhtunkhwa.
 2. Financial Manual and Accounting Procedure for NACTA Research & Development Fund.

3. Standing Operating Procedure and Accounting Procedure for Research & Development Fund, Ministry of Information Technology and Telecom.
4. Standing Operating Procedure and Accounting Procedure in respect of Universal Service Fund.
5. Prime Minister's Balochistan Earthquake Fund 2013.
6. PPRA Accounting Procedure, 2014.
7. Accounting Procedure for Payment of Child Support Programme(CSP) Pakistan Baitulmal Govt. of Pakistan through Post Offices.
8. Decentralization /Revision of existing Procedure for collection of SSGCL Bills through Post Offices.
9. Decentralization/Revision of existing Procedure for collection of IESCO Bills through Post Offices.
10. Decentralization/Revision of existing Procedure for collection of MEPCO Bills through Post Offices.
11. Accounting Procedure of FATA Disaster Management Fund.
12. Accounting Procedure of Hydrocarbon Development Institute of Pakistan(HDIP).
13. Vetting of project financial management manual(revised) in respect of Land Reforms Management Information System(LRMIS).

QUALITY ASSURANCE ACTIVITIES OF THE WING

Expenditure Wing has been actively involved in the Quality Assurance activities and every effort is made to provide quality services to customers in line with the latest innovations in management systems. Moreover, it will not be out of place to mention that during Customer's Satisfaction Index (CSI) of Finance Division for the period July to December, 2013 the percentage of Customer's Satisfaction Index (CSI) pertaining to Expenditure Wing was 79.35.

Expenditure Wing is in close interaction with F.As Organization and cases are re-examined whenever referred.

BENAZIR INCOME SUPPORT PROGRAM (BISP)

Background, Objective and Scope

The Government of Pakistan has launched the Benazir Income Support Program (BISP), in July 2008 with an immediate objective to cushion the negative effects of slow economic growth, the food crisis and inflation on the poor, particularly women, through the provision of cash transfers of Rs. 1,000/- per month for eligible families. Its long term objectives include meeting the targets set by Millennium Development Goals (MDGs) to eradicate extreme and chronic poverty and empowerment of women. The monthly installment was enhanced by the present government to Rs. 1200/per family w.e.f. 1st July 2013, which has subsequently been increased to Rs. 1500 per family w.e.f 1st July, 2014.

Since its inception in 2008, BISP has grown rapidly, it is now the largest single cash transfer program in Pakistan's history. The number of beneficiaries has increased from 1.7 million households in FY 2008-09 to approximately 5.5 million as of 15th October 2014 (Table-1) and BISP annual disbursement rose from 16 million in FY 2008-09 to Rs. 69 billion in the FY 2013-14. During the current FY 2014-15, approximately Rs.21 billion were disbursed in first quarterly installments to more than 4.6 million beneficiary families and the disbursement is expected to cross Rs. 90 billion by the end of FY 2014-15.

At the start of the program in July 2008, no reliable data was available for the identification of the underprivileged and vulnerable persons in the country. The task of identification of the potential beneficiaries of BISP was, therefore, entrusted to the parliamentarians in what was the Phase-I of targeting. Application Forms were distributed among the Parliamentarians in equal number (800 forms to each member of the National Assembly and Senate and 1000 forms to each member of the Provincial Assemblies), irrespective of party affiliation. The forms received were verified through NADRA database and out of 4.2 million received forms 2.2 million families were found eligible for cash transfers.

Later, a transition in terms of objective and scientific mode of targeting *i.e.* Poverty Scorecard (Phase-II) was launched. The nationwide Poverty Scorecard Survey, the first of its kind in South Asia, enables BISP to identify eligible households through the application of a Proxy Means Test (PMT) that determines the welfare status of the households on a scale between 0-100. The survey was started in October 2010 (which was conducted by the independent firms hired through a competitive bidding process) and has been completed across Pakistan except two agencies of FATA. The survey has the following features:

- ▶ 7.7 million families are identified as living below the cutoff score of 16.17
- ▶ Creation of a large and reliable national registry of the socioeconomic status of almost 27.36 million households and approximately 155 million individuals across Pakistan.
- ▶ It was not a random survey, approximately 90% of the households were covered. The gap was due to the fact that the survey was an optional exercise and remaining either refused or did not participate in the survey.

Second transition relates to payment mechanisms. BISP in its initial phase started delivering cash transfers using Pakistan Post due to its outreach across Pakistan. But later, in order to improve the efficiency and transparency of payments to its beneficiaries, BISP started using innovative payment mechanism in the form of Benazir Smart Card and Mobile Phone Banking on a test basis in nine districts across the country. After testing the pilots, BISP has rolled out Benazir Debt Card across Pakistan. Now, around 4.6 million beneficiaries are receiving payments through technology enabled innovative payment mechanisms.

Table 1

Year Wise Beneficiaries as on 15-10-2014

Serial No.	Fiscal Year	No. of Beneficiaries (In Million)
1	2008-09	1.76
2	2009-10	2.24
3	2010-11	3.09
4	2011-12	3.63
5	2012-13	4.8
6	2013-14	5.4
7	2014-15	5.5

Table 2

Number of BISP Beneficiaries & Amount Disbursed as on 15-10-2014*(Amount in Rs)*

Fiscal Year	Phase – I		Phase-II		Total Payments
	No. of Beneficiaries	Amount disbursed	No. of Beneficiaries	Amount disbursed	
2008-09	1,756,371.00	15,807,373,000	-	-	15,807,373,000
2009-10	2,234,936.00	28,551,446,000	341,083	3,393,444,000	31,944,890,000
2010-11	1,954,998.00	19,117,036,000	1,141,466	10,840,090,000	29,957,126,000
2011-12	61,501	653,751,000	3,620,514	40,346,616,480	41,000,367,480
2012-13	16,020	162,444,000	3,722,259	42,739,371,489	42,901,815,489
2013-14	-	-	4,617,016	65,151,138,100	65,151,138,100
2014-15	5,433	102,675,600	4,628,925	20,669,917,500	20,772,593,100
Total		64,394,725,600		183,140,577,569	247,535,303,169

Note: Service charges are not included.

Emergency Relief Programme (ERP) payments are not included, which were disbursed during FY 2009-10 and 2010-11 total Rs. 4.19 billion.

ERP for Thar famine effected payments are not included, which were disbursed during FY 2013-14 of Rs. 682,470,400/-

Evaluations and Programme Results

Rigorous evaluations are built into the design of BISP. There is a dedicated unit of Monitoring and Evaluation at BISP. These evaluations are also conducted by external organizations to ensure credibility. The evaluations provide invaluable insight into the incentive structure and processes of an intervention, and as such form an essential part of policy design. To obtain a more rounded and balanced perspective of the programme, particularly in the case of impact evaluations, both quantitative and qualitative analysis is being performed. The former provides evidence on variables amenable to measurement and systematic statistical analysis; the latter provides evidence of attitudes, perceptions, and impacts derived from interviews, focus groups, and other methods of analysis. Both types are useful and contribute to understanding the full dimensions of such complex programme.

Three independent firms were hired: (i) to conduct spot checks of eligible beneficiaries ii) to evaluate the processes of program implementation; and iii) to carry out a detailed impact evaluation exercise.

BISP contracted their parties (IDS and GHK) to conduct a validation of the different procedures relating to the poverty scorecard implementation using spot check and process evaluation. The specific objectives of these assignments were to test the completeness and quality of the survey conducted by the partner organizations and post survey activities i.e. data entry, payment and case management. The interim findings of both the exercises have been shared with BISP. The spot check assignment found out that the overall coverage of BISP's targeting survey at national level is 90% and the magnitude of difference in the poverty scope across the two surveys (i.e. National roll out of poverty survey and spot check representative survey) is 1.7%, which is within permissible limit of ± 10 as per international standards. The process evaluation was a qualitative exercise with an aim to assess whether the targeting process is being implemented as per manuals and to provide in-time feedback to BISP on field operations with evidence-based advice as to how immediate improvements can be made. The recommendations of process evaluation are being used for efficient delivery services and timely course correction by BISP.

BISP through a third party undertook a baseline study as a first step of a detailed impact assessment. The baseline provides data against which the impact of BISP through future surveys, focusing on 11 pre-agreed areas ranging from poverty and consumption expenditure through to child nutrition, women's empowerment and the uptake of education and health services would be measured. The results of baseline reiterate that the BISP intended beneficiaries have larger family size with high dependency ratios and with low educational attainment, and suffering from more illnesses than the rest of the population. Children are more malnourished in potentially eligible households than in potentially non-eligible households. Overall, the findings of the baseline are broadly in line with the available national data. Moreover, the baseline provides details on indicators related to household consumption, major shocks, coping mechanism and use of financial services, etc. The scope, sampling and data collection approach of baseline study are part of a comprehensive medium term impact evaluation plan. BISP has procured the services of M/s OPM as the consultant to conduct three follow-up surveys for 2013, 2014 and 2015 (building on the baseline) and implement a quasi-experimental impact evaluation of BISP. The first Follow-up survey is in the field and expected to be completed soon.

BISP under technical assistance from Department for International Development (DFID) is also in the process of initiating a spot check exercise for cash transfer payment mechanism and grievance redressed mechanism.

Another part of the assignment is to conduct biannual beneficiary feedback surveys for next three years. In addition, initial to that assessments for BISP's all complimentary interventions are also in the process.

COMPLEMENTARY AND GRADUATION INITIATIVES

There is an increasing role of complementary interventions in determining sustainable impact of cash transfer on uptake of education and health services, nutrition outcomes and for improving livelihoods to increase the chance of graduation from poverty. Global experience suggests that where programmes are combined with complementary, well-sequenced interventions, they have greater potential. The program has four closely associated and complementary components, including Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e-Haq (Micro-finance), Waseela-e-Sehat (Life & Health Insurance) and Waseela-e-Taleem (Primary Education).

Waseela-e-Haq, aiming to break the vicious cycle of poverty, provides interest free financial assistance to the randomly selected beneficiaries. The selection of these families is being done by computerized transparent balloting. The step is basically designed to promote self-employment among women beneficiaries or their nominees to improve their livelihood. It offers Rs. 300,000 long-term interest free financial assistance based on social capital instead of any physical asset as collateral. So far, 41 draws have been held and installments worth Rs. 2.6 billion has been disbursed to 16,119 beneficiaries while 9,193 beneficiaries started their own business. An initial assessment of Waseela-e-Haq is also in progress.

Waseela-e-Rozgar provides, free of cost vocational training for every beneficiary woman or her nominee (between the age of 18 and 45) from her own family. This initiative envisages empowering the female beneficiary or her nominee to become economically independent through acquiring demand-driven vocational skill and technical education. Waseela-e-Rozgar leads towards capacity building and skill development. BISP has planned to provide a complete economic rehabilitation mechanism to these families through vocational trainings. So far, around 57,000 individuals have been trained under this initiative.

BISP plans to merge its Waseela-e-Rozgar and Waseela-e-Haq schemes so that BISP beneficiaries who do not want jobs will be given micro credit loans to start their own business.

Another step to reduce the sufferings of the underprivileged segments of the society is the provision of health facilities under Waseela-e-Sehat. The programme envisioned to improve access to health services and reducing income loss of the already marginalized people due to health related expenditure. The Life Insurance was launched on January 1, 2011 to provide

insurance coverage of Rs. 100,000 for the life of bread-earners of every beneficiary family. Over 4.1 million beneficiary families now have their bread earners covered for three years under the life insurance scheme launched by BISP in collaboration with State Life Insurance corporation of Pakistan (SLIC). So far, over 9,649 deaths are reported, while claims have been paid to 4,865 claimants. Health Insurance providing full hospitalization, pregnancy care, day-care treatment, and diagnostic tests for all beneficiary families to a maximum limit of Rupees 25,000/- per family per year has also been launched in one district on a test basis. To facilitate the beneficiaries, Benazir Health Cards (biometric card) have been issued to more than 58,000 enrolled families. BISP is planning to extend this initiative to 5 more districts in FY 2014-15 with the assistance of Asian Development Bank.

Waseela-e-Taleem

Millions of poor children have never attended any school. BISP recently launched a co-responsibility cash transfer “Waseela-e-Taleem”. The programme aims to encourage BISP beneficiary families with children in the age group of 5 to 12 years, to send their out of school children to schools for Primary Education (and in school children to continue their education), in return for cash transfers with the long-term prospects of human capital formation to graduate out of abject poverty. The initiative aims to enroll approximately three million children in primary schools in 4 year time. This involves a cash transfer of Rs. 200 per month paid quarterly, Rs. 600 per child for up to three children of each beneficiary family in return for their compliance with the co-responsibilities of school admissions and a minimum of 70% quarterly attendance. BISP intends to implement the programme by using a phased approach, which involves testing the programme in selecting districts first and then rolling it out on the basis of learning from the test phase. The field operations of the programme were started in October, 2012. As of now, a total of 32,980 children have been enrolled in primary schools in five pilot districts, including Mirpur, Noshki, Skardu, Malakand and Karachi South. Total incentive of around Rs. 84 million has been disbursed to the families of these children. BISP has started national roll out of this initiative and in the first phase Waseela-e-Taleem is being launched in 27 new districts across the country.

Contribution of International Institutions

BISP has achieved international recognition due to its stringent targeting mechanism, innovative design and transparent system. The UN Secretary General, World Bank, US government, British government through DFID and Asian Development Bank have all appreciated BISP’s performance and have provided financial support. The World Bank’s role in BISP extends substantially

beyond development finance. Since its inception the World Bank generously provided technical advice on different aspects of the programme. Later on DFID also contributed its financial and technical resources for expansion of BISP. The international financial support to BISP is detailed below:

World Bank

The International Development Association (IDA) provided a credit of US\$ 60 million to BISP for the “Pakistan Social Safety Net Technical Assistance Project” for the period August 4, 2009 to June 30, 2016. The TA project has supported the design of the poverty scorecard, survey of all households in Pakistan and associated activities. BISP has received additional financing of US\$ 150 million for the Pakistan Social Safety Net project to launch a Co-responsibility cash Transfer/CCT (Waseela-e- Talem) program for the primary education of the children of BISP beneficiaries.

USAID

BISP was provided a grant of US \$ (dollar) 160 million by the USAID as budgetary support for payment of cash benefits to the beneficiaries identified under the new poverty scorecard system. This amount was fully consumed by January, 2012. USAID also commissioned a 3rd party assessment of BISP payment mechanism. The report shows that 98.7% beneficiaries of BISP received their monthly cash transfers.

Asian Development Bank

In June 2009, an amount of US\$ 150 million was provided by the ADB to the Ministry of Finance under the ADB-funded “Accelerating Economic Transformation Programme (AETP)”, specifically for use by BISP to make cash transfers to beneficiaries identified through the new targeting system. BISP has fully disbursed the entire amount to its beneficiaries. ADB has signed to provide another US\$ 430 million for Social Protection Development Project for BISP in November 2013. The project will finance un-conditional cash transfer payments to newly enrolled BISP beneficiaries for 5 quarters. Other components of the project include re-designing and roll out of Waseela-e-Rozgar and Waseela-e-Sehat.

Department For International Development (DFID)

Supported BISP’s initial activities (test phase targeting survey, process evaluation and spot checks, etc.) through the Trust Fund managed by the World Bank. Now DFID has provided a grant of £ 300 million to BISP for the co-responsibility cash transfer (CCT) program for the primary education of the children of BISP beneficiaries.

BISP's operational design, separation of function and innovative technology based mechanism has inspired countries like Bangladesh, India, Ghana, Mongolia, Cambodia and Nepal to initiate similar programs to improve the lives of their millions of poor.

A Way Forward

Need for Programme and Financial Sustainability

First, BISP needs to be fully scaled up and for this consistency in terms of both programme and financial sustainability is required. More specifically the number of poor people who are not yet benefiting from the programme's educational component i.e. Waseela-e-Taleem is still very large. Similarly the demographic dynamics of poor households creates a need for long-term support. Programme and financial sustainability, therefore is essential. Therefore, BISP requested the government to allocate more resources for BISP in the upcoming budget: which was agreed by the Government and allocation of BISP has been increased from Rs.75 billion to Rs. 97 billion for FY 2014-15.

Need for Continuous Evaluation

Current BISP Management feels that Evaluation, as an integral component of the programme, needs to be continued. A programme focused on eliminating poverty, by its very nature, needs a long time to fully achieve its objectives. It is, therefore, important to avoid generating expectations and it is best to be more cautious and circumspect and to explain to all that a lengthy process is required to fully achieve the desired results.

Need for Long-Term Institutional Stability

BISP is relatively a new programme. The present management of BISP feels that improvement and stability in terms of programme rules may also be improved. The programme objectives may be translated into more dynamic manner to achieve the cause.

Partnership with Provinces

In the aftermath of 18th Amendment and upon the directions of the Government BISP is forging partnership with Provinces for better implementation of the programme. A close partnership will not only eliminate duplication but will also create a sense of ownership for the programme at the Provincial level as well. In this context, Provinces have been approached and preliminary meetings taken place.

EXTERNAL FINANCE WING

EF(C&B) Wing

External Finance (B&C) Wing is mainly responsible for providing input in preparation of policies aimed at strengthening the external sector of the economy by maintaining foreign exchange reserve at an appropriate and sustainable level. During 2013-14, External Finance Wing (B&C) continued performing the following tasks:

- ▶ Periodic review of balance of payments position as well as projections.
- ▶ Appropriate allocation and releases of Foreign Exchange to the Ministries Divisions and Public Sector Organizations.
- ▶ Analysis and approval of financial terms and conditions for foreign currency loans from bilateral and multilateral sources.
- ▶ Extend Fund Facility (EFF) Program negotiations and quarterly reviews.
- ▶ Issuance of Euro Bond in International Capital Market.

