YEAR BOOK 2012-2013

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ISLAMABAD

www.finance.gov.pk

Year Book

2012–2013

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

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PREFACE

Pursuant to Rule 25 of the Rules of Business 1973, the Year Book 2012-13, delineates activities undertaken by various Wings and Sections of the Finance Division and its constituent organizations during the year under review with reference to the Division's mission statement. The Year Book elaborates functions, organization structure, area of responsibilities, working setup and chain of command of Finance Division which is reflected in the activities and accomplishments during fiscal year 2012-13. 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.

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 presents an overview of the internal and external challenges which confronted the domestic economy during the year. Despite these challenges, Pakistan's economy is showing signs of recovery and going forward.It is envisaged that the implementation of ongoing structural reforms will take the country to a higher growth trajectory.

I hope that the Year Book will serve as a useful document to the concerned stakeholders.

Dr. Waqar Masood Khan
Finance Secretary

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 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 corporation's 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.

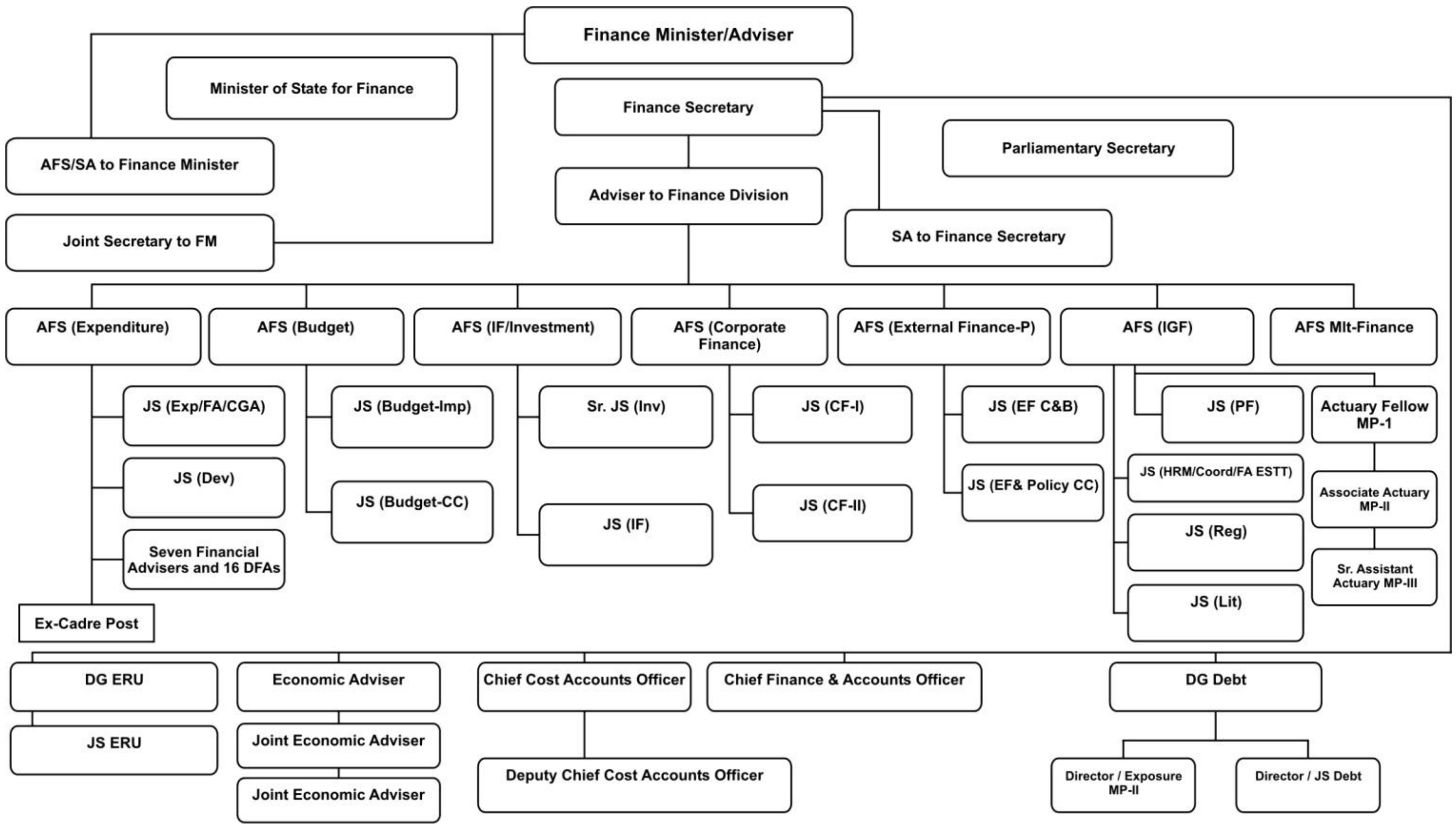
20. Monopoly Control and Anti-Cartel Laws.

21. Deregulation policies.

22. Administration of Economic Reforms Order, 1978.

23. Negotiations with international organizations and other countries and implementation of agreements thereof.

ORGANIZATIONAL CHART OF FINANCE DIVISION



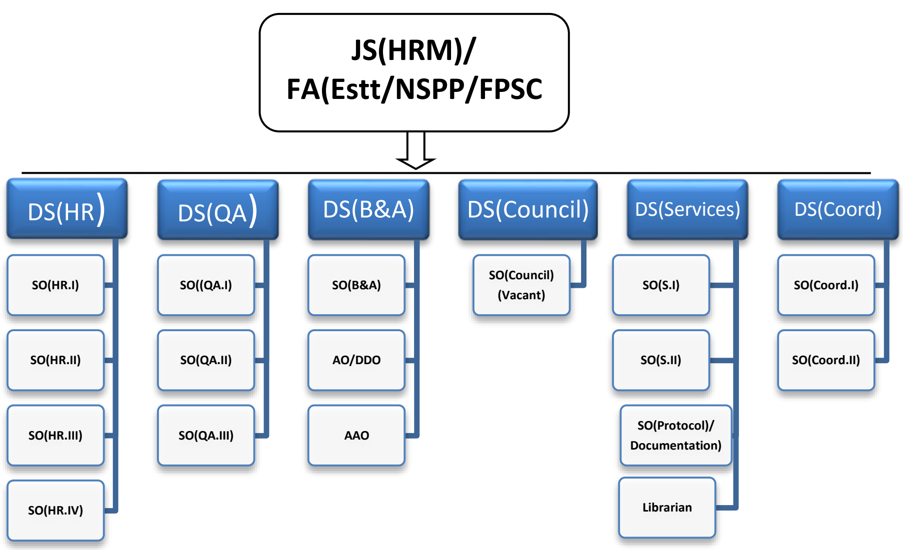
HUMAN RESOURCE MANAGEMENT (HRM) WING

Introduction

The concept of Human Resource Management is all-encompassing as it caters for development, training, management and service delivery in an organization. In Finance Division, the erstwhile Administration Wing was re-organized and re-named as Human Resource Management Wing in line with the vision and mission of the Ministry of Finance. The Quality Assurance Programme was introduced in the Ministry aiming at enhancing the customer's satisfaction level, improving quality and output of internal working, service delivery and to create better working environment for officers and staff.

This objective in view, all-out efforts were made during the year to bring in improvement remaining within the available budget. An awareness was created and steps were taken for better service delivery.

Human Resource Management is headed by a Joint Secretary and functions under the supervision and guidance of Finance Secretary and Additional Finance Secretary (HRM).The Joint Secretary (HRM) is assisted by six Deputy Secretaries, twelve Section Officers, one Accounts Officer and an Assistant Accounts Officer. Finance Division also has an independent Library headed by a Librarian. An Organogram of HRM Wing is given below:-



Functions of Human Resource Management Wing

The main functions of the Human Resources Management Wing are Personal Management, General Administration, Protocol and Documentation, Budgetary/Financial Matters of Finance Division, Parliamentary Business and Quality Assurance Besides, the role Finance Division as Financial Advisor’s Organization of Establishment Division has also been assignment to Human Resource Management Wing. The major achievements of various Sections of HRM Wing are summarized as below:-

HR-I,II, III,IV Sections

Recruitments/Appointments:

In order to provide qualified, efficient and trained human resources two officers in MP-III Scale and two Data Entry Operators (BS-12) were appointed.

Promotion

In order to enhance the performance of the officials, 36 employees were promoted on the recommendation of Departmental Promotion Committee (DPC) as per following break-up:-

S.No.	Designation	BPS	Promoted as	BPS
1	07- Assistants	14	Superintendent	16
2	16-Stenotypsts	14	Asstt. Private Secretary(APS)	16
3	13-UDC	09	Assistant	14

Regularization of Contract/Daily Wages/Contingent Paid Employees

In pursuance of decision of Sub-Committee of the Cabinet regarding regularization of contract / daily wages / contingent paid employees in Ministries/Divisions/Attached Departments/Autonomous Bodies/Organizations, and on the subsequent recommendations of Departmental Selection Committee, services of 14 contract/daily wages/contingent paid employees (BS - 01 to BS-14) of this Division were regularized during the period.

Hiring and medical reimbursement

586 officers / officials of the Finance Division were provided the hiring facility of private residential accommodation, whereas, medical re-imbursement claims of 395 officers/officials (236 serving and 159 retired) were processed/approved.

Services Section

- Internet facility was available in Q & S Blocks. It was extended to all officers of Finance Division sitting in the FBC Building and F-6/2 Office.

- To meet emergent demands of various wings/sections two Photostat Machines, ten Computers with LCD Monitor,15 Lazer Jet Printers, two Servers with Rack and UPS were purchased/provided to officers after meeting all codal formalities.

- Security in Q-Block and others offices of Finance Division was further beefed up.

- Cleanliness in "Q" and "S" Blocks, FBC, and F-6/2 buildings was improved.

- The un-serviceable Stores of Finance Division (Main) including Furniture, Scrap, outdated Machinery & Computer items, Newspapers, wasted papers were auctioned and Rs.1,75,700/- were deposited in the Government Treasury.

- Office of the Finance Minister was renovated, Director General (Media) and JS to Minister were accommodated in Q-Block by partitioning and renovating Visitor's Room at 4^{th} Floor.

- Accounts Branch in Rooms No.340 & 341 was renovated.

- Room No.105 (S-Block) was partitioned and renovated to accommodate Deputy Economic Adviser.

- Meal was arranged for the officers/officials sitting late for official duty.

- Logistic support was provided to officials/officers for official duty during and after office hours.

Protocol Section

- Protocol services were provided to the foreign as well as local delegates/guests and senior officers of Finance Division.

- Visa formalities of 45 officers in BS-20 and above officers proceeding on official visits abroad were processed and completed in time.

- 49 Official passports were renewed/issued form Directorate General of Passports and Immigration to officers of this Division.

- 68 Note Verbale from M/o Foreign Affairs were arranged on request of the concerned officers.

Documentation Section

- All the petitions received from President/Prime Minister's Secretariat were forwarded to the concerned wings/departments for appropriate action.

- Material for Finance Division's Year Book of 2011-12 was consolidated and got printed.

- NOC's for clearance of classified/security booklets and work related to the reports of Defence Planning Committee were processed/issued.

Customers Services Department

- Security Passes (temporary) for officers/officials of this Division were prepared and permanent security passes of officer/officials of this Division were also arranged from Ministry of Interior.

- Public complaints/comments/queries/suggestions received in the Ministry of Finance were forwarded to the concerned sections for appropriate action.

- In the wake of prevailing law and order situation and pursuant to the Governments instructions, foolproof security arrangements were made by deploying Naib Qasids as Security Guards on all the floors of Block "Q", round the clock, during the Budget Session 2012-13.

- The recommendations of Quality Improvement Teams were reviewed and corrective/preventive actions were taken within target dates for implementation.

- Daily visitors report of this Division maintained and forwarded to JS/DS (Services) and DSP(Security) on daily basis.

Budget and Accounts Section

- Budget for the FY-2013-14 of Finance Division (Main) and its components under Demand No.28 and 32 was processed and prepared.

- Re-appropriation of funds, SG/TSG and other financial matter were processed and finalized.

- Required numbers of posts were created with the approval/concurrence of F.A /Organization.

- 25 pensioners cases and 36 cases of TA/DA were processed and finalized.

Quality Assurance Section

Quality Assurance (QA) program was launched in this Division in the Year 2006 to increase the customers' satisfaction level, raise service quality and improve internal working efficiency. ISO 9001-2008 Certification was got renewed w.e.f. 09.08.2010 for further three years (2010-2013).

- Quality objectives (Targets and Goals) of the wings of this Division were revised for three years (2011-2014) and progress report for six months July-December, 2011 published.

- Quality Policy and Strategic Quality Framework was defined and Quality Assurance Structure of Finance Division established.

- 92 officers/officials were nominated for various training programmes with the approval of competent authority to enhance their capacity.

- Arrangements were made for external and internal Quality related audits including Customer Satisfaction Surveys of Finance Division to measure the performance of the Wings of Finance Division.

- To promote quality related activities, Newsletter was published for the period from October, 2012 – March 2013.

- Quarterly Quality Reports (QQR) were issued incorporating the achievements of this Division as per their Quality Objectives.

- The job descriptions of all the officers of various wings were updated by incorporating all the changes occurred from time to time.

Coordination Section

- The minutes/decisions the sub-committee of the Cabinet constituted for Regularization of Contract Basis/Daily Wages Employees in the Ministries/Divisions/Attached Departments/ Autonomous Bodies/Organizations were circulated to all concerned in order to implement the same.

- Important government instructions/notifications/circulars including revised recruitment quota of Baluchistan provided under the Aghaz-e-Haqooq Baluchistan during the period were communicated to all Wings/Section of Finance Division for implementation.

- Decisions of sixteen (16) ECC meetings regarding Finance Division were processed/circulated to the concerned Wings/ Sections of Finance Division for implementation and progress in this regard was reported to the Cabinet Division.

- Implementation status of decisions pertaining to Finance Division made in twenty three (23) Cabinet meetings was obtained from the concerned Wings/Sections and conveyed to the Cabinet Division.

Council Section

- Hectic efforts were made for quick exchange of correspondence, timely disposal of Parliament Business. Figuratively the targets given *viz-a-viz* achievement is given below:-

S.No.	Assignment	Target Given	Achieve-ment	Shortfall
1	Question/Privilege Motion, Resolution, Adjournment Motions, Call Attention Notices, Meeting of Standing committees, briefing and disposal of Cut Motions.	530 cases	99.9%	0.1%

- Time line was observed for submission of replies of questions/briefs of Motions/Call Attention and Cut Motions etc.

- In Budget session, Camp Office was maintained/ supervised in Parliament House to coordinate with all the wings and concerned offices of Finance Division to facilitate the disposal of the business smoothly.

- Briefing on replies of Questions and other Parliamentary Business were arranged for Finance Minister.

BUDGET WING

BUDGET AND ITS FUNCTIONS

Budget reflects the Government's determination to maintain a responsible and realistic attitude towards overall economic management in the country. Budget on approval by the parliament, authorizes the government to raise revenues, incur debts and effect expenditure in order to achieve certain goals. 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 functions:

Economic

Budget is the state's financial plan. As a tool of economic policy, the budget is the mean 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 to 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 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 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 document.

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).

Profile of Budget Wing

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. Moreover, Budget Wing is also responsible to implement the budgetary targets and prepare a monthly report thereon.

The budget making process goes through the stages of;

- Preparation
- Coding/ formulation
- Compilation
- Authentication
- Execution
- Monitoring and to coordinate implementation of budgetary targets.
- Lassie with all relevant Ministries/ Divisions/ Organizations and get report on implementation status of the targets given in the budget, indicating various budgetary measures.

Functions of various Sections of Budget Wing

Budget Resources-I

- Coordination with FBR in relation to tax receipts.
- Preparation and compilation of the Budget documents and "Budget-In-Brief".
- To deal with reviews of 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.
- Coordination within the Budget Wing.
- Preparation of the Budget document "Estimates of Foreign Assistance" and "Explanatory Memorandum on Federal Receipts".

Budget Resources-III

- Examination of recommendations of Ministry of Planning Development and reforms for formulation of Development Budget.

- Conducting of Priorities Committee meetings for Formulation of Annual Development Programme in respect of Federal Ministries/Divisions.

- Implementation/Incorporation of decisions of the Annual Plan Coordination Committee/ NEC and implementation/ Incorporation of decisions of the NEC.

- Scrutiny of Budget Orders/New Items 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 EAD 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 Stock.

- Framing of rules of various government securities.

- Determination of rate of mark up of GPF and Cash Development Loans.

- Processing of complaints on investments with CDNS.

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 procedure.

- 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 Officer

- 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 Government Offices.

- 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 and 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 actual 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 and 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 bon-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 related to Budget Implementation side.

Budget Implementation Unit-II

- Monitoring and follow up the implementation of announcement made in Budget speech by the Minister for Finance.

- Liaise with Internal, External, Investment, Provincial, Expenditure and 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 and 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 revenue from Public Sector Enterprises (PSEs).

- Correspond with the organizations from where above said report originates 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 (BOs/NISs) in the office of Director (BC) from all Ministries and Departments within Pakistan and Foreign Missions abroad.

- Data Entry of received BOs/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's Budget.

- Work relating to processing the Budget in 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

- 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.

- Issue 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

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.

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 end of the financial year.

