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"Quality Review Newsletter"
January - June 2016
11th Issue

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*Message from
Senator Mohammad Ishaq Dar
Finance Minister*



It is a great pleasure to see that Finance Division has completed more than ten years of successful implementation of Quality Assurance Programme (QAP). The importance of ISO certification cannot be overemphasized. It is a tool for organization to significantly improve the efficiency and effectiveness of its operations leading to enhanced stakeholders' satisfaction. The objective of good governance can only be achieved by measuring stakeholders' expectations and satisfaction level and incorporating their views in government policies to improve service delivery.

I am happy to say that Finance Division has an organized system of measuring stakeholders' satisfaction under the umbrella of Quality Management System and expect that the team of Quality Assurance Programme (QAP) would make efforts not only to maintain the level but further improve the quality and output of the Ministry.

*Message from
Dr. Waqar Masood Khan
Finance Secretary*



Quality Assurance Program was launched in Finance Division in 2006 to enhance its customer satisfaction level, raise service-quality and improve working-efficiency. Finance Division is pursuing Quality Assurance Program as per quality objectives. Main functions of the Finance Division under this programme are to foster and promote the standards as a means of gradual advancement of national economy, promoting industrial efficiency, ensuring health and safety of the public, promoting domestic and international trade and furtherance of international cooperation in all sectors of the economy.

I hope this Newsletter titled "Quality Review" would prove as a valuable source of information to the customers regarding service delivery by Finance Division. I express my sincere appreciation for the team of our Quality Assurance Programme (QAP) and senior management and staff of Finance Division for the hard work and efforts in making the Quality Assurance Program a success.



PROCESS OF PSDP AND ROLE OF DEVELOPMENT WING

PUBLIC SECTOR DEVELOPMENT PROGRAMME (PSDP)

- The Public Sector Development Programme (PSDP) is an annual document which lists all the public sector projects/programmes with specific allocations made for each one of them in that particular financial year. In other words, it is that part of the country's annual budget which deals with development expenditure, that is, it indicates the total cost of the project and foreign exchange component of the total cost, expenditure incurred upto the end of last financial year, PSDP allocation for the current financial year together with its foreign aid component.
- The PSDP procedure differs from the project approval procedure. Due to the general constraint which exists on government funds, projects are competing for a limited amount of funds available for development. An essential part of the procedure, therefore, is a shift from the examination of a project in isolation to the selection of a limited number of projects out of a much larger portfolio.
- The preparation of the PSDP is coordinated by the Programming Section of the Planning Development and Reforms Division. The procedure is laid down in detail in a PSDP call letter sent annually to all Government Ministries/Divisions, Provincial Governments and Chiefs/Heads of Technical Sections of the Planning and Development Division. The call letter includes a time schedule and a standard proforma alongwith guidelines on the preparation of the PSDP and selection of projects. The procedure starts in October/November each year.
- **PSDP 2016-17:** The National Economic Council (NEC) has approved the National Development Programme (NDP) at Rs 1,675 billion which includes Provincial ADP of Rs. 875 billion and Federal PSDP Rs 800 billion including Rs 143 billion Foreign Assistance. Allocation of funds have been programmed in such a manner that projects developed around seven pillars of Vision 2025 and those achieving sustainable development goals. The projects under CPEC were assigned due priority for timely completion so as to deliver benefits to the general public.
- The strategy was consolidation of the PSDP to keep the throw-forward of the projects within a manageable limit. Thus the emphasis has been on completion of projects. Around 96% of funds are earmarked for ongoing projects adopting the output based budgeting strategy.
- The financing of projects is based on the division of subjects between Provincial and Federal Government in the post-18th Amendment scenario. The highest priority has been assigned to the Power Sector to complete as many power generation / distribution projects as possible so that the nation gets rid of the menace of loadshedding sooner, while second priority has been accorded to Transport and Communication sectors primarily to link all regions of the country in the shortest possible time. Health, Education and Higher Education were other priority sectors in allocation of resources.

ROLE OF DEVELOPMENT WING OF FINANCE DIVISION FOR PSDP ALLOCATION:

Development Wing of Finance Division coordinates with all relevant stake-holders of Finance Division (main) and after necessary consultation recommends the requirement of project -wise development budget to Planning Commission for inclusion of on-going and new schemes in the PSDP. Development Wing also represents Finance Division alongwith relevant stake-holders in the meetings of Priorities Committees in the PD & R Division to ensure allocation of projects of the Finance Division (main) in the PSDP.

RECENT INSTRUCTIONS BY THE PLANNING COMMISSION:

- I) **Extension in the execution period** : Planning Commission has informed that extension in time period may also be approved by the approving forum of the project. However, the Secretary concerned may continue



to extend the period of execution only once which will not be beyond the closing date of financial year i.e. 30th June.

