



# YEAR BOOK

## 2014-15



Government of Pakistan  
Finance Division  
Islamabad



# **Year Book 2014–2015**

**Government of Pakistan  
Finance Division  
Islamabad  
[www.finance.gov.pk](http://www.finance.gov.pk)**



## **Mohammad Ishaq Dar**

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

## Foreword

I appreciate that the Finance Division has prepared a Year Book that collaborates its work performance, achievements and progress made during the Financial Year 2014-15.

Pakistan's economy witnessed higher and broad based economic growth during last two year of the present government (2013-14 and 2014-15) accompanied by significant recovery in industrial and services sectors and moderate growth in agriculture sectors. The fiscal year 2013-14 witnessed growth of 4.03 percent and this trend continued with improvement in 2014-15 as GDP posted a growth of 4.24 percent. This is the highest growth since 2008-09.

Inflation has been kept firmly at single digit and contained at 4.53 percent during FY 2014-15 as compared to 8.62 percent during FY 2013-14. The prudent fiscal and effective monetary policies coupled with regular monitoring of prices both at federal and provincial level along with decline in international commodities and fuel prices helped in containment of inflation. The present government also passed on the benefits of reduction in international oil prices to consumers as compared to its peers. Pakistan has gone beyond many regional countries in passing on the relief to domestic consumers. The broad-based tax reforms have also been undertaken by present government to improve the tax collection.

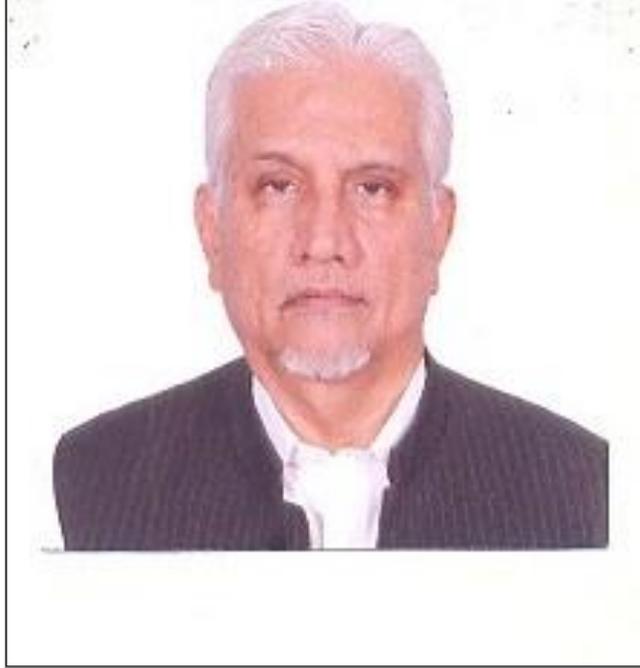
The external sector remains stable on the back of robust growth of remittances which reached to the level of above US\$ 18 billion. The foreign exchange reserves which were at the lowest level of \$7.58 billion in February, 2014 has been increased to \$20.7 billion as on 14<sup>th</sup> December, 2015 with a capacity to finance over 5 months of the country's import bill.

In view of the improved macroeconomic stability, the International agencies have upgraded the rating on Pakistan from stable to positive position.

I hope that, this year book will be helpful to the readers about the accomplishments made by the various wings and its constituent organizations of the Finance Division. This book will be a useful source of information for all the stakeholders and serve as an important source for the readers and researchers in particular.

**SENATOR MOHAMMAD ISHAQ DAR**

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



**Dr. Waqar Masood Khan**  
**Finance Secretary**

## Preface

In pursuance of Rule-25 of the Rules of Business 1973, Finance Division publishes a Year Book each year for information of the Cabinet and the general public containing details of activities / achievements undertaken by various wings and its constituent organizations during the year under review with reference to the mission statement and the various functions assigned to the Finance Division.

The Year Book elaborates functions, organization structure, area of responsibilities, working set up and chain of command which is largely embedded in the activities and accomplishments during fiscal year 2014-15. This Year Book is prepared to serve as a source of convenience and easy access about the achievements of Finance Division as a whole and also individually of its attached departments and organizations in the area of policy and economic development.

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. Despite the external and internal challenges, Pakistan's economy is expected to grow by continuing structural reforms including energy sector reform, improved public expenditure management, investment in CPEC, product diversification and promoting regional trade and better domestic resource mobilization under the regime of the present government.

I appreciate the work done by the staff and the officers of the Finance Division in preparation of this Year Book. I hope that this document will be informative and useful to its readers. Soft version of this Year Book 2014-15 can be downloaded from the website [www.finance.gov.pk](http://www.finance.gov.pk). We would appreciate suggestions / comments and feedback to improve the quality of this book in future.

**Dr. Waqar Masood Khan**  
Finance Secretary

## **COMPILATION TEAM**

**Mr. IFTIKHAR AHMAD**  
Joint Secretary (HRM)  
**(Head of Compilation Team)**

**Mr. MIR AFZAL KHAN**  
Deputy Secretary (Services)

**SYED BUNIAD HAIDER**  
Section Officer (Doc/CSD)

**Dr. Syed Nayyar Shah**  
Budget Publication Officer

**MR. IZHAR KHAN**  
Assistant (Doc)

**Mr. SAJJAD ANWAR**  
Stenotypist (Doc)

### **Vetted by:**

**MR. ZAILA HUSNAIN**  
Deputy Economic Adviser

### **Composed by:**

**MAQSOOD AHMAD KHAN**  
Composer

**MUHAMMAD NAEEM AKHTAR**  
Composer

# CONTENTS

	Page No.
<b>Foreword</b>	<b>iii</b>
<b>Preface</b>	<b>v</b>
<b>Compilation Team</b>	<b>vi</b>
<b>Vision Statement</b>	<b>1</b>
<b>Mission Statement</b>	<b>2</b>
General	3
Future Goals of Finance Division	5
Organizational Chart of the Finance Division	6
<b>Human Resource Management (HRM) Wing</b>	<b>7</b>
<b>Budget Wing</b>	<b>20</b>
Functions of Various Section of Budget Wing	21
Type of Budget	26
Role of Parliament	31
Role of Standing Committees	33
Medium Term Budgetary Framework (MTBF)	40
Central Directorate of National Savings (CDNS)	41
<b>Corporate Finance Wing</b>	<b>46</b>
<b>Economic Adviser's Wing</b>	<b>50</b>
<b>Expenditure Wing</b>	<b>53</b>
<b>External Finance Budget Wing</b>	<b>58</b>
<b>External Finance Policy Wing</b>	<b>60</b>
<b>Implementation and Economic Reforms Unit (IERU) Wing</b>	<b>65</b>
<b>Finance Division (Military)</b>	<b>70</b>
<b>Development Wing</b>	<b>73</b>
<b>Internal Finance Wing</b>	<b>75</b>
Zarai Taraqiati Bank Ltd. (ZTBL)	75
SME Bank Limited	78

House Building Finance Corporation	78
Pakistan Security Printing Corporation	80
Pakistan Mint	82
Financial Monitoring Unit (FMU)	82
National Bank of Pakistan	85
First Women Bank Limited	87
<b>Investment Wing</b>	<b>91</b>
Securities and Exchange Commission of Pakistan	99
Infrastructure Project Development Facility	122
Competition Commission of Pakistan	124
National Investment Trust Limited (NITL)	131
Nit Equity Market Opportunity Fund (NIT-EMOF)	133
Income Funds	134
<b>Provincial Finance</b>	<b>137</b>
<b>Regulations Wing</b>	<b>144</b>
<b>Litigation Wing</b>	<b>149</b>
<b>Attached Departments/Subordinate Offices</b>	<b>155</b>
Auditor General of Pakistan	155
<b>Controller General of Accounts (CGA)</b>	<b>158</b>
Federal Treasury Islamabad	160
Debt Policy Coordination Office (DPCO)	161

**VISION STATEMENT  
OF THE  
FINANCE DIVISION**

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

**MISSION STATEMENT  
OF THE  
FINANCE DIVISION**

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

## GENERAL

### Functions of the Finance Division

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

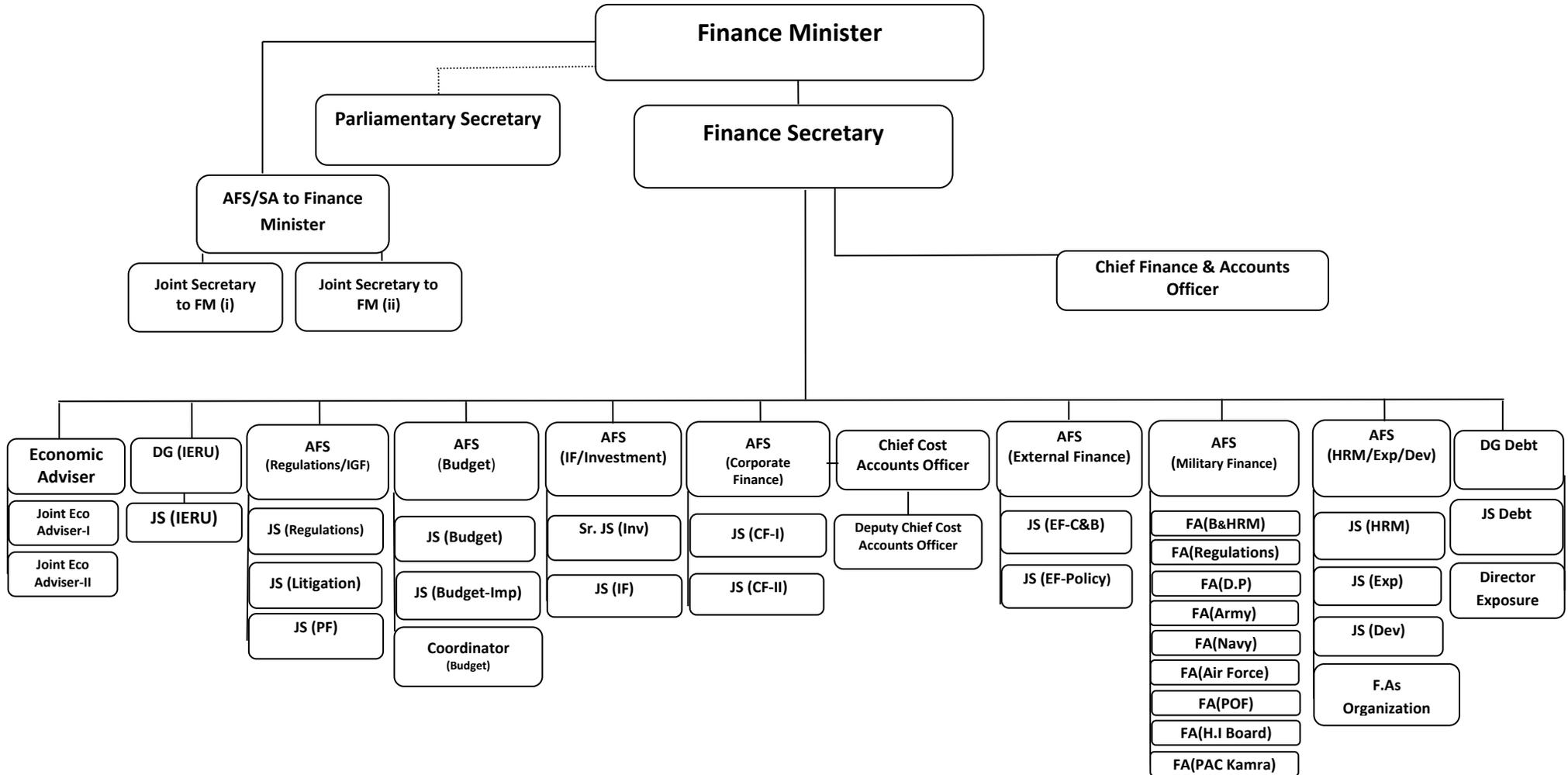
1. Finances of the Federal government and financial matters affecting the country as a whole.
2. The Annual Budget Statement and the Supplementary and Excess Budget Statements to be laid before the National Assembly; the schedules of authorized expenditure.
3. Accounts and Audit.
4. Allocation of share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

## **FUTURE GOALS OF FINANCE DIVISION**

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

# ORGANIZATION CHART OF FINANCE DIVISION



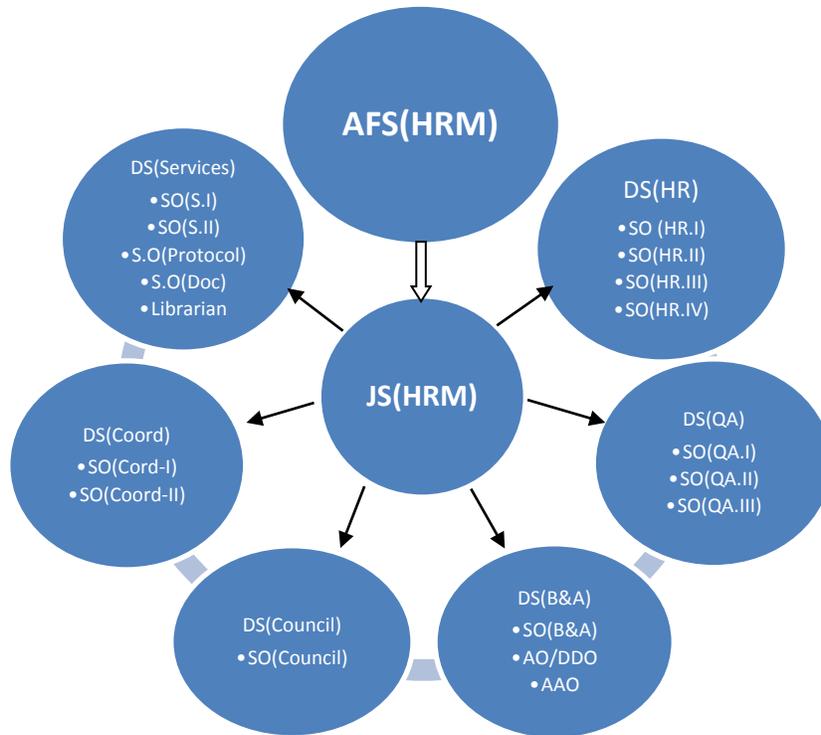
## HUMAN RESOURCE MANAGEMENT (HRM) WING

### INTRODUCTION:

Human Resource Management commonly known as Administration Wing plays pivotal role in an organization to steer and manage its workforce and all other affairs with an objective to achieve the goals of the organization in the given timeframe. In Finance Division, HRM Wing worked for staffing, restructuring and facilitation of the top management and leadership in completion of their task by the end of the year 2014-15.

Finance Division is an ISO certified Division. Therefore, HRM Wing, in compliance with the ISO standards, focuses on service delivery, governance and continuously analyze the quality and output of all its Wings. This objective in view, the Wing invites suggestions from all the Ministries/ Divisions/ Departments and Provincial Governments for further improvement and to strategize further plan of action. For the purpose, all the officers and staff of the Wing work as a team. Organogram of the Wing is shown hereunder:

### ORGANOGRAM OF HRM WING



As the contours of administration are changing globally, there is a need for continuous reforms. The wing is in the effort to meet the requirements of

officers and staff besides working for the meritocracy, transparency, career advancement, capacity building and gender quality. In the 2<sup>nd</sup> half of the FY, when the process of budget preparation is geared up, the wing has to double its efforts to ensure that no hiccup comes in the way for completion of this task till the passage of Finance Bill by the Parliament. Other Parliament business i.e. Questions/Answers, Call Attention Notice, Cut Motion, meetings of Select Committees is also handled. In this regard, Council Section of HRM Wing also acts as coordinator for disposal of Parliament Business relating to Economic Affairs Division, Revenue Division/FBR, Statistics Division and Privatization Commission.

To accomplish the multifarious responsibilities, the team of officers and staff comprising 06 Deputy Secretaries, 11 Section Officers, an Accounts Officer, Assistant Accounts Officer, a Librarian and 250 staff members as shown in the organogram of the Wing, discharge their responsibilities with devotion and dedication round the clock. The Wing functions under Joint Secretary (HRM) with the guidance and supervision of Finance Secretary and Additional Finance Secretary (HRM). The Joint Secretary (HRM) also acts as FA (Establishment, FPSC, NSPP) beside supervising the budget of Finance Division (Main).

#### **MAIN FUNCTIONS PERFORMED DURING THE YEAR**

Human Resource Management Wing engage itself with General Administration, Provision of services amenities and equipment, renovation of office buildings, printing documents/Notifications/Press advertisement, Newsletters, Book sets, Protocol duties, Budgetary/Financial Matters of Finance Division, Parliamentary Business, Quality Assurance programme , etc. The targets achieved by the Wing during the year under review are as under:

#### **PROMOTION/GRANT OF HIGHER SCALE/GRANT OF HIGHER SCALE**

During the Financial Year 2014-15, the following employees were promoted in higher scales against the posts falling vacant on retirement of the incumbents in Finance Division or recruited on the recommendations of Departmental Promotion Committee (DPC):-

S.No.	From	To	No. of employees
1	Assistant Private Secretary (BPS 16)	Private Secretary (BPS 17)	05
2	Assistant (BPS 14)	Superintendent (BPS 16)	05
3	Stenotypists (BPS 14)	Assistant Private Secretary (BPS 16)	02
4	UDC (BPS 09)	Assistant (BPS 09)	05
5	Staff Car Drivers BPS 06	BPS 07	27
6	DRs (BPS 06)	BPS 07	06
7	Filling up of vacant posts under Aghaz-e-Haqooq-e- Balochistan	Said posts have been filled after meeting codal formalities.	

#### **HIRING OF PRIVATE RESIDENTIAL ACCOMMODATION**

Hiring facilities to more than 400 officers/staff of Finance Division were provided to meet their accommodation needs. In this regard **Rs.65,000,000/-** were allocated in FY 2014-15.

#### **MEDICAL REIMBURSEMENT**

In order to provide the medical re-imbusement facilities to officers and staff of Finance Division as well as the retired employees of Finance Division, an amount of **Rs.6,901,000/-** and **Rs.11,106,000/-** were reimbursed to serving and retired employees during the FY 2014-2015.

#### **HIRING OF CONSULTANTS**

- Two Consultants were hired for Regulations Wing of Finance Division.

- Contract periods of Mr. Umer Khalid, Industrial Policy Advisor (MP-III) and Mr. Waqas Ahmed, Financial Monitoring and Expenditure Review Specialist were renewed for further one year.

#### QUALITY ASSURANCE

S#	Main Tasks	Target Achieved during the year 2014-15
1	Nomination of Departmental Quality Assurance Coordinators (DQACs')	14 DQACs have been appointed/nominated from each Wing to coordinate and manage the work in compliance with Quality Assurance Program
2	Work related to ISO Secretariat LRQA, Karachi.	ISO Secretariat facilitated LRQA, Karachi as an External Auditor to carry out "1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> , Surveillance Audit on 26-02-2014, 25-26 September, 2014 and 18-02-2015 respectively.
3	Foreign Training through EAD	56 nominations were processed out of which 05 Officers have availed the Foreign training facility.
4	Local Training	55 nominees (31 Officers and 24 Officials) were sent for inland/local trainings.
5	Quality Review Newsletter	8 <sup>th</sup> Issue from July – December, 2014 was circulated in September, 2015.
6	Customer Satisfaction Surveys	Annual Customer Satisfaction Surveys for the period July, 2014 to June, 2015 is under process.
7	Revision of Quality Assurance Procedures (QAPs) of all the Wings.	Document Change Request (DCR) were received from the Departmental Quality Assurance Coordinators (DQACs) of the Finance Division and the same have been examined by the QA-II Section, after approval of Finance Secretary the Quality Assurance Procedures were updated (QAP) during the year 2014-15.

8	Revision of Job Descriptions (JDs)	The Job Descriptions (JDs) of Additional Finance Secretaries and the Sections of other Wings of Finance Division have been revised with the approval of Finance Secretary during 2014-2015 and distributed to all concerned.
9	Departmental Quality Review Committee (DQRC) Meetings	All DQACs convened the DQRC meeting regularly to discuss the issues pertaining to their Wing according to QAPs and ISO Standards. ISO Secretariat has also conducted the monthly DQAC meeting.
10	Work Efficiency Survey	11 <sup>th</sup> & 12 <sup>th</sup> Bi-annual Work Efficiency Survey for the period from July – December, 2014 and for the period of January – June, 2015 was carried out during 03-02-2015 to 23-02-2015 and 03-08-2015 to 21-08-2015.
11	Internal Quality Audit	10 <sup>th</sup> & 11 <sup>th</sup> Internal Quality Audit for the calendar year 2015 was carried out on 29-07-2015 and 30-07-2015.

## **LOGISTICS AND SERVICES**

### **Purchase of Physical Assets**

In order to meet the emergent demands of various wings/sections and to facilitate the officers for improvement of e-office programme in Finance Division, 80 Desktop PCs, 65 Printers and 07 Laptops with software operating system were purchased and provided to officers of various offices/sections of this Division. To ensure security of vital data, licenses of antivirus were purchased/renewed during the financial year 2014-2015. For quick communication two Audio and Video conferencing Systems for 2<sup>nd</sup> and 4<sup>th</sup> floor's Committee Rooms were purchased/installed and three Multimedia were also purchased and installed in the Committee Rooms. Besides two photocopiers, seven fax machines, 04 Paper Shredder, 45 Bracket Fans, 10 exhaust fans, 02 Hard Disks and one LED (Sony) were procured during the period under report. Amounts of Rs.292, 636 were spent for purchase of computer accessories e. g. Software DVD, Keyboards, Mouse and Flash Drives. To facilitate the press briefing in Ministry of Finance a sound system and a video recorder were purchased during the financial year 2014-15. To improve

the work environment in Finance Division, furniture & fixture worth Rs. 1,594,163/- were purchased.

**Auction of un-serviceable items**

The un-serviceable store items of Finance Division including furniture, machinery and outdated computers and other electric items were auctioned and total amount including GST Rs.539,545.50 were deposited in the Govt. Treasury.

**Provision of Meal for late Sitting Staff**

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

**Logistic Support**

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

**Improvement in Cleanliness**

Cleanliness Q, S Blocks and FBC Building was improved during the year 2014-15. 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 5<sup>th</sup> floors of Q-Block were renovated by fixing tiles through CDA, Islamabad.

**Replacement of sheds/canopies**

Shed/Canopy in installed front of Q-Block was replaced through CDA, Islamabad and another shed /canopy in parking area of FBC Building also prepared through PWD, Islamabad to facilitate officers of Finance for parking their vehicles.

**PROTOCOL SERVICES:**

<b>S.No.</b>	<b>NATURE OF CASES</b>	<b>NO. OF CASES RECEIVED</b>	<b>NO. OF CASES DISPOSED OFF</b>
1	Issuance/renewal of Official/Gratis Passports	46	46
2	Issuance of Note Verbale from M/o Foreign Affairs	80	80

3	Issuance of No Objection Certificates in respect of officers of BPS 17 and above travelling abroad to attend official meetings/ training courses/ seminars/workshops etc.	106	106
4	Protocol services were provided to foreign and local delegates/guests, Ambassadors and Ministers.		

#### **PUBLIC GRIEVANCES/DOCUMENTATION**

<b>S#</b>	<b>NATURE OF CASES/ACTIVITIES</b>	<b>CASES RECEIVED</b>	<b>CASES DISPOSED OFF</b>
1	Public grievances/ petitions received from President's/ Prime Minister's Secretariats, Parliamentary Affairs Division and Secretary Finance Division.	37	37
2	Publication of Year Book 2013-14 of Finance Division.	01	01
3	Verification and Safe Custody Certificates, Security Booklet and War Book.	08	All Safe Custody Certificates were got verified from the concerned officers.
4	Preparation of Permanent and Temporary Security Passes of Officers/Officials of Finance Division	Permanent 358  Temporary 335	358 through NADRA  335 by Documentation Section

5	Issuance of No Demand Certificates(NDC) in respect of officers/officials on their retirement and transfer from Finance Division.	33	33 NDCs issued.
6	Measures were taken to ensure strict security of office buildings of Finance Division through law enforcing agencies from time to time. Daily visitors' report was submitted to the higher officers of the HRM wing for their information. Duty Roaster of officers/officials of Finance Division was regularly maintained to ensure security of Finance Division, Q-Block to avoid occurrence of any untoward incident.		

### PARLIAMENT BUSINESS

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

S#	NATURE OF CASES	NO. OF CASES RECEIVED	TARGET ACHIEVED
1	<u><b>National Assembly Business</b></u> Starred Questions (120)  Un-Starred Questions (40) Adjournment Motions (06) Resolutions (10) Call Attention Notice (11) Cut Motions (408)	595	595
2	<u><b>Senate Business</b></u> Stared Question (111) Un-Starred Question (10) Motions Under Rule-194 (11) Resolution (15) Privilege Motion (07) Call Attention (09) Adjournment Motion (04)	167	167

<b>3</b>	<p><b><u>Reports Laid</u></b></p> <ul style="list-style-type: none"> <li>• Concerned Wings were facilitated to present annual Report of SECP in the National Assembly</li> <li>• Fiscal Policy Statement 2008 and Debt Policy Statement 2013-14.</li> <li>• Report of Auditor General of Pakistan for 2013-2014</li> </ul>
<b>4</b>	<p><b><u>Camp Office</u></b></p> <p>Council Section made arrangements for opening/supervising of Camp Office in the Parliament House during Budget Session 2014-15 during whole session of Budget.</p>

#### COORDINATION

S#	Main Tasks	Cases received	Target achieved during the year 2014-15
1.	Circulation of Instructions/ Orders/ Notifications/ Circulars in Finance Division, its Attached Departments, Corporations, Autonomous/ Semi-Autonomous Bodies received from Prime Minister's Office, Finance Ministers Office, Cabinet Division, Establishment Division/ Interior Division and other Ministries Divisions.	120	Circulated 120 receipts.
2.	To ensure timely publication of Notifications issued by Finance Division in Gazette of Pakistan.	312	312 notifications forwarded to PCPP Karachi/Islamabad

3.	<p>Obtaining information from Attached Departments/Sub-Ordinate Offices requested by following: -</p> <ul style="list-style-type: none"> <li>❖ Establishment Division</li> <li>❖ Cabinet Division</li> <li>❖ Prime Minister's Office</li> <li>❖ Wafaqi Mohtasib</li> <li>❖ Other Ministries /Divisions</li> <li>❖ Council Section Finance Division (Main)</li> </ul>	<p>13 05 05 04 14 13</p>	<p>54 cases disposed of</p>
1.	Cabinet decisions received in the Section from the Cabinet Division	Disposed of 13 decisions.	
2.	Economic Coordination Committee (ECC) of the Cabinet decisions received in the Section from Cabinet Division	Disposed of 22 decisions.	
3.	National Economic Council (NEC) decisions received in the Section from Cabinet Division	Disposed of 07 decisions.	
4.	Executive Committee of National Economic Council (ECNEC) decisions received in the Section from Cabinet Division	Disposed of 11 decisions.	
5.	Cabinet Committee on Energy (CCE) decisions received in the Section from Cabinet Division	Disposed of 02 decisions.	
6.	Civil Review Petition No.193 of 2013 in CRL Original Petition No.89/2011 received in the Section from the Establishment Division	Disposed of 01 Petition.	

## BUDGET AND ACCOUNTS

The Budget and Account of Finance Division, FTO, IBD, ICHI, Economic Ministers, USA, Japan and China, Grant to ICMAP is also prepared, examined and proposed to F.A's Organization (Finance) for approval. All the expenditure incurred by all these spending units is reconciled and Working Papers are prepared for meetings of DAC/PAC. For this purpose, a Deputy Secretary(B&A)/DFA(Estab) and S.O(B&A) complete this task under the supervision of and with the approval of Finance Secretary/PAO.

## LIBRARY

S#	NATURE OF CASES/ACTIVITIES	CASES RECEIVED	CASES DISPOSED OFF
1.	Purchases of Books	11 cases (55 books)	11
2.	Technical Processing of Books i.e. Accessioning, Cataloging, Classification and Computerization of Books	1100	1100
3.	Issuance of Books	48	48
4.	Receiving of Books	62	62
5.	Issuance of NOC/NDC	55	55
6.	Provision of Newspapers	121	121
7.	Maintenance of record regarding circulars, office orders & Notifications	310	310
8.	Re-arrangement of books according to subject	3100	3100

## OFFICERS OF HRM WING



Mr. Haque Nawaz  
Additional Finance Secretary (HRM)



Mr. Iftikhar Ahmad  
Joint Secretary (HRM)



Mr. Mir Afzal Khan,  
Dy. Secretary (Services)



Mr. Nadeem Abbas,  
Dy. Secretary (HRM)



Mr. Izhar Ahmad,  
Dy. Secretary (QA)



Mr. Ayub Khan,  
Dy. Secretary (Council)



Mr. Abdur Razaq Bangash,  
S.O (HR-III)



Syed Buniad Haider  
S.O (Doc)



Mr. Khurshid Anwar  
S.O (HR-IV)



Mr. Altaf Hussain  
S.O (Services)



Ms. Wasiq Waheed  
S.O(QA-II)



Mr. Ishtiaq Ahmad  
S.O (QA-I)



Mr. Irshad Ahmed  
S.O (Coord-I)



Mr. Ansar Mahmood  
S.O (F&A)



Mr. Mehboob Sultan  
OSD (Protocol)



Mr. Abdul Saboor Bhutto  
S.O (Coord-II)

# BUDGET WING

## Budget and its Functions

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

- **Economic:** The budget is the state's financial plan. As a tool of economic policy, the budget is the means by which the government seeks to achieve three key economic policy goals: firstly, fiscal discipline, by controlling aggregate expenditure in line with macroeconomic constraints; secondly, the allocation of resources in line with the government's policy priorities; and thirdly, the economic, efficient and effective use of resources in achieving its policy goals.
- **Political:** The budget process ensures the people's representatives scrutinize and approve the raising of taxes, the contracting of debts and the application of public funds by government. This is achieved through a formal separation of powers; government proposes the budget, which is approved by parliament, then executed by 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).

### **BUDGET WING'S PROFILE**

The basic functions of the Budget Wing are to coordinate, prepare, print and publish the budget of the federal government. Budget is an instrument by which the government expresses its priorities and allocates resources to implement its policies. 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 coordinating implementation of budgetary targets.
- Laisie 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**

#### **AEA (BR-I) Section**

- Coordination with CBR in relation to tax receipts
- Preparation and compilation of the Budget documents "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.
- To process the cases of claims relating to Subsidies to Oil Marketing Companies (OMCs)/Refineries and Other received from Ministry of Petroleum and Natural Resources; and
- To examine Budgetary Proposals.

### **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 actuals of foreign aid and Foreign Debt servicing
- Review and compilation of foreign assistance inflows/out flows.
- Regulation of flow of budgetary funds through various channels i.e. Assignment Account.
- Examination/processing of cases pertaining to permission for opening of Assignment Accounts in the light of procedure devised/issued by Finance Division.
- General Coordination within Budget Wing.
- Preparation of the Budget document "Estimates of Foreign Assistance" and "Explanatory memorandum on Federal Receipts'.