Budget Process

The Budget Year

The budget year in Pakistan starts from 1st July and ends on 30th June. The Process of budget formulation starts in October each year with the issuance of Budget Call Circular(BCC) by the Budget Wing, Finance Division. The original estimates are framed in minute details by that is 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 Advisor and Finance Division, as recommended by the Administrative Ministries and Division, subject the estimates, to detailed scrutiny before they are finally accepted for inclusion in the budget.

Budget Call Circular

Finance Division indicates the procedure applicable to the preparation of the budget estimates for the financial year in "Budget Call Circular" issued every year 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 exiting 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 format devised by the Ministry of Planning. These preliminary estimates are discussed in a Priority Committee meeting in the presence of the representatives of the Ministry of Planning and the Economic Affairs Division. Recommendation of

Priorities Committees is again discussed in the Annual Plan Coordination Committee (APCC).The final draft of development expenditure is approved in the National Economic Council.

The revenue estimates are submitted to the Budget Wing by the FBR. The non tax receipts are 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 Finance Division and the Provincial Governments and approved by the National Economic Council.

Formulation of the Annual Development Program is one of the most important aspects of the budget making. Emphasis is laid on drawing-up the annual Development Program so that only approved projects, which have gone through careful technical scrutiny in the Development Working Party and approved by the Executive Committee of the National Economic Council (ECNEC), 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 sometime 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 Governments and indicates the financial allocations alongwith 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. Finance Division 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 estimates the foreign exchange 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 is considered by the Federal Cabinet and approved for presentation to the Parliament.

Submission of Budget/Finance Bill to the National Assembly

Minister for Finance shall, in consultation with Prime Minister and the Speaker, prepare a time table for the consideration of the Annual Budget by the National Assembly. The Secretary of the Assembly shall intimate the timetable as 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 approved a signed by Prime Minister constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the Annual Budget Statement.The Schedule reflects the extend 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 sums required to satisfy any adjustment, degree or award against Pakistan by any court or tribunal and;

  (d) Any other sums declared by the Constitution or by Act of (Parliament)(Majlis-e-Shoora) to be so charged.

Role of Parliamentarians

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.

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:

(i) Revenue receipts and expenditure on revenue account.

(ii) Capital receipts and disbursements.

(iii) 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 feature of past year achievements/performance.This booklet 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 broad aggregates like tax revenue, non-tax revenue receipts, net capital receipts (non bank), external receipts (net), bank borrowing and 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’ serves 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 in the budget session of National Assembly alongwith 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:

(i) Loans and credits from friendly countries and specialized international agencies.

(ii) 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:

(a) Loans contracted by the federal government for public or private sector projects and generally termed as federal loans.

(b) 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 material equipment 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 - this document 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 was 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 given are in the Chart of Classification), the book also presents Function-cum-Objectwise 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 includes expenditures on establishment charges, purchase of durable goods, construction of works & repair and maintenance of durable good works, investment, loan 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, country 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 in two sectors:

(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 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 have also been 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) Sums 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 ensuing 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.

- Demands for current expenditure.
- Demands for development expenditure.
- 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:

- Sums required to meet charged expenditure.
- 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 Minister for Finance

Answer by the Minister for Finance 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.

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 (3 years - where year 1 becomes the budget and the outer 2 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 Medium-Term Budgetary Framework (MTBF), budget management and key governance reform programme of the government, was rolled-out to entire Federal Government last year. As per the MTBF two important changes have been made in the process of budget making; the 'Budget Strategy Paper' and 'Output Based Budgeting".

This year the Budget Strategy Paper 2011-14 was presented in the Cabinet on 11 May 2011. The Budget Strategy Paper 2011-14 included; macroeconomic situation, key revenue and expenditure policies, medium-term fiscal and macroeconomic framework and indicative budget ceilings for all Federal Ministries. This indicative budget ceilings 2011-14 were communicated to all the Principal Accounting Officers of the Federal Government. Consultations on the Budget Strategy Paper 2011-14 were also made with the Parliamentary Standing Committees of Finance & Revenue, political parties, Provinces and the Economic Advisory Council.

Last year, the budget was presented by outputs (services) in the Parliament in a book called 'Federal Medium-Term Budget Estimates for Services Delivery 2010-13' (also called 'Green Book 2010-13').The Green Book 2010-13 presented goals, outcomes outputs and inputs and linked these with three-years budgets within ceilings for each Principal Accounting Officer.In addition, key performance indicators and targets were presented for each output over the three-year period.

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 in 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 Govt. 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 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 (NSS). In early 1972, the scope of the CDNS was enhanced and it started selling Prize Bonds. Subsequently, it become engaged in the operations of other savings schemes and hence the present status of considerably expanded set up.

At present, Central Directorate of National Savings is operating with a network of 429 offices comprising 12 Regional Directorates, 16 National Savings Treasuries, 378 National Savings Centers, 01 Directorate of Inspection and Accounts, 07 Zonal Inspection and Accounts Offices, 12 Regional Accounts Offices and 02 Training Institutes.

CDNS is responsible for mobilization of domestic savings through sale of various Govt. securities called National Savings Schemes (NSS). Presently, the following NSS 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 ears on maturity or encashment, whichever is earlier.

Special Savings Certificates (Regd.)/Accounts

A three years maturity scheme available both in form of certificates and accounts providing bi-annual return @ 8.80% p.a. for the 1st 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 the 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.

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 on the 5 and 10 years maturity and offered in issues. The subscription of first issue was closed on 26-01-2010. The rates of return are 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 1 year. The profit is paid on maturity but not less than three months if encashed before maturity.

Investment Targets for Financial Year 2012-13

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. Despite the stiff competition being faced in the wake of vibrant financial sector, having competitive edge in pricing and services, the organization with the commendable and untiring efforts, being made by its staff, have successfully surpassed the given target.

Up gradation and renovation of NSCs

To provide enhanced state of the art services to public and better working environment for employees, around 80% of NSCs have been upgraded or shifted to more suitable places during last five years. Further, to provide better services to the general public, the NSCs were supplied with 60 new computers, 69 air conditioners and 102 UPSs for mitigating the effects of the prevailing energy crisis. In addition, CCTV cameras are also installed for ensuring fool proof security of public property.

Up gradation of Posts

The overall structure of organization has been revamped and following posts have been upgraded/re-designated w.e.f.24-01-2013.

S.No.	Name of Post	Old Pay Scales	New Pay Scales
1	Director	Director BPS-19	Director BPS-20
2.	Joint Director	Joint Director BPS-18	Joint Director BPS-19
3.	Assistant Director	Assistant Director BPS-17	Assistant Director BPS-18
4	National Savings Officer	National Savings Officer BPS-16	National Savings Officer BPS-17
5.	Deputy National Savings Officer	Deputy National Savings Officer BPS-15	Deputy National Savings Officer BPS-16
6	UDC	UDC BPS-09	Junior National Savings Officer BPS-11

The CDNS has computerized 108 Sites, comprising of 83 National Savings Centres (NSCs), 9 National Savings Treasuries (NSTs) and 16 other controlling offices, under Automation Project which has been successfully completed on 28th February 2013. The newly introduced Computerized System is aimed for improvement of quality of service, decrease in workload on staff, satisfied customer and to have good governance, uniformity of business and better control over the financial business

In the preceding financial year, the cost of Hardware and Licensed software was as under:

S.No.	Item Name	Cost Rs.(Million)
1	HW and CI for 44 sites	25.0
2	Licensed Software (Oracle and Golden Gate)	55.0
	Total	80.0

The financial impact after completion of project is that before computerization, the investors of NSS were enjoying the tax free profit upon their investments in same schemes at different times, and in different schemes (whether in same or different NSCs) to remain in the minimum slab declared for tax exemption by FBR*i.e.* Rs.150,000/-. However computerization brought such investors into tax-net by consolidating their total investment in NSS. Hence, computerization has resulted in increase in revenue generation, accurate and controlled zakat collection, service charges, and zero level of error in profit calculation as per prevailing rate of returns. All these have a very positive and productive financial impact on government money.

Another goal of Automation Project of National Savings was to introduce technology as a replacement of the legacy manual system. Automation of NSCs has thus; brought a technological change at the NSCs and now the automated Centres are able to get synchronized with the demands of new era. The manual system has been discarded at almost 45 NSCs and resultantly National Savings Centers are presenting a technology driven and more sophisticated service delivery system. This technology change is demonstrable in the form of efficient service counters with computers and secure data.

The CDNS has submitted a PC-I for new phase to Planning Commission for approval for computerization of another 140 NSCs, across the country during Fiscal Year 2013-14.

Pakistan – Consolidated Fiscal Operations 2012-13

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 2012-13 is given below:

PAKISTAN—CONSOLIDATED FISCAL OPERATIONS 2012-13

(Rs.in Billion)

Description	B.E. 2012-13	Prov. Actual July-June
Total Revenue	**3378.5**	**2982.4**
Tax Revenue	**2583.6**	**2199.2**
Federal	2503.6	2048.5
Provincial	80.0	150.7
Non-Tax Revenue	**794.9**	**783.2**
Federal	714.9	711.9
Provincial	80.0	71.3
Total Expenditure	**4484.2**	**4816.3**
Current Expenditure	**3452.2**	**3660.4**
Out of which		
Interest payments	925.8	991.0
Defence	545.4	540.6
Development and Net Lending	**1032.0**	**1139.9**
Statistical discrepancy	**0.0**	**16.0**
Budget Deficit	**1105.7**	**1833.9**
Financing	**1105.7**	**1833.9**
External	**134.9**	**(1.7)**
Domestic	**970.8**	**1835.5**
Bank	483.8	1457.5
Non-Bank	487.0	378.0
Total Revenue	**14.3%**	**13.0%**
Tax Revenue	10.9%	9.6%
Federal	10.6%	8.9%
Provincial	0.3%	0.7%
Non-Tax Revenue	**3.4%**	**3.4%**
Federal	3.0%	3.1%
Provincial	0.3%	0.3%
Total Expenditure	**19.0%**	**21.0%**
Current Expenditure	14.6%	16.0%
Out of which		
Interest payments	3.9%	4.3%
Defence	2.3%	2.4%
Development and Net Lending	**4.4%**	**5.0%**
GDP (Rs. in billion)	**23655.0**	**22909.0**
Budget Deficit (As % of GDP	**4.7%**	**8.0%**

CORPORATE FINANCE WING

Corporate Finance Wing deals with all financial and corporate matters of Public Sector Corporations which work under the administrative control of various Ministries/Divisions.The Federal Government provides financial support to PSEs in the shape of equity injections, advance loans for their working capital requirements and provision of subsidy to meet their operational cash shortfalls or incurring of losses. The Federal Government also carry out financial and administrative re-structuring of those organizations whose financial health deteriorates due to some peculiar conditions. Moreover, PSEs are also provided bank credit ceilings to meet their financial needs. The Government's policy decisions are implemented, relating to the issues for picking up of the Government guaranteed outstanding and non-performing loans, extended by banks and financial institutions, to the PSEs and other financial losses sustained by them.

Due to unprecedented surge in the prices of Petroleum products in the international market and non-passing of full NEPRA determined power tariff to the consumers, Power Sector has been facing severe liquidity problem and has lost the capacity to liquidate its huge outstanding dues owed to IPPs and oil & gas companies. PEPCO has, therefore, resorted either to huge borrowing from the banks or to rely upon government support to meet its operational cash shortfall. Due to PEPCO/KESC inability to pay off their outstanding dues, all the public sector entities were trapped in the Circular Debt, which severely affected their cash flows. Net Power Sector Circular debt as on 31st May, 2013 was Rs.503 billion due to the following major reasons which caused accumulation of Circular Debt:

- Partial transfer of tariffs as determined by NEPRA.
- Heavy line losses.
- Incomplete corporatization.
- Weak governance.
- Costly fuel mix putting extra financial burden due to constant increase in the oil prices.
- Dependence on expensive Thermal Generation due to decreased Hydel power. (Hydel: 31%, Thermal-RFO/Gas:65%).

Minister for Finance announced during the Budget Speech 2013-14 that Circular Debt issue will be resolved within 60 days. Accordingly ECC approved Resolution of Power Sector Circular Debt on the Summary of Ministry of Water & Power on 27th June, 2013 and in the first phase Finance Division released Rs.341.958 billion on 27th June, 2013 to PEPCO for onward payment to IPPs and other entities while in 2nd phase Rs.138.151 billion were adjusted under Inter-Government Settlement on 21st July, 2013.

Government of Pakistan is providing subsidies to Power Sector to bridge the gap of tariff determined by NEPRA and that notified by GoP/MoW&P. During FY 2012-13. GoP had provided the following subsidies to PEPCO/KESC:

(Rs. in billion)

S.No.	Nature of subsidies/payments FY -2012-2013 Description	Budget	S.G/re-appropriation (+)	Released
1.	Inter-Disco TDS – PEPCO	120.000	130.061	250.061
2.	Subsidy on PEPCO's Receivables from FATA	10.000	-	10.000
3.	TDS – KESC	50.000	34.000	84.000
4.	Subsidy on Agri Tube Wells– Balochistan	4.000	-	-
5.	Subsidy on Agriculture Tubewells (12.5%)	0.870	-	-
6.	KESC's payables to PSO/ PKGCL	0.317	-	-
7.	Exchange Rate Differential forUSAID'S Grant to GENCOs	0.100	-	-
	Total	**185.287**	**164.061**	**344.061**

Further, in pursuance of ECC's approval in September, 2012, PEPCO/PHPL had issued PPTFCs of Rs.82 billion which were subscribed by the OGDCL. This created more fiscal space for PEPCO/DISCOs to discharge its payment obligations.

With the approval of ECC, a financing facility of Rs.15 billion has been provided to PEPCO for making payment of oil to PSO.

Energy Sector:

To meet the widening demand-supply gap, a number of gas import projects are being pursued by the Government, *inter-alia,* including Iran Pakistan (IP) Pipeline Project, Turkmenistan Afghanistan Pakistan India (TAPI) Pipeline Project, LNG import projects and LPG supply enhancement projects.

Pakistan International Airlines:

Pakistan Internal Airlines (PIA) is a national flag carrier of Pakistan. The airline has been recurring liquidity crisis for last several years. Based on December 31, 2012 published audited accounts, PIAC's accumulated loss stood at Rs.152 billion. Finance Division is providing financial support to PIA to overcome the financial crises. This support mainly includes provision of GoP guarantees for local and foreign currency loans from financial institutions. The guarantees are provided after getting the approval of ECC of the Cabinet. Finance Division paid Rs.1561.1 million as GoP equity in PIA in 2012-13 against markup on Rs. 12.80 billion TFCs and of Rs. 6.80 billion Sukuk.

Financial Support to Government Entities

CF-Wing implemented Government decisions to provide financial support to various Corporation/Entities under the administrative control of Ministry of Industries & Production, Ministry of Commerce and Textile Industry during FY 2012-13 and allocated funds for FY 2013-14 are as under:

(Rs in billion)

Particulars	Releases 2012-13	Budget 2013-14
Grant to Pakistan Steel Mills	2.000	-
Interest free loan to Pakistan Steel Mills for clearing SSGC liabilities	1.000	-
Mark up on National Industrial Dev. Park	0.371	0.188
Mark up on Pakistan Stone Development Corporation loan (PASDEC)	0.042	0.031
GOP loan to Printing Corporation of Pakistan Press (PCPP) Islamabad	0.123	0.175
Federal Contribution to Export Investment Support Fund	3.280	10.0
Mark up on Pakistan Steel loan No.2	0.575	0.529

Financial Support to Railways, NHA, USC, PTCL and PTA

CF-Wing deals in financial assistance to Pakistan Railways, National Highway Authority and Utility Stores Corporation. In addition, some miscellaneous issues of PTCL, PTA etc; are also dealt by this Wing.

Rs.33.366 billion were allocated as subsidy to Pakistan Railways in the sanctioned budget for FY 2012-13. The whole amount has been released to Pakistan Railways to facilitate smooth operations of Pakistan Railways.

Moratorium has been allowed on overdraft of Pakistan Railways for the Financial Year 2013-14 and to save Pakistan Railways from default.

An amount of Rs.29.484 billion was allocated to NHA as Cash Development Loan for FY 2012-13. Out of it Rs.22.138 billion has been released to NHA.Conversion of NHA into National Highway Corporation is under way with Federal Government as major equity holder.

Finance Division has also allocated an amount of Rs.2.0 billion for Ramzan Package 2012 and Rs.4.00 billion for sale of sugar to USC during Financial Year 2012-13. All amounts*i.e.* Rs.6.00 billion has been released to USC during Financial Year 2012-13.

CF-Wing is actively involved in auction of 3 G spectrum which is expected to fetch a huge foreign investment in I.T. industry. Moreover, the issue of transfer of title of properties in the name of PTCL is vigorously perused by Finance Division for liquidation of US$ 800 million for M/s Etisalat.

ECONOMIC ADVISER'S WING

Publication - Pakistan Economic Survey

Economic Adviser's Wing prepares and publishes the annual document 'Pakistan Economic Survey'. It was first published in the year 1955-56. Having a comprehensive account of the country's economy, with the growing demand, it started presenting to the National Assembly in the budget session every year from June 1962 onward.