EXTENDED FUND FACILITY WITH IMF

Pakistan entered into a three years External Fund Facility (EFF) program with IMF for US\$ 6.64 billion in September 2013. The Executive Board of the International Monetary Fund (IMF) approved financing arrangements under EFF to support country's Economic reforms program and promote inclusive growth. The main objectives and elements of the program are given below:

- (a) Improve the medium-term growth outlook and move toward sustainable fiscal and external position.
- (b) Provide macroeconomic stability and improve economic performance during the term of the program.

During FY 2013/14 Pakistan has undergone three successful quarterly reviews and has received an amount of US\$ 2.2 billion till July 2014 under the IMF Program for balance of payments support.

FLOATING PAKISTAN SOVEREIGN BOND, 2014

Pakistan successfully floated US\$ 2.0 billion Euro Bond including US\$ 1.0 billion for five years tenure and another US\$ 1.0 billion for ten years tenor during April, 2014. US\$ 1.0 billion five years bond was raised at interest rate of 7.25% per annum. The proceeds of the bond were utilized for balance of payment and budgetary support. The success of the transaction after 7 years absence from the global capital markets highlights investors confidence in the recent changes in country's leading economic indicators, external finances and structural reforms undertaken by the government.



Federal Minister for Finance, Senator Mohammad Ishaq Dar, in a meeting with King of Bahrain His Majesty Hamad bin Isa bin Salman Al Khalifah, in Islamabad

ISLAMIC DEVELOPMENT BANK MURABAHA FINANCING FOR EURO 750 MILLION

An understanding was concluded with Islamic Development Bank to arrange Murabaha Financing Facility for Euro 750 million. So far, an amount of US\$ 300 million has been disbursed. These funds were utilized for balance of payments and budgetary support.

ITFC COMMODITY FINANCING FACILITY

A framework agreement has been concluded with ITFC (Subsidiary of IDB) to provide \$ 1.5 billion in three years, 2014-16 for \$500 million each year for oil import. So far we have received \$ 213 million have been During current financial year.

SYNDICATE TERM FINANCING

An amount of US\$ 322.5 billion has been disbursed under the above arrangement through different commercial banks. The amount disbursed was utilized for balance of payments and budgetary support.

ARRANGEMENT OF FINANCING FROM BILATERAL/MULTILATERALS

Project/program loans from the following agencies were arranged:

Asian Development Bank (ADB) (US\$ 1711.3 million), Islamic Development Bank (IDB) (US\$ 265.28 million), German Development Agency (KfW) (US\$ 35.5 million) Japanese International Cooperation Agency (JICA) (US\$ 58.8 million), Saudi Fund for Development SFD) (US\$ 184.8 million), OPEC Fund for International Development (OFID) (US\$ 50 million), and EXIM Bank of China (US\$ 6.45 billion).

EFFORTS FOR THE IMPROVEMENT OF BOPs

Exports of Goods during 2013/14 has increased by 1.4% as against the projected growth of 5.5% while imports increased by 3.9% as against 6.5%. the trade deficit stood at US\$ 16.635 billion showing a trade deficit of 7.8% against the same period of last year. Workers remittances touched the level of US\$ 15.832 billion, showing a growth 13.75% against the same period of last year. Remittances have shown an upward trend due to various factors prominent among which are the measures taken under the Pakistan Remittances Initiative (PRI), leading to increased inflow through official channels.

EXTERNAL FINANCE POLICY WING

External Finance Policy (EFP) Wing compiles the Government of Pakistan's principal policy for macroeconomic governance and poverty reduction i.e. Poverty Reduction Strategy Paper (PRSP). It also deals with multilateral and bilateral institutions like the World Bank, USAID, SAARC Development Fund (SDF), ECO Trade and Development Bank, United Nations Development Programme (UNDP), and One UN Programme. EFP Wing was also the focal point of (i) Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP)', (ii) Project for Improvement in Financial Reporting and Auditing (PIFRA-II), (iii) Pakistan Poverty Alleviation Fund (PPAF), (iv) Institutional Strengthening of Finance Division Project (ISFDP)' (v) International Finance Corporation (IFC) (vi) Joint Ministerial Commissions (JMCs) and Joint Economic Commissions (JECs).

World Bank and USAID Portfolio

During the year, EFP Wing coordinated with the World Bank, USAID, Economic Affairs Division and implementing agencies for the projects sponsored by the World Bank and USAID in order to have timely disbursement for better monitoring and implementation. During the Fiscal year 2013-14 US\$ 696 million were disbursed by the World Bank and US \$ 119 million by USAID.

The Wing is the implementation Agency/Focal point for the Government's reform program for growth, investment climate and competitiveness First Development Policy Credit (DPC) of US\$ 400 million for Fiscally Sustainable and Inclusive Growth (FSIG) during 2013-14, which was successfully negotiated with the World Bank and the funds have been disbursed in May, 2014

In addition, the Wing coordinated with the World Bank, ADB, JICA and the concerned stakeholders for successful negotiations of another of US\$ 600 million for power/energy sector reforms support programme, which have been disbursed in April, 2014.

EFP Wing also represented Finance Division in various projects negotiations with the World Bank alongwith Economic Affairs Division.

SAARC Development Fund

SAARC Development Fund (SDF), established with the contribution of SAARC Member States, serves as an umbrella financial institution for sponsoring development projects to be implemented in member states. It has three windows i.e. Social, Economic and Infrastructure Windows, of which only Social Window is operational at present. Finance Division (EFP Wing) is the focal point

and Counterpart Agency of SDF in Pakistan. Joint Secretary (EFP) is the member of its Board of Directors while Deputy Secretary (EFP) is the alternate Director.

EFP Wing arranges Pakistan's financial contribution to SDF and during FY 2013-14 an amount of Rs. 2000 million was paid. So far, 5 projects at a total cost of US\$ 6.4 million have been approved for Pakistan which are at various stages of implementation.

ECO Trade and Development Bank

ECO Trade and Development Bank (ETDB) was established in 2005 to mobilize resources for the purpose of initiating, promoting and providing financial facilities to expand inter-regional trade and accelerate economic development of ECO countries. Pakistan, Iran and Turkey are the pioneers and major shareholders of the Bank. Afghanistan and Azerbaijan have also joined the Bank recently. Other ECO member states can also join the Bank and some are in the process of completing procedural formalities in this regard.

The Bank is currently offering SME development credit facility to member states through different financial institutions. In order to promote trade in the region, the Bank has also structured a special product called Short-term Trade Finance Facility (STFF), which is being offered through various financial institutions in Pakistan. Moreover, ETDB also extends Project Finance Loans through various facilities. Pakistan availed a total of US\$66.554 million from ETDB during FY 2013-14. EFP Wing is the focal point of ETDB in Pakistan. Additional Finance Secretary (EF) is a member of its Board of Directors while the Joint Secretary (EFP) is the alternate Director.

Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund (PPAF) was set up under section 42 of the Companies Ordinance 1984 as a "not for profit" institution dedicated to reducing poverty at the grass root level. The aim of PPAF is to help the poor in order to enable them to gain access to resources for their productive self-employment, to encourage them undertake activities of income generation and poverty alleviation for enhancing their quality of life.

Being the administrative Ministry, Finance Division (EFP Wing) channelizes funds provided by the development partners as grant to PPAF. The Wing arranges annual budget allocation for PPAF to provide rupee cover to the grant portion of funds. During FY 2013-14 an amount of Rs6.911 billion were released for PPAF as grant.

International Finance Corporation (IFC)

International Finance Corporation (IFC), a member of World Bank Group, was established in 1956 to further economic growth in its member countries by promoting private sector.

Pakistan is a member state of IFC having equity of 1,904 shares. Pakistan represents IFC's second largest country wise exposure in the Middle East and Northern Africa (MENA) region. IFC committed accumulative investment to the tune of US\$ 5.2 billion in Pakistan till the end of FY2013-14. Priority areas of IFC for investment in Pakistan are energy, power, finance and Infrastructure sectors. The Wing coordinated with IFC to facilitate its operations in Pakistan.

Joint Ministerial/Economic Commissions (JMCs/JECs)

Government of Pakistan has established Joint Ministerial/Economic Commissions with different friendly countries to enhance bilateral cooperation in areas such as Banking, Finance, Trade, Investment, Culture, etc. EFP Wing is the focal point in this regard and during FY 2013-14 the Wing participated in various meetings of JMCs/JECs and inter-ministerial meetings to present the view point of Finance Division on various issues relating to financial/banking sector.

FOREIGN EXCHANGE REGULATION ACT, 1947

Under the existing provisions of Foreign Exchange Regulation Act, 1947, the State Bank of Pakistan (SBP), the regulator of foreign exchange regime, does not have the power to impose monetary penalties and has to approach a court of law for proceeding against any violations, which entails both time and resources. Therefore, on the request of SBP, EFP Wing processed and got introduced in the National Assembly a bill for amendment in the Act to empower SBP to impose monetary penalty on violators to strengthen foreign exchange regime in the country.

Institutional Strengthening of Finance Division (ISFD)

The ISFD Project envisages overall professional development, knowledge/information sharing and institutional capacity building to facilitate and strengthen fiscal and economic policy formulation and management across various delivery units of Finance Division. This capacity enhancement is necessary to tackle the day to day economic and financial management issues. Three main objectives of the project are:

- ▶ Bridge the skill gaps by provision of consultant services
- ▶ Conduct research studies
- ▶ Provide on Job/function-based local trainings

Following Research Studies have been completed during the FY 2013-14 by the Experts/Research Associates (RAs).

- ▶ Public Financial Management Reform – appropriate tools identification and transforming conventional Budget Formulation by using Modern Tools
- ▶ The impact of subsidies on consumption patterns in Pakistan
- ▶ Social Safety Net-Impact Analysis
- ▶ Operational Assessment of Independent Power Producers (IPPs) and Thermal Power Generation in Pakistan

Following Research Studies were being conducted on the following topics:

- ▶ Moving towards Single Treasury Account
- ▶ Forecasting Foreign Exchange Requirement
- ▶ Potential growth linkages with international finance
- ▶ Stock Market participation & portfolio management
- ▶ Market dynamics and import prospects of LNG in Pakistan

Nine training courses for officers and 26 training courses for staff (2-3 days duration) have been conducted on the following topics as approved by the Training Committee constituted of the project:

Sr. No.	Course Name	No. of Trainings
1.	Financial Statements Analysis	01
2.	Loan Pricing	02
3.	MS Excel	01
4.	Presentation skills	01
5.	Translational Gain/ Loss on External Debt	02
6.	Expenditure tracking of pro-poor sectors (from entry to analysis)	01
7.	Calculating Poverty and inequality using PSLM-HIES Survey	01
8.	Responsibilities of PSs/ APSs / Stenotypists/Assistants	02
9.	Basic Hospitality and Mannerism in the public sector for Qasids/NaibQasids	12
10.	Learn MS Office for PSs/ APSs/ Stenotypists/Assistants	05
11.	Standards Norms/attitude change for PSs/ APSs/ Stenotypists/Assistants	07
	Total	35



Finance Minister, Senator Muhammad Ishaq Dar and Iranian Minister for Finance, Dr. Ali Taieb Nia co-chairing the inaugural session of the 19th Pak-Iran JEC meeting in Islamabad

ECONOMIC REFORMS UNIT

Implementation and Economic Reforms Unit (IERU)

Public Sector Enterprises

IERU has been working on improving economic governance of Public Sector Enterprises (PSEs) to curtail hemorrhaging, improve service delivery and reduce fiscal burden on the exchequer. In order to institutionalize corporate governance initiatives for PSEs, the Corporate Governance Rules (2013) have been approved by the Government and came into effect on August 8, 2013 for implementation by SECP.

Corporate Governance of PSEs registered under Companies Ordinance 1984 is vital for their overall performance and viability. The Rules help clarify roles of different stake holders involved in the management of PSEs. A gradual shift towards majority of independent directors in the Board of Directors (BoDs) has been stipulated in the rules. Role and functions of BoDs have been clarified and offices of Chairman and CEO have been separated. Financial disclosures and related party transactions have also been addressed. These rules provide guidance to stake holders for managing PSEs. It may be pertinent to highlight that quality of independent directors needs to be improved in order to comply with the rules.

IERU has taken the initiative of further improving corporate governance of PSE by initiating development of a database on financial information of PSEs. This will help in improving the transparency of PSEP operations and aid in identifying PSEs in need of restructuring or eventual disinvestment.

The government has envisaged strategic partnership/ disinvestment of 31 PSEs representing the most viable transactions. The indicative mode of related divestments has been finalized. The Strategy is modeled around disinvesting a mix of PSEs in the oil & gas, banking & finance, power, industrial, transport and real estate sectors. A key element of the Strategy is Strategic Partnership, which entails transfer of management to investors through partial sale of shares. The Government's strategy will also focus on divesting the Government's shareholding in various entities especially in Oil & Gas, Power and Financial sectors through Capital Market Transactions, both on international and domestic markets. Direct sale of assets and units to investors is also envisaged. This will help in broadening and deepening domestic capital markets. It will facilitate foreign direct and portfolio investments as well as mobilize savings of individuals, households and institutional investors of Pakistan by providing them an opportunity to take ownership in the successful businesses, through public offering of shares.



Finance Minister Ishaq Dar and Russian Minister, Mr. V. Mutko signing the joint statement after the Pak-Russia Inter-governmental Commission meeting reiterating cooperation between the two countries, in Moscow

Power Sector

IERU continues to support the power sector reform agenda, which includes improving governance, ensuring financial and subsidy management, strengthening legal framework and promoting private sector participation in the sector. Payables of power sector entities against the Independent Power Producers (IPPs) and public sector power entities amounting to Rs. 480 billion till 30th June, 2013 have been fully cleared. The clearance of stock of circular debt has added 1,700 MW of electricity to the national grid and eased load shedding considerably in the country.

Government of Pakistan has moved in the direction of providing targeted subsidy to power consumers (domestic up to 200 units) by moving towards better cost recovery leading to a financially stable power sector.

- ▶ In the first phase, tariffs of industrial, commercial and bulk consumers have been rationalized to recover full cost of service.

- ▶ Tariffs of other consumers have been rationalized in the second phase. This has significantly reduced the subsidy requirement of the power sector and eased burden on the national exchequer.

Government has developed National Power Policy (2013) which provides a roadmap for providing affordable energy in the country through efficient generation, transmission and distribution system. The main targets of the Policy for 2017 are:

- i. Fully eliminate load shedding;
- ii. Decrease cost of generation from 12c/unit to 10c/unit;
- iii. Decrease transmission losses from 25% to 16%,
- iv. Improve collection of bills to 95%.

The policy envisages provision of affordable electricity in the country by replacing generation from expensive imported fuels by cheaper indigenous resources led by hydel, coal and renewable energy sources respectively. The projects have been assigned medium to long term timelines for completion in order of priority. Moreover, a key component for successful implementation strategy of the National Power Policy (2013) is to align the ministries involved in the energy sector and improve governance. In addition, reformation of structural and regulatory aspects of the sector regulators (NEPRA and OGRA) is necessary for smooth functioning of the power sector. On the legislative side, New Electricity Act is being promulgated to curb power theft and other pilferages in the system. Pakistan Energy Efficiency and Conservation Act is likely to be promulgated in 2014. This is aimed at encouraging energy conservation and enforcing efficiency standards for electrical and gas appliances in the country.

IERU provides policy analysis and support to the summaries prepared by Ministry of Water and Power for the Economic Coordination Committee (ECC) and the Prime Minister. It also provides input in the appointments made on the boards of power sector companies for the Finance Minister/ Cabinet Committee on Restructuring (CCOR).

Investment Climate

The IERU has jointly developed a Business Climate Improvement Plan with the Board of Investment, which seeks to improve Pakistan's rankings on the World Bank Doing Business index over the next two to three years. The plan focuses on improving the country's rankings on the following five DB indicators:

- ▶ Starting a Business
- ▶ Dealing with Construction Permits

- ▶ Paying Taxes
- ▶ Trading Across Borders
- ▶ Enforcing Contracts

Work is in progress in IERU on the two DB indicators of starting a business and contract enforcement, with a view to lowering the cost of doing business especially for the small to medium size firms.

Business Startup

IERU is working on the development of the One Shop Stop (OSS) concept in order to improve the investment climate in Pakistan. The OSS entails the establishment of a central point, where various procedures related to new business start-up requiring interaction with different government agencies are centralized in one location. This centralization helps the entrepreneurs by reducing administrative procedures and the time and cost to obtain business approval.

In first phase, the OSS will encompass new business registration procedures related to the three Federal agencies; Securities and Exchange Commission of Pakistan (SECP), Federal Board of Revenue (FBR) and Employees Old Age Benefits Institution (EOBI) To this end, a virtual OSS is under development, which will encompass registration procedures relating to Limited Liability Companies (LLCs) falling under SECP's jurisdiction. This is expected to be completed by October 2014.

In the second phase, it is envisaged that once the virtual OSS is fully operational, a physical OSS will also be developed, which will provide facilitation in business registration procedures related to different government agencies in one physical location. The physical OSS would aim to cover all forms of business organizations, other than LLCs, in both the Provincial and Federal domain. Further, the physical OSS would also aim to include access to utility provision companies, such as telephone, water, etc. A physical OSS would initially be established in Lahore on a pilot basis, which will subsequently be extended to other provincial capitals as well.

