YEAR BOOK

2015-16

Government of Pakistan
Finance Division
Islamabad

Year Book

2015–2016

Government of Pakistan
Finance Division
Islamabad

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 elaborated its work performance, achievements and progress made during the Financial Year 2015-16.

Pakistan's economy continues to maintain its growth momentum above 4.0 percent for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016 which is the highest in eight years. The present government has been able to gain economic fundamentals due to a much focused approach towards resolving structural issues such as energy and gas shortages and improvement in agriculture, industrial and services sectors. In this connection, a number of public sector development programs have been initiated in productive and infrastructure sectors.

Inflation has been kept firmly in the single digit. On average, CPI inflation stood at 2.86 percent during FY 2016 against 4.53 percent in FY 2015 and 8.62 percent in FY 2014. The broad-based tax reforms have also been undertaken to improve the tax collection. FBR collection during FY 2016 increased to Rs. 3,112 billion as compared to Rs. 2,589.9 billion during FY 2015, posting a growth of 20.2 percent, On positive note, FBR tax collection exceeded the target of Rs.3,103.7 billion. It is also important to mention that, Pakistan and IMF successfully completed the Extended Fund Facility (EFF) program. The completion of Extended Fund Facility (EFF) program is indicative of government's commitment in implementing structural reforms in the areas of taxation, energy, monetary and financial sectors as well as public sector enterprises.

The most significant and positive development on external account is the continuing increase in remittances inflows. During FY 2016, remittances grew by 6.38 percent and reached to US$19.917 billion against US$18.720 billion in the same period last year. The foreign exchange reserves which were at the lowest level in February, 2014 increased to $23.079 billion as on 30th June, 2016.

In view of above development, the multilateral donors and international markets have also reposed tremendous confidence on Pakistan's economic future.

I hope that, this Year Book will be helpful to the readers about the accomplishments made by different arms, sections and wings of the Finance Division. This will be a useful source of information for all the stakeholders and serve as an important source material / reference document for the public in general and researchers in particular.

SENATOR MOHAMMAD ISHAQ DAR
Minister for Finance, Revenue,
Economic Affairs, Statistics & Privatization

Dr. Waqar Masood Khan
Finance Secretary

Dr. Shujat Ali
Special Finance Secretary

PREFACE

Pursuant to Rule 25 of the Rules of Business 1973, the Year Book 2015-16, delineates activities undertaken by various Wings and Sections of the Finance Division and its constituent organizations during the year under review with reference to the Division's mission statement. The Year Book elaborates functions, organization structure, area of responsibilities, working setup and chain of command of Finance Division which is reflected in the activities and accomplishments during fiscal year 2015-16. The Year Book highlights the main achievements of Finance Division as a whole and also individually of its attached departments and organizations in their concerned operational and policy areas.

All out efforts are made by this Ministry to develop and implement a pragmatic economic policies and promoting sustainable and equitable economic growth through transparent and efficient financial management of public resources. The Year Book presents an overview of the internal and external challenges which confronted the domestic economy during the year. Despite these challenges, Pakistan's economy has achieved macroeconomic stability and now moving towards higher sustainable inclusive growth.

I hope that the Year Book will serve as a useful document to the concerned stakeholders. 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 2015-16 can be downloaded from the website *www.finance.gov.pk*. We would appreciate suggestions / comments and feedback to improve the quality of this book in future.

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)

MR. IZHAR KHAN
Assistant (Doc)

Mr. SAJJAD ANWAR
Stenotypist (Doc)

Vetted by:

MR. ZAILA HUSNAIN
Deputy Economic Adviser

Dr. Syed Nayyar Shah
Budget Publication Officer

Composed by:
Mr. MAQSOOD AHMAD KHAN
Composer

Mr. SHOAIB HAMID MALIK
Composer

CONTENTS

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:

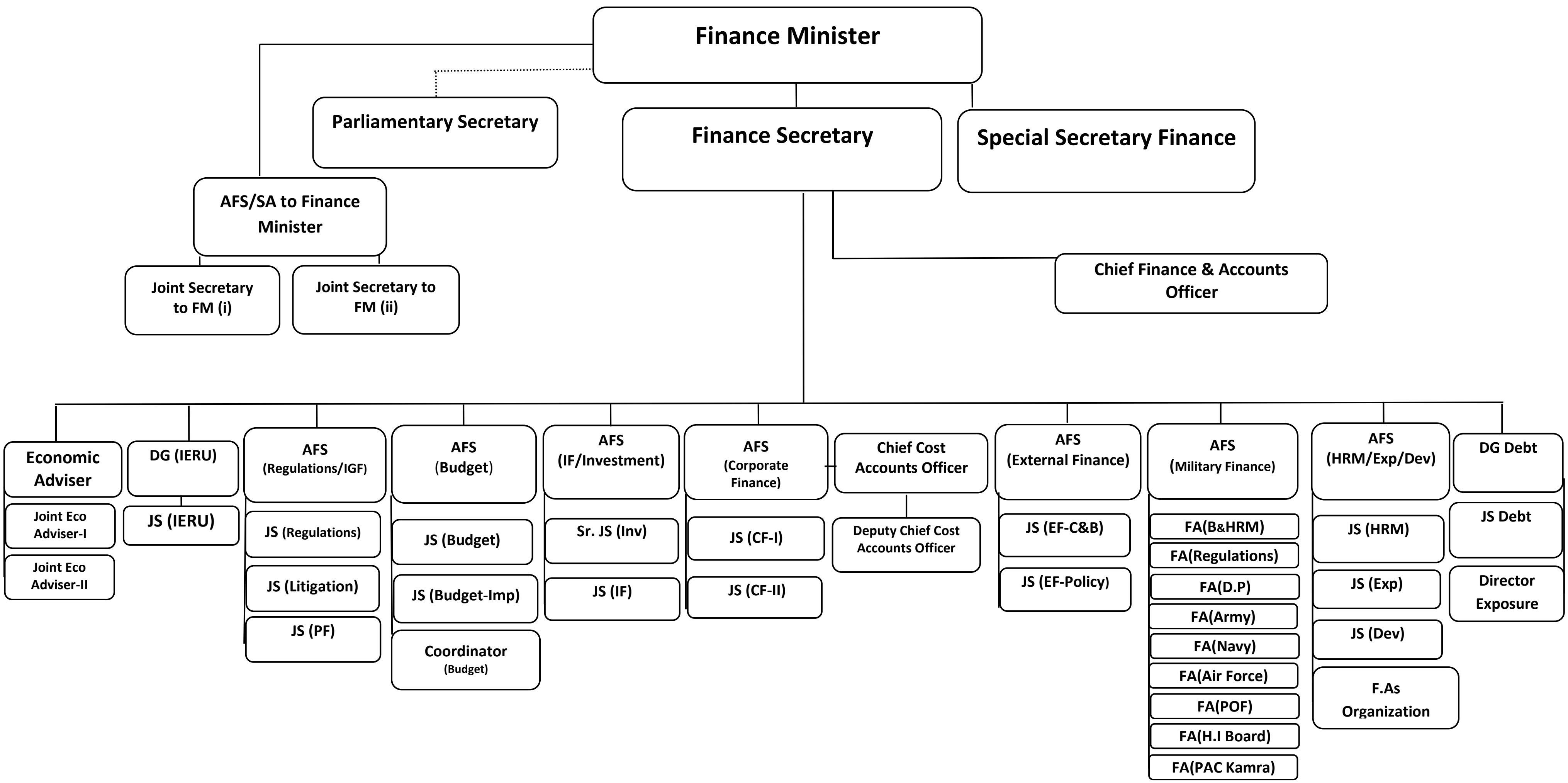
1. Finances of the Federal government and financial matters affecting the country as a whole.
2. The Annual Budget Statement and the Supplementary and Excess Budget Statements to be laid before the National Assembly; the schedules of authorized expenditure.
3. Accounts and Audit.
4. Allocation of share 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



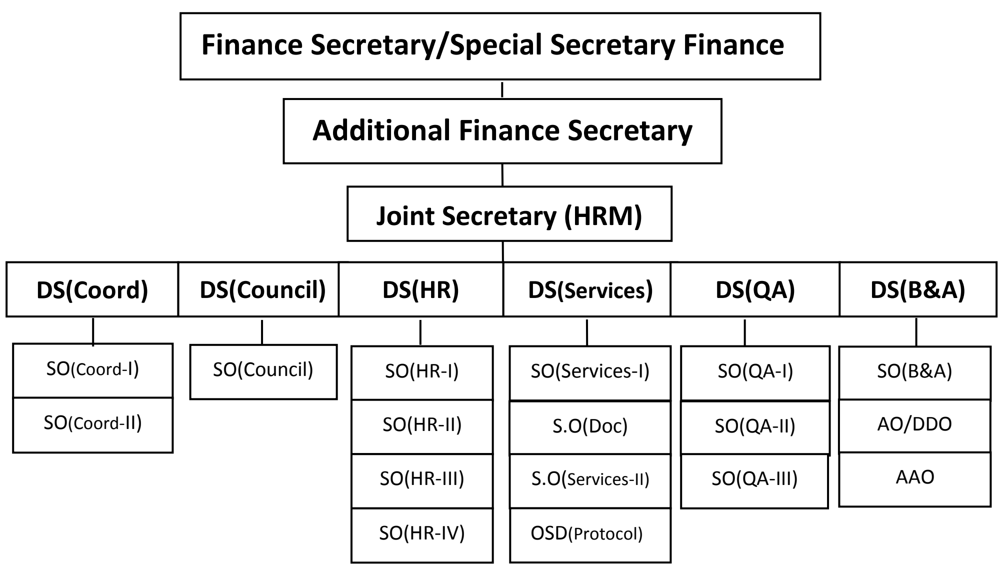
HUMAN RESOURCE MANAGEMENT (HRM) WING

INTRODUCTION:

Administration Wing of an organization performs all the core functions like hiring/recruitment and developing skills of the employees to add value. In Finance Division, this is performed by Human Resource Management (HRM) Wing. Being ISO certified Division, the Wing not only hire, recruit the required manpower but also make efforts for orienting and training, job analysis, planning, managing salaries, providing benefits incentives, evaluating performance, resolving disputes and communicating with all employees at all levels to facilitate them in their service delivery and also focuses on governance, analysis of quality output of all Wings of Finance Division. Besides imparting knowledge of Rules of Business, Financial Rules, Esta Code and other government instructions issued by the Government from time to time to the employees, their compliance to ensure better performance is also taken care of in different way.

The work load of HRM Wing increases manifold with the start of the process of preparation of budget. The Wing prepares strategy to ensure smooth flow of services during the process followed by printing of budget books, presenting before the Parliament, and passage of the Finance Bill. In addition, the wing handles normal parliamentary business not only on behalf of Finance Division, but also caters to the parliamentary business of Economic Affairs, Revenue/FBR, Statistics and Privatization Divisions.

All the above functions are accomplished by a dedicated team comprising the following officers and their staff:



During the outgoing year (2015-16) all the officers and staff worked as a team to run the affairs of the Ministry/Division in a smooth & transparent manner. It is an arduous job to satisfy each and every employee remaining within the frame work of rules and policy, however, it is the policy of the wing to listen to the complaints patiently, meet their needs and demands, as early as possible from within the allocated resources. This in view, every officer and staff member of the Wing, will continue his/her services in a more efficient manner than before.

MAIN FUNCTIONS PERFORMED DURING THE YEAR

During the year under review, the HRM Wing continued its efforts to run the General Administration effectively by providing the required services, amenities and equipment, arranging renovation of office buildings, printing documents/notifications/press advertisement, newsletters, book sets, performing protocol duties, attending to Budgetary/Financial Matters of Finance Division, Parliamentary Business, Quality Assurance programme , etc. The targets achieved by the Wing are as under:

HR-I Section

HR-I Section deals with the cadre posts of BS-17 to 22 i.e. Secretary, Additional Secretary, Senior Joint Secretary, Joint Secretary, Deputy Secretary and Section Officer which are administratively controlled by the Establishment Division.

The post of Private Secretary (BS-17) is a 100% promotion post and is required to be filled in through promotion from amongst the senior-most Assistant Private Secretaries. During the financial year 2015-16, the following employees were promoted to the post of Private Secretary (BS-17) against the posts falling vacant on retirement of the incumbents in Finance Division:

S.No.	Name	Date of promotion as Private Secretary
1	Mr. Shafiq Anwar	30-09-2015
2	Mr. Abdul Siddique	30-09-2016
3	Mr. Khizar Hayat	21-04-2016
4	Mr. Iftikhar Ahmed	21-04-2016
5	Mrs. Shamim Akhtar	16-06-2016

HR-II Section

FILLING UP VACANT POSTS

- Vacant posts pertaining to HR-II Section (i.e. BPS 10-15) were advertised and the same have been filled after meeting codal formalities.

PROMOTION

- In order to enhance the quality of work of the officials this Section promoted **02 Assistants** as Superintendent (BS-16), **08 Stenotypists** as Assistant Private Secretary (BS-16) and **13 UDCs** as Assistant (BS-14)

SELECTION OF STAFF FOR SEASONAL HAJJ DUTY, 2016

- HR-II Section has organized a balloting for selection of one candidate for Seasonal Hajj Duty 2016, through Ministry of Religious Affairs and Interfaith Harmony during the reference period.

HR-III Section

The major functions of HR-III Section, like other HR Sections, is to manage official business of an organization smoothly, efficiently by providing effective human resource and logistic support to other Wings of the Finance Division.

HR-III Section is responsible to deal with the matters pertaining to support staff i.e. BPS 1-09. Their management is very important for efficient conduct of official business. HR-III Section always tries to make best combinations of staff in all sections under the given rules as prescribed by the Government to ensure effective and efficient management of employees.

FILLING UP VACANT POSTS

- Vacant posts pertaining to HR-III Section (i.e. BPS 01-09) were advertised and the same have been filled after meeting codal formalities.

VERIFICATION OF SERVICE BOOKS

- HR-III Section completed about **600** Service Books of the officials being dealt with by HR-III Section (BS-01 to 09)
- In order to enhance the quality of work of the officials, HR-III Section promoted LDC to UDC, Naib Qasid to Qasid and Qasid to Daftry to next BPS.

HR-IV Section

HR-IV Section deals with the following matters:

i. Personnel administration of Ex-cadre officers of Economists Group posted by Planning & Development Division and Accounts Group posted by CGA/AGPR etc.
ii. Hiring of Private Residential Accommodation for officers and staff of Finance Division.
iii. Medical Re-imbursement to serving and retired officers/officials of Finance Division.

- It is in the domain of HR-IV Section to make recruitment of professionals of MP-I, II, III scales and on fixed pay package meant for IERU, Actuary Office, Debt office and MTBF Secretariat.
- Hiring facilities to more than **450** officers/staff of Finance Division were provided to meet the demand of shelter temporarily. In this regard, **Rs.80,000,000/-** were allocated for FY 2015-16.
- In order to provide the medical re-imbursement facilities to officers and staff of Finance Division as well as the retired employees of Finance Division an amount of **Rs. 6,000,000/-** (retired employees) and **Rs.10,000,000/-** (In-service employees) was allocated respectively for FY 2015-16.

Quality Assurance

Sl.#	Main Tasks	Targets Achieved during the year 2015-16
1	Nomination of Departmental Quality Assurance Coordinators (DQACs')	Out of 14 DQACs, 06 were changed/nominated from each Wing to coordinate and manage the work in compliance with Quality Assurance Program.
2	Foreign Training through EAD	96 nominations were processed out of which 57 officers were nominated and 10 Officers availed the Foreign training facility.
3	Local Training	198 nominations of officers/officials were processed out of which 94 Officers/Officials were nominated and 90 availed inland/local trainings.
4	Quality Review Newsletter	9^{th} & 10^{th} issues from January to December, 2015 were got published and circulated. The 11^{th} issue of News Letter for the period January – June, 2016 is also being circulated.
5	Customer Satisfaction Surveys	Customer Satisfaction Survey for the period July, 2014 to June, 2015 was conducted to ascertain the Customer Satisfaction Index(CSI) of Finance Division, which was 79.13%. Moreover, CSI for the period July, 2015 to 30^{th} June, 2016 was also prepared.
6	Revision of Quality Assurance Procedures (QAPs) of all the Wings.	Document Change Requests (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.
7	Revision of Quality Assurance Procedures (QAPs) of all the Wings	The Quality Assurance Procedures (QAPs) of 02 Wings i.e Debt Policy Coordination Office (DPCO) and Development Wing have been revised with the approval of Finance Secretary.
8	Revision of Job Descriptions (JDs)	The Job Descriptions (JDs) of the officers of various Wings are kept upto date by incorporating all the changes occurring from time to time. During the year 2015-16, the Job Descriptions (JDs) of fifty seven (57) Officers of seven (07) Wings i.e. Debt Policy Coordination Office (DPCO), FA's Organization, External Finance Policy, Accounts Officer (Dev), HRM, Corporate Finance and IERU were also prepared.
9	To Develop Major Functions and Key Performance Indicators(KPIs)	Establishment Division initiated New Assessment Report Form (NARF) (i.e PER Form) for the Officers of BS-17 & 18 (as a start) in July, 2015. Each Ministry/Division was required to develop KPIs of each position in BS-17 & above to fill the performance evaluation part of NARF to be introduced in 2016 by Establishment Division. Mr. Izhar Ahmad, DS (QA) was nominated as focal person to accomplish this task. In phase-I, KPIs of BS-17 & 18 positions were planned to be prepared/developed. KPIs are measureable/quantifiable performance indicators based on Job Descriptions (JDs) of each position. Major part i.e. 60% weightage of the NARF is linked with KPIs. After continuous and hectic efforts, Major Functions & KPIs of 159 BS-17 & 18 Positions of Finance Division including Military Finance Wing have been developed/finalized (Phase-I) and got printed in the shape of a Booklet.
10	DQRC Meetings of all Wings	Departmental Quality Review Committee (DQRC) Meetings are required to be held to review the performance, achievements and improvement in processes to ensure quality.

