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### *Message from Senator Mohammad Ishaq Dar Finance Minister*



I am pleased to see the current issue of "Quality Review Newsletter" of Finance Division being published under the supervision of Quality Assurance Management team. The newsletter not only encompasses quality related activities in Finance Division but also provides opportunity to general public to know about quality and efficiency system being adopted by Finance Division.

Quality Assurance Programme was launched by the Finance Division in January, 2006 with the purpose to enhance performance level of Finance Division and its associated offices by adopting and implementing internationally recognized Quality Management System (QMS). I am happy to know that meetings of Departmental Quality Review Committee (DQRC) of the Wings are held regularly to monitor the implementation of Quality Assurance Programme. Since the programme is being pursued effectively, therefore, Finance Division has got further three year renewal certification with effect from 14-08-2016 upto 2019. I wish all the success for Quality Assurance Programme in Finance Division.

### *Message from Mr. Tariq Bajwa Finance Secretary*



Finance Division was the first amongst Federal Government Ministries/Divisions in Pakistan to achieve ISO Certification during the year 2006, subsequently leading to launching of Quality Assurance Programme. The ISO requirements cover everything from how to plan and carry out your processes to how are they measured and improved. ISO 9001:2008 is therefore, an outline for Quality Management System (QMS).

Under Quality Assurance Programme, Finance Division is striving hard to enhance the customer satisfaction level by improving the performance and systems at various levels. The professionalism being adopted by the Finance Division in the context of Quality Management is commendable. I hope that the current issue of "Quality Review Newsletter" would prove a valuable source of information in terms of assessing service delivery of Finance Division.

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### **DEVELOPMENT OF KEY PERFORMANCE INDICATORS (KPIs) IN FINANCE DIVISION (BPS-17 & 18 OFFICERS)**

- The Prime Minister of Pakistan constituted various Committees to introduce Civil Service Reforms. As a part of those reforms, it was felt imperative to improve the present performance evaluation system of the Officers to bring it in line with the future requirements and contemporary management ideas. This objective in view, Establishment Division introduced a New Assessment Report Form (NARF) for BS-17 & 18 Officers (as a start). It was noteworthy that major part i.e. 60% weightage of the NARF was based on Main Tasks and Key Performance Indicators (KPIs) of each position. This initiative would be a shift from traditional subjective performance appraisal to objective assessment besides enhancing organizational performance and improved public service delivery.
- The KPIs are quantifiable performance measurement tools based on Job Descriptions (JDs) of Officers. The very purpose of this concept was to evaluate the performance of Officers based on measureable targets as set out in KPIs of each position.
- Initially, Establishment Division directed to develop KPIs of BS-17 & 18 positions in the 1st phase. Consequently, Deputy Secretary (Quality Assurance) was nominated as Main Focal Person of Finance Division to spearhead this gigantic task. Various meetings and briefing sessions were held in different Wings including Military Finance Wing to create awareness, provide facilitation and disseminate information as well in relation to the latest concept of KPIs. In addition, methodology to develop KPIs and calculation of KPIs score was also explained.
- After hectic and continuous efforts alongwith the support of Departmental Quality Assurance Coordinators (DQACs), the KPI templates of 159 BS-17 & 18 positions of Finance Division including Military Finance Wing were developed. These KPIs were got vetted by the Management Services Wing, Establishment Division. Moreover, a presentation covering all aspects of KPIs was also given to the Finance Secretary, which got due recognition and appreciation by him. Finally, a Booklet containing 159 major functions and KPIs of BS-17 & 18 positions of Finance Division was got printed and distributed amongst all senior Officers. Thus, the task to develop KPIs of BS-17 & 18 positions i.e. Phase-I has been successfully accomplished.