Improving Contract Enforcement

An effective contract-enforcement regime and a well-functioning judiciary are essential pillars of a transparent, efficient, and globally integrated business environment. Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people prefer to

do business only with family, friends and others with whom they have established relationships. Problems associated with contract enforcement not only inhibit investments, but also work as disincentives against scaling up. Firms prefer to remain small, fearing that by growing in size they might invite more legal problems.

In order to improve contract enforcement mechanisms, work has been initiated in strengthening Alternate Dispute Resolution (ADR) mechanisms. The use of ADR mechanisms, such as mediation, negotiation and arbitration is being encouraged and efforts are being made to improve existing legislation in this regard. Work is underway to develop an Alternate Dispute Resolution Center at Islamabad similar to the Karachi Center for Dispute Resolution (KCDR) and the Mediation Center at Lahore to promote mediation of commercial disputes.

Regulatory Reforms

IERU has taken an initiative with other stake holders to improve regulatory quality in Pakistan considering the evolutionary stage of regulators in the country. The purpose of this initiative is to strengthen capacity of regulators to improve regulatory oversight mechanism, making the investment climate conducive and providing level playing field to all market players along with protection of state and consumer interests. The focus of this initiative is to help improve the institutional regulatory design to ensure effective and efficient regulations along with the attendant necessary and requisite accountability and oversight mechanism.

A diagnostic study of National Electric Power Regulatory Authority (NEPRA) is being carried out on the direction of Council of Common Interests (CCI). An in-terim report was completed in May 2014 which is being further firmed up based on input of stake holders.

Policy Support to Finance Division and other Ministries/ Divisions

During the year under review, IERU has also provided policy support to Finance Division and other Ministries/ Divisions as and when required and requested. IERU manages the working of the secretariat of the Economic Advisory Council (EAC). During the year under review, the IERU provided technical support to the EAC and its five sub-groups in the formulation of important recommendations for Federal Budget 2014-15. IERU also supports Finance Division for negotiations with multilateral development partners regarding policy and structural benchmarks.

FINANCE DIVISION (MILITARY)

Military Finance Wing deals with preparation, execution, monitoring of Budget and expenditure relating to Ministry of Defence, M/o Defence Production, Armed Forces, Inter Services Organizations, DP Establishments procurement of all Defence equipments and all other related financial matters pertaining to them.(Military Finance Wing) have performed the assigned jobs in accordance with the laid down procedures/instructions and set targets including Budget Estimates as well as Revised Estimates and expenditure relating to Development Projects and miscellaneous stores during Financial Year 2013-14. It is felt that it would not be appropriate to divulge the nature of all its cases/contracts and activities, being classified in nature and financed from classified Defence budget. However, it is worth mentioning that while concurring all procurement and development contracts due care has been exercised for optimum utilization of available resources and adherence to rules by applying different financial techniques to get best value for the money. In addition, achievements in other main areas are highlighted as under:-

Budget Allocation/Expenditure

Ministry of Defence demanded supplementary budget worth Rs.33458.515 million for Financial Year 2013-14. This proposal was examined in detail and the demand was reduced to Rs. 31101.00 million.

Accounting of Defence Expenditure

Defence expenditure/receipts are classified in 21 main heads and a large number of sub heads, minor heads and detail heads. To cope with the day to day requirements, necessary changes are carried out in the classification hand book. All proposals on this account have been examined carefully to ensure transparency in reporting/ booking of expenditure.

Purchase of Stores

Endeavor has always been made to meet the operational requirements of the Armed Forces within the allocated resources. In this regard, extra efforts were made by persuading the procurement Agencies to generate healthy competition among the competitors in order to achieve best possible rates, as per instructions of Public Procurement Rules-2004 (PPRA Rules) for the desired equipments and technologies for Armed Forces of Pakistan.

Indigenization efforts are being supported to provide opportunity to our private sector industry to compete in the Defence market.

Development Projects

To bolster our Defence, various projects are prepared by services HQs/DP establishment and submitted to Finance Division (Military Finance Wing) for appraisal. It is highly professional job which requires well trained staff having expertise in a project appraisal field. Financial appraisal of the project is carried out to ensure optimum utilization of resources. Proposals about manpower, equipment and support services requirements are scrutinized on the basis of financial analysis techniques and modern HRM practices.

Special Packages

To meet the requirement of mega Defence projects, internal security and execute the future plan to modernize our Defence forces, funds are allocated with thorough scrutiny. It is strictly watched that funds are utilized according to the laid down procedure with proper accounting.

Miscellaneous Activities and Achievements

- ▶ Optimum efforts have been made to facilitate Armed Forces and Attached Departments of Defence Division for timely flow of finances, strictly within the parameters of existing rules and regulations.
- ▶ The trend of expenditure were closely monitored throughout the year to pre-empt over expenditure by the Departments/Services.
- ▶ In case where public interest are involved, efforts were made to hold to the tenets of natural justice, without compromising the interests of the state.
- ▶ To enhance the performance of this Division, most of the Wings/Sections have been provided/equipped with latest equipment.

Program of Activities/Targets.

- ▶ Timely disposal of all cases.
- ▶ Strict adherence to relevant financial regulations and procedures in finalization of cases including financial concurrence.
- ▶ Finalization of Revised Estimates 2013-2014 and Budget Estimates 2014-2015 with due regard to economy in expenditure.
- ▶ All the targets assigned to this Division have been achieved well in time and within the stipulated period with no pendency at the end of last financial year *i.e.* 30th June, 2014.

DEVELOPMENT WING

Performance of Development Wing

Development Wing is functioning in the Finance Division to deal with:

- ▶ Policy Coordination with regard to Development Work.
- ▶ Scrutiny and Examination of all Development projects to ensure:
 - I. The schemes fit in overall Development programme.
 - II. The scheme does not clash with any other scheme of any other Ministry/ Division/ Department.
- ▶ Examination/ Preparation of Briefs for CDWP/ECNEC/NEC meetings.
- ▶ Participation in quarterly review of Federal PSDP Development projects.
- ▶ Coordination with F.A's Organization on Development projects placed before CDWP and ECNEC meetings.
- ▶ Processing of PSDP releases for development projects of Finance Division.
- ▶ Monitoring & Evaluation of Development Projects of Finance Division

The Development Wing prepared briefs for 13 CDWP and 09 ECNEC meetings during FY 2013-14. The wing also represented Finance Division in 84 Pre-CDWP meetings.

The Development Wing is responsible for releases of funds of development schemes of the Higher Education Commission (HEC). During the FY 2013-14, an amount of Rs.18.490 billion was allocated for HEC, which was revised/enhanced upto Rs.22.490 billion, while Rs.18.813 billion were released.

Development Wing released funds for the following schemes during FY 2013-14.

(Rs. in million)

S/No.	Name of the Project	PSDP allocation 2013-14	Total Releases
1.	Project to Improve Financial Reporting & Auditing (Phase-II) (PIFRA)	187.933	136.473
2.	Automation of CDNS (Phase-II)	387.330	87.330
3.	Institutional Strengthening of Finance Division (ISFD)	46.315	26.588
Total		621.578	250.391

Inter-Wing Coordination/ Consultation:

- ▶ Development Wing coordinated with the Planning Commission in Pre-CDWP meetings for the finalization of the project proposal (PC-Is) received by the Planning Commission from various Ministries/ Divisions for their consideration in the CDWP/ ECNEC meetings.
- ▶ On receipt of PC-Is, F.A's Organization was involved to rationalize the cost regarding manpower, vehicles and financial estimates provided in the PC-I.
- ▶ Budget Wing was consulted as and when required in determining the overall size of PSDP/ release of funds, keeping in view the financial resources available with the Government.
- ▶ Provincial Finance Wing was consulted in matters relevant to Provincial Finance appearing in the Federal PSDP particularly relevant to PSDP of Finance Division.

INTERNAL FINANCE WING

ZARAI TARQIATI BANK LIMITED (ZTBL)

Introduction

The Agricultural Development Bank of Pakistan (ADBP) was established through the promulgation of ADB Ordinance, 1961 on 18th February, 1961 by merging Agricultural Development Finance Corporation (1952) and Agricultural Bank of Pakistan (1957) to provide better credit facilities to the agriculturists for development and modernization of agriculture and for small cottage industries in the rural areas. The motto of the Bank is "Technology for Agriculture".

Bank's Operations

Since inception up to 30.06.2014, the Bank has disbursed loan amounting to Rs 954 billion. So far the Bank has financed 565879 tractors and 156240 tube-wells besides being the major source of financing for farm inputs including seeds, fertilizers, pesticides and insecticides. Priority was also accorded to the provision of more credit for livestock, dairy farming, poultry farming, aqua-culture and financing of oil seed crops. At present, Bank operates through a network of 31 Zonal Offices and 379 branches.

Performance During the Year 2013-14

During the financial year 2013-14, a lending target of Rs 69.500 billion was assigned to ZTBL by State Bank of Pakistan against which Rs 77.919 billion have been disbursed which is 12% higher than allocation. Disbursements increased by Rs 10.852 billion (16%) as compared to loans of Rs 67.068 billion disbursed during corresponding period last year.

During July 2013 - June 2014, 523,192 farmers have taken the benefit of loans as compared to 486,915 borrowers served during corresponding period of last year with a growth of 7%. The Bank channelized bulk of its credit to small farmers who constitute backbone of the agriculture sector of the country. Accordingly, the Bank has maintained its position as the main source of institutional financing in the agriculture sector.

Development loans were provided to the farmers for medium and long term investment categories. During the period under review an amount of Rs 17.083 billion constituting 22% of the total agricultural credit was disbursed under development loans. The development loans were mainly utilized for providing tractors, farm mechanization, tube-wells, dairy farming and poultry farming etc.

Loans to Small Farmers

The Bank accorded highest priorities to fulfill the demand of small farmers with land holding under 25 acres. During the period under review ZTBL disbursed Rs 71.389 billion to small farmers constituting 91.6% of total agriculture credit.

SadaBahar Scheme

For providing timely input loans for crops and working capital for dairy, poultry and fisheries the Bank has launched a SadaBahar Scheme.

Recovery Operations

During the year 2013-14, ZTBL has recovered Rs 77.703 billion against Rs 70.932 billion recovered during corresponding period last year.

Financial Performance of the Bank

Despite all constraints, there has been a growing trend in the total assets and equity of the Bank due to consistent profitability of the bank in the last 3 years. As a result the Bank's Capital Adequacy Ratio (CAR) on December 31, 2013 was 29.69% as against required ratio of 10% and industry average of 14.9%. The Bank earned pre tax profit of Rs 5,290 million and classified loans were provided for as per SBP Prudential Regulations during the period under review. The Bank mobilized its deposits upto Rs14.907 million as on 31.12.2013.

The paid up capital of ZTBL as on 31.12.2013 was Rs 12,522 million against authorized capital of Rs 25,000 million.

Credit Rating: The 'AAA/A-1+' (Triple A/A-One Plus) rating covers all government guaranteed debt procured and deposit mobilized by Zarai Taraqiati Bank Limited. Entity ratings of 'A/A-2' (Single A/Single A-Two) assigned to ZTBL reflects its financial position while capturing the risk profile of the bank without taking into account the sovereign guarantee.

Earnings per Share: During the year under review the basic earnings per share remained Rs 2.761 as compared to Rs 2.058 in 2012. Its computation has been reported in the financial statements.

SMALL & MEDIUM ENTERPRISE (SME) BANK LIMITED

The SME Bank Ltd was incorporated in October 2001 by merging Regional Development Finance Corporation (RDFC) and Small Business Finance Corporation (SBFC) under the Companies Ordinance 1984. Accordingly, entire

assets and liabilities of defunct RDFC and SBFC were transferred to SME Bank and these two institutions stood dissolved and ceased to exist.

During the year 2013-14 bank earned total income Rs 698 million and expenses including provision incurred of Rs 1,165 million thereby generated before tax loss of Rs 467 million. Total deposits of the bank stood at Rs 4,376 million and an amount of Rs 1,864 million was disbursed as loans and advances to SME sector. Total number of SME served during the period is 546. Bank is operated with 13 branches with a net equity of Rs 722 million.

HOUSE BUILDING FINANCE COMPANY (HBFC) Ltd

House Building Finance Corporation (HBFC) was established under the House Building Finance Corporation Act 1952 with the objective to provide financing for the construction, reconstruction, repair and purchase of houses. Ministry of Finance (MoF) and the State Bank of Pakistan (SBP) are main shareholders of the Company. As a part of reorganization and re-structuring, "Corporatization" was converted into a company in the first phase by issuance of Vesting Order on July 25, 2007 incorporating a new company HBFC Ltd., with a new charter registered under the Companies Ordinance, 1984. The new company has been declared as Development Financial Institution (DFI) under section 3A of the Banking Companies Ordinance, 1962 by the GOP.

Network of Offices

HBFC is providing housing finance all over the country through 51 branch offices, 09 zonal offices, and representative offices/service agents.

Operational Activities

Since its inception, the corporation has disbursed about Rs.53 billion for the construction, purchase and renovation of over and above 461,967 housing units including bulk loans to 28 Development Authorities, Public & Private sector organizations for development of sites.

Performance during the year July 2013 – June 2014

Disbursement

During the period under review total disbursement of Rs 2 billion was made for construction, purchase and renovation of houses/ apartments. To attract the middle income segment of the population, HBFCL has increased the loaning facility up to maximum of Rs 10 million from Rs. 7.5 million.

Recovery

During the review period about Rs 3.5 billion have been recovered from the borrowers i.e., 77% achievement against the target.

Disbursement

During the review period, total disbursement was around Rs 2 billion, which is 96% achievement against the target.

After regular follow-up with the shareholders, it is understood that they have agreed in principle to swap debt of approximately Rs 13.4 billion (Rs 11.2 billion being overdue credit line and Rs 2.2 billion of accrued interest) into the equity, which would raise to equity to Rs 16.3 billion, thus making HBFCL Minimum Capital Requirement (MCR) compliant.

Future Plans

Commensuration with its knowledge, expertise and capacities, HBFCL would make full throttled contribution to Prime Minister's ApnaGhar Scheme aimed at alleviating common man's housing problems.

HBFCCL intends to aggressively work in reducing housing shortage in the country, which is said to be in the range of 6 to 8 million in various studies. To achieve this, HBFCL has planned to extend atleast 10,000 new loans with average loan size of Rs. 0.5 million to specially reduce the gap in the low cost housing.

In terms of estimated housing shortage, HBFCL is committed to prevalence of strong housing information system in the country, and shall play its full role.

PAKISTAN SECURITY PRINTING CORPORATION (PVT) LTD

Pakistan Security Printing Corporation (PSPC) is principally engaged in printing of Security documents on behalf of the Government of Pakistan, State Bank of Pakistan, other Government Agencies and Private Institutions.

Operations

During the year under review, the SBP banknote sale volume for various denominations of banknotes increased from 1,873 million pieces to 2,087 million pieces and accordingly Banknote sales increased from Rs. 5,933 million to Rs. 6,319 million.

Net sale of Other Security Products (OSP) decreased from Rs 3,131 million to Rs 2,624 million due to the fact that last year sales included Ballot Papers printing revenue amounting to Rs 651 million while no such sale is included in current year's revenue. OSP Division successfully met the production

and delivery schedule in most of the other security product items and substantial control over cost and reductions in the wastage of paper and inks that further contributed towards profitability.

Financial Performance

The Corporation has earned second highest result in its history in terms of Sales, Gross Profit and Net Profit during the year only second to last years' result which included Ballot Papers Printing revenue, which was a non regular event.

Sales of Rs 8,943 million have been achieved during the year showing an increase of 6% over the result of last year excluding ballot papers printing sale in last year.

The Corporation earned Gross Profit at 23% of total sales and achieved an overall net profit after taxation of 18% on sales.

The Corporation also paid the highest ever cash dividend of Rs 500 million (50%) to Government of Pakistan during the year Finance Division 2013-14.

PAKISTAN MINT, LAHORE

Pakistan Mint is a Service Department under Finance Division and charged with Minting of coins against the demand from the State Bank of Pakistan.

Besides minting of coins, the Mint manufactures all kinds of Medals including Defense Medals, Military and Civil Awards, Embossing Machines, Postal Seals and Stamps.

Pakistan Mint has manufactured 226.335 million coins in Nos. worth Rs 333.204 million.

In addition the revenue worth Rs 48.495 has also been earned against the other jobs executed during 2013-14:

Summary

Value of the Coins delivered to State Bank of Pakistan = Rs 333.204 million.

Revenue earned against the Jobs	=	Rs 48.495 million
executed other than Coins	Total =	Rs 381.699 million

FINANCIAL MONITORING UNIT (FMU)

Activates

The Financial Monitoring Unit (FMU) was established in 2007 to receive Suspicious Transactions Reports (STRs) and Cash-based Currency Transaction Reports (CTRs) regarding money laundering and financing of terrorism which are analyzed and disseminated to Law Enforcement Agencies (LEAs) for further action. FMU maintain databases of STRs and CTRs and cooperates for exchange of financial information with Financial Intelligence Units (FIUs) of other countries. FMU also represents Pakistan at international and regional fora on issues pertaining to Anti Money Laundering and Combating Financing of Terrorism (AML/CFT) subject to reciprocal agreements.