		80 DQRC meetings of different Wings were held during the year 2015-16. Close watch was kept to ensure holding of DQRC meetings on regular basis and to implement the follow-up actions of the aforesaid meetings.
11	Work Efficiency Survey	Work Efficiency Survey is conducted on bi-annual basis to measure performance of all Wings of Finance Division for continuous work improvement. The following two surveys have been successfully carried out during the year 2015-16:- (i) 13th Bi-annual Work Efficiency Survey for the period July – December, 2015 has been carried out from 26-01-2016 to 04-02-2016. (ii) 14th Bi-annual Work Efficiency Survey for the period from January – June, 2016 has been carried out from 08-08-2016 to 12-08-2016.
12	Internal Quality Audit	Internal Quality Audit of all Wings of Finance Division is conducted twice a year to ascertain: Whether quality activities and related results comply with the ISO 9001:2008 Standards, and Whether this system is being implemented effectively. The following two Audits have been successfully conducted during the year 2015-16: (i) 12th Internal Quality Audit for the period July – December, 2015 has been carried out from 14th to 18th January, 2016. (ii) 13th Internal Quality Audit for the period January – June, 2016 has been carried out from 25 - 27 July,2016. The Audit Reports are distributed to all concerned for taking appropriate/corrective measures and feedback.
13	Coordinating Surveillance Audit by ISO Certification Agency	ISO Secretariat facilitated M/S LRQA(An ISO Certification Body), Karachi as an External Auditor to carryout 4th and 5th Surveillance Audit on 24th August, 2015 and 7th & 8th March, 2016, respectively to assess the level of continued compliance and

		effectiveness of the Quality Management System in Finance Division and to ensure achievement of objectives.

Services Section

Physical Assets/Computer Accessories: 06 Photostat Machines, 50 Computers with LCD Monitor, 50 Laser Jet Printers, 12 Fax machines, 04 Laptop Computers, 04 Scanners, 06 Water Coolers, 03 Water Dispensers, 04 Refrigerators, 65 Bracket Fans, 05 Exhaust Fans, 17 Fan Heaters, 01 Split AC, 40 Electric Heaters, 02 Paper Shredders, 01 Skype Cam were purchased after meeting all codal formalities.

Furniture & Fixture: 13 Executive/Officer Revolving Chairs, 01 Visitor Chair, 02 File Racks, 01 assistant Table, 06 computer Tables, 04 Coat Hangers, 04 file Reader, 07 Almirah/Cabinet were purchased and wooden paneling of AC Duct were done.

Purchase of Vehicles: 01 Toyota Corolla, 1300 cc and 02 Suzuki Cultus, 1000 cc vehicles were purchased during FY 2015-16.

Condemned/Auction of Vehicles: 01 Toyota Corolla 1300cc and 02 Suzuki Cultus 1000cc cars, were condemned/auctioned.

Purchase of Stationary/Miscellaneous: Stationery/miscellaneous items are provided on requisition/need basis on every month throughout the each Financial year.

Repair of Physical Assets/Machinery & Equipment: All types of repair/maintenance was carried out immediately like Transport, Computer/Photostat machines, Telephone and Fax Machines etc.

Miscellaneous Work:

- Cleanliness in "Q, 'S' Blocks and FBC Building was ensured.
- Arrangements for all types of meetings were made
- All the required Assistance/Services were provided to all the Wings/Offices before and during the Budget preparation/presentation in the Parliament till passage of Finance Bill for the Financial Year 2016-17.
- Present system of the Quality Assurance Review Committee are supported.

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.

PROTOCOL :

S.#	Main Tasks	Course of Action	Cases Received	Target achieved during the year 2015-16
1.	Official Passport	Official Passports were renewed/issued by D.G Immigration & Passports of Officers of Finance Division.	60 official passport cases were received from the officers of this Division.	All 60 cases of official passports were processed & passports were issued/renewed.
2.	Note Verbale	Note Verbale from M/o Foreign Affairs were arranged on the request of the concerned Officers.	Request of 104 Note Verbale were received from the Officers of Finance Division.	All 104 Note Verbale were arranged from the M/O Foreign Affairs.
3.	No Objection Certificate(NOC)	No Objection Certificates were issued to Officers of BPS-17 and above who were proceeding abroad on official meeting/ training/courses/ seminars/workshops etc.	117 NOC cases were received from officers of BPS-17 and above.	All 117 NOC's were issued.
4.	Airport Entry Passes	Airport Entry Pass is required to enter in the domestic & international lounges to facilitate the high-ups and delegates.	13 requests of Airport entry passes were received from PS to FM, Sr.PS to FS, PS to AFSs/Sr. JS, Protocol Officer etc.	All 13 Airport Entry Passes were issued to Officers by the Aviation Division.
5.	Protocol Services were provided to foreign Delegates/Guests, Ambassadors, Ministers/MOS etc of Finance Minister			
6.	Visa services were provided to the Officers of Finance Division (BPS-17 and above) who were proceeding abroad on official meeting/ training/courses/seminars/workshops etc.			
7.	Protocol Services were also provided to the senior officers of Finance Division.			

Documentation/CSD Section:

S#	NATURE OF CASES/ACTIVITIES	CASES RECEIVED	CASES DISPOSED OFF
1	Public grievances/ petitions received from President's/ Prime Minister's Secretariats, Parliamentary Affairs Division and Secretary Finance Division.	**10**	10
2	Publication of Year Book 2014-15 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 **237** Temporary **321**	237 through NADRA 321 by Documentation Section.
5	Issuance of No Demand Certificates(NDC) in respect of officers/officials on their retirement and transfer from Finance Division.	**61**	61 NDCs issued.
6	Daily Visitors Report.	**256** (working days)	256 days visitors report issued.
7	Duty Roster of officers/officials of Finance Division on monthly basis to ensure security of Finance Division on monthly basis.	**12** (months)	12 duty rosters issued.
8	Measures were also taken to ensure strict security of office buildings of Finance Division through law enforcing agencies from time to time as directed by the higher authorities.		

Parliament Business

Council Section works under the HRM Wing and DS(Council) handles the National Assembly/Senate business. As the Finance Minister holds the portfolio of four Ministries/Divisions and all the Parliamentary Business relating to these Ministries is dealt with by the Council Section, Council Section coordinates with these Divisions which include Finance Division, FBR, EAD, Statistics Division and Privatization Division as well as the Attached Departments of these Divisions and consolidates the replies and Note for Pad for the Minister to be prepared a day before the Rota Day. Briefing to the Finance Minister by the officers of the above Divisions is also arranged. Moreover, the work relating to meetings of Standing Committees and PAC is also dealt with by the Council Section. All the Senior Officers who attend these meetings are facilitated by the Council Section in terms of entry passes for the Parliament House and conducting of Officers to these meetings. Moreover, the Council Section also establishes the Camp Office in the Parliament House to liaison with other Ministries/Divisions, till the finalization of the Federal Budget. The Council Section also assists in the Launching Ceremony of Economic Survey Press Briefing by the Finance Minister.

COORDINATION

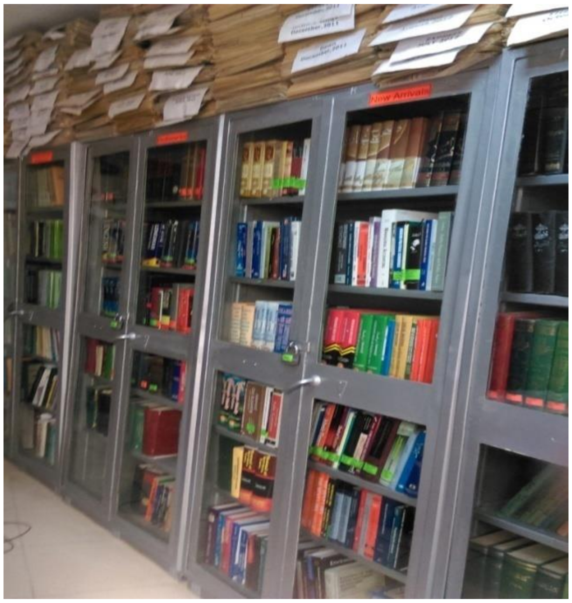
S#	Main Tasks	Course of action	Cases received	Target achieved during the year 2014-15
1.	Circulation of Instructions/ Orders/ Notifications/ Circulars in Finance Division, its Attached Departments, Corporations, Autonomous/ Semi-Autonomous Bodies received from Prime Minister's Office, Finance Minister's Office, Cabinet Division, Establishment Division/ Interior Division and other Ministries/Divisions.	The said instructions/ Orders/ Notification/ circulars are immediately forwarded to the attached departments/subordinate offices of Finance Division for further necessary action.	119	Circulated 119 receipts.
2.	To ensure timely publication of Notifications issued by Finance Division in Gazette of Pakistan.	Notifications received from different wings of Finance Division are forwarded to the PCPP, Karachi/Islamabad for publication in the Gazette of Pakistan.	323	323 notifications forwarded to PCPP Karachi/ Islamabad
3.	To issue annual books of Service Book Club to officers of Ministry of Finance.	Collections of Book from GHQ Rawalpindi and circulation of the same among officers of Finance Division.	Nil	-
4.	Obtaining information from Attached Departments/Sub-Ordinate Offices requested by following: -	To obtain information regarding different matters and submit consolidated replies to the concerned quarters.		49 cases disposed off.
	Establishment Division		07	
	Cabinet Division		13	
	Prime Minister's Office		05	
	Wafaqi Mohtasib		06	
	Other Ministries /Divisions		09	
	Council Section Finance Division (Main)		09	

F&A Wing

1. Twelve (12) reconciliation statements of expenditure in respect of thirteen (13) Demands i.e.29, 30, 31, 32, 33, 35, 36, 102, 103, 114, 115, 116 & 136 were completed.
2. Material for Green Book (2016-19) in respect of Finance Division was collected, drafted and compiled by F&A Wing.
3. 133 BOs / NISs (2016-17) in respect of all wings of Finance Division were scrutinized.
4. 56 cases of Re-appropriation of funds, 60 cases of surrenders, 18 cases of Supplementary / Technical Supplementary Grants, 18 cases like tendering of advice and creation of posts were scrutinized.
5. F&A Wing conducted 19 DAC meetings wherein audit reports of Finance Division, HBFC, SME Bank, ZTBL, SBP, PSPC, CDNS and Pak Mint were discussed and the minutes were issued to all concerned. Appropriation accounts were also discussed.
6. During the FY 2015-16, six (06) PAC meetings were held wherein Audit Reports for FY 1996-97, 2003-04, 2010-11 & 2013-14 / Appropriation Accounts for FY 2003-04, 2009-10 & 2012-13 of Finance Division were discussed.
7. During the FY 2015-16, Internal Audit of ten(10) offices/entities of Finance Division were conducted and preliminary Internal Audit Reports were issued asking the concerned departments for parawise replies. After receipt of parawise replies, final internal audit reports alongwith views / comments of F&A Wing were issued to the concerned departments with the observations to get the irregularities regularized from the Principal Accounting Officer / Finance Secretary. On the directions of PAO / FS, all audit offices were directed to get the irregularities brought into the notice of PAO/FS as pointed out by Internal Audit Team and follow the PPRA Rules, GFR and System of Financial Control and Budgeting, 2006.

LIBRARY

Finance Division's Library is a research and reference Library which provides the services to all officers/officials of Finance Division and the researchers of different universities. It is located on the ground floor of FBC Building G-5/2 Islamabad. Over 15000 books, reference books, periodicals and Newspapers are included in Finance Division's Library collection which are provided to all employees of Finance Division on demand. All the books are classified and catalogued and more than 5000 books are computerized in LIMS(Library Information Management System).Two computers are installed in the Library for readers to have an easy access to Library catalogue.



Finance Division's Library purchased 93 new books on Islam, Economics, Finance, Rules and other disciplines in the Financial year 2015-16 to enrich and update the Library.

8 daily newspapers are also purchased to provide the latest news and current affairs to employees of Finance Division which are:

- The News.
- The Nation.
- The Dawn.
- Business Recorder.
- The Jang.
- Nawa-e-Waqat.
- The Express.
- The Khabrain.

Five Periodicals are purchased to enhance the knowledge of employees and to keep them up to date.

- The Economist.
- Pakistan and Gulf Economist.
- Times.
- News Week.
- Harvard Business Review.

The complementary copies of different institution's books which are based on research articles i.e PIDE research General, State Bank publication, etc. are also received and arranged in the Library section. Previous three years' newspaper record is also available in the Library for reference purposes.

OFFICERS OF HRM WING

Mr.Haque Nawaz
Additional Finance Secretary(HRM)

Mr. Iftikhar Ahmad
Joint Secretary (HRM)

Ms.Shereen Akhtar
CF&AO

Mr. Nadeem Abbas,
Dy.Secretary (HRM)

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

Mr. Muhammad Saleem
Dy.Secretary (PAC)

Mr. Ghulam Farooq
Dy.Secretary (Coord)

Mr. Izhar Ahmad,
Dy.Secretary (QA)

Mr. Ayub Khan,
Dy.Secretary (Council)

Syed Buniad Haider
S.O (Doc)

Mr. Altaf Hussain
S.O (Services)

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

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

Mr. Shahzad Zareef
S.O (QA-II)

Mr. Abdul Jabbar
Director(Finance)

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

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

Mr. Mehboob Sultan
OSD (Protocol)

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

Mr. Ghulam Sarwar
AO (Int.Audit)

Mr. Ijaz Ahmad
S.O (Coord-I)

Financial Analyst

The Financial Analyst looks after the Government of Pakistan interest by providing Financial & Cost Analysis of the institutions where Government of Pakistan money is at stake. It further, provide financial analysis to help the government in placement of Government of Pakistan funds by way of pointing out the risks involved on Financial Analysis and cost basis and does the risk management for Government by analyze complex financial data and extract relevant information for the purpose of determining financial performance.

The Financial Analysts help improving laws to implement Fiscal Policy, review costs and perform cost benefit analysis of where Government funds are involved, perform complex statistical, cost and financial analysis for data reported in the various accounting systems. Develops financial reports for forecasting, trending and result analysis. Some other activities are as follows:

1. To take part in formulation of fiscal policy of the country.
2. To oversees matters regarding Anti-Money laundering.
3. Functional Capabilities of a Chief Financial Officer.
4. Establishing authenticity data/information provided by other institutions.
5. Analysis of banks/schemes where GOP's contribution is involved.
6. Observance Rules and Regulations under which a reference is to be proposed.
7. Investment Banking.
8. Development financing.
9. Leading change in complex organization.
10. Money Laundering its techniques and controls.

COST ACCOUNTS ORGANIZATION

Cost Accounts Organization (CAO) is functioning in Finance Division. CCAO and Dy. CCAO are involved in cost analysis of all proposals referred by Cabinet/ECC, Federal Ministers, Divisions & Attached Departments to provide advice on financial and costing matters, review the subsidy proposals submitted by various Ministries, advice on financial and management issues relating to capital structure, investment and financial performance of public sector. Advice on sale price of controlled items and to submit recommendations regarding reimbursement of various subsidy claims. It performs the following functions:

1. Review and analysis of annual accounts of gas producing companies.
2. Determination of well-head gas.

3. Award of decisions/reconciliation of accounts in cases of financial disputes among different Government agencies/corporations/autonomous bodies as the cases referred by ECC/Cabinet/Competent authority.
4. Acts as Member of the Drug Appellate Board for hearing the appeals regarding prices of Drugs/Medicines etc., to recommend price of drugs, (under appeal) the Drug Appellate Board to assist the Government in decision making.
5. Coordination of the activities of institute of Cost and Management Accounts of Pakistan by acting as member of the council through Government nomination. Functional matter of the Institute of Cost and Management Accounts of Pakistan such as grant in-aid, seminars.
6. Subsidy/Losses verification of cases of NFC units, PSPC, PASSCO and other organization.
7. Cases referred for advice by F.A (Industries & Production), FA(Food & Agriculture, Health, Information & Broadcasting and Religious Affairs), FA (Education, Culture, Sports Tourism, Commerce).
8. Acts as member/Chairman of various Committees/Groups etc. constituted by Government from time to time.

Ms Sumaira K Aslam
Financial Analyst/DCCAO

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
- Printing
- Authentication
- Execution
- Monitoring and coordinating implementation of budgetary targets
- Liaise with all relevant Ministries/ Divisions/ Organizations and get report on implementation status of the targets given in the budget, indicating various budgetary measures

Functions of various Sections of Budget Wing

Budget Resources-I

- Coordination with FBR in relation to tax receipts.
- Preparation and compilation of the Budget documents "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 examine Budgetary Proposals.

Budget Resources-II

- 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'.
- 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.

Budget Resources-III

- Examination of recommendations of Planning Division for formulation of Development Budget.
- 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.

- Finalize the rates of markup on National Saving Schemes.

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 Documents.
- 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)
- Monitoring and coordinating implementation of overall budgetary targets and to prepare analytical reports on monthly basis.
- 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, Revenue, Economic Affairs, Statistics and Privatization.
- 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.