### **Budget Resources-III**

- Examination of recommendations of Planning Division 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 item statements and their reconciliation with the allocations agreed by the NEC.
- Compilation of details of demands for grants and appropriations relating to Development expenditure.
- Examination and Issuance of Federal Government Guarantees in respect of Loans provided by Commercial Banks/State Bank of Pakistan and Development Financial Institutions to the Public Sector Enterprises.

- Coordination with P&D Division 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 Law & Justice Division.
- Miscellaneous cases relating to administrative and financial matters of CDNS.
- Restructuring of National Savings Organization.
- Budgetary matters of CDNS.

#### **Section Officer (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's 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 & Accounts Section**

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

#### **Budget Implementation Unit-I**

- Pursuing and prompting collection of non-tax revenue from Public Sector Enterprises (PSEs)
- Liaison with Internal, External, Investment, Provincial, Expenditure & Corporate Finance Wings of the Ministry of Finance for collection of data regarding revenue receipts, expenditure etc.
- Monitoring and coordinating implementation of overall budgetary targets and to prepare analytical reports on monthly basis.

- Maintaining tables reflecting picture of financing of overall fiscal deficit on monthly basis.
- Analysis of External Financing, Sector wise non-bank Financing, Bank Finance and Privatization Receipts.
- Preparation of reports based on data received on financing of fiscal deficit and identifying the reasons for variations, on monthly basis for taking corrective measures.
- Monitoring, evaluation, reconciliation and reporting on Revenue Receipts of the Federal Government being collected other than by FBR.
- To deal with the miscellaneous/policy matters related to BI side.

#### **Budget Implementation Unit-II**

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

#### **Budget Computerization**

- Receipt of Budget Orders/New Item Statements (BI/NISs) in the office of Director (BC) from all Ministries and Departments within Pakistan and Foreign Missions abroad.
- Data Entry of received BIs/NISs into computer system.
- Supervising the work relating to reconciliation of Demands for Grants.

- To prepare summaries and schedule for submission to Prime Minister for approval and authentication of Federal Government'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**

- General Coordination of Public Accounts Committee work with Ministries/Divisions/Departments and with National Assembly Secretariat, PAC Wing, including the work relating to Pac Coordination for finance Division Accounts and Report – compliance etc.
- Preparation and finalization of Schedule of Authorized expenditure for Budget and Supplementary Grants and Notice of intention (Urdu/English) for Budget and Supplementary Grants.
- 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:

- a) Revenue Budget
- b) Capital Budget

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

The capital budget is designed to create material assets which add to the economic potential of country. Its main features are that it must involve construction of 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 is from 1<sup>st</sup> July to 30<sup>th</sup> June. The Process of budget formulation starts in October each year on issuance of a Budget Call Circular (BCC) by the Budget Wing, Ministry of Finance. The original estimates are framed in minute detail by the agencies and departments, which collect the receipts and incur the expenditure, keeping in view the past actual, current trends and future expectations and commitments. These estimates are submitted by the estimating authorities to their administrative Ministries and Divisions who, in return, examine and pass these on to the concerned Financial Advisors with their recommendations. The Financial Advisor and Ministry of Finance, 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**

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

#### **Preparation of Estimates**

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

The revised estimates for the current year, prepared simultaneously, include provision for such expenditure as has been duly authorized and for which there is reasonable expectation that it will be incurred before the close of year. In all cases where revised estimates for the year exceed the authorized

grants, these have to be supported by documentary evidence to show that the increase has been duly authorized by the competent authority, and also the manner in which this excess is to be met, i.e., whether by re-appropriation of savings in the 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 proforma devised by the Planning Division. These preliminary estimates are discussed in a priority committee meeting in the presence of the representatives of the Planning Division and the economic affairs division. The preliminary draft is again discussed in the APCC. The final draft of development expenditure is approved in the NEC.

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

After the finalization of the budget estimates in respect of receipt and expenditure, an Annual Budget Statement of the federal government in respect of every financial year along with other budget publication is laid down in the National Assembly. After the approval of the budget by the parliament the budget publications are released to the various ministries / divisions and departments with the authorization to utilize the budget fund from the 1<sup>st</sup> 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 ensuring year and not merely the revenue demand or the liability of expenditure falling due in that year.

### **Annual Development Program (ADP)**

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

The Formulation of the Annual Development Program is one 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 go through careful technical scrutiny in the Development Working Party and approved by the Executive Committee of the National Economic Council (NEC), or have otherwise received the approval of the competent authority, are

included in the Annual Development Program. The Program, as finally approved by the National Economic Council (NEC), is reflected in the Budget.

The exercise for the preparation of the Annual Development Program starts 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 Government and indicates the financial allocations along with physical targets in respect of various development schemes.

**Resource Estimates:**

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

- Public Savings, i.e. the excess of revenue receipt over current expenditure of the Federal and Provincial Government.
- Net capital receipts of the Federation and the Provinces (i.e., Recovery of Loans, saving schemes and prize bond proceeds etc).
- The Federal Government's estimates of:
  - a) Foreign economic assistance
  - b) Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of economy.

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

### **Foreign Exchange Component of ADP**

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

### **Effect to New Taxation Proposals**

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

### **Financial Procedure**

#### **Submission of Budget Proposals (Books) to the Federal Cabinet**

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

#### **Submission of Budget/Finance Bill to the National Assembly**

The Minister of Finance 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 time-table so decided upon to all concerned.

#### **Submission of Budget to the Senate**

Prior to the introduction of Legal Framework Order, there was no provision for the Senate to consider the Money bill (Budget). As per the current provision, a copy of the Annual Budget Statement (Budget) is transmitted to the Senate at the same time when it is submitted to the National Assembly. The Senate may, within seven days, make recommendations thereon to the National Assembly. The National Assembly shall, consider the recommendations of the Senate and may pass the Budget with or without incorporating the recommendations of the Senate.

#### **Authentication of the Schedule of Authorized Expenditure**

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

## **Schedule of Authorized Expenditure**

After the budget has been approved by National Assembly, an authenticated Schedule of Authorized Expenditure is drawn up in the same form as the Annual Budget Statement, in so far as it relates to expenditure. This schedule approved and 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 extent of expenditure to be made under a specific grant/appropriation. It also specifies the expenditure charged upon Federal Consolidated Fund and otherwise. The charged portion is always reflected in italics.

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

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

The remuneration payable to the President and other expenditure relating to his office, and the remuneration payable to:-

- The judges of the Supreme Court;
- The Chief Election Commission;
- The Chairman and Deputy Chairman (of the Senate);
- The Speaker and the Deputy Speaker of the National Assembly;
- The Auditor General;
- Federal Ombudsman
- 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;
- 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;
- Any sums required to satisfy any adjustment, decree or award against Pakistan by any court or tribunal and;
- Any other sums declared by the Constitution or by Act of (Majlis-e-Shoora) (Parliament) to be so charged.

## **ROLE OF PARLIAMENT**

The Annual Budget statement containing estimated receipts and expenditure is tabled in the National Assembly of Pakistan and Transmitted to

Senate of Pakistan as required under Article 80(1) and 73(1) of the Constitution of Islamic Republic of Pakistan.

In Pakistan, budget is governed by the Constitution and rules relating to Parliamentary procedure. The Constitution requires that the Federal Government presents an annual budget statement to the National Assembly in respect of st each financial year, which begins on July 1 . The business of the National Assembly is governed by the Rules of Procedure and Conduct of Business in the National Assembly Rules 2007.

Essentially, Rules 182-197 govern the manner in which the National Assembly participates in the budgetary process. Prior to presentation to the National Assembly, the budget is discussed and approved by the cabinet. The budget shall then be presented to the National Assembly by the Finance Minister on a date determined by the Leader of the House. No other business is allowed in the House on that day. After this, at least two days are set aside before any discussion of the Budget commences. At least four (4) days must then be allocated for budget discussion

### **Stages**

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

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

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

### **Cut Motions**

Discussions on demands for grants made by various departments may be both discussed and voted upon, as these sums are not chargeable to the fund. Members may advance motions in relation to individual grants to reduce (but not increase) the level of the grant sought. Such motions are known as “cut motions.” Cut motions must be made in one of three forms:

- Disapproval of policy cuts: which seek the reduction of expenditure to Rs. 1 as a sign of policy disapproval·
- Economy cuts: which seek to reduce the demand by a specified sum; or

- Token cuts: which seek to reduce the demand by Rs. 100 in order to raise a specific grievance

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

### **Role of Standing Committees**

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

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

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

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

### **Recent Reforms**

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

A recent reform, passed in the shape of an amendment to the National Assembly of Pakistan, has helped strengthen Standing Committees' role in effective scrutiny of departmental budget. The change in rules will now allow Standing Committees to scrutinize budgetary proposals

before these are submitted to the Ministry of Finance. According to the amendment, passed unanimously in the Rules of Procedures on Budget Process in the National Assembly of Pakistan on January 29, 2013:

“Each Standing Committee shall scrutinize and suggest amendments, if necessary, and recommend Ministry's Public Sector Development Program (PSDP) for the next financial year before the same is sent to the Ministry of Finance for inclusion in the Federal Budget for the next

Financial year. Each Ministry shall submit its budgetary proposals relating to Public Sector Development Program (PSDP) for the next financial year to the relevant Standing Committee not later than the 31st January of preceding financial year and the Standing Committee shall make recommendations thereon not later than the 1st March of the preceding financial year: Provided that where such recommendations are not made by the 1st March, the same shall be deemed to have been endorsed by the Standing Committees”

### **The Budget Documents**

#### **The Budget Speech of the Finance Minister**

##### ***(Without Tax Proposals)***

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

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

#### **Annual Budget Statement**

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

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

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

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

### **Budget in Brief**

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

### **Budget at a Glance**

This is a one-page picture of the budget, which provides information on board aggregates like tax revenue, non-tax revenue receipts, net capital receipts (non bank), external receipts (net), bank borrowing 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’ serve to indicate, among other things, the basis on which proceeds of Federal Taxation are shared with the provincial governments and also specifies the provincial shares in the proceeds of various taxes and duties.

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

### **Estimates of Foreign Assistance**

External resources mainly comprises of:

- (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 Program.

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

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

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

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

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

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

## **Details of Demands for Grants and Appropriation**

### **(Pink Book)**

This document consists of the following three 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).

The book is divided into three parts:-

#### **Volume I & II – 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 (Fuller details given in the Chart of Classification), the book also presents Function-cum-Object-wise classification of expenditure of every office/Department separately.

Function-wise classification include expenditure on general administration, defense, law and order, community services, social services, economic services, subsidies, debt servicing etc. The object-wise classifications include expenditures on establishment charges, purchase of durable goods, construction of works and repair and maintenance of durable goods and works, investment, loans and 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:** Demands for current expenditure

**Part II:** Demands for development expenditure

**Part III:** Appropriations charged upon the Federal Consolidated Fund

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

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

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

The demands and appropriations as appearing in this book are 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 ensuring year).

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

**Schedule III**, which indicates the object of current and development expenditure, provides a more useful and informative economic analysis of the

expenditure. This schedule gives details as to what specific allocation (under a demand or object as a whole) has been proposed to be allocated i.e. for pay and allowances and other purpose i.e. purchases, repairs etc.

### **Supplementary Demands for Grants and Appropriations**

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

This book like budget is also divided in three parts.

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

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

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

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

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

### **Excess Demands for Grants and appropriation**

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

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

### **Winding – up Budget Speech by the Finance Minister**

Answer by the Finance Minister on the points raised by the members of the House and detailed explanation regarding various aspects of the budget and the suggestions for accelerating the pace of economic development and

social progress etc. form part of winding up Budget Speech of the Finance Minister.

### **PART 3**

## **MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)**

### **Introduction**

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

- Include a medium-term horizon (3 years – where-in year-1 becomes the budget and the outer 2 years are used for planning purposes),
- Develop Medium-Term Macroeconomic Framework keeping in view the macro implications to guide budget preparation process,
- Develop an annual pre-budget analytical 'Budget Strategy Paper', which includes 3-year Macro-fiscal framework, budget policies and indicative budget ceilings for Ministries/Division.
- Performance Budgeting. Output Based Budget. The output orientation of the budget allows a linkage of the budget with the policy preferences that leads to alignment of resources with delivered by the respective ministry.
- The output orientation of MTBF budgeting provides a basis for defining and measuring performance through mutually agrees indicators and targets. In this way performance of each PAO is evaluated in terms of outputs generated from the utilization of budgetary resources appropriated by the parliament.

### **Implementation**

The MTBF program receives approval by the Cabinet in its meeting of 2<sup>nd</sup> January 2009 through the rollout of MTBF Budget Call Circular across the Federal Government (except Defence Services grant). Cabinet also approved the issuance of indicative budget ceilings to Ministries from 2009 onwards for both recurrent and development budget.

### **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,

## **FINANCE DIVISION'S YEAR BOOK 2014-15**

### **INPUT FROM PFM-SPP PROJECT**

A Public Financial Management reform initiative was started in the Budget Wing in September 2014. The reform initiative called PFM-Support Programme for Pakistan, funded by the European Union, is aimed at: 1) Strengthening and further embedding Medium-Term Budgetary Framework (MTBF) reforms, 2) Devising a PFM Strategy and Action Plan, and 3) Enhancing macro-fiscal projection capability of the Government.

A team of consultants has been deployed that provided Inception Report in March 2015. In addition, the team supported the Federal Government in preparation of Budget Strategy Paper 2015-18 which was tabled in the Cabinet meeting in May, MTBF Green book 2015-18 which was tabled in the Parliament with the budget 2015-16, preparation of Government's Performance monitoring report 2014-15, and finalization of the budget 2015-16. In addition, the project is supporting the Government in testing the Business Planning and Consolidation software – which is planned to be implemented across the Federal Government for improving budget planning, financial and non-financial monitoring, and ad-hoc analysis and reporting.

### **CENTRAL DIRECTORATE OF NATIONAL SAVINGS (CDNS)**

The history of National Savings Organization dates back to the 2<sup>nd</sup> 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.

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

3. At present, the 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.

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

**i. Defence Savings Certificates.**

A ten years' maturity instrument offering an average compound rate of 9.15% p.a. on maturity. The profit in this scheme is paid for completed years on maturity or encashment, whichever is earlier.

**ii. Special Savings Certificates (Regd)/Accounts.**

A three years maturity scheme available both in the form of certificates and accounts providing bi-annual return @ 7.40% p.a. for the first five profits and @ 8.80% p.a. for the last profit.

**iii. Regular Income Certificates.**

A five years scheme providing monthly profit payment @ 8.52% p.a. subject to 10% withholding tax at source.

**iv. 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 @ 11.04% p.a. The profit earned on this scheme has been exempted from withholding tax at source w.e.f. 01-07-2004.

**v. Savings Account.**

Savings Account is an ordinary account offering profit @ 4.75% p.a.

**vi. Pensioners' Benefit Account.**

A new savings scheme exclusively launched for pensioners with maturity period of 10 years offering monthly profit payment @ 11.04% p.a. The profit accrued on or after 01-07-2004 on this scheme has been exempted from withholding tax at source.

**vii. Prize Bonds.**

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

**viii. National Savings Bonds.**

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

**ix. 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 6.56%, 6.60% and 6.65% for 3 months, 6months & 12 months maturity respectively. The profit is paid on maturity but not less than three months, if encashed before maturity.

- The gross and net investment targets of National Savings Schemes for FY 2014-15 were Rs. 1,115,914.0 million & Rs. 329,002.0 million respectively. The CDNS gross and net achievement against the target was Rs. 1,162,666.2 million and Rs. 336,106.8 million respectively.

**Pakistan – Consolidated Fiscal Operations 2014-15**

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 2014-15 is given below:

**PAKISTAN—CONSOLIDATED FISCAL OPERATIONS 2014-15**  
(RS, In Billion)

Description	B.E. 2014-15	Pro. Actual 2014-15
<b>Total Revenue</b>	<b>4,220.6</b>	<b>3,931.0</b>
<b>Tax Revenue</b>	<b>3,337.2</b>	<b>3,017.6</b>
Federal	3,129.2	2,811.8
Provincial	208.0	205.8
<b>Non-Tax Revenue</b>	<b>883.3</b>	<b>913.4</b>
Federal	803.3	837.8
Provincial	80.0	75.6
<b>Total Expenditure</b>	<b>5,642.4</b>	<b>5,387.8</b>
<b>Current</b>	<b>4,462.3</b>	<b>4,424.7</b>
<i>Out of which</i>		
<i>Markup payments</i>	1,325.2	1,303.8
<i>Defence</i>	700.1	697.8
<b>Development and Net Lending</b>	<b>1,180.1</b>	<b>1,140.6</b>
<b>Statistical discrepancy</b>	<b>0.0</b>	<b>(177.6)</b>
<b>Budget Deficit</b>	<b>1,421.8</b>	<b>1,456.7</b>
<b>Financing</b>	<b>1,421.8</b>	<b>1,456.7</b>
<b>External</b>	<b>310.0</b>	<b>181.0</b>
<b>Domestic</b>	<b>1111.9</b>	<b>1,275.7</b>
Bank	227.9	892.1
Non-Bank	868.0	366.1
<b>Privatization Proceeds</b>	<b>198.0</b>	<b>17.5</b>
<b>As % of GDP</b>		
<b>Total Revenue</b>	<b>14.5</b>	<b>14.4</b>
<b>Tax Revenue</b>	<b>11.5</b>	<b>11.0</b>
Federal	10.8	10.3
Provincial	0.7	0.8
<b>Non-Tax Revenue</b>	<b>3.0</b>	<b>3.3</b>
Federal	2.8	3.1
Provincial	0.3	0.3
<b>Total Expenditure</b>	<b>19.4</b>	<b>19.7</b>
<b>Current Expenditure</b>	<b>15.3</b>	<b>16.2</b>
<i>Out of which</i>		
<i>Interest payments</i>	4.6	4.8
<i>Defence</i>	2.4	2.5
<b>Development and Net Lending</b>	<b>4.1</b>	<b>4.2</b>
Budget Deficit	<b>4.9</b>	<b>5.3</b>
GDP (Rs. In billion)	<b>29078.0</b>	<b>27384.0</b>

## OFFICERS OF BUDGET WING



**Mr. Waqar Ahmad**  
Joint Secretary (Budget)



**Dr. Shujat Ali**  
Special Finance Secretary



**Mr. Jibran Khalil Malik**  
Joint Secretary (Budget &



**Syed Pervez Abbas Naqvi**  
Director (Budget Computerization)



**Dr. Syed Nayyar Shah**  
Budget Publication Officer



**Dr. Nayyar Nadeem**  
D.S(GS)



**Mr. Shafique Ahmed,**  
D.S (BR-1)



**Mr. Waheed Ahmed**  
Chief Account Officer



**Mr. M. Arshad Majeed**  
Programmer (BC)



**Ch. Saad Ghani**  
S.O (BR-II)



**Mr. Muhammad Arshad**  
A.E.A (BR-1)



**Mr. ATTAULLAH KHATTAK**  
AEA (BIU-II)

## Corporate Finance Wing

Corporate Finance Wing looks after the economic, financial and corporate affairs of all Public Sector Entities (PSEs) which are working under the administrative control of Federal Ministries/Divisions. The financial support is provided to the PSEs for their financial and operational restructuring programme, in the shape of equity injection, advancing government's loans for the working capital requirements and provision of subsidy to meet any shortfall through the GOP's budget. The PSEs are also allowed to avail Credit Ceilings from Banks to meet their financial requirements. Federal Government also contributes in the outstanding payments of loans provided by banks to PSEs backed by Sovereign Guarantee.

### Financial Support to Government Entities.

Following financial support was provided to the corporate sectors in pursuance of government decisions during FY 2014-15:-

#### Pakistan Railways

Communication sector bears importance for development of infrastructure of country. Federal Government has been supporting Pakistan Railways to ensure smooth functioning of communication. In FY 2014-15, Rs.37.000 billion were released as subsidy to Pakistan Railways for timely payment of pay and pension to its employees and Rs.31.37 billion were also released as equity to Pakistan Railways for carrying out development projects.

#### National Highway Authority(NHA)

NHA is constructing a network of motorways and highways throughout the country, which will result in providing fast tracks to achieve goals and targets of economy. In FY 2014-15 Rs.61.94 billion was released as Cash Development Loans to National Highway Authority for execution of its development projects.

#### Commodities

The government also provides financial support in the form of subsidy to PSEs like TCP, PASSCO and USC in order to meet the objective of providing essential and primary food commodities to the consumers at reasonable and subsidized rates. In pursuance of this, Subsidy was given to following Entities:-

(Rs. in millions)

Price differential paid to USC on the goods sold at subsidized rates	9,400.000
Released to TCP as subsidy on Urea	23,700.000
PASSCO on account of Wheat operations	8,000.000
Released to TDAP as freight subsidy on export of Sugar	1,300.000
Paid to the exporters of Sugar and Wheat as subsidy.	4,800.000

## Financial Support to Other PSEs

The other initiatives regarding financial support to PSEs are following:-

(Rs. in millions)

Particulars	Releases FY 2014-15
Capital Development Authority for carrying out development works in Islamabad	5,000.000
Mark up on National Industrial Parks Development & Management Co.	89.000
Re-payment of People Steel Mills loan	170.000
Mark up on Pakistan Stone Development Corporation loan	17.836
GOP loan to Printing Corporation of Pakistan (PCP)	84.936
Loan to Pakistan Steel Mills	14,764.000
Pakistan Machine Tool Factory	328.000
State Engineering Corporation	9.700
Textile Policy Initiatives	5,888.000

The present Government is not only committed to resolve the longstanding inherited energy crisis but also to reduce the cost of power generation in respect to keep the consumers' welfare intact. In this regard, multi-pronged strategy has been adopted vis-a-vis timely financial support to keep the system afloat. Various key policy interventions have been made inter-alia announcement of new Power Policy 2015, and fast track implementation of priority projects for power generation under CPEC. Likewise, government has accorded due attention to mega Hydel projects and is facilitating project finance related activities in order to mitigate the negative externality of the ongoing energy crisis which is however, estimated at around 2% of the GDP annually.

To overcome this, Finance Division has been providing proactive financial support to power sector by taking following measures/ actions:

- In order to meet the liquidity requirements of power sector and to avert fuel crisis, GOP as of 30<sup>th</sup> June, 2015 has paid **Rs.221.000 billion** in tariff differential subsidy to power sector. The Government is fully committed to provide further subsidy support to power sector subject to availability of fiscal space. Further Agriculture Tube well Subsidy was provided for Flood Affected areas of Punjab and for Balochistan.
- GoP is facilitating WAPDA for completion of the Neelum Jhelum Hydropower Project. It may also be highlighted that cash development

- loan to **Water & Power Sector Projects** of **Rs.1,185.620 million** has been released during FY 2014-15 and the Cash Development Loan of **Rs.15 billion** have been provided to WAPDA for Acquisition of Land for Diamer Bhasha Dam Project.
- Moreover, GOP in its commitment to turn around power sector PSEs is aiding reforms process and facilitating DISCOs transition to Multi Year Tariffs (MYT) model from single buyer model framework, along with carving out of CPPA-G from NTDC. Such initiatives will not only embed competitive pricing but will also enhance direct contracting between power producers and wholesale customers in the power sector.
- With the approval of the ECC, loans amounting to Rs.103.437 billion (**Rs.30.950 billion, Rs.25.00, Rs.40 billion and Rs.7.487 billion**) have been arranged on behalf of power distribution companies by PHPL for PSO via Syndicated Term Finance Facility from consortium of local commercial banks and, thereafter, Finance Division issued the Government of Pakistan guarantees.
- Pursuant to the CCI decision, a mechanism has been devised for at-source deduction of 25% claims of DISCOs regarding outstanding Power Sector Payables of Provinces through Federal Govt. Adjuster.
- The Finance Division is considering the loan arrangements for commercial financing for Dasu Hydro Power project from consortium of Islamic as well as conventional banking.
- Besides extending utmost support to facilitate the National Power Policy 2015, Finance Division remains committed to provide full support in timely execution of coal based China-Pak Economic Corridor (CPEC) projects vis-à-vis overseeing the financial aspects related to these projects.
- In order to ensure the availability of clean and cheaper fuel for power generation, due policy support along with financing facilities are being arranged for PSO to import LNG/RLNG from Qatar under G to G arrangement.
- Similarly, GOP has also extended its due support to long term projects such as import of gas through Iran-Pakistan (IP)/TAPI. To attract more investment in the gas sector, GOP has formulated the Draft Supplemental Agreement pricing mechanism for old gas fields in line with incentives being provided to new gas fields.
- Additionally, policy measures have been initiated under the Pakistan Petroleum Production Rules 1949 to allow extension in the lease period to those investors who were granted leases under the old policy. The

policy provided security confidence to old investors in Petroleum Sector, thereby helping to enhance the quantum of investments in the upstream Oil & Gas sector.

- Keeping in view the financial and operational issues of PIAC, Finance Division has released **PKR 5.271 billion** during FY 2014-15 for induction of aircrafts in PIA's fleet on dry lease as equity by Government of Pakistan .
- Finance Division has also approved the restructuring of existing **TFCs of PKR 12.8 billion** and other short term loans of PIA into **syndicated term finance facility of PKR 33.50 billion**.
- During FY 2014-15, financing facilities of **PKR 12 billion** from different domestic banks has been availed by PIA secured against GoP guarantee.

### OFFICERS OF CORPORATE FINANCE WING



Mr. M. Anwer Sheikh  
JS (CF-II)



Mr. Noor Ahmed  
AFS (CF)



Mr. Zahoor Ahmad  
JS (CF-I)



Mr. Javed Iqbal  
DS(CF-IV)



Mr. Irfan Baloch  
SO (CF-III)



Mr. Tassaduq Hussain  
DS (CF-II)



Ms. Zara Umer  
AEA(CF-IV)



Mr. Muhammad Kaleem  
AAO(CF-I)

## **ECONOMIC ADVISER'S WING**

### **Performance of Economic Adviser's Wing**

Economic Adviser's Wing provided technical and professional inputs on all economic and financial matters of the government. The wing also participated in the working group in the preparation of vision 2025 and the 11<sup>th</sup> five year plan 2013-18. It also actively performed technical and professional role in the Offering Circular (OC) and presentation of road shows, for Pakistan Sukuk Bond, 2015.

Economic Adviser's Wing, represented Finance Division in meetings with IMF, World Bank, Asian Development Bank and other high level committees like; National Accounts Committee, Standing Committee on Balance of Payments, Economic Advisory Council, Technical Committee for New Base Year, Data Producer Council and Federal Committee on Agriculture. A number of other tasks were also performed like assessment of socio-economic situation of the country along with reflection of government's initiatives on various dimension of the economy during the year.

Economic Adviser's Wing regularly prepares and updates Macro Economic Framework to forecast economic condition. The wing also vets and provides input/comments on State bank of Pakistan Quarterly & Annual reports.

In order to counter the negative media campaign, Economic Adviser's Wing regularly prepare the rebuttals/rejoinders against concocted stories and commentaries which are published in newspapers with a view to offset negative propaganda against the government.

### **Publication of Pakistan Economic Survey**

Economic Adviser's Wing prepares and publishes the 'Pakistan Economic Survey' every year. This Survey presents a comprehensive account of the country's economy, government policies and implementation status in all sectors. Data and feedback reports on each sector are received from the concerned organizations like; State Bank of Pakistan, Pakistan Bureau of Statistics, Federal Board of Revenue and various Ministries/Divisions/Agencies & Departments.

Pakistan Economic Survey is formally launched every year by the Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization in a ceremony before the budget and is widely distributed complementary amongst the students, academia, research organizations, institutions, departments in public and private sectors, ministries and embassies etc. Soft version can also be accessed on the official website of Finance Division. [www.finance.gov.pk](http://www.finance.gov.pk)

This year, Pakistan Economic Survey 2014-15 and its Highlights both in Urdu and English were published and launched on 4<sup>th</sup> June, 2015.

### **Statistical Supplement of Pakistan Economic Survey**

Pakistan Economic Survey comprises data from July to March/April period of each of the financial year. Data covering whole financial year, July-June along with data series of several preceding years are published later in the Supplement booklet. This Statistical Supplement of Pakistan Economic Survey is compiled for the convenience of Policy makers, researchers, academia and other users. Statistical Supplement of the Pakistan Economic Survey 2013-14 was published on 4<sup>th</sup> December, 2014.

Economic Adviser's Wing has also performed the following functions during the financial year 2014-15.

### **Review and Reporting Economic Situation**

Economic Adviser's Wing regularly prepares brief on the state of the economy, reviews economic situation including Real sector, Inflation, Fiscal, Monetary and External Sector. ECC is regularly apprised on key economic indicators and price situation on weekly/fortnightly/monthly basis. This practice continued during 2014-15 and Summaries/ Presentations were timely prepared and submitted.

### **National Price Monitoring Committee meetings**

National Price Monitoring Committee (NPMC) was constituted since January 2011 under the Chairmanship of Secretary Finance. EA Wing is the secretariat of this committee. NPMC is represented by the concerned departments of provincial governments and relevant Federal Ministries and Agencies to review prices and monitor supply situation of essential food items on monthly basis. The committee is assigned to improve mechanism to mitigate the price pressure and to streamline the demand and supply position in facilitating the general public through price stability and to ensure the availability of essential food items. As result of vigilant monitoring of prices, the CPI inflation witnessed downward trajectory during the period under review. Finance Minister regularly chaired meeting since inception of the present government. During 2014-15, Economic Adviser's Wing regularly held meeting of the National Price Monitoring Committee under the chairmanship of the Finance Minister.

### **Monetary and Fiscal Coordination Board meetings**

Economic Adviser's Wing also convene and act as secretariat of the Monetary and Fiscal Policies Coordination Board meetings to bring all the key decisions matters on same page and bring coordination between monetary, fiscal, growth and trade policies. Monetary and Fiscal Coordination Board

meeting is chaired by Finance Minister and represented by Federal Minister for Commerce, Planning, Development & Reforms, Secretary Finance Division, Governor State Bank of Pakistan and two eminent economist. During 2014-15, Economic Adviser's Wing regularly held Monetary and Fiscal Coordination Board quarterly meeting under the chairmanship of the Finance Minister.

**Impact of the Incident of Terrorism:** In order to assess the impact of the incidents of terrorism on the economy of Pakistan during the past several years, EA wing coordinated with all relevant departments/organization and estimated the impact of conflict in Afghanistan and the ensuing terrorism on exports, foreign investment, privatization, industrial output, tax collection etc. and updated the estimates for FY14 and FY15. These estimates have been published in Pakistan Economic Survey 2014-15.

**National Assembly and Senate Business:** Reply of all the National Assembly and Senate Question/ Motions/ Adjournment Motions related to Economic and financial issues received during the period were prepared and submitted within due time.

**Training of the Officers:** During 2014-15, two officers attended the short training on "SAARC Social Charter, Commitment, Progress, Challenges and Way forward" sponsored by SAARC on 11-16 August, 2014 and two officers also attended the short training on "Innovation in Human Resource Development for Employment Generation in the SAARC Region" on 15-20 December, 2014 sponsored by SAARC Human Resource Development Centre (SHRDC), Islamabad SAARC.

