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Message from Mr. Hamed Yaqoob Sheikh Finance Secretary



Finance Division has been striving to enhance the level of customer satisfaction by improving its performance and systems at various levels of the organization. Delivering the highest standard of service to our clients is an integral part of our ethos and philosophy.

Finance Division implements a comprehensive Quality Assurance Program framework for the improvement in its functioning and all relevant processes. In this regard the Certification of International Organization (ISO) is a testament to our commitment towards the Division's vision and relationship with our clients. It enables us to identify all kinds of customer needs and to assess future requirements.

Keeping up with the external challenges, Finance Division is implementing modern IT environment along with focusing on much needed cyber security awareness measures. In spite of the fact that a lot needs to be done, the efforts of senior officers and the dedicated staff is appreciable. I hope that Quality Review Newsletter would prove a valuable source of information in terms of assessing service delivery in the Finance Division.



OVERVIEW / MAJOR ACHIEVEMENTS OF CORPORATE FINANCE WING

OVERVIEW:

Corporate Finance Wing of Finance Wing looks after the financial issues of Public Sector Entities (PSEs) working under the administrative control of different Ministries/Divisions. GoP support is provided to these PSEs in form of subsidy, loan and equity injection in order to strengthen their economic position and stabilize the prices of the products/services. In addition to this, cash credit limits are allowed to these entities to finance their required procurement especially to the commodity sector entities.

MAJOR ACTIVITIES / ACHIEVEMENTS:

ENERGY SECTOR:

Energy supply is life line of the country's economy. To overcome electricity related issues, the Government is working on multi-pronged strategy including development of Power Projects based on indigenous resources both in public and private sector and strengthening distribution network. The planned expansion in the generation capacity also requires matching transmission infrastructure. In this regard NTDC has developed and started implementation of a twin-phase System Constraints Removal Plan (TSCR) 2021-24. The salient features of the plan are:

- i. The three years plan has been designed in two phases. First phase with the plan horizon July 2021 to June 2022 is envisioned to cater the immediate needs. It includes completion of ongoing transmission projects (new grid stations and associated transmission lines)
- ii. NTDC Emergency Management Plan through internal arrangement through own resources:
 - Additions/Augmentations of 500/220kv and 220/132 kv transformers at the existing grid stations
 - Rehabilitation of 220 kv transmission lines
- iii. New NTDC's projects shall result in elimination of system constraints in NTDC network and would increase the capability of national grid system in the range of 2000 MW. Moreover, these NTDC projects shall also result in the reduction of expensive RFO based generation dispatch in the load centers.



2. The Government has accorded due attention to develop mega Hydel power projects including Mohmand Dam, Diamer Bahasha Dam & DASU and also supporting renewable energy projects under Renewable Energy Policy 2019.
3. Further, Finance Division has collaborated with Power Division regarding framing of Circular Debt Management Plan (CDMP), covering targets for FYs 2020-21, 2021-22 and 2022-23. Consequently the circular debt flow in FY 2021-22 was reduced to Rs.78 billion for the period from July, 2021 to January, 2022 as compared to corresponding period from July 2020 to January, 2021 was Rs.50 billion. However, further rationalization in electricity tariff due to different factors, Revised CDMP for FY 2022-23 has been approved by the Federal Cabinet in February, 2022.
4. To overcome liquidity issues, Finance Division has been providing financial support to **power and water sectors** proactively during the period January – June, 2022.

PETROLEUM SECTOR:

5. Policy measures and following necessary actions taken by the Government have visibly improved the performance of Oil and Gas Sector:-
 - i. Government is endeavoring to turn SSGC and SNGPL into model utilities, be it profitability, customer care, provision of uninterrupted gas supply and efficient operations.
 - ii. Both Sui Companies have been instructed to take effective steps in curbing UFG (Unaccounted for Gas) and improve customer care.
 - iii. Government has ensured optimum utilization of RLNG to address the issue of demand and supply.
 - iv. Government is committed to playing an active role in supporting and working with its stakeholders for growth in Oil and Gas Market, expansion of OMCs (Oil Marketing Companies) for sustainable profitability in Oil Sector.