Pakistan Economic Survey is formally launched every year by the Federal Finance Minister in a ceremony for the print and electronic media. Pakistan Economic Survey is widely distributed complementary during the year on demand amongst the students, academia, research organizations, institutions, departments in public and private sectors, ministries and embassies etc. Soft copies on CD format is also prepared for the users. Soft version of Pakistan Economic Surveys published during the last seven years can also be accessed on the official Website of Finance Division *www: finance.gov.pk*

Pakistan Economic Survey 2012-13, its that is highlights both in Urdu and English were published on 11th June 2013, one day before the announcement of Federal Budget and also placed in the Parliament for perusal of the parliamentarians during the Budget Session. Around 10,871 visitors accessed the document in the months of June and July 2013.

Publication - Supplement of Pakistan Economic Survey

Economic Adviser's Wing also publishes a Supplement of the currently published Pakistan Economic Survey. Statistical Supplement of Pakistan Economic Survey consisting extensive data of the entire fiscal year July to June. Data series of the several preceding years are also included in the Statistical Supplement. It is compiled to present accurate time series data on fiscal, economic and social sectors for the convenience of policy makers, researchers, academia and other users. This is a complete document on the economic data of the country that presents historical prospects of the all economic indicators. Data on each economic 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. Statistical Supplement of the Pakistan Economic Survey 2011-12 was published on 26th December 2012.

Economic Adviser's Wing, represents Finance Division in meetings with International Monitory Fund, World Bank and other national high level committees like; Committee of National Accounts, Standing Committee on Balance of Payments, National Economic Council. Economic Adviser's Wing during the financial year 2012-13 also performed the following functions:

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) is constituted under the Chairmanship of Secretary Finance. EA wing is the secretariat of this committee with representatives from provincial governments and related federal ministries are the members of the committee. 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 smooth demand supply position. The committee held its four meetings during the financial year 2012-13, total 18 meeting have been held up till now. NPMC passed on its decisions and observations to the provincial governments, ministries and departments for implementation. NPMC reviews the implementation status of the decision taken in the last meeting.

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, Deputy Chairman Planning Commission, Secretary Finance Division, Governor State Bank of Pakistan. One meeting of the Monetary and Fiscal Coordination Board, chaired by the Finance Minister held during the financial year 2012-13.

Daily Price Watch

A position of daily prices of the essential consumer items and other economic indicators is also prepared on daily basis. Daily Price Watch provides the price trend of essential food and non food commodities in regional and international markets and other economic indicators.

Parliament Business

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

Training of the Officers

Economic Adviser's Wing emphasizes on capacity building and human resource development by nominating officers and support staff in different training programmes and seminars within and outside the country in the fields of economics, finance and public administration etc. During 2012-13 two officers attended the short term training sponsored by Pakistan Planning & Management Institute five officers attended training sponsored by Finance Division, two officers attended training sponsored by Pakistan Institute of Management and another officer attended training sponsored by Pakistan Bureau of Statistics.

EXPENDITURE WING

Austerity Measures

The Cabinet in its meeting held on 1st June 2012 has approved continuation of the following austerity measures notified vide this Division's O.M.No.F.7(2)Exp.IV/2011, dated 17th August, 2011 during financial year 2012-2013. These instructions were circulated by Expenditure Wing of Finance Division to all Ministries/Divisions for strict compliance.

Secret Service Expenditure

An O.M. dated 11-06-2013 was issued regarding Secret Service Expenditure to the effect that henceforth no Ministry/Division/ Department/Organization shall be allowed to utilize Secret Service Expenditure except Intelligence Agencies authorized by the Finance Division.

Provision of Funds For IDPS

During financial year 2012-13 the allocation of funds for Relief, Rehabilitation, Reconstruction and Security of IDPs was 5,000.0(Million). Out of this an amount of Rs.2,725.5(Million) was released for death compensation, victims of terrorists/incidents, Emergency Relief Cell, World Food Prpgramme, treatment including rehabilitation of Malala Yousafzai and family etc. during financial year 2012-13.

EXTERNAL FINANCE WING

External Finance (B&C) Wing is mainly responsible to provide input for preparation of policies to strengthen the external sector by maintaining foreign exchange reserve level at an appropriate and sustainable level. During 2012-13, External Finance Wing (B&C) continued performing the following tasks:

- Periodic review of balance of payment position as well as their projections.

- Rational allocation and release of Foreign Exchange to the Ministries, Divisions and Public Sector Organizations.

- Analysis and approval of financial terms and conditions of the foreign currency loans from bilateral and multilateral sources.

- Periodic consultation with IMF.

Besides performing the regular work, External Finance Wing (B&C) has provided input on the following major issues:

- During FY 2012-13, EF-C&B finalized terms and conditions for loans from the ADB, JICA, Saudi Arabia, South Korea, AFD and OFID. Additionally, financing for state owned enterprises such as PARCO and PIA was arranged. Grants from DFID & JICA, and Technical Cooperation Agreements with GIZ were finalized.

- Efforts were made to harmonize the Funds Flow Mechanisms of bilateral partners with the RFA procedure of the Finance Division which resulted in JICA adopting the RFA procedure as a disbursement mechanism. The need for reviewing the RFA procedure was highlighted.The review is in process in Budget Wing.

- Disbursements were facilitated in coordination with EAD and the implementing agencies.

- External Finance Wing (B&C) allocate/release of Foreign Exchange to meet the Foreign Exchange needs of the institutions and Government entities. Due to the rational release of foreign exchange funds, the actual utilization of foreign exchange during 2012-2013 was US$ 1539.543 million against the budgeted amount of US$ 2359.925 million. This shows 37% saving in foreign exchange releases.

- Home remittances contribute to the country's balance of payment. Exports of goods increased by 0.2% as against the projected growth of 2% while import decreased by 1.6% against 5%. The trade deficit stood at $ 15.056 billion showing a trade deficit of 4.5% as against the same period of last year. Workers' remittances touched the level of $ 13.920 billion, showing a growth of 5.6% against the same period of the 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.

- Pakistan and China signed a Currency Swap Arrangement (CSA) in October, 2011 for period of 3 years for an amount of US$ 1.0 billion. Pakistan also signed similar arrangement with Turkey in December, 2011 for an amount of Rs.1500 million. The main objective of the arrangements is to promote trade between the countries in local currencies. Both the arrangements have been operationalize in May 2013.

- Murabaha Financing Facility forUS $ 256 million signed with international Islamic Trade (ITFC) in April, 2012 has been utilized during 2012-13 to finance the import of crude oil and petroleum products; this has provided a substantial support to the budget and balance of payment position of the country.

- External Finance, (B&C) has been able to roll over US$ 500 million deposit from China for another one year. This has provided a considerable support in strengthening our foreign exchange reserves as well as to our budget.

- Pakistan Domestic Sukuk Company Limited (PDSCL) incorporated in 2007 raised about Rs.90.02 billion during FY 2012-13 from the domestic Capital Market via Sukuk against the underlying assets of Islamabad-Lahore Motorway/Islamabad-Peshawar Motorway.The cumulative amount raised by the end of financial year 2012-13 was Rs.501.56 billion. The amount was utilized to finance the budget deficit. Major position of the above amount was raised for three years duration at par with T bill rate.

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 is also the focal point of 'Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP)', Project for Improvement in Financial Reporting and Auditing (PIFRA-II), Pakistan Poverty Alleviation Fund (PPAF), 'Institutional Strengthening of Finance Division Project (ISFDP),Joint Ministerial Commissions (JMCs) and Joint Economic Commissions (JECs).

Portfolio Facilitation of the World Bank and USAID

EFP Wing coordinated with the World Bank, USAID, Economic Affairs Division and implementing agencies of the projects sponsored by the World Bank and USAID in order to have timely disbursement. During the FY 2012-13, US$ 557.7 million were disbursed by the World Bank and US$ 140.292 million by USAID.

EFP Wing also represented Finance Division in various project negotiations with the World Bank.

Poverty Reduction Strategy Papers (PRSPs)

PRSP-II, which was finalized in 2008, encompasses a broad-based medium to long term economic reform & development framework including the goals and projections of policies in key social sectors.

The Fiscal Responsibility and Debt Limitation Act, 2005 stipulates that Poverty & Social Sector expenditure would not be less than 4.5% of the GDP in any given year. EFP Wing tracks the budgetary and non-budgetary expenditure on 17 pro-poor sectors as defined in PRSP-II, which remained more than 8% of GDP on average during the last 5 years. During FY 2012-13, an expenditure of Rs. 1,162,882 million was incurred on these 17pro poor sectors upto 3rd quarter (July 2012 to March, 2013). Quarterly and annual reports of expenditures are uploaded on the official website of the Finance Division regularly.

Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP)

United Nations Development Programme (UNDP) joined hands with Government of Pakistan to alleviate poverty in the country under the umbrella of SPRSMP. In order to better monitor and access the outcomes of pro-poor policies and poverty reduction strategies of the federal as well as provincial governments, the project conducted capacity building interventions supplemented with providing technical support to Govt. Officials of P&D, Finance, Bureau of Statistics, health and education departments etc. The project was granted extension for the period of Jan- September 2013. Prioritization, selection of MDGs for development of Acceleration Framework, development and consolidation of terminal report were core functions of the project.

The project has the following four outputs:

- Management capacities for PRS monitoring in PRS Secretariats strengthened.

- Public spending and allocations in pro-poor sectors reviewed and analyzed through a gender lens to better understand the contribution and needs of women, men, boys and girls.

- Quality, collection, analysis and management of PRS data improved at national and provincial levels.

- National Engagement in the PRS Monitoring process mobilized through participatory processes.

Implementation Arrangements

The project is implemented by the Ministry of Finance, Government of Pakistan at the Federal level whereas at the provincial level the Planning & Development Departments take the lead in implementing the project. For this purpose provincial PRS Cells has been established in the Planning & Development Departments in Khyber Pakhtunkhwa, Punjab and Baluchistan.

Monitoring of Gender Aware Beneficiary Assessment (GABA), facilitation on Macro Economic Model and MDG costing exercise, Technical support to provinces for development of MDGs Acceleration Framework were the key focus areas during the reporting period. Arrangements for approval of MDG costing & Integrated

Macroeconomic model and TORs for officials of Finance Division and Provincial departments were materialized.

Institutional Strengthening of Finance Division Project (ISFDP)

The ISFD Project envisages overall professional development, knowledge and 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. Main objectives of the project are:

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

A total of 21 positions of Experts/Research Associates (RAs) have been filled through a competitive and transparent process. A number of research studies have been completed by the Experts/RAs. Training courses for officers and staff have been conducted in 19 different areas as approved by the training committee constituted under the project ISFDP.

Citizens' Damage Compensation Program (CDCP)

In pursuance of decision of the Council of Common Interests (CCI), Phase-II of the Citizens' Damage Compensation Program (CDCP) was launched on 15th September, 2011 with the financial support of World Bank, USAID, DFID, and Government of Italian Republic to provide Rs 40,000 to each of the estimated 1.21 million affected households (using slightly different eligibility criteria) of 78 districts across Pakistan in four provinces and two regions of the country.

The CDCP Program is a success story and thus formed the basis for the Future Disaster Response Action Plan (FDRAP) which was approved by the Prime Minister of Pakistan. This plan builds on the lessons learned from CDCP and international best practices and when institutionalized will form the basis for any future disaster response in the country.

EFP Wing of Finance Division played an active role in organizing meetings with development partners, EAD and provincial authorities to make the CDCP a success story. After detailed consultative process, CDCP was finalized at US$ 580 million including US$ 100 million as counterpart funding from GoP.

ECO Trade and Development Bank

ECO Trade and Development Bank (ETADB) was established in 2005 to mobilize resources for the purpose of initiating, promoting and providing financial facilities to expand inter-region trade and accelerate economic development of ECO countries. Pakistan, Iran and Turkey hold equal shareholding in the Bank. Other ECO member states can also join the Bank.

The Bank is currently offering SME development credit facility to Pakistan 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 to Pakistan. Through its various facilities Pakistan is availing a total of US$54.99 million from ETDB for the FY 2012-2013.

EFP Wing is the focal point of ETDAB in Pakistan.

SAARC Development Fund (SDF)

SAARC Development Fund established with the contribution of SAARC member states, serves as an umbrella financial institution of sponsoring development projects to be implemented in SAARC member states including Pakistan. It has three windows *i.e.* Social, Economic and Infrastructure, of which only Social Window is operative at present. Finance Division (EFP Wing) is the counterpart agency of SDF in Pakistan.

EFP Wing arranges annual financial contribution for SDF and participates in meetings of Board of Directors (BoD). So far 4 projects at a total cost of US$5.734 million have been approved for Pakistan.

Project to Improve Financial Reporting and Auditing (PIFRAFinance Division's Component)

PIFRA-II is being implemented by the office of Controller General of Accounts since 2008. Finance Division's component amounting to US$ 0.4 million is being implemented by EFP Wing. Main objective of the Finance Division's component is to enhance the capacity of its officers by providing training about PIFRA system, SAP, New Accounting Model (NAM), IT and Finance and Accounting.

During FY 2012-13, 6 comprehensive trainings on PIFRA system, SAP, New, Accounting Model (NAM), IT and Finance and Accounting have been conducted in collaboration with Financial Accounting and Budgeting System (FABS), PIFRA Directorate under the component.The officers and officials of Budget, PF, EF-P, Development and Expenditure Wings including Financial Adviser's Organization benefited from the opportunity. SAP connectivity has also been provided to the External Finance, Budget, Provincial Finance Wings and also Accounts Branch.

Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund (PPAF) is a flagship programme of the Government of Pakistan, which was set up under section 42 of the Companies Ordinance 1984 as a "not for profit" apex 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 and issues non-cash sanctions for book adjustment. During FY 2012-13 an amount of Rs 5.119 billion was released for PPAF as grant.

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. EF-P Wing is focal point in Finance Division to provide feedback to EAD and Ministry of Foreign Affairs on the issues of cooperation relating to financial/banking sector.

During FY 2012-13, EFP 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 and the latest implementation status of decisions taken during earlier meetings.

ECONOMIC REFORMS UNIT

Public Sector Enterprises

Economic Reforms Unit (ERU) 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 developed by a Task Force led by ERU having representation from professionals of eminent repute, private sector, controlling Ministries/Divisions, State Bank of Pakistan, Planning Commission and Auditor General of Pakistan. These rules have been approved by the Government and notified on March 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. Clarification of role of BoDs in the appointment of CEO will help improve recruitment process.

These rules will 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. Process for nomination of independent directors needs to be devised and their accountability may also be ensured.

ERU 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 PSE operations and aid in identifying PSEs in need of restructuring or eventual disinvestment.

ERU undertakes review of restructuring/ business plans of keys PSEs, including Pakistan International Airlines (PIA), Pakistan Steel Mills (PSM) and Pakistan Machine and Tools Factory (PMTF) providing input for further improving their operations.

Power Sector

ERU 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. Major areas in this regard include the winding up of Pakistan Electric Power Company (PEPCO) and commercialization of power distribution companies (DISCOs). GoP is moving towards providing targeted subsidy to power consumers by moving towards better cost recovery leading to a financially stable power sector. In the first phase, tariffs of industrial, commercial and bulk consumers will be rationalized to recover full cost of service, with tariffs of other consumer categories being rationalized following this.

A supportive legal framework is of utmost importance to provide strong underpinnings to the reform process. Major reforms in this regard include amendment in NEPRA Act to empower NEPRA to directly notify fuel adjustment tariffs. Further, New Electricity Act has been approved to strengthen legal framework for curbing theft and other administrative losses. In order to provide supportive legal framework for power sector, new tariff determination mechanism to ensure financial sustainability of the sector is being drafted.

Measures were taken to clear inter-corporate debt in FY13, with GoP clearing stock of inter-corporate debt periodically. ERU coordinated settlement of outstanding loans in Power Holding Private Limited (PHPL) on behalf of DISCOs (markup and principle being serviced by DISCOs) through i) Privately Placed Term Finance Certificates (PPTFC) of Rs.82bn and ii) Rs. 6bn bridge finance facility in FY13. Timely payment of tariff differential subsidy (TDS) with subsidies for KESC and FATA has been ensured on a monthly basis. A total of Rs. 344.061 billion was paid as subsidy to power sector in FY2012-13 (including Rs. 10bn against receivables of FATA).

In the short duration since the elections held in May 2013, ERU has facilitated settlement of payables of power sector entities against the Independent Power Producers (IPPs) amounting to Rs. 322 billion (till 30th June, 2013), which 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.

ERU 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 finalization of the Sub-national Doing Business (SNDB) Report has helped develop a Doing Business Reforms Agenda. In view of the need for improvement in the Doing Business rankings of Pakistan, the reform agenda is geared towards liberalizing the barriers to new business start-ups and designing frameworks to improve contract enforcement with a view to lowering the cost of doing business especially for the small to mid size firms.

Business Startup

ERU initiated work 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 Technical Working Group (TWG) comprising of IT and operational staff from these three concerned agencies was formed. The TWG has prepared a preliminary feasibility of the proposed virtual OSS, including the preliminary cost estimates. It has been decided that a virtual OSS would be set up, which will encompass registration procedures relating to limited liability companies (LLCs) falling under SECP's jurisdiction

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 LLC's, 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. It is proposed that the physical OSS would initially be established in Lahore as a pilot project, 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 existing legislation would be improved. Efforts are being made to establishing organizations similar to the Karachi Center for Dispute Resolution (KCDR) in Lahore and Islamabad to promote mediation of commercial disputes.

Regulatory Reforms

ERU has taken an initiative with other stakeholders 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 regulation along with the attendant necessary and requisite accountability and oversight mechanism.

Policy Support to Finance Division and other Ministries/ Divisions

During the year under review, ERU has also provided policy support to Finance Division and other Ministries/ Divisions as and when required and requested.