#### OFFICERS OF ECONOMIC ADVISER'S WING



Dr. Imtiaz Ahmad  
Joint Eco. Adviser



S. Ejaz Wasti  
Economic Adviser



M. Shamim Wazir  
Joint Eco. Adviser



Mr. Zaila Husnain  
Dy. Economic Adviser



Mr. Omer Farooq  
Research Officer



Mr. Attaullah Shah  
Asstt. Economic Adviser

### **EXPENDITURE Wing**

Besides being Financial Adviser for the office of Auditor General of Pakistan and Controller General of Accounts, the functions of Expenditure Wing mainly includes financial discipline and management among the Ministries/Divisions/Departments, issuance of austerity measures and looking after some of the administrative and financial matters of Benazir Income Support Program. Accordingly, for effective implementation of the System of Financial Control and Budgeting, Expenditure Wing during the financial year continued giving clarifications to various Ministries/Divisions on the System of Financial Control and Budgeting, 2006 including revision/modifications in the system whenever needed. In addition during the year 2014-15, Expenditure Wing issued following austerity/economy measures:

- i. There will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.
- ii. Creation of new posts will be banned except those required for development projects and approved by the competent authority.
- iii. Entitlement of periodical, magazines, etc of all officers will remain restricted to only one daily newspaper.
- iv. Serving of official lunches/dinners should be restricted.
- v. Principal Accounting Officer will ensure rationalization of utility bills while remaining within the available budget as no re-appropriation will be authorized to/from utilities.

### **BENAZIR INCOME SUPPORT PROGRAM:**

The Government of Pakistan launched the Benazir Income Support Program (BISP) in July 2008 with an immediate objective to cushion the negative effects of slow economic growth, the food crisis and inflation on the poor, particularly women, through the provision of cash transfers. Its long term objectives include meeting the targets set by Millennium Development Goals (MDGs) to eradicate extreme chronic poverty and empowerment of women. Since its inception in 2008, BISP has grown rapidly, it is now the largest single cash transfer programme in Pakistan's history.

Following are BISP'S major achievements in financial year 2014-15:

- i. The elected PML-N government increased BISP budgetary allocations for FY2014-15 to Rs.97 billion from the budgeted. Rs.75 billion in FY2013-214.
- ii. The present government increased the cash benefit for the poorest of the poor up to 25% from Rs 1200/- to Rs 1500/- per month.

- iii. The number of BISP beneficiaries increased from 4.5 million in 2013-14 to 5.0 million by the end of FY 2014-15.
  - iv. BISP disbursed more than Rs 93 billion in this financial year through technology based payment mechanisms like Smart/Debit card and mobile phone banking to 5.0 million beneficiaries (highest disbursement by BISP in a FY during last 6 years).
  - v. For the purpose of including more poor households in the Programme, a performance management system has been started for the first time in the history of BISP, according to which BISP, based on both indigenous as well as exogenous feedback, has initially developed a '100 Days Action Plan' which will subsequently be translated in to yearly as well as 3-5 Year Plan. Because of this approach, BISP will provide dignity to the beneficiaries receiving cash benefits, empower the women through its various initiatives and give meaning to their lives.
  - vi. Design improvements; particularly in payment mechanism have been made to make it more efficient, transparent and user-friendly. Moreover, hiring of new banks is also being considered to make the payment mechanism more efficient and transparent.
  - vii. Waseela-e-Taleem has been rolled out to 32 districts all over Pakistan resulting in registration of One million children in the programme out of which more than 700,000 have already been enrolled in schools.
  - viii. The Government has increased the monthly stipend under the Waseela-e-Taleem initiative to Rs.250 per month per child to all the children aged between 5-12 years, which was earlier Rs.200 per child per month up to three children of the beneficiary family.
  - ix. So far, BISP has achieved all the targets set under IMF's Extended Fund Facility.
  - x. BISP has also successfully negotiated the re-structuring of Pakistan Social Safety Net Project with the World Bank and DfID enabling the disbursement of US \$86 Million during the FY 2014-15.
- i. **Waseela-e-Taleem:**
- The initiative encourages BISP beneficiary families with children in the age group of 5 to 12 years, to send their children to schools for primary education, in return for cash transfers. A cash transfer of Rs.250 per month per child is paid quarterly in return for their compliance with the co-responsibilities of school admissions and minimum of 70% quarterly attendance.

- This initiative has been implemented in 5 districts where payment is being made to more than 52,000 children. BISP has started roll out of this initiative and in the first phase WeT has been launched in 27 new districts across the country, where more than 700,00 children have already been admitted in primary schools.
- The initiative aims to enroll approximately 02 million children in primary schools by December, 2016

II. **Waseela-e-Rozgar:**

- The Vocational Training (VT) under Waseela-e-Rozgar was started in Feb.2012 to one individual per beneficiary family and Rs.6,000/- stipend per beneficiary was also paid. During first year more than 58,000 trainees were covered across the country.
- Presently the initiative is suspended on the direction of the BISP Board.

III. **Waseela-e-Haq:**

- Waseela-e-Haq was designed to promote self-employment among women beneficiaries or their nominees to improve their livelihood by providing Rs 300,000 long-term interest free financial assistance based on social capital instead of any physical asset as collateral.
- So far, 41 draws have been held and installments worth Rs.2.6 billion has been disbursed to 16,119 beneficiaries while 9,193 beneficiaries started their own businesses.
- Presently the initiative is suspended on the direction of the BISP Board.

IV. **Waseela-e-Sehat:**

- Waseela-e-Sehat covers health care for beneficiary families as well as life insurance coverage for one male bread earner of each beneficiary family receiving cash grant. In 2011-12 pilot project of health care was launched in Faisalabad for 43,000 families and extended to around 75,000 beneficiary families in 2014-15.
- Under Life Insurance, life of the bread winners of 4.1 million beneficiary families has been insured.

## OUTLOOK FOR FY 2015-16 AND BEYOND

- In line with Government's resolve to run BISP on transparent and efficient line, the future focus of BISP is being attuned to following aspects:
  - i. Updation of the National Survey Economic Registry.
  - ii. Improve grass root social mobilization capacity through partnership with provincial governments and NGOs.
  - iii. Regular revalidation-recertification of beneficiaries to capture the transitional poverty.
  - iv. Introduction of Enterprise Resource Planning (ERP) business management software applications - in order to integrate varied organizational systems and facilitate error-free transactions and reconciliations.
- Shifting of all the beneficiaries from traditional to scientific payment mechanisms in the future.
- Better integration of various Programme components to maximize impact and outreach of the programme for the benefit of the poor.
- Progressively move toward further refinement of graduation programs and a dynamic inclusion and exclusion database to enable the target beneficiaries to escape poverty on sustainable basis and facilitate additional or left out poor families to get enrolled in the programme.
- Consolidate its partnership with the provinces to integrate the federal social protection schemes with provincial programs to achieve equity for the poor and vulnerable in provinces with very different capacities and financial resources.
- Facilitate Government in using BISP Registry for targeted subsidy provision under other sectors and elimination of non-targeted subsidies.
- BISP will remain committed towards the achievement of Sustainable Development Goals of and become a major contributor to:
  - v. Eradication of extreme poverty (SDG 1).
  - vi. Ensure inclusive and Equitable Quality Education and Promote Lifelong learning opportunity (SDG 4).
  - vii. Achieve gender equality and empower all women and girls (SDG 5)
- Developing linkages with successful social sector organizations to run their programs for BISP beneficiaries.

## OFFICERS OF EXPENDITURE WING



Mr. Aamer Mahmood Hussain  
Joint Secretary (Exp)



Mr. Shahzad Ahmad  
DS (Exp)



Mr. Muhammad Qadeer  
S.O (Exp-II)



Mr. Nadeem Arshad  
S.O (Exp-III)



Mr. Adeel Raza  
S.O (Exp-IV)

## EXTERNAL FINANCE B&C WING

Home Remittances contribute to the country's balance of payments. During the year 2014-15, Exports of goods decreased by 3.9% as against the projected growth of 5.5% while imports decreased by 0.9% as against 6.0%. The trade deficit increased by 3.7% from US\$ 16.500 billion to US\$17.318 billion. Workers' Remittances touched the higher level of US\$ 18.720 billion, showing a growth of 18.2% against the same period of last year. Remittances have shown an upward trend due to various factors prominent among which are the measures taken under the Pakistan Remittances Initiative (PRI), leading to increased inflow through official channels. The total Foreign Exchange Reserves during the financial year 2014-15 touched the level of US\$ 18.699 billion, showing a growth of 32.2% against the same period of last year.

- In FY 2014-15 EFC Section examined loans terms from Asian Development Bank (ADB), Islamic Development Bank (IDB), German Development Agency (KFW), French Development Agency (FDA), Japanese International Cooperation Agency (JICA), Saudi Fund for Development (SFD), and OPEC Fund for International Development (OFID).
- Agreement for grant funding from UK Department for International Development (DFID), KFW were processed and approved.
- Commercial Financing for Public Sector Enterprise (PSEs) including PIA was arranged.
- Facilitated disbursements for donor funded projects in coordination with EAD.
- Allocates/releases Foreign Exchange to meet the Foreign Exchange requirements of the public sector entities. Due to the rational release of foreign exchange funds, the actual utilization of foreign exchange during 2014-15 remained to US\$ 1585.867 million against the budgeted amount of US\$ 2595.122 million. This shows 38.890% saving in foreign exchange releases.

OFFICERS OF EXTERNAL FINANCE (B&C) WING



**Mrs. Naheed Ishaq**  
Dy. Economic Adviser( EF-B-IV)



**Mr. Naveed Alauddin**  
Joint Secretary (EF.B&C)



**Mr. Shahid Ali,**  
Dy. Secretary(EF-C)



**Mr. Mahmood A. Hashmi,**  
Dv. Secretary(EF-B)



**Dr. Muhammad Arshad**  
Asstt. Economic Adviser(EF)



**Ms. Aisha Ghumman**  
SO(EF-IFR)

## **EXTERNAL FINANCE POLICY (EFP) WING**

External Finance Policy (EFP) Wing formulates the policy of the Government of Pakistan 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 Group (IDA, IBRD, IFC and MIGA), USAID, Internal Fund for Agricultural Development (IFAD), SAARC Development Fund (SDF) and ECO Trade and Development Bank. EFP Wing is the focal point for Pakistan Poverty Alleviation Fund (PPAF), Institutional Strengthening of Finance Division Project (ISFDP), Joint Ministerial Commissions (JMCs) and Joint Economic Commissions (JECs).

### **World Bank and USAID Portfolio**

During the year, EFP Wing coordinated with the World Bank, USAID, Economic Affairs Division and implementing agencies of the World Bank and USAID funded projects for the timely disbursement of funds by the World Bank and USAID. During the Fiscal year 2014-15, an amount of US\$ 665 million was released by the World Bank and US\$ 97.41 million by USAID for various projects being implemented in Pakistan.

In addition, the Wing is the focal point for the government's reform programme for growth, investment climate and competitiveness. Two Development Policy Credits (DPCs) were successfully negotiated with the World Bank during the last two years and the funds amounting to US\$ 900 million were disbursed by the Bank, out of which US\$ 500 million were disbursed during FY 2014-15.

The Wing also represented Finance Division in various project negotiations with World Bank along with Economic Affairs Division.

### **International Finance Corporation (IFC):**

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

Pakistan is a member state of IFC having equity of 1,904 shares. Pakistan represents IFC's second largest country wise exposure in the Middle East and Northern Africa (MENA) region. Priority areas of IFC for investment in Pakistan are energy, power, finance and Infrastructure sectors. EFP Wing coordinated with IFC to facilitate its operations in Pakistan.

International Finance Corporation (IFC) has committed over \$ 5.6 billion cumulative investments in the country (including 611 million in mobilization). IFC's current committed investment exposure in Pakistan is about \$1,161.22 million in 47 companies, of which infrastructure (energy,

ports, transport) accounts for \$ 620.97 million (53%), financial markets \$ 368.20 (32%) and manufacturing & services \$172.06(15%).

**SAARC Development Fund:**

SAARC Development Fund (SDF), established with the contribution of SAARC Member States, serves as an umbrella financial institution for sponsoring development projects to be implemented in member states in Social, Economic and Infrastructure Windows, of which only Social Window is operational at present. Finance Division (EFP Wing) is the focal point and counterpart Agency of SDF in Pakistan. Joint Secretary (EFP) is the Member of the Board of Directors of SDF.

EFP Wing arranges Pakistan's financial contribution to SDF and during FY 2014-15 an amount of Rs 1,964,494,523/- was paid. Pakistan has now fully paid its due share in Paid-up Capital of SDF. So far, 7 projects having total cost of USD 6.71 million have been approved for Pakistan and are at various stages of implementation.

**ECO Trade and Development Bank**

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

The Bank is currently offering SME development credit facility to member states through different financial institutions. In order to promote trade in the region, the Bank has also structured a special product called Short-term Trade Finance Facility (STFF), which is being offered through various financial institutions in member states. Moreover, ETDB also extends Projects Finance Loans through various facilities. From the beginning of its operations in 2008, total disbursement of the Bank to various operations in Pakistan amounted to USD 259 million by the end of June 2014. EFP Wing is the focal point of ETDB in Pakistan.

**Pakistan Poverty Alleviation Fund:**

Pakistan Poverty Alleviation Fund (PPAF) was set up under section 42 of the Companies Ordinance 1984 as a "not for profit" institution dedicated to reducing poverty at the grass roots 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 and loan to PPAF. The Wing arranges annual budget allocation for PPAF to provide rupee cover to the grant portion of funds provided by development partners. During FY 2014-15 an amount of Rs. 6200 million was allocated to PPAF.

#### **International Fund for Agricultural Development (IFAD)**

IFAD initiated its operations in 1978 in Pakistan which aim at combating poverty by promoting rural development. Since its inception, IFAD funded different 26 projects in Pakistan total amounting to US\$ 594.8 million which benefits 2,080,400 households directly. At present, following 03 projects are ongoing:

- i) Southern Punjab Poverty Alleviation project;
- ii) Gawadar-Lasbela Livelihood Support Project; and
- iii) Livestock and Access to Market Project; and

A project titled 'Economic transformation Initiative Gilgit-Baltistan' is at the final stage of its approval.

EFP Wings coordinated with IFAD and EAD to get the above projects approved from competent forums.

#### **Joint Ministerial/Economic Commissions (JMCs/JECs)**

Government of Pakistan has established Joint Ministerial/Economic Commissions with different friendly countries to enhance bilateral cooperation in areas such as Banking, Finance, Trade, Investment, Culture, etc. EFP Wing is the focal point in Finance Division, in this regard and during FY 2014-15 the Wing participated in various meetings of JMCs/JECs and inter-ministerial meetings to present the view points of Finance Division on various issues relating to financial/banking sectors.

#### **Foreign Exchange Regulation Act, 1947:**

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

Standing Committee on Finance, Revenue, Economic Affairs, Statistics and Privatization considered the bill and raised some queries about the impacts of the bill if passed by the Parliament. SBP is now reviewing the bill.

### **Poverty Reduction Strategy Papers (PRSPs)**

EF Policy Wing is also acting as PRSP Secretariat and monitors / tracks pro-poor expenditure according to targets fixed in the Medium Term Expenditure Framework (MTEF). Progress on output and outcome indicators in pro poor sector is also monitored as per results-based M&E framework designed under the PRSP-II which not only strengthens the existing monitoring mechanism to assess the impact of public sector investment in the country but also serves as input for future policy formulation to improve well-being of the people. Quarterly/annual progress reports are compiled and uploaded on Finance Division's website on a regular basis.

### **Institutional Strengthening of Finance Division (ISFD)**

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

- a. Bridge the skill gaps by provision of consultant's services
- b. Conduct research studies
- c. Provide on the Job/function-based local trainings
- d. Digitalization of Economic Surveys of Pakistan

Experts/Consultants and Research Associates have been hired to assist different wings of Finance Division and to conduct research studies. 14 research studies on different topics have been completed by these Experts/Consultants/RA whereas, following Research Studies are in process.

- I. Moving towards Single Treasury Account
- II. Forecasting foreign exchange requirement
- III. Potential growth linkages with international finance
- IV. Stock market participation & portfolio management
- V. Market dynamics and import prospects of LNG in Pakistan

Following 14 training courses (03 for officers and 11 for staff), each of 2-3 days duration, were conducted during the Financial Year 2014-15 under ISFDP:

Sr. No.	Course Name	No. of Trainings
<b>For Officers</b>		
1	Financial Statements Analysis	01
2	MS Excel	01
3	Translational Gain/ Loss on External Debt.	01
<b>For Staff</b>		
4	Responsibilities of PSs/ APSs / Stenotypists/Assistants	02
5	Basic Hospitality and Mannerism in the public sector for Qasids/NaibQasids	05
6	Learn MS Office for PSs/ APSs / Stenotypists/Assistants	04
	<b>Total</b>	<b>14</b>

During FY 2014-15, Economic Surveys for 1977-78 to 2002-2003 have been digitalized while the work on digitalization of Economic Surveys from 2003-04 onward is in progress.

OFFICER OF EXTERNAL FINANCE- POLICY WING



**Mr. Amjad Mahmood**  
Joint Secretary(EF-P)



**Ms. Tasnim Bajwa**  
SO (EF-P-1)



**Mr. Ghulam Yaseen**  
SO (EF-P)

## **IMPLEMENTATION AND ECONOMIC REFORMS UNIT (IERU)**

### **Public Sector Enterprise Reforms**

Implementation of Government's multi-faceted reforms for revival of Public Sector Enterprises (PSEs) continued during 2014-15. The PSE reform strategy is based on a number of pillars, which include divestment through strategic partnership and public offerings, strengthening enforcement of corporate governance rules, implementation of restructuring plans and regulatory reforms.

Transactions of United Bank Limited, Pakistan Petroleum Limited and Habib Bank Limited have been completed so far, while Financial Advisors have been appointed for Islamabad Electric Supply Company (IESCO), Lahore Electric Supply Company (LESCO) & Faisalabad Electric Supply Company (FESCO). FESCO's transaction is planned to be completed by end-March 2016, while transactions for IESCO and LESCO are expected to be completed by end-June 2016 and GEPCO's by end-September 2016. Evaluation of EOIs received in response to advertisement of financial advisors for Hyderabad, Peshawar, Quetta, Sukkur and Multan Electric Supply Companies (HESCO, PESCO, QESCO, SEPCO and MEPCO), respectively is being carried out, with a view towards strategic partnership by late 2016.

With regards to the power sector public entities, the governance of DISCOs, three GENCOs, and the NTDC has been transferred to new boards of directors and management. The government is committed to building the institutional capacity of the Water and Power Development Authority (WAPDA) through corporatization and commercialization, and steps have been taken to strengthen WAPDA's financial capacity by allowing the tariff to incorporate capital investment plans. Timely payments by CPPA for all power purchased from WAPDA Hydel is also being ensured. Several DISCOs have also been included in the Government's privatization plans for the coming 2-3 years and the GoP is committed to introducing competitive pricing and direct contracting between power producers and wholesale customers in the power sector.

Railway Revitalization Strategy has been implemented, under which Pakistan Railways (PR) has been making institutional, operational and financial progress since FY2013-14 as reflected in its operational and financial data for FY2014 and FY2015. Important initiatives being undertaken under the Revitalization Strategy include:

- i. Appointment of Railways Board in February 2015
- ii. Launching of international consultancy for developing proposal to manage railways engineering facilities on public private partnership basis
- iii. Pakistan Railway Freight Transportation Company (PRFTC) has been licensed to harness freight opportunities of 35 million tons of coal

- iv. Projects for rehabilitation of mainlines and infrastructure under Pak-China Economic Corridor initiatives
- v. REDAMCO-Railways real estate company geared towards enhancing revenue generation by tapping new land development and management opportunities.

PR's provisional revenues for FY2015 stood at Rs. 31.9 billion as compared to Rs. 21.9 billion in FY2014, showing a 46% increase, primarily due to continued focus on improved service delivery, healthy mix of freight and passenger services, tariff and route rationalization, as well as removing cost redundancies in business operations. Since July 2013, 58 new locomotives have been added to PR's fleet for both passenger and freight service (including new procurement and rehabilitation of old locomotives), which increased the revenues from freight operations by approximately 138% over FY2014.

Financial advisors have been appointed for Pakistan International Airlines (PIA) to seek potential options for restructuring and strategic private sector participation in the core airline business. The diligence process has been completed which will be followed by transaction advisory and finalization of restructuring options. A comprehensive restructuring plan has been implemented for Pakistan Steel Mills to prepare for potential strategic private sector participation in the company. Operational efficiency has begun to improve and capacity utilization has increased from 18 to 40 percent and a target of 55 percent is planned to be achieved by September 2015. Financial needs are being fulfilled to achieve higher level of capacity utilization. Financial Advisor for PSM has been appointed in April 2015, so that the due diligence process can be completed by end-August 2015, and finalize the transaction by end-December 2015.

#### **Power Sector Reforms**

Implementation of National Power Policy has pushed the structural reforms forward. In an effort to move to full cost recovery, the current government has rationalized tariffs. The new tariff as determined by NEPRA for FY 2014-15 has been notified by the government. Subsidies are being targeted to vulnerable consumers in the residential and agriculture categories; with NDT (cost recovery tariff) being applicable to other categories. The timely payment of tariff differential subsidy (TDS) is being ensured on a monthly basis.

Significant efforts are being made to ensure financial sustainability of the system. During the last financial year, the government picked up debt stock of power sector amounting to Rs. 480 billion. Mechanisms are under consideration to cap the overdue payments to a minimum sustainable level. Mechanism of at source deduction is being implemented for clearance of outstanding receivables from Government Departments and a feeder to feeder monitoring to curtail losses is being pursued. New Electricity Act will help improve litigation mechanism for power sector receivables. Revenue based

load management is being carried out in order to ensure smooth recovery of payables. An effort is underway to incorporate all costs to reflect in the tariff structure to arrest buildup of Circular Debt. In addition, three Discos will file Multi Year Tariff Petition during the Fiscal Year 15-16 along-with five year investment plan.

Operationalization of Central Power Purchase Authority (CPPA) as an effective financial manager of the system is a significant step in this regard. Overhaul of financial and management system in Distribution Companies (DISCOs) and Generation Companies (GENCOs) is imperative to improve their performance to a sustainable levels. To increase transparency in the system, monthly amount due and payment by the DISCOs to CPPA, and by CPPA to the generators will be made available on the website of CPPA. Performance contracts have been signed with DISCOs to tackle losses, raise payment compliance and improve energy efficiency and service delivery. Professionals Boards of DISCOS have been appointed to improve corporate governance.

On the regulatory side, a diagnostic audit of NEPRA is being carried out to identify areas where reforms are required. NEPRA will effectively oversee the performance of power sector, and publish quarterly performance standards and indicators of the DISCOs on its website. NEPRA has been allowed to pass on Fuel Price Adjustments (FPA) without prior clearance from the Government. Entry and middle management positions in NEPRA have been added to strengthen technical capacity of NEPRA. Development and effective implementation of energy efficiency codes – Pakistan Energy Efficiency and Conservation Act to promote energy efficiency in the country shall play a critical role towards meeting energy needs in the country.

Efforts are underway to improve power sector fuel mix in the country to reduce price of power basket and improve financial viability. Under the reforms, large capacity addition is planned from wind, solar, nuclear, hydel and coal power projects in the medium term. The emphasis is towards achieving a less oil dependent power generation mix through development of indigenous energy resources particularly hydel, coal and renewable energy resources for sustainable and affordable energy supply in the country. Three hydel plants Tarbela 4th extension, Chashma, NeelumJehlum and few other small dams are expected to provide additional generation within next three years. IPPs and GENCOs are also being encouraged to covert from oil to coal based power generation. Current Coal tariff of 8.9 cents per unit will positively impact reduction from current tariff of 15 cents per unit. In addition, development of support infrastructure to import 1000MW under CASA is also included in the plan. Power sector has been given priority in terms of allocation of gas for power generation. All these efforts will improve the energy mix whereby reducing dependence on oil for power generation, and ensure reasonable tariffs for consumers ultimately leading to financial sustainability.

## **Investment Climate**

The Government has developed an Action Plan for Improving Pakistan's Business Environment, which was finalized in October 2014 after in-depth consultations with concerned federal and provincial stakeholders. The Plan is based on bringing improvement in Pakistan's Doing Business (DB) rankings, since a fundamental premise of World Bank's DB rankings is that economic activity requires good rules — rules which establish and clarify property rights; reduce the cost of resolving disputes; increase the predictability of economic interactions; and provide contractual partners with certainty and protection against abuse. The Plan envisages interventions in six of the Doing Business Indicators measured by the World Bank for the Ease of Doing Business compiled annually for countries across the globe. These indicators include starting a business, dealing with construction permits, getting credit, paying taxes, trading across borders and enforcing contracts.

The Plan focuses on short and medium term reforms to be implemented over the next two to four years for reducing time and procedures as well as costs associated with fulfilling regulatory requirements for business firms under these six areas. The objective is to design regulations which are efficient, accessible to all and simple in their implementation. The DB rankings of countries are closely monitored by global institutional investors and are an important determinant of investment inflows into emerging economies. In line with this imperative, the focus on DB rankings will serve as an important signaling device to the international business community about the government's resolve of improving the country's investment climate.

Under the starting a business indicator, the Virtual One Stop Shop (OSS) for business registration has become operational, through which registration with SECP, FBR and EOBI can be undertaken simultaneously through an online portal. Physical OSS has become operational in Lahore while work is underway to establish similar POSSs in Karachi and Lahore. Alternate Dispute Resolution (ADRs) mechanisms are being strengthened. An ADR is being established in Islamabad with the collaboration of Islamabad Chamber of Commerce and industry.

### **Policy Support to Finance Division and other Ministries/ Divisions**

During the year under review, IERU has also provided policy support to Finance Division and other Ministries/ Divisions as and when required and requested. IERU manages the working of the secretariat of the Economic Advisory Council (EAC). During the year under review, the IERU provided technical support to the EAC and its five sub-groups in the formulation of important recommendations for Federal Budget 2015-16. IERU also supports Finance Division in negotiations with multilateral development partners regarding policy and structural benchmarks.

## OFFICERS OF IERU WING



Dr. Khaqan Hassan Najeeb  
Director General (IERU)



Mr. Muhammad Yasin Gohar  
JS (IERU)



Mrs. Fozia Abid  
DS (IERU)



Mr. Sahibzada M. Junaid  
DS (IERU-II)



Mr. Rashid Ali Zuberi  
DS (IERU-III)



M. Khilil ur Rehman Ansari  
AAO (IERU)

## **MILITARY FINANCE WING**

The Budget Wing of Finance Division (Military Finance Wing) is assigned with the job of tendering advice to Ministry of Defence on Financial/Budgetary matters. An overall coordination of Budget allocation to Defence Services/Organizations and monitoring of expenditure incurred out of said allocation is also carried out by Military Finance (Budget Wing).

### **Budget Allocation/Expenditure For Fy 2014-15**

Ministry of Defence demanded supplementary budget worth Rs. 83616.223 Million for the financial year 2014-15. The proposals were examined in detail and the demand was reduced to Rs. 19611.952 Million. Besides, Budget Estimates for the FY 2015-16 were scrutinized in detail and Ministry of Defence was advised to accommodate the demand within Indicative Budget Ceiling approved for the FY 2015-16 i.e Rs. 781,000.00 Million. The same was done by Ministry of Defence accordingly. Service-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.
- Indigenization efforts are being supported to provide opportunity to our private sector industry to complete in the defence market.

### **Development Projects**

Scrutinization of cases financially pertaining to development projects, purchase of weapons and equipment of the Armed Forces of Pakistan and to deal with regularization of service/administrative matters of MoDP and its attached Departments. It is apprised that it would not be appropriate to divulge the nature of our cases/contracts/activities, being classified in nature and financed from classified Defence Budget. However, it is assured that all procurement/development cases were thoroughly examined in the light of relevant rules/regulations and instructions for ensuring compliance besides applying different analytical & financial techniques in order to get best value of money, efficient & effective utilization of public resources.

### **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 equipment and technologies for Armed Forces of Pakistan.

- Hectic efforts are being made to provide opportunity to our private sector industries to compete in Defence market.

#### **Miscellaneous Activities And Achievements Of Military Finance Wing:**

- Budgetary matters pertaining to Survey of Pakistan (SOP), Pensionary matters of Military Personnel of Armed Forces and Civilians of Services HQs. Counting of former military services towards pension. Condonation of deficiency/interruption in service/rank of armed forces personals. Pension to widows or dependents and children allowances of military personals. Pension appeal committee cases. Ex-gratia award cases of military personals. Write off outstanding advances against the widows of deceased. Regulation of over payment to civilian paid out of Defence estimates. Constant attendance allowances to Military Personals. Over time allowances to lower formation employees of Pak Armed Forces. EOP cases of civilians working in Services HQ. Up-gradation/re-designation of civilian working in services HQs. Medical facilities for Retd civilians paid out of Defence Estimates. Grant of ex-gratia compensation cases. Matter pertaining to Military Medals and Awards and another task assigned from time to time. Accommodation, Ration, Clothing, MT & other Stores of three Services. Acquisition & lease of land. Hiring/de-hiring of residential Bungalows, Capital Works Program. Delegation of financial powers to commissioned officers, all financial and budgetary matters of FGEI (C/G), amendment in the Rules and Regulations and issuance of JSI/AI/AFI/NI etc, Deployment of Armed Forces Officers with UN Mission/ISAF/T-JIOC and incoming visits of foreign dignitaries.
- All the financial matters of ISOs, DG ISI, PMSA, Defence, Army, Air and Naval Attaches of Pakistan, UN Missions Abroad, Deployment of Military Officers abroad. Regularization/Write off cases of tri services. NESCOM (NECOP) Project BOs/NISs etc.

#### **Activities/Target/Achievements**

- To ensure the disposal of all cases well in time under financial rules/regulations and procedure.
- Strict Compliance of all financial measures issued by Govt. of Pakistan regarding budget/expenditure etc.
- Finalization of Res 2014-2015 and Bes 2015-2016 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. 30<sup>th</sup> June, 2015.

## DEVELOPMENT WING

### PERFORMANCE OF DEVELOPMENT WING

Development Wing of Finance Division is dealing with following:

- a. Policy Coordination with regard to development work.
- b. Scrutiny and Examination of all development projects to ensure:
  - The schemes fit in overall development programme.
  - The scheme does not clash with any other scheme of any other
  - Ministry/ Division/Department.
- c. Examination/ preparation of briefs for CDWP/ECNEC/NEC meetings.
- d. Participation in quarterly review of Federal PSDP projects.
- e. Coordination with F.A's Organization on development projects placed before CDWP & ECNEC meetings.
- c. Processing of PSDP releases for development projects of Finance Division (Main).
- g. Monitoring & Evaluation of development projects of Finance Division (main).

The Development Wing prepared briefs for 09 CDWP and 09 ECNEC meetings during FY 2014-15. The Wing also represented Finance Division in 57 Pre-CDWP and 39 Post-CDWP meetings.