OTHER SECTORS:

- PSDP funds of Rs.31,009 million were released to National Highway Authority as Cash Development Loans (CDL) for their development projects.
- Credit Ceilings of Rs. 16,372 million was allowed to Pakistan National Shipping Corporation to enabling them in acquiring of commercial loans from banks for purchase of new oil vessels.
- Federal Government is also providing loan to non- operational Pakistan Steel Mills on account of salary payments and retirement dues to its employees. In this regard, Rs.1,698 million were released to PSM as approved by the ECC of the Cabinet.
- Grant of Rs.500 million released to Pakistan Machine Tool Factory in order to support for meeting their pending liabilities.
- Loans of Rs.114.37 million were granted to State Engineering Corporation and Heavy Electric Complex respectively.
- In additions to the above, Cash Credit Limits (CCL) were allowed on quarterly basis as regular feature to the PASSCO, TCP and other Food Departments of Government of Punjab and Sindh for procurement of Wheat, Sugar, Rice, Cotton, etc., to maintain reasonable stock of commodities as per requirement.

PERFORMANCE OF ECONOMIC ADVISER’S WING

Publication – Pakistan Economic Survey

Economic Adviser’s Wing regularly prepares and publishes the annual document of Pakistan Economic Survey along with its highlights both in English and Urdu. Pakistan Economic Survey 2021-22 was launched by the Minister for Finance and Revenue on 10th June, 2022. The Economic Survey evaluated the overall performance of the country in the outgoing year. It reviewed the government’s economic and social policies, programmes and projects across all sectors of the economy and provided their implementation status on the basis of preceding fiscal year’s data. The survey comprises of 16 chapters & 03 Special Sections.

The soft copies of Economic Survey are also made available through the official website of Finance Division www.finance.gov.pk for its broader outreach both at national and international level.



Monthly Economic Update & Outlook

Economic Adviser's Wing has been regularly publishing Monthly Economic Update & Outlook since March 2020 which is also available on Ministry's Website. The monthly document highlights the trend of all major economic indicators and their detailed analysis along with the economic outlook for coming months.

Economic Executive Council & Macro –Economic Advisory Group

Economic Adviser's Wing served as the Secretariat of Economic Executive Council (EEC) headed by the Finance Minister and reviewed the overall economic condition of the country and took possible corrective measures considering available resources of the country. The EEC met regularly on weekly basis on the issues of national economic importance.

The wing also served as a Secretariat of Macro-Economic Advisory Group (MEAG) headed by the Finance Minister and reviewed /formulation of Macro Economic Policy in an integrated fashion and provided analytical guidance on major policies being considered by the government to ensure that they are based on sound economic analysis considering their likely economic impact. The MEAG engaged regularly on monthly basis on the issues of national economic importance.

Economic Advisory Council & Business Advisory Council

Economic Adviser's Wing served as the Secretariat of Economic Advisory Council (EAC) constituted by the Prime Minister on 27-04-2022, to review/formulate economic policies in a more holistic manner and advised on short term macro-economic stabilization as well as structural reforms for stable and sustained economic progress.

The wing also served as a Secretariat of Business Advisory Council (BAC) constituted by the Prime Minister on 27-06-2022 to review and formulate business friendly policies under a competitive environment to scout the marketplace, gauge future trends, and seek new strategic position in the global market, as well as provide a catalyst in the country's efforts to sustain economic progress.

Other Tasks

Economic Adviser's Wing has provided inputs on all the relevant economic and financial matters to the other wings of Finance Division as and when asked. Economic Adviser's Wing represented Ministry of Finance in meetings with International Monitoring Fund, World



Bank, Asian Development Bank and other high level national committees like National Accounts Committee, Senate Standing Committee for Finance and Revenue, Annual Plan Coordination Committee, Technical Committee for New Base Year, Data Producer Council and Federal Committee on Agriculture etc.

MAJOR ACTIVITIES OF EXTERNAL FINANCE WING (C&B)

The External Finance C&B Wing carried out following important activities during this period.