Budget Computerization

- Issuance of Budget Call Circular.
- Receipt of Budget Orders/New Item Statements (BOs/NISs) from all Ministries and Departments.
- Data Entry of received BOs/NISs into computer system.
- Supervising the work relating to reconciliation of Demands for Grants.
- To prepare summaries and schedule for submission to Prime Minister for approval and authentication of Federal Government's Budget.
- Work relating to processing the Budget in Cabinet, National Assembly and the Senate.
- To monitor and supervise the activities being performed for smooth functioning of installed Computer system.
- 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)

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. Cabinet also approves the issuance of indicative budget ceilings to Ministries for both recurrent and development budget. Following documents relating to MTBF are prepared and are also laid before the Cabinet, the National Assembly and the Senate alongwith other budget books:-

- Development of Budget Strategy Paper 2016-19.
- Development of Medium Term Fiscal Framework and Financial Programming Framework.
- Preparation of Medium Term Budget for Service Delivery (Green book) 2016-19.
- Compilation of Federal Government Performance Monitoring Report for the Financial Year 2014-15.

Way Forward

The reform program is planned to be further improved notably through the 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,

Public Financial Management Reform

A Public Financial Management reform initiative was started in the Budget Wing. The reform initiative called PFM-Support Programme for Pakistan 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.

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, running of civil government, subsidies and grants which are financed from revenues derived through taxes, duties and other miscellaneous receipts. The difference between revenue receipts and current/non-development expenditure results in revenue surplus/deficit for the year which is transferred to the capital budget. The deficit of capital, revenue or both/expenditure 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.

Budget Process

Budget Call Circular

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 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

Expenditure: The budget estimates for the ensuing year are formulated separately in respect of 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 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 alongwith surrender order.

Revenues: The revenue receipts estimates are submitted to the Budget Wing by the FBR. 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 National Assembly the budget publications are released to the various ministries/divisions and departments with the authorization to utilize the budget allocations from the 1st July of each financial year.

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, budgetary documents are transmitted to the Senate at the same time when it is submitted to the National Assembly. The Senate may, within fourteen 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. The Schedule reflects the extend of expenditure to be made under a specific grant/appropriation. It also specify the expenditure Charged upon Federal Consolidated Fund and otherwise.

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:-

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

b. The judges of the Supreme Court;

c. The Chief Election Commission;

d. The Chairman and Deputy Chairman (of the Senate);

e. The Speaker and the Deputy Speaker of the National Assembly;

f. The Auditor General;

g. Federal Ombudsman

h. 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;

i. 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;

j. Any sums required to satisfy any adjustment, degree or award against Pakistan by any court or tribunal and;

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

Budget Documents

Following budget documents are prepared/presented by the Budget Wing:-

I. Finance Minister Budget Speech.

II. Annual Budget Statement.

III. Budget in Brief.

IV. Budget at a Glance.

V. Explanatory Memorandum on Federal Receipts.

VI. Estimates of Foreign Assistance.

VII. Demands for Grants and Appropriation- (Including Schedule I, II & III).

VIII. Details of Demands for Grants and Appropriation - Pink Book (Volume I, II & III).

IX. Medium Term Budgetary Statement

X. Supplementary Demands for Grants and Appropriations.

XI. Medium Term Budgetary Estimates for Service Delivery.

XII. Finance Minister Winding-up Speech.

XIII. Schedule of Authorized Expenditure.

Pakistan – Consolidated Fiscal Operations 2015-16

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. www.finance.gov.pk The Summary of Fiscal Operations for the year 2015-16 is given below:

(RS. in billion)

Description	B.E. 2015-16	Actual*2015-16
Total Revenue	**4,634.7**	**4,447.0**
Tax Revenue	**3,672.2**	**3,660.4**
Federal	3,418.2	3,377.1
Provincial	254.0	283.3
Non-Tax Revenue	**962.5**	**786.6**
Federal	882.5	693.2
Provincial	80.0	93.3

Total Expenditure	**5,962.9**	**5,796.3**
Current Expenditure	**4,592.6**	**4,694.3**
Out of which		
Markup payments	1,279.9	1,263.4
Defence	781.2	757.7
Development and Net Lending	**1,370.3**	**1,314.1**
Statistical discrepancy	**-**	**(212.1)**
Budget Deficit	**1,328.1**	**1,349.3**
As % of GDP	**4.3%**	**4.6%**
Financing of budget deficit	**1,328.1**	**1,349.3**
External (Net) Financing	**345.7**	**370.5**
Domestic Financing	**982.4**	**978.9**
Non-Bank	649.5	191.8
Bank	282.9	787.0
Privatization Proceeds	**50.0**	**-**
As % of GDP		
Total Revenue	**15.1%**	**15.0%**
Tax Revenue	**12.0%**	**12.4%**
Federal	11.1%	11.4%
Provincial	0.8%	1.0%
Non-Tax Revenue	**3.1%**	**2.7%**
Federal	2.9%	2.3%
Provincial	0.3%	0.3%
Total Expenditure	**19.4%**	**19.6%**
Current Expenditure	**15.0%**	**15.9%**
Out of which		
Mark-up payments	4.2%	4.3%
Defence	2.5%	2.6%
Development and Net Lending	**4.5%**	**4.4%**
GDP	**30672**	**29598**
Budget Deficit (As % of GDP)	**4.3%**	**4.6%**

*Provisional

Central Directorate of National Savings

Central Directorate of National Savings is an Attach Department of Ministry Of Finance and is responsible for mobilization of domestic savings through sale of various government securities with a network of 425 offices comprising 12 Regional Directorates,16 National Savings Treasuries, 374 National Savings Centers, 01 Directorate of Inspection and Accounts, 07 Zonal Inspection and Accounts Offices, 12 Regional Accounts Offices and 02 Training Institutes.

Currently, CDNS is offering the following National Savings Schemes to the public.

S. No.	Name of Scheme
1	Defence Savings Certificates
2	Special Savings Certificates (Regd)
3	Regular Income Certificates
4	Savings Account
5	Pensioners' Benefit Account
6	Bahbood Savings Certificates
7	Prize Bonds
8	National Savings Bonds (NSB-3)
9	Short Term Savings Certificate
10	STSC 3 Months
11	STSC 6 Months
12	STSC 12 Months

Investment Performance during 2015-16

The Scheme-wise details of assigned targets viz a viz the achievements during FY 2015-16 are as follows.

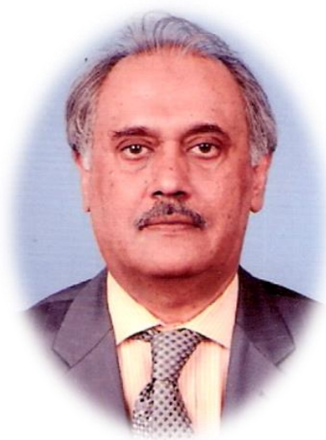
(Rs. in million)

Name of Scheme	Maturity Period	Revised Targets for FY 2015-16		Achievements during FY 2015-16	
		Gross	Net	Gross	Net
Savings Bank Accounts	Running Account	196,414	2,450	201,141	2,794
Pensioners' Benefit Accounts	10 Years	45,689	20,283	45,070	20,645
Defence Savings Certificates	10 Years	31,039	6.373	32,308.15	8,048
Bahbood Savings Certificates	10 Years	153,655	62,441	152,556	63,761
Special Savings Certificates (Regd)	03 Years	126,169	14,602	133,943	-1,931
Special Saving Accounts	03 Years	111,437	12,897	103,918	30,924

Regular Income Certificates	05 Years	74,551	-15,952	69,836	-16,224
Short Term Savings Certificates	3, 6 & 12 Months	*5,428*	13	5,603	158
Prize Bonds		166,422	110,000	180,224	123,902
Grand Total		919,904	217,732	924,606	232,013
Achievement in Percentage				**101%**	**107%**

OFFICERS OF BUDGET WING

Mr. Jibran Khalil Malik
Joint Secretary (Budget & Imp.)



Syed Ghazanfar Abbas Jilani
Additional Finance Secretary (Budget)

Mr. Naveed Alauddin
Joint Secretary (Budget)

Syed Pervez Abbas Naqvi
Director (Budget Computerizati

Dr. Syed Nayyar Shah
Budget Publication Officer

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)

Maqsood Khan Matta
Composer

Shoaib Hamid Malik
Composer

Corporate Finance Wing

Corporate Finance Wing-I comprises of five basic units i.e. CF-II, CF-III, CF-IV, CF-(C) and CF(Accounts) Sections, dealing with economic, financial and corporate affairs of different Public Sector Entities (PSEs), working under the administrative control of Federal Ministries/Divisions. The prime objective of provision of financial support to the PSEs is to facilitate their financial and operational restructuring programs. In this regards Government of Pakistan provides support as grants, loans and equity investment, for their financial requirements as well as to meet any shortfall by providing subsidy from GOP's budget. The PSEs are also allowed to avail Credit Ceilings from Banks to meet their financial requirements, under Federal Government's Sovereign Guarantees. Following financial support was extended to different corporate sectors in pursuance of government decisions during FY 2015-16:

Transport/Communications

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 and commutation to the people at large. Financial support to Pakistan Railways for FY 2015-16 is tabulated as under:-

(Rs. in millions)

Particulars	Budget FY 2015-16	Releases FY 2015-16
Pay and Pensions to Pakistan Railways	37,000.000	37,000.000
Development Projects of Pakistan Railways	41,000.000	25,780.471

National Highway Authority (NHA)

NHA is mandated to construct a comprehensive network of motorways and highways across the country, to provide fast communications means. During FY 2015-16, GoP made available financial support to NHA as Cash Development Loans (CDL) to execute its different road sector development projects including CPEC projects as detailed hereunder:

Rs. in millions)

Particulars	Budget FY 2015-16	Releases FY 2015-16
Cash Development Loans to NHA	95,650.000	95,615.000

Commodities

The government has been providing financial support as subsidy to TCP, PASSCO and Utility Stores Corporation (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 the above objective, following entities were provided subsidies:-

(Rs. in millions)

Particulars	Budget FY 2015-16	Release 2015-16
PASSCO - Wheat Operation	5,000.000	2,508.770
PASSCO Wheat Reserve Stock	5,000.000	5,000.000
TCP – Urea	25,000.000	5,000.000
USC – Ramzan Package	3,000.000	2,700.000
USC – Sugar	4,000.000	2,000.000
Punjab - Rice and Cotton	-	12,000.000
SBP – DAP Fertilizer	-	7,000.000
SBP- Sugar Export Old Scheme	-	962.662
SBP – Wheat Export Old	-	1454.120

Financial Support to miscellaneous PSEs

Following financial support was also extended to PSEs:-

Particulars	Budget FY 2015-16	Releases FY 2015-16
Mark up on National Industrial Parks Development & Management Co.	4.000	3.533
Re-payment of People Steel Mills loan	184.000	-
Mark up on Pakistan Stone Development Corporation loan	8.000	5.655
Loan to Pakistan Steel Mills	3,840.000	4,994.116
Pakistan Machine Tool Factory	-	128.000
State Engineering Corporation	-	83.983
Strategic Trade Policy Framework / DLTL	-	1,089.000
Textile Policy Initiatives/ DLTL	-	4,599.630
Pakistan Broadcasting Corporation	102,086,000	102,085,000

Non Tax Receipt Dividend

(Rs.in Million)

Budget Estimate	84,936.690
Actual Receipts	91,549.003
Target Achieved	111.73%

Recovery of Debt Service Liability (Principal + Interest) (Cash Development Loan and Foreign Loan)

(Rs.in Million)

Budget Estimate	120,338.356
Actual Receipt	57,340.318
Target achieved	47.65%
Remarks:	Approximately, 52% less collected on account of Debt Service liability, as some entities like NHA, Pakistan Broadcasting Corporation (PBC), PIA etc., have not serviced their Debt Service liabilities for FY 2015-16.

(CF.II WING)

The present Government is committed to resolve the inherited acute energy crisis. In this regard, multi-pronged strategy has been adopted both on development side and 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 under CPEC framework related to power generation. Likewise government has accorded due attention to mega Hydel projects and Finance Division has been facilitating project finance related activities while keeping a close eye that energy cost which is estimated at around 2% of GDP annually may not increase.

To overcome energy crisis, Finance Division has been providing financial support to power sector proactively. In this regard following measures/actions have been taken:-

- **Rs. 171.205 billion** were paid as Tariff Differential Subsidy to Power Sector by the GoP as of 30th June, 2016 in order to meet the liquidity requirements of power sector and to avert fuel crisis. 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.

- **Rs. 100 billion** and **Rs. 144 billion** as financing facility have been arranged for Neelum Jhelum Hydropower Project and Dasu Hydro Power Project respectively as part of GoP facilitation to WAPDA for timely completion of Hydro Power Projects.
- **Rs.17 billion** GoP guarantee has been issued with the approval of ECC for term finance facility of for National Transmission and Dispatch Company (NTDC) for construction of Neelum Jhelum Transmission Line Project.
- Finance Division is closely monitoring power projects which are expected to add 2,148 MW in generation capacity during FY 2016 followed by cumulative capacity of 7,000 MW by FY2018.
- Further, with regard to timely completion of RLNG based projects of Haveli Bahadur-shah and Balloki under (CEPEC), Opened first LCs of **Rs.9,500 million** and second LC of **Rs.10,661** million (on-shore component) have been opened with GoP's support. Additionally **Rs.54,000 million** has also been released as cash Development Loan for the both projects.
- **Rs. 10,000 million** and **Rs.770 million** has been released for land acquisition of Diamer-Bhasha Dam and for completion of transmission lines in Balochistan as a Cash Development loan respectively.
- **Rs.1,568 million** has been released for the project Land Acquisition for Convertor Station and Grounding Station at both ends of + 600 KV HVDC Transmission Line Matiari – Lahore (CEPEC Project) under the directives of the Prime Minister.
- Moreover, In order to aid power sector reforms process, GOP is facilitating DISCOs transition to Multi Year Tariffs (MYT) framework along with carving out CPPA-G from NTDC. As the same will not only introduce competitive pricing but also enables direct contracting between power producers and wholesale consumers in the power sector.
- **Rs.25 billion** loan has been arranged on behalf of power distribution companies by PHPL with the approval of the ECC through Syndicated Term Finance Facility from consortium of local commercial banks and Finance Division issued the GoP guarantees.
- An MOU was signed between the Govt. Of KPK, M/o Water & Power & Finance Division on 25-02-2016. The major features of the MOU inter alia are as under : -

    a) The uncapped NHP, as determined by NEPRA would be notified by the Water & Power

b) A total amount of Rs.70 billion arrears of uncapped NHP after reconciliation would be full and final settlement

c) After seeking concurrence of CCI, WAPDA would file a tariff petition for recovery of arrears in four installments (Rs.25 billion in Current fiscal & Rs.15 billion each in the next 3 years.

- **Rs.25 billion** has been arranged by the GoP as commercial financing followed by the GoP Guarantee with the approval of the ECC for WAPDA to make NHP payment to KPK.
- 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.

OIL & GAS SECTOR:

The Development of Oil and Gas Sector remains on priority of the Government. The important measures taken by the Government for the improvement of this sector are highlighted as follow:-

- The Government has approved to provide US$ 200 million as GoP equity share for TAPI Company and signed an investment Agreement with other three strategic partners of TAPI Gas Supply Pipeline Project.
- Government is also engaged in the meaningful Bilateral discussions on Pak-Iran gas pipeline project.
- Rs.52.00 billion GoP Guarantee for Thar Coal Mining and Power Project has been issued.
- Rs. 54.670 billion GoP Guarantee for the Infrastructure Development Pipeline Project of M/s SNGPL has been issued.
- Rs. 39.800 billion GoP Guarantee for the Infrastructure Development Pipeline Project of M/s SSGCL has been issued.

The Policy measures and necessary actions taken by the Government have visibly improved the performance of Energy Sector. The Government aims to take further initiatives for sustainable level on long term basis.

PIAC

PIA is a national flag carrier of Pakistan. The airline has been recurring liquidity crises for last several years. Based on September 30, 2015 published audited accounts, PIAC's accumulated loss stood at **Rs. 247.40 billion.** Finance Division is providing financial support to PIA to overcome the financial crises. During current financial year, this support mainly includes provision of GoP guarantees for local and foreign currency loans from financial institutions. The guarantees are provided after getting the approval of ECC of the Cabinet. The updated position of GoP guarantees provided to PIA in FY 2015-16 are as under:-

1. Guarantees provided to PIA in Rs. : 21500 Million
2. Guarantees provided to PIA in USD : 18.87 Million

Finance Division has issued a notification dated 19-2-2016 for establishment of Pakistan Airways Limited as fully owned Company under the Companies Ordinance 1984.

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. Abdul Kaleem
AAO(CF-I)

ECONOMIC ADVISER'S WING

Performance of Economic Adviser's Wing

The Economic Adviser's Wing remained integrally involved during 2015-16 by providing technical and professional inputs on all economic and financial matters of the government. 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 provides input/comments on State Bank of Pakistan Quarterly & Annual reports.

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

Publication- Pakistan Economic Survey

Pakistan Economic Survey is being regularly published since 1962 and presents the economic situation and performance of the government for the outgoing financial year. It provides a consolidated brief and historical background of the Pakistan economy, government policies and implementation status in all sectors.