The Development Wing is responsible for release of funds of development schemes of the Higher Education Commission (HEC). During the FY 2014-15, an amount of Rs.20068.926 million was allocated for HEC, which was revised/enhanced upto Rs.28142.784 million, while Rs.25673.202 million was released.

Development Wing released funds for the following schemes during FY 2014-15:-

(Rs. In million)

S/No	Name of the Project	PSDP allocation 2014-15	Total Releases
1.	Project to Improve Financial Reporting & Auditing (Phase-II) (PIFRA)	174.054	174.054
2.	Automation of CDNS (Phase-II)	200.000	140.00
3.	Institutional Strengthening of Finance Division (ISFD)	35.000	26.00
4.	Capacity Building, MIS Development and Institutional Strengthening of Pakistan MINT Lahore	10.000	7.00
<b>Total</b>		<b>419.054</b>	<b>354.054</b>

### Inter-Wing Coordination/ Consultation

- a. Development Wing coordinated with the Planning Commission in Pre-CDWP meetings for the finalization of the project proposal (PC-Is) received by the Commission from various Ministries/ Divisions for their consideration in the CDWP/ ECNEC meetings.
- b. 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.
- c. PF Wing was consulted in matters relevant to Provincial Finance appearing in the Federal PSDP particularly relevant to PSDP of Finance Division.

### OFFICERS OF DEVELOPMENT WING



Mr. Mumtaz Shahzad Rafiq  
AEA (Dev.)



Dr. Nawaz Ahmad  
Joint Secretary(Dev)



Mr. Mumtaz Ahmad  
DS (Dev.)



Mr. Zulifqar Ali Kehar  
R.O (Dev.)



Mr. Abdul Razzaq  
A.O(Dev.)



Mr. S.M Idrees Naqi  
SO (Dev.II)

## **INTERNAL FINANCE WING**

### **Zari Tarqiati Bank Limited (ZTBL)**

#### **Introduction**

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

Taking full cognizance of the fact that innovational agricultural technology can bring about sustained increase in production and productivity, agricultural financing institutions all over the world not only provide adequate credit facilities to the farmers but also ensure, either directly or indirectly, the availability of modern inputs to make the credit advanced, equally effective. In 1974 the Supervised Agriculture Credit Program was initiated by the Bank. The crucial elements of credit supplies and know-how were combined under proper supervision to service small farmers. In the year, 2002 responding to the market aspirations, ADBP was converted into a company named as ZTBL, for providing better services to the target clients.

Hence ZTBL, being the major financial service provider to agriculture sector persistently augments Government efforts to achieve self-sufficiency in food and marketable surplus. Despite unfavorable scenario the bank has remained the lead banker in institutional agriculture credit lending as ZTBL alone disbursed Rs.95.827 billion out of total country's agricultural disbursement of Rs. 516 billion during FY 2014-15 having a share of around 19% of the total institutional agricultural credit.

#### **Performance during the Year 2014-15**

During the fiscal year 2014-15, a lending target of Rs.90.00 billion was assigned to ZTBL by State Bank of Pakistan against which Rs. 95.827 billion have been disbursed with a pace of 106.5%. Disbursements increased by Rs.17.908 Billion (23%) as compared to loans of Rs.77.920 Billion disbursed during fiscal year 2013-14.

During the year 487,250 farmers have taken the benefit of loans. The Bank channelized bulk of its credit to small farmers who constitute backbone of the agriculture sector of the country. Accordingly, the Bank has maintained its position as the main source of institutional financing in the agriculture sector.

The Bank focused on increase in farm production by exploiting the maximum potential of land resources with appropriate use of agricultural inputs, tillage practices and water management techniques, and channeled major portion of its funds towards production loans. This is evident from the disbursement of Rs.69.463 billion made for production purpose out of total lending of Rs. 95.827 billion representing 72% share in over all disbursement.

Development loans were provided to the farmers for medium and long term investment categories. During the period under review an amount of Rs. 26.364 billion constituting 28% of the total agricultural credit was disbursed under development loan. The development loans were mainly utilized for tractors, farm mechanization, tube-wells, dairy farming and poultry farming etc (Annex I).

### **Loan to Small Farmers**

The Bank accorded highest priority to fulfill the demand of small farmers with land holding under 25 acres. During the period under review ZTBL disbursed Rs.88.347 billion to small farmers constituting 92.2% of total agriculture credit.

### **Bank's Operations**

Since inception up to 30.06.2015, the Bank has disbursed loan amounting to Rs.1049.827 billion. So far the Bank has financed 577,189 tractors and 156,877 tube-wells besides being the major source of financing for farm inputs including seeds, fertilizers, pesticides and insecticides. Priority was also accorded to the provision of more credit for livestock, dairy farming, poultry farming, aqua-culture and financing of oil seed crops. At present, Bank operates through a network of 32 Zonal Offices and 416 Branches (as of 30.06.2015).

### **Recovery Operations**

During the fiscal year 2014-2015, ZTBL has recovered an amount of Rs. 86.8 billion as against Rs.77.548 billion recovered during fiscal year 2013-14 with a addition of Rs. 9.298 billion.

### **Financial Performance of the Bank**

Despite all constraints, there has been a growing trend in the total assets of the Bank due to consistent profitability of the bank in the last 3 years. The Bank earned pre tax profit of Rs.8.327 billion and earning per share remained at Rs.4.326 billion as on 31.12.2014.

### **Capital**

The paid up capital of the Bank as on 31.12.2014 was Rs.12.522 billion. The issuance of shares worth Rs.89.491 billion are under consideration. It was

decided to convert outstanding SBP debt-principal (Rupees 51.257 billion), subordinated loan (Rupees 3.204 billion) and accrued mark-up (Rupees 35.030 billion) owed by the Bank to SBP as on 30 June 2014 into equity investment of SBP in the Bank. It was also decided that Bank's claim against Government of Pakistan (GoP) on account of mark-up differential and various Presidential Relief Packages shall be waived off by the Bank procedurally. As decided, the Board of Directors of the Bank in its meeting dated 18<sup>th</sup> July, 2014 and the shareholders of the bank in their extra ordinary general meeting dated 13<sup>th</sup> august 2014 approved the conversion of SBP debt of Rupees 89.491 billion into 8,949,098,476 fully paid-up ordinary shares as equity investment of SBP in the Bank and the Bank's claim against the GoP have been waived-off / written-off. Currently, the Bank is in the process to complete further legal and corporate formalities.

#### **Obligation &Entity Rating**

JCR-VIS Credit Rating Company, Limited Karachi in their report dated 18 June 2015 has reaffirmed the previous credit rating of the Bank at 'AAA/A-1+' (December 2013: AAA/A-1+)

It reflects the financial position while capturing the risk profile of the Bank without taking into account the sovereign guarantee.

#### **Earnings per Share**

During the year under review the basic earnings per share remained Rs. 4.326 as compared to Rs.2.696 in year 2013.The Group posted an EPS of Rs.4.357 as compared to 2.720 last year.

## **SMALL & MEDIUM ENTERPRISE (SME) BANK LIMITED**

The SME Bank was incorporated in October 2001 by merging Regional Development Finance Corporation and Small Business Finance Corporation under the Companies Ordinance 1984. Accordingly entire assets and liabilities of defunct Regional Development Finance Corporation (RDFC) and Small Business Finance Corporation (SBFC) were transferred to SME Bank and these two institutions stood dissolved and ceased to exist.

During the year 2014 the Bank was able to improve its loans and advances portfolio to Rs 3,215 million. Bank served 552 clients during the year by disbursing an amount of Rs 1,836 million for the development of SME Sector Bank recovered an amount of Rs 724 million during the year ended on December 31, 2014 against outstanding portfolio of the bank. During the year under review, income from SME lending operations was of Rs 363 million whereas income from treasury operation was of Rs 426 million and other income was of Rs.88 million. The cost of deposits and borrowing during the year was of Rs 543 million, operational expenses were of Rs.597million. The bank was able to reduce the before tax loss to Rs 378 million as on December 31,2014 from Rs 426 million as on December 31,2013. During the year Bank is operated with 13 branches with 462 number of employees.

## **HOUSE BUILDING FINANCE COMPANY (HBFC) Ltd**

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

### **Vision**

To be the prime housing finance institution of the country, providing affordable housing solutions to low and middle income groups of population by encouraging new constructions in Small & Medium Housing (SMH) sector.

### **Mission:**

- To be a socially responsible and commercially sustainable housing Finance institution.
- Target market- Low and middle income groups of population.
- Target areas – No negative list, all legalized residential locations.

- Responding to housing needs of low income groups is a social responsibility, beyond that everything has to be 100% commercially sustainable.

**Network of Offices:**

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

**Operational Activities:**

Since its inception, the corporation has disbursed about Rs. 56 billion for the construction, purchase and renovation of over and above 0.47 million housing units including bulk loans to 28 Development Authorities, Public & Private sector organizations for development of sites.

**Performance during the year July 2014 – June 2015:**

**Disbursement:**

During the period under review total disbursements of Rs. 2.9 billion were made for construction, purchase and renovation of house/apartments. The maximum limit for Construction/Purchase/Renovation loan is stood at Rs. 10 million.

**Recovery:**

During the review period about Rs 3.6 billion has been recovered from the borrowers.

**Achievements during the year.**

- During the review period, total disbursement around Rs. 2.9 billion, which is 99% achievement against the target.
- During the review period, total recovery made was Rs. 3.6 billion i.e 85% achievement against the target.
- The shareholders i.e GoP & SBP, have agreed in principle to swap debt of approximately Rs. 13.4 billion (Rs. 11.2 billion being overdue credit line and Rs. 2.2 billion of accrued interest) into the equity, which would raise the equity to Rs. 16.3 billion, thus making HBFCL, MCR compliant.

**Future Plans.**

- Commensuration with its knowledge, expertise and capacities, HBFCL would make full throttled contribution to prime minister’s Apna Ghar Scheme aimed at alleviating common man’s housing problems.
- HBFCL intends to aggressively work in reducing housing shortage in the country, which is said to be in the range of 6 to 8 million in various studies. To achieve this, HBFCL has planned to extend at least 10,000 new loans

with average loan size of Rs. 0.5 million to specially reduce the gap in the low cost housing.

- HBFCL remain fully committed to cater housing needs of the bottom of the society, low income groups, while bringing down non-performing losses to the level of internationally acceptable limits. To achieve the objective, following decisions have already been taken in principle by the new management:
- Centralization of loan approvals.
- Centralization of loan accounting.
- Up- gradation of IT System.
- Strengthening of internal controls and systems.

#### **Other recommendations**

- Land banks should be established at provincial levels to properly handle the land lying unused.
- Proper foreclosure laws should be enacted, improved and effectively implemented. The judges required to handle foreclosure laws should be educated to handle cases more with economic and financial consideration.
- Housing observatory and housing information system should be developed as early as possible.
- The Government, preferably through State Bank of Pakistan, should facilitate the availability of subsidized credit line to help make housing finance affordable to low- income and economically weaker groups of society.

#### **PAKISTAN SECURITY PRINTING CORPORATION (PVT.) LTD**

The prime business of the Corporation is printing of security documents particularly banknotes, passports and postal/non-postal items (non-judicial stamp paper) which are required by State Bank of Pakistan, DGI & P and DGPPPO respectively on an annual basis. The Sales of the Corporation largely depend upon the indents, prices and dispatches of consignments of all the government and other departments as well as commercial customers.

#### **OPERATIONS**

During the year under review, the indent of SBP for banknotes of various denominations improved to 2,130 Million pieces from 2,015 Million pieces in the previous year, depicting increase of 6%. Accordingly, Banknote sales increased from Rs. 6,319 Million to Rs. 6,629 Million, increase by 12% as compared to previous year.

Net sale of Other Security Products (OSP) increased to Rs.3,410 Million from Rs. 2,624 Million due to the increase in sales of National Prize Bonds & Postal/Non-postal items particularly Non-judicial stamp papers.

During financial year 2014-15 Gross Profit increased to 28% from 23% as compared to last year and outshined all the past records. In absolute terms, Gross profit has increased from 2,035 Million to Rs.2,838 Million, showing an increase of 39% over last year. This was made possible due to reduction in printing wastages and improved sales orders particularly in OSP which contributed towards achieving higher productivity and profitability.

#### **FINANCIAL PERFORMANCE**

As per the audited Financial Statements, the Corporation has earned highest result in its history in terms of Sales, Gross Profit and Net Profit during the year.

Sales of Rs. 10,039 Million have been achieved during the year showing an increase of 12% over the result of last year.

Profit before tax (**PBT**) is Rs. 3,028 Million as compared to Rs. 2,297 Million earned last year. Provision for taxation after adjusting deferred tax is Rs. 988 Million against Rs. 652 Million last year. Increase in income tax is mainly due to imposition of super tax @ 3% by the government.

Net Profit after tax as a percentage of sales also improved to 20% as compared to 18% during last year.

The Corporation also paid the highest ever cash dividend of Rs.600 Million (60%) to Government of Pakistan during the year 2014-15.

Summarized financial results are produced below:-

<b>Years</b>	<b>Profit Before Tax Rupees in Million</b>	<b>Profit After Tax Rupees in Million</b>	<b>Earning Per Share Rs.</b>
2007-08	821	593	593
2008-09	1,400	1,000	1,000
2009-10	948	709	709
2010-11	1,291	891	891
2011-12	1,377	1,001	1,001
2012-13	2,742	1,911	1,911
2013-14	2,297	1,645	1,645
2014-15	3,028	2,041	2,041

## **PAKISTAN MINT, LAHORE**

- Pakistan Mint is a Service Department under Ministry of Finance and charged with Minting of coins against the demand from the State Bank of Pakistan.
- Besides minting of coins, the Mint manufactures all kinds of Medals including Defense Medals, Military and Civil Awards, Embossing Machines, Postal Seals and Stamps.
- Pakistan Mint has manufactured 281.006 (million) coins in Nos. worth Rs 468.217 million.
- In addition the revenue worth Rs 45.887 has also been earned against the other Jobs executed during 2014-2015:-

## **SUMMARY**

Value of the Coins delivered to State Bank of Pakistan = Rs 468.217 million

Revenue earned against Jobs Executed other than Coins=Rs.45.887 million

**Total = Rs 514.104 million**

## **FINANCIAL MONITORING UNIT (FMU)**

### **Activates:**

The Financial Monitoring Unit was established in 2007 under the Provisions of the AML Ordinance 2007 (now AML Act 2010). It is the central agency in Pakistan responsible for receiving, analyzing and disseminating to the investigating and regulatory authorities, disclosures of financial information concerning suspected proceeds of crime and apparently linked to money laundering or financing of terrorism.

The key functions of FMU are:

- Receive Suspicious Transactions Reports (STRs) & (Cash-based) Currency Transaction Reports (CTRs) from Reporting Entities.
- Analyze the reports and call further information from reporting entities.
- Refer transactions needing further investigation to the designated Law Enforcement Agencies (LEAs) and those requiring regulatory / administrative actions to concerned regulatory bodies.
- Create & maintain databases of STRs and CTRs.
- Cooperate with other FIUs and to share and request information subject to reciprocal agreements entered into by the Federal Government.

- Frame regulations for receipt of STRs & CTRs in consultation with SBP & SECP.
- Represent Pakistan at international and regional forums dealing with money laundering and financing of terrorism.

**Performance / achievements during the Year 2014-15**

- Processing of STRs/CTRs (receipt, analysis and dissemination)
- STRs analyzed at FMU and those warranting further action have been disseminated to relevant LEAs and regulators.
- Implementation of Pakistan's Mutual Evaluation Report 2009 recommended actions.
- Preparation of National Action Plan (NAP) recommendations pertaining to Choking financing for terrorists and terrorist organisations
- Implementation NAP recommendations pertaining to FMU i.e. CTR threshold lowered to Rs. 2M vide notification dated 21 January 2015 & arrangement of various capacity building programs for LEAs.
- Addition of Predicate Offences of Customs Act, 2010, Foreign Exchange Regulations Act, 1947, Pakistan Penal Code and Prevention of Corruption Act, 1947 to the schedule of AML Act, 2010, through notification dated 1<sup>st</sup> April 2015.
- Initiation of National Risk Assessment Exercise in terms of FATF Recommendation No. 1 in coordination with World Bank.
- Electronically receipt of STRs from banks
- Electronically receipt of CTRs from banks and exchange companies
- Introduction of amendments in the AML Act, 2010 in the Senate of Pakistan on 31.12.2014 in terms of IMF benchmark. Below is the summary of proposals for amendments in the AML Act, 2010:
- New Definitions / Explanations to bring clarity in provisions
- Adjustments in composition &/or functions of NEC, GC & FMU
- Clarity in reporting obligations as per int'l standards
- Enabling clause for Customer Due Diligence and record keeping as per int'l standards
- Procedural changes in the investigative provisions to remove redundancies and inconsistencies
- Obligation to provide necessary assistance to the authorities
- Amendment in criteria for the appointment of public prosecutors
- Clarifying the provisions relating to int'l cooperation
- Fiscal offences to be brought under the purview of AML Act, 2010 as per int'l standards
- Validation of actions by the Federal Government under which Government Notifications, etc were earlier issued
- Issuance of revised AML Regulations, 2015 in terms of AML Act, 2010

- Issuance of guidance to reporting entities on investment incentive schemes.
- Implementation of National AML/CFT strategy.
- Organized FATF's Regional Review Group (RRG) visit to Pakistan to confirm the status of reforms initiated by Pakistan in terms of Pakistan's RRG Action Plan.
- Completion of RRG Action Plan. As a result Pakistan's progress on RRG action plan, FATF in its plenary held in February 2015 removed Pakistan from FATF-ICRG monitoring process. Pakistan was required to formulate National AML/CFT Strategy; demonstrate adequate Criminalization of Money Laundering and Terrorist Financing; demonstrate adequate procedures to identify, freeze and confiscate terrorist assets; fully operational & effectively functioning FIU; demonstrating effective regulation of money service providers & sanctions regime; improving and implementing effective controls for cross-border movement of cash & monetary instruments. The FATF discussed the results of the on-site visit in its February 2015 plenary and welcomed the significant actions by Pakistan to address the strategic technical deficiencies in AML/CFT regime.
- Successful De-listing of Pakistan by FATF from ICRG process.
- Defended Pakistan's progress at APG's Annual Meeting of 2015.
- Amendments in the Anti-Terrorism Act, 1997 to strengthen the TF related provisions in terms of RRG action plan.
- Preparation of Rules for under Anti Terrorism Act, 1997.
- Coordinated capacity building programs for AML/CFT stakeholders.
- NEC/GC meetings – preparation of agenda, working papers, minutes and follow up actions.
- Undertaken various IT related projects of FMU

#### **Future Policies, Priorities**

- To arrange AML/CFT awareness raising campaign programs in coordination with regulators and law enforcement agencies;
- To conduct Country's risk assessment in coordination with all stakeholders in terms FATF recommendation No.1
- To *acquire* analytical software and corresponding hardware to fully automate the core functions of FMU.
- To make more effective cooperative framework between FMU and LEAs to get periodic feedback in respect of inquiries / investigations / prosecutions and other statistics.
- To provide feedback reports to reporting entities enabling them to review their AML/CFT measures.
- To seek membership of Egmont Group for FMU.

- To provide additional guidance in coordination with regulators to improve compliance of reporting entities.
- To continue working closely with APG and other international bodies.
- To include Tax Crimes as Predicate Crime in the schedule to AML Act, 2010
- Preparations for Pakistan's third round of Mutual Evaluation due in 2018.

**National Bank Of Pakistan (NBP) Performance Achievement Of National Bank Of Pakistan (July 2014 – June 2015).**

NBP is one of the largest commercial bank in Pakistan providing universal banking capabilities with large verity of products serving various customers through different business units. NBP is today the market leader across all sectors - debt and equity market, corporate and investment banking, retail and consumer banking, agriculture financing and treasury services.

**Achievements/ Key initiatives of National bank of Pakistan**

**Financial Performance – December 2014**

- Profit before tax increased by 15 billion from Rs. 7 billion in 2013 to Rs. 22billion in 2014.
- Profit after tax increased by 173% from Rs.5.5 billion for the year ending December 31, 2013 to Rs. 15 billion in December 31, 2014. Earnings per share were Rs. 7.06 in year 2014 as against Rs. 2.59 of last year.
- Total assets increased by 13% from Rs.1, 365 billion at December, 2013 to Rs.1,543 billion at December 31, 2014.
- Total deposits increased by 12% from Rs. 1,101 billion at December 31, 2013 to Rs.1, 234 billion at December 31, 2014.
- The bank continued to expand its branch network in Pakistan which increased from 1,342 branches at December 31, 2013 to 1,354branches at December 31, 2014.
- During the year the bank rolled out Prime Minister's Youth Business Loan (PMYBL) Scheme and has made significant progress in successfully implementing this scheme.
- The Board proposed final cash dividend of Rs.5.5 per share (55%) for the year ended December 31, 2014, which was approved by the shareholders in Annual General Meeting of the bank. Cash dividend of Rs 5.5 per share translated into 86 % dividend payout of the bank's distributable profit for the year 2014 (after statutory reserve allocation) and was the highest in the banking industry. This high

payout showed bank's strong capital position with continuous focus on increasing stakeholder value by capitalising on opportunities to drive strong performance for the organisation and even higher payouts to the shareholders in the years ahead.

#### **Key Initiatives – Business**

- Revamping of Regions structure to improve performance.
- Launching of new deposits products i.e. NBP Choice for business and individual and NBP Business Saver to capture the maximum share of deposits

#### **Customer Service**

Our large customer base (highest number of accounts in Pakistan) gives us an opportunity to further diversify and increase our product offering thereby, offer universal banking services to our clients.

In order to facilitate its customers, NBP has taken following initiatives:

- NBP call Centre is working on 24/7 basis providing account information, facilitating lodgment of complaints and status of ATM card application.
- In order to offer alternate delivery channel and facilitating withdrawal through ATMs, NBP has increased its capacity to process ATM card applications and hassle-free cards delivery to applicant.
- NBP has become the largest bank with 100% online branch network.
- NBP has embarked on an endeavor to implement its Core Banking Automation across all major areas of its business including Consumer, Corporate, Treasury, Trade, HR and Finance which shall enable the bank to provide better customer services as well as ensuring efficiency across its attributed business functions.
- NBP has been able to complete its first phase of internet Banking solution, which is already in process of rollout.

#### **Information Technology**

- Core Banking Application (CBA) rollout in 1,100 plus remaining NBP branches is under implementation in 2015 to utilize maximum benefit of automation and facilitating NBP customers with enhanced services. Up till June 30, 2015, we have converted 178 additional branches on CBA taking total branches on the new platform at 451 as on June 30, 2015.
- The bank plans to add 1,000 ATMs to its network by 2015, out of which 250 ATM project is under implementation and remaining 750 ATMs are planned to be installed by the end of 2015.

National Bank of Pakistan undertakes agency business on behalf of State Bank of Pakistan. This includes government receipts & payments, taxes &

duties collection. During the year various initiatives were taken to improve the service in this area. Payment of monthly pensions through automated system was introduced by end of year 2014

- In order to improve service for FBR & Non FBR collections, we have introduced the facility of tax payment through direct debit by tax payers from their offices/homes. After IBFT facility, account holders of other banks will also be able to deposit tax from their home and office. A system has been developed for collection of utility bills through 1-link ATM network. We have established 6 ATM points where multiple ATMs shall be installed for reducing counter traffic and improve quality of customer services.

#### **Islamic banking branches network**

Our Islamic banking plans to convert 150 National Bank conventional branches to Islamic banking in next two years. As part of this plan, 27 conventional branches have successfully been converted to Islamic Banking Branches till first half 2015 bringing total Islamic banking branches at 49. The bank plans to convert total of 37 more branches to Islamic banking branches in 2015.

#### **Credit Rating**

The Pakistan Credit Rating Agency (PACRA) in addition to M/s JCR-VIS Credit Rating Company for the purpose of bank's credit rating and they both have re-affirmed the bank's long term entity rating of "AAA" (Triple AAA) and short term rating of "A1+" (A one Plus) with "Stable" outlook. The AAA / A1+ rating is one of the highest by the company for any bank in Pakistan.

#### **First Women Bank Limited (FWBL)**

##### **A - Major Activities Of The Bank**

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

##### **Financial Performance during 2014 - 2015:**

Snap shot of the financial performance of FWBL for the financial year from 1<sup>st</sup> July 2014 to 30<sup>th</sup> June 2015 is as follows:

	Financial Year ended		Increase / (Decrease)	%
	June 2015	June 2014		
	'-----PKR '000-----'			
<b>Deposits</b>	<b>14,966,709</b>	<b>17,006,707</b>	(2,039,998)	(12%)
<b>Advances – Net</b>	<b>8,978,024</b>	<b>9,251,695</b>	(273,671)	(3%)
<b>Total Assets</b>	<b>21,705,020</b>	<b>19,829,424</b>	1,875,596	9%
<b>Total Equity</b>	<b>2,527,142</b>	<b>1,957,590</b>	569,552	29%

Deposits include PKR. 4,929 million or 32.94 % of Deposits from the Public sector (2014: PKR 6,168 or 36.27% of Deposits).

Advances in respect of Public sector amounted to PKR 3,903 million or 39.03% of gross advances (2014: PKR 3,383 or 34.10% of gross advances). Total Net Advances have shown a slight increase of 8% due to disbursement in commodity financing.

Asset base of the bank has increased to PKR 21.71 billion from 18.79 billion mainly on account of investments. Net investments substantially increased by 31% due to additional investment in T-Bills and shares of listed companies.

In Federal Budget for the year 2015-16, PKR 1 billion has been allocated for injection of equity in the Bank. The paid up capital of the Bank stands at PKR 2.494 billion. With the release of the allocated funds in the budget, the Bank would reach the PKR 3 billion minimum paid up capital as allowed by the State Bank of Pakistan and as agreed by the Ministry of Finance (MoF) to comply with the minimum capital requirement. The matter of release of funds is being persuaded vigorously by the management with MoF. The SBP has granted extension in meeting the capital requirements up to 30 September 2015

During the year Ministry of Finance ('MoF') shareholding increased from 65.24% to 72.20%. Below is the comparative shareholding structure of the Bank as at 30th June 2015 and 30th June 2014:

	June 2015		June 2014	
	(PKR	Holding %	(PKR '000)	Holding
<b>MCB Bank Ltd.</b>	230,954	9.26%	230,954	11.58%
<b>Habib Bank Limited</b>	230,954	9.26%	230,954	11.58%
<b>Allied Bank Limited</b>	77,349	3.10%	77,349	3.88%
<b>National Bank of Pakistan</b>	76,984	3.09%	76,984	3.86%
<b>United Bank Ltd</b>	76,984	3.09%	76,984	3.86%
<b>Ministry of Finance</b>	1,800,888	72.20%	1,300,888	65.24%
	<b>2,494,113</b>	<b>100.00%</b>	<b>1,994,113</b>	<b>100.00%</b>

With respect to the profitability the position turned out to be as follows:

	July 1 to June 30,	
	2015	2014
	-----PKR ' 000 -----	
Net Revenue from funds	767,643	619,193
Net other Income	390,270	92,878
<b>Total Income</b>	<b>1,157,913</b>	<b>712,071</b>

Administrative Expense	(807,323)	(827,021)
<b>Profit before Provision and Tax</b>	<b>350,590</b>	<b>(114,950)</b>
Provisions	(351,279)	(304,481)
<b>Loss Before Taxation</b>	<b>(689)</b>	<b>(419,431)</b>
Taxation	45,217	52,385
<b>Profit/ (Loss) after Taxation</b>	<b>44,528</b>	<b>(367,046)</b>
<b>Earnings/ (Loss) per Share</b>	<b>0.45</b>	<b>(2.34)</b>

Net revenue from fund increased by PKR 148.450 million (24%) mainly because of decrease in mark up expensed out on deposits,

Other income increase by PKR 297.392 million (i.e. 3.2times) mainly because of capital gains that included capital gain of PKR 287 million on sale of govt securities and PKR 12 million on sale of shares of listed companies and units of mutual funds,

Administrative expenses remained controlled due to cost effective measures taken by managements resulting in decrease of PKR 19.698 million (2%),

Financial results for the first half year of 2015 remained positive and the Bank has regained its pace towards recovery of its financial strength with a profit before tax of Rs. 360.79 million for the half year ended June 30, 2015. Despite the fall in discount rate of around 300bps from the corresponding period last year, the Bank has sustained its gross markup income.

Efforts for the recoveries have resulted in a net reversal against provision for non-performing loans amounting to PKR 34 million

#### **Credit Rating**

Pakistan Credit Rating Agency has maintained the Bank's long-term entity rating to "BBB+" (Triple B plus) and the short-term entity rating at "A2" (A Two). Meanwhile outlook has improved from "Stable" to "Positive". These ratings denote a low expectation of credit risk and indicate an adequate capacity for timely payment of financial commitments.

#### **Challenges for 2015 & Future Outlook:**

FWBL is faced with many challenges in the included but not limited to the following:

- The bank is faced with the challenge of being one of the lowest capitalized Bank working in the industry. The paid capital as at close of June 2015 stood at PKR 2.994 billion which has to be raised to PKR 3 billion by September 30, 2015 or further extension for complying with MCR would be required.

- Increasing the foot print of FWBL by opening a combination of branches and cost effective booths to reach out to the women in far flung areas of Pakistan for which regulatory approvals will be required.
- FWBL has started upgrading its IT infrastructure in the wake of changing business and informational requirements of the industry; however there is a lot more that needs to be done before FWBL can realign itself with the modern day banking developments.
- FWBL is in process of bringing on board team members having relevant skill sets for various areas of the Banking operations as well as to training and developing the existing staff.
- For a better visibility in the market the brand projection needs to be done vigorously for which additional funds for the marketing will be required

#### OFFICERS OF INTERNAL FINANCE WING



**Mr. A. Akbar Sharifzada**  
Additional Finance Secretary  
(Internal Finance)



**Mr. M. Tanvir Butt**  
JS (IF)



**Rana M. Sajjad Anwar**  
S.O (AML-I)



**Mrs. Saira Najeab Ahmed**  
DS/JS (IF)



**Mr. Noor Ahmad Brohi**  
S.O (IF-I)



**Syed Muhammad Ayaz**  
S.O (Bkg-I)



**Ms. Sara Javed**  
S.O (Bkg-I)



**Muhammad Asif**  
AEA (Bkg-III)

## INVESTMENT WING

### Microfinance

Presently, there are ten microfinance banks (MFBs) operating in Pakistan which are privately owned having both foreign and domestic investors. During FY2014-15, the microfinance banking sector witnessed growth due to conducive regulatory environment and market potential, encouraging new and existing investors to inject additional equities in MFBs. As a result the sector exhibited strong portfolio growth while maintaining asset quality. Improvement has been witnessed in all the key micro-banking performance indicators. Microcredit, in particular, has encouragingly registered strong growth. Another substantial development is healthy performance of mobile phone banking, which through eight players, has been adding vast, low-cost, and easy-to-access distributional channels in the sector.