Government of Pakistan has availed two IMF’s Financial facilities. The Extended Fund Facility (EFF) 2019-22 is of around USD 6.0 billion. Pakistan has engaged with IMF under this program. 6th review of ongoing Extended Fund Facility (EFF) Program was completed on 4th February, 2022 with disbursement of USD I billion to Pakistan. Further, first round of negotiations for 7th and 8th reviews started virtually in February 2022 while second round took place in May 2022 in Doha. After a staff level agreement in July 2022 on both reviews, the IMF Board accorded its approval on 29 August 2022 for an amount of about USD 1.17 billion. IMF has also extended EFF program up to June 2023.

The stabilization measures by the government during the period were successful in improving macroeconomic stability fundamentals and addressing Pakistan’s external account vulnerabilities. Friendly countries reposed confidence in the Government’s reform agenda and successfully rolled over already held deposits and also providing new deposit for a period of one year. These included four SAFE China deposits of USA 4.0 billion for Pakistan’s budgetary and balance of payments needs and two UAE Central Bank deposits held with State Bank of Pakistan of USA 2.0 billion to support the country’s external account. Another two UAE Central Bank deposits of USD 450 million were rolled over until December, 2021. Similarly, Kingdom of Saudi Arabia provided a deposit of USD 3.0 billion in December 2021. In addition to these, China has refinanced its syndicate commercial loan facility of RMB 15 billion (USD 2,300 million) in addition to bilateral deposits, commercial loans with upsized financing were rolled over at favorable rates.



After comprehensive discussions and certain meetings of EFC&B Wing with Asian Development Bank, the ADB has offered following Program/Budgetary Support Loans for the FY 2022-23:

- i. Countercyclical support Facility Program of \$1500 million.
- ii. Domestic Resource Mobilization Reform Program of \$500 million.
- iii. Integrated Social Protection Development Program of \$600 million.
- iv. Public Private Partnerships Reform Program of \$500 million.
- v. Energy Sector Reforms and Financial Sustainability Program Sub-Program of \$400 million.
- vi. Women’s Inclusive Finance Sector Development Program of \$ 150 million.
- vii. State owned Enterprises Reform Sector Development Program of \$ 250 million.

ENGAGEMENTS OF EXTERNAL FINANCE WING (POLICY WING)

- External Finance Policy (EFP) Wing has engaged with the World Bank on the following three Development Policy Financing (DPF) programs:

- **Resilient Institutions for Sustainable Economy (RISE – II)**

Implementation of targets under World Bank’s policy reforms are being undertaken under RISE-II. RISE-II aims to support the Government of Pakistan for betterment of fiscal management and to promote competitiveness and economic growth.

- **Program for Affordable and Clean Energy (PACE-II)**

PACE has been designed to trim down circular debt flow by decreasing power generation costs, decarbonizing the energy mix, improving efficiency in distribution, and retargeting electricity subsidies. Power sector reforms are integral to resolving Pakistan’s fiscal challenges. Reforms under PACE-II are under implementation.

- **Climate Change Development Policy Operation**

The objective of the proposed financing will be to support the Government of Pakistan to strengthen resilience to climate change and enhance green growth. Discussions with World Bank and other stakeholders are underway.



- **Establishment of Climate Finance Unit**

This unit will undertake the subjects related to climate financing, monitor budget allocations & execution in accordance with climate policies and frameworks, link environmental concerns into economic and financial policies while providing support to relevant stakeholders in mobilizing resources from various mechanisms such as green bonds and carbon markets.

- **Poverty Reduction Strategy Paper**

Pro-poor expenditures of Federal and Provincial governments under Poverty Reduction Strategy Paper (PRSP-II) for FY 2020-21 have been compiled and uploaded on the website of Finance Division.

- **Engagement with other Bilaterals and Multilaterals**

- Participation in JMCs & JECs held during the period of Jan 2022 to June 2022 on behalf of FD. Various MoUs pertaining to FD have been signed during this period.
- Remained active in reviewing and conveying timely concurrence for various International Financial Institutions including such as:
 - ✓ Country Strategic Opportunities Program (COSOP)- (IFAD)
 - ✓ Southern Punjab Poverty Alleviation Project- (IFAD).
- EFP Wing has represented FD through participation in all ECO Trade and Development Bank, Board of Directors meetings during the period of Jan 2022 to June 2022.