Performance

During 2013-14 all STRs received, have been analyzed and disseminated to the relevant LEAs. Upon implementation of recommendations of Asia Pacific Group (APG) in mutual evaluation report 2009 on Pakistan's rating on Financial Action Task Force (FATF) recommendation has improved to Largely Complaint (LC). Besides, FMU organized capacity building programs on AML/CFT for representative of LEAs, Ministries/Divisions, Prosecutors, Judges and Financial Sectors regulators. FMU participated in the meetings, workshops and trainings of APG, FATF, Australian Transaction Report and Analysis Centre (AUSTRAC), United Nations Office on Drugs and Crime (UNODC), Australian Federal Police (AFP).

Future polices

To get Pakistan off the public statement.

- ▶ Introduction of AML Act amendments in the Parliament and laundering AML/CFT awareness campaign in coordination with regulators & LEAs
- ▶ To seek membership of Egmont Group of FMU
- ▶ To conduct national risk assessment relating to money laundering in coordination with all stakeholders in terms of FATF's recommendation No.1
- ▶ Preparations for Pakistan's third round of Mutual Evaluation due in 2016-17

NATIONAL BANK OF PAKISTAN (NBP)

Performance Achievements (January – December 2013)

National Bank of Pakistan is one of the largest commercial banks in Pakistan providing universal banking capabilities with a large variety of products serving various customers through different business units. NBP is a market leader in debt and equity markets, corporate and investment banking, retail and consumer banking, agriculture financing and treasury services. Since NBP follows financial year from January to December therefore last completed calendar year is 2013.

Achievements/ Key initiatives of National Bank of Pakistan

Financials

- ▶ Domestic Deposit grew by 10%.
- ▶ Advance Salary and Agriculture portfolio grew by 28% and 30% respectively.
- ▶ Liquidity of the Bank has improved due to healthy customer deposits and large portfolio of liquid assets including Pakistan treasury bills, government bonds and central bank placements.
- ▶ Capital adequacy also remained strong at 15.24%.
- ▶ JCR-VIS Credit Rating Company has reaffirmed the entity ratings of the bank at 'AAA/A-1+' (Triple A/A-One Plus) with 'stable' outlook.

Corporate and Investment Banking

The Bank continued to be a major player in the corporate banking in the country. Collaborating with corporate customers by providing comprehensive and customized financial solutions for doing business has been the core strategy of corporate banking group. The group manages relationships with a number of large and mid-sized corporates and multinational companies operating in the country.

In 2013 Bank's strategy was consolidation in terms of corporate advances. Investment banking designs innovative and customized products to meet the complex needs of clientele. Investment banking team is one of the leading arrangers and underwriters of structured finance transactions in Pakistan, combined with the bank's extensive experience, industry expertise and global presence.

Commercial and Retail Banking

Commercial and Retail Banking is the major contributor in the Bank's profitability, which handles both liabilities and assets products. The Bank offers deposits under different schemes/products. On lending side financing products which include commercial, SME, agriculture, consumer and commodity financing. Under consumer financing the Bank offers NBP Advance Salary, NBP Saibaan and Cash & Gold products. The Bank has one of the largest branch networks in the county with most diversified branches locations. The Bank's rural presence is most extensive than any bank. During the year, the Bank increased its branch network by 48 branches, which helped in increasing its reach to the potential customers.

Domestic deposits of the Bank increased by over 10% in 2013 with a focus on increasing share of CASA (Current and Saving Account) deposits in total deposits.

Treasury Management and Capital markets

Treasury Management plays a pivotal role in optimally managing the foreign exchange, money market and capital markets and ensured optimal utilization of funds throughout the year. It is the testament to the Bank's superior expertise that its performance has consistently been outstanding amongst peer Banks when it comes in terms of income from dealing in foreign currencies where the bank recorded FX income in excess of Rs. 3 billion.

Home Remittances

NBP has established a dedicated "Global Home Remittances Management Group" which has made alliances with world's leading banks/financial institutions/money service business such as Al-Rajhi Bank, Xpress Money, Western Union, Bank Al Bilad, Arab National Bank etc. The total remittances received in 2013 were US \$ 1.433 billion which represent 9.82% of the total remittances of Pakistan.

Information Technology

In year 2013 NBP achieved a number of I.T. milestones like the entire branch network coming online, expansion of ATM network, enhanced features at call center, SMS and email alerts etc. NBP has increased its number of ATMs to 375.

Customer Service

During the year 2013,48 branches were opened, out of which 10 were Islamic banking branches. With this addition, the total number of domestic bank branches were 1,348 by the end of the year.

NBP Call Centre is now working on 24/7 basis providing account information, facilitating lodgment of complaints and status of ATM card applications.

In order to offer alternate delivery channels and facilitating withdrawal through ATMs, NBP has increased its capacity to process ATM card applications and hassle-free card delivery to applicants. By virtue of process modification and improved quality of customer services, more than 470,000 cards were issued in 2013 whereas the total card population has crossed one million mark.

Recognition

The Bank enjoys highest credit rating of “AAA” on standalone basis from JCR-VIS Credit Rating Co. Limited, the highest from the company to any institution in Pakistan.

The Bank was given various recognitions by reputable institutions. Some of these are:

- ▶ National Bank of Pakistan has been ranked by "The Banker" as the top bank of Pakistan in its 'Top 1000 World Banks' ranking for 2013.
- ▶ “Asian Banking & Finance Magazine”, owned by Charlton Media Group, Singapore declared NBP as “Domestic Retail Bank of the Year 2013 – Pakistan”
- ▶ Federation of Pakistan Chamber of Commerce & Industries (FPCCI) has also awarded 1st Achievement Award “Gold Medal on Banking and Financial Sector” to the bank.

Corporate Social Responsibility

The bank has taken various initiatives that very clearly depict its commitment towards its corporate social responsibility mission.

Major projects in 2013 are Marie Adelaide Leprosy Centre (MALC) by adopting female ward, NBP Contribution to SIUT Sukkur, Construction of Lab andX-Ray facilities at Noor Memorial Hospital Chakwal etc.

The foremost area of focus for CSR initiatives includes promotion of education, health, woman and child welfare, special persons, culture, sports and relief for affectees of natural disasters. NBP has also been recently awarded the “Gold Medal on CSR” by the President of Pakistan on the basis of overall contributions and donations for charitable, social, educational and public welfare efforts.

FIRST WOMEN BANK LIMITED (FWBL)

Major activities of the Bank

First Women Bank Limited is commercial bank however FWBL's unique credit products are customized to the specific business & economic needs of women and the same is its niche market.

Financial Performance during 2013 - 2014

- ▶ Deposits include Rs. 6,168 million or 36.27 % of deposits from the public sector (2013: Rs. 7,554 or 38.97% of Deposits).
- ▶ Advances in respect of Public sector amounted to Rs. 3,383 million or 34.10% of gross advances (2013: Rs. 4,288 or 40.42% of gross advances).
- ▶ Stuck-up loans have increased by Rs. 478.247 million i.e. by 62.65% as compared to prior financial year ended 30th June 2013.
- ▶ Out of the allocation of Rs. 1.0 billion in Federal Budget 2013-14 Rs. 500 million were released to the Bank during the half year ended June 30, 2014. With the capitalization of referred Rs. 500 million the paid up capital of the Bank stands at Rs. 1.994 billion.
- ▶ The shrinking spreads of the banking industry took toll on FWBL too hence despite of that there was positive volumes from the previous period compared the margins remained thin.
- ▶ The profitability was adversely hit by the provisions against the non performing loans, in June 2014 the Bank had to receive around Rs. 264.410 million against non performing advances.

Operational Performance during the financial year 2013–14

IT infrastructure initiative

The I.T. Infrastructure of the Bank was upgraded and the entire network of branches of the Bank stand migrated to the new core banking system during the current year as a step towards moving to a centrally administered data base environment, as opposed to the distributed structure. Retail banking and Credit modules were also implemented whereas Trade & Finance Module, as well as the Asset Management System are planned to be implemented during 2014.

The Bank undertook the 2 phased exercise of revamping the entire ATM infrastructure in order to gear up its infrastructure to offer products which are the need of the time. First phase of the revamping exercise has been completed in 2013, which includes the following:

- ▶ Migration from M-Net ATM Switch to 1-Link ATM Switch;
- ▶ Setting-up the in-house card production unit, including pin mailer generation & ATM controller; and
- ▶ Installation of new ATM set-up in 11 branches;
- ▶ Second phase, comprising of issuing the Debit Cards, launching of on-line ATM transaction services, like Bill Payment, Funds Transfer, and deployment of ATM set-up in additional branches are planned underway.

Credit Rating

Pakistan Credit Rating Agency has downgraded the Bank's long-term entity rating to "BBB+" from previous "A-" whereas while maintaining the short-term entity rating at "A2". These ratings denote that there is currently a low expectation of credit risk. One notch drop in the long term entity rating stems from the significant deterioration in the financial performance of the bank owing to the absence of a focused business strategy and increase in the operational costs.

The main contributor to the rating downgrade are:

- ▶ In adequate regulatory Capital
- ▶ Absence of Independence
- ▶ Inadequate weak business strategy
- ▶ Weak earnings

STATE BANK OF PAKISTAN (SBP)

State Bank of Pakistan (SBP), being a statutory body and central bank of the country, is entrusted with number of policy, regulatory, and fiduciary responsibilities that primarily aim at ensuring monetary and financial stability and supporting growth in the best national interest of the country. During the year under review, the State Bank made headways to achieve its objectives. Following is a summary of key developments and initiatives taken by the Bank during the year:

Monetary Policy

After monetary easing in the last two fiscal years that witnessed policy rate going down from 14.0 percent to 9.0 percent, SBP changed its policy stance in September 2013. This was primarily based on growing inflation concerns and external sector vulnerabilities; although a healthy expansion in credit to private sector was recorded after nearly four years of slow growth. Thus, during first half of FY14, SBP increased its policy rate to 10.0 percent and since then, SBP has kept the policy rate unchanged. This policy stance proved conducive in keeping inflation close to the target for FY14, providing stability in foreign exchange market and anchoring inflation expectations.

SBP Act

During the year, Central Board of Directors of SBP proposed critical amendments to SBP Act, 1956, with the objective of bringing it in conformity with international best practices of a modern central bank. These amendments include constituting an independent monetary policy committee with external experts, enabling SBP to establish depositors' protection fund in future and allowing SBP to hold properties for the purposes of use of Shariah compliant instrument. These amendments have already been tabled in parliament and their legislation will further enhance the autonomy of State Bank.

IMF's Safeguard Mission visit

IMF Safeguard Mission visited SBP in September 2013 for getting assurance on the adequacy of SBP's controls, accounting, reporting and auditing systems and to ensure integrity of operations. Pursuant to IMF mission's recommendation, the Bank decided to adopt IFRS as its financial reporting framework. Bank's financial statements for FY14 are fully compliant with IFRS, making SBP amongst the selected few in the Central Banks which have achieved this status.

Foreign Exchange Market Management

SBP's reserve management strategy for FY14 was shaped to ensure the security and liquidity of foreign exchange reserves. This helped SBP manage its debt obligations despite a sharp deterioration of reserve position at the start of FY14. Foreign exchange reserves have bounced back from the middle of the year and are expected to improve further in FY15. SBP continued to invest in the Chinese domestic bond market, after its agreement with the People's Bank of China in FY13. Foreign exchange reserves yielded a gross return of more than 1.3 percent during FY14, which is quite high under the prevailing zero yield levels in the global financial markets.

Ensuring Soundness And Efficiency of Financial System

During FY14, the bank took a number of initiatives to further strengthen the banking supervision, which adequately complies with internationally recognized Core Principles. After due assessment and modifications for local environment, Basel-III as developed by Basel Committee on Banking Supervision, was issued for implementation in Pakistan over 2013-2019. Moreover, the Prudential Regulations were revised to address emergent risks and assist institutions in better addressing their unique risks by allowing more discretion in business decisions. To bring improvements in industry's risk management practices, the bank issued guidelines for operational risk management and incentivized the large borrowers to get them externally rated. Further, to ensure the integrity of the banking system against Money Laundering and Terrorist Financing, AML/CFT regulations were further strengthened.

Financial Inclusion

Pakistan has seen substantial progress in financial inclusion, marked by supportive policy framework, a consistent positive growth in microfinance and branchless banking, greater private investment, development of vibrant market infrastructure, and increased use of innovative technologies. During FY14, SBP revised prudential regulations and guidelines for agricultural, micro and housing finance, and continued implementation of market development initiatives including risk sharing guarantees for SMEs and microfinance sectors, encouraging innovation in agri and rural financing, livestock loan insurance scheme, capacity building and awareness programs for banks and consumers. FY14 also witnessed deepening of our relationship and collaboration with international development partners. SBP initiated formulation of a National Financial Inclusion Strategy in collaboration with the World Bank to address financial exclusion in a structured and well coordinated manner.

Islamic Banking

To foster a viable alternate banking system, Islamic Banking remained a top priority for the Central Bank. A medium term strategic plan for Islamic Banking was launched during the year. Other key initiatives include issuance of Shariah Governance Framework, adoption of Shariah Standard on Investment Sukuk and issuance of instructions for free-of-cost priority banking services to harmonize Islamic banking industry.

Payment System

Over the past 5 years, consistent growth has been witnessed in both Large Value and Retail Payment Systems owing to the increase in economic and

financial activities, changing market dynamics and the proactive efforts of SBP. SBP, as current Secretariat of SAARC Payment Council (SPC), is playing an active role in developing and promoting cooperation among member countries and reforming their national Payment and Settlement Systems (PSS). A number of policy initiatives are in pipeline to improve the Financial Market Infrastructure.

Consumer protection

State Bank continued its efforts to inculcate a culture of treating customers fairly and took a number of initiatives to strengthen the consumer protection regime. Moreover, to assist the social welfare initiatives of the government, due regulatory guidance and support was extended to facilitate disbursement of financial assistance to affectees of natural disasters and Internally Displaced Persons (IDPs).

SBP's subsidiaries

NIBAF

The National Institute of Banking and Finance (NIBAF), being the training wing of the Bank, imparted training and development programs of 115 weeks of course work that were attended by 2,823 participants from local and foreign institutions during FY14. NIBAF continued to offer regional and international programs in the areas of central banking and commercial banking.

SBP BSC Bank

The SBP Banking Services Corporation (SBP-BSC), established in 2002 as an operational arm of the SBP, continued to perform various operational activities assigned to it, albeit there is a need to realign some of the operational activities with the changing market trends. It continued to manage currency operations, acted as banker to the Government and scheduled banks, implemented various policies on behalf of the development finance group of the State Bank and managed foreign exchange operations and adjudication. It witnessed a large number of attrition in its work force mainly due to early retirement scheme. The Management of BSC, therefore, embarked upon a major initiative to induct entry-level batches, not only to fill the HR gap in terms of head count but also to improve the skill mix of its work force. It is in the process of gearing itself to meet the emerging challenges especially in the areas of automated handling of currency and e-banking to provide better quality services to its stakeholders besides substantially improving internal controls.

Subsequent Developments

Subsequent to year end, certain significant developments have taken place which require a brief mention. The Bank has now constituted an advisory committee on monetary policy to strengthen the process of monetary policy

formulation. The Bank has also been able to resolve a longstanding issue of restructuring of Zarai Taraqati Bank Limited and House Building Finance Company Limited, the implementation of which is underway.

Future Policies, Priorities

- ▶ To get Pakistan off the Financial Action Task Force (FATF) public statement.
- ▶ Introduction of AML Act amendments in the Parliament and launching AML/CFT awareness campaign in coordination with regulators & LEAs
- ▶ To make more effective cooperative framework between FMU and LEAs to get periodic feedback in respect of inquiries/investigations/prosecutions.
- ▶ To seek membership of Egmont Group for FMU.
- ▶ To conduct national risk assessment relating to money laundering in coordination with all stakeholders in terms of Financial Action Task Force (FATF) recommendation No.1
- ▶ Preparations for Pakistan's third round of Mutual Evaluation due in 2016-17.

INVESTMENT WING

The Investment Wing is one of the most dynamic unit of Finance Division to develop a more viable corporate sector to promote investment in the country. The investment-oriented regulatory regimes and improved Governance attracts indigenous, foreign investors and joint investment companies in capital, stock, commodity and shares Market. The pro –trade and friendly business approach builds investor’s confidence. This, in turn, brings about capital and asset in the financial market. These policies led to increase of investment and establishment of as many as in the SECP 64322 companies in the corporate sector. The strength of Commissioners in the SECP have been enhanced from five (05) to seven (07) for effective market management, better enforcement of regulatory regime and promote development of corporate sector and strengthening its governance.

Investment Wing has also launched Crop Loan Insurance Scheme (CLIS) as risk management measure to maintain the momentum of crop growth. An amount of Rs. 479.5 have been released to State Bank of Pakistan during FY 2013-14 for reimbursement of 2% insurance premium to five major crops to the subsistence farmers.

The Wing has been pursuing the policies to eliminate all forms of anti-competitive behavior through enforcing the competition laws and regulations for promoting fair economic competitive trends in the economy.

Another significant functional area of this Wing is the supervision of National Investment Trust Limited (NITL) as Asset Management Company which have been running five Funds having financial worth of Rs 85.03 billion alongside 53,318 active Investors with the NITL. As a result of efforts of this Wing, the GoP has also received an amount of Rs.10.2 billion till 30th June, 2014 from NITL on account of profit sharing of NIT-State Enterprise Fund (NIT-SEF) in the ratio of 90:10 between GoP and NITL respectively. The net assets of SEF stand at Rs.6,181 million as on June 23, 2014.