### Industry Performance during FY 2014-15

The microfinance sector in its entirety (MFBs and MFIs) witnessed a 29.2 percent growth in its aggregate microcredit portfolio which grew by Rs 16.6 billion to Rs 73.7 billion as at end March, 2015 from Rs 57.0 billion as at end March, 2014. The number of borrowers also registered an annual growth of 10.7 percent, increasing to around 3.3 million at end March, 2015.

During FY15, fresh equity injections were witnessed in some of the MFBs, resulting in increase in overall equity base of MFBs, reaching Rs 16.7 billion as of end June, 2015, experiencing 24.2 percent YoY growth from Rs 13.4 billion last year. Deposits of MFBs have also shown a strong growth of 40.9 percent during the year to reach at Rs 52 billion as of June, 2015 compared to Rs 36.9 billion in the preceding year. Microfinance banking assets have also registered a growth of 32.7 percent during the period under review and reached at Rs 82.8 billion. The number of MFBs' depositors has reached 11.5 million at end June, 2015 registering an incredible growth of 167.8 percent from 4.3 million depositors last year. The MFBs have been consistently strengthening their loan size owing to strong market demand and better recoveries.

In line with the impressive growth in microfinance banking, the coverage of the branchless banking network has also expanded significantly, as volume of quarterly transactions increased by 6% reaching 76.4 million transactions, agent network also expanded to 229,645 agents compared to 204,073 agents in the last quarter. Yet the most promising growth came in the m-wallets account opening and transactions through m-wallets. The BB accounts increased by 39% to reach at 7.5 million, showing an addition of 2.12 million accounts during the quarter Jan-March, 2015. This impressive increase in the number of accounts is a result of SBP's initiative to reduce the verification cost, increased number of locations/ agents for the account opening as well as

digitization of the process through introduction of biometric technology. During 1<sup>st</sup> quarter of 2015, the average size of transaction was Rs 5,898, slightly more than Rs 5,181 during the preceding quarter. This demonstrates that this innovative technology is now increasingly becoming accessible for the poor. (Table 3)

#### **Policy Initiatives during the Year FY 2014-15**

**Guidelines on Gold Backed Lending:** In order to address the underlying risks in gold backed lending operations of MFBs, SBP undertook a comprehensive assessment of the prevailing practices in global and domestic market. Based on its findings SBP vide its MFD Circular No. 02 Of June 18, 2015, directed the MFBs to limit their aggregate loan exposure against the gold backed loans 35 percent of their gross loan portfolio. Moreover, MFBs having existing gold backed loans portfolio in excess of 35 percent were advised to submit a plan seeking SBP approval for complying with the instructions within a maximum period of 2 years.

**Inclusion-Effective Interoperability Workshop:** SBP, in collaboration with Consultative Group to Assist the Poor (CGAP), organized a one day workshop titled “Inclusion-Effective Interoperability” on October 22, 2014. The conference aimed to share the findings of the global research study conducted by CGAP on topics such as: solution relating to account to account interoperability, how agent interoperability might assist financial inclusion, effective use of national payment infrastructure, and priority use cases and key impediments.

**International Branchless Banking Conference:** SBP, in collaboration with CGAP and UK Department for International Development (DFID) organized a one day International Branchless Banking Conference on November 17, 2014 in Islamabad. The conference was attended over 280 participants from the Government, international policy advisory organizations, financial service providers, telecom sector, and payment service providers. During the conference following two MoUs were signed to move forward the digital financial inclusion in Pakistan:

- a. Between Governor SBP and Chairman NADRA for reducing the per customer biometric verification cost to Rs 10 for each m-wallet account opening at industry level. This initiative will not only reduce transaction costs of banks and clients alike but will also strengthen customer identification & verification procedure, by providing a real time, paperless and accurate account opening facility, leading to accelerative growth in opening of mobile accounts.
- b. Between Gates Foundation and DFID to set up a Digital Financial Inclusion Unit in Karandaaz which is a newly

incorporated company to support small and growing businesses in Pakistan.

**Institutional Up-scaling:** APNA Microfinance Bank, previously a Sindh-based provincial MFB, has been converted into a nation-wide MFB.

**Enhancement of Biometric Infrastructure:** Biometric infrastructure is being speedily installed at agent level to aid real-time account opening at discounted price structure. Around 63,000/- devices are expected to be installed nationwide till Dec-15

**Payment Systems Interoperability:** The mobile financial services (MFS) platform has achieved interoperability with Core Banking Accounts through financial switch (1-Link) enabling ATM, POS and Interbank funds transfer facilities through m-wallets.

#### **Donor Funded programs based SBP's initiatives**

SBP is playing a proactive role in the development of microfinance sector through implementation of government and donor funded programs. These programs are managed with the objective to enhance provision of financial services to the unbanked segment, especially the poor and women through sustainable models. The key initiatives taken by SBP under these programs are as follows:

- **National Financial Inclusion Strategy (NFIS):** In line with our country's requirements and global trends, SBP has recently developed a broader **National Financial Inclusion Strategy (NFIS) for Pakistan** in collaboration with the World Bank (WB) Group. The objective of the strategy is to build momentum and push forward reforms to achieve universal financial inclusion in an integrated and sustained manner.

Globally, more than 50 countries have adopted financial inclusion strategies with explicit financial inclusion targets. Evidence suggests that having a NFIS could double the pace of progress on financial inclusion targets besides a number of benefits such as:

- I. NFIS will help adopting a national financial inclusion vision along with a set of national targets to commit over the implementation period of the strategy to help realize universal financial inclusion;
- II. NFIS has been developed through a consultative process which has identified factors, policies and market interventions along with a time bound action plan with clear roles and responsibilities of each stakeholder for implementation. The action plan would help in guiding and monitoring progress on various financial inclusion initiatives; and

- III. The strategy would help create a national platform for all stakeholders from both public and private sectors for consultation and implementation of the reforms and various initiatives for financial inclusion under the strategy.

The NFIS provides a vision that underlies a framework and a road map for priority actions aimed at addressing constraints and significantly increasing access to, and usage of, quality financial services. The strategy will guide efforts to promote financial inclusion over the coming five years (2015-2020). It includes targets and objectives that will be monitored, but it intended to be a living document that can be adjusted as required.

The other funded interventions have been designed by SBP to address credit risk of the borrowers, enhance capacity of market players, spur innovations and bridge key market information and infrastructure gaps. Progress on these initiatives during the period is as follows:

#### ***Credit Enhancement Facilities***

- ***Microfinance Credit Guarantee Facility (MCGF)***, a £15 million facility, was launched by SBP in December 2008 under FIP to cover partial risks against the loans extended to microfinance providers by the commercial banks. MCGF has been showing continuous growth since its launch to address the funding needs of the microfinance sector and maximize the outreach in microfinance sector. So far, 46 guarantees have been issued under MCGF which has mobilized Rs.16 billion from commercial bank and capital markets/ retail investors for onward lending to more than 800,000 micro borrowers. There have been no calls on the guarantee yet. The facility has been positioned to mobilize non-bank financing from capital markets, to diversify financing for micro borrowers. The facility has helped develop the market and introduced poor borrowers to mainstream financial institutions.
- ***Credit Guarantee Scheme (CGS)***, worth £13 million, was launched in March 2010 to facilitate credit to small and rural businesses for greater outreach. The scheme was launched after an assessment of commercial banks risk appetite and demand for the facility. The objective of the scheme is to improve availability of credit by enhancing credit rating of small and rural borrowers through guarantees for greater outreach to the poor and rural segments. CGS has allocated limits of Rs.3.36 billion to 16 banks in line with the available seed money and request of the banks. The participating banks have sanctioned loans of Rs 6,328 million under CGS and SBP issued

guarantees for risk coverage of Rs.2, 554 million for onward lending to around 10,000 borrowers against the approved limits.

***Smart Grants for Institutional Development and Financial Innovations***

- ***Institutional Strengthening Fund (ISF)***, a £6 million facility, was launched by SBP with the objective to provide grants for institutional strengthening of the microfinance sector, develop and implement strategies for mobilization of savings, strengthen governance and internal controls functions, and launch branchless banking initiatives. Under ISF, the grants of Rs. 703 million have been approved for 26 projects from 15 microfinance institutions (MFIs) and banks (MFBS) representing more than 60 percent of the microfinance sector. The ISF support has been transformational; supporting graduation of NGO MFIs to Microfinance Banks (MFBS) and has put the industry on a more sound footing. As a result, the major segment of the MF industry has been brought under SBP's MF regulations. Particularly, FIP supported transformation of large NGO MFIs such as NRSP and Kashf into microfinance banks. As a result, both are now deposit taking institutions. In addition, ISF has helped a number of institutions to be sustainable and efficient in financial service delivery such as the Tameer Bank in launching Easy Paisa Branchless Banking product
- ***Financial Innovation Challenge Fund (FICF)***, a £10 million facility, was launched by SBP in May 2011 to foster innovations and test new markets, lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the unmet demand for financial services. The fund holds specialized challenge rounds focusing on innovations that market wishes to undertake to alter the scope and reach of financial services. The 1st Challenge Round of FICF was launched in May 2011 to promote "Financially Inclusive Government to Person (G2P) Payments" through branchless banking models. Under this round, FICF is currently supporting Punjab Pension Fund, Employees Old-age Benefits Institution, UBL, and NADRA for a number of pilots for adoption of innovative approaches and solutions to deliver affordable and convenient financially inclusive G2P payments. The projects cover the entire spectrum of G2P payments including, salaries, pensions and welfare payments through financially inclusive models. The 2nd Round was launched on March 6, 2014 to promote innovative rural and agricultural financial services. Under this round, FICF is currently supporting 12 institutions for testing innovations such as Agriculture Value Chain Financing, Warehouse Receipt Financing against agricultural commodities, and use of third party service providers by the banks' agri. staff, green agricultural

financing, Islamic microfinance, use of ICT solutions for agricultural finance and price information, etc. The 3<sup>rd</sup> Round was launched on January 9, 2015 SBP on promoting Islamic Financial services to meet the latent demand for Shariah compliant financial services in Pakistan. This round aims to develop education and research infrastructure for promoting Islamic Finance in partnership with leading higher education institutions. Under this round, the Advisory Committee has finalized to provide grant assistance to IBA Karachi, LUMS and IMS Peshawar to set up Centers of Excellence in Islamic Finance.

***Support to Cross Cutting Themes to enhance capacity and bridge market information & infrastructure gaps***

- ***Nationwide Financial Literacy program (NFLP):*** SBP launched Pakistan's first-ever Nationwide Financial Literacy Programme (NFLP), on 20th January 2012, to assist financial inclusion and poverty alleviation efforts to facilitate economic growth and stability across the country. The NFLP was launched with the support and collaboration of ADB, PBA, PPAF and Bearing Point (Consultant). The pilot of the program was completed in July 2012 and 47, 800 beneficiaries were targeted through class room training sessions and street theater. The program focused on disseminating basic education about financial concepts, products and services to masses focusing on budgeting, savings, investments, banking products and services, debt management and consumer right and responsibilities, etc. The program was evaluated through a third party and upon its positive evaluation, the program is now being rolled-out nationwide. The national roll-out has been segregated into two components: i) Scale up the scope of NFLP to national level ii) Initiation of Child and Youth Financial Literacy Program with the objective to provide basic financial education to children and youth and train them for their future roles as social and economic actors
- ***Establishment of Nationwide Microfinance Credit Information Bureau:*** SBP is supporting the Nationwide Microfinance exclusive Credit Information Bureau (MF-CIB) that helps microfinance providers (MFPs) in developing robust risk management system and practices, which in turn reduce the risk of multiple borrowing and loan defaults. The MF-CIB has been established with the objective to store all past and present credit transactions of all microfinance borrowers, minimize the instances of over-indebtedness, bring financial discipline in microfinance sector and improve loan portfolio quality of MFPs.
- ***Client Protection (CP) Monitoring and Pricing Transparency Initiatives for Pakistan's Microfinance Sector:*** SBP is supporting these initiatives

with the help of Pakistan Microfinance Network (PMN) which are aimed at a holistic client protection intervention at the industry level. The key objectives of the initiatives are monitoring of client protection measures in place at MFPs in accordance with globally accepted benchmarks and standardization in calculating and communicating product prices to clients. For CP monitoring initiative, PMN signed a Partnership agreement with Smart Campaign to support and review smart assessments of PMN Member Institutions and conduct training of local industry stakeholders in Pakistan to build their further capacity. For pricing transparency initiative, PMN signed a Partnership agreement with Microfinance Transparency (MFT) to tailor MFT's data collection tool to the Pakistan market, build stakeholders' capacity in understanding pricing, data collection and analysis, publication of data on the MF Transparency website, preparation and publication of pricing analysis report for Pakistan, etc.

**Table 1: List of Microfinance Banks**

Presently, there are ten licensed MFBs in the country; nine of them are nation-wide, while one is provincial (Sindh province). Details are given in Table below:

Licensed MFBs in Pakistan				
No.	MFBs	Year	Status	Key Sponsors
1.	<b>Khushhali Bank Ltd.</b>	2000	Country-wide	United Bank Limited ledconsortium/ Commercial Banks
2.	<b>The First Microfinance Bank</b>	2002	Country-wide	Agha Khan Agency for Microfinance/ International Finance Corporation (IFC)
3.	<b>U Microfinance Bank</b> (formerly Rozgar MFB)	2004	Country-wide	Pakistan Tele Communication Company Ltd (PTCL)
4.	<b>Apna Microfinance Bank</b> (formerly Network MFB)	2004	Country-wide	Auriga/ United Insurance Group
5.	<b>Tameer Microfinance Bank</b>	2005	Country-wide, scheduled MFB	Telenor, EMCL & IFC
6.	<b>Pak Oman</b>	2006	Country-wide	Pak Oman Investment Company/Sultanate of

	<b>Microfinance Bank</b>			Oman	
7.	<b>FINCA Bank</b> (formerly Kashf MFB)	<b>Microfinance</b>	2008	Country-wide	IFC/Foundation for International Community Assistance (FINCA International) /Kashf Holding
8.	<b>NRSP Bank</b>	<b>Microfinance</b>	2009	Country-wide	National Rural Support Program, Acumen Funds, IFC & KFW Development Bank
9.	<b>Waseela Bank</b>	<b>Microfinance</b>	2011	Country-wide	Pakistan Mobile Communications Limited (M/s Orascom)
10.	<b>Advans Microfinance Bank Ltd.</b>	<b>Pakistan</b>	2012	Province-wide	Advans SA & FMO

**Table 2: Performance indicators of Microfinance Banks in Pakistan, as of end June, 2015**

(Amt. in Rs. '000)

<b>MFBS</b>	<b>Br.</b>	<b>Borrowers</b>	<b>Advances</b>	<b>Deposits</b>	<b>Depositors</b>	<b>Assets</b>	<b>Equity</b>	<b>Borrowings</b>
Khushhali	118	493,160	14,913,309	11,059,673	1,015,367	3,609,302	20,220,161	4,595,262
First MFB	85	171,445	5,318,360	9,161,002	275,891	1,396,265	11,217,818	317,407
Tameer	62	248,301	10,349,466	15,580,150	7,778,277	3,278,020	21,236,405	158,172
NRSP	61	245,649	7,518,335	5,222,726	430,295	2,311,560	11,773,535	3,676,568
FINCA	42	82,776	4,589,951	6,211,262	351,196	1,340,402	8,088,921	200,145
Pak Oman	16	11,834	365,115	11,821	17,532	1,082,014	1,122,471	-
APNA	29	12,489	1,101,980	1,977,442	52,947	1,042,874	3,049,617	-
U MFB	25	12,753	528,841	1,029,521	390,160	1,036,902	2,238,345	-
Waseela	30	15,415	710,220	1,745,590	1,281,240	1,082,371	3,272,749	-
Advans	4	2,382	185,925	17,100	5,618	525,585	617,936	-
<b>Total</b>	<b>466</b>	<b>1,296,204</b>	<b>45,581,502</b>	<b>52,016,287</b>	<b>11,598,523</b>	<b>16,705,295</b>	<b>82,837,958</b>	<b>8,947,554</b>

\*Total service outlets are 661 including services centers, booths besides branches

**Table 3: Branchless Banking Key Indicators as of end March, 2015**

Indicators	Q4 2014	Q1 2015	Quarterly Growth
Number of Agents	204,073	229,645	13%
Number of Accounts	5,414,655	7,538,025	39%
Deposits as of date (Rs. in millions )	6,668	6,890	3%
Number of transactions during the quarter (No. in '000')	71,818	76,450	6%
Value of transactions during the quarter (Rs. in millions)	372,093	450,937	21%
Average Size of Transaction (in Rs.)	5,181	5,898	14%
Average number of transaction per day	797,980	849,452	6%

**Table 4: Microfinance Industry Indicators as of end March, 2015****SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

Indicators	March-14			March-15		
	MFBs	MFIs	Total	MFBs	MFIs	Total
Number of MFPs	10	25	35	10	34	44
Number of Branches	416	1,897	2,313	450*	2,137	2,587
Total No. of Borrowers	1,063,571	1,935,615	2,999,186	1,249,857	2,070,397	3,320,254
Gross loan portfolio (Rs. In millions)	31,636	25,432	57,068	41,208	32,551	73,759
Average Loan Balance (Rs.)	29,745	13,139	19,028	32,970	15,722	22,215
Total No. of Depositors	2,884,258	-	2,884,258	7,828,113	-	7,828,113
Deposits (Rs. In millions)	33,182	-	33,182	42,487	-	42,487

**Introduction:**

The Securities and Exchange Commission of Pakistan (SECP) was established under Securities and Exchange Commission of Pakistan Act, 1997 as a successor to Corporate Law Authority (CLA). SECP which became operational on January 1, 1999 was initially mandated to regulate the corporate sector and capital market. However, after the promulgation of Insurance Ordinance, 2000, matters relating to supervision and regulation of insurance sector were also transferred to SECP. In addition, regulation and supervision of non-banking

finance companies and private pensions, oversight of various external service providers to the corporate and financial sectors, including chartered accountants, credit rating agencies, corporate secretaries, brokers, surveyors etc. also fall within the domain of SECP.

The SECP comprising its Chairman and four Commissioners operates under the guidance of Policy Board headed by Federal Secretary Finance. Its members include Chairman SECP, Deputy Governor of the State Bank of Pakistan, Federal Secretaries for Law & Justice and Commerce. The private sector is represented by Senator Osman Saifullah Khan, Mr. Javed Aslam Callea, Hafiz Mohammad Yousaf and Mr. Kamal Hassan Siddiqui.

During the financial year July 1, 2014 to June 30, 2015, major developments in the fields within the domain of SECP have been as under:

### **Capital Market**

#### **Stock market overview**

The year 2014-2015 witnessed a significant and steady rise in the stock market indices with historic and unprecedented levels being reached. The KSE-100 index which stood at 29,701.58 points at the beginning of the year, closed at 34,398.86 points on June 30, 2015 registering a growth of 16% during the year 2014-15. Average daily turnover of 219.22 million shares was recorded by June 30, 2015. A total of 560 companies with total paid up capital of Rs. 1189.52 billion were listed on the Karachi Stock Exchange. Market capitalization stood at Rs. 7421.03 billion as on June 30, 2015, which reflects 5.5% increase over the last year. Foreign investment in the stock market, however, exhibited net inflow of USD 38.54 million during the year reflecting a decrease of 85% over the last year.

Some of the major developments that have contributed to this exceptional performance of the Pakistani stock market are: stable political environment, investment projects backed by China; stable exchange rate against the US Dollar; improved security and law & order situation; increased confidence shown by the multilateral donor agencies such as the IMF, World Bank and Asian Development Bank with their increased allocation for energy sector development; etc.

The major activities and achievements in the area of capital markets include:

- **Securities Act, 2015**

For effective regulation of the securities market, the Securities Act, 2015 was framed which has replaced the Securities and Exchange Ordinance, 1969. The Act is a comprehensive modern law drafted with the intention to cater for deficiencies in the earlier law and cover developments in securities market over

time. It incorporates global benchmarks of securities regulation and investor protection and will improve integrity, credibility and efficiency of the capital market by establishing and enforcing principles which ensure fairness and promote investor confidence. After extensive stakeholder consultation and deliberations on various levels, the Act was approved by the Senate and the National Assembly and has been promulgated after receiving Presidential assent and publication in official gazette.

#### **Improvements to Margin Financing System**

In order to bring improvements to the Margin Financing System available to brokers, to remove practical difficulties therein and support liquidity in the market, in-principle approval was granted to NCCPL for enhanced position limits, relaxed margin requirements for financiers and amended financee participation ratio.

#### **Launch of new Commodity Futures Contract at PMEX**

To fulfill hedging requirements of investors in the commodities market, approval was granted to PMEX Gold (milli ounces) Futures Contracts denominated in USD, EUR, JPY and GBP and settled in Pakistani Rupees. The approved contracts are expected to attract notable interest from investors wishing to take exposure in gold by investing in small sized contracts. Approval was also granted for Brent Crude Oil Contract and Mill Specific Sugar Contract.

#### **Formulation of rules for underwriters, balloters and transfer agents**

The Balloters, Transfer Agents and Underwriters Rules (BTUR), 2001 were promulgated to regulate the affairs of the balloters, transfer agents and underwriters. These rules had a very limited scope as they provided merely the eligibility criteria for these intermediaries and there were no licensing/registration requirements, neither did they contain any penalty clause in case of default and non-compliance.

In order to build up investors' confidence, and to safeguard their interests, the SECP with the approval of the Federal Government has promulgated two separate sets of regulatory frameworks, i.e. the 2015 Underwriter Rules and the 2015 Balloters and Transfer Agents Rules.. So far, 11 institutions have been registered as underwriters.

#### **Formulation Of Regulations For Issue Of Sukuk**

The Sukuk market is an important segment of our capital market and is considered a viable and efficient alternative to raise funds. Over the last few years our market has witnessed the floating of a number of sukuk issues by various companies. An efficient, broad-based and well-regulated sukuk market will greatly help in the development of our capital market. In order to develop the sukuk market, the 2015 Issue of Sukuk Regulations have been promulgated.

The purpose of making the sukuk regulations is to facilitate the issuers, and to provide comfort to the sukuk investors.

#### **Launch of investor education portal Jamapunji.pk**

In view of the emerging significance of technological platforms, the SECP developed its first ever web portal titled Jamapunji. This web portal is a vehicle by which a user gains access to a broad array of resources related to investor education and awareness.

#### **Investor education seminars**

15 seminars on Investor Education Program of the Commission have been arranged across Pakistan in collaboration with CDC. Targeted cities were Abbottabad, Peshawar, Muzaffarabad, Mirpur, Rawalpindi and Islamabad

#### **Skill development for market intermediaries and financial services professionals**

ICM was set-up by the Securities and Exchange Commission of Pakistan (SECP) under first tranche conditionality of the Asian Development Bank's (ADB) Second Generation Reform Program in 2008 as a certification body for development of human capital in the capital markets and undertaking independent research. Subsequently, the articles of the company were amended to expand scope to include training, investor education and certification for the insurance sector. The World Bank had approved IDF grant of \$380,000 for the Institute of Capital in April 2011 to be utilized by June 2014. Under the said grant, apart from undertaking other activities, ICM developed 12 certifications for financial services professionals. ICM BOD has adopted certification structure under which broad (core) certification is designed for all the professionals working in the regulated sector while specific certification – linked with a particular function – is aimed at only those performing that specific function.

#### **SECP's Implementation of IOSCO Principles**

International Organization of Securities Commissions (IOSCO) has published its Assessment Committee's review of SECP's implementation of IOSCO Principles of Securities Regulation (IOSCO Principles) after approval from IOSCO Board. Pakistan is the first country to be reviewed by IOSCO. The IOSCO Principles provide an international benchmark for securities regulation practices against which progress of member jurisdictions towards effective regulation can be measured.

The Review assessed Pakistan against IOSCO principles and declared it to be fully compliant on 13 Principles, Broadly compliant on 10 Principles, Partially compliant on 9 Principles, whereas only in case of 5 Principles, Pakistan remained non-compliant. The Review has acknowledged SECP's significant progress in meeting international regulatory standards while

highlighting areas in which improvements are needed. Its conclusions indicate that Pakistan's regulatory framework has undergone significant improvements in the structure and practice of regulation since 2004, when the International Monetary Fund and World Bank issued their last Financial Sector Assessment Program (FSAP) evaluation of the country.

SECP has developed a comprehensive time bound action plan to implement further reforms in legal, regulatory and supervisory architecture to bring it totally in line with the review recommendations and international standards. Accordingly, re-assessment of principle implementation status has also been proposed to IOSCO which will validate SECP's progress and help secure more favorable ratings for Pakistan in future.

#### **Performance of the Commodities Market**

During the year the trading volume at PMEX showed substantial growth as a total of 168 million commodity futures contracts were traded as compared to 4.2 million contracts during the same period last year. However, the traded value showed a decline to Rs.708 billion from the value of Rs. 1,171 last year. The current year witnessed a growth in the trading apparently due to the expansion of product basket that resulted in increased trading activity at PMEX whereas the decline in value was apparently due to the decline in international commodity prices. Gold was the most traded commodity with crude oil, silver and cotton following the trend respectively. Overall, 165 million contracts in gold, 2.7 million in crude oil, 0.27 million in silver and 656 contracts in cotton were traded at PEMX during the period under review.

#### **Stock Market Surveillance**

As part of its mandate to develop an efficient, effective and transparent stock market and to inculcate integrity and fairness in the trading activity, SECP works to identify abusive, manipulative and irregular trading practices. The primary focus is on revealing complex schemes of market abuse which are detrimental to investors' interest, e.g., insider trading, front running, price manipulation etc.

In order to ensure the orderly execution of the market operations, significant measures have been taken. In various instances of non-compliance with regulatory provisions, 26 warning letters and 38 enforcement orders were issued to the brokers of stock exchanges and individual investors. During FY15, 5 detailed Enquiries into the dealings, business or other transactions of various market participants were initiated on suspicion of market manipulation and insider trading.

### **Onsite Inspection of Brokers**

During the period, SECP continued to consolidate and augment its efforts to ensure compliance with regulatory framework by the capital market participants. The extended efforts covered range of activities such as onsite inspections, offsite review, enquiries, investigations and specialized inspections, with ultimate objective that all capital market participants implement the regulatory framework in true spirit. Furthermore, SECP took feedback of implemented Regulatory framework from market participants. Based on such feedback, the SECP managed to clarify many practical issues such as Net Capital Balance, System Audit, etc.

### **Off-Site Monitoring of Brokers**

In order to strengthen monitoring of the brokerage houses has formed a new wing during the current financial year.

### **Future outlook**

- Preparation of the capital market development plan in consultation with stakeholders
- Establishment of Centralized KYC Organization and strengthening and stringent compliance with KYC regime and Customer Due Diligence (CDD)
- Benchmarking and compliance with international best practices
- Regulation of off-market
- Revamping of existing Market Surveillance Suite (MSS) in line with international levels.
- Promulgation of draft Futures Trading Bill
- Subsidiary Legal Framework under the Securities Act, 2015
- New Regime for Market Intermediaries on minimum entry standards, criteria for sponsors, directors and employees, corporate governance, risk-based capital adequacy and regular audits.
- NCCPL to attain status of Central Counter Party
- Finalization of draft Research Analysts Regulations, 2015
- Post-demutualization reforms to ensure divestment of exchanges' shares
- Take measures for facilitating corporatization of individual PMEX members
- Activation of brokers and introduction of new futures contract at PMEX to complement trading activity at the Exchange
- Amendments to Companies (Asset Backed Securitization) Rules, 1999
- Credit Rating Companies Rules, 1995
- Regulations for electronic Initial Public Offerings (e-IPO)
- Regulations for the issue of convertible and exchangeable debt securities
- Listing of short-term Shariah-compliant securities

- The implemented programs (web portal – jamapunji.pk and seminars) will be exhibited to the market stakeholders, including exchanges, depository, clearing company, associations of market intermediaries, listed and large unlisted companies, multilateral agencies, etc. to obtain their contributions to the Investor Education Fund (IEF). The proposed IEF will be in a trust structure with a third party acting as trustee to ensure that utilization of funds is for the stated objectives. Only returns generated by the IEF will be used to meet expenses of investor education program. The original contribution (principal amount) will stay in the IEF, so that this source is available in perpetuity.

### **Corporate sector**

The SECP took a proactive approach with regard to regulation and development of the corporate sector. During the period under review, 5,001 new companies were registered. As compared with corresponding period of last financial year, a growth of 9 percent has been witnessed. This has raised the total number of registered companies to 67,624. Foreign investment has been reported in 243 new companies. Moreover, 42 foreign companies from Australia, Bahrain, China, France, Germany, Hong Kong, Japan, South Korea, the Netherlands, Singapore, Switzerland, Turkey, the UAE, the UK and the US registered in Pakistan during last fiscal.

The SECP embarked on many initiatives aimed at improving on the facilitation mechanism for stakeholders, compliance measures, legal development and online services regime. Some of the key achievements are:

#### **Facility for online payment of fee through credit cards**

The SECP introduced the facility for online payment of fee through Credit Cards in its eServices regime, which put the SECP on a par with similar organizations/registries in developed nations of the world. Stakeholders are now able to complete all requirements including online payment of fee through credit cards, and submit returns/forms online without any need to visit the Bank or any SECP's Company Registration Offices. This facility will provide enormous benefits to the stakeholders by speeding up processing times, besides resulting in increase in number of registered companies in the future.

#### **Virtual one-stop shop portal for integrated business registration with FBR and EOBI**

Pursuant to an MOU for the establishment, operation and administration of a virtual one-stop shop (VOSS) for business registration signed on December 19, 2013 with the Federal Board of Revenue (FBR) and Employees Old-Age Benefit Institution (EOBI), the VOSS web portal has been developed to provide a single interface for investors intending to get their

company registered with the SECP, followed by NTN/tax registration with the FBR, and employers' registration with EOBI.

The portal is available for public access through the website of the Commission at <http://voss.secp.gov.pk>

### **Establishment of a physical one-stop shop**

A physical one-stop shop (POSS) has been established at the Lahore Chamber of Commerce & Industry (LCCI), in pursuance of an MOU signed in September 2014 with the Federal Board of Revenue (FBR), Employees Old-Age Benefit Institution (EOBI), and LCCI. The Commission has deployed its resources at the POSS as required in terms of the MOU.

### **Media campaigns and raising awareness**

Extensive advertising campaigns were run to raise awareness that include joint awareness campaign by the SECP and SBP regarding modus operandi of fraudulent businesses/schemes and an awareness campaign on online payment facility.

More than 40 awareness seminars and workshops on benefits of corporatization, eServices, mandatory online filing and corporate compliance were organized in various cities with collaboration of chambers of commerce, tax bar associations and other relevant organizations. These events were well attended and produced good results.

### **Development of legal framework**

- **Issuance of Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015**

The SECP approved the 2013 Public Sector Companies (Appointment of Chief Executive) Guidelines in February 2015 to prescribe an appointment criteria as well as a fit and proper test for the position of chief executive officer of public sector companies.