Pakistan Economic Survey 2015-16 and its highlights both in Urdu and English were published on 2nd June, 2016 prior to the announcement of Federal Budget. Pakistan Economic Survey is formally launched every year by the Federal Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization in a ceremony for the print and electronic media and also placed in the parliament for perusal and discussion of the members during the budget session. Pakistan Economic Survey is widely distributed complementary among the students, academia, research organizations, institutions, departments in public and private sectors, ministries and embassies etc. Soft copies on CD format are also prepared for the users. Soft version of Pakistan Economic Survey published during the last 10 years can also be accessed on the official website of Finance Division. ***www.finance.gov.pk***

Publication- Statistical Supplement of Pakistan Economic Survey

Economic Adviser's Wing also publishes the Supplement of the currently published Pakistan Economic Survey. Supplement comprises the extensive data for the entire fiscal year, July-June along with data series of several preceding years. This Statistical Supplement of Pakistan Economic Survey is compiled to present accurate time series data on fiscal, economic and social sectors for the convenience policy makers, researchers, academia and other users. Statistical Supplement of the Pakistan Economic Survey 2014-15 was published on 8th December, 2015.

Economic Adviser's Wing has also performed the following functions during the financial year 2015-16.

Review and Reporting Economic Situation

Economic Adviser's Wing provides comprehensive presentation to the Economic Coordination Committee (ECC) of the Cabinet on the state of the economy, reviews economic situation including Real sector, Inflation, Fiscal, Monetary and External Sector and is regularly apprised on key economic indicators, commodities stock position, analysis of regional prices of consumer items on weekly/fortnightly/monthly basis. This practice is continued during 2015-16 and summaries/ presentations were timely prepared and submitted.

National Price Monitoring Committee meetings

This committee has been constituted since January 2011 under the Chairmanship of Secretary Finance to ensure stability in the prices of essential commodities with the coordination of provincial governments and other stakeholders. EA Wing is the secretariat of this committee with representatives from provincial governments and relevant federal ministries are the members of the committee. NPMC reviews 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 streamline the demand and supply position in facilitating the general public through price stability and ensure the availability of essential food items. Finance Minister chairs the meeting since inception of the present government.

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.

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 ensuing terrorism on exports, foreign investment, privatization, industrial output, tax collection etc. and updated the estimates for FY 2015 and FY 2016. These estimates have been published in Pakistan Economic Survey 2015-16.

National Assembly and Senate Business

Replies/briefs of all the National Assembly and Senate Question/Motions/Adjournment Motions related to economic issues received during the period were prepared.

Project – Digitalization of Pakistan Economic Survey

Economic Surveys from 1960-61 to 2015-16 have been digitalized. Refine tuning, validation and development of interface is in progress. Further, in order to achieve long-term benefits of Digitalization of Economic Surveys of Pakistan (DESP), On-Line Analytical processing (OLAP) of the database will be developed to enable end-users to easily and selectively extract data.

***

EXPENDITURE Wing

Benazir Income Support Programme

Social Safety Nets (SSNs) programes played significant role in uplifting the status of marginalized segment of the society across the globe owing to support inclusive growth and provide resources to the most vulnerable segment of society. SSN programs, targeted to the poor and vulnerable, have an immediate impact on reducing poverty, human capital accumulation and boosting prosperity by putting resources in the hands of the poorest segment of society. To achieve the results and sustainability of the program, it is essential to ensure that the right people receive the amount of benefit at the right time, in a transparent and efficient manner and with minimum error and misuse.

BISP is among the world best SSN programme that helps the vulnerable segment of society at their door step. Present government placed special emphasis on the expansion of BISP and improvement of its delivery mechanism. BISP's long term objectives include meeting the targets set by Sustainable Development Goals (SDGs) to eradicate extreme and chronic poverty and empowerment of women. The quarterly installment was enhanced by the present government to Rs. 3000 per family w.e.f. 1st July, 2014 which has subsequently been increased to Rs. 4700 per family effective 1st July, 2015 and for current fiscal years this amount has increased to 4834/- per quarter. Budget allocated for FY 2016-17 is to Rs. 115 billion.

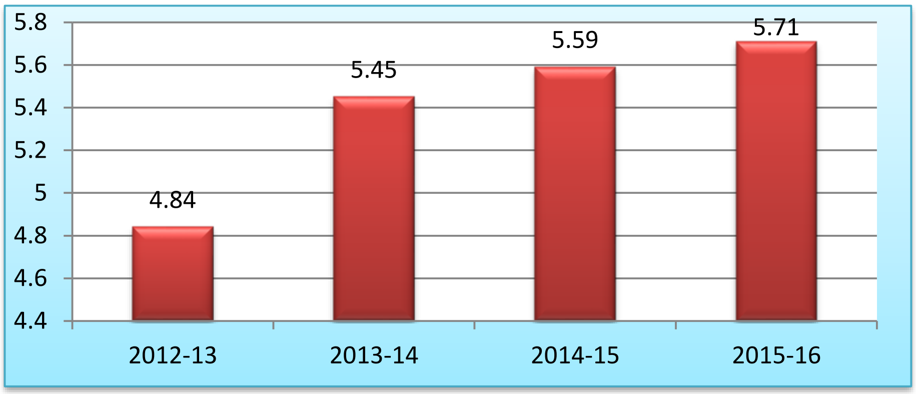
BISP, so far, has made marvelous progress by increasing its beneficiaries and improving targeting and disbursement mechanism and has delivered the commitments that it has made. This progress improves BISP ranking among SSNs programmes across the world. BISP has successfully achieved all Disbarment Linked Indicators (DLIs) under World Bank, DFID and ADB projects. 2015-16 has been a year of continuous excellent upward ratings by donors on BISP performance including meeting of all targets prior to deadlines. International agencies have upgraded BISP ranking such as

- World Bank ranked BISP Moderately Satisfactory to Satisfactory in Overall Implementation Progress in 2016
- Overall performance rating of programme has increased from "A" to "A+" (DFID Annual Review Report of 2015)
- Internationally acclaimed as number 5 in the world in targeting performance of SSNs (State of Social Safety Net, World Bank, 2015)

Unconditional Cash Transfer (UCT) Programme

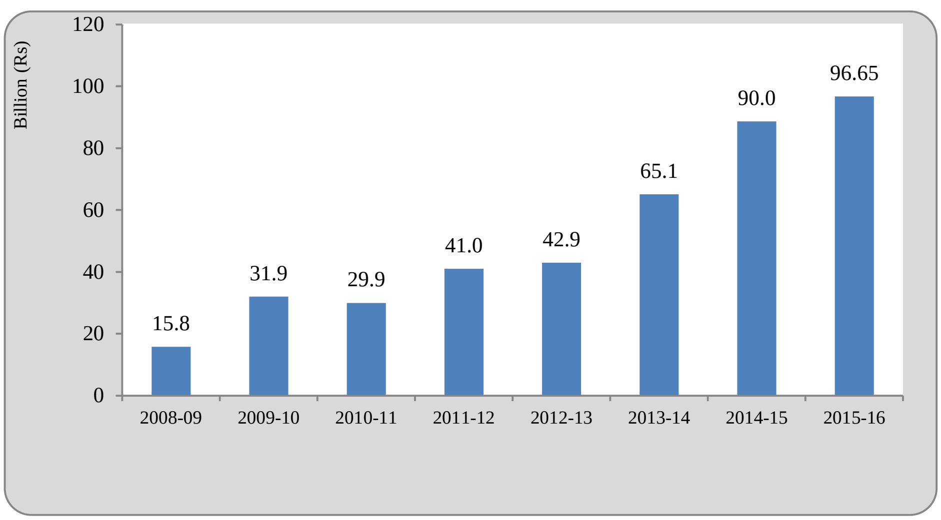
The Unconditional Cash Transfers (UCT) Programme, the core programme of BISP, was initiated in 2008. Since its inception in 2008, BISP has grown rapidly, it is now the largest single cash transfer program in Pakistan's history. The number of active beneficiaries has increased from 1.7 million households in FY 2008-09 to approximately 5.71 million as of September 2016.

Number of Beneficiaries during 2012-16 (Million)



BISP has achieved the target of 5.3 million beneficiaries under UCT by the end of June 2016. BISP's annual disbursement rose from 16 billion in FY 2008-09 to Rs.96.65 billion in FY 2015-16. Since 2008, Rs. 412 billion has been disbursed to beneficiaries. BISP is making payments to more than 94% of its beneficiaries through technology based payment mechanisms like Smart/Debit cards and mobile phone banking.

Year Wise Cash Grants (Rs. Billion)



Recently BISP has implemented the biometric verification system (BVS) for making payment in transparent manners in few districts. The BVS system will be expanded on gradual basis. Furthermore, to further improve transparency and efficiency, BISP will implement The New Payment Model. The New Payment Model has been approved by BISP Board and after its final approval from Finance Division; proposals will be invited from the banking industry to become payment partner agencies of BISP for making payments to BISP beneficiaries. The New Payment Model will be piloted by March 2017 tranche and its national role out will be completed by December 2017.

Waseela-e-Taleem (WeT) Programme

There is an increasing role of complementary interventions in ensuring sustainable impact of cash transfer on uptake of education and health services, nutrition outcomes, and for improving livelihoods to increase the potential of graduation of BISP beneficiaries from poverty. The major complementary programme of BISP is WeT. WeT was developed by BISP in consultation with all the programme stakeholders. WeT Programme was initiated to financially support the primary education of 5 to 12 years old children of BISP beneficiary families for their enrolments and retention. Each beneficiary child receives a cash transfer of PKR 750 per quarter upon meeting the admission verification in 1st quarter and attendance requirement of 70% in subsequent quarters till completion of the primary education. It is part of the graduation strategy aiming to link the UCT to attainment of human development goals. WeT programme is currently implemented in 32 districts across the country. The key achievements are

- Enrollment: As of to date 1.312 million children has been admitted under WeT and the ratio between male and female children stands 52% and 48% respectively.
- Retention: The programme is going well with retention rate of 98%. This means that 98% of the WeT children admitted in primary schools are attending the schools. The percentage of children having more than 70% attendance compliance is 91%.
- Funds Transfer: Around PKR. 2.14 billion have been disbursed as stipends to the children of the poorest of the poor in CFY.

BISP plans to further extend the WeT Programme into additional districts upon mutual consent with the provincial authorities. Discussions with Development partners and provincial education departments are underway to finalize the number of districts for extending the programme

National Socio-Economic Registry (NSER)

At the start of the program in July 2008, reliable data was not available for the identification of the underprivileged and vulnerable persons in the country. The task of identification of the potential beneficiaries of BISP was, therefore, entrusted to the parliamentarians in what was the Phase-I of targeting. Application Forms were distributed among the Parliamentarians in equal number (800 forms to each member of the National Assembly and Senate and 1000 forms to each member of the Provincial Assemblies), irrespective of party affiliation. The forms received were verified through NADRA database and out of 4.2 million received forms 2.2 million families were found eligible for cash transfers. Later, a transition in terms of objective and scientific mode of targeting i.e. Poverty Scorecard (Phase-II) was launched. The nationwide Poverty Scorecard Survey, the first of its kind in South Asia, enables BISP to identify eligible households through the application of a Proxy Means Test (PMT) that determines the welfare status of the households on a scale between 0-100. The survey was started in October 2010 (which was conducted by the independent firms hired through a competitive bidding process) and has been completed across Pakistan except two agencies of FATA. The survey has the following features:

- 7.7 million families are identified as living below the cutoff score of 16.17
- Creation of a large and reliable national registry of the socioeconomic status of almost 27.36 million households and approximately 155 million individuals across Pakistan.
- It was not a random survey, approximately 90% of the households were covered. The gap was due to the fact that the survey was an optional exercise and remaining either refused or did not participate in the survey.

Following the international best practices, update process of NSER has been initiated. NSER update will take place in two phases, i.e. Phase-I and National roll-out. In phase I, 15 districts and 1 agency of FATA have been shortlisted. Twelve districts will be covered through a ‘Door to Door’ poverty census approach. BISP is establishing registration centers in four of these districts (through NADRA) to collect data through ‘self-registration’ approach. Pakistan is the first country where a social safety net programme is using CAPI approach (Computer Based Personal Interviewing) for collection of data. The data collection has started in Haripur and Bahawalapur districts through Desk Approach. BISP is planning to conclude phase-I by end of January 2017, while the entire exercise is expected to be completed by March 2018.

No.	Region/Province	District/Area	No.	Region/Province	District/Area
1	AJK	Mirpur	2	GilgitBaltistan	Gilgit
3	KP	Charsadda	4	KP	LakkiMarwat
5	KP	Haripur	6	Punjab	Chakwal
7	Punjab	Faisalabad	8	Punjab	Layyah
9	Punjab	Bahawalpur	10	Sindh	Sukkur
11	Sindh	Jacobabad	12	Sindh	Thatta
13	Balochistan	KillaSaifullah	14	Balochistan	Nasirabad
15	Balochistan	Kech	16	FATA	Mohmand Agency

Evaluations and Programme Results

Rigorous evaluations are built into the design of BISP. There is a dedicated unit of Monitoring and Evaluation at BISP. These evaluations are also conducted by external organizations to ensure credibility. The evaluations provide invaluable insight into the incentive structure and processes of an intervention, and as such form an essential part of policy design. To obtain a more rounded and balanced perspective of the programme, particularly in the case of impact evaluations, both quantitative and qualitative analysis has been performed. The former provides evidence on variables amenable to measurement and systematic statistical analysis; the latter provides evidence of attitudes, perceptions, and impacts derived from interviews, focus groups, and other methods of analysis. Both types are useful and contribute to understanding the full dimensions of such complex programme.

12. Keeping in view the importance of impact evaluation, the Government of Pakistan has contracted Oxford Policy Management (OPM) to undertake a rigorous evaluation of the programme's impact. Following are the key findings of the impact evaluation report conducted by OPM:

Primary Impact

- BISP is having an impact on increasing consumption expenditure and reducing poverty for households within the relevant RD treatment sub-sample. The evaluation indicates that per adult equivalent monthly consumption expenditure has induced a net increase for the RD treatment sub-sample of Rs. 318. Overall BISP causes a 22% point reduction in poverty for the RD treatment group

- BISP has induced a fall in the depth of poverty. It was found that BISP has reduced the poverty gap by 6 percentage points for the RD treatment group. This means that BISP has led to an improvement in the welfare of beneficiary households such that they are not only less likely to be under the poverty line, but also that those who remain in poverty are closer to the poverty line.
- BISP has reduced rates of malnutrition amongst girls (aged 0-59 months) as measured by wasting, a measure of short-term malnutrition.
- 64% of female beneficiaries report that they retain control over the cash transfer, in terms of how the transfer is spent. This result appears to hold regardless of whether the beneficiary actually collects the transfer herself.

Secondary Impact

- BISP has caused a change in the livelihood strategies adopted in beneficiary households. BISP has decreased the proportion of working aged men engaged in casual labour but increased the proportion of men who are self-employed. This indicates that BISP may be supporting the adoption of less vulnerable livelihood strategies.
- BISP reduces the proportion of boys who engage in child labour.
- BISP is associated with an increase in the reported expenditure on health, increasing per adult equivalent health expenditure by around Rs. 50.
- BISP has induced an increase in the propensity to save amongst beneficiary households in Khyber Pakhtunkhwa. The payment mechanism also presents an (untapped) potential to improve the financial access of beneficiary households.

Communication Strategy

BISP has launched its new communication outreach strategy in the form of street theatre play on November 28, 2015 at Thatta to illustrate BISP eligibility criteria and key messages on BISP including WeT, women empowerment, social issues and health messages for the mostly illiterate beneficiaries who can learn the same through written material. After the success of the street theatre play it has been further exhibited in 5 more districts all over Pakistan, Rahim Yar Khan (Punjab), Swat (KPK), Kotli (AJK), Quetta (Balochistan), and Gilgit (GB).

The communication initiative ‘sisters in success’ has also been flaunted for motivation and guidance from successful women all around the world, to overcome and graduate out of poverty. BISP empowers talk is another initiative introduced and carried out on monthly basis to encourage idea generation, success transfer, motivation and inspiration for BISP beneficiaries in order to increase empowerment, dignity and meaning to life. MoS/CP takes live complaints and resolves them on spot on weekly basis on Radio Pakistan.

Social Mobilization through BISP Beneficiary Committees (BBC)

Social Mobilization is one of the key elements of WeT programme, envisaged to play a key role in inculcating the co-responsibility of the beneficiaries in the success and take-up of the programme. Through social mobilization, the beneficiary mothers have been organized in groups/committees at the village level. The experience of social mobilization clearly reveals that BISP’s performance has improved in the context of the comprehension of beneficiaries about BISP and its programmes, case management, transparency, accountability and connectivity between the beneficiaries and BISP field staff, resulting in empowered women beneficiaries at large. As per design and workload of the beneficiaries, target of 48,988 BBCs formation was set by BISP, out of which 31,000 BBCs have so far been formed in 32 districts of the country. These BBCs are being extended to play a role in understanding of core UCT product as well. It is hoped that through them, women will be in charge in the real sense.

OFFICERS OF EXPENDITURE WING

Mr. Shahzad Ahmad
DS (Exp)

Mr.Haque Nawaz
Additional Finance Secretary(Exp)

. Aamer Mahmood Hussain
Joint Secretary (Exp)

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

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

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

EXTERNAL FINANCE B&C WING

During FY 2015-16, the Government has undertaken numerous steps to improve country's external financial position. These steps include completion of 11 reviews with IMF under Extended Fund Facility Program, issuance of sovereign bond in the international capital markets, and efforts to bring sufficient foreign inflows from multilateral and bilateral sources. As a result, the government generated over $3.329 billion external finances from multilateral and bilateral sources.