**Izhar Ahmad, Deputy Secretary (QA)**



### **TOTAL QUALITY MANAGEMENT(TQM) AND THE FINANCE DIVISION**

- The basic philosophy of public sector started to change in the 1980's, when reforms and structural changes were being suggested and advocated in this sector around the globe. The new management philosophy was labeled as New Public Management and the major reasons for expansion of this idea were the basic problems of efficiency and effectiveness associated with the public sector (Boston et al. 1996).
- The new public management approach involved the idea of quality and Total Quality Management(TQM) which gained success in the corporate or business environment and is now being worked upon in the public sector. TQM is about continuous improvement, not just one time change in a system (Ünal, 2011); it is a holistic approach to operations and management. Following are few TQM definitions:-
  - "Total Quality is defined as conformance to requirements." **(Crosby)**
  - "A Total approach to put Quality in every aspect of Management." **(Creech)**
  - "TQM is the integration of all functions and processes within an organization in order to achieve continuous improvement of the quality of goods and services." **(Omachonu and Ross)**
- To take benefits of the TQM advantages, inter alia, (i) Improved competitive position, (ii) Adaptability to changing environment, (iii) Increased efficiency, (iv) Higher customer orientation and satisfaction, and (v) Better and innovative processes, Quality Management System (QMS) was launched in Finance Division in 2006.
- Finance Division is not only a role model for the other Federal Ministries/Divisions and for Provincial Governments, but also it has come at par with the world-class Finance Ministries.

**Nadeem Abbas, Deputy Secretary (HR)**





**MAJOR ACTIVITIES OF EXTERNAL FINANCE (C&B) WING  
DURING JULY – DECEMBER, 2016**

- Under the Rules of Business, 1973 Finance Division is responsible for arranging funds to meet financing needs of the country. One of the means to arrange finances is tapping of international capital markets through flotation of Bond/Sukuk. Such issuance has been part of Government's financing plan since 1994.
- In October, 2016 the Government priced a 5-year US\$ 1.0 billion worth of Ijara Sukuk at a yield of 5.50%, the lowest ever achieved by the Government in the international capital markets. Financial Advisors were appointed through open competitive bidding to structure and execute the transaction. Road shows were conducted in Dubai, London, Boston and New York. The order book, having had solid momentum from the start with strong demand from the international investors' community, reached over US\$ 2.40 billion. Proceeds of the Sukuk were utilized for Balance of Payments and budgetary support.

Mahmood Ahmad Hashmi, DS(EF-C&B)



**CUSTOMER SATISFACTION INDEX (CSI) OF  
FINANCE DIVISION**

- As per Clause 1-A (1.1), Part-3 of the QAP of Quality Assurance Sections, Customer Satisfaction Survey is now conducted once a year.
  - To meet the objective of measuring the Customer Satisfaction Index(CSI) of Finance Division, Customer Satisfaction Survey for the period July, 2015 to June, 2016 has been carried out in respect of HRM, Regulations, Budget, Expenditure, External Finance, Development and Provincial Finance Wings.

CSI of the above-said Wings has been consolidated and comparison is given below with the previous surveys:-

Name of Wings	CSI for the Period July,2012 – June, 2013 (%age)	CSI for the Period Jul,2013 – June, 2014 (%age)	CSI for the Period Jul, 2014 – June, 2015 (%age)	CSI for the Period Jul, 2015 – June, 2016 (%age)
HRM	65.89 %	67.53 %	86.68 %	87.45%
Regulations	60.55 %	68.87 %	65.21 %	69.09%
Budget	71.82 %	83.55 %	83.49 %	84.52%
Expenditure	67.86 %	77.87 %	77.78 %	67.86%
Ext. Finance	-	-	-	73.81%
Dev. Wing	-	-	-	63.89%
Prov. Finance	86.98 %	78.65 %	82.5 %	81.25%
CSI of Finance Division	70.62 %	75.29 %	79.13%	75.41%

Ishtiaq Ahmad, Section Officer (QA-I)





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



Islamabad, July 14, 2016: Finance Minister Senator Mohammad Ishaq Dar and French Ambassador, H.E. Mrs. Martine DORANCE cutting the cake to mark the National Day of France, Minister for Law, Zahid Hamid is also present.