- **Amendments in the Single Member Companies Rules 2003**

The single member companies' rules were introduced in 2003, to enable sole proprietorship to form companies. However, this new concept could not flourish due to heavy pre-incorporation procedures. In order to facilitate the entrepreneurs, amendments to the rules were made. The salient features of the amendments are to facilitate the body corporate to act as a single member and to form a single member company. The amendments also emphasize the role of secretary of the single-member company who in case of death of single member shall take steps of transfer of shares in the name of legal heirs and manage the affairs of the company till the transfer of the shares. The new

amendments also suggest penalty for contravention of existing rules which was not provided earlier.

### **Companies (Easy Exit ) Regulations**

In order to make the Companies Easy Exit Scheme (CEES) a permanent feature and acknowledging the continuous demand from various quarters, the SECP issued the 2014 Companies (Easy Exit) Regulations vide S.R.O. 1083(I)/2014 dated December 2, 2014. The regulations are applicable to all private and public un-listed companies, including -not-for-profit associations, except certain categories of companies.

### **Mandatory functional website for companies**

The SECP vide its Notification S.R.O. 634(I)/2014 dated July 10, 2014 directed every listed and public un-listed Company to maintain its functional website with effect from August 30, 2014. The websites are required to disclose information about the companies' profile, contact information of Board of Directors and financial and regulatory details. This includes financial reports as well as important announcements to be prominently disclosed on the website. The maintenance of functional website shall be an effective platform to disseminate relevant information to the stakeholders and seek their feedback wherever required.

### **Enhanced information to shareholders at the time of right issue by companies**

The SECP vide its SRO 233 (1)/2015 dated March 11, 2015 in exercise of powers conferred by Section 86(3) prescribed a new form of circular to be sent along with notice offering new right shares. The companies offering right shares are now required to provide detailed information about the company, profile of its management, financial highlights, and capital rose during previous three years, basis of determination of price of right issue, purpose of the right issue and financial projections for next five years reflecting the financial effects arising from right issue. The new circular will enable investors to make informed decisions and is in line with the international practices where renounceable right is categorized as public offers and requires detailed disclosures as a prospectus.

### **Corporate sector monitoring and enforcement actions**

#### **Facilitation and regulatory approvals**

The following facilitations and approvals were provided:

- **Capital issues**

#### **Issue of shares other than right**

Approval was granted to 3 companies for issuance of shares other than right to existing shareholders in terms of sub-section (1) of section 86 of the ordinance amounting to 983.8 million.

- i. Synthetic Product Enterprises Limited (Rs193.5M)
- ii. Pakistan Gems and Jewelry Development Company (Rs170.9M)
- iii. National Industrial Parks Development & Management Company (Rs619.4M)

**Issue of shares with varied rights and privileges**

Six cases for issue of shares with varied rights and privileges was granted approval in terms of section 90 of the 1984 Companies Ordinance read with Rule 5 (1) of the 2000 Companies’ Share Capital (Variation in Rights and Privileges) Rules amounting to Rs355.5 million:

- i. Buro Woodcraft (Pvt.) Limited (Rs50M)
- ii. M/S Moro Textile Mills Limited (Rs192.42M)
- iii. Sayyed Engineers Limited (Rs10M)
- iv. Parus Media & Broadcast (Pvt.) Limited (Rs99.7M)
- v. Vis Tech (Pvt.) Limited (Rs2.4M)
- vi. Al-Ameera Apparel (Pvt.) Limited (Rs 1M)

**Issue of shares at discount**

The following three cases for issue of shares at discount were processed in terms of sub-section (2) of section 84 of the ordinance amounting to Rs 2.663 billion:

- i. Sayyed Engineers Limited (Rs 650M)
- ii. FINCA Microfinance Bank Limited (Rs1,893.3M)
- iii. Vision Network Television Ltd (Rs 120M)

**Administrative measures**

During the period under review, 928 audited financial statements of listed and unlisted companies were examined, and many explanations with regard to various issues/violations observed were sought. This is the breakdown of actions taken against various companies under the provisions of the Companies Ordinance, 1984 (the “Ordinance”):

<b>Administrative measures 2014-15</b>	
<b>Examination of Annual Financial Statements</b>	928
<b>Show cause proceedings initiated</b>	315
<b>Cases concluded through orders</b>	247
<b>Warnings issued after examination of accounts</b>	119
<b>Onsite inspections and investigations initiated</b>	3
<b>Companies directed to hold over due AGM</b>	7

## **Investigations**

Investigations constitute a salient aspect of the SECP's role as the regulator of the Corporate Sector. In total, three investigation proceedings were initiated during the year out of which two were initiated in the matter of non-listed companies and one in the matter of listed company. Two investigation orders were issued during the year against which the companies have filed appeal in the Court. Investigation proceedings were initiated against the companies based on observations, including but not limited to deferred tax issues and blatant misstatements and omission of facts by the companies.

## **Making false/incorrect statements in documents**

During the year, 23 cases with regards to misstatements in the statutory documents filed by companies were concluded. Penalties were imposed in 16 proceedings while warnings for future compliance of the law were issued in 7 cases.

## **Actions against Auditors**

During the year under review 22 instances were identified where auditors failed to perform their statutory functions as per the provisions of the law. Appropriate actions were taken against such non-compliances by the statutory auditors of companies.

## **Future outlook**

- The draft Companies Act, 2015
- Amendment to audit report format to make it in line with international standards
- Opening of Company Registration Office in Gilgit-Baltistan
- Proposal for amendments in the 1984 companies ordinance to provide for utilization of unclaimed dividend
- Regulations for e-voting in general meetings
- Alert system for external stakeholders on noncompliance
- Establishment of facilitation center in Sialkot
- Revision of review report on statement of compliance
- Introduction of new Provident fund rules, 2015
- Introduction of draft principles of corporate governance for non-listed companies (NLC's)
- Adoption of IFRS for SMEs, AFRS for SSEs (Revised)
- Revisiting the qualifying criteria of non-listed companies
- Valuers regime-introduction of legal framework for registration and quality assurance of valuers
- Establishment of audit oversight board

## **Non-Banking Financial Sector**

Non-bank financial institutions include Investment finance companies, Leasing companies, Housing finance companies, Asset management companies (managing mutual funds, pension funds and also providing investment advisory services), PE and VC fund management companies, REIT management companies and Modaraba management companies.

It was targeted that during the year 2014-15, the governance of these businesses will be improved through enhanced monitoring, inspection and changes in the regulatory regime. Accordingly, some of the rules and regulations have been amended and notified while others are at different stages of amendments/approval. The brief background, performance/achievements during the year and future outlook in respect of each of the aforesaid businesses regulated by SECP is stated in the ensuing paragraphs.

### **Lending NBFCs**

#### **Background**

The lending NBFCs include investment finance companies, leasing companies and housing finance companies.

#### **Activities and achievements during the FY2014-15**

The asset size of lending NBFCs continued their upward trend for a second year in a row. The asset increased by Rs. 63 billion from Rs. 48 billion during the June 30, 2014 to Rs. 111 billion on June 30, 2015. The increase is attributed to increase in asset size of leasing companies by Rs. 4 billion from Rs. 36 billion as of June 30, 2014 to Rs. 40 billion as of June 30, 2015 and issue of license to one new investment finance company, i.e. Pakistan Development Fund with a paid-up capital of Rs. 60 billion.

#### **Future outlook**

The following measures are likely to be taken to facilitate the development of lending NBFC's in Pakistan

- Encouraging corporatization and documentation of economy through promotion of small and mid-sized non-deposit taking lending NBFCs
- Promoting Islamic financial industry through Islamic lending NBFCs
- Improving the access of finance for the under privileged through regulating the unregulated micro finance institutions

### **Mutual Funds**

#### **Background**

Mutual funds provide investors with professionally managed diversified portfolios, adequate disclosure and reasonable liquidity. The following graph shows the historical performance

## **Activities and achievements during the FY2014-15**

Mutual funds industry continued to exhibit positive growth during the year 2014-15. As of June 30, 2015, the total assets managed by 23 Asset Management Companies (AMCS) in 172 mutual funds totaled to Rs. 492 billion against Rs. 452 billion as of June 30, 2014, representing a rise of 8.84%. The details of steps taken for the growth and development of mutual funds industry during financial year 2014-2015 are given below:

### **Prescribed requirements for managing 'Constant Proportion Portfolio Insurance (CPPI) based mutual funds'**

The CPPI methodology aims to provide investors with upside of the stock market while dynamically switching assets between stocks and other non-risky assets to preserve investors' principal at maturity of the fund. Detailed requirements for management of these funds were specified to improve risk management and investor protection and thereby healthy development of the country's mutual funds industry. The specific measures include risk mitigation by imposition of limits on the exposure that a fund may take in risky assets such as equity, consistent approach across the industry through mandatory rebalancing of investment portfolio in terms of time and magnitude and formulation of liquidity management policy by the AMC's board of directors for timely exit and entry.

### **Future outlook**

Based on the recommendation of the NBF Reform Committee, a regulatory framework for private funds has also been drafted to facilitate equity investment in private equity and venture capital funds. The proposed regulatory framework endeavors to promote regulation of unregulated funds, improve systemic stability and enhance market efficiency.

Developing guidelines on Shariah governance and disclosure requirements for asset management companies (AMCs) managing Shariah compliant CIS

## **Voluntary Pension System (VPS)**

### **Background**

Under the 2005 Voluntary Pension System (VPS) Rules, private pension funds were introduced in 2007. The size of pension funds remained stagnant during the initial years mainly due to adverse market conditions, lack of awareness about the pension funds and their benefits, and disparities in fiscal treatment of retirement schemes. However, since 2009, the pension funds have shown significant growth which is attributable to pro-active approach of the government, favorable market conditions, positive changes in the tax regime, launch of new pension funds and increase in number of participants (investors).

### **Activities and achievements during the FY2014-15**

At present, 17 pension funds are operating in the market, being managed by 9 pension fund managers. During the year, 1 new AMC was registered as a pension fund manager (PFM) under the 2005 VPS Rules. Total assets of pension funds have increased from Rs. 8.31 billion on June 30, 2014 to Rs. 13.89 billion as of June 30, 2015, representing a growth of 66% during the year.

Snap shot as of June 30, 2015

### **Future Outlook**

The VPS offers advantages to both individuals as well as corporates employers. Individual can build saving through a tax efficient medium with the hope to reap benefits and enjoy financial security for his old age, when he will be dependent. Employers can meet the obligation of offering retirement benefits to employees by registering them with VPS as participants. VPS provides a competitive alternate to provident funds and gratuity schemes. VPS are offered by licensed professionals and operate under adequate checks and balances hence carry the comparative advantage of low cost and professional management. It is expected that VPS will gain a strong foothold in Pakistan's financial market. The trend of growth witnessed during past years is quite encouraging.

### **Real Estate Investment Trusts (REITs)**

#### **Background**

The REIT Regulatory framework has been in place since 2008, which envisaged three types of REIT Schemes i.e. Rental REIT Schemes, Developmental REIT Scheme and Hybrid REIT Scheme (a combination of both rental and developmental schemes). Based on the feedback from the industry and changing market conditions, the REIT regulatory framework has been reviewed afresh and been replaced with Real Estate Investment Trust Regulations, 2015.

### **Activities and achievements during the FY 2014-15**

To date, three REIT management companies (RMCs) have been licensed to carry out REIT management services.

### **Revamped REIT regulatory framework**

With the notification of REIT Regulations 2015, the REIT Regulatory framework has been revamped and a number of significant changes have been made which include reducing equity requirement of REIT Management Companies, reducing the minimum fund size limits, streamlining the regulatory approval processes and REIT Schemes can be now setup in cities other than the provincial and federal capitals with the Commission's approval.

### **Approved first REIT**

Pakistan's first REIT with the name of Dolmen City REIT has successfully completed its initial public offering in June 2015. Pakistan has now become the first country in the South Asian region to launch a REIT Scheme. Pakistan's first REIT Scheme, i.e. Dolmen City REIT has a fund size of Rs 22.237 billion and 25% units have been offered to public. The public offer included offering units to retail investors as well as to institutional investors.

### **Future Outlook**

REITs in Pakistan are expected to provide an enabling environment for retail investors to invest in real estate who otherwise do not have enough capital to buy an economically viable unit of property/land at their own. Given the support from the government and conducive taxation, REITs are likely to grow at an accelerated pace in the country.

### **Modarabas**

#### **Background**

Modarabas provide Shari'ah compliant investment opportunities to the investors in Pakistan. The Modarabas Companies and Modarabas (Floatation and Control) Ordinance, 1980 provides the regulatory framework for modarabas in Pakistan.

#### **Activities and achievements**

At present 25 Modarabas are in operation. During the period 2014-15, 4 new companies were registered as Modaraba companies under the Modaraba Ordinance, 1980. One Modaraba company floated a Modaraba. The remaining 3 Modaraba Companies are expected to float Modarabas in near future. Despite lower economic growth, the Modaraba sector has positioned itself as a stable form of Islamic financial institution and has continued to perform well. As per the unaudited financial statements of 25 operational Modarabas as of June 30, 2015, the aggregate equity of the Modaraba was Rs15, 657 million and total assets of the Modaraba sector stood at Rs31, 104 million.

Last year, 19 Modarabas declared cash dividend including stock dividend by one Modaraba. One Modaraba issued Right Modaraba certificates also. Following is the summary of the initiatives taken for Modaraba sector during the financial year 2014-15:

#### **Amendments in the Modaraba Companies and Modaraba Rules, 1981 drafted**

A thorough review of 34 years old Modaraba Companies and Modaraba Rules, 1981 was carried out in consultation with the stakeholders. Draft notification for amendments was sent to Ministry of Finance (MoF) for

approval. After public consultation on the revised rules, the revised rules would be notified by the Federal Government.

#### **New Prudential Regulations for Modarabas drafted**

A new set of statutory Regulations namely Modaraba Companies and Modaraba Regulations was prepared. Draft amendments were notified for soliciting input from the stakeholders. After completion of the consultative process with the Modaraba Association/other stakeholders and approval of draft Modaraba Rules by MoF, the revised Regulations will be notified.

#### **Future Outlook**

Keeping in view the practical difficulties and to bring operational flexibilities, review of the Modaraba Ordinance, 1980 will be undertaken in light of the recommendations of NBF Reform Committee as well as of the sub-committee of the Steering Committee constituted by the Federal Government for promotion of Islamic Banking and for revival of the Modaraba sector. The exercise is expected to be completed during the ensuing period.

#### **Resource mobilization**

Considering the need of funds for modarabas, SECP shall facilitate the market to raise funds under the arrangements of modaraba and musharakah.

#### **Enforcement of non-bank finance companies (NBFCs), notified entities (NES) and Modarabas**

##### **Offsite Surveillance & Monitoring**

SECP examines financial health and assesses regulatory compliance level of NBFCs, Notified Entities and Modarabas on the basis of published information and data received electronically through Specialized Companies Returns System (SCRS) on monthly basis. Asset management companies, mutual funds, pension funds, investment advisory portfolios and deposit taking lending institutions (leasing companies, investment banks and modarabas) are reviewed on quarterly basis while non-deposit taking institutions & low risk entities are examined on half yearly basis.

Examination of entities broadly covers the following areas:

- Compliance with regulatory framework
- Performance of collective investment & pension schemes
- Risk concentration with respect to asset class and single entity
- Maturity mismatch on the balance sheet of depository/lending institutions
- Examination of classified assets and recoveries made there-against
- Liquidity related issues

- Assessment of equity
- Examination of profitability
- Composition of Board, audit committee and other committees, etc.

The findings observed during offsite examination of entities in the year 2014-15 were taken up with the respective entities primarily through compliance letters and warnings.

### **Onsite inspections**

During the year 2014–15, inspections of 14 entities (9 Asset Management Companies managing 88 notified entities, 2 Trustees, 2 Modarabas and one Investment Bank) were conducted, covering 40% of the total NBFC and Modaraba Sector. Additionally, onsite inspection of one insurance company was also conducted during FY 2014-15.

Inspections of the trustees were conducted during the year as per the requirements of the assessment program of International Organizations of Securities Commissions (IOSCO). Further, inspections of two insurance companies were also initiated, out of which one concluded during the year.

### **Future Plans**

In order to further enhance effectiveness of supervision and enforcement of NBFCs, NEs and Modarabas, following measures have been planned:

- Offsite reviews of AMCs, mutual funds, pension funds and investment advisory portfolios covering 96% of the industry size will be carried out on quarterly basis while remaining 4% will be covered on a semi-annual basis
- Offsite reviews of lending entities (leasing companies, investment bank and modarabas) covering nearly 70% of the industry size will be conducted on quarterly basis, remaining on semi-annual basis
- Enhance efficiency of offsite surveillance function by improving current SCRS framework and bringing automation in function's various activities
- Review the existing SOPs / manual of offsite surveillance & monitoring wings and making necessary amendments into them keeping in view regulatory changes.
- Develop onsite inspection manual for life insurance /life, Takaful companies.
- Upgrade onsite inspection manual for NBFCs, NEs and Modarabas based on changes in NBFCs regulatory framework.
- Synchronization of formats for requiring data from entities for the purpose of offsite examination and onsite inspection.

## **Insurance sector**

The importance of the role of the Insurance sector in any economy cannot be undermined. Insurance historically has been assigned with the job of transferring the burden of risks carried on by both entities and individuals. Hence, an economy without insurance would practically come to a standstill. The Insurance sector in Pakistan for the past five years has been growing on an average rate of at around 15% per annum on compound basis along with minimal but consistent increase in the insurance penetration and insurance density figures for Pakistan reveal that the growth in the sector can be termed as a healthy one. As of December 2014, the industry's total premium revenue generated stood around Rs199 billion (\$1.97 billion).

The non-life insurance sector comprises of 41 non-life insurers operating in the market, including 3 general takaful operators and one state-owned insurer. In 2014-15, the non-life sector grew by 6%, whereas its total premium stands at Rs68.4 billion, excluding reinsurance. The non-life reinsurance sector in Pakistan recorded premium of an amount of Rs 8.67 billion during the year 2014-15.

The life insurance sector comprises of 9 life insurers, including 2 family takaful operators and one state-owned insurer. In 2014-15, the life insurance market grew by 16%, whereas the total premium stood at Rs131 billion.

During the year 2014-15, five non-life insurers and two life insurers have also been authorized to transact window takaful business, through which conventional insurers will be able to underwrite takaful products.

### **Achievements during 2014 – 15:**

Following are the achievements of the SECP during the year 2014-15:

#### **Issuance of Unit Linked Products and Funds Rules, 2015:**

The SECP issued the 2015 Unit Linked Products and Funds Rules on April 22, 2015. The new rules have addressed the investment governance process of the unit linked funds, net asset valuation methodology and the disclosure of investment risk to the insurance policyholders. Additionally, certain features of unit linked life insurance products have also been addressed such as premium indexation, minimum financial protection and minimum policy term.

#### **Amendments in the Insurance Rules, 2002 for enhanced supervisory powers:**

The SECP has made necessary amendments to the 2002 Insurance Rules to provide for a procedure to be followed by the SECP while issuing direction under section 60 of the Insurance Ordinance for actual and potential

non-compliance of the conditions of registration as provided under section 11 of the ordinance.

**Implementation of Centralized Information Sharing Mechanism for Life Insurance Industry:**

The SECP has facilitated a signing ceremony between State Life Insurance Corporation of Pakistan (SLIC) State Life and the Central Depository Company (CDC) through which the former has joined the Centralized Information Sharing Solution for the Insurance Industry. The implementation of the CISSII has been complete on the part of the SECP. The CISSII is the outcome of efforts spearheaded by the SECP, the Insurance Industry Reform Committee (IIRC) and the CDC with the main objective of suggesting avenues of utilizing technology to revolutionize the insurance industry.

**Reform Activities under Process:**

Following are the reform activities that are under active consideration with the SECP and are considered to be implemented in the near future for the development and betterment of the insurance sector in Pakistan:

**Bancassurance Regulations, 2015**

For addressing issues such as miss-selling, renewal persistency and bank's remuneration structure to ensure protection of the interests of policyholders' as well as to provide sustainable growth to the bancassurance business, the SECP is in the process of finalizing the Bancassurance Regulations, 2015 which are pending approval of the SEC Policy Board as of June 30, 2015. With the implementation of Bancassurance Regulations, 2015 it is envisaged that the long-term interests of the three primary stakeholders of life insurance business, i.e. policyholders, insurer, and agent (banks in this case) shall be more aligned as various new regulatory measures like rationalization of bank's remuneration structure, restriction on recycling of life insurance policies, commission claw-back provision, minimum cash values, minimum financial underwriting parameters and mandatory after sale call-back requirements have been introduced.

**Proposal for implementation of motor third-party liability insurance scheme to compensate road accident victims:**

Through the Finance Ministry, the SECP has made a proposal to the provincial governments for proper implementation of the motor third-party liability insurance scheme to compensate the road accident victims. The SECP has also proposed to increase the baseline compensation limit to Rs200, 000/- along with introduction of no-fault option whereby the claim for death or bodily injury shall be payable to the victims of road accidents or their legal heirs

without obtaining any court order and irrespective of the fact as to whether or not the insured person was at fault.

The implementation plan of the proposed scheme aimed at elimination of bogus elements offering fake insurance policies to the vehicle owners, and through this, a substantial amount of revenue in the form of taxes and other levies (e.g. general sales tax and stamp duty etc.) can be generated by provincial governments. In this context, a proper roadmap/concept paper along with proposed amendments to the motor vehicle laws have also been forwarded for assistance of the provincial authorities. The SECP has also volunteered its services to facilitate the federal/provincial governments in making appropriate amendments to chapter VIII of the repealed Motor Vehicles Act, 1939.

#### **Future outlook**

- Constitution of Small Dispute Resolution Committees under section 117(1) of the Insurance Ordinance, 2000;
- Proposal for implementation of motor third-party liability insurance scheme to compensate road accident victims;
- Switchover to Risk Based Capital (RBC) approach
- Establishment of insurance repository;
- Proposal for effective implementation of compulsory group life insurance;
- Revision of insurance regulatory framework with technical assistance from the FIRST Initiative/World Bank;
- Reforms to bring indirect insurance brokers within the SECP's regulatory ambit;
- Strengthening the regulatory regime for direct insurance brokers;
- Strengthening the regulatory regime for insurance surveyors; and
- Development of Credit and Surety Ship Rules, 2015 for imposing conditions on insurance companies offering insurance guarantee products.
- Enhancing micro insurance in Pakistan
- Enhancing observation of IAIS (International Associations of Insurance Supervisors) and ICPs (Insurance Core Principles)

#### **Islamic Finance Department**

##### **Establishment of Islamic Finance Department ("IFD")**

IFD was established on February 12, 2015 with the mandate to devise a strategy for Shari'ah compliance and development of Islamic financial products in the capital market of Pakistan as well as to develop a robust regulatory and

supervisory framework for vibrant primary and secondary markets for Islamic finance. Since the month of April 2015, all Shari'ah related matters, including approval for an entity, activity, or product, or any regulatory change/proposal e.g. circular, guidelines, amendments, are introduced after consultation and advice of the IFD.

#### **Implementation of recommendations of Steering Committee and reconstitution of SBP-SECP Joint Forum on Islamic Finance**

The IFD has initiated work on ensuring implementation of the recommendations of the Steering Committee for Promotion of Islamic Banking and its sub-Committees (Reform of the Modaraba sector and Islamic Capital Market), constituted by the Honorable Minister of Finance. The SBP-SECP Joint Forum on Islamic Finance was reconstituted by the Steering Committee which has since conducted two meetings on 5<sup>th</sup> March, 2015 and 20<sup>th</sup> May, 2015, respectively, and has resolved to take-up matters concerning both of the financial market regulators including market awareness, product development, capacity building and governance and taxation issues. During the said meetings the Joint Forum agreed to work on the following areas:

- i. Identification of the impediments hindering development and growth of Islamic Capital market and Islamic Banking and recommending plausible solutions (through feedback from the industry and research);
- ii. Rationalization of the tax rates and that of the stamp duty applicable on securitization transactions and Sukuk Issues;
- iii. Facilitation of SME's access to Islamic Banking Institutions and Islamic capital market;
- iv. Development of Islamic securitization;
- v. Product identification and development and collaboration for market awareness;
- vi. A way forward for Takaful Industry.

#### **Constitution of Shariah Advisory Board ("SAB")**

In order to further enhance the credibility of Islamic financial institutions and products in Pakistan, the Commission has approved a four-member SAB on May 2015. The SAB comprises of three Shari'ah scholars, namely, Justice Khalil ur Rehman (Chairman), Mufti Muneeb ur Rehman (Shari'ah Member) and Prof. Dr. Tahir Mansoori (Shari'ah Member) and one technical member, namely, Mr. Bilal Rasul (HOD, IFD). The SAB provides Shariah opinion on the laws, rules, regulations, agreements, and documents. The Shariah scholars also advise SECP on a range of issues including the operation, auditing and reporting of Islamic mutual funds, pensions and insurance operators etc.

## **Future outlook**

A roadmap of IFD has been prepared and it is decided that in the next three years IFD would keep its focus on the following key areas for the facilitation and development of the Islamic Capital Markets and Islamic Finance industry in the country:

- **Enabling Regulatory Environment**
- **Awareness and Capacity Building**
- **Market Development**

### **Legislation and legal reforms**

During 2014-15, a comprehensive exercise was undertaken to initiate the process of revamping existing primary as well as secondary legislation. Details are given below;

#### **Primary Legislation**

- Corporate Restructuring Companies Bill, 2015
- Limited Liability Partnership Bill, 2015
- Companies Unclaimed Dividend, Insurance Benefits and Investor Education Fund Bill, 2015
- Corporate Rehabilitation Bill, 2015
- Futures Trading Bill, 2015
- Validation and Promulgation of Laws Bill, 2015
- Securities and Exchange Commission of Pakistan (Regulation and Enforcement) Bill, 2015
- Foreign Contribution Bill, 2015
- Companies Ordinance (Amendment) Bill, 2015
- Stock Exchange Demutualization, Corporatization and Integration Amendment Bill, 2015
- Amendment to Motor Vehicles Act, 1939
- Amendment to West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968

#### **Secondary Legislation**

- Companies (Easy Exist) Regulations, 2015
- Book Building Regulations, 2015
- Sukuk Regulations, 2015
- Modaraba Regulation, 2015
- Specialized Valuer's Regulations, 2015
- Bank Assurance Regulations, 2015
- Third Party Administrator for Health Insurance Regulations, 2014
- Brokers and Agent (Registration and Inspection) Rules, 2015

- Commercial Paper Regulations, 2015
- Underwriters Rules, 2015
- Transfer Agent (Registration and Regulations) Rules, 2014
- Micro Insurance Rules, 2014
- Employees Provident (Fund) Rules, 2014
- SEC (Reinsurance Brokers) Regulations, 2015
- Real Estate Investment Trust Regulation, 2015
- Private Fund Regulations, 2015
- Insurance (Small Dispute Resolution Committees) Rules, 2015
- Unit Linked Products and Fund Rules, 2015
- Rules under Section 60 of Insurance Ordinance, 2000

### OFFICERS OF INVESTMENT WING



Mr. Badar ul Arifeen  
DS (Inv-I)



Mr. A. Akbar Sharifzada  
Sr. JS (Investment)



Mr. Meboob Elahi  
D.S (Inv-II)



Mr. Mushtaque Ali  
AEA(Inv-I)



Mr. Farooq Ghani  
S.O (Inv-II)



Mr. Shahzad Zareef  
S.O (Inv-V)



Mr. Ijaz Ahmad  
S.O (Inv-VI)



Mr. Muhammad Sultan  
R.O (Inv-IV)



Ms. Sherin Tariq  
S.O (Inv-III)

## INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY (IPDF)

### Introduction

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

### ACTIVITIES UNDERTAKEN BY IPDF DURING THE FINANCIAL YEAR 2014-2015

Following table shows the list of closed PPP deals by IPDF:

CLOSED PPP DEALS			
Project	Implementing Agency	Investment (USD million)	Status
Overlay and modernization of Lahore-Islamabad Motorway (M-2): 357 km on BOT basis	National Highway Authority (NHA)	460	Financial close achieved and construction work in progress
Conversion of four-lane superhighway into six-lane motorway (M-9): 136 km on BOT basis		430	
Habibabad bridge on N-5		8.3	Operational phase; bridge is open to traffic
N-75 and M-1 motorway service areas		N/A	Operational phase
Track Access Project (operation of freight trains with private financing)	Pakistan Railways	327	Five concession agreements have been signed with private parties

Following table shows the IPDF's PPP projects pipeline:

IPDF PPP PROJECTS' PIPELINE			
Project	Implementing Agency	Investment (USD million)	Status
Shushgai-Zhendoli Hydropower Project:144 MW	Pukhtunkhwa Energy Development	268	Transaction structuring and financial feasibility carried out by IPDF.

Shogo Sin Hydropower Project: 132 MW	Org (PEDO): KPK Govt.	252	Approved by Planning Commission of Pakistan.  Pending with KPK government.
Sharmai-Darora Hydropower Project: 150 MW		312	
Corporatization and revamping of POF Clothing Factory	Pakistan Ordnance Factory	N/A	IPDF carried out technical and financial feasibility to execute project on PPP basis
Corporatization of Military Farms (RV&F Directorate)	Military Farms Directorate	N/A	IPDF completed project structuring and presented it Quarter Master General (QMG), Pakistan Army
Link road to New Islamabad International Airport	NHA	80	Transaction structuring/ financial feasibility completed
Malir Expressway Karachi		120	
Pakistan Railways Locomotive Factory	Pakistan Railways	N/A	Transaction structuring underway
Pakistan Railways Carriage Factory		N/A	
Lahore-Sialkot Motorway: 90 kilometers	NHA	422	Transaction structuring underway
Sukkur-Hyderabad Motorway (M-6): 296 kilometers		2,000	
Freight Corridor: Upgradation and revamping –Main Line 2	Pakistan Railways	N/A	Upcoming

## **COMPETITION COMMISSION OF PAKISTAN (CCP)**

The Competition Commission of Pakistan (CCP) is an independent quasi-regulatory, quasi-judicial body, entrusted to promote competition by enforcement of Competition Act, 2010 (the Act). This Act provides for a legal framework to create a business environment based on healthy competition for improving economic efficiency, enhancing competitiveness and protecting consumers from anti-competitive practices.

In the paragraphs to follow, an overview of the activities is provided.

### **Orders Passed in 2014-2015**

A Complaint was filed by M/s Wyeth Pakistan Limited against M/s Reckitt Benckiser Pakistan Ltd, for alleged violation of Section 10 of the Act. The Respondent made commitments to the Complainants satisfaction, and the Complaint was withdrawn. However, the Commission deemed it appropriate to address issues, regardless of settlement between parties. It was found that the omission of a clear and legible disclaimer is an omission of material information from the advertisement and the impression conveyed through the advertisement in the absence of such disclaimer is deceptive. The Commission therefore directed the Respondent that future advertisements must have a reasonable basis, and any disclaimers required must be included in all the marketing material in a legible manner.