To meet the foreign exchange needs of the government's institutions and entities, this Wing efficiently and rationally implemented foreign exchange release policy. Actual utilization of foreign exchange during the FY 2015-16 remained $1.423 billion against budget allocation of @2.286 billion showing 37% savings in the foreign exchange utilization.

OFFICERS OF EXTERNAL FINANCE (B&C) WING

Mr. Amjad Mahmood
Joint Secretary(EF-C&B)

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

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

Mr. Mahmood A. Hashmi,
Dy. 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 deals with multilateral and bilateral intuitions like the World Bank Group (IDA, IBRD, IFC and MIGA), International Fund for Agricultural Development (IFAD), SAARC Development Fund (SDF) and ECO Trade and Development Bank. It is the focal point for Pakistan Poverty Alleviation Fund (PPAF), Institutional Strengthening of Finance Division Project (ISFDP), Joint Ministerial Commissions (JMCs) and Joint Economic Commission (JECs).

World Bank

i. Execution of the World Bank's Second Power Sector Reform Development Policy Credit operation resulted in $ 500 million IDA Credit in budgetary support to the Federal Government.

ii. Execution of the World Bank's Competitiveness and Growth Development Policy Financing operation resulted in $ 500 million IDA Credit in budgetary support to the Federal Government.

iii. IBRD Policy Based Guarantee of $ 420 million helped the Federal Government raise financing from the international markets.

iv. Fruitful negotiations with the World Bank led to approval of projects worth $ 1.6 billion in various sectors of Pakistan.

Poverty Reduction Strategy Papers (PRSP)

The PRSP Secretariat housed in EF Policy Wing monitors / tracks pro-poor expenditure according to targets fixed in the Medium Term Expenditure Framework (MTEF). A results-based M&E framework designed under the PRSP-II monitors output and outcome indicators in the pro-poor sectors, 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 accordingly 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

During the FY 2015-16, 11 training courses, 07 for officers and 04 for staff of (2-3 days duration) were conducted under the project.

Sr. No.	Course Name	No. of Trainings
For Officers		
1	Project Monitoring & Evaluation System	01
2	MS Excel (Advance level)	01
3	Presentation Skills	01
4	Financial Statement Analysis	01
5	Understanding the Budget	01
6	Economic Data Analysis	01
7	Loan Pricing	01
For Staff		
1	Learn MS Office for PSs/ APSs / Steno typists/Assistants	04
	Total	**11**

During the FY 2015-16, 10 Economic Surveys from 1960 –1971 have been digitalized.

AMENDMENT IN FOREIGN EXCHANGE REGULATION ACT, 1947

Under the existing provisions of Foreign Exchange Regulation Act, 1947, the State Bank of Pakistan (SBP) did not have the power to impose monetary penalties and had to approach a court of law for proceeding against any violations, which was a time consuming exercise and was a drain on resources. Therefore, in order to simplify and streamline the procedure and to strengthen foreign exchange regime in the country Section 23K was inserted in FERA.

SAARC DEVELOPMENT FUND

SAARC Development Fund (SDF) was established in 2008 to offer concessional and non-concessional funds as well as grants to contribute to regional cooperation and integration through project collaboration with an aim to reduce poverty in the SAARC Region. The Joint Secretary (EFP) and the Deputy Secretary (EFP-I) of Finance Division are Director and Alternate Director respectively on the SDF Board of Directors. Emanating from Social, Economic and Infrastructure Windows, presently, only Social Window is operational and 6 projects are under implementation in Pakistan.

INTERNATIONAL FINANCE CORPORATION (IFC)

Pakistan, a member of IFC since 1956, is an important IDA country and represents IFC's largest country exposures in the MENA Region. IFC has committed around US$ 6.0 billion cumulative investments in the country. IFC's current committed investment portfolio in Pakistan amounts to US$ 1.1 billion in 46 companies.

ECO Trade and Development Bank

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

The Bank is currently offering SME development credit facility to Pakistan through different financial institutions. In order to promote trade in the region, the Bank has also structured a special product called Short-term Trade Finance Facility (STFF), which is being offered through various financial institutions in Pakistan. Moreover, ETDB also extends Project Finance Loans to Pakistan.

Pakistan Poverty Alleviation Fund

Pakistan Poverty Alleviation Fund (PPAF) is a flagship programme of the Government of Pakistan, which was set up under section 42 of the Companies Ordinance 1984 as a "not for profit" apex institution dedicated to reducing poverty at the grass root level. The aim of PPAF is to help the poor in order to enable them to gain access to resources for their productive self-employment, to encourage them undertake activities of income generation and poverty alleviation for enhancing their quality of life.

Being the administrative Ministry, Finance Division (EFP Wing) channelizes funds provided by the development partners as grant to PPAF. The Wing arranges annual budget allocation for PPAF to provide rupee cover to the grant portion of funds

Joint Ministerial/Economic Commissions (JMCs/JECs)

Government of Pakistan has established Joint Ministerial/Economic Commissions with different friendly countries to enhance bilateral cooperation in areas such as Banking, Finance, Trade, Investment, Culture, etc. EF-P Wing is focal point in Finance Division to provide feedback to EAD and Ministry of Foreign Affairs on the issues of cooperation relating to financial/banking sector.

During FY 2015-16, EFP Wing participated in various meetings of JMCs/JECs and inter-ministerial meetings to present the view point of Finance Division on various issues relating to financial/banking sector and the latest implementation status of decisions taken during earlier meetings.

OFFICER OF EXTERNAL FINANCE- POLICY WING

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

Mr. Ghulam Yaseen
SO (EF-P)

IMPLEMENTATION AND ECONOMIC REFORMS UNIT (IERU)

Public Sector Enterprise Reforms

Implementation and Economic Reforms Unit (IERU)provides policy/ coordination support to Finance Division and other Ministries/ Divisions with respect to the design and implementation of economic reforms, in the three areas of public sector enterprise, power sector and investment climate. During the year under review, IERU provided support to Finance Division in negotiations with multilateral development partners regarding policy and structural benchmarks with respect to the above mentioned three areas. Details of important reform initiatives coordinated by IERU are outlined below:

Public Sector Enterprise Reforms

Implementation of Government's multi-faceted reforms for revival of Public Sector Enterprises (PSEs) 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 hired for structuring public offerings for the Distribution Companies (DISCOs) and Generation Companies (GENCOs). The governance of DISCOs, three GENCOs, and the NTDC has been transferred to new boards of directors and management.

Finance Division in collaboration with line ministries is undertaking the task to periodically consolidate a Report on the annual performance of State Owned Enterprises (SOEs) of the Federal Government. The objective of this report is to provide consolidated information on diverse aspects of SOEs, including Board of Directors, human resources, financials, dividend received by GoP and annual support provided in the form of loans, guarantees, subsidies and grants.

An effort has been made by IERU and consolidated a report on Financial and Non Financial information in respect of Public Sector Companies for the year 2014 and placed on website of Finance Division. The Report on SOEs covers the following aspects:

I. A 'Dashboard' providing highlights of SOEs annual performance;

II. An SOEs classification under 17 Line Ministries/Divisions and seven sectors (including Energy, Financial, Industrial & Engineering, Trading, Services, Promotional & Advocacy and Transportation); and

III. Sectoral and individual Entity's performance snapshots;

In order to institutionalize this process by transforming database into an automated system (web-based) for periodic updates. This will subsequently lead to the development of a Management Information System (MIS) tool that will help in improving transparency and generating required reports on particular PSEs and this database would be available online for supporting decision making process.

Pakistan Railways

Railway Revitalization Strategy is being 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, FY2015 and FY2016.

Revenue in FY 2013-14 and FY 2014-15 has improved by 32 and 45 percent, respectively, through rationalization of tariffs, expenditure controls, and improved occupancy rates. Revenues further increased by 15 percent for FY 2015-16, (Rs. 36.5 billion from Rs. 31.9 billion in FY 2014-15), mostly reflecting the 30 percent revenue increase owing to improved freight operations (Rs. 10.8 billion from Rs. 8.3 billion in FY 2014-15). In particular, during FY 2015-16, PR added 39 new locomotives for freight service and remained focused to continue to improve freight transportation and adding more locomotives and wagons. There is consistent focus on improving freight operations through creation of a freight company, and adding more locomotives and wagons. In this regard, PR is in the process of procuring 55 locomotives for coal transportation for Sahiwal and Jamshoro coal power plants, delivery of which will start in December 2016.

Since April 2014, PR is moving forward with a comprehensive restructuring plan, which includes improvements in business processes and the institutional framework, financial stability, and service delivery. Appointment of the Railway Board was completed in February 2015 and company's financial accounting practices are being strengthened, including moving from a cash to accrual basis accounting (IFRS), reconciling land assets database, notifying an appropriate public private partnership (PPP) framework and focusing on improving the transparency and efficiency of the procurement process.

Pakistan International Airlines

The present government has strategized to convert PIAC into a company under Companies Ordinance 1984 in order to improve corporate governance that can help in attracting strategic private sector partnership in the core airline operations, and move PIA under a more efficient and up to date legal framework. The government has also set up another airline company by the name of "Pakistan Airways" to undertake business operations of an airline company, provide greater choices to consumers and act as a prospective national carrier.

A business plan for PIA has been developed, which envisages the introduction of fuel efficient aircrafts, route rationalization, focus on separation of core and noncore activities and HR rationalization with the objective of making PIA a sustainable and profitable entity in the long run. The plan provides an overall picture of financial position and future prospects based on operational strategies being implemented in these focal areas. Cornerstone of the business plan being put forward is a shift in strategy from high capacity, low frequency operations to high frequency optimum capacity operations. Success of this plan depends on lowering the level of liabilities as high debt cost will continue to pose challenges for operational viability and sustainability.

Pakistan Steel Mills

A comprehensive restructuring plan has been implemented for Pakistan Steel Mills to prepare for potential strategic private sector participation in the company. Financial advisors were hired in April 2015 and completed the due diligence process in August 2015. The government has decided to offer acquisition of PSM to the Government of Sindh, for which discussions are underway. In the interim, PSM management and the government is working to ensure that financial losses remain contained.

Power Sector Reforms

Implementation of National Power Policy 2013 has pushed forward the structural reforms agenda in the power sector. 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. The timely payment of tariff differential subsidy (TDS) is being ensured on a monthly basis. The gap between GoP notified tariff and NEPRA determined tariff has narrowed to Rs. 0.88 per unit in FY 2014-15 in comparison to Rs. 2.29 per unit in FY 2013-14, which has resulted in reduction in TDS, with subsidies being targeted to vulnerable consumers in the residential and agriculture categories.

Significant efforts are being made to ensure financial sustainability of the system. The Government also began addressing both the flow and stock of payables in the power sector including by allocating budgetary resources, levying surcharges, gradual improvement in company performance and recoveries and initiating the process of privatization of power sector companies. In this regard, a circular debt capping model has also been developed with the Government meeting all quarterly accumulation targets. Quarterly loss reduction targets have been set for distribution companies and progress is underway with setting multiyear tariffs along with DISCOs multi year investment plans. 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. As a result of reforms in Power sector, the line losses of power sector distribution companies have reduced to 17.9% during the Fiscal Year Ended 30th

June, 2016 as compared to 18.7% during the previous Fiscal Year. Similarly, the collection from consumers has improved to 94.6% during the Fiscal Year 2015-16 as against 89.2% during previous Fiscal Year. As a result of Improvement in collection and reduction in line losses, the power sector liquidity has improved significantly.

The Government remains committed to gradually phase out untargeted subsidies while continuing to protect the most vulnerable consumers. Further, 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 distribution companies (IESCO, LESCO and FESCO) have been issued multi-year tariff determinations by NEPRA.

Operationalization of Central Power Purchase Authority (CPPA) as an effective financial manager of the system is a significant step in power sector reforms. Overhaul of financial and management system in Distribution Companies (DISCOs) and Generation Companies (GENCOs) is being carried out to improve their performance to sustainable levels. To increase transparency in the system, monthly amount due and payment by the DISCOs to CPPA, and by CPPA to the generators has been 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 has been carried out to identify areas where reforms are required. NEPRA is effectively overseeing performance of the power sector by publishing 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, Neelum Jehlum and few other small dams are expected to provide additional generation within next two years. IPPs and GENCOs are also being encouraged to convert from oil to coal based power generation, with the current coal tariff of 8.9 cents per unit being a significant incentive in this regard. In addition, development of support infrastructure to import 1000MWs 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 been implementing an Action Plan for Improving Pakistan's Business Environment, which was developed in October 2014 after in-depth consultations with concerned stakeholders, mostly at the federal level. The Plan outlined time-bound reform measures focusing on 6 Doing Business (DB)indicators. These indicators included" Starting a Business, "Dealing with Construction Permits", "Getting Credit", "Paying Taxes", "Trading across Borders" and "Enforcing Contracts".

In order to give further impetus to the investment climate reform agenda, a high powered Committee on Improving Pakistan's Rating on Ease of Doing Business was constituted by the Finance Minister in May 2015, under the chairmanship of a leading industrialist. A Doing Business Reform Strategy 2016 for Pakistan has been developed recently under the guidance of this Committee, which is the first national roadmap for improving Pakistan's investment climate. The Strategy was developed as a result of inclusive consultations with all relevant public sector agencies at the federal and provincial level as well as the private sector in the country. This inclusive consultative process will increase ownership and encourage efficient implementation of the proposed reform measures.

The Strategy – a key element of the Government's Economic Revival Agenda is designed to create an enabling environment for attracting higher investment (both foreign as well as domestic) to help boost the country's growth prospects. The Strategy outlines key reform actions under each of the ten DB indicators, which includes starting a business, dealing with construction permits, getting electricity, registering a property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The Strategy encompasses reform measures not only at the federal government level but also includes provinces in reform initiatives falling within their domains. The reform actions under each of these 10 indicators are to be implemented over the next 2-3 years for improving Pakistan's DB rankings.

The reforms focus on regulatory changes, improving technology and building capacity of implementing agencies for simplification of procedures involved in making businesses operational. They have been designed to effectively address critical bottlenecks faced by a small and medium business during all stages of its life cycle. The Strategy is based on a time bound implementation plan with clear roles and responsibilities for each implementing agency. Some of the reform recommendations can be addressed in the short to medium term, while others may be sequenced over the longer term.

Policy Support to Finance Division

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. IERU is also secretariat to the Committee for Improving Pakistan's Ease of Doing Business Rating and during the year under review, it provided extensive support to the Committee for the formulation of the Doing Business Strategy 2016.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. Khalil ur Rehman
Ansari, AAO

Mr.Rashid Ali Zuberi
DS (IERU-III)

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 2015-16

During Financial Year 2015-16, Indicative Budget Ceiling was issued by Finance Division worth Rs. 781.00 billion. Ministry of Defence also catered for their demands for the said financial year within the IBC. In addition, Rs. 30.316 billion were also approved by Finance Division over and above the normal Defence Budget as supplementary/Technical Supplementary Grant. The total Defence Grant comes to Rs.811.316 billion. Service-wise/head-wise expenditure was also monitored carefully and necessary instructions were also issued, where necessary, to keep the expenditure within sanctioned grant. Due to careful monitoring, Ministry of Defence surrendered a sum of Rs.11.606 billion. Besides, Budget Estimates for the financial year 2016-17 were also scrutinized in detail and Ministry of Defence was advised to accommodate all the demand within Indicative Budget Ceiling approved for the FY 2016-17 i.e Rs. 860.000 billion which was also passed on to the services/organizations by the Ministry of Defence.

ACCOUNTING OF DEFENCE EXPENDITURE

Defence expenditure is classified into 30 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.

DEVELOPMENT PROJECTS

Scrutinization of cases with respect to financial aspect pertaining to development projects i.e purchase of weapons and equipment of the Armed Forces of Pakistan and regularization of service/administrative matters of MoDP and its attached Departments are dealt by this Division. 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 are 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

i) Endeavor has always been made to meet the operational requirements of the Armed Forces within the allocated resources. In this regard, extra efforts are 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.

ii) 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:

i) Budgetary matters pertaining to Survey of Pakistan (SOP), Pensionary matters of Military Personnel of Armed Forces and Civilians of Services HQs paid out from Defence Budget, counting of former military services towards pension, Condonation of deficiency/interruption in service/rank of Armed Forces personnels, Pension to widows or dependents and children allowances of military personnels, Pension appeal committee cases, Ex-gratia award cases of military personnels, 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 Personnels, 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 other 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 Programe, 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 for the concurrence of FA (Regs).

ii) 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

i) Ensures the disposal of all cases well in time under financial rules/regulations and procedure.

ii) Strict Compliance of all financial measures issued by Govt. of Pakistan regarding budget/expenditure etc.

iii) Finalization of REs 2015-16 and BEs 2016-17 with due regard to economy in expenditure.

iv) 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^{th} June,2016.

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:

   i. The schemes fit in overall development programme.

   ii. 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.

f. 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 15 CDWP and 09 ECNEC meetings during FY 2015-16. The Wing also represented Finance Division in 94 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 2015-16, an amount of Rs.20500.00 million was allocated for HEC, which was revised/enhanced upto Rs.32353.634 million, while Rs.32293.211 million was released.