**ACHIEVEMENTS OF SECURITY & EXCHANGE COMMISSION OF PAKISTAN
(INTERNAL FINANCE WING)**

- a) **Promoting ease of doing Business:** Establishment of a dedicated Business Centre coupled with digitalization of incorporation function has resulted in registration of 13,719 new companies during Jan 2022 to Jun 2022, with 99% companies incorporated using online process. The SECP has also approved the centralization of its licensing function, it is now a one-window operation for new business, and is



expected to significantly improve user experience. Moreover, in order to simplify regulatory regime for companies, draft Companies Regulations, 2022 have been approved by the SECP and are currently in process of public consultation. These draft regulations will consolidate existing nine (09) regulations into single compendium and will reduce the number of existing forms from 75 to 26.

- b) **Promoting entrepreneurship and innovation:** Enabling amendments in Companies Act, 2017 have been introduced to accommodate new and innovative concepts such as digital distribution, P2P lending, and parametric insurance etc. under a tailor-made testing regime in the shape of Regulatory sandbox. First introduced in 2020, and after successfully conducting two (2) cohorts of the sandbox initiative, SECP has launched their cohort in the months of April, 2022. Further to promote entrepreneurship, definition of small and medium companies has been amended in third schedule to the companies Act, 2017 w.e.f. May 14, 2022 to align it with the definition of SMEs, proposed in national SME Policy, launched by Ministry of Industries and production.
- c) **Access to Finance:** Amendments to the legislative framework for NBFCs, revamping of IPO process and introduction of PPP-REITs structure: have resulted in re-surgency of new listings, as well as spate of new licenses issued, including housing finance companies, REIT managements companies, nano-credit companies etc. During the period under consideration, twenty-five (25) new licenses have been issued in NBFC space.
- d) **Market Development:** In order to enable issuance of mortgage backed securities and covered bonds especially for the promotion of housing and construction Finance, amendments in the Companies (Asset Backed Securitization) Rules 1999 have been Notified on April 14, 2022. Moreover, draft regulatory framework for ‘issuance of Convertible Debt Securities (CDS) by way of right offer’, and a concept note on fractionalization of real assets have been notified for public consultation.
- e) **Effective enforcement and governance:** A comprehensive legal strategy has been implemented for addressing stay orders in vital cases, to ensure speedy conclusion of such matters. The said strategy has resulted in significant decrease in stay orders



against decisions issued by the SECP, Further, the integration of SECP’s system with Intellectual Property Organization has concluded on June 24, 2022. This collaboration would benefit business community at large by ensuring protection of registered company names as well as trademarks.

EVENTS, ACTIVITIES AND PERFORMANCE OF PF WING

Responsibilities of Provincial Finance Wing of Finance Division include administering and maintaining the inter-governmental fiscal relationship. Primarily, this relationship orbits around the latest NFC Award which sets forth the very basis for release of funds under divisible pool taxes, straight transfers, grants-in-aid etc. Accordingly, top priority is accorded to timely release of funds as well as settlement of issues raised by the provinces.

The important events, activities and performance relating to Provincial Finance Wing during Jan to June-2022 are as under:-

- Provincial Finance Wing provide a platform for meetings of Provincial Finance Secretaries on need basis, which is a useful forum for discussion on issues among Federation and Provinces and carving way out in an amicable manner. In this regard, two meetings of Provincial Finance Secretaries have been held on 21st April, 2022 and 31st May 2022 to discuss the budget preparation as well as the position of Federal Government’s fiscal operations. The input of the Provincial Finance Secretaries finds due place in formulation of policies by the Federal Government.
- Held two meetings of National Tax Council (NTC) on 9th February, 2022 and 9th June, 2022 under the Chairmanship of Federal Finance Minister on GST harmonization in the country and some important decisions were taken in these meetings. The NTC also discussed pending prior actions under World Bank Rise-II Programme and deliberated the matters relating to Adoption of FBR Valuation Tables by Provincial Revenue Authorities, formulation of Provincial Fiscal Responsibility Laws, Agreement on the place of supply Rules and amendments in the relevant Federal and Provincial Laws to accommodate the changes agreed in the meeting.
- Prepared and laid the Bi-annual report on the implementation of the 7th NFC Award for the period January-June, 2021, before both the Houses of the Parliament and