- Al Haaj Mian Liaquat Ali & Dr. Shazia Liaquat Of Liaquat Hospital, Lahore Interim Order dated 15-01-2015.
- The Commission, upon receipt of complaints alleging deceptive marketing by Al Haaj Mian Liaquat Ali of Liaquat Hospital Lahore and Dr. Shazia Liaquat through its television commercial. The Commission directed them to immediately stop airing the TVC in any language and on all channels till the conclusion of proceedings and to file written commitment with the Registrar of the Commission to his satisfaction and also file a compliance report.
- Acquisition of Business Relating to a Portfolio of Oncology Products (Excluding Manufacturing) From GlaxoSmithKline by Novartis A.G dated 09-02-2015.
- M/s. Novartis A.G submitted a pre-merger application seeking clearance for the proposed acquisition by M/s Novartis A.G of the business relating to a portfolio of oncology products (excluding manufacturing) from M/s GlaxoSmithKline Plc. ('GSK'). Considering the facts, the Commission was of the view that the proposed acquisition is not likely to have an adverse effect on competition in Pakistan, and the acquisition was therefore authorized under Section 31(1)(d)(i) of the Act.

- Al Haaj Mian Liaquat Ali & Dr. Shazia Liaquat Of Liaquat Hospital, Lahore dated 11-02-2015.
- The Commission, upon receipt of complaints alleging deceptive marketing by Al Haaj Mian Liaquat Ali of Liaquat Hospital Lahore and Dr. Shazia Liaquat through its television commercial. The Commission found that there was no reasonable basis for making the impugned claims and were thus in violation of Section 10 of the Act. The Respondents were reprimanded from further indulging in deceptive marketing practices.
- Second Phase Review of the Acquisition of the Global Vaccine Business (Excluding Influenza Vaccine except in China) of Novartis A.G by GlaxoSmithKline Plc. dated 20-02-2015.
- A pre-merger application, under Section 11 of the Act, was submitted by GlaxoSmithKline PLC ("GSK"), seeking clearance for the proposed acquisition by GSK of Novartis A.G's global vaccine business (excluding Influenza vaccine, except in China). The CCP initiated Phase II review of the pre merger application to determine whether the merger situation was likely to substantially prevent or lessen competition in the relevant market. The competition concerns raised was that after acquiring the market share of Novartis, GSK could further strengthen its dominant position in the market for Meningococcal (ACWY) vaccine, with a possibility of price increase or control over supply. The CCP directed GSK to take certain measures to address the concerns raised and issued its No Objection Certificate subject to conditions.
- In the matter of Complaint filed by M/s. National Foods Ltd against M/s. Shangrila dated 26-02-2015.
- The Commission initiated proceedings against M/s. Shangrila (Pvt.) Ltd upon receiving a complaint filed by M/s. National Foods Ltd regarding the usage of the phrase "Shangrila is Pakistan's No. 1 Tomato Ketchup" by the Respondent in its marketing campaign. The Respondent was ordered to refrain from indulging in deceptive marketing practices in the future. No penalty was imposed. The Respondent also filed the compliance report.
- In the matter of Complaint filed by M/s. Akzo Nobel Pakistan Ltd, M/s. Diamond Paint Industries (Pvt.) Ltd against M/S. Jotun Pakistan (Pvt.) Ltd dated 17-03-2015.
- The Commission initiated proceedings against Jotun upon receiving complaints from two other paint manufacturers. It was alleged that Jotun was running a deceptive marketing campaign by using the term "*No.1 in Paints*" in its advertising materials, and that this lacked a reasonable basis and was capable of harming the business interests of its competitors, in violation of Section 10. The CCP imposed a penalty of Rupees One Million.

- In the matter of Show Cause Notices issued to Pakistan Automobile Manufacturers Authorized Dealers Association (PAMADA) and its member undertakings dated 10-04-2015.
- The Commission took suo moto notice of suspected cartelization by the Pakistan Automobile Manufacturers Authorized Dealers Association (PAMADA) and its member undertakings. During the enquiry, the premises of PAMADA were searched and inspected, and relevant documents impounded. The Commission found that PAMADA had issued two circulars fixing the rates of automotive body repairs and paint job services offered by it, one circular fixing the prices of genuine spare parts supplied by its member undertakings by strictly prohibiting them from offering discounts and lastly, a circular restricting the movement of human resources between automobile dealers. The issuance of these circulars was found to amount to decision-making by an association, which is prohibited under the Act. In view of the violations made out, the Commission directed PAMADA to cease its collusive practices and imposed a penalty of Rs. 140 Million.
- In the matter of Show Cause Notice issued to M/s. Tara Crop Sciences (Pvt.) Ltd dated 19-06-2015.
- CCP initiated an enquiry into the matter after receiving a complaint from M/s Agritech Limited wherein it was alleged that its brand 'Tara' was being used fraudulently and illegally by the Respondent to market its products and business and further that M/s Tara Crop Sciences Private Limited had resorted to the dissemination of misleading information which was capable of harming the business interests of M/s Agritech Limited. In view of the Respondent's violation of Section 10 of the Act, the Commission imposed on it a penalty of Rupees One Million. The Commission further directed the Respondent to immediately cease solitary use of the distinct term 'Tara', as in its present form, in its exclusive franchise network 'Tara Zarai Markaz'. The Respondent was directed to ensure that the franchise network is renamed so as to make it perfectly clear that its business has no connection with the Complainant's brand or products.

#### Legal Actions Taken in 2014-2015

Sr. No	Nature of Activity	No.
1.	Show Cause Notices issued	61
2.	Orders passed	9
3.	Hearings conducted	27
4.	Enquiry Reports published	6
5.	Search & Inspections conducted	2
6.	Total Penalties imposed	Rs. 142 Million
7.	Exemptions granted	84

## **Mergers and Acquisitions**

- I Section 11 of the Competition Act and the pre-merger notification requirements of Section 4 of the Competition (Merger Control) Regulations, 2007, make pre-merger notifications mandatory for transactions that are above certain thresholds based on the size of the transaction and the parties. These thresholds capture the majority of the transactions likely to have an impact on a relevant market in Pakistan.
  
- II Most of the mergers reviewed by the Commission pose little or no threat to competition and are issued No Objection Certificates within thirty days of the application. In case, a possibility of competitive harm is identified in a transaction, a more in-depth investigation, also known as a second phase review, will be necessary. The Commission has policies and procedures to identify and remedy competitive issues in such cases within a period of ninety days. During the year from July 2014-2015, 60 cases of acquisition of shares, 10 cases of Mergers between the undertakings and 1 Joint Venture case was reviewed by the Commission and NOCs given to the applicant undertakings.

### **Sectoral Classification of Merger Cases**

	<b>Sectors</b>	<b>Transactions</b>
1	Financial Services	8
2	Agriculture and Food	3
3	Power and Energy	16
4	Textile	8
5	Pharmaceuticals	6
6	Motor Vehicles	2
7	Telecommunications	2
8	Sports	1
9	Information and Communication Technologies	2
10	Media	1
11	Basic Industries	4
12	Conglomerates	18

### **III. Research and Analysis**

Research and analysis of the markets is one of the key components of the CCP's approach to promote free competition. The Competition Act specifically requires the Commission to conduct research as per Section 28b, and to review policies under Section 29b. The major aim of this

work is to identify anti-competitive practices and suggest remedial measures.

#### **Reports:**

During **2014-15**, six Reports/ Research Studies were conducted. After getting public comments, the report on automobile industry was updated. Reports on essential food items like milk, meat, wheat flour, rice, etc. were prepared after gathering information through surveys from industry stakeholders. These reports are at various stages of completion. The details are as under:

- Competition Assessment Report on the Automobile Industry
- Report on the Rice Sector in Pakistan
- Report on the Rise in Tomato Price in September 2014

#### **Influencing and Modifying Policies**

Besides anti-competitive practices that may be present in the private sector, poorly designed government regulations also lead to inefficient outcomes from a competition perspective. The CCP conducts assessment of policies to identify interventions and actions that distort competition such as laws, rules and procedures relating to various aspects of market entry, procurement, etc. Eighteen policy areas were reviewed including aviation, construction, beverages, tea, discrimination between motorcycles assemblers and commercial importers for import of spare parts. The CCP examined several policies and frameworks affecting business in the country, including the Enforcement of Framework Convention on Tobacco Control and the role of the CCP; the management of aviation industry; drafts of telecom and textiles policies, competition concerns regarding the Central Depository Company of Pakistan; examination of discriminatory/anti-competitive elements in various SROs issued by the FBR; and review of SBP's 'Rules on Payment System Operators and Payment Service Providers', competition issues in the import of worn/used clothing.

#### **IV. Competition Advocacy**

Competition advocacy is a deliberate process of outreach that influences the economic behavior of enterprises, elicit support for the economic principle of competition and convince stakeholders about the innate advantages of competition regime. Competition advocacy and competition law enforcement activities are complementary in nature. Therefore, the following steps have been taken to promote competition through advocacy.

## Seminars, Workshops and Meetings:

### Seminar on 5<sup>th</sup> December, 2014

The CCP held a Seminar to mark the World Competition Day on 5<sup>th</sup> December, 2014. The seminar was graced by Federal Finance Minister Mr. Ishaq Dar, H.E. Lars-Gunnar Wigemark, as keynote speaker, Ambassador of EU Delegation to Pakistan, and attended in large number by representatives

of the government, regulatory bodies, business community, academia and legal community.

### Workshop on 'Competition Law'

It was arranged for the CCP's officers on 11-12 February 2015 in collaboration with the US Federal Trade Commission. The participants evaluated the Workshop to be highly useful, the structure of the program particularly the comprehensiveness of the topics covered, the time allocated to each topic, the interactive structure/ element and the general pace were termed as excellent. The interactive nature of sessions garnered high points. However, the time constraint was indicated as an issue. Nevertheless, the average feedback from the attendees was quite positive. Workshop arrangements got 92% points. The overall score of the Workshop remained 90%, which is very encouraging.

### 21<sup>st</sup> Meeting of Competition Consultative Group (CCG) dated 09-04-2015

The CCP held 21<sup>st</sup> meeting of the Competition Consultative Group (CCG), which comprises leading business executives, sector-specific regulators, academics, etc. The participants were briefed about the CCP's performance and major actions taken to promote competition in various sectors of the economy.

### Advocacy Sessions

As part of its outreach program to sensitize the business community on Competition Law, the following advocacy sessions were held:

- Overseas Investors Chamber of Commerce and Industry (OICCI), Karachi dated 30-10-2014
- Faisalabad Chamber of Commerce & Industry dated 21-05-2015
- Quetta Chamber of Commerce and Industry dated 28-05-2015

### CCP and SECP ink MOU on information sharing

The CCP and the Securities and Exchange Commission of Pakistan (SECP) signed a Memorandum of Understanding (MoU) for sharing of information. The MoU would serve to establish a framework for

sharing information which would help both Commissions in discharge of their respective statutory functions in a timely manner. All information exchanged under the MoU will be kept confidential unless disclosure is required by law.

✚ **Newsletter**

Ceteris Paribus' is the quarterly newsletter published by the Commission. The Commission considers it a beneficial medium of communication and has used to disseminate information and developments of relevance among the employees as well as outside stakeholders on a periodic basis. The time

period under consideration encapsulates two issue released by the Commission.

✚ **Press release**

To enhance the outreach of the Commission's activities regarding the and uploaded on the website. So far, thirty four press releases were issued during the year under review.

**V. Improving Internal Systems**

The CCP took several measures to enhance the productivity of its employees, which include the following:

✚ **ISO Certification 9001: 2008 to ISO 9001:2015:** The following steps were performed for the implementation of ISO 9001:2008 QMS:

- Gap Analysis
- Documenting the Business process
- Policies and procedures analysis and auditing
- Manuals and templates creation and synchronization of previous documents, policies, procedures and manuals/templates with latest version.

✚ **Diary Management System:** Diary Register is a web application that manages all the files movement from one desk to another one and helps them in managing the flow of files effectively and efficiently. The application helps in online tracking or location information and pendency monitoring more effectively by providing an excess of information at a glance.

✚ **Resume Management System:** Resume Manager is about a lot more than just extracting and storing data from CV's. The data has to be made available to the HR in a form, which is ready for use, to give immediate productivity benefits.

✚ **Library Management System:** Library management system is a part of enterprise resource planning for the Commission, used to track items/books owned, orders made, and employees who have borrowed.

Information resource centre (IRC) of the Commission was automated with the assistance from the Information Technology Department.

- ✚ **Information Resource Centre:** The primary objective of the IRC is to support Commission's employees by providing them with quality, convenient, timely and affordable access to the most relevant and focused information resources and information research services. The idea is to augment the management and officer's capacity to apply relevant information in their practical endeavors with more ease, preciseness, efficiency and effectiveness.

#### **NATIONAL INVESTMENT TRUST LIMITED (NITL)**

**National Investment Trust Limited (NITL) declared outstanding results along with remarkable payouts for all Funds under its management for the year ended 30th June 2015.**

##### **NI(U)T Fund**

**NIT has declared an interim dividend @ Rs. 4.25 per unit for unit holders of NI(U)T for the fiscal year FY2015 as compared to Rs. 4.10 per unit for the year ended on 30<sup>th</sup> June 2014. The payment of dividend @ Rs. 4.25 per unit would involve a huge cash payout of Rs. 4,600 million among its unit holders.**

**For the year ended 30 June 2015,** the Fund earned a healthy total return of 20.25% where its NAV increased from Rs. 56.59 (Ex-Dividend) as on 30.06.14 to Rs. 63.75 (adjusted for payout) as on 30.06.15 against the benchmark KSE-100 index which increased by 16.01%. Thus the NI(U)T Fund outperformed its benchmark by a decent margin of 4.24%.

Further, for the year ended 30 June 2015, the NI(U)T Fund earned a Net income of Rs. 6,167 million (EPU of Rs. 5.55) against an income of Rs. 5,431 million (EPU of Rs. 5.13) during FY14, an increase of 13.5% YoY.

**During FY15, NI(U)T Fund realized capital gains of Rs. 3,713 million depicting a growth of 6.0% from previous year's capital gains of Rs. 3,504. During the year under review, the dividend income earned by the Fund stood at Rs. 2,473 million as compared to Rs. 2,329 million in FY14. The net assets of the Fund have increased from Rs. 59,902 million as on 30 June 2014 to Rs. 70,855 million (adjusted for payout) as on 30 June 2015, showing a remarkable growth of 18.3% YoY.**

**With a substantial increase in the stock market, many investors opted to book capital gains and redeemed their investments to the tune of Rs. 10,687 million during FY15 as compared to units worth Rs. 11,132 million redeemed in FY14, a YOY decline of 4.0% in redemption of units. All redemptions were met in a timely manner to the utmost satisfaction of**

investors. During FY15, gross sales of units (including CIP) also stood at Rs. 13,334 million as compared to Rs. 8,146 million in FY14.

**Performance Highlights of NI(U)T Fund**

<i>(Rs in million)</i>	<b>FY15</b>	<b>FY14</b>	<b>FY13</b>	<b>FY12</b>	<b>FY11</b>
Dividend Income	2,473	2,329	2,822	2,421	1,930
Capital Gains	3,713	3,504	4,448	1,439	848
Net Income	6,167	5,431	1,365	5,664	5,871
Earning/Unit (Rs.)	5.55	5.13	1.22	4.13	4.66
Dividend/ Unit (Rs.)	4.25	4.10	3.75	3.50	4.00
NAV/Unit Rs. (XD)*	63.75	56.59	38.66	26.77	28.14

*\*Ex-Dividend NAV's.*

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

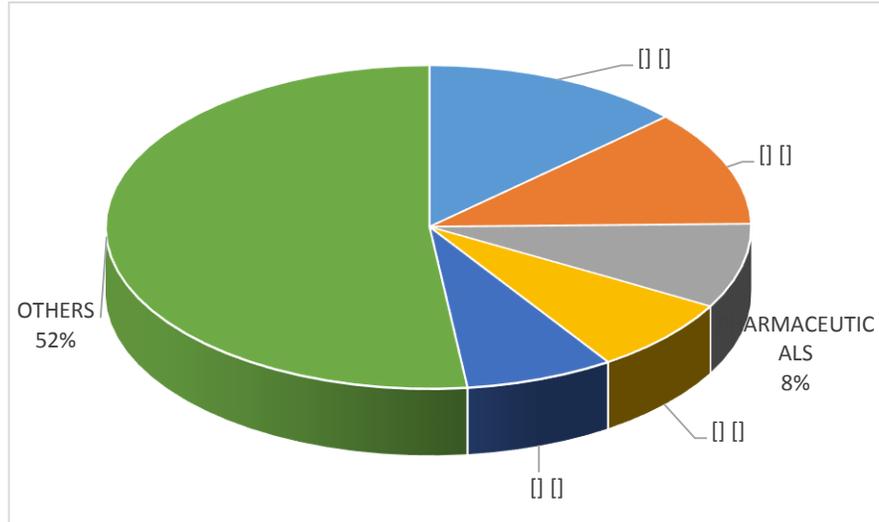
**TOP 10 HOLDINGS**

As on 30<sup>th</sup> June, 2015

<b>NAME</b>	<b>% of NI(U)T's PORTFOLIO</b>
PAKISTAN STATE OIL	11.0%
FAUJI FERTILIZER	5.8%
BATA PAKISTAN LTD.	5.7%
BANK ALHABIB	5.2%
PACKAGES LIMITED	3.6%
MARI PETROLEUM	2.8%
GLAXOSMITHKLINE	2.7%
ABBOT LABOATORIES	2.5%
HABIB METROPOLITAN BANK	2.5%
PAKISTAN TOBACCO	2.4%
<b>Total</b>	<b>44.2%</b>

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

As on 30<sup>th</sup> June, 2015



**NIT State Enterprise Fund (NIT-SEF)**

NITL has declared an interim cash dividend of Rs 4.0 per unit for the year ending June 30, 2015.

During the period under review, the Fund reported a net income of Rs. 1,333 million (EPU of Rs. 10.79) whereby the capital gains realized were Rs. 1,486 million. The Fund also earned a dividend income of Rs. 166 million in FY15.

As per the instructions of GoP, NIT has repaid the entire loan of Rs. 17.2 billion obtained for SEF along with markup of about Rs. 9 billion thereon. Furthermore, in pursuance to the decision of the Board of Directors of NITL, the Fund has also repaid an amount of Rs. 10.2 billion to the GoP as part of its profit sharing of NIT-SEF to date. The net assets of SEF stand at Rs. 2,570 million as of June 30, 2015.

**NIT Equity Market Opportunity Fund (NIT-EMOF)**

The Board has declared an interim dividend of Rs. 7.50 per unit in the form of cash for the year ending June 30, 2015.

During the year, NIT-EMOF earned a net income of Rs. 504 million (EPU of Rs. 12.69) where as it realized capital gains of Rs. 334 million and earned a dividend income of Rs. 341 million

During the period, the Fund's NAV increased by 9.21%. However, since its start, NIT-EMOF has outperformed its benchmark by a healthy margin of 7.52%.

It may be noted that four institutions had invested an amount of Rs. 5,100 million in the Fund to support the stock market. In continuation of its strategy to repay these institutional investors, 5% redemption of outstanding unit holding was offered to all institutions during the fiscal year to date. Hence, the Fund has offered redemption of 100% to its unit holders since inception. After paying off these redemptions the net assets of the Fund stood at Rs. 8,226 million as on June 30, 2015.

#### **NIT Islamic Equity Fund (NIT-IEF)**

NIT-IEF was launched on May 18, 2015. During the year till June 30, 2015, NIT-IEF earned a net income of Rs. 6.57 million (EPU of Rs. 0.02). Since inception, the Fund also realized capital gains of Rs. 7.80 million and earned a dividend income of Rs. 2.62 million.

Since inception till June 30, 2015, the Fund's NAV increased by 2.70%. As at June 30, 2015, net assets of NIT-IEF stood at PKR 4,362 million.

#### **INCOME FUNDS**

##### **NIT Government Bond Fund (NIT GBF)**

NIT has declared an interim distribution of Rs. 1.38 per unit for unit holders of NIT GBF for the year ending June 30, 2015.

During the interim period of FY15, the Fund has earned a net income of Rs. 456 million translating into a per unit earning of Rs. 0.7357 as compared to net income of Rs. 305 million translating into per unit earning of Rs. 0.7381 in FY14.

NIT GBF yielded an annualized return of 13.86% compared to the benchmark return of 8.17%, outperforming its benchmark by 569 bps. Furthermore, since its inception till 30<sup>th</sup> June 2015, NIT GBF earned an annualized return of 13.37% against the benchmark return of 9.63%, an outperformance of 374 bps.

Net assets of NIT Government Bond Fund increased by 17% and stood at Rs. 4,861 million as on 30<sup>th</sup> June 2015 increasing from Rs. 4,166 million as on 30<sup>th</sup> June 2014.

##### **NIT Income Fund (NIT IF)**

NIT has declared an interim distribution of Rs. 1.21 per unit for unit holders of NIT IF for the year ending June 30, 2015.

During FY15, the Fund earned a net income of Rs. 290 million translating into per unit earning of Rs. 0.8581 as compared to Rs. 228 million translating into per unit earning of Rs. 0.7071 in FY14.

NIT IF yielded an annualized return of 14.09% compared to the benchmark return of 9.01%, an outperformance of 508 bps. Furthermore, since its inception till 30th June 2015, NIT IF has earned an annualized return of 13.86% against the benchmark return of 11.00%, an outperformance of 286 bps.

Net assets of NIT Income Fund increased by 12% and stood at Rs. 3,673 million as on 30<sup>th</sup> June 2015 increasing from Rs. 3,286 million as on 30<sup>th</sup> June 2014.

### **IMPORTANT ACHIEVEMENTS**

NIT had completed fifty three years of its establishment. Few important achievements made during this period of 53 years are highlighted below:

- During FY15, NIT introduced new funds including NIT-Islamic Equity Fund, NIT Pension Fund and NIT Islamic Pension Fund.
- NIT is the largest asset management company of Pakistan. With the introduction of three new funds, NIT's family of Funds comprises of eight funds, three equity, one Islamic equity, two fixed income and two pension category funds, with total funds under management at Rs. 95.10 billion as on June 30, 2015 which is 21% of the entire mutual funds industry and the Equity Funds under management of NITL constitutes around 69% of open-end equity funds. NIT has the largest number of investors which stands at about 56,000 as on June 30, 2015.
- 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.
- The nationwide distribution network of NIT now comprises of 23 branches and a state of the art investors facilitation center.
- NIT, being pioneer in the mutual fund industry, fully understands its Corporate Social Responsibilities and has been playing its role towards poor/needily/neglected people by contributing generously.

### **JOINT INVESTMENT COMPANIES (JICS)**

Pakistan has a rich experience of setting up Joint Investment Ventures with other friendly countries. This started with Pak-Libya Holding Company (PLHC) in 1978 followed by Pak-Kuwait Investment Company, Saudi-Pak

Industrial & Agricultural Investment Company (SPIAICO), Pak-Oman Investment Company (POIC), Pak-Brunei Investment Company (PBIC), PAIR Investment Company Limited (PICL) and Pak-China Investment Company (PCIC). These investment companies were setup based on equal – shareholding by the two governments towards paid up capital contribution. Since inception, these JICs are playing their due role in the economic uplift of the country and the projects financed by the companies so far belongs key sector of economy including power generation, textile, cement, fertilizer, construction, oil and gas and telecommunication etc. and geographically spread throughout the Pakistan. Establishment of such companies brings much needed foreign direct investment in the country.

Salient features of the seven Pakistani Joint Ventures are given below:-  
(Rs. in million)

1	Company	PLHC	PKIC	SPIAICO	POIC	PBIC	PICL	PCICL
2	Year of Incorporation	1978	1979	1981	2001	2006	2007	2007
3	Minimum Capital Requirement	6,000	6,000	6,000	6,000	6,000	6,000	6,000
4	Paid Up Capital	6142*	6000	6000	6150	6000	6000	9116
5	Dividend paid (GOP Share)	1446	5900	5200	836.6	800	150	-

\*Pak-Libya Holding Company (PLHC) has shortfall in minimum capital requirement (MCR) of Rs 2.5 billion as of December 31, 2014. State Bank of Pakistan (SBP) has allowed extension in MCR to PLHC up to December 31, 2015 to meet the capital deficiency. In the meantime, the company has been advised to improve its operation and give reasonable timeframe in which it will meet the capital deficiency.

The major areas of operation of all the Joint Investment Companies are almost the same and include project financing, lease financing, equity participation, money market operations, foreign currency deposits, stock market operations, term finance certificates (TFCs) investments, financial advisory services, financial consultancy and syndication. These JICs are controlled and managed by their Board of Directors with equal representation of two sovereign states

## **PROVINCIAL FINANCE (PF) WING**

### **ROLE OF PROVINCIAL FINANCE (PF) WING**

#### **Overview**

Provincial Finance Wing is responsible to administer and maintain inter-governmental fiscal relationship. Top priority is assigned to timely release of funds as well as to the settlement of issues raised by the Provinces. Primarily, this relationship orbits around the NFC Award, which sets forth the very basis for release of funds under divisible pool taxes, straight transfers and grants-in-aid etc. In view of financial constraints, the Provincial Governments generally keep on raising complex issues. Therefore, the PF-Wing has to address such issues with utmost speed and efficiency.

This Wing also conducts meetings of Provincial Finance Secretaries where issues confronting Federal as well as Provincial Governments are discussed to find workable solutions. Through these meetings, PF Wing facilitates the Provincial Governments to discuss issues of common interests, like harmonization of agriculture Income Tax policy, recovery of electricity bills, containment of overall fiscal deficit, enhancement of ways and means limits, efforts to increase provincial own receipts etc.

PF Wing implements President/Prime Minister's directives concerning the Provinces and Special Areas. Coordination relating to meetings of the Council of Common Interest (CCI), Inter-Provincial Coordination Committee (IPCC) and implementation of CCI and IPCC decisions pertaining to Finance Division and the Provinces also comes under its purview. Despite resource constraints at Federal level, Finance Division accords priority to requirements of the Provincial Governments.

The PF Wing provides Secretariat support to the National Finance Commission (NFC), which is a constitutional body responsible to recommend revenue sharing arrangement between the Federation and Provinces. The most important function of the Wing is management of Federal transfers to the Provinces in accordance with the Presidential Order No. 5 of 2010, known as 7<sup>th</sup> NFC Award (as amended vide Presidential Order No. 6 of 2015). In order to keep the accounts of Federal Transfers updated and accurate, periodic reconciliation of the transfers are made with Provinces, AGPR sub offices and offices of the Accountant Generals located at Provincial Headquarters.

PF Wing is also responsible for looking after the financial matters of the Special Areas i.e. Governments of AJ&K and Gilgit-Baltistan. This Wing provides Grants-in-Aid to both the Governments to meet their current expenditures. The development portfolio of AJ&K Government is also managed through this Wing.

This Wing is also responsible for maintenance of record of the Cash Development Loans (CDL) provided to Provinces and recovery of the same together with foreign exchange loans (FEL) from Provinces. Record of FEL is maintained by EAD and recovery is made on the amortization schedule provided by that Division. In addition, this Wing is also responsible for provision of long term loans to government employees for house building/ purchase of motor cars/ cycles.

### **National Finance Commission (NFC)**

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

The 9<sup>th</sup> NFC was set up on 24<sup>th</sup> April, 2015 after consultation with Provincial Governments as the five year term of 8<sup>th</sup> NFC, which was set up in 2010 was expiring. The 9<sup>th</sup> NFC has held one meeting on 28<sup>th</sup> April 2015 and constituted 04 Working Groups to conduct studies on the following:-

- Working Group-I headed by Dr.Aisha Ghaus Pasha, Member NFC as Chairperson on the topic "Resources Mobilization at the Federal and Provincial Level".
- Working Group-II headed by Saleem Mandviwala as Chairman on "Devolved versus Integrated Tax Structure –Evaluation of Tax Collection Framework in Pakistan".
- Working Group-III headed by Prof. Muhammad Ibrahim Khan, Member NFC as Chairman on "Allocation Efficiency and Expenditure Analysis at the Federal and Provincial Level".
- Working Group-IV headed by Federal Finance Secretary as Chairman on "Rationalization of Subsidies and Grants".

### **Revenue Transfers**

Revenue Transfers made to the Provinces consists of following two broad categories:

- **Divisible pool transfers:** This includes taxes being collected by Federal Board of Revenue (FBR). These taxes are shared between

the Federal Government and Provinces as well as amongst the Provinces in accordance with the NFC Award. Divisible Pool transfers to Provinces are made twice in a month i.e. on 17<sup>th</sup> and last working day of each month.

- **Straight transfers:** These transfers consist of Gas Development Surcharge (GDS), Royalty on Crude Oil & Natural Gas and Excise Duty on Natural Gas. The entire proceeds of these levies, after deducting collection charges @ 2%, are transferred to the respective Provinces, where the well-head is located. These collections are reported to Finance Division by the Ministry of Petroleum & Natural Recourses with the exception of Excise Duty on Natural Gas, which is reported by the FBR.

A profile of Federal transfers to Provinces during FY 2014-15 is as under:-

(Rs. in billion)

Components	Punjab		Sindh		Khyber Pakhtunkhwa		Balochistan	
	B.E	Release	B.E	Release	B.E	Release	B.E	Release
<b>Divisible Pool</b>	803.779	719.337	381.383	341.316	254.411	227.684	141.213	141.213
<b>Straight Transfers</b>	9.006	7.550	82.624	63.150	29.263	23.057	18.501	13.684
<b>Total</b>	<b>812.785</b>	<b>726.887</b>	<b>464.007</b>	<b>404.466</b>	<b>283.674</b>	<b>250.741</b>	<b>159.714</b>	<b>154.897</b>

#### **Grants-in-Aid to Provinces:**

In addition to the above revenue transfers, the NFC Award also provides for grant-in-aid to Sindh and Balochistan. PF Wing also transfers funds under grants-in-aid to Provinces, pursuant to the commitments of the Federal Government such as Aghaz-e-Huqooq-e-Balochistan Package (AHBP) and implementation of the decisions of the Council of Common Interests (CCI) etc.