Development Wing released funds for the following schemes during FY 2015-16:-

S/No	Name of the Project	PSDP allocation 2015-16	Total Releases
1.	Automation of CDNS (Phase-II)	746.613	310.287
2.	Institutional Strengthening of Finance Division (ISFD)	44.728	36.000
3.	Capacity Building, MIS Development and Institutional Strengthening of Pakistan MINT Lahore	10.000	8.000
4.	Public Sector Enterprises Reforms (PSER) Project	LC-31.940 FC-250.000	-
Total		**1083.281**	**354.887**

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

State Bank of Pakistan (SBP)

Enhancing Effectiveness of Monetary Policy

Policy rate was reduced by 75bps to 5.75 percent to facilitate investment and business activities, while keeping the real rate of return on deposits positive. During the year, Pakistan became the first major country in the South Asian region to have an independent Monetary Policy Committee (MPC) after requisite amendments in the SBP Act, 1956 were promulgated in November, 2015.

After depreciating by about 3 percent against the USD in the first quarter, the Rupee-USD parity stabilized at around 105/USD in the last three quarters. While exports declined by 8.8 percent, remittances grew by 6.4 percent to reach USD19.92 billion by the year end.

Strengthening Financial System Stability and Effectiveness

The banking industry grew by 16.1 percent during the year. 4.7 percent growth in real GDP was observed. The sharp surge in private sector credit is a reflection of increasing trust and confidence of the business community in the overall improvement in the investment climate of the country.

In line with "SBP Vision 2020", SBP has initiated work on strengthening the Financial System Stability Framework. A separate '*Financial Stability Department'* was established during the year to focus and steer all financial stability related issues and initiatives including crises management, consolidated supervision and identification and supervision of D-SIBs in the country.

The regulatory and supervisory framework for banks is reviewed on an ongoing basis to ensure its conformity with the internationally recognized Core Principles and Standards. During the year two regulatory liquidity standards i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) along with a set of five risk monitoring tools were issued for implementation from 2017. This would enable banks to objectively measure liquidity risk and take necessary corrective actions. Consumer protection and ensuring fair treatment of consumers has been a major focus of SBP's regulatory and supervisory policies and initiatives. A number of guidelines and regulations were issued during the year to ensure fair treatment of consumers by banks.

Islamic Banking

The year also witnessed continued double digit growth of Islamic banking with 16.8 percent and 14.1 percent growth in its assets and deposits respectively. As of end June 2016, its asset base grew to Rs 1,745 billion, representing 11.4 percent of the banking system assets, whereas deposits at Rs 1,461 billion were equivalent to 13.2 percent of the banking industry's deposit base. The outreach of the Islamic banking industry has also expanded considerably with its branch network increasing to 2146 branches in 98 districts across the country. This is well above the target of 2000 branches set in the second Strategic Plan 2014-18 of Islamic Banking Industry.

Payments System

The development of a modern and robust Payment System in the country is one of the key Strategic Goals of SBP's Vision 2020 which includes: i) development of the National Payment System Strategy ii) modernizing and expanding payments, clearing and settlements infrastructure to improve efficiency, security, costs and access, iii) implementing a robust regulatory and supervisory framework for Financial Markets Infrastructure and iv) maintaining the quality, security and adequate supply of banknotes and coins in circulation. In order to ensure timely interbank transfer of home remittances, the use of Pakistan Real Time Inter-bank Settlement Mechanism (PRISM) system has been allowed free of charges. Further, to enhance the capacity of PRISM and address systemic risks inherent in the Large Value Payment System, the PRISM System up gradation project was initiated during the year, which will be completed during FY17.

Broadening Access to Financial Services

The implementation of the National Financial Inclusion Strategy (NFIS), developed last year in collaboration with the World Bank, continued with full vigor during the year. The introduction of Low Risk "Asaan Account" with simplified due diligence requirements brought 1.13 million more people in the banking system. The industry added about one million mobile wallets during the year thus increasing the total mobile wallets to 14.6 million spread across the country. Further, 55,000 biometric devices have been installed at agent locations to facilitate paperless and hassle-free account opening for customers, which will help in achieving the goal of developing an inclusive financial system. Despite negative growth in the agricultural sector during the year, agri-financing continued its growth momentum, increasing by 16 percent to Rs.599 billion. Housing finance sector grew by almost 17 percent during the year with all time high disbursements of Rs 20.13 billion.

Zarai Taraqiati Bank Limited (ZTBL)

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 an amount of Rs 90.977 billion out of total country's agricultural disbursement of Rs 598.287 billion, having a share of around 15.2% in the total institutional agricultural credit during the FY 2015-16.

Performance/Credit Disbursement in the Financial Year 2015-16

The Bank maintained its position as the main source of institutional financing in the agriculture sector. During the fiscal year 2015-16, a lending target of Rs 102.00 billion was assigned to ZTBL by State Bank of Pakistan against which Rs 90.977 billion have been disbursed with a pace of 89.19%. During the said period 425,287 farmers took benefit from the Bank in shape of loans.

Disbursement of Rs 72.075 billion made for **production purpose** out of total lending of Rs 90.977 billion representing 79.22% 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 18.901 billion constituting 20.77% of the total agricultural credit was disbursed under development loans. The development loans were mainly utilized for tractors, farm mechanization, tube-wells, dairy farming and poultry farming etc.

The Bank is also providing loans under two categories of **Farm Credit and Non-Farm Credit**. Bank disbursed an amount of Rs 71.791 billion and Rs19.185 billion respectively in these categories. The Bank has provided loans of an amount of Rs 15.430 billion to farmers for Rabi crops and an amount of Rs 51.901 billion to farmers for Kharif crops. Farmers borrowed under different schemes like Awami Zarai Scheme and Sada Bahar Scheme (Revolving Financing Scheme). Bank has provided loans amounting to Rs 18.606 billion under Awami Zarai Scheme and amount of Rs 12.277 billion under Sada Bahar Scheme. (Annex I)

Loan to Small Farmers

The Bank channelized bulk of its credit to farmers especially small who constitute backbone of the agriculture sector of the country. 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 Rs85.001 billion to small farmers constituting 93.43% of total agriculture credit. (Annex I)

Credit to Women

During the fiscal year 2015-16, the Bank disbursed an amount of Rs 0.013 billion in 100 number of loan cases under Khawateen Rozgar Scheme. While the Bank also disbursed an amount of Rs 4.934 billion in 19,581 number of loan cases under general credit to women.

Recovery Operations

During the fiscal year 2015-16, ZTBL has recovered an amount of Rs 95.241 billion as against Rs 86.847 billion recovered during fiscal year 2014-15 with an addition of Rs 8.394 billion.

Revaluation of Agri. Land under Agri. Pass Book System

In terms of Notification issued by Finance Division, Government of Pakistan, Islamabad dated 18.09.2015, the value of each P.I.U has been increased from Rs 3,000/- to Rs 4,000/- and the same is being followed by ZTBL.

Financial Performance of the Bank

Despite all constraints, there has been a growing trend in the total assets and net advances of the Bank in the last 3 years The Bank earned pretax profit of Rs 8.379 billion and earnings per share remained at Rs 4.211 as on December 31st, 2015.

Credit & Entity Ratings

JCR-VIS Credit Rating Company, Limited, Karachi (JCR-VIS) in their report dated June 16, 2016, has reaffirmed the entity rating of the Bank at AAA/A1+ (Triple A/ AOne Plus), previously rated on June 18, 2015. JCR-VIS has also reaffirmed ratings of AAA/A1+ assigned to Government Guaranteed Obligations of ZTBL. Outlook on the rating is stable. According to Rating Company there is a notable improvement in the standalone risk profile of the institution.

New Launched Products

During the period under review Bank has launched two credit schemes keeping in view farmer's requirement and progress of farming community:

a) Agri. Financing Scheme for Cut Flowers

With the objective to promote the floriculture sector in Pakistan and to facilitate rural community to utilize their best potential and skill to earn their livelihood through cultivation of cut-flowers, the titled scheme has exclusively been launched in the branches falling under the Zones of Lahore, Gujranwala, Islamabad, Karachi, Hyderabad, Peshawar and Quetta.

b) Camel Rearing Scheme:

In order to support Government's efforts to boost up economic growth as well as alleviate rural poverty and in line with Bank's policy to find out geographical priority areas of financing, the Bank has launched the captioned scheme in Bahawalpur/ Rahim Yar Khan/Jhang/D.G.Khan/Mirpur Khas/ Sukkur/ Hyderabad/ D.I.Khan/ Quetta & Islamabad zones. Maximum loan limit for the loan is Rs 1.500 million per borrower/party.

Pakistan Mint

Pakistan Mint is a service department under Ministry of Finance and is charged with Minting of coins against the demand from the State Bank of Pakistan. Besides minting coins, the Mint also manufactures all kinds of medals including Defense Medals, Military and Civil Awards, Embossing Machines, Postal Seals & Stamps etc.

Pakistan Mint has manufactured 322.806 million pieces of coins valuing Rs. 1105.875 million, during the period 2015-16 as detailed below:-

S #	Name of articles	Quantity in nos. (million)	Value Rs In (million)
1.	Re 1 Coins	97.152	97.152
2.	Rs 2 Coins	47.724	95.448
3.	Rs 5 Coins	173.205	866.025
4.	Rs 10 Coins	4.725	47.250
	Total	**322.806**	**1105.875**

In addition the revenue worth Rs49.649 million has also been earned against the other jobs executed during 2015-16, including Medals/Badges, Coins Pieces, Stamps and Seals etc.

SUMMARY

Value of the Coins manufactured	=	Rs 1105.875 million
Value of the Jobs other than Coins executed	=	<u>Rs 49.649 million</u>
Total	=	Rs 1155.524 million

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 DGPPO 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

Following important and vital activities were carried out during the financial year 2015-16:-

Operations

During the year under review, the indent of SBP for banknotes of various denominations improved to 2,344 Million pieces from 2,106 Million pieces in the previous year, depicting increase of 11%. Accordingly, Banknote sales increased from Rs 6,629 Million to Rs 7,559 Million, increase by 14% as compared to previous year.

Net sale of Other Security Products (OSP) increased to Rs 3,650 Million from Rs 3,410 Million due to the increase in sales of National Prize Bonds & Postal/Non-postal items particularly Non-judicial stamp papers

During financial year 2015-16 Gross Profit increased to 32% from 28% as compared to last year and outshined all the past records. In absolute terms, Gross profit has increased from 2,838 Million to Rs 3,595 Million, showing an increase of 27% 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 11,209 Million have been achieved during the year showing an increase of 12% over the result of last year.

Profit before tax **(PBT)** is Rs 3,410 Million as compared to Rs 3,029 Million earned last year. Provision for taxation after adjusting deferred tax is Rs 1,086 Million against Rs 988 Million last year. Increase in income tax is mainly due to imposition of super tax @ 3% by the government.

Profit after tax **(PAT)** stood at Rs 2,324 Million as compared to Rs 2,041 Million last year.

Net Profit after tax as a percentage of sales also improved to 21% as compared to 20% during last year.

The Corporation also paid the highest ever cash dividend of Rs 600 Million (60%) to Government of Pakistan during the year 2015-16.

House Building Finance Corporation (HBFC)

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, Corporation 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.

Achievements:

Disbursement during the period under review Rs 4.1 billion were disbursed for construction, purchase and renovation of housing units. The maximum limit for construction /Purchase/Renovation loan was Rs 10 million.

Recovery of about Rs 3.9 billion was made from borrowers

Future Plan

- The shareholders 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/quosi equity, which would raise the equity to Rs 16.4 billion.
- 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. To achieve the objective, following decisions have already been taken in principle by the new management:
    a) Centralization of loan approvals.
    b) Centralization of loan accounting.
    c) Up-gradation of IT System.
    d) Strengthening of internal controls and systems.

National Bank of Pakistan

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 2015

- Profit before tax increased by 11.2 billion from Rs 22.0 billion in 2014 to Rs 33.2 billion in 2015.
- Profit after tax increased by 28% from Rs 15.0 billion for the year ending December 31, 2014 to Rs 19.2 billion in December 31, 2015. Earnings per share were Rs 9.03 in year 2015 as against Rs 7.06 of last year.
- Total assets increased by 11% from Rs 1,543 billion at December, 2014 to Rs1, 706 billion at December 31, 2015.

- Total deposits increased by 16% from Rs 1,234 billion at December 31, 2014 to Rs 1, 431 billion at December 31, 2015.
- The bank continued to expand its branch network in Pakistan which increased from 1,354 branches at December 31, 2014 to 1,403 branches at December 31, 2015.
- Tax charge increased by 101% to Rs 13,997 million from corresponding period last year due to the fact that uniform tax rate i.e. 35% is applicable retrospectively from tax year 2015 (accounting year ended 31st December, 2014) on all transactions including dividend and capital gains introduced vide Finance Act 2015. Apart from that one time super tax @ 4% on banking companies has also been levied vide Finance Act 2015, which is applicable for the tax year 2015 (accounting year ended 31st December, 2014).
- The Board proposed final cash dividend of Rs 7.5 per share (75%) for the year ended December 31, 2015, which was approved by the shareholders in Annual General Meeting of the bank. Cash dividend of Rs 7.5 per share translated into 92.3 % dividend payout of the bank's distributable profit for the year 2015 (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

Information Technology Infrastructure

- Successful roll-out of Core Banking Application (CBA) system
- Full deployment of allied systems like SAP Financial, SAP HR and KONDOR+ during 2015.

Product & Service Automation

- SMS Alert Service 'NBP Pegham' & E statement
- Automation of Govt. pension payment over the counter and tax collection. Pension payment through biometric to be enabled by Q2'2016 . Electronically printed slips instead of manual stamping
- Utility Bills payment through ATM
- Collection of taxes/ government fees through ATM and telecos. Footprint increased from 605 authorized tax collecting NBP branches to over 100,000+ through agents of Telecos.

ATM Expansion

- ATM Centers at 6 locations with multiple ATM machines installed for ease of pensioners and salary disbursement
- Repackaged ATM Cards and cross sell ATM cards to army officer families
- Expansion of ATM network. More than 500 additional biometric enabled ATMs (for ease of pensioners) planned to be installed by Q1 2016.

Govt. Initiated Lending Programs "G2P Initiatives"

- Roll out of PMYBL to support youth business entrepreneurship, having a positive multiplier effect on economy
- Cash disbursement for flood affected as well as for recently introduced 'PM Kissan package'

Business Growth with Product development / improvement

- New liability products developed to increase CASA deposits (domestic)
- Reduce cost of fund
- Bancassurance product, partnering with SLIC, launched to diversify product suite and increase non-fund income
- Developed wide range of offerings /products for differentiated agriculture segments
- Remittance products introduced to increase remittance business ***(Market Share Dec '2015 : 8.5%)***

Revamping, Branch Expansion & Standardization

- Opening of 49 new branches during 2015
- Growth in number of Islamic banking branches during the last 02 years, capitalizing on the growth opportunities (Islamic Banking Branches - 2014 : 22 , 2015 : 79)
- Standardization of branch outlook for all new branches in progress
- Revamping of NBP regional structure so as to have a more focused approach towards clientele and capitalize on prospective growth opportunities: *(Creation of 147 cluster Area branches with 8-10 branches in each area)*
- Initiative to create SME / Commercial Hubs

Branchless Banking & Financial Inclusion

- Cash management for corporate launched in 2015
- Mobile banking with Ufone and other Telecos.

Capital

The bank is strongly capitalized with capital and reserves of Rs 168 billion, which translates into break- up value per share of Rs79/- per share. The CAR is firmly stood at 17.59% as on December 31, 2015.

Credit Rating

Pakistan Credit Rating Agency (PACRA) and M/s JCR-VIS Credit Rating Company 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.

Award & Recognition

National Bank of Pakistan (NBP) recently won the globally recognized "The Bank of the Year in Pakistan 2015" award. The awards presentation ceremony was organized in London by The Banker which is a flagship publication of the Financial Times Group of UK.

Major activities / proposals to be undertaken in 2016-2019

- Maintain leadership position
- Improve the delivery channels & customer services
- Adopting best practices and modern day banking
- Focus on improving Asset quality
- Market penetration for greater financial inclusion
- Strengthen compliance and controls
- Maximize value for shareholders
- Partnering Economic development in the country

First Women Bank Limited (FWBL)

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 2015 - 2016:

- Deposits include Rs. 5,609 million or 36.08 % of Deposits from the Public sector (2015: PKR 4929 or 32.94% of Deposits).

- Advances in respect of Public sector amounted to Rs. 3,990 million or 39.82% of gross advances (2015: Rs.3,903 million or 39.03% of gross advances). Total Net Advances have shown a slight decrease of 2.66% due to increase in NPLs as compare to last year.
- Asset base of the bank has decreased to Rs. 20.23 billion from 21.71 billion mainly on account of investments. Net investments decreased by 6.97% due to disposal of PIB portfolio for realization of capital gains.
- Borrowings from financial institutions substantially decreased from Rs.3.5 billion to Rs.651 million on account of equity injection made during the period as well excess liquidity in the form of deposit movement of Rs 580 million.
- In Federal Budget for the year 2016-17, Rs. 500 million has been allocated for injection of equity in the Bank. The paid up capital of the Bank stands at Rs. 3.494 billion. As of 30 June 2016, the Bank's MCR (representing paid up capital net of accumulated losses) is Rs. 3.023 billion. The SBP has already granted extension in meeting the capital requirements up to 30 June 2016.
- During the year Ministry of Finance ('MoF') shareholding increased from 72.20% to 86.17%. Below is the comparative shareholding structure of the Bank as at 30th June 2016 and 30th June 2015:

Credit Rating

The long term entity rating of the Bank has been upgraded to "A-" from "BBB+" while the short-term entity rating is "A2". Bank's rating denotes that there is currently a low expectation of credit risk and indicate a strong capacity for timely payment of financial commitments.