FINANCE DIVISION (MILITARY)

Finance Division (Military) deals with preparation, execution, monitoring of Budget and expenditure relating to MoD, MoDP, Armed Forces, Inter Services Organizations, DP Establishments procurement of all Defence equipments and all other related financial matters pertaining to them. Finance Division (Military) have performed the assigned job 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 2012-2013. 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.68195.165 million for FY 2012-13. This proposal was examined in detail taking into consideration actual expenses up to April, 2013 and expenditure likely to be made during month of May and June 2013 and demand was reduced to

Rs. 24500.0 million. Besides, REs 2012-13 and BEs 2013-14 were scrutinized in detail and substantial reduction were proposed in view of the actual requirements. Services-wise/head-wise expenditure was,monitored carefully and necessary instructions were also issued, where necessary, to keep the expenditure within sanctioned grant.

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) 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 project, 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 were 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 was closely monitored throughout the year to pre-empt over expenditure by the Departments/Services.

- In case where public interest was 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 of relevant financial regulations and procedures in finalization of cases including financial concurrence.

- Finalization of REs 2012-2013 and BEs 2013-2014 with due regard to economy in expenditure.

- All the targets assigned to this Division were achieved well in time and within the stipulated period with no pendency at the end of last financial year i.e. 30th June,2013.

DEVELOPMENT WING

Performance of Development Wing

Development Wing deals with the followings:

- Policy Coordination with regard to Development Work.
- Scrutiny and Examination of all Development projects to ensure:
  - (i) The schemes fit in overall Development program.
  - (ii) The scheme does not clash with any other scheme of any other Ministry/ Division/ Department.
- Examination/Preparation of Briefs for CDWP/ECNEC meetings.
- Participation in quarterly review of Federal PSDP Development projects.
- Coordination with FA's Organization on Development projects place before CDWP and ECNEC.
- Monitoring of PSDP releases made for various Ministries/ Divisions for economic benefits.
- Monitoring and Evaluation of Development Projects of Finance Division (Main) by Monitoring and Evaluation Cell created in the Development Wing.

Briefs for the ECNEC meetings were prepared for the Finance Secretary, Advisor on Finance and MOS for Finance and EAD for participation in the meetings. 36-Pre-CDWP meetings followed by 09-CDWP meetings and 03-ECNEC meetings were also attended by Development Wing to present view point of Finance Division from July, 2012 to June, 2013.

Present Government is giving utmost priority to the Social Sector schemes. Development Wing handles release of Funds of development schemes of the Higher Education Commission (HEC). In the Financial Year 2012-13, Rs. 15.8 billion were allocated while Rs. 12.03 billion were released to HEC.

Development Wing also released funds for the following schemes for Financial Year 2012-13.

Rs in million

S. No.	Name of the Project	PSDP allocation 2012-13		Total Releases
		Original	Revised	
3	Project of Improvement of Financial Reporting & Auditing (PIFRA)	1584.900	1574.900	166.330
5	Automation of CDNS	50.335	69.685	69.685
7	Institutional Strengthening of Finance Division (ISFD)	75.000	65.650	25.717
Total		**1710.235**	**1710.235**	**261.732**

Inter-Wing Coordination/ Consultation:-

- Development Wing coordinated with the Planning Commission in Pre-CDWP meetings for the finalization of the project proposal (PC-I) 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.

- PF Wing was consulted in the matters relevant to Provincial Finance appearing in the Federal PSDP particularly relevant to PSDP of Finance Division.

INTERNAL FINANCE WING

ZARAI TARAQIATI BANK LIMITED (ZTBL)

Introduction

ADBP was converted into a Limited Company incorporated under the Companies Ordinance 1984 with the name of Zarai Taraqiati Bank Limited (ZTBL) in November, 2002 for rapid development of Agriculture Sector and Rural Finance sector. The motto of the Bank is "Technology for Agriculture". The Bank has remained the lead banker in institutional agriculture credit lending as ZTBL alone disbursed Rs. 67.068 billion out of total country's agricultural disbursement of Rs. 336.105 billion during FY 2012-13. ZTBL sharewas around 20% of the total institutional agricultural credit.

Bank's Operations

The Bank operates through a network of 31 Zonal Offices and 369 Branches. Since inception up to 30.06.2013, the Bank has disbursed loan amounting to Rs.876 billion. The Bank has so for financed 5,553,40 tractors and 1,544,12 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, aquaculture and financing of oil seeds crops.

ZTBL Performance for the year 2012-13

During the year 2012-13, the Bank disbursed an overall amount of Rs.67.068 billion as compared to Rs.66.068 billion disbursed during corresponding period of last year and substantially enhanced its outreach by increasing the number of borrowers served to 409.774. The Bank has financed 6631 tractors and 1513 tube wells financed during the year 2012-13.

Loan to Small Farmers

ZTBL disbursed Rs.60,745 million constituting 90.6% of total agriculture credit to small farmers who have land holding under 25 acres.

Sada Bahar Scheme

ZTBL has launched Sada Bahar Scheme to provide input loans for crops and working capital for dairy, poultry and fisheries in time. Credit of Rs.27.009 billion was disbursed during the year 2012-13 under the scheme.

Recovery Operations

During the year 2012-13, ZTBL has recovered Rs.70.932 billion against Rs.70.009 billion recovered during the 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 three years. As a result the Bank's Capital Adequacy Ratio (CAR) as on December 31, 2012 was 27.27% as against required ratio of 10% and industry average of 14%. The Bank earned pre tax profit of rupees 3,889 million and classified loan were provided for as per SBP Prudential Regulations during the period under review. The Bank was able to mobilize to Rs.11,097 million as on 31-12-2012 in terms of deposits.

Earnings per share

During the year 2012-13 basic earnings per share was Rs.2.068 compared toRs. 1.713 in 2011.

Credit Rating

The 'AAA/A-1+' (Triple A/A-One Plus) rating cover all government guaranteed debt procured and deposits mobilized by ZTBL. Entity ratings of 'B+/B' (Single B Plus/Single B) assigned to ZTBL reflect its financial position while capturing the risk profile of the Bank without taking into account the sovereign guarantee.

New Initiatives/ Scheme

Khawateen Rozgar Scheme

In order to empower the rural women to play significant role to increase family income and contribute towards GDP, all new/old creditworthy women are eligible to get financing for farming, textile and clothing, cane & bamboo furniture & related products. The minimum limit would be Rs.200,000 per borrower / party. Borrower's contribution would be 10% of the loan amount.The rate of markup would be charged at prevailing rates of the Bank.

Asan Qarza Scheme
(For Rural Youth)

All new/old creditworthy rural youth with age limit from 18-35 years are eligible to apply for financing of loanable items such as livestock/agri-farming, rural based income generating activities like Atta Chakki, Rice Husking Machine, Ara Machine and Bee-Keeping etc. The minimum limit would be Rs.200,000 per borrower / party. Borrower's contribution would be 10% of the loan amount. The rate of markup would be charged at prevailing rates of the Bank. The loans would be recoverable within five years in half yearly installments.

Tawanai Bachat Scheme (Bio Gas Unit) and Shamsi Tawanai Scheme (Solar Energy Pump)

Tawanai Bachat Scheme (Bio Gas Unit) and Shamsi Tawanai Schemes (Solar Energy Pump) have been introduced for the farmers to overcome energy crisis and to provide an alternate energy resource. One or more than one creditworthy borrowers can get financing for Bio-Gas Unit. Loans for four types of Bio-Gas Units (8m3, 30m3, 50m3 and 100m3) with price ranging from Rs.50,000/-, 200,000/-, 300,000/- and 750,000/- respectively can be obtained for Tawanai Bachat Scheme (Bio Gas Unit). The loans would be recoverable within five years in half yearly installments. For Shamsi Tawanai Scheme loans up to Rs.1.0 million per party / borrower can be accepted as a co-applicant. The loans would be recoverable within ten years in half yearly installments. In both schemes rate of markup would be charged atprevailing rates of the Bank.

SMALL & MEDIUM ENTERPRISES (SME) BANK LIMITED

SME Bank Ltd was established conquest of the amalgamation of defunct Small Business Finance Corporation (SBFC) and Regional Development Finance Corporation (RDFC) in 2002 with the objective to extend financial & technical assistance for the support and development of Small Medium Enterprises.

SME Bank has served 630 SMEs and disbursed the loans of Rs.1818 million during the year 2012-13. This all has contributed towards employment generation. Bank is operating with 13 branches with a net equity of Rs. 1,339 million.

Small & Medium Enterprise Business Support Fund (SME-BSF)

SME Business Support Fund has 19 franchise outlets including Dookans, General Stores, Convenience Stores and Departmental Stores in various cities in partnership with Microfinance Program of the Pakistan Poverty Alleviation Fund. To support development of entrepreneurial mind set amongst youth of Pakistan during the year 2012-13. Centers of Entrepreneurship and Leadership (CEL) have been established in five more universities. In addition, MoUs have been signed with different universities across Pakistan for establishing CEL and more than twenty universities have shown their interest for opening similar Center in their respective campuses. BSF successfully inaugurated its Farmer Information Center at Kasur. Similarly, three Enterprise Development Centers (EDCs) were established by BSF in the Swat region in the areas of Abuha, Sher Palam (Matta) and Mangore under public private partnership for the provisioning of business support services, technical support and social services which aim to improve all facets of community development. In addition, BSF arranged for the training of 250 farmers by IFC Business Edge Certified Trainers. BSF's consulting arm continued to show growth in the past year with numerous enterprise development projects awarded to the organization based on open bidding.

HOUSE BUILDING FINANCE COMPANY LIMITED (HBFCL)

House Building Finance Company Limited (HBFCL) 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. The Government of Pakistan (GoP) and the State Bank of Pakistan (SBP) are main shareholders of the company.

Network of Offices

HBFC is providing housing finance all over the country through 52 branch offices and 09 Zonal Offices.

Operational Activities

Since its inception, the Company has disbursed Rs. 51 billion in housing sector of the country, used for construction of new houses, purchase of existing houses and renovation of dilapidated ones. In this process, it has financed 459,971 housing units. HBFCL has played a pivotal role in creating new housing stocks in the country.

Achievements of HBFCL

HBFCL disbursed Rs. 1,290 million with 72% achievement against target and Rs. 3,542 million has been recovered (98 % achievement against target) during the year 2012-13.

PAKISTAN SECURITY PRINTING CORPORATION(PVT.) LTD

- The intent of the State Bank of Pakistan for various denominations of banknotes reduced from 1,910 million pieces to 1745 million pieces but bank notes sales increased from Rs. 5,219 million to Rs. 5,929 million due to sale of high denomination banknotes.

- Net sale of Other Security Products (OSP) increased from Rs. 1,532 million to Rs. 3,131 million which include Ballot Paper printing revenue of Rs. 650 million. OSP Division also successfully met the production and delivery schedule in respect of Ballot Paper and most of the security product items. Substantial control over cost and reductions in the wastage of paper and inks further contributed towards the profitability.

- Highest ever sales of Rs. 9,060 million has been achieved during the year showing an increase of 34% over the result of last year.

- The Corporation paid highest ever Cash Dividend of Rs. 400 million (40%) to the Government of Pakistan during the year 2012-13.

- The hall mark for this year has been the printing of Ballot papers for the General Election 2013. It was an uphill task of printing 79 million ballots in a short time of just two weeks. This seeming impossible task was completed to the best of satisfaction of Election Commission of Pakistan by using the resources deployed most professionally.

Pakistan Mint, Lahore

Pakistan Mint is a Services Department of the Government of Pakistan. It is the only facility in Pakistan for minting the coins against the demand from the State Bank of Pakistan for circulation within the country. The premises consist of factory, a residential colony, two Primary Schools, one industrial home, one medical dispensary.

Apart from minting of coins, the Mint manufactures all Civil and Military Awards, Defense Medals, Embossing Machines, Postal Seals and Steel Stamps, Medals and Medallions etc., required by different Government and Semi-Government Organizations.

Pakistan Mint has delivered the following coins during the year 2012-2013:-

Nos.	Denomination	Value in Rs.	Amounted Rs.
i.	Rs.1 Coin	104.632 million	104.632 million
ii.	Rs.2 Coin	92.106 million	184.212 million

Mint has earned Rs. 52.572 million from the non-coinage items *i.e.* Medals, Shields, Embossing Machines etc., during the year 2012-13.

STATE BANK OF PAKISTAN

As the central bank of the country, State Bank of Pakistan (SBP) forms the nucleus of the financial system.The core functions performed by SBP include the maintenance of economic and financial stability, besides ensuring the soundness of the country's financial system.This, being a challenging task, requires SBP to always remain vigilant and endeavor to perform its functions in the best national interests.In this regard, noteworthy policy measures undertaken during the year are summarized below:

Monetary Policy

The focus of SBP's monetary policy was the maintenance of an appropriate balance among the objectives of inflation control, promotion of private investment, stability of financial markets, and the maintenance of the country's foreign exchange reserves.

Accordingly, there was a cumulative reduction of 300 basis points to 9 percent, by SBP in its policy rate during FY13.

SBP Act

An important development regarding the improvement in the formulation and implementation of monetary policy, took place in the form of amendments in SBP's Act legislated in March 2012.The restriction on government borrowings from the central bank is an important feature of these amendments. The fiscal authority not only has to ensure no further accumulation of the debt owed to SBP (keeping the quarterly flow of borrowings at zero) but also take steps to retire this debt over the course of next seven years. SBP will work with the fiscal authorities to ensure that this is achieved as envisaged.

Improving Communication

Based on the significant role of communication in the effectiveness of monetary policy, dedicated efforts were made towards greater dissemination of the monetary policy stance, including regular meetings with market analysts. Moreover, significant progress has been made in developing a web page on monetary policy, which is expected to be placed on SBP's website very soon.

Construction of Consumer Confidence Index

With the objective of moving forward on micro research and to facilitate a forward-looking view of monetary policy, SBP has constructed, in collaboration with the Institute of Business Administration, a consumer confidence index (CCI) using telephonic surveys. The survey observations will be published after the completion of the data validation process. It would be worthwhile to mention here that in order to carry out the survey and other surveys for micro research, a state of the art Centre for Survey Research (CSR) has been established at State Bank of Pakistan, Karachi.

Fx market management

SBP's proactive approach to market regulation and management, facilitated the smooth functioning of the foreign exchange market, and supplemented the capacity building efforts undertaken for market participants.Although the Pak Rupee depreciated against US$ in the interbank market, the trend during the year has been gradual.This exchange rate trend reflects the underlying demand and supply conditions in the market.

Currency Swaps

Keeping in view the objective of boosting bilateral trade and investment in local currencies, State Bank of Pakistan has developed a framework of executing bilateral currency swap arrangements (CSAs) with regional central banks using the countries' respective local currencies. In this regard, CSAs were signed by SBP with the Central Bank of the Republic of Turkey and People's Bank of China.Both CSAs have now become operational and necessary instructions have been issued by SBP to banks in this regard.

Pakistan Remittance Initiative

A joint initiative called the Pakistan Remittance Initiative (PRI) was launched, in April 2009, by State Bank of Pakistan, Ministry of Finance, and Ministry of Overseas Pakistanis, with the following objectives: (a) facilitating and supporting the efficient flow of remittances, and (b) providing investment opportunities in Pakistan for overseas Pakistanis. The establishment of PRI has contributed positively towards enhancing the flow of remittances to Pakistan, which has shown a robust upward trend.

Supervision of Financial System

Financial system oversight is one of the core functions of SBP. It helps reduce the vulnerability of the financial system and prevents crisis. SBP's financial oversight arms (on-site inspection and off-site supervision departments) ensure sound balance sheets for banks, development finance institution, and micro finance banks in the country. The commencement of business by Industrial & Commercial Bank of China in Pakistan shows the confidence in the financial sector in Pakistan. Similarly, the grant of permission to open three new microfinance banks reflects SBP's commitment to help reduce poverty in the country.

SAARC Payment Council

Apart from various measures to improve the effectiveness of the payment and settlement system, an important development was the management of the Secretariat of SAARC Payment Council (SPC), which was assumed by SBP for a period of two years with effect from 1st March 2012. SPC is a forum of central banks and monetary authorities of SAARC countries, to collectively evolve and build high level strategies and road maps for the development of intra-regional payment systems.

Financial Inclusion

A number of initiatives were taken for broadening access to the financial sector, including small & medium enterprises, housing finance, and infrastructure finance.SBP also continued to facilitate microfinance lending by having in place a supportive policy framework, and also played a proactive role in the development of microfinance through the implementation of government and donor funded programs. Moreover, a number of important measures/steps were taken aimed at the promotion and expansion in the coverage of agriculture and rural finance in the country.

NATIONAL BANK OF PAKISTAN

National Bank of Pakistan is one of the largest commercial bank in Pakistan providing universal banking capabilities with 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.

NBP's total assets are Rs.1309.3 billion and deposits are 1037.8 billion on end of December 2012.

The bank has subsidiaries in brokerage, leasing, exchange companies, modarba & assets management.

Achievements / Key initiatives

Financials

- NBP has market share of around 13.6% in deposits and 15.2% in advances at year end December 2012.
- Growth of 12% and 25% was witnessed in deposits and advances respectively from December 2011.
- Shareholders' equity increased to Rs. 151.3 billion in 2012 from Rs. 132.7 billion in 2011.
- Highest dividend payout in the Banking sector. NBP declared 70% cash dividend and 15% bonus shares for year 2012.
- One of the highest Capital adequacy ratios in the industry which stood at 16.48%.