- ii) **Scrutiny of the project:** As informed, it is mandatory that all projects which fall under the competency of CDWP/ECNEC should be examined by the respective DDWPs of the Ministries / Divisions and minutes of such meeting should invariably be attached with the PC-Is for consideration by the CDWP.

Mumtaz Ahmed, Deputy Secretary (Dev)



MAJOR ACTIVITIES OF EXTERNAL FINANCE(C&B) WING
DURING JANUARY- JUNE, 2016

EXTENDED FUND FACILITY UNDER IMF PROGRAM

- ✓ Pakistan has successfully completed the 10th and 11th Reviews under International Monetary Fund (IMF) Extended Fund Facility. The reviews were followed by release of \$(million) 502.6 and 501 in March and June, 2016 respectively totalling to a sum of US\$1003.6 million.

Mahmood Ahmad Hashmi, Deputy Secretary (EF-C&B)



ACTIVITIES/PERFORMANCE OF F&A WING DURING
JANUARY- JUNE, 2016

- ❖ Finance and Accounts(F&A) Wing conducted six Departmental Accounts Committee(DAC) meetings wherein Audit Reports for the Financial Years 2013-14 & 2015-16 and sectoral study of Zarai Taraqati Bank Limited were discussed.
- ❖ One meeting of Public Accounts Committee (PAC) was held wherein accounts of the Finance Division for the Financial Year 2010-11 were discussed.
- ❖ F&A Wing conducted Internal Audit of six (06) entities during the period under report. Ten (10) preliminary Internal Audit reports were issued and nine (09) final Internal Audit Reports were also issued.
- ❖ During the budget making process 2016-17, the following activities were successfully carried out by the F&A Wing:-
 - a. Material for Green Book (2016-19) in respect of Finance Division was collected, drafted and compiled by F&A Wing.
 - b. All the BOs/NISs in respect of demands of Finance Division were scrutinized and got finalized.
 - c. Six (06) reconciliation statements of expenditure in respect of thirteen (13) Demands i.e.29, 30, 31, 32, 33, 35, 36, 102, 103, 114, 115, 116 & 136 were sent to FA's Organizations.
 - d. Fifty one(51) cases of Re-appropriation of funds, twenty eight(28) cases of surrender, twelve(12) of Supplementary / Technical Supplementary Grants and eleven(11) cases seeking advice of the F&A Wing, were finalized.

Muhammad Saleem, Deputy Secretary (PAC)



Engagements of Finance Minister during January- June, 2016 in Pictures



Finance Minister Senator Mohammad Ishaq Dar in a meeting with Swedish Ambassador, H.E Tomas Rosander in Islamabad on February 18, 2016.



Finance Minister Senator Mohammad Ishaq Dar in a meeting with US Ambassador David Hale in Islamabad on May 17, 2016.



Finance Minister Senator Mohammad Ishaq Dar presenting Budget 2016-17 in the National Assembly, Islamabad on 03-06-2016.



Finance Minister Senator Mohammad Ishaq Dar displays copy of Economic Survey 2015-16 to the media at the launching ceremony held in Islamabad on June 2, 2016. Parliamentary Secretary (Finance), Rana Mohammad Afzal, Secretary Finance, Dr. Waqar Masood Khan, Economic Advisor, Syed Ejaz Wasti, others are also present.



Islamabad June 20, 2016: Finance Minister Senator Mohammad Ishaq Dar and ADB Vice President, Wencai Zhang talking to media after GoP-ADB Loan agreement for M-4 highway project.



**TRAINING COURSE ON “QUALITY ASSURANCE & MANAGEMENT AND
INTERNAL AUDITING FOR ISO-9001:2015” FROM MARCH 14 - 16, 2016
AT ISLAMABAD-ORGANIZED BY FINANCE DIVISION**

In terms of Para-3(part-7) of Quality Assurance Procedure(QAP), Quality Assurance Section is responsible for coordinating and arranging training for the officers/officials of Finance Division and to ensure that the required level of awareness about significance of Quality Assurance System exists and the appropriate training and development programs are planned, developed and delivered at all levels.

2. In line with the above provision of QAP, Quality Assurance-I Section(HRM Wing) of Finance Division organized a Training Course on “Quality Assurance & Management and Internal Auditing for ISO-9001:2015” from March,14 - 16, 2016, in collaboration with Pakistan Institute of Management(PIM), Lahore, at Hotel One, Islamabad. Mr. Muhammad Aamir Qureshi, Faculty Member(PIM) was the Resource Person/Facilitator for the course. Twenty Officers of Finance Division including thirteen Departmental Quality Assurance Coordinators, two Deputy Financial Advisors, JS(HRM/QA), DS(HRM), DS(QA), SO(QA-I) and SO(Services), attended the subject training course.