Prime Minister Youth Business Loan:

FWBL actively participated in PMYBL Scheme and till 30 June 2016 disbursed 138 loans amounting to Rs 156.67 million. Amount outstanding as at 30 June 2016 is Rs 135.54 million. It is heartening to share that PMYBL portfolio is doing exceptionally well with 97.5% recovery. 2015 remained slow in growth of this portfolio due to condition of balloting which was removed in the later part of the year and the portfolio is now picking up again.

Future Outlook & Challenges:

FWBL aims to support women's financial inclusion by taking a holistic and integrated approach. The bank will also participate in schemes of Government aimed towards Economic Empowerment of women at macro, meso and micro levels. FWBL aims to build tie ups with organization that are providing financial assistance to low income groups to facilitate and promote SME sector by focusing particularly on S of SME. Management is also planning to develop variety of affordable products for the end users that enhance economic activity & financial inclusion and identify women target markets and clusters which are financially excluded.

Financial Monitoring Unit (FMU)

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.

Performance / achievements during the Year 2015-16

- Processing of Suspicious Transaction Reports (STRs) /Currency Transaction Reports (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.
- Implementation National Action Plan (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 Law Enforcement Agencies.
- Enactment of the amendments in the AML Act, 2010 to align with international standards.
- Addition of Predicate Offences of Customs Act, 2010, Foreign Exchange Regulations Act, 1947, Pakistan Penal Code, Prevention of Corruption Act, 1947, offences of SECP Act i.e. Insider Trading & Market Manipulation, Serious offences under Sales Tax Act 1990, Federal Excise Act, 2005 & Income Tax Ordinance, 2001 have added to the Schedule of AML Act, 2010 vide Federal Government Notifications.
- Initiation of Pakistan's National Risk Assessment on ML/TF.
- Finalization of the Bill of Mutual Legal Assistance Act, in consultation with all stakeholders.
- Implementation of National AML/CFT strategy.
- 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.

Future policies, priorities

- To arrange AML/CFT awareness raising campaign programs in coordination with regulators and law enforcement agencies;
- To complete FMU's IT projects to enhance the capacity of FMU to perform its 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 seek membership of Egmont Group for FMU.
- To continue working closely with APG and other international bodies.
- To bring all Designated Non-Financial Business and Professions (DNFBPs) under the Regulatory regime as per AML/CFT standards Preparations for Pakistan's third round of Mutual Evaluation.

OFFICERS OF INTERNAL FINANCE WING

Mr.M. Tanvir Butt
JS (IF)

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

Mrs. Saira Najeeb Ahmed
DS/JS (IF)

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

Syed Muhammad Ayaz
S.O (Bkg-I)

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

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

Muhammad Asif
AEA (Bkg-III)

INVESTMENT WING

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Introduction:

The Securities and Exchange Commission of Pakistan (SECP) was established under the Securities and Exchange Commission of Pakistan Act, 1997 as a successor to the 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 the Insurance Ordinance, 2000, matters relating to supervision and regulation of the 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.

During the financial year July 1, 2015 to June 30, 2016, major developments in the fields within the domain of SECP have been as under:

1. Capital Market

Stock market overview

The year 2015-16 witnessed a significant and steady rise in the stock market indices with historic and unprecedented levels being reached. The KSE-100 index began the year at 34,843.61 points and reached 39,040.78 on June 16, 2016 i.e., an increase of almost 12% since the inception of the year. KSE-100 index touched its lowest level i.e. 29,785.36 on January 18, 2016. KSE-100 index closed at 37,783.54 points by close of trading on June 30, 2016 registering growth of 8% from the start of the period. Average daily turnover of 209.34 million shares was recorded by June 30, 2016. A total of 559 companies with total paid up capital of Rs. 1,289.08 billion were listed on the Pakistan Stock Exchange. Market capitalization stood at Rs. 7,588.47 billion as on June 30, 2016, which reflects 2.25% increase over the last year. Foreign investment in the stock market exhibited net outflow of USD 281.6 million during the year, which reflects a negative 831% over the last year.

Some of the more important developments that have contributed to this exceptional performance of the Pakistani stock market are a stable political environment; induction of the Pakistan Stock Exchange into Emerging market Index (MSCI); investment projects backed by China; stable exchange rate against the US Dollar; improving security and law enforcement situation; steady foreign interest in stocks; and increased confidence shown by the multilateral donor agencies such as the IMF, World Bank and Asian Development Bank's allocation for energy sector development.

Regulatory and Developmental Reforms

Integration of Stock Exchanges

As a result of a thorough consultative process facilitated by SECP amongst the stakeholders, the three former stock exchanges integrated into a single, unified, national level trading platform under the name of Pakistan Stock Exchange Limited, which has become operational from January 11, 2016.

Pakistan's upgradation to MSCI Emerging Market Index

As a result of the country's improving economic indicators, government's support on the legislative front through enactment of crucial legislation, and reforms introduced by the SECP in coordination with the stakeholders, Pakistan was successfully upgraded from the Morgan Stanley Capital International's (MSCI) Frontier Markets to Emerging Markets (EM) effective May 2017 Semi-Annual Index Review. This was also made possible due to the extensive marketing initiatives undertaken by SECP and PSX wherein they engaged with MSCI representatives and foreign institutional investors to highlight recent capital market achievements and reforms in pipeline.

Capital Market Development Plan

In consultation with relevant stakeholders, a comprehensive Capital Market Development Plan (2016-18) outlining the future roadmap for the capital market, including introduction of regulatory, structural and developmental initiatives at self-regulatory organizations, reforms for issuers and capital market intermediaries, reforms for product and market development and reforms for investors' awareness and facilitation, has been framed. The Plan provides for a focused approach towards achievement of key developmental objectives for the capital market, and its implementation has commenced effective July 1, 2016 in coordination with the relevant stakeholders.

Establishment of Central Counterparty and transfer of risk management

In line with international standards, NCCPL has commenced operations as a central counterparty (CCP) with effect from May 02, 2016, whereby it becomes counterparty to every transaction which it accepts for guaranteed settlement. The reform entailed major regulatory restructuring for transfer of risk management from PSX to NCCPL, changes to default management procedures and establishment of a Settlement Guarantee Fund. Establishment of CCP is aimed at minimizing counterparty risk for trades guaranteed by CCP, enabling it to assume default risk thereby reducing contagion effect, better management of market risk through a well-capitalized entity with sufficient governance and infrastructural arrangements and stronger monitoring of credit risks throughout the day.

Futures Market Act, 2016

For effective regulation of the futures market, the Futures Market Act, 2016 was promulgated which, in conjunction with the earlier enacted Securities Act, 2015, has replaced the Securities and Exchange Ordinance, 1969. This Act contains dedicated provisions for derivatives markets and is designed to protect public interest through a system of effective self-regulation of futures markets, clearing systems, market participants and market professionals under oversight of the SECP.

Central Depositories (Licensing and Operations) Regulations, 2016

Under the Securities Act, 2015, the Central Depositories (Licensing and Operations) Regulations, 2016 were approved which put in place a comprehensive regime for central depositories based on global standards. Given the criticality of functions being performed by the depository, the regime provides for depository's licensing; fit and proper criteria for shareholders/management; improved governance; enhanced financial resources; duties and obligations; inspection and enforcement mechanism for the central depository system elements.

Revised Securities Broker Regime

A revised securities broker regime has been introduced which provides for categorization of brokers according to financial strength and capacity to undertake different functions such as trading, clearing, custody and settlement. Eligibility criteria and requirements for each class have been specified in line with best practices. The regime also introduces improved capital requirements for brokers to ensure financial solvency of these intermediaries, in line with IOSCO principles. Specific provisions for ensuring clients' assets segregation and protection have also been included in the new regulations. Also, burden of regulatory compliance has been relaxed in case of brokers who will not be keeping custody of clients' assets and who will not be undertaking clearing and settlement functions. The new regime will be introduced in a phased manner to ensure business continuity and smooth transition of existing brokers from earlier regime to new requirements.

Reforms for the SME Board

To incentivize listings of Small and Medium Enterprises (SMEs) on SME counter of PSX, reforms were introduced for the SME board whereby criteria for issue/offer of shares through book building for SME securities was prescribed for improved price discovery while ensuring transparency; the continuous role of advisor and consultant to the issue was discontinued to facilitate SMEs; and filing requirements for SME board were rationalized.

SMS and E-Alert system

A regulatory framework has been put in place at NCCPL to enable it to provide SMS and E-Alerts to investors on daily basis regarding trading activities in their accounts, to ensure that investors have a check on their accounts and any unauthorized transaction is detected the same day.

Future Roadmap

Divestment of PSX shares

An enabling framework has been designed through amendments to the Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012 for supporting efforts of divestment of PSX shares by bringing in financial institutions, strategic investors and anchor investors, in line with requirements of the demutualization law. Under the regulations, a Divestment Committee has been constituted which is responsible for ensuring sale of PSX shares. The regulations are also being augmented to prescribe a framework for self-listing of PSX in accordance with requirements of the demutualization law. Furthermore, the SECP is pursuing critical governance reforms such as strengthening and reconstitution of the boards of directors of PSX, CDC and NCCPL, their internal committees and limits on their shareholding etc., to help achieve the objectives of good governance and divestment.

Subsidiary Legal Framework under the Securities Act and Futures Market Act

A number of new rules and regulations are being framed under the Securities Act, 2015 and the Futures Market Act, 2016. These include rules and regulations for licensing, conduct, financial resource and other aspects of licensed entities and regulated persons such as securities exchanges, futures exchanges, clearing houses, securities and futures advisers, futures brokers, securities managers and accredited representatives of the regulated persons. Also, subsequent to newly introduced categorization of securities brokers under the new brokers' regime, the concept of general/professional clearing member is in the pipeline to facilitate clearing and settlement of trading only brokers, to help achieve segregation of core brokerage functions.

Centralized Customer Compensation Fund

In order to provide enhanced protection to investors in cases of defaults by brokers, rules and regulations for a centralized customer compensation fund are being drafted. The fund shall be established as a trust to ensure that assets of the fund are kept segregated from assets of the securities exchange.

Establishment of Centralized KYC Organization

In order to safeguard investors' interest, it is envisaged that a Centralized KYC Organization (CKO) will be established to ensure that the KYC data used by CDC, NCCPL, brokers and traders is verified, well maintained and centralized and to eliminate duplication in the KYC process. Rules in respect of CKO are in the process of finalization.

Establishment of Bond Pricing Agency

For the development of the debt market, efforts will be made for establishment of an independent bond pricing agency (BPA) to provide fair valuations of debt securities based on comprehensive data collection, validation, pricing, and dissemination to the stakeholders. Rules in respect of BPA are in the process of finalization.

Market halts and widening of scrip level circuit breakers

The concept of index-based market halts will be introduced in a phased manner and existing circuit breakers will be rationalized to ensure more efficient price discovery and transparency at the stock market.

Minimum Free-Float Requirement

It is envisaged that listed companies at PSX will be required to ensure minimum specified free-float within a given period of time, to ensure liquidity and efficient price discovery. The free-float methodology is also being reviewed for accurately determining quantum of shares of listed companies freely available for trading to the public. Development of a centralized validation system for fool-proof verification of free-float figures of listed companies has also been initiated.

Development of derivatives market

Efforts shall be made to launch and bolster activity in derivatives market including index options segment and possible launch of trading in stock options to broaden the scope of trading activity at PSX and provide investors with avenues to develop better investment and hedging strategies. Moreover, in order to bring the cash-settled futures market in line with international standards, measures would be undertaken to revive this segment by encouraging and incentivizing market-making.

Comprehensive review of the Code of Corporate Governance

A comprehensive review of the Code for listed companies will be undertaken, taking into account feedback received from several quarters including listed companies, for bringing further improvements and facilitating improved compliance of the same.

Performance of the Commodities Market

During the year, the trading volume at the Pakistan Mercantile Exchange (PMEX) showed substantial growth as a total of 3.8 million commodity futures contracts with a traded value of Rs. 1.295 trillion were traded as compared to the traded value of Rs. 701 billion in FY 2014-15. Actively traded commodities in terms of value were currencies through COTS contributing 41 percent to the overall volume at the Exchange followed by gold (40 percent) and crude oil (17 percent).

The growth in value traded can also be attributed to the listing of new products such as Red Chilli Weekly Futures contracts and Gold Futures contracts denominated in Canadian Dollar, Australian Dollar and Swiss Franc. Additionally, factors such as increased volatility of the overall market, induction of new brokers and steps taken for creating awareness among the masses about the benefits of trading in commodity futures contracts also contributed to the surge in trading activity at the exchange.

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, during the year, a total of 15 investigations were initiated amongst which 10 were completed.

SECP keeps a close watch on the stock market by continuously observing index movement and analyzing the impact of media reports. Manual alerts are being generated as a result of tracking the movement in the stock market index and its sector wise analysis which provides leads for further investigations by the surveillance team.

Off-Site Monitoring of Brokers

SECP, during the year, formed a specialized wing for offsite monitoring and supervision of the brokers. The wing is assigned with the task to monitor the financial health of the brokers on a quarterly basis through an online Financial Reporting System. Brokers are required to file their quarterly financial reports through this system. Moreover, Client Asset Segregation Statement and Asset under Custody under CDC Regime are being monitored on a fortnightly and monthly basis, respectively. Besides these, System Audit Reports and Joint Inspection Reports of the Brokers are also being reviewed on a regular basis.

Onsite Inspection of Brokers/SROs and Credit Rating Agencies

During the period, SECP continued to consolidate and augment its efforts to ensure compliance with the regulatory framework by capital market participants. The extended efforts covered a range of activities such as onsite inspections, offsite review, enquiries, investigations, specialized inspections and follow-up inspections with the ultimate objective that all capital market participants implement the regulatory framework in true spirit. Besides, in line with IOSCO's recommendations compliance reviews of SROs were also carried out and as a result different reporting requirements have been introduced. Furthermore, SECP took regular feedback on the regulatory framework from market participants. Based on such feedback, the SECP managed to clarify practical issues such as Net Capital Balance, System Audit, and segregation/Protection of client's assets etc.

Issue of Share Capital

During the period under review, shares of 5 companies were offered to the public as compared to 8 companies last year. New capital of Rs.8.13 billion was listed in FY 2016 as compared to Rs.11.28 billion in FY 2015. The details of these issues may be seen in tables 1 and 2.

Issue of Redeemable Capital

During the period under review, 1 public issue of listed Term Finance Certificates of Rs.3 billion was made by Soneri Bank Limited. Out of total issue of 3 billion, Rs.0.750 billion were allocated to retail investors, whereas, Rs.2.250 billion was allocated to Pre-IPO Investors. The detail of this issue may be seen in table 4.

Employees Stock Option Schemes

The employees stock option schemes (the Schemes) are issued by public limited companies to reward their employees, and also as a retention tool to earn long-term loyalties of their key employees. During the period under review, amendments in three earlier offered Schemes of Engro Foods Limited, Netsol Technologies Limited and Systems Limited were approved.

Registration/Renewals:

Applications for registration as Debt Securities Trustees (DSTs); Underwriters; Balloters & Share Registrars and Book-Runners under the Debt Securities Trustee Regulations, 2012, The Underwriters Rules, 2015; the Balloters and Transfer Agents Rules, 2015 and the Book-Building Regulations, 2015, respectively, were processed by CIW. The details of registrations and renewals made during the last three years are as under:

Type of Entities	**2013-14**	**2014-15**	**2015-16**
Registration as a **Debt Securities Trustee (DST)**	-	-	**03**
Renewal of Registration of **DSTs**	-	**03**	**06**
Registration as **Underwriters**	-	-	**25**
Registration as **Balloters & Transfer Agents**	-	-	**20**
Registration as **Book Runners**	-	-	**09**

The updated lists of all the registered DSTs, Underwrites, BTAs and Book-Runners are available on the SECP website www.secp.gov.pk

Regulatory actions under section 87(7) of the Securities Act, 2015

The submission of false and fictitious applications during the public offer of securities are prohibited under section 87(7) of the Securities Act, 2015 and the Commission may, where it considers appropriate, forfeit any or all of the money paid or payable in respect of such applications after providing the applicant a reasonable opportunity of being heard. During FY2016, a total of 35 cases comprising 73 applications were reported to SECP by three different companies, namely Al-Shaheer Corporation Limited, Amreli Steels Limited and Hi-Tech Lubricants Limited. After issuing explanation letters to all the applicants and review of their applications and explanations, all the 73 applications were restored and the concerned companies were advised to issue shares to 35 applicants only through their respective CDC investor accounts.

10 such cases of different companies, namely, Engro Powergen Qadirpur Limited, Saif Power Limited and Synthetic Product Enterprises Limited, where investigation was required, were referred to the Adjudication Wing for further necessary action.