Business Performance

The bank increased its focus on low cost deposits and high growth segments like agriculture and consumer loans. The bank has increased its Agriculture and consumer loan portfolio in 2012 by 30% and 51 % respectively. SME portfolio increased by 8% during 2012. Total deposits increased by 12% whereas advances increased by 25%. Non Performing loan (NPL) ratio improved to 12.2% from 14.9% of year 2011. Net NPL ratio was at 2.9% on December 2012.

Information Technology

- One of the biggest achievements in the year under review is the online conversation and connectivity of almost all the domestic branches. Various I.T. related projects were started to improve I.T. related services at the bank and compete with the industry.

- Implementation of Core Banking Applications (CBA), SMS alert services, Interbank Fund transfers (IBT) .

- NBP has increased its number of ATMs to over 360.

- SAP-HCM system has been deployed to process its countrywide payroll as well as perform other HR related functions within the bank including personal administration and retirement benefits with efficiency and control across all regions.

Customer Services

- Several initiatives taken to further improve customer service relocation of branches and opening of 17 new branches, System based account opening process has been developed to facilitate customer, for minimizing turnaround time (TAT) in dealing with customer complaints. System to facilitate direct credit of pensions into pensioner's accounts has been developed due to which monthly visit to branch to claim pension will not be required.

- ATM alerts are generated for ATM Debit transactions. As a next step, alerts for all Debit and Credit transaction that are made (Self or by the Bank) in customer account as well as automatic reversals would also be generated.

- The Bank Call center is facilitating in providing account information, status of ATM application, E-Remittances and product information. Call Center also receives and processes complaints lodged by bank customers.

Human Resource Development

- Various HR capacity building measures have been taken to train and build professional for improvement in customer service.

International foot prints

- The banks subsidiary in Kazakhstan further opened to more branches to increase its coverage in the Central Asian States. The bank provides services through its 29 overseas locations in 19 countries across the globe.

Corporate Social Responsibility

- Under a well planned CSR program, NBP has undertaken a number of projects to benefit communities all over the country. These welfare initiatives are directed towards promotion of education, health, woman & child welfare, special persons, culture, sports and relief for affectees of natural disaster.

- In the floods of 2011-12 NBP contributed Rs. 25 million to the Prime Minister's Flood Relief Fund. About Rs. 116.5 million were spent by the Bank for rehabilitation of floods affectees in year 2011-12.

Awards and Recognition

- JCR – VIS Credit Rating Company again re-affirmed the bank's standalone rating "AAA", highest by the company for any bank in Pakistan.

- Xpress Money Services Limited has awarded NBP "Max Factor of the year 2011/12" award.

- NBP has been ranked by the "The Banker" as the top bank of Pakistan in its "Top 1000 World Banks' ranking for 2012.

- The Bank has also awarded the National Forum for Environment and Health (NFEH) CSR Business Excellence Award 2012.

FIRST WOMEN BANK LIMITED (FWBL)

Financial Highlights for the year 2013 are as follow:

- Deposits include PKR. 7,554 million or 38.97% of Deposits from the Public sector (2012: PKR 6,054 or 37.87% of Deposits).

- Advances in respect of Public sector amounted to PKR 4,288 million or 40.42% of gross advances (2012:PKR 6,320 or 61.05% of gross advances).

- Struck-up loans have increased by PKR 221.228 million i.e. by 51% as compared to prior financial year ended 30th June, 2012.

- During the current financial year, rigorous efforts were made for increasing the share capital of FWBL, both through organic growth and equity injection from GoP. As part of organic growth, FWBL had issued Bonus Shares @ 10.56% of the respective shareholdings of the Shareholders during the period ended 30th June, 2013. Whereas, the GoP has injected PKR 300 million through Ministry of Finance which increased its shareholding from 41.94% to 53.6%.

Launch of new branches

After the initial launch of FWBL's branches there was a complete standsstill in the network expansion of the Bank. The ice was broken by conversion of two permanent booths into branches namely International Islamic UIniversity branch-Islamabad and Fatima Jinnah University branch-Rawalpindi in first half of 2012 which was followed by launch of third branch in Gilgit in Q3 of 2012.

IT infrastructure initiative

FWBL had taken strategic decision of upgrading its core banking system consequently the Bank entered into an agreement with Ms Auto Soft Dynamics. By June 2013 eleven out of forty one branches have been migrated on the new platform.The Bank's management expects to complete the project by December 2013.

Credit rating and market recognition

Pakistan Credit Rating Agency (PACRA) has maintained FWBL's "long-term" entity ratings at "A-" (A minus) and "short-term" entity rating at "A2" (A two). These ratings denote a low expectation of credit risk while capacity for timely payment of financial comitments is considered strong.

FINANCIAL MONITORING UNIT (FMU)

Financial Monitoring Unit (FMU) is the Financial Intelligence Unit (FIU) of Pakistan and was established in 2007 under Section 6 of the AML Ordinance 2007 (now AML Act 2010) and is housed in State Bank of Pakistan, with the main objective to receive Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) from reporting entities, analyze and disseminate them to the designated investigating agencies for further proceedings.

In accordance with the AML Act, FMU is the focal point for all AML/CFT related issues including processing of STRs and CTRs, maintenance of STR/CTR data base, domestic & international cooperation, training needs assessments of all stakeholders, representing Pakistan at all international and regional organizations and groupings of financial intelligence units and other international groups and forums which address the offence of money laundering and other related matters etcetera.

Functions of FMU

- To receive Suspicious Transaction Reports and Currency Transaction Reports from reporting entities.
- To analyze the Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs).
- To disseminate STRs to investigation agencies wherever there are reasonable grounds for suspicion.
- To create and maintain a database of all STRs and CTRs, related information, etc.

- To cooperate with Financial Intelligence Units (FIUs) in other countries.

- To represent Pakistan at international and regional forums concerning AML/CFT.

- To submit to the National Executive Committee an annual report containing necessary information and statistics.

- To frame regulations in consultation with SBP and SECP for ensuring receipt of STRs and CTRs from the reporting entities.

- To recommend to the regulatory authorities of reporting entities to issue regulations as considered necessary in the context of combating money laundering and financing of terrorism.

- To engage a financial institution or an intermediary or such other non-financial businesses and professions or any of its officers as may be necessary for facilitating implementation of the provision of the Act, the rules or regulations made thereunder.

- To perform all such functions and exercise all such powers as are necessary for, or ancillary to, the attainment of the objects of the Act.

Performance / achievements during financial year 2012-13

- Processing of STRs/CTRs (receipt, analysis and dissemination).

- All STRs have been analyzed at FMU and those warranting further action have been disseminated to relevant LEAs and regulators.

- Receipt of STRs from NBFIs regulated by SECP.

- Receipt of STRs/CTRs from Exchange Companies.

- Implementation of Pakistan's Mutual Evaluation Report 2009 recommended actions.

- Preparation, compilation and submission of Mutual Evaluations Response to APG as a result a result of which Pakistan's rating on eight core/key recommendations improved to Largely Compliant (LC).

- Electronically receipt of CTRs.

- Organized visit of Egmont group co-sponsors in Pakistan in connection with FMU's Egmont group membership.

- Coordinated two World Bank capacity building programs for Judges and Prosecutors.

- Coordinated two World Bank capacity building programs for SBP, SECP and FMU.

- Coordinated APG delegation visit to Pakistan on RRG issues.

- Participated in activities of APG, FATF, AUSTRAC, UNODC, AFP and other AML/CFT related forums.

- Compilation of Status, Typologies, progress and other Reports required by international Organizations as per requirements.

- NEC/GC meetings – preparation of agenda, working papers and minutes.

- Follow up actions on NEC/GC meeting decisions.

- AML Review committee meeting-preparation of minutes of the meeting and follow up actions.

- Implementation of National AML/CFT strategy.

- Preparation of FMU's Annual report.

- Follow up action in respect of RRG action plan.

- Capacity building Workshops arranged for reporting entities, LEAs, regulatory authorities, Ministries.

- Coordinated in development of SBP's AML/CFT regulations.

- Amendment in prize bond rules as a result FMU has started receiving STRs/CTRs related to prize bonds.

- Development of MOU and G2G agreement in consultation with the Ministry of Finance.

- Undertaken various IT related projects of FMU.

INVESTMENT WING

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan (SECP) was established in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997 (SECP Act) and became operational on January 1, 1999. The SECP administers the laws relating to capital market, corporate sector, and financial (non-banking) sector. Its core function is to regulate the stock exchanges, the corporate sector, non-bank financial sector and the insurance industry.

During the period July1, 2012–June 30, 2013 actions taken by the SECP in the sectors under its purview are summarised below:

Capital Markets

Market Review

During the financial year, the stock market has scaled new trends in terms of market depth and growth. The KSE–100 index started with an upward trend from a level of 14,142.92 points in the start of the financial year touched ever high of 22,757.72 on June 13, 2013. The index closed at 21,005.69 points in June 30, 2013. The index has grown by 48.52% during the year. Further, the volumes remained at210.633 shares on daily average basis which is approximately54% higher as compared to the previous year. There have been numerous factors which played vital role in fueling the index pace,these included; implementation of long awaited Capital Gain Tax Rules, Demutualization of the stock exchanges, considerable decline in the discount rate by SBP which was brought down to single digit figure of 9.5%, substantial foreign interest in stocks, declining inflation rates etc. Further, a politically stable environment and smooth transition of newly elected government helped to keep the interest of local as well as foreign investors intact. The foreign investment in the stock market exhibited net inflow of US$ 568.876 million.

A total of 569 companies with paid up capital of Rs. 1,116.005 billion were listed at the Karachi Stock Exchange as on June 30, 2013. The market capitalization stood at Rs. 5,154.737 billion at the end of June 2013.

Major Activities and Achievement during the Financial Year Jul 2012-Jun 2013

Structural Reforms- Demutualization of the Stock Exchanges

The stock exchanges in Pakistan were successfully corporatized and demutualized on August 27th,2012 consequent to promulgation of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. (The Act was approved in a joint session of the Parliament and subsequently promulgated after Presidential assent on May 7th, 2012).

Default Management in the Post Demutualized Environment

Post demutualization, each member/initial shareholder of the stock exchanges has been allotted shares and a Trading Right Entitlement Certificate (TREC) in lieu of the membership card. In the event of default of any TREC holder, the proceeds of such card are no longer available for utilization to satisfy investor claims. In order to cater to this, the concept of Base Minimum Capital (BMC) was introduced which is required to be deposited and maintained at all times by each TREC holder with the respective stock exchanges.

Tax Rationalization Reforms

To assist in documentation of the economy and to bring the income of securities market investors within the tax ambit, the CGT regime was revamped earlier with the promulgation of the Finance (Amendment) Ordinance, 2012. Subsequently, the Income Tax Rules were promulgated and necessary amendments to the regulatory framework of NCCPL, CDC and stock exchanges were made to implement the CGT reforms.

Development of Equity and Derivative Markets

To provide investment alternatives and to add depth to the market, regulatory framework was introduced at Islamabad Stock Exchange for enabling the launch of Exchange Traded Funds (ETFs).

Development of the Commodities Market

New commodity futures contracts were introduced at the PMEX in cotton (cash-settled) and silver (10 Ounces).

Development of the Debt Market

For the development of the debt capital market, the settlement of trading in debt securities listed at the OTC (Over-The-Counter) segment of the stock exchanges has been made mandatory through the National Clearing and Settlement System (NCSS) of NCCPL, as against the earlier practice of settlement of these trades on counterparty basis outside the NCSS.

Introduction of Market Makers in the Stock Index Futures Market

Market makers were introduced in the SIF market for promoting liquidity and efficient execution of orders.

e-IPO

The concept of e-IPO was introduced in public offering of shares to facilitate both the issuers and investors.

SME Board

The concept of SME board was introduced for listing of small capital based companies and venture companies.

Revamping the Legal Framework

To evolve the securities markets regulatory framework in line with the international best practices following regulations have been drafted during the year:

- Regulations for the Underwriter and the Balloters and Transfer Agent.
- Regulations for Issue of Sukuks.
- Regulations for the Issue of Commercial Papers.
- Bond Pricing Agency Regulations.
- Companies (Distribution of Specie Dividend) Regulations.
- Separate regulations for listing of debt securities offered to QIBs and those issued to the general public.

Monitoring and Surveillance of stock markets

Regulatory Actions		
Violation	**Orders**	**Warning Letters**
Insider Trading/Front-Running	7	-
Brokers & Agents Registration Rules, 2001	5	-
Wash Trades	2	26
Blank Sales	4	1
Listing Regulations	8	7
TOTAL	**26**	**34**

Future Plan

Post-demutualization reforms

SECP in collaboration with the stock exchanges is in the process of introducing consequential reforms, including the revamping of regulatory frameworks which are essential for taking the exchanges forward in the demutualized setup.

Commodities Market development

For the commodities market, regulations governing branch offices for PMEX are also being introduced so that branch offices of brokers are adequately regulated and only authorized persons of brokers have access to trading accounts and other sensitive information.

Strengthening of the Debt Market

To accelerate growth in the debt market, efforts will be made for listing of Government Debt instruments at the stock exchanges and integration of National Savings Scheme instruments into the mainstream capital market, in coordination with the Federal Government and the State Bank of Pakistan (SBP).

Development of new Products and Systems

Regarding new product/system development, the future SECP agenda includes introduction of Shariah-compliant investment alternatives, listing and trading of call warrants on stock exchanges, stock options, and cross listings of foreign and domestic indices at Pakistani and foreign stock exchanges to boost activity in index future market.

Establishment of a Brokers' Association

Considering the important role of market intermediaries, the possibility of establishing a brokers' association is being assessed which will provide an effective platform for the stockbroking community to voice their concerns to the government and regulatory bodies and ensure professional training and exposure to intermediaries while creating awareness among them about market issues.

Regulations for Research Analysts

Development of a set of regulations is underway to govern the activities of research analysts and persons disseminating investment recommendations.

Securities Market Regulations

The Regulations of Business Conduct for Trading/Investment practices is being formulated. These Regulations are intended to enhance the control structure and policies of market intermediaries and financial institutions and is based on the essence that market participants and financial institutions should engage in trading/investment practices with the principles of good faith and fair business conduct following equitable business practices in order to ensure the regular operation of stock market and best possible protection of customers' interests.

CORPORATE SECTOR

Key Achievements during the preceding financial year

During the period under review, SECP embarked many initiatives aimed at further improving the facilitation mechanism for stakeholders. Some of the key achievements are:

- Fast Track Registration Services is introduced and implemented for core processes such as availability of name, incorporation of companies, change of name and charge registration, modification and satisfaction processes.

- eServices Project (online filing returns).

- Development of Legal Framework.

Public Sector Companies (Corporate Governance) Rules, 2013 to provide a governance framework for the public sector companies owned and controlled by the government.

Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 to prescribe a compliance statement to be prepared by the public sector companies.

Issuance of Cost Accounting Records Order (In order to bring uniformity to the cost records and cost audit reports, the SECP has developed the draft order in consultation with the ICMAP).

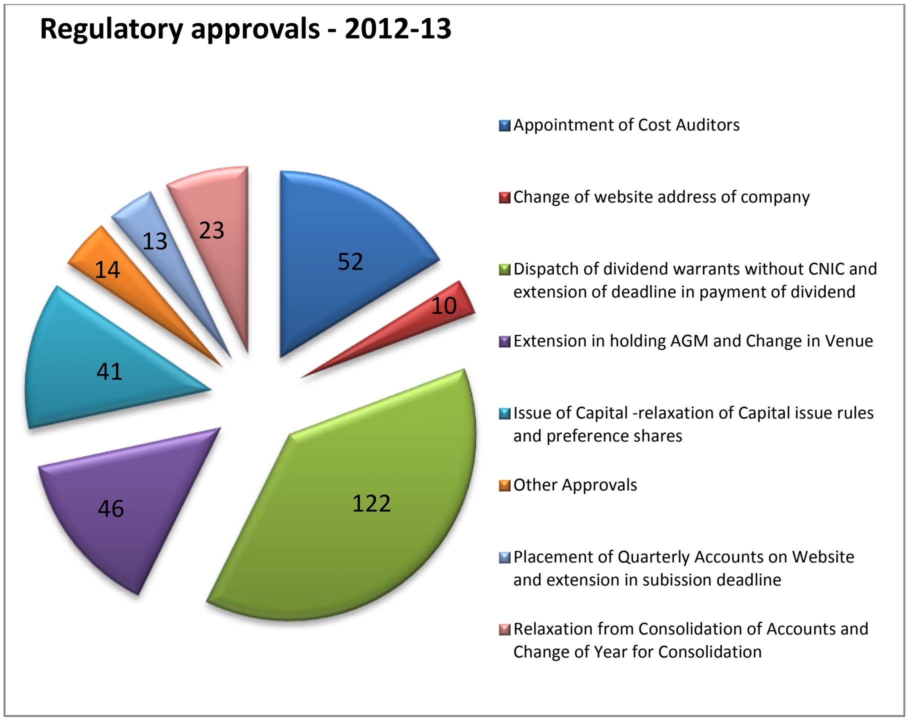
Amendment to the Companies (Registration Offices) Regulations, 2003.