Finance Minister Senator Mohammad Ishaq Dar chairing meeting of Economic Coordination Committee (ECC) of the Cabinet in Islamabad on 26 July 2016.



Ambassador of Japan Mr. Takashi Kurai called on Federal Minister for Finance Senator Mohammad Ishaq Dar in Islamabad on August 11, 2016.



INAUGURAL SESSION EIGHTH MEETING OF SAARC FINANCE MINISTERS AUGUST 26, 2016 Islamabad, Pakistan



Finance Minister of Sri Lanka Mr. Ravi Karunanayake called on Finance Minister Senator Mohammad Ishaq Dar in Islamabad on August 27, 2016.



Federal Minister for Finance Senator Mohammad Ishaq Dar addressing the participants of CPEC Summit at Pak China Friendship Centre Islamabad on 29-8-2016.





## AN OVERVIEW OF NATIONAL FINANCE COMMISSION

In Pakistan, almost 93% of resources are generated at federal level whereas only 7% of the resources are generated at the provincial level. Therefore, provinces rely on the Federal Government for meeting their expenditures.

- In order to maintain inter-governmental fiscal relationship, Article 160 of the Constitution provides setting up of National Finance Commission (NFC) at intervals not exceeding five years. The NFC consists of Finance Ministers of the Federal and Provincial Governments and such other members as appointed by the President on the recommendations of the Governors of the Provinces. The mandate of NFC is to recommend to the President for the distribution of resources between the Federal and Provincial Governments.
- AJ&K, GB and FATA, being special territories, do not enjoy the status of a Province, and as such they are not represented in the NFC. It is, however, pertinent to mention that the Federal Government is providing sufficient grants to meet their expenditures.
- The 7<sup>th</sup> NFC Award was a great achievement of the government as this Award came up after a period of 14 years. Through this Award, the financial autonomy of the provinces has been ensured by increasing their share in the Divisible Pool (taxes) i.e. from 50% to 56% in 2010-11 and 57.5% from 2011-12 onwards. In case of Balochistan, the Award has guaranteed that Balochistan province would receive provincial share in the divisible pool based on the budgetary projections during the NFC period. Shortfall, if any, based on the actual collection reported by FBR would be borne by the Federal Government itself.
- The salient features of the recommendations of the NFC Award, which were given legal cover through the President's Order No.5 of 2010, are as follows:
  - The net proceeds of the Divisible Pool taxes shall be derived after deducting 1% as collection charges.
  - 1% of the net proceeds of divisible pool will be earmarked for Khyber Pakhtunkhwa as an additional resource for War on Terror during the Award period.
  - After deducting the amounts as prescribed above, of the balance amount of the proceeds of divisible pool taxes, 56% assigned to provinces during the financial year 2010-11 and 57.5% from the financial year 2011-12 onwards.
  - It was agreed with consensus, for the first time, to include multiple indicators in the criterion for horizontal distribution amongst the provinces. Apart from Population, three other indicators i.e. Poverty/backwardness, inverse population density and revenue collection/ generation were adopted. The final percentage share of the provinces for distribution of provincial share in the Divisible Pool taxes will be as under:-