The Investment Wing is also playing an important role for sustainable development through its Micro-Financing Scheme. Infrastructure Project Development Facility (IPDF) started to promote, facilitate attract private investment in provision of infrastructure services. IPDF is a key vehicle of the Government to create enabling environment for the private sector under the Public Private Partnership modality.

The following laws /bills are under process for strengthening the legal and regulatory framework to further ensure the improved governance in the corporate sector of the country:-

- ▶ Stock Exchange (Corporatization, Demutualization and Integration) Bill, 2014.
- ▶ Companies Ordinance (Amendments) Bill, 2014
- ▶ Corporate Restructuring Companies Bill, 2014
- ▶ Futures Trading Bill, 2014
- ▶ Draft Securities Bill, 2014
- ▶ Draft SECP (Regulation and Enforcement) Bill, 2014

Securities and Exchange Commission of Pakistan (SECP), Competition Commission of Pakistan (CCP) and National Investment Trust Limited (NITL) took major initiatives and achieved the following milestones during the financial year July 1, 2013 to June 30, 2014:

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Capital Market

During the financial year 2013-14 the stock market performed exceptionally well. The benchmark KSE-100 Index gained 8,647 points in 2013-14, which translates into a growth of 42% in dollar terms. Average daily turnover increased to 215.52 million shares by June 30, 2014, i.e., an increase of 7.38% over last year. A total of 557 companies with total paid up capital of Rs. 1,160,340.93 billion were listed on the Karachi Stock Exchange. Market capitalization stood at Rs. 7,022,692.26 billion as on June 30, 2014, which reflects a 35% increase over last year.

Strengthening of Regulatory Framework

The regulatory framework of the stock exchanges has been revamped. The major regulatory steps taken are as under:

- ▶ The Rule Book has been introduced refining eligibility criteria for the Trading Rights Entitlement Certificate (TREC) holders.
- ▶ The Code of Corporate Governance for the listed companies has been further revised to raise governance benchmarks for the corporate sector to remove practical difficulties and to facilitate in improved compliance. Six institutions offering the Directors' Training Program (DTP) certification in Pakistan.

- ▶ In order to meet the hedging needs of low-income investors in the commodities market, and in pursuit of enhancing the product suit at the Pakistan Mercantile Exchange Limited (PMEX), approval was granted to the MilliTola Gold Futures Contract. This enables investors to participate in the trading of gold with less than Rs 100. Another milestone for facilitating a wider investor base was achieved by allowing microfinance banks to act as clearing banks for the PMEX.
- ▶ The revised code dated January 13, 2014, has introduced which has replaced the earlier code of conduct for CRAs dated February 17, 2005.
- ▶ In order to appropriately regulate Commercial Paper (CP) issues and to facilitate the CP issuers, the guidelines have been reviewed and were replaced with the “Issue of Commercial Papers Regulations, 2013” on December 4, 2013.
- ▶ Regulations for listing of SMEs for the Islamabad Stock Exchange have been approved. The regulations in addition to certain pre-requisite conditions provide a set of procedures for issuing, listing and trading of shares of SMEs. Now SMEs can raise funds from the capital market for meeting their financial needs.
- ▶ The concept of e-IPO, i.e. electronic submission of subscription form: e-IPO facility will enable the investors to make application for subscription of shares via internet (e-Banking/ATMs). The e-IPO aims to facilitate simultaneously, both the companies that intend to raise funds from the capital market through IPO and the general public applying for subscription of shares.
- ▶ Two separate sets of regulatory frameworks, *i.e.* the Underwriter Rules and the Balloters and Transfer Agents Rules have been drafted.
- ▶ Regulations for the issue of Sukuk have been developed. The said regulations are being reviewed by a committee constituted by the Sharia Advisory Board.
- ▶ The rules for the consultant to a public issue of securities are under approval process. The draft amended Capital Issue Rules into a new set of CI Rules is being replaced to respond dynamic changes of the market.

On Line Services of Corporate Sector

During the year a 16% increase in registration of new companies, with foreign investment from 50 different countries. In all, 4,587 companies were

registered, raising the total corporate portfolio to 64,067. A number of facilitative measures were taken, ranging from provision of eServices on every product, online payment facility, online services enhancement, development and placement of standard memorandums of association, guidebooks and FAQs on the SECP website. Under the fast track registration services (FTRS), one can get a company registered in four hours.

Online payment of fee through MCB online fund transfer facility

In April 2014, the SECP launched online payment facility for its stakeholders. Now customers, having their account with MCB, can make payments to the SECP through online funds transfer facility.

Online Tools Enhancement

Enhancements were added to the tools available at the SECP website. Company name search facility was enhanced and now stakeholders can also view when the company last made Form A/B and mandatory online filing status. Manual challan generation was also enhanced with the addition of alerts as to the mandatory online status of the company.

Mandatory online filing of returns

The mandatory online filing of returns issued on June 30, 2014 will be covering the following categories of companies:

- ▶ all public unlisted companies;
- ▶ all companies not for profit licensed under section 42;
- ▶ trade bodies; and
- ▶ all private companies including single-member ones having paid-up capital of Rs50 million or more.
- ▶ The SECP and the Employees' Old Age Benefits Institution (EOBI) signed memorandum of understanding (MOU) aiming at enhanced cooperation and coordination in pursuance of mutual objectives.

Activation/strike-off drive

A comprehensive activation/strike-off campaign to activate defaulter companies, and strike off defunct companies has been launched. The lists were made of defaulter and defunct companies and were placed on the SECP website. The strike-off action against around 2,000 companies was completed during the FY 2013-14. Under a review mechanism a re-examination of about 22,000 documents/returns (pending at companies' end) was performed. About 15,000 such returns were processed and 2,700 rectified documents/returns

were filed by companies, during FY 2013-14. Further, over 1,000 deficient returns were rejected on the grounds of non-compliance with repeated reminders.

One-stop shop

An MOU for the establishment, operation and administration of a virtual one-stop shop (OSS) for business registration was signed on December 19, 2013 among the SECP, Federal Board of Revenue (FBR) and Employees Old-Age Benefit Institution (EOBI).

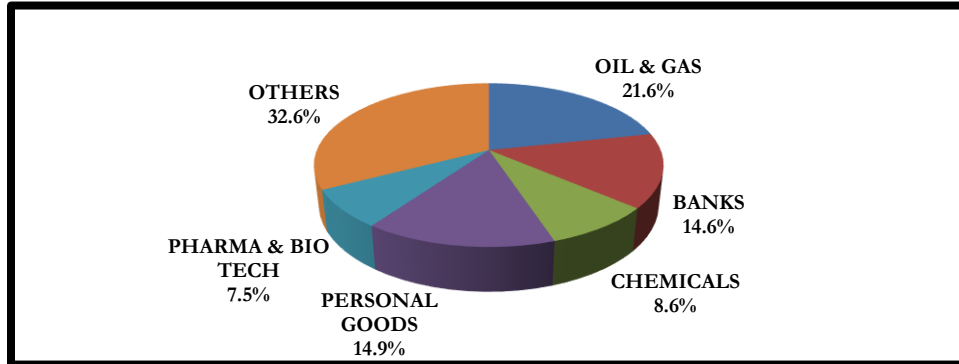
NATIONAL INVESTMENT TRUST LIMITED

NIT is the largest asset management company of Pakistan. Presently it is managing five funds, three equity and two fixed income category funds, with total funds under management at Rs. 85.03 billion as on June 23, 2014 which is 20% of the entire mutual funds industry and the Equity Funds under management of NITL constitutes around 75% of open-end equity funds. NIT has the largest number of investors which stands as 53,318 as on June 23, 2014. Since its launch in 1962, NIT has never missed a dividend payout for a single year.

NI(U)T Fund

NIT has declared an interim dividend @ Rs. 4.10 per unit for unit holders of NI(U)T Fund for the year-ended on June 30, 2014 as compared to Rs. 3.75 per unit for the year ended on June 30, 2013. Till 30th June 2014, the Fund earned a total return of 56.98% where its NAV increased from Rs. 38.66 (Ex-Dividend) as on 30.06.13 to Rs. 60.69 as on 30.06.14 against the benchmark KSE-100 index which increased by 41.16%. Thus the NI(U)T Fund outperformed its benchmark by a huge margin of 15.82%. Till 23rd June 2014, the NI(U)T Fund earned a Net income of Rs. 5,427 million (EPU of Rs. 5.14) against an income of Rs. 1,365 million (EPU of Rs. 1.22) during FY13, a phenomenal increase of 298% YoY. NI(U)T Fund realized capital gains of Rs. 3,484 million depicting a growth of 17% from previous year's capital gains of Rs. 2,978 million (excluding the one off capitals gains from Unilever buyback). During the period under review, the dividend income earned by the Fund stood at Rs. 2,321 million as compared to Rs. 2,822 million in FY13. The net assets of the Fund have increased from Rs. 47,297 million as on 30 June 2013 to Rs. 63,543 million as on 23 June 2014, showing a remarkable growth of 34% YoY.

**Sectoral Break-Up of NI (U) T's Portfolio
As on 23rd June, 2014**



NIT State Enterprise Fund (NIT-SEF)

- i. NITL has declared an interim bonus of Rs. 120 per unit in the form of bonus for the year ending June 30, 2014. During the period till June 23, 2014, the Fund registered a staggering growth of 482% in net income which increased to Rs. 5,573 million (EPU of Rs. 122.89) as compared to Rs 958 million (EPU of Rs. 4.67) in FY13 whereby the capital gains realized increased significantly to Rs. 8,172 million, a growth of 78% from FY13. The Fund also earned a dividend income of Rs. 493 million till June 23, 2014 as against the dividend income of Rs. 1,134 million earned by the Fund in FY13.
- ii. NITL has cleared all outstanding payment by paying the full and final payments well before the expiry date of December 31, 2013. Accordingly, Government guarantees issued in favour of lenders have also been released. Furthermore, in pursuance to the decision of the Board of Directors of NITL, the Fund has also repaid an amount of Rs. 10.2 billion till 30th June 2014 to the GoP as part of its profit sharing of NIT-SEF in the ratio of 90:10 between GoP and NITL respectively. The net assets of SEF stand at Rs. 6,181 million as of June 23, 2014.

NIT EQUITY MARKET OPPORTUNITY FUND (NIT-EMOF)

- ▶ The Board has declared an interim dividend of Rs. 20 per unit in the form of bonus for the year ending June 30, 2014. During the period till June 23, 2014, NIT-EMOF earned a net income of Rs. 773 million (EPU of Rs. 20.81) compared to Rs. 849 million (EPU of Rs. 18.81) in FY13, a growth of 11% in EPU. Till June 23, 2014, the Fund also realized capital gains of Rs. 770 million and earned a

dividend income of Rs. 297 million as against the realized capital gains of Rs. 781 million and a dividend income of Rs. 340 million earned by the Fund in FY13.

- ▶ During the period till June 30th 2014, the Fund's NAV increased by 32.09% against an increase of 41.16% in the benchmark KSE-100 Index. However, since its start, NIT-EMOF has outperformed its benchmark by a healthy margin of 11.17%.
- ▶ Four institutions had invested an amount of Rs. 5,100 million in the Fund to support the stock market. In continuation of its strategy to repay these institutional investors, 30% redemption of outstanding unit holding was offered to all institutions during the fiscal year to date. Hence, the Fund has offered redemption of 95% to its unit holders since inception, with plans of offering further redemptions in the near future. After paying off these redemptions the net assets of the Fund stood at Rs. 7,762 million as on June 23, 2014.

INCOME FUNDS

NIT Government Bond Fund (NIT GBF)

NIT has declared an interim distribution of Rs. 0.75 per unit for unit holders of NIT GBF for the year ending June 30, 2014. During the interim period of FY14 till June 23, 2014, the Fund has earned a net income of Rs. 314 million translating into a per unit earning of Rs. 0.7691. The NAV of NIT GBF increased from Rs. 10.0833 (Ex dividend) as on June 30, 2013 to Rs. 10.8539 as on June 30, 2014, thus yielding an annualized return of 7.64% compared to the benchmark return of 8.79%. However, since its inception till 30th June 2014, NIT GBF earned an annualized return of 11.65% against the benchmark return of 9.95%, an outperformance of 170 bps. As of June 23, 2014, the net assets of NIT Government Bond Fund stood at Rs. 4,419 million.

NIT Income Fund (NIT IF)

The Board has declared an interim distribution of Rs. 0.72 per unit for the unit holders of NIT IF for the year ending on 30th June 2014. During the interim period of FY14 till June 23, 2014, the Fund earned a net income of Rs. 210 million translating into per unit earning of Rs. 0.7356. The NAV of NIT IF increased from Rs. 10.2153 (Ex-Dividend) as on 30th June 2013 to Rs. 10.9370 as on 30th June 2014, yielding an annualized return of 7.06% compared to the benchmark return of 9.82%. Nevertheless, since its inception till 30th June 2014, NIT IF has earned an annualized return of 12.11% against the benchmark return

of 11.46%, an outperformance of 65 bps. As of June 23, 2014, the net assets of NIT Income Fund stood at Rs. 3,123 million.

COMPETITION COMMISSION OF PAKISTAN (CCP)

CCP is a quasi-judicial, quasi-regulatory, law enforcement agency that is mandated to provide for free competition in all spheres of economic activity in order to enhance economic efficiency and to protect the consumer from anti-competitive behaviour.

Abuse of Dominant Position (Order Issued)

The Competition Commission of Pakistan has disposed off show cause notices issued to:

- ▶ Indus Motor Company Limited after addressing competition concerns in the Booking Order. These competition concerns included unilateral rights of car manufacturer to change the price or design and specification without notice to customers etc. Indus Motor Company Limited complied with the provisions of the Competition Act.
- ▶ Cellular Mobile Telecom Operators for alleged violation of Section 10 of the Competition Act, 2010, regarding the deduction of additional charges at the time of reload of balance of prepaid connections.
- ▶ In a case pertaining to Suzuki motors compliance was achieved at the enquiry stage. The car manufacturer revised its booking order and amended terms and conditions to address the competition concerns raised thereon.
- ▶ Complaints were received against floated tenders by National Transmission and Despatch Company NTDC and electricity Distribution Companies (DISCOs) for the procurement of electrical equipment. The competition concerns were shared with relevant procurement agencies highlighting the impact on competition. These agencies, such as SEPCO, LESCO and NTDC, acknowledged it therefore they agreed to remove/amend such conditions in bidding documents.
- ▶ Balochistan Government plans to procure 200 bulldozers. Agriculture Department invited tender for procurement of bulldozers. Certain clauses of tender documents appeared to

foreclose the market for potential bidders. Procuring agency agreed to take appropriate action to rectify them.

Institute of Chartered Accountants of Pakistan

- ▶ ICAP increased fee 118% compared to the previous fee for CA final examinations. Such increase in fee appeared to be unreasonable, prima facie, violating Section 3 (3) (a) of the Competition Act 2010. The CCP shared this concern with ICAP and ICAP, in its response, revised the fee structure by reducing it by 60%, thereby allaying the concerns raised by CCP.
- ▶ The Trade Abuse Department initiated 20 new investigations in last one year and has been able to achieve compliance in approximately 45% cases.
- ▶ CCP has also opined on proposed amendment brought by Trading Corporation of Pakistan (TCP) in Public Procurement Regulatory Authority (PPRA) Rules that price matching is against the norms of competitions principles and if allowed may result into anticompetitive activities, thereby violating provisions of the Competition Act, 2010. It was advised that instead of seeking amendment in law, TCP must develop other modalities and methods to cope with complexities arising in procurement.

Policy Notes under Section 29

- ▶ The Commission took notice of concerns raised by the fertilizer plants against Gas Infrastructure Development Cess (“GIDC”) and issued a Policy Note under Section 29 of the Competition Act, 2010 and recommended that Schedule II of the GIDC Act may be amended to ensure that GIDC is charged equally to all fertilizer plants in order to achieve a level playing field in the urea market. The Commission, in the Policy Note, recommended that schedule II of the GIDC Act may be amended to ensure that GIDC is charged equally to all fertilizer plants in order to achieve a level playing field in the urea market.
- ▶ The Commission took notice of concerns raised with regard to Equivalence Standard (ES) introduced by the HEC in Qualification Framework and Revised Roadmap for Business Education - 2012. The Equivalence Standard applies retrospectively and renders the Master's degrees earned prior to introduction of the Equivalence Standard inferior to those earned after the introduction of ES. The

Commission noted in the Policy Note that by failing to create exception for degrees conferred prior to the introduction of Equivalence Standard, the HEC has applied the same retroactively against the principles of natural justice. The Commission, in its Policy Note, recommended to the HEC to revise its Equivalence Standard for Master's degree programs to create an exception for those who attained their Master's degrees in a period prior to the introduction of Equivalence Standard, to ensure a level playing field among all the Master's degree holders.

- ▶ A Policy Note has been issued to the Federal Board of Revenue recommending it to withdraw the imposition of 'capacity tax' on the beverage industry. It is noted that Capacity Tax is a regressive way of revenue collection and gives unfair and unnecessary competitive cost advantage to those manufacturers who have high rate of capacity utilization over those who have less demand in market and are not able to fully utilize their installed capacity. The Economic Commission also referred to the Policy Note issued by the Competition Commission which recommended the withdrawal of the capacity tax on beverage industry.

Prohibited Agreements (Section 4), Mergers & Acquisitions (Section 11)

- ▶ Anti-competitive behavior has been noticed in almost all major sectors of the economy including Power, Communications, Financial and Banking Services, Agriculture, and Manufacturing etc. The Commission investigates potential violations of Section 4 and recommends action against violators.
- ▶ During the year 2013-14, 46 merger applications were received which includes 38 acquisitions, 4 mergers & 4 Joint Ventures, which were reviewed by the Commission. All 46 cases were cleared in the initial review at Phase-I, given their minimal impact on competition.