Provincial Assemblies, as required under Clause 3(B) of Article 160 of the Constitution of Islamic Republic of Pakistan, 1973.

- Convened a meeting of Executive Committee of NTC, comprising of Federal and Provincial Finance Secretaries as well as heads of Federal and Provincial Revenue Authorities on 3rd March, 2022 regarding GST Harmonization.
- Released funds amounting to Rs.1, 817.242 billion to Provinces under Divisible Pool Taxes and straight transfers in accordance with the NFC Award.
- Released budgeted Grants-in-Aid to Special Areas i.e. Azad Jammu and Kashmir (Rs.32.483 billion) and Gilgit-Baltistan (Rs.25.729 billion) as well as Khyber Pakhtunkhwa (Rs.30.000 billion) Government on account of Erstwhile FATA.
- Released funds against the Provincial Projects funded through Federal PSDP as per breakup given below:-

Rs in Billion		
Province	No. of Projects	Amount Released during Jan-June 2022
Punjab	18	13.253
Sindh	2	-
Khyber Pakhtunkhwa	10	18.904
Balochistan	33	0.550
Total	63	32.707

- Provided long term loans/advances to government employees for house building / purchase of motor car/motor cycle/cycle according to the budgetary provision.
- Recovered on the interest due on Cash Development Loans (CDL) and Foreign Exchange Loans (FEL) from the provinces.
- Extended support and coordinated implementation of the decisions of CCI and IPCC relating to Finance Division.
- Carried out periodic reconciliation of the Federal transfers made to Provinces, with AGPR sub offices and offices of the Accountant Generals located at Provincial Headquarters.



- Facilitated the Election Commission of Pakistan in recouping the expenditure incurred on conducting local Government Elections in the Provinces of KP, Balochistan and Sindh amounting to Rs.23149.707 million.

2. It may not be out of place to mention here that under the leadership of able Additional as well as Joint Secretaries, Provincial Finance Wing has been maintaining its high ranking performance in terms of quality assurance viz-z-viz other Wings of Finance Division. This Wing always meets its quarterly and annual targets successfully and this position has been acknowledged by different Finance Secretaries of the Division.

EVENTS AND ACTIVITIES OF F&A WING

- Finance & Accounts Wing conducted nine (09) DAC meetings wherein Audit Reports of Finance Division and its attached departments/ organizations for the A.Y. 2004-05 to 2009-10, 2019-20 & 2021-22 were discussed.
- Two (02) meetings of Public Accounts committee (PAC) were held wherein report regarding Audit of Auditor General of Pakistan, Audit Report (PSEs) and Appropriation Accounts (Civil) for the A.Y. 2019-20 were discussed.
- Six (06) reconciliation statements of expenditure containing eighteen (18) demands were finalized.
- During the period under report, 118 cases of Re-appropriation of funds, Budget proposals / BOs/ NISs, release of funds cases relating to all the wings of Finance Division and its attached departments / projects were received and scrutinized.
- F&A Wing conducted inspection of 15 formations of Finance Division during the period under report. Preliminary report and final reports of these inspections were prepared and issued to respective entities for taking necessary corrective measures.



BENEFITS OF ISO 9001 CERTIFICATION

Quality Management has been achieved in many organizations due to the emergence of quality standards; ISO 9001 series is one of them. There is no doubt that its creation among the positive impacts that have happened to the area of quality in most organizations including:

- Making easier to satisfy customer needs
- Better management control and reporting
- Requiring organizations to continuous improvement
- Greater employees awareness about quality
- Increased credibility
- Reduced environmental impact