● Punjab	51.74%
● Sindh	24.55%
● Khyber Pakhtunkhwa	14.62%
● Balochistan	9.09%
  - As a special dispensation, the Award guarantees that Balochistan province would receive their share as per budgetary projections in case actual collections remain short of budget target and the gap would be made up from the share of the Federal Government.
  - Transfer of an additional amount to Sindh equivalent to 0.66% of the provincial pool from the Federal Government to offset losses on account of abolition of Octroi and Zilla Tax to Sindh.
  - The development surcharge on natural gas for Balochistan with effect from 01.07.2002 would be worked out and this amount, subject to maximum of Rs. 10.0 billion, would be paid by the Federal Government in five years in five equal installments.
  - The Federal and Provincial Governments should streamline their tax collection systems to reduce leakages and increase their revenues through efforts to improve taxation in order to achieve a 15% tax to GDP ratio by the terminal year i.e. 2014-15. Provinces would initiate steps to effectively tax the agriculture and real estate sectors.
  - Federal and provincial governments would develop and enforce mechanism for maintaining fiscal discipline at the federal and provincial levels.
- It is also pertinent to give details of federal transfers to the Provinces briefly as under:

### **Divisible Pool Taxes Transfers:**

**Straight Transfers: These include** Excise Duty on Natural Gas, royalty Oil and Royalty on Natural Gas and Gas Development Surcharge.





**Obligatory Grants:** Federal Government has made commitments to pick up certain liabilities. Presently following obligatory grants are being provided by the Federal Government to provinces:

- Grants to Sindh in lieu of losses on account of abolition of Octroi and Zilla Tax.
- Grants to Balochistan in lieu of arrears of Gas Development Surcharge (GDS) prior to 1991 under Aghaz-e-Huqooq-e-Balochistan Package (AHBP).
- Grants to Balochistan in lieu of arrears of GDS for the period from 2002-03 - 2009-10 worked out based on revised and rationalized GDS distribution formula.
- Grant to Balochistan for funding for the 5000 posts under AHBP.
- Grant to Balochistan for payment of principal and mark up of the Overdraft with SBP taken by the province.

**Development Grants:** These are project specific grants (tied grants) to the provinces for the projects being executed by the Provincial Governments. Federal Government also provide development grants for unforeseen calamities

**Other Non-development Grants:** In addition, Federal Government is also providing non-development grants to provincial entities on the announcements of the President/ Prime Minister.

- As per Constitutional provisions, new NFC is to be set up at intervals not exceeding five years. The NFC has to submit its recommendations through consensus. An NFC Award remains in field till the recommendations for a new Award are finalized and given a legal cover by the issuance of a President's Order. The five year term expired on 30<sup>th</sup> June 2015. In order to continue guaranteed share to Balochistan the amendment was notified.
- The 9th NFC was set up on 24th April, 2015 and the first meeting was held on 28th April, 2015. This NFC started deliberations for the new NFC Award.

**Abdul Malik Bulghari, Deputy Secretary(PF)**



### WORK EFFICIENCY / PERFORMANCE BASED SURVEY

A Bi-annual 14<sup>th</sup> Survey for the period **January - June 2016** was conducted to measure performance of all Wings against the following metrics of quality objective:-

- Average duration of days taken by SO for submission of cases = 1.51 days
- Average duration of delays of files by SOs and equivalent = 1.55 days
- Average days taken for final disposal of cases = 2.20 days
- Percentage of cases disposed of at each level as follows:-

Percentage of Cases Disposed off at each level				
SO	DS	JS	AFS	FS
0%	8.9%	28.5%	26.7%	35.9%

#### Comparison of Work Efficiency/Performance Based Survey(Jan-Jun, 2016) with previous two surveys

Activities	12 <sup>th</sup> Survey	13 <sup>th</sup> Survey	14 <sup>th</sup> Survey
	Jan-June, 2015	Jul-Dec, 2015	Jan-June, 2016
Average number of days taken by S.Os/ equivalent for submission of cases	2.15	1.99	1.51
Average duration of delays of cases by SOs/equivalent	1.12	1.44	1.55
Average duration of disposal cases	2.52	2.55	2.20
Percentage of cases disposed off at SO level	8.65%	0.4%	0%
Percentage of cases disposed off at DS level	7.95%	5.4%	8.9%
Percentage of cases disposed off at JS level	23.87%	23.9%	28.5%
Percentage of cases disposed off at AFS level	34.61%	34.6%	26.7%
Percentage of cases disposed off at FS level	24.91%	35.7%	35.9%