3. This training programme was very informative, effective and beneficial for all the participants. New techniques and modules of Quality Assurance, Quality Management System (QMS) were taught by the Resource Person. He comprehensively explained all the topics which were included in the training schedule. All the participants focused their full attention to learn these methods and techniques.

4. Most important, beneficial and academic part of the training course was to understand as to how conduct Internal Quality Audit (IQA) in Quality Management System (QMS) based organizations in accordance with the Guidelines of International Standards Organization (ISO) **19011** on the subject. The ISO 9001 explains what is required for internal audit procedure and it spells out that the procedure must define responsibilities and requirements.

5. The management principles are the foundation of the ISO 9000 series of standards. As such, they provide a strategic approach as to how ISO 9001 is applied. All the clauses of ISO 9001 can be linked to the principles. Conducting internal audits using the management principles give an organization a more top level approach, this will provide senior management with a better insight into how well their organization is operating and where the more subtle areas for improvement may lie. The Eight Management principles are:

- i. Customer Focus
- ii. Leadership
- iii. Involvement of People
- iv. Process Approach
- v. Systematic Approach to Management
- vi. Continual Improvement
- vii. Factual Approach to Decision Making
- viii. Mutually Beneficial Supplier Relationships

6. After determining the audit criteria/requirements, objective evidence is gathered in four different ways for effective audits:

- i. Interview the Personnel: based on audit planning and checklist questions, ask employees about their jobs. Listen to what they tell and see if their explanations match the defined process. Use open-ended questions to elicit more complete responses. Do not be afraid to challenge and probe or follow an audit trail to see where it leads. Talking to people is the best possible way to test their understanding and knowledge about the processes and sub-processes in which they are involved.
- ii. Review the documents and records: Ask, the being interviewed, what documents and records are used in their work. Audit may find documents, records and forms beyond those identified in audit planning. See if the documents are adequately controlled and available for use. Refer to the documents and records to help auditor follow the work being shown. Verify the records, described in the documents, are being properly



collected and controlled. Also challenge the need for documentation and always try to find better and more effective ways of managing and controlling the processes being audited.

- iii. Examine the records: Auditors cannot interview every person, observe every activity, look at every document, and evaluate every record. Since audits are limited due to sampling, non-conformities may continue to exist in the system beyond those identified and reported.
- iv. Observe the operations: Aid understanding of the processes by watching it being performed in an organization. See if the observed practices comply with requirements. Auditor will discover the persons being interviewed are more relaxed when allow them to demonstrate their jobs. In addition, internal audits will be less disruptive since work is actually being completed. Internal auditors often only rely upon documents and records as evidence of process conformity and don't adequately interview personnel and observe operations.

7. In addition to the above, one whole day was reserved exclusively on the topic of guidelines for Auditing Management Systems in line with International Standards. The Course Coordinator introduced to the participants about the scope, terms, definitions and principles of auditing an organization. He also taught as to how establish, implement, monitor, review and improve the objectives and activities of audit programme. The manners relating to conducting and competition of audit programmes were also taught, along with practical demonstrations. How to evaluate the auditor and suggest policy guidelines to improve the efficiency of an organization were also explained to the participants.

8. In conclusion, this training programme was very much informative, effective & helpful to understand the scope of ISO 9001:2015 and to understand its use in organization. For such a beneficial training programme, all the participants were thankful to the higher authorities and the organizers as well.

Ishtiaq Ahmad, Section Officer (QA-I)



MAJOR ACHIEVEMENTS OF INVESTMENT WING DURING JANUARY- JUNE, 2016

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY (IPDF)

- During the last 6-month's period, IPDF has successfully assisted NHA in the following projects:
 - a. **Lahore-Sialkot Motorway on BOT.**
 - b. **Multan-Muzaffargarh-DG Khan Road on BOT.**
 - c. **Sukkur-Hyderabad Motorway (M-6)**
- IPDF is assisting Pakistan Post in developing and implementing projects on Public Private Projects (PPP) mode by providing its expertise in transaction structuring and transaction implementation. IPDF is working on **Mobile Money Solution**
- The Government is in the process of bringing a Public Private Partnerships Law at the Federal Level, and forming of a Public Private Partnership Authority (PPP Authority) and IPDF has been instrumental in the development of this law and in catering to the views of all the stakeholders.

MICROFINANCE SECTOR

- At the close of quarter ended March, 2016 around 50 institutions including 10 deposit taking Microfinance Banks (MFBs) were involved in providing microfinance services.
- Over the first quarter, the microfinance sector (MFBs and Non Bank – Microfinance Institutions, NB-MFIs combined) witnessed 12.6 percent (or Rs. 11.7 billion) growth of in its aggregate microcredit portfolio to reach Rs. 104.7 billion as of March 31, 2016. This included Rs. 64.0 billion (61 percent) worth loans disbursed by MFBs which grew by 15.7 percent from Rs. 55.4 billion in December, 2015.