Amendments to 1st Schedule to the 1984 Companies Ordinance to introduce the concepts of alternative dispute resolution mechanism, specie dividend, holding of the meetings of the board of directors through tele/video conferencing, sending of notices through email, and procedure for election of directors for companies limited by guarantee and not having a share capital.

Activation/strike-off Drive (to activate defaulter companies and strike off defunct companies).

Mandatory registration of seed companies with SECP.

Enforcement over the Corporate Sector



Monitoring and Enforcement Actions

During the year under review 1,368 audited financial statements of listed and unlisted companies were examined and explanations with regard to various issues/violations observed during the examination/review of the audited financial statements were sought. The breakdown of actions taken against the companies on account of various defaults is given as follows:

Administrative measures 2012-13			
	2012-13	2011-12	% Change
Examination of annual financial statements	1,368	837	63
Violations observed	605	552	10
Cases initiated	522	501	4
Cases concluded	463	431	7
Warnings after examination of accounts	129	106	22
On-site inspections and investigations initiated	29	15	93
Companies directed to hold overdue AGM	22	9	144

Investigations

Seven investigation proceedings in aggregate were initiated against the companies out of which 4 were against non-listed companies and 3 were related to listed companies. Moreover one investigation proceeding was concluded and the SECP is in process of filing the criminal complaint against the directors of the company.

During the year, 31 proceedings were concluded against the directors of listed companies which failed to file their quarterly accounts within the prescribed time period. Penalties were imposed in 21 proceedings, whereas 10 proceedings were concluded with stern warnings.

Future Plans

- Mandatory online filing in a phased manner (eServices Project), Online Payment System, Universal Online Inspection Facility – Provision of online access to company records.
- Draft Associations Not-for-Profit (Licensing and Corporate Governance) Regulations.
- Draft Public Sector Companies (Appointment of Chief Executive) Guidelines.
- Draft amendments to the Single Member Companies Rules, 2003.
- Draft amendments to Third Schedule to the Companies Ordinance, 1984.
- One-Stop Shop (providing facilities starting from registering a company to formally setting up its business under one roof).
- Amendments to Companies Ordinance, 1984 will be proposed for inclusion in the proposed Companies (Amendments) Bill, 2013.
- Treatment of unclaimed dividend through proposed amendments in Table A of First Schedule to the Ordinance.

- Introduction of Legal framework for registration and quality assurance proposed legislation for regulation of value's profession will be drafted.

- Proposed Postal/Electronic Ballot and Videoconferencing at General Meetings.

- Development of Industry Specific Cost Accounting Records.

- Regulations for Reverse Merger.

- Concept paper for Real Estate Regulatory Authority to be submitted to GOP.

Non-Banking Financial Sector

Non-banking financial services are being provided by leasing companies, investment finance companies (investment banks) and housing finance companies. As of June 30, 2013, there were 8 leasing companies and 7 investment finance companies. Presently, no entity within the SECP's ambit is providing housing finance services.

In order to ensure development of the NBF Sector, SECP constituted a Non-Bank Financial Sector Reform Committee. The Committee after thorough review of the existing regulatory framework, international best practices and detailed deliberations furnished its recommendations for promotion and growth of a sustainable NBF sector. The recommendations of the Committee were rolled out in March 2013. The Committee suggested the following comprehensive way forward for sustainable growth of entities engaged in non-banking financial services:

- Introduction of concept of activity based regulatory regime for Pakistan's financial markets.

- Re-defining of investment finance services model with more focus on non-fund services and product innovation.

- Framing comprehensive regulatory regimes for unregulated activities such as investment advisory services, corporate advisory services, etc.

- Creating more conducive regulatory regime to promote the concept of mid-sized non-deposit taking NBFCs.

- Introducing various risk management measures such Capital Adequacy Ratio, rationalizing leveraging capacity, etc. to protect the interest of the various stakeholders of these entities especially, depositors.

- Encouraging investment in the capital market through mutual funds, REITs, Private Equity and pension funds.

- Providing effective regulatory framework for promoting shariah compliant investments in the capital markets.

Recommendations of the Committee will be implemented after seeking feedback from all stakeholders and conducting roundtables to ensure extensive public consultation.

Insurance Division

Micro insurance

Apart from the development of regulatory framework for micro insurance, SECP is actively working with stakeholders to develop innovative solutions for the delivery of micro insurance. Certain technology-driven models have been prepared for local indigenous solutions and it is expected that with the support from international and multilateral agencies, modern intermediary models shall soon be introduced for the provision of micro insurance to the remote and rural populations.

Development of crop and livestock insurance

SECP is working to develop comprehensive guidelines for the industry enabling it to develop this product and cater to the huge demand in the market. Certain pilot projects have been designed by the stakeholders and are being executed during the current year, for which SECP has been providing supervisory advises.

Amendments in the Insurance Companies (Sound and Prudent) Management Regulations, 2012

In order to promote good corporate governance, the Commission, after the approval of SEC Policy Board notified the Insurance Companies (Sound and Prudent Management)

Regulations, 2012, which are applicable to the chief executive officers/principal officer, directors and the relevant key officers of insurance companies.

Insurance industry reforms committee

SECP constituted an Insurance Industry Reforms Committee. The Committee with its zeal and commitment is working to come up with specific recommendations for the growth and development of the insurance industry, in line with its objectives.

Licensing and Registration of Insurance Companies

SECP issued license to the Sahara Insurance Company Limited (SICL), a wholly-owned subsidiary of the Employees Old-age Benefits Institution (EOBI), to transact the non-life insurance business in the country.

Licensing and Registration of Insurance Brokers

SECP renewed the licenses of six direct insurance brokers however; fresh licenses were issued to three insurance brokers.

Draft Third Party Administrator (TPA) Regulations, 2013

SECP has developed the draft regulations for the introduction of Third Party Administrators (TPA).A TPA is a business unit, company or organization that processes medical insurance claims for a client or insurance company, which can also be regarded as a form of 'outsourcing' for insurance companies who farm out certain tasks and administration activities which are not part of their core competencies.

Product Registration and Monitoring

The product registration process has been streamlined and during the year 2102, 40 products were registered. Further, a comprehensive inventory of products has been prepared for all the products which have been registered by SECP, to the extent of available data.

Implementation of Takaful Rules, 2012

SECP has implemented the new Takaful Rules, 2012, except for allowing window operations to conventional insurance companies.

Enforcement actions

A snapshot of enforcement actions taken by the Insurance Division against its regulated entities during the period under review are as follows:

Enforcement action category	Numbers
Warning Letters	43
Show Cause Notices	48
Orders	29
Total	**120**

Surveyors' licensing and registration

A snapshot of the registration and licensing of authorized surveying officers and insurance surveyors, for the period under review is given below:

Description	Numbers
Renewal Authorised Surveying Officer	**308**
Renewal of Surveying Companies	**202**
Total	**510**

Future Plans

- Development of health insurance (SECP is encouraging and developing the insurers to develop Health Insurance.

- Development of catastrophe insurance schemes (SECP is working to help the stakeholders for developing catastrophic Insurance schemes and participated in various forums including National Disaster Management Authority (NDMA), the World Bank and the Climate Development Knowledge Network (CDKN).

- Review and development of insurance and reinsurance broaking regulations.

- Development of reinsurance regulations (for reinsurance in order to enhance the transparency and disclosure requirements).

- Online system for facultative reinsurance approvals under Rule 7 of Insurance Rules, 2002.

- Rationalization of maximum management expense limits.

- Market conduct guidance for group life insurance sector.

- Life Insurance Product Submission Mechanism.

- Accounting regulations and formats for published financial statements and regulatory returns for general and family takaful entities.

- Development of Analysis Tools in the ICRS system.

- ICRS to cater takaful operators' submission of regulatory returns.

- SAARC Insurance Regulators Conference 2014.

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY

Infrastructure Project Development Facility (IPDF) is a government owned entity operating under the aegis of Finance Division 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 investor 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 2012-2013

Operating Freight Trains

Pakistan Railway with the help of IPDF is attracting private sector to bring rolling stock for the running of cargo oil trains on

Pakistan Railways track by paying track access charges under open track access policy. The commodity-routes offered include:

i. GITA (Goods In Transit for Afghanistan) from Peshawar to Karachi.

ii. Oil from Karachi to Lalpir.

iii. Container Cargo from Karachi to Lahore.

iv. General Cargo from Karachi to Lahore.

v. Rock Phosphate from Karachi to Piranghaib.

vi. Coal and Cement from Karachi to Lalamusa and Daudkhail respectively.

Status

After conclusion of the bidding process concession agreements have been signed between Pakistan Railway and private parties. Five agreements were signed by two selected parties, namely three agreements by Pakistan International Container Terminal (PICT) and two agreements by RHT Partners. The agreements were signed in May 2013.

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 (6) 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 a private party. Negotiations on the Concession Agreement with the private party are in final stages.

Fuel Hydrant System

Fuel Hydrant system is an underground network of pipes specially designed to efficiently dispense fuel to aircrafts.

Status

The Project was re-advertised and fresh bids were called by CAA on the basis of RFP and financial model prepared by IPDF. Attock Petroleum Limited (APL) and Pakistan State Oil (PSO) jointly won the bid to develop the fuel farm on Built Operate Transfer (BOT) modality.

Pakistan Railways Passenger Insurance Scheme for providing insurance

PR is desirous of seeking proposals from insurance companies of repute dealing in group insurance to provide insurance coverage to all PR passengers who opt for Voluntary Insurance in case of any mishap (covering death, disability and injury).

Status

The concession agreement is being finalized and will be negotiated with Postal Life Insurance.

Pakistan International Airlines ATR and A320 Full Flight Simulator on Acquire/Built – Lease – Transfer (ALT) modality

The Project entails the Acquisition of the ATR and A320 Simulator Equipment on Acquire/Build-Lease-Transfer (ALT) basis.

Status

The project has been advertised and the deadline to submit bids/proposals was21 June 2014.IPDF has received a proposal from a simulator manufacturer of Netherlands.The proposal shall be evaluated by PIA.

Pakistan Railways Rehabilitation of Cairns Hospital Lahore on Rehabilitate, Operate and Transfer (ROT) modality

The Project entails the development, rehabilitation, commissioning and operation of Cairns Hospital Lahore on Rehabilitate-Operate-Transfer (ROT) basis. At the end of the concession period the Hospital and its associated setup shall revert back to PR at no cost. The length of the concession period shall not be more than 30 years.

Bus Rapid Transit System for Islamabad

BRT is a rapid mode of transportation that can provide quality rail transit and the flexibility of buses.CDA has envisioned the implementation of BRT System in the first phase which will be integrated with Mass Transit System. IPDF is involved in the Project with ADB/CDIA in developing a viable structure for the project which has been included in the pre-feasibility study.

Status

Pre-feasibility study has been completed. Project has been approved in principal by CDA board. CDA and ADB are working together to carve out a PPP structure for the project. IPDF shall be providing financial and legal assistance in rolling out the project on PPP basis.

NUST Science & Technology Park

National University of Sciences & Technology (NUST) aims to become a hub for public and private technological enhancement and development of human capital through the establishment of a National Science and Technology Park (NSTP) in its new campus at Islamabad. The NSTP goal is to encourage knowledge creation at the cutting edge and develop organization, human and social capital to compete in the global economy.

Status

A Memorandum of Understanding (MoU) has been signed between IPDF and NUST for collaboration on the proposed project. IPDF and NUST are working jointly to develop a road map for launching the project. In the first phase, NUST with technical support of IPDF shall be hiring a firm of consultants, to develop a comprehensive project feasibility.

COMPETITION COMMISSION OF PAKISTAN

Introduction

Competition Commission of Pakistan (CCP or the Commission) was established on 2nd October, 2007 under Competition Ordinance, 2007 which was later on replaced by the Competition Act, 2010 and it has a broader and more progressive mandate i.e. promoting healthy competition among economic agents.

The Commission is a quasi-judicial, quasi-regulatory, independent law enforcement agency.

Functions

- To protect competition rather than competitors.
- To facilitate business growth to achieve coordination with other agencies and the public.
- To maintain integrity in applying the law.
- To carry out studies to identify and address competition vulnerabilities.
- To engage in advocacy through various means in order to create awareness of competition issues and to promote healthy competition culture.

Activities of the Commission during financial year 2012-13

Amendments to Regulations

Two amendments were made in the regulations *i.e.* Competition (Leniency) Regulations, 2007 and Competition (Merger Control) Regulations, 2007.

Orders of the Commission

CCP has issued show cause notices to various undertakings, conducted thirty hearings, and resultantly issued decisions of major significance regarding various aspects of competition law.

Exemptions (Prohibited Agreements) under section 5 of the Act

Fifty three exemption certificates were issued out of which twenty two were in respect of new exemption applications filed with the Commission and thirty one related to renewal of exemption certificates.

Law Enforcement

Orders

The Commission passed six orders in the financial year 2012-13.

Compliances

The Commission ensured compliance with the provisions of the Competition Act by the seven undertakings prior to issuance of show cause notices to such undertakings.

Mergers and Acquisitions

Acquisition & Merger Facilitation Office (AMFO)

Sixty five merger applications were reviewed by the Commission out of which fifty eight related to acquisitions, sixto mergers and one in respect of a Joint Venture.

Office of International Affairs

The Office of International Affairs (OIA) arranged participation of the Commission's staff and members in the workshops, conferences and trainings organized by International Competition Network (ICN), Organization for Economic Co-operation and Development (OECD) and United Nations Conference on Trade and Development (UNCTAD) and other international fora.

Competition Policy & Research

Competition Assessments

The Competition Policy & Research Department finalized the competition assessment reports on the following sectors:

i. Automobile Industry of Pakistan.

ii. Private Healthcare Sector in Pakistan.

iii. Private Schooling Sector in Pakistan.

iv. Selected Global Experience in Automobile Industry Development.

v. Mapping and Eliminating Government Subsidies to Electricity Sector, PIA, Pakistan Railways and Pakistan Steel Mills.

Policy Notes

The Policy Notes consist of reasoned non-binding advice, aiming to mold policies in a pro-competition form, addressed mainly to Government and other institutions. During the period under review, the Commission issued the following policy notes to the Government and Government Agencies:

- Revenue Division on Amnesty Scheme for smuggled/seized vehicles.

- FBR and National Tariff Commission on rationalization of the duty structure of Pet Resins (PET Bottle Grade, PET Film Grade and PET Yarn Grade).

Competition Advocacy

Competition advocacy is a deliberate process of outreach that would influence the economic behavior of enterprises, elicit support for the economic principle of competition and convince stakeholders about the innate advantages of competition regime. Following efforts have been frequently done over the year to promote competition through advocacy:

i. 3rd International Conference on “Role of Competition in Fostering Trade and Investment”.

ii. Workshop on competition regime for Afghan officials.

iii. Seminar on World Competition Day 5th December 2012.

Advocacy through Media

The Commission keeps regular interactions with media to keep public equally informed about the enforcement and advocacy actions through interviews of its Chairperson to different television channels. Besides, thirty press releases were issued during the year under review to enhance the outreach of the Commission’s activities among the various stakeholders and to disseminate the information about the orders passed by the Commission.

Competition Consultative Group (CCG)

CCG serves as a platform for the Commission to adjure the responses from the stakeholders about its enforcement and advocacy strategies and furthermore the suggestions on persistent competition related issues from various genres of society. Four meeting of CCG have been held during this year.

NATIONAL INVESTMENT TRUST LIMITED

National Investment Trust Limited (NITL) is a limited liability asset management company established in 1962 and now running its affairs under Companies Ordinance, 1984. NITL declared outstanding results alongwith remarkable payouts for all Funds under its management for the year ended 30th June, 2013.

Equity Funds

NI(U)T Fund

The Company's flagship Fund, NI(U)T declared a dividend of Rs. 3.75 per unit for FY13 for its unit holders which involved a total payout of Rs.4,182 million amongst its unit holders. During FY13, the Fund earned a total return of 58.4% where its NAV increased from Rs. 26.77 (Ex-Dividend) as on 30.06.12 to Rs. 42.41 as on 30.06.13 against the benchmark KSE-100 index which increased by 52.2%. Thus, the NI(U)T Fund outperformed its benchmark by a healthy margin of 6.2%. During FY13, NI(U)T Fund realized capital gains of Rs. 4,448 million against Rs. 1,439 million in FY12, depicting a huge growth of over 209% YoY. The dividend income earned by the Fund grew by 16.6% YoY and stood at Rs. 2,822 million as compared to Rs. 2,421 million in FY12.

The Fund registered a net income of Rs. 1,365 million translating into an earnings per unit of Rs. 1.22 compared to a net income of Rs. 4,508 million translating into an earnings per unit of Rs. 3.29 last year. Nevertheless, excluding the element of income, NIUT earned an income of Rs. 7,129 million (EPU of Rs. 6.39) during FY13 from its operating activities compared to Rs. 2,577 million (EPU of Rs. 1.88) during last year, showing a remarkable growth of 177% YoY in income from operating activities. During FY13, gross sales of units (including CIP) increased by 23% and stood at Rs. 8,974 million, compared to Rs. 7,298 million in FY12.

Performance Highlights of NI(U)T Fund

	FY13	FY12	FY11	FY10
Dividend Income (Rs. million)	2,822	2,421	1,931	1,549
Capital Gains (Rs.million)	4,448	1,439	848	737
Net Income (Rs.million)	1,365	4,508	5,460	2,317
Earning/Unit Rs.	1.22	3.29	4.34	2.16
Dividend/ Unit Rs.	3.75	3.50	4.00	2.25
NAV/Unit Rs. (XD)	42.41*	26.77	28.14	25.92

* Closing NAV.