**Shahzad Zareef, Section Officer (QA-III)**





**OVERVIEW/MAJOR ACHIEVEMENTS OF CORPORATE  
FINANCE WING JULY –DECEMBER, 2016**

- Corporate Finance Wing of Finance Division looks after the financial issues of Public Sector Entities (PSEs) working under the administrative control of different Ministries/Division. GoP support is provided to these PSEs in shape of loan, subsidy and equity in order to strengthen their economic position and stabilize the prices of their products/services. Finance Division also contributes in policy formulation process and implements them through budgetary mechanism. These policies are implemented and on the request of said PSEs, Finance Division (Corporate Finance Wing) also guarantees their loans and accords credit ceiling through commercial banking. The information for the period from July - December, 2016 in respect of CF. Wing is as follows:-

**CORPORATE FINANCE - I**

**Agriculture (Commodity Operations)**

- Commodity market operations are managed to ensure adequate supply of various commodities at reasonable prices. Federal Government has provided the following financial assistance for commodity sector:

(Rs in Million)

S.No.	Name of Scheme	Amount released
1	Subsidy to PASSCO on account of Wheat Operation.	1,497
2.	Subsidy on Export of Sugar	1,625,000
3.	Subsidy on Export of Wheat	1,629,000

**Transport and Communication Sector (Pakistan Railways & NHA)**

- Keeping in view the importance of communication sector, Pakistan Railways has been provided financial assistance of Rs. 18,498.000 million by GoP on account of subsidy to meet pay and pension expenses. and Rs. 8754.624 million for PSDP projects.
- Cash Development Loan to National Highway Authority for execution of different development projects are provided up to the tune of Rs. 11,884.800 million.

**Engineering Sector**

- Federal Government has extended the financial assistance to Engineering sector & projects of Information and Broadcasting detailed as under (Rs in Million):

S.No.	Name of Scheme	Amount released
1.	GoP Equity Investment for Remittance of Foreign Loan Liability of Pak Steel Mills	1,652,021
2.	State Engineering Corporation	27,250
3.	Loan to Heavy Mechanical Complex	247,000
4.	PBC Project – 100 KW MW Transmitter Gawadar	10,000

**CORPORATE FINANCE .II**

- To overcome energy crisis, Finance Division has been providing financial support to power sector proactively. In this regard following measures/actions have been taken:-
  - Rs. 54.759 billion were paid as Tariff Differential Subsidy to Power Sector by the GoP as of July, 2016 to December, 2016 in order to meet the liquidity requirements of power sector. The Government is fully committed to provide further subsidy support to power sector subject to availability of fiscal space.
  - Rs.136.454 billion loan has been arranged against GoP guarantee on behalf of power distribution companies through Power Holding Private Limited (PHPL) through Syndicated Term Finance Facility from consortium of local commercial banks.
  - An authorization of Rs.25.563 billion issued by the P&D Division as cash Development Loan for the both RLNG based projects i.e. Haveli Bahadur-shah and Balloki under (CPEC), which were under process.
  - Rs.69.200 million has been released to QESCO as cash development loan for the power sector projects.
  - 2<sup>nd</sup> Revised GoP guarantees against STFF-I & STFF-III in respect of syndicated term finance facilities amounting to Rs.30,612.60/- million (19,150 + 11,462.60) for 425-MW, CCPP, Nandipur Power Project has been issued with the approval of ECC.

**Mr Tassaduq Hussain Deputy Secretary (CF-II)**





## Departmental Quality Assurance Coordinators

The 2<sup>nd</sup> 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	Mr. Ahmed Ali Section Officer (Development-II)	Mr. Munir Ahmed Section Officer (Expenditure-IV)	Mr. Mushtaque Ali Assistant Economic Adviser (Investment-I)	



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