PRIME MINISTER'S INTEREST FREE LOAN (PMIFL) SCHEME

- Pakistan Poverty Alleviation Fund (PPAF) has been mandated by the Government to design, mobilize, implement and monitor the PMIFL Scheme. Key achievements since inception up to June 30, 2016 are as under:-

Description	Male	Female	Total
Number of Applications Received	85,811	127,198	213,009
Number of Applications Approved	78,777	118,501	197,278
Number of Loans disbursed to Borrowers	72,587	116,198	188,785
Amount Disbursed to Borrowers (Mill. Rs.)	1,525	2,544	4,069
Coverage under PMIFL (District)		44	

COMPETITION COMMISSION OF PAKISTAN (CCP) AND NATIONAL INVESTMENT TRUST LIMITED (NITL)

- 3rd and 4th Quarters release of Funds (Rs. 60 million for each quarter have been released out of the total Rs. 200 million allocated to CCP for the financial year 2015-16.
- A return of Rs. 20,037,600/- has been earned as dividend from National Investment Trust Limited (NITL) on account of Government of Pakistan investment/shareholding in NITL i.e. 72,864 shares. The dividend amount has been deposited in the Government exchequer through CF Wing.

CROP LOAN INSURANCE SCHEME (CLIS) AND LIVESTOCK INSURANCE SCHEME

- In order to encourage the crops growth and to up-keep the motivational momentum of agri-sector through risk management cover in the event of natural calamities, insurance premium subsidy @ 2% per crop per season is being provided to the subsistence farmers having landholding up to 25 acres and getting financing for five major crops viz wheat, maize, rice, sugarcane and cotton. 700,000 farmer households/families would benefit from the scheme.
- Livestock Insurance Scheme was also initiated for encouraging more investment and to incentivize farmers to engage in livestock development. Under the scheme insurance premium subsidy @ 4 percent per annum is being provided to the farmers getting financing for up to 10 cattle. The scheme covers livestock insurance in case of calamity and diseases. The Scheme will benefit 100,000 farmer households/families.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

- The three stock exchanges have been integrated as Pakistan Stock Exchange which offers numerous benefits in the form of reduced fragmentation, increased efficiency, better utilization of resources and rationalization of overlapping facilities, improved access for brokers and investors, access to a larger pool of liquidity, reduced regulatory costs and increased participation from international investors. A more transparent and efficient trading platform would also facilitate growth in the industry and economy through easier access to capital and providing investors with improved investment alternatives. Stock Exchange Index has reached to the highest point of 38,751 during the year 2015-16 due to economic and financial institutions of the Government.
- Pakistan has been included in the Emerging Markets Index by Stanley & Morgan Capital International (MCSI) which is a leading index provider that classifies all countries in its global equity universe into Development Markets, Emerging Markets and Frontier Markets on the basis of various factors. For companies, Registration Fee has been reduced for ease of doing business. The regulatory framework has been strengthened to regulate and promote the economic and business activities of the corporate sector for economic development. The new laws viz-a-viz Securities Act, 2015, Future Market Act, 2016, Corporatization, Integration and Demutualization (Amendment) Act, 2015 and Companies Ordinance (Amendment) Act, 2015 have been introduced for effective and dynamic corporate activities and stock exchange.



Departmental Quality Assurance Coordinators

The 2nd tier of Finance Division's Quality Assurance Structure consists of Departmental Quality Assurance Coordinators (DQACs), who work within their own wing under their respective Additional Finance Secretary /Sr. Joint Secretary / Joint Secretary and look after the implementation level of wings' Quality Objectives. The strength of DQACs varies on the basis of quantum of tasks. Presently, following are the DQACs:-



Mr. Mahmood Ahmad Hashmi, Dy. Secretary (External Finance-B)



Syed Pervaiz Abbas Naqvi, Director(BC)



Mr. Suhbat Ali Talpur, Deputy Secretary (Banking)



Syed Ahmad Raza Asif, Deputy Secretary (External Finance- P-I)



Mr. Abdul Malik Balghari, Deputy Secretary(PF)



Mr. Muhammad Saleem, Dy. Secretary (PAC)



Mr. Shahid Ahmad Ch. Deputy Secretary (Regulation-III)



Mr. Nadeem Abbas, Deputy Secretary(HR)



Mr. Tassadaq Hussain, Deputy Secretary (Corporate Finance-II)



Mr. Absar Hussain Siddiqui, Dy. Economic Adviser



Dr. Syed Nayyar Shah, Budget Publication Officer



Syed M. Idrees Naqvi, Section Officer (Development-II)



Mr. Munir Ahmed, Section Officer (Expenditure-IV)



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