The Top 10 holdings of NI(U)T's portfolio are given below:

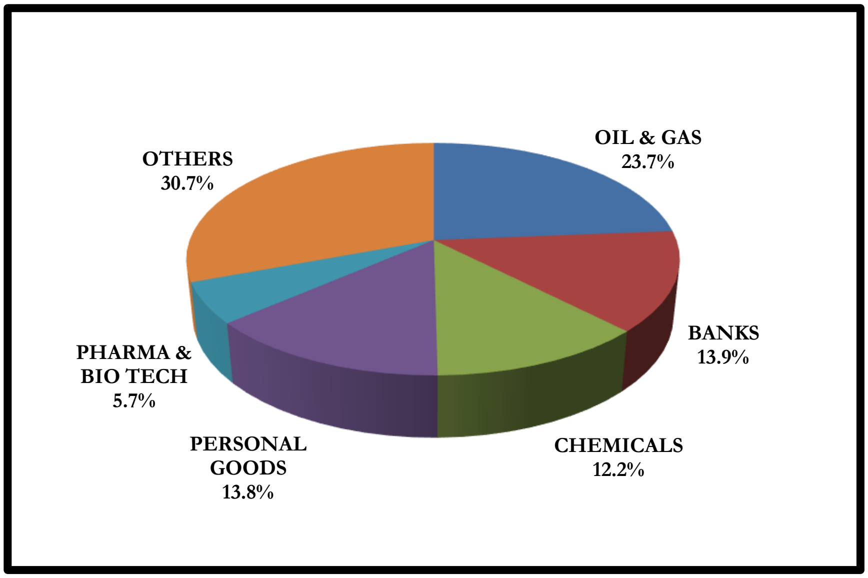
TOP 10 HOLDINGS

As on 30th June, 2013

NAME	% of NI(U)T's PORTFOLIO
PAKISTAN STATE OIL CO. LTD.	13.02
FAUJI FERTILIZER COMPANY LIMITED	7.60
BANK AL - HABIB LIMITED	5.38
BATA PAKISTAN LTD	4.26
NATIONAL REFINERY LTD.	2.98
HABIB METROPOLITAN BANK LTD.	2.69
GLAXOSMITHKLINE (PAK) LTD.	2.37
PAKISTAN OILFIELDS LTD.	2.26
PACKAGES LIMITED	2.23
SONERI BANK LIMITED	2.02

SECTORAL BREAK-UP OF NI(U)T'S PORTFOLIO

As on 30th June, 2013



NIT State Enterprise Fund (NIT-SEF)

NITL declared a bonus at the rate of 12.92% on the face value of Rs. 50/- for the unit holders of NIT-SEF.

During FY13, the Fund recorded an impressive growth of 177% in realized capital gains which stood at Rs 4,589 million against capital gains of Rs. 1,658 million in FY12. The Fund also earned a dividend income of Rs. 1,134 million compared to Rs. 1,259 million last year.

The Fund's NAV increased by 40.90% from Rs. 84.67 (Ex-Dividend) as on 30.06.12 to Rs. 119.3 as on 30.6.13 against an increase of 52.2% in the benchmark KSE-100 Index. However, since inception, the Fund has massively outperformed its benchmark by 33.94%.

As per the instructions of Government of Pakistan to gradually repay the loans obtained for NIT – State Enterprise Fund, NIT has repaid an amount of Rs 13.7 billion to the financiers of SEF till 30th June 2013 out of the total loans of Rs. 17.2 billion. Thus, the borrowing now stands at just Rs. 3.5 billion as of June 30, 2013. As a result of redemption of units to repay to the financiers of the Fund, NIT-SEF also witnessed a negative element of income. Despite the negative element of income, the Fund earned a net income of Rs. 958 million in FY13 translating into earning per unit of Rs. 4.67 against Rs. 1,201 million translating into earning per unit of Rs. 4.27 during FY12, showing a growth of over 9% in earning per unit.

NIT EQUITY MARKET OPPORTUNITY FUND (NIT-EMOF)

The Board of NITL declared a bonus of Rs. 20 per unit for its unit holders for the year ended June 30, 2013.

During the period under review, the Fund earned a net income of Rs. 849 million (earning per unit of Rs. 18.81) compared to Rs. 337 million (earning per unit of Rs. 7.10), a growth of 152% YoY in net income. During FY13, the Fund earned a dividend income of Rs. 341 million compared to Rs. 357 million in FY12 whereas, the capital gains realized by the Fund during FY13 stood at Rs. 782 million compared to Rs. 433 million in FY12, a huge growth of 80.7% YoY.

The Fund's NAV increased by 41.85% from Rs. 127.37 (Ex-Dividend) as on 30.06.12 to Rs. 180.68 as on 30.06.13 against an increase of 52.20% in the benchmark KSE-100 Index. However, since its start, NIT-EMOF has outperformed its benchmark by a healthy margin of 21.39%.During the period under review, further redemptions of 15% holdings of units were offered to the investors of the Fund.Since inception to date, the Fund has offered total redemptions of 65% to its unit holders.

FIXED INCOME FUNDS

NIT Government Bond Fund (NIT GBF)

NIT has declared a per unit distribution of Rs. 0.8803 for unit holders of NIT GBF. Those who have opted for growth units with the option to receive bonus will be allocated 8.7303 units per 100 units at the ex-dividend NAV. The NAV of NIT GBF increased from Rs. 9.9729 (Ex dividend) as on June 30, 2012 to Rs. 10.9636 as on June 30, 2013, yielding an annualized return of 9.93% compared to the benchmark return of 8.80% thereby outperforming its benchmark by a good margin of 1.13%. As of June 30, 2013, the net assets of NIT Government Bond Fund have increased by almost 53% in the current fiscal year and stood at Rs. 4.8 billion.

NIT Income Fund (NIT IF)

NIT declared a per unit distribution of Rs. 1.0590 Those who have opted for growth units with the option to receive bonus will be allocated 10.3668 number of units per 100 units at the ex-dividend NAV. The NAV of NIT IF increased from Rs. 10.2901 (Ex-Dividend) as on 30th June 2012 to Rs. 11.2743 as on June 30, 2013, yielding an annualized return of 9.56% compared to the benchmark return of 9.92% thereby underperforming its benchmark by 0.36%. As of June 30, 2013, the net assets of NIT Income Fund increased by about 40% over the current fiscal year and stood at Rs. 3.7 billion which reflects the growing confidence of investors.

Golden Jubilee of NIT

NIT has completed fifty years of its establishment and hence celebrated golden jubilee this year. Few important achievements made during the period of 50 years are highlighted below:

- 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. 81.02 billion as on June 30, 2013 which is 21% of the entire mutual funds industry and the Equity Funds under management of NITL constitutes around 77% of open-end equity funds. NIT has the largest number of investors which stands as 55,109 as on June 30, 2013.

- Since its launch in 1962, NIT has never missed a dividend payout for a single year.

- In the mutual fund industry, NI(U)T holds and maintains the largest equity portfolio not only in terms of size but also in terms of number of companies.

- NIT has always valued its unit holders and has endeavored to take a lead in extending modern services to them. NIT became a pioneer of yet another value added innovative facility of NIT/Summit Bank Co-Branded ATM card for its unit holders with collaboration of Summit Bank. This card allows the unit holders to withdraw cash instantly, round the clock, against redemption of their electronic holding, through Summit Bank and I Link ATM network anywhere within Pakistan. This offers a technology driven service, for providing a paperless redemption. Further, the number of days to meet redemption requests has also significantly been reduced.

- In order to facilitate its unit holders, a state of the art Investors facilitation centre has been established which provides additional services to its unit holders. NIT is in the process of setting up a call centre which would provide round the clock information/ facilities to its existing as well as potential investors. For fast and easy access, separate Toll Free Number is being acquired for Investors Facilitation Centre.

- During the last two years, NIT opened five new branches, two in Lahore and three in Karachi. With the addition of these five branches, the nationwide distribution network now comprises of 24 NIT branches.

- NIT, being pioneer in the mutual fund industry, fully understands its Corporate Social Responsibilities and has been playing its role towards poor/needy/neglected people by contributing generously.

MICROFINANCE

Government of Pakistan played 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:

Financial Inclusion Program (FIP)

To promote financial inclusion in the country, SBP has been implementing the Department for International Development (DFID) funded Financial Inclusion Program (FIP) with the aim to promote inclusive growth and to improve income and livelihoods opportunities for poor and marginalized groups in Pakistan. The progress and details on account of different interventions of FIP are given below:

Institutional Strengthening Fund (ISF)

In December 2008**,** SBP launched £10 million ISF facility with the objective to provide grants for strengthening the institutional and human resource capacity of the microfinance providers (MFPs). Up till now, Rs.744.722 million have been approved for 15 MFPs which cover 23 projects addressing institutional strengthening needs of the grantee institutions for Capacity Building/ HR Training, IT development, Business Plan/Strategic reviews, Market Research, Branchless Banking, Corporate Governance, Credit Ratings, Remittances, and Treasury functions etc.

Credit Guarantee Scheme for small and rural borrowers (CGS)

CGS worth £10 million was launched in March 2010 to facilitate credit to small and rural businesses for greater outreach. Under CGS, by the end June 2013, the participating banks have sanctioned loans of Rs.3,465 million (SBP risk coverage of Rs.1,402 million) to 5,473 borrowers against the approved limits of Rs. 2.634, representing a utilization of around 53.24% of the Risk Coverage Limits.

Financial Innovation Challenge Fund (FICF)

A £10 million facility that 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 first round of the Fund which was held on Government to Person (G2P) Payments has now been successfully concluded by deciding to award Rs. 505 million to six applicant institutions. The 2nd FICF Round would be held on Rural Financial services including agricultural finance and broad based Financial Services Projects using telecommunication infrastructure to promote micro payment for people who are not part of financial services.

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.

Performance indicators of Microfinance Banks in Pakistan, as of end June 2013

Rs. in million)

MFBs	Branches Nos.	Borrowers Nos.	Advances	Deposits	Depositors	Assets	Equity	Borrowings
Khushhali	110	374,338	7,580.8	5,447.3	571.3	11,573.4	2,607.4	3,127.5
First Micro	80	166,625	4,040.8	7,005.6	257.2	8,314.9	977.4	
Tameer	47	170,906	7,430.6	0,599.6	1,085.8	15,560.6	1,974.4	1,629.7
NRSP	48	176,208	4,839.1	2,497.0	96.9	7,805.1	1,357.7	3,678.0
Kashf	31	29,938	1,514.0	2,047.2	189.4	3,227.1	1,069.9	
Pak Oman	15	5,776	128.9	28.8	17.9	879.9	833.9	
Apna	11	5,851	226.4	552.2	27.7	947.0	377.0	
U Micro	2	25	0. 459	0. 13	2.9	1,150.6	1,089.1	
Waseela	13	1,460	51,.2	411.1	39.7	1,423.2	975.4	
Advans	2	242	12.8	3.0	0. 6	785.7	686.8	
Total	**359**	**931,369**	**25,825,.0**	**8,591.9**	**2,289.4**	**51,667.8**	**11,949.2**	**8,435.21**

PROVINCIAL FINANCE WING

Role of PF Wing

Provincial Finance Wing of the Finance Division is mainly concerned with implementation of National Finance Commission (NFC) Award, Federal transfers to the Provincial Governments, AJ&K Government and Gilgit-Baltistan Government under different circumstances from time to time. 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. In accordance with Article 160(1) of the Constitution of Pakistan 1973, the NFC is setup at the intervals not exceeding five years. Existing 7th NFC was finalized on 12th December 2009 and was made effective from the 1st of July, 2010.

Federal Transfers have two broad categories i.e. divisible pool and straight transfers.The divisible pool transfers include Income Tax, Wealth Tax, Capital Value Tax, Sales Tax, Federal Excise Duty & Custom Duties which are reported by the FBR whereas straight transfers include Gas Development Surcharge, Royalty on Crude Oil & Natural Gas, Excise Duty on Natural Gas and GST on Services. These are reported to Finance Division by the Ministry of Petroleum to the exception of Excise Duty on Natural Gas and GST on Services which are reported by the FBR. Accordingly, a profile of federal transfers to provinces during FY 12-13 is as under:

(Rs. in billions)

	Punjab		Sindh		Khyber Pakhtunkhwa		Baluchistan	
Components	B.E	Release	B.E	Release	B.E	Release	B.E	Release
Divisible Pool	568.235	560.999	229.620	266.187	179.857	177.567	114.206	114.206
Straight Transfers	9.826	8.318	56.157	54.550	24.215	22.041	13.281	11.116
Total	**578.061**	**569.317**	**285.777**	**320.737**	**204.072**	**199.608**	**127.487**	**125.322**

Other misc. Non-Development Grants to the Provinces

In addition to the NFC related transfers, Federal Government also releases funds to provinces on account of miscellaneous non-development expenditures. A profile of such releases to provinces during FY 12-13 is as under:

(Rs. in billions)

Component	Punjab	Sindh	K.P.K	Balochistan	Total
Grants to offset Losses of abolition of OZT	-	7.156	-	-	**7.156**
Net Hydel Profit	5.117	0.0	25.00	-	**30.117**
Grant to Balochistan in Lieu of Arrear of GDS 2002-03 to 2009-10	-	-	-	2.000	**2**
Grant to Balochistan in Lieu of Arrear of GDS 1991-92	-	-	-	10.000	**10**
Grant for creation of 5000 posts under **"AHBP"**	-	-	-	0.870	**0.87**
Grant-in-aid Over Draft Payment to SBP)	-	-	-	3.596	**3.596**
Others non development (Grant-in-Aid to province through PM's directive)	0.007	5.045	0.0	1.000	**6.052**
Total	**5.124**	**5.045**	**25**	**17.466**	**52.635**

Funding of Vertical Programs

As a consequence of 18th Amendment to the Constitution of Pakistan-1973, various Federal Ministries/Divisions were devolved. Some of the ongoing projects being run under devolved Ministries/Division of Health & Population were taken over by the Federal Government. The authorization for release of fund made by P&D Division in such cases whereas, Finance Division released the amount from its demand No. 121- Other Development Expenditure. In this regard, Finance Division released the following amounts on account of funding for vertical program under devolved Ministries/Division during FY 12-13.

(Rs. in billion)

S#	Name of Province	Projects	Allocation(through TSG) (R.E.2012-13)	Funds Provided
1.	Punjab	08	9.528	9.528
2.	Sindh	08	4.354	4.354
3.	Khyber Paktunkhwa	08	2.690	2.690
4.	Balochistan	08	1.452	1.452
5.	AJ&K	08	0.578	0.578
	Total:	**40**	**18.602**	**18.602**

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 12-13, the position of funds released by the Finance Division to the provinces as per authorization of P&D Division is reflected as under:

(Rs. In billion)

Province	No of Projects	PSDP Allocation	Releases
Punjab	15	2.246	1.015
Sindh	23	4.505	2.610
Khyber Pakhtunkhwa	09	0.477	0.136
Baluchistan	25	4.677	2.361
Total	**72**	**11.905**	**6.122**

Recoveries of Cash Development Loan (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 Generals for local currencies and Economic Affairs Division (EAD) for foreign exchange. A profile of recoveries made in this regard during FY12-13 is as follows:-

(Rs. in billion)

Province	Principal	Interest	Total
Punjab	19.278	5.540	24.818
Sindh	6.775	4.034	10.809
Khyber Pakhtunkhwa	4.059	2.612	6.671
Balochistan	3.470	0.690	4.16
Total	**33.582**	**12.876**	**46.458**

Ways and Mean Advances To AJ&K

(Rs. in billion)

	Principal	Interest	Total
AJ&K	2.6	9.06	**11.66**

Federal Transfers To AJ&K

Federal Govt. 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 Govt. 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 Govt. picks up the gap of revenue and current expenditure of AJ&K as Revenue deficit Grant. Accordingly, the funding profile during FY 2012-13 is as follows:-

(Rs. in billion)

Sr.No.	Components	Allocation 2012-13	Release
(a)	Federal Grant	11.400	11.400
(b)	Revenue Deficit Grant	5.100	10.1
	Total	**16.5**	**21.5**

In additional to above, the Federal Government also funds annual Development program of the Government of AJ&K through block allocation by the P&D Division. Releases are made by the Finance Division on authorization of P&D Division. Therefore, funding profile of ADP of AJ&K Government for F.Y 12-13 is as follows:

(Rs. in billion)

Components	No. of projects	Allocation 2012-13	Release
ADP		9.557	9.047
Federal Projects	05	2.251	306.2
Total		**11.808**	**315.247**

Federal Transfers To Government of Gilgit-Baltistan

Prior to FY 11-12, 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 2012-13 is as follows:-

(Rs. in billion)

	Allocation 2012-13	Total Release
Grant in Aid to Gilgit Baltistan	11.000	14.790
Total	**11.000**	**14.790**

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 package 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 Govt.

- 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 relating to pay and pension of (a) President of Pakistan (b) Prime Minister of Pakistan (c) Ministers (d) Governors of the provinces (e) Services Chiefs (f) Chief Justice and judges of Supreme Court of Pakistan (g) Members of Parliament (h) Speaker/Deputy Speaker National Assembly (i) Chairman/Deputy Chairman Senate.

- Matters relating 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 G.P. Funds, pension contribution during deputation of civil employees to autonomous bodies and vice versa.