Office of Fair Trade (OFT)

During the last one year OFT department completed eight enquiries. These enquiries cover different sectors i.e. Fast moving consumer goods, Health Sector, Telecom Sectors, Fertilizer and Paint Industry.

Details of enquires completed by the OFT dept and Show Cause Notices issued during period are given below:

- ▶ In the Matter of complaint filed by M/s National Foods Limited against M/sShangrila (Private) limited for deceptive marketing practices.
- ▶ National Foods Limited filed a complaint with the Competition Commission of Pakistan against M/s Shangrila (Private) Limited for alleged violation of Section 10 of the Act.
- ▶ In the Matter of Complaint filed by M/sAkzo Nobel Pakistan limited and M/s Diamond Paints Industries (Pvt) Ltd against M/s Jotun Pakistan (Pvt) Ltd for deceptive marketing practices: Akzo Nobel Pakistan Limited and M/s Diamond Paints Industries (Pvt) Limited filed a complaint with the Commission against M/s Jotun Pakistan (Pvt) Ltd.
- ▶ In the Matter of Complaint filed by K&Ns foods (Pvt) ltd against M/S A. Rahim foods (Pvt) Ltd for deceptive marketing practices: K&N's Foods (Pvt.) Ltd filed a complaint against M/s A. Rahim Foods (Pvt.) Ltd with the Commission for alleged violation of Section 10 of Act pertaining to deceptive marketing practices.
- ▶ In the matter of deceptive marketing practices by Cellular Mobile Telecom Operators: The Commission took *suo moto* action on newspaper reports and informal complaints and e-mails received, regarding the imposition of additional charges by cellular mobile telecom operators (CMTOs) on recharge of balance for prepaid connections.
- ▶ In the matter of enquiry conducted against M/s Reckitt Benckiser Pakistan limited for deceptive marketing practices: The Commission took a *Suo Motto* action against M/s Reckitt Benckiser Pakistan Limited, who while marketing one of its products i.e. „Dettol Surface Cleaner“ through aired advertisements on television, has made certain claims about their product. It has been alleged that the undertaking has no reasonable basis to make such claims and the claims are capable of harming the business interest of other entities and are disseminating misleading and false information to the consumers, and the advertisement also includes false or misleading comparison of goods, in violation of Section 10 of the Act.

- ▶ In the matter of deceptive marketing practices by Internet Service Providers:Mr. Naseer Lone against the Internet Service Providers (ISPs). The complainant alleged that ISPs has advertised their internet packages as “unlimited” while there are actual limits on downloading volume. Hence the advertisement of the internet packages is misleading for consumers.
- ▶ In The Matter of Liaquat Hospital Lahore for Deceptive Marketing Practices: A complaint was received by Commission against the advertisement of Al Haj Mian Liaquat Ali of Liaquat Hospital Lahore for alleged violation. It was alleged in the complaint that certain TV channels are running advertisement of the Respondent claiming to completely cure many types of diseases which is actually not possible. The complainant highlighted that it is a very serious issue which needs to be addressed by the Commission under Section 10 of the Act.
- ▶ In The matter of complaint filed By M/s Agritech Limited Against M/s Tara Group Pakistan for Deceptive Marketing Practices: M/s Agritech Limited filed a complaint with the CCP against M/s Tara Group. The complainant alleged that the respondent is illegally using the mark “Tara” for their products and business which is identical to the product name of the complainant.

Competition Policy & Research

Research and market studies programme are used to identify anti-competitive factors/ actions/ policies, and propose remedies. Major activities are listed below:

Competition impact assessment reports

- ▶ Wheat Flour Industry
- ▶ Rice Sector
- ▶ Milk Sector
- ▶ Meat sector
- ▶ Tea Industry in Pakistan
- ▶ State of Competition Report

Publications

- ▶ Automobile Industry
- ▶ Private Sector Healthcare

- ▶ Private sector Schooling

Influencing and modifying policies

CCP assists in changing and modifying policies to enhance competition, using available tools, such as Policy Notes. The department worked on aviation, construction, beverages, tea, discrimination between motorcycles assemblers and commercial importers for import of spare parts, Trade Related Investment Measures (TRIMS) the role of Engineering Development Board and tariff-based system for auto industry; competition issues in the import of worn/used clothing and vegetables price hike related policies, aiming to:

- ▶ scrutinize the impact of regulations and policies on competition;
- ▶ review work of the Ministries to find instances of regulatory capture or anti-competition outcomes of their actions; and
- ▶ recommend suitable pro-competition amendments.

Collaborative work with Policy Makers

Competition Consultation Group is an informal think tank established by CCP in 2008, to solicit feedback and guidance on competition related matters from representatives of sector specific regulators, relevant professional bodies, business associations and the private sector. In the outgoing fiscal year 2 CCG meetings were held:

- ▶ 19th CCG Karachi 23 July, 2013: The agenda items included the Peer Review of CCP conducted by UNCTAD and enforcement actions of CCP.
- ▶ 20th CCG Islamabad 22 January, 2014: The agenda items included proposed amendments in regulations pertaining to Leniency and Reward Payment Scheme, CCP's policy notes on capacity tax on beverage industry and issuance of flare gas licenses by OGRA.

Public Events

- ▶ CCP held an International seminar in Karachi on the theme of "Role of Competition in Improving Investment Climate" on 5 November 2013.
- ▶ Seminar to mark World Competition Day on the theme of "Economic Growth and Competitiveness", 5 December, 2014. The seminar discussion focused on how the enforcement of a competition regime benefits increases competitiveness and ultimately benefits consumers.

The Metrics of Achievements

Title of case	Number of cases	Title of case	Number of cases
Show Cause Notices issued	18	Exemptions granted	64
Orders passed	1	Merger Applications received Breakdown: Acquisitions Mergers Joint Ventures All 46 applications were cleared in the initial review at Phase-I, given their minimal impact on competition	46 38 4 4
Hearings conducted	7	Policy Notes Issued to Government	3
Enquiry reports	7	Improving legal framework • Competition (Leniency) Regulations, 2013 • Revised fee schedule • Competition (Exemption) Regulations, 2014 • Competition (Reward Payment to Informants) Regulations, 2014	4
Search & Inspection	1	Compliance achieved (No. of cases)	8
Competition Policy &		Advocacy Research	
Competition Assessments finalised	3	Press Releases Issued	30
Competition Assessments ongoing	7	Seminars/Conferences	2
Reports ongoing	2	Meetings of Competition Consultative Group	2
Number of policies/legal frameworks reviewed	18	Advocacy Sessions with Chambers of Commerce	5
Contributions in international fora	2		
No. of issues/subjects involving interaction with ministries and other organizations	6		

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY(IPDF)

Introduction

Infrastructure Project Development Facility (IPDF) is a government owned entity operating under the aegis of Ministry of Finance with an exclusive mandate to promote, facilitate and attract private investment in provision of infrastructure services. IPDF is a key vehicle of the Government mandated to create enabling environment for the private investors to participate and invest in commercially viable transactions through long term contractual arrangements under the Public Private Partnership modality.

IPDF is governed by its Board of Directors comprising of Government directors and private sector.

ACTIVITIES UNDERTAKEN BY IPDF DURING THE FINANCIAL YEAR 2013-2014

Flyover /Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the National Highway N-5)

National Highway Authority (NHA) aims to develop six lanes Flyover /Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the National Highway N-5) along new alignment under Public Private Partnership Modality.

Status

IPDF with NHA evaluated the bids and selected Frontier Works Organization (FWO) as the winner. After negotiations on the Concession Agreement, FWO has been awarded the Project and the Concession Agreement has been signed.

Karachi-Hyderabad Motorway (M9)

The Karachi-Hyderabad section of N-5 (popularly known as super highway) connects the port city of Karachi with the North of Pakistan. The route is also the shortest possible distance between the two cities i.e. Karachi and Hyderabad and feeds into the main North – South Links i.e. National Highway N-55 (Indus Highway) and the National Highway N-5 (Grand Trunk Road).

Status

Letter of Support (LOS) has been issued to FWO on 7th July, 2014. Concession Agreement negotiations are pending.

Lahore-Islamabad Motorway (M2)

Lahore-Islamabad (M-2) Motorway is a section of the Trans-Pakistan Motorway (access control) connecting Lahore with the Federal capital of Pakistan, Islamabad. The total length of the motorway is 333kms, in addition to Islamabad Link road which is 7km and Lahore bypass which is 17kms. The Motorway is a 6 - lane facility with controlled access at 9 points through grade separation interchanges. The project aims to revitalize this pivotal branch of the Trans-Pakistan Motorway.

Status

The Project has been awarded to FWO. Concession Agreement was signed in April 2014. Financial closure will be achieved in the near future.

Karachi Lahore Motorway (KLM)

National Highway Authority (NHA) plans to develop Karachi-Lahore Motorway (KLM) as 6-lane access controlled motorway. It will originate from Karachi Northern Bypass, traverse through Sindh and Punjab and finally terminate at Lahore on Motorway (M-2) covering a distance of approximately 1,200 kms. The proposed project focuses primarily on the linkage of major cities and towns. For implementation purposes, KLM is divided into four sections: Lahore-Khanewal (330 kms), Multan-Sukkur (375 kms), Sukkur-Hyderabad (345km), Hyderabad-Karachi (136kms)

Status

Pre-bid meetings have been commenced. Pre-bid meeting for Lahore-Khanewal section was held on 27th August 2014 and for Sukkur-Hyderabad section on 28th August 2014. The bid submission date is 17th September 2014 for both sections.

Deep Sea Jetty at Gadani

The government is setting up Gadani Power Park which would house 10 coal fired power plants of 660 MW each. The coal to these power plants will be supplied through a dedicated jetty and its allied coal handling facility at Gadani. The coal handling capacity and coal handling charges are estimated to be 22 million tons per annum and US\$ 8 per ton respectively. The executing agency is Pakistan Power Park Management Company Limited (PPPMCL).

IPDF prepared the financial model for the project and presented the best possible options available for structuring the project.

Status

Project has been approved by ECNEC.

MICROFINANCE

Government of Pakistan is playing an important role for sustainable development of the microfinance sector as an important part of the overall financial sector development strategy. As a result of strategic and regulatory initiatives, microfinance is now gradually mainstreaming into the formal banking system of Pakistan. The policy and regulatory environment is recognized as well as developed. Most importantly, the sector's visibility has increased globally due to the launch of transformational branchless banking initiatives. Nonetheless, the industry is yet to make major breakthroughs to become a dynamic participant within the overall financial sector and to reach millions of underserved people.

To complement policy measures and promote access to finance and financial inclusion, SBP also undertakes implementation of government and donor funded programs. The updates on government programs and SBP market interventions are as follows:

- ▶ **Microfinance Credit Guarantee Facility (MCGF)**, a £15 million facility, was launched by SBP in December 2008 under FIP to cover partial risks against the loans extended to microfinance providers by the commercial banks. MCGF has been showing continuous growth since its launch to address the funding needs of the microfinance sector and maximize the outreach in microfinance sector. So far, 32 guarantees have been issued under MCGF which has mobilized Rs.10.325 billion from commercial bank and capital markets/ retail investors for onward lending to more than 500,000 micro borrowers. There have been no calls on the guarantee yet. The facility has been positioned to mobilize non-bank financing from capital markets, to diversify financing for micro borrowers. The facility has helped develop the market and introduced poor borrowers to mainstream financial institutions.
- ▶ **Credit Guarantee Scheme (CGS)**, worth £13 million, was launched in March 2010 to facilitate credit to small and rural businesses for greater outreach. The scheme was launched after an assessment of commercial banks risk appetite and demand for the facility. The objective of the scheme is to improve availability of credit by enhancing credit rating of small and rural borrowers through guarantees for greater outreach to the poor and rural segments. CGS has allocated limits of Rs.2.634 billion to 10 banks in line with the available seed money and request of the banks. The participating banks have sanctioned loans of Rs 6,328 million under CGS and SBP issued guarantees for risk coverage of Rs.2,554 million for onward lending to 9,823 borrowers, against the approved limits, representing a highly encouraging utilization of 97% of the Risk Coverage Limits.

- ▶ **Institutional Strengthening Fund (ISF)**, a £6 million facility, was launched by SBP with the objective to provide grants for institutional strengthening of the microfinance sector, develop and implement strategies for mobilization of savings, strengthen governance and internal controls functions, and launch branchless banking initiatives. Under ISF, The grants of Rs. 808 million have been approved for 26 projects from 15 microfinance institutions (MFIs) and banks (MFBs) representing more than 60 percent of the microfinance sector. The ISF support has been transformational; supporting graduation of NGO MFIs to Microfinance Banks (MFBs) and has put the industry on a more sound footing.
- ▶ **Financial Innovation Challenge Fund (FICF)**, a £10 million facility, was launched by SBP in May 2011 with the aims to foster innovations and test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services. The fund holds specialized challenge rounds focusing on innovations that market wishes to undertake to alter the scope and reach of financial services. The 1st Challenge Round of FICF was launched in May 2011 to promote “Financially Inclusive Government to Person (G2P) Payments” through branchless banking models. The projects cover the entire spectrum of G2P payments including, salaries, pensions and welfare payments through financially inclusive models. For these projects, an amount of Rs. 282.44 million has been committed.

The 2nd Round was launched on March 6, 2014 to promote innovative rural and agricultural financial services. Under this round, eighteen proposals were received from commercial banks, microfinance banks, Islamic banks and third party service providers. These were reviewed by the FICF Advisory Committee and finally approved 12 proposals, committing a total of Rs. 410 million for grant assistance based on well defined criteria such as, uniqueness of the proposed innovations, sustainability of the ideas and potential for financial inclusion to establish value for money.

As a way forward, Government emphasizes on broadening inclusive financial services, promoting deposit mobilization, encouraging the use of alternative delivery channels, up-scaling the lending operations, improved governance and transparency, pro-consumer policies, and developing a regulatory mechanism for the non-deposit taking MFIs. Private sector’s commitment towards microfinance business appears promising for transformational change to attain large scale outreach through innovative business models.

Table : Performance indicators of Microfinance Banks in Pakistan, as on end June, 2014

(Amount in Rs. '000)

MFBS	Branches	Borrowers	Advances	Deposits	Depositors	Assets	Equity	Borrowings
Khushhali	118	424,216	10,026,458	7,033,275	780,891	14,178,127	2,982,615	3,162,036
First MFB	80	146,832	4,090,219	8,130,335	268,169	9,588,781	1,139,882	-
Tameer	56	218,903	8,962,519	12,241,368	2,634,733	16,766,162	2,461,001	370,241
NRSP	54	221,331	6,326,216	3,756,914	151,575	10,106,665	1,555,089	4,371,512
FINCA (Formerly Kashf)	39	56,413	2,863,857	3,395,520	282,360	4,725,713	1,151,569	-
Pak Oman	16	4,484	136,467	31,668	19,401	1,123,597	1,063,382	-
APNA	11	10,288	506,855	909,700	37,645	1,484,858	510,702	32,303
U MFB	15	5,091	193,027	410,643	37,664	1,550,423	977,507	-
Waseela	30	7,157	315,989	1,000,352	115,290	2,224,923	1,048,739	-
Advans	3	1,245	57,664	13,355	3,351	669,763	561,568	-
Total	422	1,095,960	33,479,271	36,923,130	4,331,079	62,419,012	13,452,055	7,936,092

PROVINCIAL FINANCE WING

ROLE OF PROVINCIAL FINANCE (PF) WING

Overview

The PF Wing plays a vital role in the Finance Division for having a stable and viable fiscal relationship with the provincial governments and special areas. It provides secretarial support to the National Finance Commission (NFC), a constitutional body responsible for the revenue sharing between the Federation and Provinces. The most important function of the Wing is management of Federal transfers to the Provinces in accordance with the Presidential Order No. 5 of 2010 known as 7th NFC Award as well as grants-in-aid to Azad Jammu & Kashmir and Gilgit-Baltistan Governments to meet their current expenditures. In addition, this Wing is also responsible for provision of long term loans to government employees for house building/ purchase of motor cars/ cycles.

National Finance Commission (NFC)

Article 160 of the Constitution of Islamic Republic of Pakistan provides composition, time frame and terms of reference of the NFC. The NFC is to be set up at intervals not exceeding five years. Finance Ministers of the Federal and Provincial Governments and such other members to be appointed by the President in consultation with the Governors of the Provinces shall be the members of the Commission. The main charter of NFC is to recommend on: (i) the distribution of specified taxes, duties between Federation and Provinces; (ii) the making of grants-in-aid by the Federation to Provinces; (iii) the borrowing powers exercised by the Federal and Provincial governments; and (iv) any other financial matter referred to the Commission by the President of Pakistan. The recommendations of the NFC are implemented through President's Order.

Revenue Transfers

Revenue Transfers have following two broad categories:

- i. Divisible pool transfers include taxes being collected by Federal Board of Revenue (FBR). These taxes are shared between the Federal Government and Provinces and amongst the provinces in accordance with the NFC Award. These are transferred to provinces twice a month i.e. on 17th and last working day of each month.
- ii. Straight transfers include: Gas Development Surcharge, Royalty on Crude Oil & Natural Gas, and Excise Duty on Natural Gas. The entire proceeds of these levies, after deducting collection charges @ 2%, are transferred to the respective provinces where the well-head is situated. These are reported to Finance Division by the Ministry of

Petroleum to the exception of Excise Duty on Natural Gas, which is reported by the FBR.