A profile of grants-in-aid to the Provinces during FY 2014-15 is as follows:

(Rs. In billion)

Component	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Grant to offset Losses of abolition of OZT (NFC Award) to Sindh.	-	8.799	-	-	8.799
Grant for contribution for Civilian Victims Support Fund (CVSF) established for welfare of terrorist attack in KPK.	-	-	0.100	-	0.100
Grant for purchase of bulldozers for KPK under land and water resources development for poverty reduction in Pakistan.	-	-	0.051	-	0.051
Payment of Difference of Budgetary Projection to Balochistan for financial year 2012-13	-	-	-	2.193	2.193
Grant in lieu of Arrear of GDS 1991-92 under AHBP	-	-	-	10.000	10.000
Grant to Balochistan. This grant is adjusted by SBP against the Over Draft (Principal + Interest) of Government of Balochistan.	-	-	-	1.215	1.215
Incentive Grant to Provinces on maintaining Surpluses in terms of CCI decision.	3.593	0.481	4.279	2.980	11.333
Grant for compensation to Spouse/Family of Shaheed APUG officers posted in Balochistan	-	-	-	0.002	0.002
Grant to Punjab Information Technology Board for the services rendered on account of Monitoring and Support System For Prime Minister Youth Business Loan Scheme	0.007	-	-	-	0.007
Grant to pay off liability of MCB in case No.COS No.31/1985 towards Sutlej Cotton Mills Ltd. Okara.	0.006	-	-	-	0.006
Federal Government's contribution in Punjab Flood Bill 2014	8.000	-	-	-	8.000
<b>Total:</b>	<b>11.606</b>	<b>9.280</b>	<b>4.430</b>	<b>16.390</b>	<b>41.706</b>

#### 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

funded through PSDP allocation of the Finance Division, either on co-sharing or on full funding basis. During FY 2014-15, the position of funds released by the Finance Division to the Provinces, as per authorization of Planning, Development & Reform Division is reflected as under:-

(Rs. In billion)

Province	No of Projects	PSDP Allocation	PSDP Allocation (Revised)	Releases
Punjab	07	2.150	0.832	0.832
Sindh	15	2.474	4.491	4.491
Khyber Pakhtunkhwa	07	0.468	0.416	0.416
Balochistan	37	4.337	7.519	7.519
<b>Total</b>	<b>66</b>	<b>9.429</b>	<b>13.258</b>	<b>13.258</b>

#### Recoveries of Cash Development Loans (CDL) from Provinces

One of the functions of the Wing is to recover and to keep a record of such recoveries of principal amount and interest regarding Cash Development Loans granted to the Provinces. Such figures are maintained in consultation with respective Finance Department/Accountant General for local currencies and Economic Affairs Division (EAD) for foreign exchange. A statement of recoveries from Provinces during FY 2014-15 is shown as follows:-

(Rs. in billion)

Province	Principal	Interest	Total
Punjab	21.094	7.390	28.484
Sindh	7.891	3.756	11.647
Khyber Pakhtunkhwa	5.335	1.647	6.982
Balochistan	4.243	0.526	4.769
AJ&K <sup>1</sup>	2.051	4.465	6.516
<b>Total</b>	<b>40.614</b>	<b>17.784</b>	<b>58.398</b>

<sup>1</sup>For the purpose of recovery of loans from AJ&K, allocations is made in the Federal Budget as **Ways and Mean Advances to AJ&K** and book adjustments are made accordingly.

### Federal Transfers to AJ&K

Federal Government's financial support to AJ&K is extended under "New Financial Arrangement between the Govt. of Pakistan and AJ&K" which is applicable since 1992-93. Variable grant is being provided as share of AJ&K Government in Federal Taxes. Since own resources of Govt. of AJ&K together with variable grant are insufficient to meet their current expenditure, hence, Federal Government bridges the gap of revenue and current expenditure of AJ&K as Revenue Deficit Grant. Funding to AJ&K during FY 2014-15 is shown as follows:-

(Rs. In billion)

	Allocation 2014-15 (Revised)	Released 2014-15
<b>Federal Grant (Shared taxes)</b>	15.750	15.750
<b>Revenue Deficit Grant</b>	11.021	11.021
<b>Total</b>	<b>26.771</b>	<b>26.771</b>

15. The Federal Government also funds Annual Development Programme of the Government of AJ&K through block allocation by the PD&R Division. Releases are made by the Finance Division on authorization of the PD&R Division. The position of Development funds released to AJ&K Government during F.Y 2014-15 is as follows:-

(Rs. in billion)

	No. of Projects	Allocation 2014-15	Released 2014-15
<b>ADP (Block Allocation)</b>		10.450	10.450
<b>PSDP (Federal Projects)</b>	07	2.037	2.003
<b>Total</b>	<b>07</b>	<b>12.487</b>	<b>12.453</b>

### Federal Transfers to Government of Gilgit-Baltistan

16. Prior to FY 2011-12, the current and development expenditures of Gilgit-Baltistan Government were controlled 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. Funding for the current expenditure of GB Government during FY 2014-15 is shown as follows:-

(Rs. in billion)

	Allocation 2014-15	Release 2014-15
<b>Grant in Aid to G.B.</b>	19.200	19.200

OFFICERS OF PROVINCIAL FINANCE (PF) WING



Mr. Anwar ul Hasan Bukhari  
JS (PF)



Mr. Abdul Malik Balghari  
DS (PF)



Mr. Ghulam Farooq  
S.O (PF-IV.)



Mr. Habib Ur Rehman  
S.O (PF-III)



Mr. Nasrullah Jan  
S.O (PF-I)



Mr. Abdul Ghaffar  
A.C.O (PF. V)



Mr. Ishtiaq Ahmad  
S.O (PF-V)

## **REGULATIONS WING**

### **MAIN FUNCTIONS OF REGULATIONS WING**

As per its job description, Regulations Wing of the Finance Division has been assigned 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 Government.
- Approval of the pay packages of the employees of autonomous bodies, corporations, companies, etc., where public investments have been made in order to safeguard the interests of the Govt. of Pakistan.
- Approval of proposals regarding pay protection and up-gradation of posts.
- Matters related to pay and pension of (a) President of Pakistan (b) Prime Minister of Pakistan (c) Ministers (d) Governors of the provinces (e) Service 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 related to deputation allowance, senior post allowance, and additional charge allowance.
- Honorarium policy for civil servants, policy on Management Pay Scales, Management Position Scales, and Leave Rules.
- Determination of foreign allowance and entertainment allowance of the Govt. employees posted in Pakistan Missions abroad.
- Determination of rates of house rent allowance, conveyance allowance, overtime allowance, etc.
- Determination of policy in regard to pension for Govt. servants.
- Counting/regularization of service of civil employees.
- Matters relating to 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.
- Terms and conditions of deputation on training within Pakistan and abroad.

- Vetting of financial provisions in the Ordinances, Acts, Resolutions, and Service/Financial rules of autonomous/semi autonomous bodies.
- Drafting of para-wise comments /concise statements in all legal cases where Finance Division (Regulations Wing) 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 2014-15.**

ITEMS	QNTY.
Court Case proceed during the year	435
Service rule/Regulations of different department vetted – Rules Vetted	32
Major Policy Decisions taken	40
Cases regarding Up-gradations of posts of different organization	39
Fixation of Pays	44
National Assembly/Senate business	99

- Granted 10% Adhoc Relief Allowance – 2014 to all the Federal Government Employees as well as Armed Forces and Civil Armed Forces w.e.f 1-7-2014
- Increased Medical Allowance by 20% to the employees in BPS-1 to 15 w.e.f 1-7-2014.
- Granted Adhoc Relief Allowance 2014 @ 10% of basic pay to the Executive /Supervisory Staff of Autonomous/Semi Autonomous Bodies, Corporations etc., w.e.f 1-7-2014.
- Decided, in the light of Supreme Court of Pakistan’s order, that the Advance Increments are admissible prior to 1-12-2001, to employees in 1-15 on acquiring/ possessing higher technical as well as non-technical qualification irrespective of the fact whether the employee concerned is employed against a technical post or a non technical post. The decision will be effective from the date the advance increments were allowed.
- Government has allowed increase in pension @ 10% of net pension w.e.f. 1<sup>st</sup> July, 2014 to all civil pensioners of the Federal Government including civilians paid from Defence Estimates as well as retired Armed Forces personnel and Civil Armed Forces personnel.

- Increased Minimum Pension from Rs. 5000/- to Rs. 6000/- p.m. to civil pensioners of the Federal Government including civilians paid from Defence Estimates as well as Armed Forces Personnel w.e.f 01.07.2014.
- Increased Family Pension from Rs. 3750/- p.m. to Rs.4500/- p.m. to the family of a retired government employee including those paid from Defence Service Estimates under the Pension-cum-Gratuity Scheme 1954, and Liberalized Pension Rules, 1977.
- Announced that rate of interest on G.P. Fund and CP Fund would be 13.50% for the Financial Year 2013-14, vide O.M dated 13-7-2014.
- Granted 5% increase in Conveyance Allowance to the employees working in BPS 1-15 w.e.f 1-7-2014.
- Granted higher time scale BPS-17 to Superintendents (BPS-16) in Federal Government Ministries/ Divisions/ attached Departments/ subordinate offices w.e.f 10-9-2014.
- Pay and allowances of Superior Judiciary has been increased by 10% w.e.f 1-7-2014.
- Out Fit allowance admissible to the Armed Forces officers on their secondment to President's Secretariat (Personal) has been increased by 100% w.e.f. 9-10-2014.
- Consequent upon the Order of High Court of Sindh at Karachi dated 22.05.2013 in CP No. D-607/2013 filed by Mr. Rehman Hussain and others, Incentive Allowance @ 20% of basic pay at frozen level of its admissibility as on 30-6-2011 has been granted to the employees of the office of Attorney General for Pakistan, Additional Attorneys General, Deputy Attorneys General and Standing Councils, stationed at Karachi, with the approval of the Prime Minister, w.e.f. 29<sup>th</sup> January, 2008.
- Granted of Adhoc Relief Allowance – 2013 @ 10% of existing Basic Pay to the Management Grade Officers w.e.f 1-7-2013
- Granted of Adhoc Relief Allowance 2014 @ 10% of existing Basic Pay to the Management Grade Officer, w.e.f 1-7-2014.
- Amended Finance Division's O.M. No. 1(5)R-4/95 dated 31-7-2005 regarding grant of Special Pay @ 20% of basic Pay to all Federal Government Secretaries as under:-
- "Will be admissible on basic pay, being drawn or on the maximum of Basic Pay Scale-22 plus personal pay on account of annual increment, if any."

- Amended Finance Division O.M No. F.2(3)R-3/86 dated 7-4-1987, containing modalities for grant of BS-21 to technical and professional officers of provincial services, to the effect that provincial Government may grant the higher grade without obtaining any order from Federal Government.
- Clarified that a government servant who reaches the maximum of his pay scale on or after 1-12-2001 may also be allowed annual increment as personal pay upto three years i.e. on 1-12-2002, 1-12-2003 & 1-12-2004, vide O.M No. F.3(1)R-2/2014-889 dated 27-10-2014.
- Decided, in the light of Court's judgments, that pay of gazetted contract employee on his regularization/ appointment on regular basis will be protected subject to the following conditions:-
- That the contract appointment has been made in a BPS on standard terms and conditions circulated by Establishment Division as amended for time to time.
- That the contract employee has applied through proper channel and has been properly relieved by the appointing authority. This condition shall not apply in case of regularization on the same post.
- That regularization/regular appointment has been made with the approval of competent authority.
- That there is no break/interruption between contract service and regular service.
- That the service rendered on contract basis shall not qualify for pension/gratuity.
- That in case of regular appointment from higher grade to lower grade, pay shall not be protected.

OFFICERS OF REGULATIONS WING



**Mr. Ghazanfar Ali**  
DS (Regulations-IV)



**Mr. Khursid Anwer Shah**  
JS (Regulations)



**Mr. UMAR NAWAZ**  
DS (Regulations-I)



**Dr. M. Ismail Hasni,**  
S.O (R-10)



**Mr. Muhammad Shahid Ahmed**  
DS (R-III)



**Mrs. Beenish Ashraf Tahir,**  
S.O (Reg-VII)



**Mr. Zafar Iqbal,**  
S.O (R-4)



**Mr. Nisar Hussain,**  
S.O (R-14)



**Mr. Anwar ul Haq Satti,**  
S.O (R-3)

## LITIGATION WING

### Profile of Litigation Wing:

Litigation Wing consists of four Legal Sections dealing with all litigation cases in various courts of law and two Regulations Sections dealing with vetting of Acts, Ordinances, Rules, Regulations; Rental Ceiling, Project Allowance, Extra Ordinary Pension, Death Compensation Packages; TA/DA Allowances, Medical Treatment Abroad etc.

Joint Secretary (Litigation)					
Deputy Secretary (Legal)				Deputy Secretary (R-IV)	
Section Officer (Legal-I)	Section Officer (Legal-II)	Section Officer (Legal-III)	Section Officer (Legal-IV)	Section Officer (Regs.- 10)	Section Officer (Regs.- 14)

### Litigation Sections

Functions of the four legal sections are as follows:-

- i) Obtaining Paper Book from the Court (s)
- ii) Seeking Comments from relevant Wing (s)
- iii) Nomination of Deputy Attorney General(DAGs) / Advocate on Record (AORs)/Standing Counsel (s) from Law Division
- iv) Vetting of Comments from Law Division
- v) Coordination/Briefing of to DAGs / AORs/Standing Counsels
- vi) Submission of Comments before the Courts
- vii) Submission of applications before the Court(s) concerned for deletion of Finance Division in cases where the Finance Division is impleaded as performa party.
- viii) Attendance at Courts
- ix) Communication of Court's orders/directives to the quarter concerned

### Section Wise Distribution of Work .

Legal-I	Legal-II	Legal-III	Legal-IV
Islamabad High Court  Lahore High Court (all benches)  Lower Courts in Islamabad	Sindh High Court (all benches)  Baluchistan High Court (all benches)	Federal Service Tribunal(FST), Islamabad	Supreme Court (all Registries)  All cases in lower courts in Punjab

	Peshawar High Court (all benches)  All cases in lower courts in Sindh, KPK & Baluchistan		All cases relating to Federal Shariat Court, National Industrial Relation Commission Chief Courts Gilgit-Baltistan & AJK
--	---------------------------------------------------------------------------------------------------	--	--------------------------------------------------------------------------------------------------------------------------

**Performance of Legal Sections.**

Government employees filed 1260 cases against the Finance Division during the Financial Year 2014-2015 which are subjudice in various courts, break-up is as under :-

<b>Legal-I</b>		
S.No.	Name of Court	No. of cases processed
1.	Lahore High Court	267
2.	Rawalpindi Bench	07
3.	Multan Bench	24
4.	Bahawalpur Bench	08
5.	Islamabad High Court	173
	<b>Total:</b>	<b>479</b>
<b>Legal-II</b>		
1.	Sindh High Court Karachi	187
2.	Hyderbabad Bench	09
3.	Larkana Bench	12
4.	Sukkur Bench	09
5.	High Court Peshawar	97
6.	Abbottabad Bench	09
7.	Mangora, Sawat Bench	05
8.	Balochistan High Court (all benches)	12

9.	Lower Courts Sindh, KPK, Balochistan	06
	<b>Total :</b>	<b>346</b>
<b>Legal-III</b>		
1.	Federal Service Tribunal (FST), Islamabad	195
	<b>Total :</b>	<b>195</b>
<b>Legal-IV</b>		
1.	Supreme Court of Pakistan	52
2.	Gilgit Baltistan	06
3.	Civil Court Punjab	32
4.	AJK Courts	01
5.	FST Lahore/Karachi	135
6.	Federal Shariat Court * Cases where Finance Division is perform a party have not been taken into accounts.	14
	<b>Total :</b>	<b>240</b>
	Grand Total: 479+346+195+240 = 1260	

### **Achievements of Legal Sections:**

#### **Legal-I Section**

- Legal-I Section have filed 23 Intra Court Appeals (ICAs) against Islamabad High Court's Order whereby 20% Special Allowance admissible to employees of the attached Departments and obtained stay order against the judgment. The cases are at final stage for decision.
- Legal –I Section has also filed 9 ICAs against Orders of Islamabad High Court and Lahore High Court Lahore and Rawalpindi Bench in cases of judicial allowance equal to three basic pays and utility

allowances, etc. and managed to get stay against the impugned judgments.

This Section has also filed 07 ICAs in other miscellaneous cases.

**Legal-II Section:**

- Legal-II Section while properly defending the Federation before Peshawar High Court, Peshawar remained successful in the disposal /dismissal of COC NO.423/2014 filed by Iqbal Ahmad Khan Vs Federation of Pakistan in favour of the Federation. In case of failure the Government would have to face a huge financial impact.
- During the period, para-wise comments in 346 cases filed within the given time before the Courts.
- So far, this Section has filed approximately 150 cases within the given time before the Courts.

**Legal-III Section:**

- .Federal Service Tribunal (FST) has accepted the Review Appeal of Finance Division against the FST Judgment dated 12-11-2014 filed by Mr. Abid Hussain and others in M.P No.109, 114 to 119 etc in Appeal No.3278, 3492<sup>®</sup>CS/2014 etc.
- The Section has also filed four Review Applications in FST, Islamabad against the FST's Orders in other Miscellaneous Cases. The cases are at final stages for decision.

**Legal-IV Section:**

Three Civil Petition for to Leave Appeals (CPLAs) are in process in Supreme Court of Pakistan against FST Islamabad's judgment regarding double salary package to ICT Police, 10% increase in pay for the purpose of calculation of pension and accounting of 7% cost of living allowance towards pension.

**Regulations Sections:**

Regulations Sections have the following main functions:-

**R-10 Section**

- i. Travelling allowance on transfer abroad.
- ii. Daily allowance on duty abroad.

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

**R-14 Section**

- i. Vetting of Ordinances, Acts and Resolutions of newly established Organizations under the Federal Government.
- ii. Vetting of Financial Rules/Regulations made in pursuance of the provisions of Ordinances, Acts and Resolutions.
- iii. Bonus policy and approval for grant of bonus to the officers employed in public sector organizations. Examination of proposal received from M/o Housing & Works regarding enhancement of rental ceiling for hiring of houses for federal Government employees, and its submissions/endorsement to the Prime Minister for approval.
- iv. Project allowance/Pay Package for Project staff.
- v. Extra-Ordinary Pension (EOP) cases.
- vi. Compensation for Civil Armed Forces/ICT/IB who die in service.

**Performance of Regulations Sections**

Besides the routine approval, concurrence, NOC and clarification cases received from various Ministries/Divisions/Departments, relating to the job description, the Regulations Sections processed following policy revision cases:-

**R-10 Section:**

- i. Facility of air fare was allowed, once after two years, to the class-IV employees of all Ministries/Divisions/Departments to meet their families in Pakistan during their posting tenure in Pak Missions abroad w.e.f.01-01-2015.
- ii. In pursuance of directions of the Wafaqi Mohtasib (Ombudsman), a clarification regarding admissibility of Non-Practicing Allowance (NPA) to a person, who is appointed as Medical Officer for which prescribed qualification is MBBS or equivalent and whom private practice is not allowed in the exigencies of service has been issued.

**R-14 Section:**

- i. 35% increase in the Rental Ceiling for hiring of Residential Accommodation at Six Specified Stations i.e. Islamabad, Rawalpindi, Lahore, Quetta, Karachi and Peshawar.
- ii. Finance Division concurs in the proposal of Staff Welfare Organization (received through Establishment Division) to enhance rates of Holiday Homes as per detailed below:-

S.No.	Category	Existing Rates	Rates including electric (Rs.150/-)	including charges	Proposed including charges	Rates utility
1.	A	300/-		450/-		550/-
2.	B	175/-		325/-		400/-
3.	C	60/-		210/-		250/-

**OFFICERS OF LITIGATION WING**



**Mr. Munir Ahmad  
JS (Litigation)**



**Mr. Khan Hafeez  
DS (Legal)**



**Mr. Nadeem Arshad  
S.O (Legal-I)**



**Mr. Ameen Khan  
S.O (Legal-II)**



**Mr. Naveed Akhtar  
S.O (Legal-III)**

## **AUDITOR-GENERAL OF PAKISTAN**

### **Mandate and Scope**

The Supreme Audit Institution (SAI) Pakistan has a long history of being at the centre of public accountability that goes back to the 19<sup>th</sup> century when the financial codes and manuals for public financial management in the region were first drafted in pre-independence era. Since the independence of the country, the SAI Pakistan enjoys a constitutional status that ensures continuity of its operations for promoting transparency in governmental operations.

According to the Constitution of Islamic Republic of Pakistan, the Parliament and the Provincial Assemblies have the authority over the issuance of public funds from the Consolidated Funds and the Public Accounts of the Federal and Provincial Governments. Control over these funds is exercised by the Parliament through the office of the Auditor General who ensures conformity to the determination of the legislature. His mandate, given in the Constitution of the country and supported by subsidiary legislation, enables him to develop independent and objective assessments of the process of governance, which augment the legislative oversight of the peoples' representative on governmental operations.

### **Audit Reports of the AGP**

It also reports on the compliance to the PAC's directives relating to the previous audit reports on the same audited entity. The audit findings of the field audit offices that depict financial irregularities, internal control weaknesses and other areas of vulnerability are generally grouped in the following categories for reporting purposes:

- Violation of rules and regulations, including reported cases of fraud, thefts, misuse of public resources and weaknesses of internal control systems.
- Accounting errors that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.
- Violation of the principles of propriety and probity in public operations.
- Recoveries and overpayments, representing cases of established overpayments or misappropriations of public monies.
- Non-production of records.
- Others, including cases of accidents, negligence, etc.

**Certification Audits:** The AGP certifies the Accounts and Financial Statements of the Federation, Provinces and Districts.

**Regularity and Compliance** audits are conducted under a roll over plan for all organizations at all tiers.

**Performance Audits** primarily examine economy, efficiency, effectiveness aspects of public sector operations.

**Special audits and studies** of the risk-prone or public interest areas of public sector operations are also carried out by the Department on the request of the Executive, the Public Accounts Committee or other relevant stakeholders. The final decision on whether to proceed or not on a request rests with the Auditor General.

Following is a brief report on the activities of the AGP for the Audit Year 2014-15:

#### **Certification of Accounts**

During the Audit Year 2014-15, the Auditor General of Pakistan (AGP) certified the accounts of 101 federal, provincial and AJ&K governments and self accounting entities and District Government after the close of Financial Year 2013-14. This was made possible with the help of FAOs and their all out support and commitment to the ongoing reforms. Technical and logistic support at every stage was provided by the Audit Component of PIFRA. Commendable efforts made by CGA, DAG Accounting Policy and PIFRA management in achieving the Certification Audit target. The Auditor General of Pakistan highlighted the importance of quality assurance during whole audit cycle.

#### **Regularity and compliance**

During the Audit Year 2014-15, the Auditor General of Pakistan (AGP) conducted the audit of the accounts of federal, provincial and AJ&K governments and self accounting entities and District Government after the close of Financial Year 2013-14.

#### **Performance Audit**

During the Audit Year 2014-15, the Auditor General of Pakistan (AGP) conducted performance audit of the accounts of entities relating to federal, provincial and AJ&K governments and self accounting entities and District Government after the close of Financial Year 2013-14.

#### **Special Audit and Studies**

During the Audit Year 2014-15, the Auditor General of Pakistan (AGP) carried out special audit of different entities of the Government.

## **Our Impact**

The AGP is always looking for opportunities to improve systems and procedures to increase the effectiveness of government operations. The AGP measures its impact not only by the amount of public money it helps recover but also by the changes in systems and procedures made in response to its recommendations.

## **SAI Pakistan's International Profile**

The AGP is an active member of many other multilateral professional organizations including the International Organization of Supreme Audit Institutions (INTOSAI). It is elected as Member of Governing Board of INTOSAI, elected as Chairman of Asian Organization of Supreme Audit Institutions ASOSAI, and permanent Secretary General of Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI). In addition to representing Pakistan at these forums, the AGP takes active part in capacity building initiatives at regional level.

## **CONTROLLER GENERAL OF ACCOUNTS (CGA)**

### **INTRODUCTION**

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

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

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

- a) AGPR, Islamabad and its sub offices.
- b) MAG, Rawalpindi and its sub offices.
- c) Provincial AG offices.
- d) CAO of Departmental Accounting Offices.
- e) DBA, Provincial Forest Departments.
- f) DBA, Pak PWD, Islamabad.
- g) Director Accounts Pakistan Post Office Department.

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

### **Key Activities and Achievements of the Office During the Period 2014-15:**

Following are some of the major activities under taken by the office of Controller General of Accounts during the F.Y 2014-15 to achieve its goals and objectives stated above.

- i. Prepared annual accounts including Appropriation Accounts and Financial Statements of the Federal, Provincial and District Governments for the F.Y 2013-14. The manuscripts of Appropriation Accounts and Financial Statements submitted to Audit within two months after the close of financial year.
- ii. Unqualified opinion was given by the Audit on the accounts of the Federation, Provincial Governments and District Governments for the F.Y:2013-2014.
- iii. During the F.Y 2014-15, Monthly Civil Accounts of the Federal Government and Provincial Governments were prepared as per stipulated deadlines.
- iv. The implementation of New Accounting Model (NAM) in Azad Jammu & Kashmir is in progress.
- v. Efforts are underway to capture donors' direct payments relating to the Federal/Provincial Governments in the Accounts through SAP system.
- vi. Combined Financial Statements for the Financial Years 2006-07 to 2009-10 prepared on the revised format and approved by Auditor General of Pakistan.
- vii. Revision of Codes/manuals of New Accounting Model (NAM) is under process.
- viii. In compliance with para-13 of General Financial Rules (GFR) read with section-06 of Controller General of Accounts (appointment, Functions and Powers) ordinance 2001, inspection of following Field Accounts Offices has been conducted:
  - (i) AGPR, Islamabad.
  - (ii) AG Punjab, Lahore.
  - (iii) AG Khyber Pakhtunkhwa, Peshawar.
  - (iv) AG Balochistan, Peshawar.
  - (v) CAO, MoFA, Islamabad.
  - (vi) CAO, GSP, Quetta.
  - (vii) AGPR(SO), Lahore.
  - (viii) AGPR(SO), Peshawar.
  - (ix) AGPR(SO), Quetta.
  - (x) DBA, Pak PWD, Islamabad.
  - (xi) DAPPOD, Lahore.
  - (xii) DG Accounts Works, Lahore.

## **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.

## **DEBT POLICY COORDINATION OFFICE**

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

### **Functions**

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

- Prepare a debt reduction path,
- Monitor and evaluate external and domestic borrowing strategies,
- Analyze the foreign currency exposure of Pakistan's external debt by undertaking market risk management,
- Provide consistent and authenticated information on public and external debt 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 2014-15, 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 2013-14 and first quarter of fiscal year 2014-15. 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 2014-15**

Public debt recorded at Rs.17,370 billion or 63.4 percent of GDP as at end-June 2015 compared with 63.8 percent during last fiscal year. Public debt recorded an increase of Rs.1,373 billion during 2014-15 as compared with Rs.1,704 billion during last fiscal year. The primary source of increase in public

debt was in domestic debt that positioned at Rs.12,194 billion representing an increase of Rs.1,274 billion, whereas, external debt posed at Rs.5,175 billion representing an increase of Rs.99 billion as compared to end June 2014. The external debt portfolio witnessed a translational gain of US\$ 4.6 billion on account of appreciation of US Dollar against other major currencies which reduced the impact of net external inflows mobilized during 2014-15.

Similar to the last year's trend, Pakistan's public debt dynamics continued to witness positive developments during 2014-15. An improvement was observed in most of the public debt sustainability indicators. In addition, composition of public debt further improved due to increased mobilization through medium to long term domestic debt instruments and higher disbursements from external sources. Some of the positive developments are as follow:

- Pakistan successfully returned to the International Islamic Bond market in November 2014 with the issuance of US\$ 1 billion Pakistan International Sukuk. The success of this transaction highlights the growing confidence of the international investors towards the economic policies of the government being implemented to enhance the economic performance of the country.
- Government made progress in achieving the targets set under Pakistan's first Medium Term Debt Management Strategy (2013/14 - 2017/18) as the government was able to reduce its refinancing risk by re-profiling its domestic debt and increasing the external inflows.
- The health of economy could be gauged from the fact that Pakistan has crossed US\$ 18 billion foreign exchange reserves mark and qualified for concessional IBRD funding which will be used to fund priority infrastructure / development projects.
- Government was able to rationalize the cost of domestic debt by aligning the rates on domestic debt instruments with the market yields.
- The government has started revamping its debt management function and taking advantage of numerous opportunities to diversify its public debt portfolio. It should lead to savings in, and more effective decision-making for government borrowing.

#### **Fiscal Situation 2014-15**

Consolidation efforts are on track since government has successfully curtailed the fiscal deficit at 5.3 percent of GDP during 2014-15 against 5.5 percent during last year on account of effective resource mobilization and prudent expenditure management. It is worth mentioning that the fiscal deficit was successfully brought down from 8.2 percent of GDP in 2012-13.

The financing of fiscal deficit was a challenging task during past few years as burden was almost entirely on domestic resources owing to limited availability of external inflows. However, government was able to reverse the situation to an extent through increased mobilization from multilateral and bilateral sources, issuance of Islamic International Sukuk and short term foreign currency borrowing. Government is committed to increase the proportion of external inflows in the financing of fiscal deficit to decrease reliance on domestic sources.

### **Medium Term Budgetary Statement 2015/16 – 2017/18**

Medium-Term Budgetary Statement 2015/16-2017/18 was presented to the Parliament with the Federal Budget of 2015-16. This statement contains medium term macroeconomic framework and three-year rolling targets for key economic indicators.

According to the statement, the government plans to lower its deficit target to around 4.3 percent of GDP in 2015-16 with a policy to further reduce it each year to bring it to 3.5 percent of GDP by 2017-18 through improvements in economy. This reduction in fiscal deficit is envisaged on the back of revenue expansion through tax reforms focusing on broadening tax base, rationalization of concessionary regime, withdrawal of exemptions, tax payer facilitation, strengthening of tax audit, simplifying tax rules, making tax procedures transparent, ensuring tax compliance, reforming customs administration and adopting equitable taxation regime. Through effective implementation of these measures, the tax to GDP ratio is expected to increase from 11.5 percent in 2014-15 to 13 percent by the end of 2017-18.

On the development side, key focus for Public Sector Development Programme (PSDP) will remain investment in energy and infrastructure which will lead to higher economic growth and creation of additional employment opportunities. PSDP will continue to receive significant portion of funding to achieve its objectives. In the medium term, government plans to increase its development expenditure to 4.6 percent of GDP by 2017-18 from its current level of 4.2 percent in 2014-15.

It is expected that through prudent public debt management as envisaged in Medium Term Debt Management Strategy (2013/14 - 2017/18), Public debt to GDP ratio is expected to improve in the medium term to 55.2 percent at the end of 2017-18.

### **Future Policy Priorities**

The primary objective of the DPCO is to establish a well-equipped and efficient unit within the government that is responsible for data dissemination, analysis, and policy advice on debt and debt related issues. These include domestic debt, external debt and liabilities, as well as contingent liabilities.

Access to timely data from concerned departments, establishment of exhaustive benchmarks against which debt management operations can be measured.

Going forward, the prime objectives of public debt management include: (i) fulfilling the financing needs of the government keeping in view cost-risk tradeoffs; (ii) development of domestic debt capital market (iii) lengthening of maturities of domestic debt instruments at a reasonable cost; and (iv) stimulation of concessional external financing with reference to its impact on macroeconomic stability and debt sustainability.

OFFICERS OF DEBT POLICY COORDINATION OFFICE (DPCO)



Mr.Ehtasham Rashid  
D.G (Debt)



Mr.Muhammad Ikram  
DS (Debt)



Mr.Sajjad Ahmed Shaikh  
Director (Debt)



Mr.Muhammad Saddique  
A.D (Debt)



Mr.Muhammad Zaheer Abbasi  
SO (Debt)

**finance.gov.pk**