- Issues relating to house building advance and conveyance advance.

- Determination of rates of TA/DA.

- Terms and conditions of deputation on training within Pakistan and abroad.

- TA/DA on transfer from foreign Missions to Headquarter and vice versa.

- 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 2012-13

- Granted 20% Adhoc Relief Allowance – 2012 to all Federal Government employees as well as Armed Forces and Civil Armed Forces, w.e.f. 1-7-2012.

- Rates of Qualification Pay, Senior Post Allowance, Traveling/ Mileage Allowance and Orderly Allowance etc have been revised, w.e.f. 1-7-2012.

- Granted 20% increase in net pension to all civil pensioners of the Federal Government, Armed Forces, Civil Armed Forces and civilian paid out of Defence estimates.

- Vide OM No. F.13(11) Reg.6/2011 dated 17-10-2012, Finance Division decided to amend para-I of its O.M. No. F.4(1) Reg.6/2009 dated 13-7-2009 to allow 20% instead of 15% increase in pension to all those pensioners who retired on or before 30-11-2001.

- Approved Special Additional Pension to the retired civil officers of BPS-20 and above, equal to the Orderly Allowance admissible to in-service officers, w.e.f. 1-1-2013. This pension will increase equal to Orderly Allowance whenever it is revised in future.

- Finance Division decided to implement the judgment of Federal Service Tribunal, Islamabad dated 5-1-2012 upheld by Supreme Court of Pakistan on 24-4-2012 in respect of litigants and all the equally placed pensioners regarding admissibility of periodical increases in pension on restored portion of commuted value of pension.

- Increased pay and allowances of Superior Judiciary w.e.f. 1-7-2012 as under:

Increase in pay and allowances of Superior Judiciary w.e.f. 1.7.2012	Increase in Pay		Increase in Superior Judicial Allowance	
	Existing	Revised	Existing	Revised
Chief Justice of Supreme Court	Rs.448,221/-	Rs. 537,865	Rs.196,219/-	Rs. 235,463
Judges Supreme Court	Rs.423,414/-	Rs. 508,097	Rs.196,219/-	Rs. 235,463
Chief Justice High Court	Rs.415,424/-	Rs. 498,509	Rs.156,975/-	Rs. 188,370
Judges High Court	Rs.399,447/-	Rs. 479,336	Rs.156,975/-	Rs. 188,370

- President House Allowance admissible to the employees of Presidents House (Public & Personal) and Prime Minister Secretariat (Public and Personal), equal to one month's basic pay frozen at the level of its admissibility as on 30-6-2011, was uncapped and allowed on BPS-2011 w.e.f. 18-3-2013.

- Granted Audit and Accounts Allowance @ 20% of basic pay to all officers and staff of Controller General Accounts and Auditor General of Pakistan, w.e.f 1-3-2013.

- Granted Special Allowance @ 20% of running basic pay per month to the employees working in Federal Ministries and Divisions only, w.e.f. 1-3-2013.

- Granted Commission Allowance @ 20% of salary per month to all officers and staff working in Federal Public Service Commission, w.e.f. 1-1-2013.

- Granted Hardship Allowance @ 100% basic pay to the employees of National Accountability Bureau, w.e.f. 22-3-2013, subject to cessation of Ad-hoc Allowance @ 50% of basic pay allowed since July 2010.

- Increased Special Security Incentive Allowance allowed to Security staff of the President Secretariat (Public and Personal) and Prime Minister Secretariat (Public / Internal), who are on pay roll of the President Secretariat and Prime Minister Secretariat, from 15% to 40% of the basic pay. Other security staff will get the said allowance @ 25% of their basic pay.

- Revised Electricity/ Fuel Subsidy allowed to Presidents and Prime Minister's Secretariat, w.e.f. 1-1-2013 as under:-

BPS 1-9	30% of pay subject to minimum of Rs. 1500/- per month
BPS 10-18	25% of pay subject to minimum of Rs. 2000/- per month

- Revised rates of Late Sitting Conveyance Charges allowed to employees in BPS 1-15 as under, w.e.f. 13-3-2013:

Description	Days	Existing Rate	Revised Rate
For officials in BS 1-16 (Non-gazette) Excluding Driver/DR	On working days	Rs.50/- per day	Rs.100/- per day
	On closed holidays	Rs.75/- per day	Rs.125/- per day

- Revised Overtime Allowance to the staff car drivers and dispatch riders w.e.f. 1-8-2012, as under:

Category	Description	Existing Rate	Revised Rate
Staff car driver/DR	Overtime Allowance	Rs.20/- per hour	Rs. 25/- per hour
	Maximum Limit	Rs. 120/- per day	Rs.150/- per day

- Allowed House Rent Allowance to Husband/ wife who are living with his/her spouse in government accommodation allotted to his/her spouse, w.e.f. 18-4-2013, in pursuance of the judgment of Federal Shariat Court dated 12-12-2012.

- Allowed Special Pay @ 25% of pay and Hard Area Allowance @ 50% to the civil employees of Federal Government as well as those civilian employees paid from the Defence Budget, working in Gilgit Baltistan, in the light of judgment passed by Supreme Appellate Court Gilgit Baltistan on 1-6-2010.

- Granted 20% of basic pay and facility of one driver or an orderly to all officers in BPS-22 as well as Lt. Generals and equivalent to BPS-22 on their retirement.

- Allowed payment of monetized value of salary of a driver or an orderly to all retired officers in BPS-22 including Federal Secretaries as well as Lt. Generals and equivalents on their retirement.

- Granted Adhoc Relief Allowance-2012 @ 20% of basic pay to the executive/ supervisory staff of autonomous / semi autonomous bodies, corporations etc.

- Revised Rule 19 of the Revised Leave Rules 1980 to allow 365 days leave encashment instead of 180 days, w.e.f. 1-7-2012.

- Management positions scales have been revised and enhanced by nearly 35% of basic pay.

- Ex-gratia pension of pensioners/family pensioners of former East Pakistan (Now Bangladesh) has been increased from Rs.1000/- to Rs.2000/- and Rs.500/- p.m. to Rs.1000/- p.m. respectively w.e.f. 29-04-2013.

- Finance Division w.e.f.1-7-2012 revised rates of Motor car and Motor Cycle/ Cycle Advances.

LITIGATION WING

Functions of Litigation Wing

As per job description, Litigation Wing of Finance Division has the following main functions:

Legal Sections

- Getting prepared parawise comments by 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.

Section (R-10)

- Revision of rates of Daily Allowance, Mileage Allowance, Traveling Allowance, Messing Allowance, Uniform Allowance, Non-Practicing Allowance, Transfer Grant, and Travel by Air.

- Clarifications on Reimbursement of Medical facilities.

- Appointment of Authorized Medical Attendant at Pakistan Missions Abroad.

Section (R-14)

- Vetting of Ordinances, Acts and Resolutions of newly established organizations under the Federal Government.

- Vetting of Financial and Service Rules/Regulations made in pursuance of the provisions of the Ordinance, Acts and Resolutions.

- Bonus Policy and approval for grant of bonus to the officers employed in public sector organizations.

- Examination of proposals received from M/o Housings & Works regarding enhancement of rental ceiling for hiring of houses for Federal Government employees, and its submissions/endorsement to the Prime Minister for approval.

- Examination/approval for payment of rent of office accommodation received from Ministries/ Divisions Departments which are in excess of prescribed rental ceiling.

- Project Allowance.

- Extra-ordinary pension under Central Civil Services (EOP) Rules/Extraordinary family pension.

- Compensation Package for Civil Armed Forces/ICT Police/Intelligence Bureau and other Government Employees who die in service.

- Pay Package for project staff recruited for development projects funded from PSDP.

Performance of Litigation Wing during Financial Year 2012-13

Name of Court	**No. of cases processed**
Supreme Court of Pakistan	43
Balochistan High Court, Quetta	08
Sindh High Court, Larkana	09
Sindh High Court, Karachi	50
Sindh High Court, Hyderabad	02
Sindh High Court, Sukkur	01
Civil Courts	01
FST, Lahore	50
FST, Islamabad	248
Peshawar High Court	83
Lahore High Court, Lahore	78

Name of Court	No. of cases processed
Lahore High Court, Rawalpindi Bench	12
Lahore High Court ,Multan Bench	07
Lahore High Court, Bahawalpur Bench	01
Federal Shariat Court	06
Labour Court	01
Civil Courts/Chief Court, Gilgit	08
Islamabad High Court	240
Miscellaneous	01
Total:	849

Instructions issued by Litigation Wing (Regulation 10 & 14 Sections)

In the Financial Year 2012-2013, following instructions/ amendments in the existing rules were circulated by the Litigation Wing:-

No. of circular	Dated	Subject
F.8(1)R-10/2011-318	17-08-2012	Under this O.M. Revision of Daily Allowance on official duty within country has been made with effect from 1st August, 2012.
F.12(4)R-14/05-378	03-01-2013	Enhancement of 3.00 million of death compensation from the existing 0.8 million for Federal Levies Force stationed at FATA/PATA Khyber Pakhtonkhua Province with effect from 19-04-2010.

In addition to the above, approximately 1185 cases received from various Ministries/Divisions of the Federal Government, were disposed of by Regulation 10&14 Section of the Litigation Wing in the Financial Year 2012-13.

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 $ 24.5 Million.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 are now been completed except, 3 FI (Financial), 17 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 allfive sites (AGPR Islamabad and four provincial headquarters) completed.

- Poverty Reduction Strategy Programme (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 from close of relevant financial year, and equipping the audit offices with modern accessories.

- 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 Sect oral 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 field.

- 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 2012-13 have been as under:

- One thousand and twenty one (1021) resources of OAGP imparted training in the fields of FAM, CAATs (ACL), PFM, Environmental Audit and PIPFA.

- One hundred and thirty two (132) staff of various offices falling under CGA i.e. AGPR/AG/DAO and AG AJK trained in the fields of NAM and SAP.

- Three thousand and seventy two (3072) 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 2012-2013, Rs.122.782 million was disbursed against the final GoP Grant of Rs.137.923 million. An expenditure of Rs.1255.009 million was incurred against IDA fund of Rs.1255.326

Outcomes

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

- Federal, Provincial & District Governments (except Baluchistan) 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.

Sustainability Plan

FABS Directorate of PIFRA through SAP CC, the central organization, is responsible for operations and maintenance of systems network. This will continue during the AF Phase. 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 from Financial Year 2013-14 onwards.

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 action.

Line Ministries/ Departments Implementation Status		
Area	**Total Divisions/ Departments**	**Completed**
Federal	42	42
Punjab	38	38
Sindh	40	40
KP	36	36
Balochistan	43	43
Total	199	199

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 Receipt and Payment to the O/O the AGPR for incorporation in Finance account every month. Issue of all kinds of Judicial and non Judicial Stamps Papers to the general public of Islamabad. Moreover the huge receipt is generated through sale proceed of Stamp Papers etc from the Strong Room of this office.

Major Functions/activities of this office are as under:

- Compilation/Preparation of Federal Payment 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 payment & 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.

PAKISTAN MINT LAHORE

Pakistan Mint

Pakistan Mint is a service department under Ministry of Finance and is charged with Minting of coins against the demand from the State Bank of Pakistan.

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

Pakistan Mint has delivered 196.738 (million) coins in Nos. worth of Rs.288.844 million.

S.#.	NAME OF ARTICLES	QUANTITY IN NOS. (MILLION)	VALUE IN RS. (MILLION)
A-COINS			
1.	Re-1 Aluminum	104,632,000	104,632,000
2.	Rs-2 Aluminum	92,106,000	184,212,000
3.	Rs-5 ------------	---	---
	Total	**196,738,000**	**288,844,000**

In addition the revenue worth Rs. 52.572 has also been earned against the other Jobs executed during 2012-2013 as detailed below:

S.No.	B-JOBS EXECUTED OTHERS THAN COINS	QUANTITY IN Nos.
1.	Medals/Badges.	16542
2.	Coins Pieces	7180
3.	Stamps and Seals.	389
4.	Year Type / Month Type & Date	45599
5.	Coat Flag / Lapel Pins	1653
6.	P.P. Seal / Sealers / P.M. Seals	340
7.	Shield & Crest	21
8.	Scales / Weight / Chancellor Scale	54
9.	Embossing Machine	26

S.No.	B-JOBS EXECUTED OTHERS THAN COINS	QUANTITY IN Nos.
10.	Special Seals & Seal Digit	137
11.	Paper Cutters	87
12.	Tent Pager / Uryal / Gilding & Monogram	1234
13.	Strips/Cufflinks	24
14.	Velvet Box & Ribbons	871
15.	Key Rings & Buttons	217
16.	Brass Seal / Sealing Bits	65
17.	Year Punches	575
18.	Sealing Pliers	12
19.	Canteen Token	4600

SUMMARY

Value of the Coins delivered to State Bank of Pakistan		=	Rs.	288.844 million
Revenue earned against the Jobs		=	Rs	52.572 million
executed other than Coins	Total	=	Rs.	341.416 million

DEBT POLICY COORDINATION OFFICE (DPCO)

Debt Policy Coordination Office (DPCO) acts as a secretariat for the Fiscal Responsibility and Debt Limitation 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 and
- 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 prepare and present to the Parliament following documents every year:-

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

During 2012-13, 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 2011-12 and first quarter of fiscal year 2012-13. 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.

Position of Public Debt during 2012-13

As at end-June 2013, public debt reached at Rs.14,312 billion, an increase of Rs.1,644 billion or 13 percent higher than the debt stock at the end of last fiscal year. Public debt as a percent of GDP reached at 62.5 percent of GDP by end-June 2013 compared to 63 percent during the same period last year. The primary source of increase in public debt during 2012-13 was increase in domestic debt that positioned at Rs.9,504 billion represented an increase of Rs.1,867 billion, whereas, external debt posed at Rs.4,808 billion represented a decrease of Rs. 222 billion as compared to end-June 2012.

Pakistan External Debt and Liabilities (EDL) stock was recorded at US$ 59.6 billion as of June 2013 represented a decrease of US$ 6.24 billion compared with the last fiscal year. As a percentage of GDP in dollar terms, EDL stock was down by 405 basis points as compared to end-June 2012 and approximated to 25.2 percent of GDP. EDL has been dominated by Public and Publicly Guaranteed Debt having share of 74 percent owing to current account deficit which is financed through loans from multilateral and bilateral donors. Debt obligations of the private sector are fairly limited and have been a minor proportion of EDL (5 percent). Borrowing from IMF contributed 7 percent in EDL Stock which was intended for Balance of Payment (BoP) support and is reflected in foreign currency reserves of the country.

Pakistan's public debt position declined slightly in the current fiscal year owing to host of internal and external factors. Internally, the fragile law and order situation, growing burden of subsidies, ailing Public Sector Enterprises (PSEs) and increasing debt servicing requirement caused substantial fiscal imbalance. On the other hand, things remained equally challenging on the external front where the foreign exchange outflows outstripped foreign inflows, putting immense pressure on the exchange rate and drawdown on official foreign currency reserves. Prudent government policy will be necessary to address the issue of public debt.

Fiscal Situation 2012-13

The fiscal year 2012-13 began with testing time for the Pakistan economy to face further pressure on both internal and external front from various sources. The government put efforts to tackle the economic slowdown created by macroeconomic imbalances of the past and the volatile international commodities prices. Tough fiscal challenges had to be dealt with and maintain a critical balance between providing “inevitable” subsidies and their tradeoff impacts. The unresolved structural problems carried forward with the severe energy shortage, the situation was further aggravated by scarcity of resources as a result of non-materialization of privatization proceeds, Coalition Support Fund (CSF) and delay in 3G license auction. Owing to increased challenges faced by the economy and lost growth momentum in the past few years, real GDP during 2012-13 grew at 3.6 percent compared to 4.4 percent in the previous year.

Medium Term Budgetary Statement 2013/14 – 2015/16

Medium-Term Budgetary Statement 2013/14-2015/16 was presented to the Parliament with the Federal Budget of 2013-14. This statement provided overall medium term macroeconomic framework and three-year rolling targets for key economic indicators.

According to the statement, the government plans to reduce its fiscal deficit to 4.0 percent by fiscal year 2015-16 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.

Government will continue its efforts of fiscal tightening and net zero quarterly borrowing from State Bank of Pakistan that will assist reducing inflationary pressure leaving some space for government’s service delivery and investment. Government also intends to pay off the outstanding stock of SBP credit in next 6 years. Adjusted for repayments to the IMF, the total debt to GDP ratio is projected to be around 55 percent of GDP by fiscal year 2015-16. The future of debt sustainability presents an optimistic outlook in the wake of tight fiscal policy as envisaged by the government over the medium-term. Real growth of revenues has been projected higher than the real growth of debt that will ensure reduction in total public debt as times of revenue. Provision of fiscal space by bridging the revenue-expenditure gap, sustaining growth momentum and achieving robust real growth in revenue collection will allow for a significant reduction in the debt burden in the medium-term. Total public debt as a percentage of GDP is estimated to stay at 63.5 percent by the end of the current fiscal year. In the next fiscal year, total public debt ratio is expected to improve to 61.3 percent of the projected GDP. In the medium term, this ratio would further improve to 55.1 percent in 2015-16.

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, and the formulation of a medium-term debt strategy that ensures the government's medium-term financing requirements are met in a timely and cost efficient manner without placing undue burden on the economy remain key priorities for the DPCO going forward.

PCPPI—102(14)Finance Division—21-02-2014—150.