Accordingly, a profile of Federal transfers to Provinces during FY 2013-14 is as under:-

(Rs. in billion)

Components	Punjab		Sindh		Khyber Pakhtunkhwa		Balochistan	
	B.E	Release	B.E	Release	B.E	Release	B.E	Release
Divisible Pool	701.673	637.064	332.935	302.279	222.093	201.642	123.274	123.274
Straight Transfers	7.054	9.202	67.127	81.407	29.426	32.760	18.706	18.652
Total	708.727	646.266	400.062	383.686	251.519	234.402	141.980	141.926

Grants-in-Aid to provinces

In addition to revenue transfers, the NFC Award also provides grant-in-aid to Sindh and Balochistan. Furthermore, PF Wing also provides grants-in-aid to provinces in pursuance of the commitment of the Federal Government such as Aghaz-e-Huqoob-e-Balochistan Package (AHBP) and decisions of the Council of Common Interests (CCI) etc. A profile of grants-in-aid given to provinces is given as follows:

(Rs. In billion)

Component	Punjab	Sindh	KPK	Balochistan	Total
Grant to offset Losses of abolition of OZT (NFC Award)	-	8.126	-	-	8.126
Grant in lieu of Net Hydel Profit payable by WAPDA	-	-	25.00	-	25.00
Grant in lieu of arrear of GDS FYs 2002-03 to 2009-10 (NFC Award).	-	-	-	1.516	1.516
Grant in lieu of Arrear of GDS 1991-92 under AHBP	-	-	-	10.00	10.00
Grant for funding 5000 posts under "AHBP"	-	-	-	0.950	0.950

Grant to Balochistan. This grant is adjusted by SBP against the Over Draft (Principal+Interest) of Government of Balochistan.	-	-	-	3.342	3.342
Incentive Grant on maintaining Provincial Surpluses in terms of CCI decision.	0.556	0.002	1.504	1.802	3.864
Grant for compensation to Spouse/Family of Shaheed APUG officers posted in Balochistan	-	-	-	0.018	0.018
Grant for Construction of Houses for affectees in Earthquake hit Awaran District of Balochistan	-	-	-	0.630	0.630
Grant to Punjab Information Technology Board for the services rendered on account of Monitoring and Support System For Prime Minister Youth business Loan Scheme	0.013	-	-	-	0.013
Grant to Lahore Arts Council, Lahore.	0.020	-	-	-	0.020
Total:	0.589	8.128	26.504	18.258	53.479

Funding for Provincial Projects

The President/ Prime Minister make announcement/issue directives for funding of various projects in the provinces. Accordingly, such provincial projects are also funded through the PSDP allocation of the Finance Division either on co-sharing basis or on full funding basis. During FY 2013-14, the position of funds released by the Finance Division to the provinces as per authorization of Ministry of Planning, Development & Reforms is reflected as under:-

(Rs. In billion)

Province	No of Projects	PSDP Allocation	Releases
Punjab	06	1.308	0.366
Sindh	18	2.715	1.346
Khyber Pakhtunkhwa	05	0.583	0.146
Baluchistan	24	5.913	4.232
Total	53	10.519	6.090

Recoveries of Cash Development Loans (CDL) from Provinces

One of the functions of the PF Wing is also to recover and to keep a record of such recoveries of principal amount and interest regarding Cash Development Loans granted to the provinces. Such figures are maintained in consultation with respective Finance Department / Accountant General for local currencies and Economic Affairs Division (EAD) for foreign exchange. A profile of recoveries made in this regard during FY 2013-14 is as follows:

(Rs. in billion)

Province	Principal	Interest	Total
Punjab	21.06	7.773	28.833
Sindh	8.235	3.736	11.971
Khyber Pakhtunkhwa	5.025	2.129	7.154
Balochistan	4.371	0.446	4.817
AJ&K	2.036	4.357	6.393
Total	40.727	18.441	59.168

Note: For the purpose of recovery of loans from AJ&K, allocations are made in the Federal Budget as Ways and Means Advances to AJ&K and book adjustments are made accordingly.

Federal Transfers to AJ&K

Federal Government financial support for AJ&K is extended under "New Financial Arrangement between the Govt. of Pakistan and AJ&K" since 1992-93. Variable grant is being provided as share of AJ&K government in Federal Taxes. Since own resources of Govt. of AJ&K together with variable grant are not sufficient to meet their current expenditure, the Federal Government picks up the gap of revenue and current expenditure of AJ&K as Revenue deficit grant. Accordingly, the funding profile during FY 2013-14 is as follows:-

(Rs. In billion)

	Allocations of 2013-14	Released in 2013-14
Federal Grant (Share taxes)	13.0	13.0
Revenue Deficit Grant	8.0	11.6
Total to AJ&K	21.0	24.6

In addition to above, the Federal government also funds annual Development Program of the Government of AJ&K through block allocation by the Ministry of Planning Development & Reforms. Releases are made by the Finance Division on authorization of Ministry of Planning Development

&Reforms. Therefore, funding profile of ADP of AJ&K Government for Financial Year 2013-14 is as follows:

(Rs. In billion)

	No. of Projects	Allocation of 2013-14	Releases in 2013-14
ADP (Block Allocation)		10.500	10.500
PSDP Federal Projects	5	2.757	1.723
Special Dev. Package		6.000	0.0
Total		19.257	12.223

Federal Transfers to Government of Gilgit-Baltistan

Prior to FY 2011-12, the Current and Development Expenditure of Gilgit-Baltistan Government was being dealt by the Kashmir Affairs and G.B Division. Consequent upon promulgation of "Empowerment and Self-Governance Order 2009", allocation for Current Expenditure was entrusted to the PF Wing of Finance Division. Accordingly, the funding profile for the current Expenditure of GB Grant during FY 2013-14 is as follows:-

(Rs. in billion)

	Allocation of 2013-14	Release in 2013-14
Grant in Aid to G.B.	15.000	16.187

REGULATION WING

Main Functions of Regulations Wing

As per its job description Regulations Wing of the Finance Division has the following main functions:-

- ▶ To determine pay packages and other financial terms and conditions of service, perquisites and fringe benefits of the Govt. servants.
- ▶ Proposals for regulatory matters pertaining to pay, allowances, perquisites, fringe benefits and pensions of civil employees, armed forces personnel, employees of autonomous/semi autonomous and regulatory bodies of the Federal government.
- ▶ Approval of the pay packages of the employees of autonomous bodies, corporations, companies, etc., where public investments have been made in order to safeguard the interests of the Govt. of Pakistan.
- ▶ Approval of proposals regarding pay protection and up-gradation of posts.
- ▶ Matters related to pay and pension of (I) President of Pakistan (ii) Prime Minister of Pakistan (iii) Ministers (iv) Governors of the provinces (v) Service Chiefs (vi) Chief Justice and judges of Supreme Court of Pakistan (vii) Members of Parliament (viii) Speaker/Deputy Speaker National Assembly (ix) Chairman/Deputy Chairman Senate.
- ▶ Matters related to Deputation Allowance, Senior Post Allowance, and Additional Charge Allowance.
- ▶ Honorarium policy for civil servants, policy on Management Pay Scales, Management Position Scales, and Leave Rules.
- ▶ Determination of Foreign Allowance and Entertainment Allowance of the Govt. employees posted in Pakistan Missions abroad.
- ▶ Determination of rates of House Rent Allowance, Conveyance Allowance, Overtime Allowance, etc.
- ▶ Determination of policy in regard to pension for Govt. servants.
- ▶ Counting/Regularization of service of civil employees.
- ▶ Matters relating to Group Insurance Funds, pension contribution during deputation of civil employees to autonomous bodies and vice versa.
- ▶ Issues relating to House Building Advance and Conveyance Advance.

- ▶ Terms and conditions of deputation on training within Pakistan and abroad.
- ▶ Vetting of financial provisions in the Ordinances, Acts, Resolutions, and Service/Financial rules of autonomous/semi autonomous bodies.
- ▶ Fixing of rental ceiling for hiring of residential houses for civil employees.
- ▶ Hiring rental policy regarding office accommodation.
- ▶ All legal cases where Finance Division is a party in the Supreme Court of Pakistan, High Courts, Federal Service Tribunal, and other courts and tribunals.

PERFORMANCE OF REGULATIONS WING DURING FINANCIAL YEAR 2013-14

Items	Cases Disposed of
Court Case proceed during the year	229
Service rule/Regulations of different department vetted – Rules Vetted	27
Major Policy Decisions taken	34
Cases regarding Up-gradation of posts of different organization	43
Fixation of Pays	27
National Assembly/Senate business	61

- ▶ In view of inflation and its consequent effects on prices of commodities, the Government granted Adhoc Relief Allowance @ 10% of basic pay to all civil employees and contingent paid staff and contract employees of Federal government, Armed Forces and Civil Armed Forces w.e.f 1-7-2013.
- ▶ Due to above reason, Adhoc Relief Allowance @ 10% of Basic pay has also been granted to the executive/supervisory staff of autonomous/semi autonomous bodies/Corporation etc who have adopted the Federal Government’s Basic Pay Scale Scheme in totality w.e.f 1-7-2013.
- ▶ Finance Minister in his budget speech 2013-14 in the National Assembly on 12-6-2013 announced an increase @ 10% of net pension w.e.f 1-7-2013 to all pensioners of the Federal Government.

- ▶ For the above reason, Finance Minister also announced in his budget speech 2013-14 that minimum pension would be increased from Rs.3000/- p.m. to Rs.5000/- p.m. *w.e.f* 1-7-2013.
- ▶ Minimum Family Pension of retired government employee has also been increased during budget speech from Rs.2250/- p.m. to Rs. 3750/- p.m. *w.e.f* 1-7-2013.
- ▶ To remove the anomaly in the rates of Conveyance Allowance, the rate of Conveyance Allowance for Government officers in BPS 20-22, who are neither availing the free transport facility nor have been allowed monetization of Transport facility, was increased from Rs.2480/- p.m. to Rs.5000/- p.m. *w.e.f* 1-7-2013.
- ▶ To compensate for increase in the inflation, Pay and allowances of the Superior Judiciary has been increased.
- ▶ In order to readdress the problem of pensioners, Finance Division asked State Bank of Pakistan, National Bank of Pakistan, Controller General Of Accounts, Military Accountant General, Pakistan Railways, Pakistan Post Office and Accountant General Pakistan Revenues, Lahore, Karachi, Quetta and Peshawar to take necessary measures for improvement in pension payment system to facilitate the pensioners, Accordingly all these stakeholders issued necessary directions to the field offices and concerned authorities for this purpose.
- ▶ To provide financial assistance to IDPs-2014 through Prime Ministers Relief Fund, one day's salary of one day of the officers/ officials working in Ministries/ Divisions/ Departments/ Authorities/ Corporations/ Companies/ Financial institutions/ Commissions etc working under the Federal Government was deducted.
- ▶ Amended the rule 12 of the Supplementary Rules as under with effect from 26-11-2013:-
- ▶ One third of any fee in excess of 100,000/- received by a civil servant from consultancy shall be credited to General Revenues.
- ▶ No civil servant, other than the one appointed under statutory provisions, shall be appointed to or nominated by the Federal Government to the Board of Directors of more than one statutory corporation, company, autonomous body, institution, society etc., whether fully or partially owned or controlled by the Federal government, in the interest of equity and justice.

- (a) The allowance, fee, honorarium etc., in excess of six hundred thousand rupees per annum received by a civil servant as member of the board of Directors of any one or more statutory corporations, companies, autonomous bodies, institutions societies etc., whether fully or partially owned or controlled by the Federal government, shall be credited to the General Revenue.
- (b) The upper limit of Rs. 600,000/- mentioned in para (c) above shall include all other perks and privileges except the cost incurred on travel and lodging.

Clarification issued, stating that :-

- ▶ new entrants in BPS-16 to 22 through direct recruitment on or after 1-7-2011 shall be allowed Medical Allowance @ 15% of initial of relevant Basic Pay Scale 2008, w.e.f the date of their appointment and shall stand frozen at the same level till further orders.
- ▶ The new entrants in BPS 16-22 by way of promotion/ up-gradation etc. from BPS 1-15 on or after 1-7-2011 shall be entitled to Medical Allowance @ 15% of pay that would have been admissible to them on 30-6-2011 in the relevant Basic Pay Scale 2008, had they been promoted/ upgraded prior to Basic Pay Scale-2011 and shall stand frozen at the same level till further orders.
- ▶ The amount of Medical allowance in no case will be less than Rs. 1000/- per month.

In addition to above, various queries, as raised by various Ministries/Divisions etc. were clarified, anomalies were removed and grievances were redressed.

LITIGATION WING

Function of Litigation Wing

As per job description, Litigation Wing has the following main functions:-

Legal Sections

- ▶ Getting prepared parawise comments by the concerned wing on receipt of cases from different courts.
- ▶ Vetting of parawise comments and nomination of defence counsels from law & Justice Division.
- ▶ Pursuing and attendance of cases in different courts on the date of hearing
- ▶ Submission of parawise comments and compliance of court orders.

R-10 Section

- ▶ Travelling Allowance on transfer abroad
- ▶ Daily Allowance on duty abroad
- ▶ Medical treatment abroad of Government servants/ dependent family members.
- ▶ Service Tribunal cases regarding training TA/DA abroad
- ▶ Revision of rates of Daily Allowance, Mileage Allowance, Travelling Allowance, Messing Allowance, Uniform Allowance, Non-Practicing Allowance, Transfer Grant and Travel by Air.
- ▶ Clarification/Reimbursement of Medical facilities.
- ▶ Appointment of Authorized Medical Attendant at Pakistan Missions Abroad.

R-14 Section

- ▶ Vetting of Ordinances, Acts and Resolutions of newly established Organizations under the Federal government.
- ▶ Vetting of Financial Rules/Regulations made in pursuance of the provisions of Ordinances, Acts and Resolutions.
- ▶ Bonus policy and approval for grant of bonus to the officers employed in public sector organizations.
- ▶ Examination of proposal received from Ministry of Housing & Works regarding enhancement of rental ceiling for hiring of houses for Federal Government employees, and its submissions/endorsement to the Prime Minister for approval.
- ▶ Project Allowance/Pay Package for Project staff.

- ▶ Extra-Ordinary Pension (EOP) cases.
- ▶ Compensation for Civil Armed Forces/ICT/IB who died during service.

Performance of Litigation Wing (Section R-10 & R-14)

R-10 Section

- ▶ Funeral Allowance of Civil Armed Forces has been increased from existing rate of Rs.5,000/- to Rs.10,000/-, in order to bring it at par with those of Armed Forces and Civil Servants.
- ▶ The rates of Compensatory Allowance admissible to certain categories of Staff in Pakistan Post Office Department during compulsory training courses in Postal Training Institutions has also been increased as under:

S. No.	Categories	Amount in Rupees	
		Existing rates per month	Revised rates Per month w.e.f. 1 st March, 2014
i.	BPS 1-5	170	510
ii.	BPS 6-8	220	660
iii.	BPS 9-15	275	825
iv.	BPS 16-17	485	1,455

TA/DA Rules provide facility of travelling by air to the serving officers in BPS-17 and above, however, this facility was not available for retiring officers and they have to use other mode of travelling e.g. Steamer, Rail, etc. Therefore, to bring this facility at par to all officers in BPS-17 and above without any discrimination "Travel by Air" have been inserted/replaced in place of "Steamer", Finance Division have revised the policy of TA on retirement vide O.M. dated 24-04-2014 with immediate effect.

R-14 Section

A 20% increase has been allowed w.e.f. 08-07-2013 in the existing fixed salary of Project employees recruited on contract basis for Development Projects funded from PSDP being drawn in existing Standard Pay Package of 12th August, 2008.

Enhancement in death compensation package in compliance with orders of Peshawar High Court Peshawar dated 14-03-2013 with the approval of the Prime Minister for Federal Levies stationed at FATA/PATA of Khyber Pakhtunkhwa Province and Khasadars to Rs.3.00 million vide O.M.No. 12(4) R-14/05-242 dated 29-08-2013.

AUDITOR GENERAL OF PAKISTAN

PROJECT TO IMPROVE FINANCIAL REPORTING & AUDITING (PIFRA)

Introduction

PIFRA-II aims at increasing accuracy, completeness, reliability and timeliness of government financial reports and modernization of government audit by adopting best international practices and auditing standards. The project directly supports the government's commitments to improve public financial management, accountability and transparency to facilitate public oversight and increase credibility in the international community.

The process of improving fiscal and financial reporting in Pakistan was started in early 1990's with the support of the World Bank through PIFRA-I. The basic goals to modernize the institutional framework and to automate accounting processes were achieved in PIFRA-1 by separating accounting and auditing functions, establishing a chart of account that was compliant with international standards and design and piloting of an automated system. Modernization of audit processes was also initiated during this phase.

To build on the achievements of PIFRA-1, PIFRA-II was started in May 2005 with the total project cost of USD 93 Million (IDA: USD 84 M & GOP: USD 9 M). It has established an accounting, reporting and audit system that covers core government entities of federal, provincial and district governments. These achievements place Pakistan at the forefront of Public Financial Management reform in the South Asian region and Pakistan is the only country in the region where SAP has been implemented on such a large scale in public sector.

PIFRA-II was scheduled to be completed in December 2010 but was extended till June 2013 to ensure system sustenance and consolidation of reforms with an additional financing (AF) of US \$ 24.5Million. Project further extended to December, 2014.

Component-wise Main Achievements

Up to date progress of various components is summarized below:

Financial Accounting & Budgeting System (FABS)

- ▶ Total of 238 Accounting/Finance sites are required to be completed by the PIFRA by the end of the project. All sites have now been completed except, 3 FI (Financial), 12 HR (Human Resource) sites remaining in Balochistan. Law and Order situation remains a major challenge in Balochistan.

- ▶ FABS stands extended to Pakistan Mint., Foreign Affairs, Pak Post, Geological Survey of Pak and PWD. Work on similar extension of FABS to CDNS is in progress.
- ▶ In Azad Jammu Kashmir all the 10 sites have since been completed with both FI and HR functionalities.
- ▶ Connectivity to all 200 ministries/departments of Federal and Provincial governments has been completed that include provision of computers, LAN/WAN, Training and Authorization (Annex 'A'). All the 30 Federal Ministries/Departments falling under AF Phase stand connected.
- ▶ Replacement of Servers to all five sites (AGPR Islamabad and four provincial headquarters) completed.
- ▶ PRSP Secretariat connected with SAP system and relevant staff trained for its usage.
- ▶ Government Finance Statistics Manual (GFSM) (2001) chart of account mapping completed and a system generated GFSM 2001 Compliant Fiscal Report shared with Finance Division and CGA.
- ▶ Federal Appropriation accounts now generated through system in 2 months after year end – *down from 6-8 months*.

Audit Component

Main deliverables of PIFRA-II in respect of the Audit Component included modernization of auditing, capacity building of human resources of Pakistan Audit Department on new audit Methodology, significant reduction in timelines for submission of certified accounts to the legislature and equipping the audit offices with modern accessories. Moreover:

- ▶ Financial audit manual based on International Auditing Best Practices has been developed and implemented in all field audit offices, for all three tiers of the Government.
- ▶ Specific Sectoral Audit Guidelines have also been developed to facilitate monitoring and oversight of each field audit office in terms of their peculiar activities.
- ▶ Computer Assisted Audit Techniques (CAAT's) are now applied to analyze financial data to ensure a high level of assurance in preparation of audit reports.
- ▶ Audit Command Language (ACL) Software has been procured to facilitate scientific data management during audit.

- ▶ Approximately two hundred (200) officers have since been trained in the Information System Audit.
- ▶ Consequent upon adoption of full ISSAI's by DAGP, FAM(full) and its working paper kit has been revised and approved for implementation.

A Performance Audit Manual (PAM) has been developed and circulated to FAOs for implementation. 20 Performance Audit Specialists are trained. PIFRA is coordinating with FAOs to start performance audits of PRS programs at Federal and Provincial levels.

Training Component

The Project envisages capacity building of human resources at Federal, Provincial and District Levels, including the Officers/Staff of OAGP, OCGA and various Ministries, Divisions and Departments. Actual achievements during the Financial Year 2013-14 have been as under:

- ▶ One thousand one hundred twelve (1112) resources of OAGP imparted training in the fields of FAM, CAATs (ACL), PFM, Environmental Audit and PIPFA.
- ▶ Fifty two (52) staff of various offices falling under CGA i.e. AGPR/AG/DAO and AG AJK trained in the fields of NAM and SAP.
- ▶ Two thousand four hundred and seventy six (2476) resources from different line ministries, departments and district finance offices imparted training in the fields of Chart of Accounts (CoA), NAM & SAP.

Financial Progress

During the Financial Year 2013-2014, Rs.131.558 million were disbursed against the final GoP Grant of Rs.136.748 million. An expenditure of Rs.528.560 (un-reconciled) million was incurred against IDA fund of Rs.627.616.

Outcomes

The achievements so far made by PIFRA have resulted in the following outcomes:

- ▶ Federal, Provincial & District Governments (except Balochistan) budgeting through system.
- ▶ Spending level budgeting provided in the system (Federal, Provincial & District).

- ▶ Online budget releases/re-appropriations of Federal and all governments.
- ▶ Federal Budget of 10 years uploaded in system.
- ▶ Payroll of over 2 million employees computerized.
- ▶ Computerization of Pension and GP Fund Records and payment of pension through direct credit to pensioner's bank accounts.
- ▶ SAP Upgrade completed.

Sustainability Plan

FABS Directorate of PIFRA through SAP CC, the central organization, is responsible for operations and maintenance of systems network. Thereafter, to sustain ongoing reforms, the FABS Directorate will become the Post-PIFRA IT Organization of CGA. It will be staffed with professionals hired at market-based salary and qualified civil servants with an incentive package. This would, in turn, ensure retention of the existing skilled technical personnel working on the project to maintain optimum number of in-house consultants required for system operations. The Post-PIFRA IT Organization will consist of Seventy Eight (78) IT professionals/PA&AS officers and would entail an annual outlay of Rs. 92.142 million on their pay and allowances with an overall annual operational expenditure of Rs. 412.964 million. Obviously, this liability shall have to be henceforth taken over by the GoP through allocation of necessary funds in the regular annual budget of CGA office.

A Transition Plan and the Exit Strategy has also been formulated for the Project to sustain the momentum of reforms beyond closure of the project and shared with the OCGA for further necessary actions.

CONTROLLER GENERAL OF ACCOUNTS (CGA)

Introduction

The office of the Controller General of Accounts (CGA) was established under CGA ordinance No.XXIV of 2001. After its establishment, the accounting functions have been transferred to this office from office of the Auditor General of Pakistan. The office of Controller General of Accounts is responsible for maintaining an efficient and effective accounting and financial reporting system of the Government of Pakistan. As per CGA ordinance (2001), some of the major functions of this office are as follows:

- ▶ Maintenance of accounts of the Federation, Provincial governments and District governments and of such organizations and authorities established by these governments.
- ▶ To submit the accounts after the close of financial year to the Auditor General, showing under the respective heads, the annual receipts and disbursement for the purpose of Federation and of each Province within the time-frame prescribed by the Auditor-General.
- ▶ Authorizing payments and withdrawals from Consolidated Fund and Public Accounts against approved budgetary provision and after applying pre-audit checks.
- ▶ To render advice on accounting procedure for new schemes, programmes or activities undertaken by the government concerned.
- ▶ Develop and maintain an efficient system of Pension, Provident funds and other retirement benefits in consultation with the concerned government.

In order to carry out its functions, following offices are under the administrative control of Controller General of Accounts:

- ▶ AGPR, Islamabad and its sub offices.
- ▶ MAG, Rawalpindi and its sub offices.
- ▶ Provincial AG offices.
- ▶ CAO of Departmental Accounting Offices.
- ▶ PWD, Islamabad.
- ▶ DBA, Provincial Forest Departments.
- ▶ DBA, Pak Director Accounts Pakistan Post Office Department.

The controller General of Accounts under section 6(3) of the CGA ordinance, 2001 has been declared as administrative head of all the offices subordinate to him with full authority for transfer and posting within his organization.

KEY ACTIVITIES AND ACHIEVEMENTS OF THE F.Y. 2013-14

Following are some of the major activities under taken by the office of Controller General of Accounts during the F.Y. 2013-14 to achieve its goals and objectives stated above:

- ▶ The format of appropriation accounts of the Federal government, Provincial governments, District governments and Self Accounting Entities (SAEs) revised with the approval of Auditor General of Pakistan. The revised format is helpful in achieving more clarity and transparency in the presentation of accounts. It is also likely to facilitate the PAC in accountability process.
- ▶ Prepared annual accounts including Appropriation Accounts and Financial Statements of the Federation, Provincial governments and District governments on revised format for the Financial Year 2012-13 and submitted to Audit within two months after the close of financial year. The Accounts also got audited, certified within stipulated time and signed by the Auditor General of Pakistan (AGP).
- ▶ Unqualified opinion was given by the Audit on the accounts of the Federation, Provincial governments and District governments for the F.Y:2012-13, which reflects the accuracy and reliability of the Accounts.
- ▶ During the F.Y 2013-14, the Monthly Civil Accounts of the Federation and Provincial governments were prepared in time.
- ▶ The implementation of New Accounting Model (NAM) like some of the important organizations of the government such as Pakistan Railways, Azad Jammu & Kashmir etc. is in progress.
- ▶ A uniform solution to incorporate third party/direct payments relating to the Federal/Provincial governments in the Accounts through SAP system has also been initiated.
- ▶ During the F.Y 2013-14, following Accounting Procedures relating organizations/funds established by Federal government and Provincial government were vetted.

- ▶ Accounting Procedure for operation/utilization of the Provincial Disaster Management Fund of the Govt. of Khyber Pakhtunkhwa.
- ▶ Financial Manual and Accounting Procedure for National Counter Terrorism Authority (NACTA) Research & Development Fund.
- ▶ Standing Operating Procedures and Accounting Procedures for Research & Development Fund, Ministry of IT and Telecom.
- ▶ Standing Operating Procedures and Accounting Procedures in respect of Universal Services Fund.
- ▶ Prime Minister's Balochistan Earth Quick Fund 2013.
- ▶ PPRA Accounting Procedure, 2014.
- ▶ Accounting Procedure for Payments of Child Support Programme (CSP) Pakistan Baitulmal Govt. of Pakistan through Post Office.
- ▶ Decentralization/Revision of existing Procedure for collection of SSGCL bills through Post Offices.
- ▶ Decentralization/Revision of existing Procedure for collection of IESCO bills through Post Offices.
- ▶ Decentralization/Revision of existing Procedure for collection of MEPCO bills through Post Offices.
- ▶ Accounting Procedures of FATA Disaster Management Fund.
- ▶ Accounting Procedures of Hydrocarbon Development Institute of Pakistan (HDIP).
- ▶ Vetting of project financial management manual (revised) in respect of Land Reforms Management Information System (LRMIS).

FEDERAL TREASURY ISLAMABAD

Federal Treasury Islamabad is Sub-ordinate office of the Finance Division working under the administrative control of the AGPR. It ensures the timely completion and submission of portion of accounts of Federal Receipts and Payments to the office of the AGPR for incorporation in Finance account every month. Issue all kinds of Judicial and non Judicial Stamps Papers to the general public of Islamabad. Moreover the huge receipts are generated through sale proceed of Stamp Papers etc from the Strong Room of this office.

Major Functions/Activities are as under:-

- ▶ Compilation/Preparation of Federal Payments and Federal Receipt Accounts received daily from the State Bank Islamabad/Muzafarabad/Rwp& the different branches of National Bank situated in Islamabad/Rwp for incorporation in Finance Account through AGPR on SAP system.
- ▶ Federal Government pensioners including civilian pensioners receiving pension from defense estimates get pension from this office through SBP & maintenance and compilation of its accounts.
- ▶ Compilation of Military payments and Receipt accounts and submission to the MAG office.
- ▶ Vending of all kinds of Stamp Papers, Judicial and Non Judicial Stamps, Driving license Stamps etc to the general public and the government departments as well, from the Strong Room of this office. Moreover this office is generating the millions of receipt of Federal Government through vending of Stamp Papers etc to the general public.
- ▶ Verification of credits deposited in the SBP/NBP relating to the Federal government.
- ▶ Maintenance of Personal Ledger Accounts in respect of Federal Government organizations.
- ▶ Maintenance of Assignment account for payment through National Bank of Pakistan.
- ▶ Refund of Revenue Deposits authorized by the Civil Courts.

DEBT POLICY COORDINATION OFFICE (DPCO)

Debt Policy Coordination Office (DPCO) acts as a secretariat for the Fiscal Responsibility and Debt Limitation (FRDL) Act 2005.

Functions

As per the FRDL Act 2005, DPCO has been entrusted to perform the following functions:

- ▶ Prepare a debt reduction path,
- ▶ Monitor and evaluate external and domestic borrowing strategies,
- ▶ Analyze the foreign currency exposure of Pakistan's external debt by undertaking market risk management,
- ▶ Provide consistent and authenticated information on public and external debt,
- ▶ Government guarantees including total guarantees outstanding,
- ▶ Provide leadership on debt data questions and ensure compliance with agreed reporting requirements; and
- ▶ Maintain a centralized and updated electronic record of the public and external debts.

Publications

As part of its primary responsibilities, the DPCO prepares and presents to the Parliament following documents every year:-

- ▶ Debt Policy Statement
- ▶ Fiscal Policy Statement
- ▶ Medium-Term Budgetary Statement

During 2013-14, this office presented these statements to the Parliament. Debt and Fiscal Policy Statements included a comprehensive review of the dynamics of Pakistan's debt portfolio as well as developments in the fiscal sector covering entire period of fiscal year 2012-13 and first quarter of fiscal year 2013-14. These documents also contain a report on compliance with the provisions of FRDL Act, 2005. Medium-Term Budgetary Statement includes three-year targets for key economic indicators and is presented with the annual Budget of the country.

Position of Public Debt during 2013-14

As at end-June 2014, public debt reached at Rs.15960 billion, an increase of Rs.1594 billion that is 11 percent higher than the debt stock at the

end of last fiscal year. Public debt as a percent of GDP reached at 62.8 percent of GDP by end-June 2014 compared to 63.9 percent during the same period last year. The domestic debt positioned at Rs.10914 billion represented an increase of Rs.1379, whereas, external debt posed at Rs.5046 billion represented an increase of Rs.197 billion as compared to end-June 2013.

The composition of Pakistan's public debt has witnessed major changes in last few years with increased reliance on domestic debt owing to insufficient external debt inflows. The composition of domestic debt portfolio has itself undergone a transformation from a high dominance of unfunded debt to an increasing dependence on short term floating debt which is a source of vulnerability as it entails high rollover and refinancing risk. Besides, the cost and stock of external public debt increased due to depreciation of Pak Rupee. However, to manage public debt portfolio effectively, following actions were taken during 2013-14:

- ▶ The first Medium Term Debt Management Strategy (2014-18) has been developed that is closely linked to fiscal framework to guide the borrowing activities. The focus of the strategy is lengthening the maturity profile to reduce the refinancing risk along with sufficient provision of external inflows in the medium term to reduce the pressure on domestic resources keeping in view cost-risk tradeoffs.
- ▶ To broaden the investor base and have a liquid government securities market, trading of government debt instruments (Treasury Bills, Pakistan Investment Bonds and Government IjaraSukuk) commenced on the stock exchanges. This has provided an additional investment channel to retail investors.
- ▶ A set of reforms initiated by the government to improve the fiscal health of the economy has brought strong support from multilateral and bilateral creditors. This is expected to strengthen confidence and catalyze additional support from development partners in the coming years which will also help in reducing the pressure on domestic resources.
- ▶ With increased external inflows, the government was able to boost its foreign exchange reserves vis-a'-vis improving exchange rate of Pak Rupee against major international currencies. This also contributed in reducing public external debt.
- ▶ Pakistan successfully tapped international capital markets after a gap of 7 years which highlights investors' confidence on country's leading economic indicators, external finances and structural reforms undertaken by the present government. The investors

response was overwhelming with US\$ 2 billion raised against the initial expectations of US\$ 500 million. This transaction represented the largest ever international bond offering by Pakistan.

Fiscal Situation 2013-14

During 2013-14, the government took various measures to boost economic activities, build foreign exchange reserves, gain international investor's confidence and achieve fiscal discipline. Owing to these efforts, the fiscal deficit is estimated at 5.8 percent of GDP as against the budgeted target of 6.3 percent and GDP growth is expected to be 4.1 percent which is the highest growth in last six years.

The financing of fiscal deficit was a challenging task during past few years as burden was on domestic resources owing to limited availability of external inflows. However, government was able to reverse the situation to an extent through increased disbursements from multilateral and bilateral sources, issuance of Eurobonds, materialization of non-tax revenues in form of 3G licenses sale proceeds etc.

Medium Term Budgetary Statement 2014/15 – 2016/17

Medium-Term Budgetary Statement 2014/15-2016/17 was presented to the Parliament with the Federal Budget of 2014-15. This statement contains medium term macroeconomic framework and three-year rolling targets for key economic indicators.

According to the statement, the government plans to lower its deficit target to around 4.9 percent of GDP in 2014-15 from around 5.8 percent in 2013-14 with a policy to further reduce it each year to bring it to 4 percent of GDP by 2016-17. This reduction in fiscal deficit is envisaged on the back of revenue expansion through tax reforms focusing on broadening income tax base, austerity measures through reducing other than obligatory expenditures, reducing un-targeted subsidies, reforming public sector corporations, resolving energy crises etc. The GDP growth for 2014-15 is estimated at 5.1 percent compared with 4.1 percent in 2013-14. Going forward, overall GDP growth is expected to reach 7.2 percent by 2016-17.

It is expected that through prudent public debt management as envisaged in Medium Term Debt Management Strategy (2013/14 - 2017/18), the Public Debt to GDP will improve to 58.7 percent in 2014-15 from 62 percent in 2013-14. This ratio is expected to further improve to 51.5 percent in 2016-17.

Future Policy Priorities

The primary objective of the DPCO is to establish a well-equipped and efficient unit within the government that is responsible for data dissemination, analysis, and policy advice on debt and debt related issues. These include domestic debt, external debt and liabilities, as well as contingent liabilities. Access to timely data from concerned departments, establishment of exhaustive benchmarks against which debt management operations can be measured.

Going forward, the main objectives of public debt management include: (i) fulfilling the financing needs of the government keeping in view cost-risk tradeoffs; (ii) development of domestic debt market (iii) lengthening of maturities of debt instruments; and (iv) stimulation of external inflows. Further, it is important to adopt an integrated approach for economic revival and debt reduction, which will require some difficult trade-offs in the short-term, thus implementing structural reforms that boost potential growth is a key to ensure effective debt management.