Complaints resolved pertaining to issuers/companies

The department entertained various complaints pertaining to IPOs, non-receipt of dividends by the shareholders, non-verification of transfer deeds, and against share registrars/transfer agents etc. The status of these complaints is as follows:

Complaints status FY2016	**No. of complaints**
Brought Forward from previous FY 2015:	24
New complaints received during FY 2016:	50
Total dealt with during FY 2016:	74
Disposed of during FY 2015-16:	(58)
Under Process as on July 01, 2016:	16

Detail about Complaints received during Last 3 years

Year	**Brought Forward**	**New Received**	**Resolved**	**Outstanding**
2015-16	24	50	58	16
2014-15	26	139	141	24
2013-14	15	93	82	26

Nature of complains received:

Category/nature:	2015-16	2014-15	2013-14
Illegal transfer of shares/encashment of dividend	03	-	-
Non-receipt of dividend/bonus shares	14	45	46
Non-verification of transfer deeds	05	14	11
Non-transfer of shares	12	17	08
Excess/wrong deduction of withholding tax on dividend amount	05	27	0
Non-issuance of duplicate share certificates	02	03	06
Non-induction of shares in CDS	01	05	04
IPO related	03	12	06
Others	05	16	12
Total	**50**	**139**	**93**

Promulgation of Book Building Regulations, 2015

The equity capital market is an important segment of the capital market and is considered a viable and efficient alternative for fund raising. In order to promote the primary market, SECP had introduced the book building mechanism in IPOs in 2008. Keeping in view the problems faced and to bring efficiency and transparency in the book building process, SECP has reviewed the existing framework and has formulated Book Building Regulations, 2015. Pursuant to the said regulations book runners to the book building issue are required to be registered with the Commission. Thus far, 9 book-runners have been registered with the Commission.

Amendments in the Regulatory framework for listing of small and medium enterprises on PSX

Small and medium enterprises (SMEs) play a vital role in the development of a country and availability of cheaper source of funds is crucial for the growth as well as survival of SMEs.

The SECP has approved amendments in the regulations for the listing of SMEs on PSX. The regulations, in addition to certain prerequisites, provide a set of procedures for issuing, listing and trading of shares of SMEs. Now the SMEs can raise funds from the capital market to meet their financial needs, execute new projects and expand their existing businesses.

Implementation of e-IPO

In order to facilitate the public during IPOs, the SECP has introduced the concept of e-IPO, i.e. electronic submission of shares subscription application. e-IPO facility enables the investors to make an application for subscription of shares via the internet/e-Banking. The e-IPO aims to facilitate, simultaneously, both the companies that intend to raise funds from the capital market through IPO and the general public applying for subscription of shares. Furthermore, e-IPO will bring transparency and efficiency in the IPO process. So far two banks have developed their own systems and are providing e-IPO facilities to their customers. These banks are United Bank Ltd. and Summit Bank Ltd. To regulate affairs of the banks to the extent of their role as bankers to the issue, a regulatory framework has been drafted which requires all those banks that are providing services as bankers to the issue to develop e-IPO systems.

Review of the 1996 Companies (Issue of Capital) Rules

The Companies (Issue of Capital) Rules (the CI Rules) promulgated on February 8, 1996, contain a set of requirements and procedures for the companies proposing to offer share capital to the public. Since then, no amendments had been made to the CI Rules. Pursuant to changes in market dynamics and introduction of the book-building process, it was felt necessary to make certain amendments to the CI Rules. Consequently amendments in CI Rules, in light of comments of the stakeholders, were notified in January 2016.

Guidelines for Structuring and Offering of the Employees Stock Option Schemes

In order to facilitate and encourage offer of Employees Stock Option Schemes, SECP on April 27, 2016 promulgated Guidelines for Structuring and Offering of the Employees Stock Option Schemes, 2016 in line with the best international practices. These guidelines provide the procedure for structuring and offering of Schemes by providing therein the procedure for approval of the Scheme, disclosures to be made in the notice of general meeting wherein a Scheme is to be considered for approval by the members, disclosures to be made in the Scheme, documents required to be submitted along with application for approval of the schemes. The guidelines also contain a model Scheme.

Review of the Issue of Sukuk Regulations, 2015

The Issue of Sukuk Regulations, 2015 were reviewed and amendments were made to facilitate issuance of Government guaranteed Sukuk so that they are not required to be rated and collateralized.

Draft Rules/Regulations notified for public comments:

S #	Law
1.	The draft Bankers to an Issue of Securities Rules, 2015
2.	Draft Companies (Buy-Back of Shares) Regulations, 2015
3.	The draft Underwriters Regulations, 2015
4.	The draft Private Placement of Securities Rules, 2015
5.	The draft Public Offering of Securities Rules, 2015
6.	The draft Advisors' and Consultants to the Issue Rules, 2015
7.	The draft Share Registrars and Balloters Regulations, 2016

2. Corporate Sector

The SECP took a proactive approach with regard to regulation and development of the corporate sector. During the period under review, 6,200 new companies were registered. As compared with the corresponding period of last financial year, a growth of 24 percent has been witnessed. This has raised the total number of registered companies to 73,207.

Foreign investment has been reported in 389 new companies. Moreover, 54 foreign companies from Australia, Canada, China, Egypt, France, Germany, Hong Kong, Italy, South Korea, the Netherlands, Qatar, Saudi Arabia, Switzerland, the UAE, the UK and the US have established place of business in Pakistan during the last fiscal year.

55 licenses were issued to non-profit associations under Section 42 of the Ordinance.

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:

Measures to reduce time for business start-up through e-governance

- Reduction in time due to online enablement of issuance of digital signatures through NIFT, resulting in end-to-end paperless/online service for all the processes in e-Services
- Expediting service delivery by reduction in time for incorporation under Fast Track Registration Services (FTRS) from a minimum of four to two hours

- Enabling company registration on the same day if the short Memorandum of Association is adopted without depositing any additional fee.

Measures to reduce cost of starting and doing business

- Substantial reduction of 60% in registration fee for small companies (with authorized capital upto Rs. 100,000/-), from Rs. 2,500/- to Rs. 1,000/- under online mode, and from Rs. 5,000/- to Rs. 2,000/- under offline mode.
- Introduction of capital-based filing fee structure with substantial reduction in filing fee of companies with small capital base to augment compliance rate. The reduction will be in case of small companies for online mode from Rs. 600 to Rs. 250 and offline mode from Rs. 1500 to Rs. 500.
- Provision of complimentary/free of cost certified true copy of company formation documents after incorporation, resulting in elimination of certifying copying fee by Rs. 650/- under online mode, & Rs. 1,300/- under offline mode
- Provision of complimentary/free of cost certified true copy of statutory returns filed by companies upon acceptance, resulting in elimination of certifying copying fee.

Measures to expand outreach of Commission

Expand the outreach of SECP through establishment of a Facilitation Counter at Sialkot and Capital Market Hub at Abbottabad.

Establishment of a physical one-stop shop

On an initiative taken by the Implementation & Economic Reforms Unit, Ministry of Finance, an MOU was signed on September 19, 2015 with the Federal Board of Revenue (FBR), Employees Old-Age Benefit Institution (EOBI), and Islamabad Chamber of Commerce & Industry (ICCI), for establishment of a physical one-stop shop at ICCI. SECP has agreed to deploy its resources at the POSS as soon as it becomes functional.

Media campaigns and raising awareness

Extensive advertising campaigns were run to raise awareness that include a joint awareness campaign by the SECP and SBP regarding modus operandi of fraudulent businesses/scheme, filing of annual returns and event based.

Development of National Reform Action Plan on Doing Business

The Commission provided necessary assistance and feedback to the Federal Government for development of a National Reform Action Plan on Doing Business, containing deliverables for all the stakeholders to ease doing business in the country and improve the doing-business/starting-a-business rankings of the World Bank.

Assistance to Federal Government to implement the Public Sector Enterprises Reform Programme sponsored by the Asian Development Bank

As an implementing agency for the Programme Loan, the Commission provided necessary assistance to the Federal Government for achievement of deliverables, pursuant to an agreement signed between the Government and the Asian Development Bank. Under Policy Area 2 (Financial transparency, monitoring and corporate governance in PSEs), the Commission is providing information to the Federal Government relating to compliance by the public sector companies with the Public Sector Companies (Corporate Governance) Rules, 2013 as well as action taken against the non-compliant companies.

Audit oversight Board

A joint committee of ICAP and SECP deliberated upon the necessity of independent oversight mechanism for audit profession in compliance with international best practices. The Committee submitted its recommendations to President, ICAP and Chairman, SECP. In line with recommendations of the committee, enabling provisions for formation of Audit Oversight Board of Pakistan (AOB) have been enacted through the Securities and Exchange Commission of Pakistan (Amendments) Act, 2016. AOB is expected to become functional before the end of 2016.

Guidelines on going concern for reporting of companies

The department, in consultation with ICAP, has issued guidelines for companies and directors regarding going-concern reporting in financial statements in November, 2015. These guidelines, which are primarily a compilation of the requirements of the Ordinance, Code of Corporate Governance, IFRS/IAS will assist the management in assessment of going concern ability of a company and making appropriate disclosures in financial statements.

Other Legislative Measures Amendments proposed in the Companies (Appointment of Legal Advisers) (Amendment) Act, 1974.

The bill has been introduced in the National Assembly and is pending discussion before the National Assembly Standing Committee on Finance. A large number of companies will benefit from the proposed amendment.

Amendments have been made in the Companies (General Provisions & Forms) Rules, 1985

In order to minimize the disputes in private limited companies, amendments have been made in the Companies (General Provisions & Forms) Rules, 1985, prescribing the detailed procedure for transfer of shareholding.

Revision of Public Sector Companies (Corporate Governance Compliance) Guidelines 2015

The Commission approved revision of the Public Sector Companies (Corporate Governance Compliance) Guidelines, 2013 in September 2015 to incorporate the newly revised format of the review report to the members on statement of compliance, specified vide Schedule III thereof, in the light of recommendations received from the Institute of Chartered Accountants of Pakistan.

Companies (Compliance with Licensing Conditions) General Order, 2016

The Commission issued the Companies (Compliance with Licensing Conditions) General Order, 2016 on February 15, 2016 under section 246 (1) of the Companies Ordinance, 1984. The order will facilitate investors and stakeholders interested in doing business with a particular company which is subject to a licensing regime, allowing them to verify the status of compliance with the licensing conditions on the basis of corporate record maintained with the office of the registrar concerned.

Utilization of Video Conferencing for PSCs Board

The Commission issued Circular no. 22 of 2016 on June 10, 2016 with the recommendation to all the public sector companies to utilise video conferencing facility for holding board meetings as well as general meetings so as to cut down costs associated with holding such meetings.

Future outlook

Legal Framework

- Extensive consultative exercise on development of Draft Companies Bill, 2016. The same has been submitted to Finance Division for its approval.
- Subordinate legislation i.e. the existing rules and regulations are to be reviewed subject to promulgation of the Companies Act, 2016 as well, to cover new items for the purpose of:
    - Filing of returns.
    - Fling of applications.
    - Revision of Forms.
    - Internal working of CROs.
    - Valuation.
    - Panel of mediators.
    - Panel of official liquidators/provisional manager.

- Finalization of regulations of section 42 companies, including Companies (Compliance with Licensing Conditions) General Order, 2016.
- Amendments in the Group Companies Registration Regulations, 2008.
- Revision of the Public Sector Companies (Corporate Governance) Rules, 2013.
- Revision of the Companies (Compliance with Licensing Conditions) General Order, 2016.
- Introduction of a new concept in company registration regime of Limited Liability Partnership through Draft Limited Liability Partnership Bill, 2016 shall be a body corporate by registration under the Act and shall be a legal entity separate from its partners having perpetual succession.

Awareness

- To co-ordinate/arrange sessions with Trade Organizations/ Associations to increase corporatization by bringing the unregistered entities in the corporate net and increasing the corporate compliance rate of the already registered companies and e-Services.
- In house awareness sessions with company representatives, corporate consultants regarding corporatization and corporate compliance in e-Services regime including Companies Easy Exit Regulations.
- To launch comprehensive media campaign for awareness of the public regarding drastic reduction in fees and other facilitation measures introduced by the Commission.
- Explore the idea of development and running of videos on incorporation procedure, e-Services and filing requirements in big CROs at the facilitation counters.

Facilitation Measures for Corporate Sector

- Reduction in time and cost by merging the name availability and company incorporation processes and waiver in name availability fee of Rs. 200 for online and Rs. 500/- for offline mode applying in such cases.
- Expand the outreach of SECP through establishment of Company Registration Offices (CROs) at Gilgit Baltistan and exploring the possibility of CROs at Abbottabad and Sialkot and facilitation counter at Gwadar.
- Issue of Frequently Asked Questions on public sector companies, after the ongoing revisions to the Public Sector Companies (Corporate Governance) Rules, 2013 are approved and implemented.
- Update the existing and development of new guidebooks
- Review of model Memorandum of Association.

- Establishment of a dedicated helpline to provide guidance to the public regarding e-filing and incorporation.

Enhancement of filing compliance and enforcement actions

- Carry out activation drive for dormant companies, with a view to enhance the compliance rate.
- Coordinate with chambers and professional bodies for ensuring corporate compliance by registered companies.

Other actions

- Amendment to audit report format to make it in line with international standards
- Introduction of new Provident fund rules, 2015
- Introduction of draft principles of corporate governance for non-listed companies (NLC's)
- Valuers regime-introduction of legal framework for registration and quality assurance of valuers
- Development and revision of guidelines on following areas:
- Guidelines on compromise arrangements & reconstruction
- Revision of guidelines for issue of shares at discount

3. Non-Banking Financial Sector

Non-bank financial institutions include Non-Banking Finance Companies (NBFCs) i.e. 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.

Non-Banking Finance Companies:

The NBFCs can be broadly divided into two categories, i.e. fund management NBFCs and lending NBFCS, engaged in deposit taking and financing.

It was targeted that during the year 2015-16, 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.

Lending NBFCs

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

Activities and achievements during the FY2015-16

The asset size of lending NBFCs continued their upward trend for a third year in a row. The assets increased from Rs. 111 billion during June 30, 2015 to Rs. 119 billion on June 30, 2016. The increase is attributed to increase in the asset size of leasing companies from Rs. 40 billion as of June 30, 2015 to Rs. 42 billion as of June 30, 2016. The number of leasing companies has decreased from 9 to 8 during the year due to amalgamation of Standard Chartered Leasing Limited with and into Orix Leasing Pakistan Limited. The number of investment finance companies has increased from 8 as of June 30, 2015 to 10 as of June 30, 2016. The asset size of investment finance companies has also increased by 8.45% from Rs71 billion as of June 30, 2015 to Rs77 billion as of 30 June 2016. The increase is attributed to issuance of investment finance services licenses to the Lahore Stock Exchange Financial Services Limited with asset size of Rs3 billion, and the Punjab Rural Support Program with assets of Rs4 billion.

SECP has recently revamped its regulatory framework for Non-Banking Financial Companies (NBFCs) and another class of NBFCs has been introduced i-e. Non-Bank Microfinance Companies (NBMFCs) for providing finance to poor persons and microenterprises. SECP is engaged in educating the microfinance institutions (MFIs) about the regulatory framework and as a result out of total of 40 entities, license has been issued to one entity, 11 have applied for license and 11 are at the registration phase. Another important achievement is the formation of Pakistan Microfinance Investment Company (PMIC) which is a national level Microfinance Investment Vehicle formed in collaboration with Pakistan Poverty Alleviation Fund, DFID through Karandaaz and a German Government owned Bank. The main objective of PMIC is to provide market based financing to microfinance providers serving micro, small and medium enterprises potentially accompanied by technical assistance.

Future outlook

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

- Reducing regulatory burden on NBMFCs for smooth transition of existing MFIs into NBMFCs.
- Coordination with industry associations to help energize NBF sector.

- Revisiting the existing regulatory framework for small and mid-sized non-deposit taking NBFCs.
- Operationalization of Pakistan Development Fund (PDF).
- Bringing the informal lending sector into regulatory regime of SECP.

Asset Management

In collaboration with other industry stakeholders, the SECP implemented various measures to strengthen the mutual funds industry and safeguard investors. As of June30, 2016, the total size of the industry stood at Rs. 546.222 billion as compared to Rs. 492 billion on June 30, 2015. The total number of funds and plans stood at 199 on June 30, 2016 as compared to 172 on June 30 2015.The industry was also managing separately managed accounts of Rs. 139 billion as of June 30, 2016.

As of June 30, 2016, equity funds dominated the asset under management of the industry with the largest share of the mutual fund industry, i.e. 27%. While Income funds and money market funds constituted the second and third largest category with the industry share of 20% and 12% respectively.

Investment Advisory

At present, a total of 19 NBFCs have licenses to conduct the business of investment advisory in addition to business of asset management services while two NBFCs have an exclusive license for conducting investment advisory services. As of June 2016, the total discretionary/non-discretionary portfolio held by all of the NBFCs was Rs. 139 million.

Private Fund Management

During the current year, two applicants have been given NOCs for formation of NBFC in order to undertake private equity and venture capital fund management services business under the newly promulgated Private Fund Regulations, 2015.

Voluntary Pension System (VPS)

The total assets of the pension schemes stood at Rs. 19,316.58 million as on 30 June 2016 compared to Rs 13,894.07 million as on June 30, 2015 showing 39% growth during the past one year. Around 53% of the pension assets belonged to equity sub-funds, 31% to debt sub-funds, 15% to money market sub-funds and 1% to commodity sub-funds.

The key statistics in respect of pension fund industry is as follows:-

Total assets of Pension Fund industry	Rs.19,316.58 million
Net assets	Rs.18,950.74 million
Total number of Pension Funds	17
Shariah Compliant Pension Funds	9
Conventional Pension Funds	8
Number of Pension Fund Managers	10

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.

Real Estate Investment Trusts (REITs)

During the year, one REIT management company (RMC), namely ISE Tower REIT Management Company Limited, was granted license, thereby raising the number of RMCs to four. During the period, two groups were granted permission to form NBFCs for the purposes of managing REIT schemes. The sponsors of these companies remained busy in evolving infra-structure including registration of companies with CROs and arrangement of capital to become eligible to obtain license to manage REITs. The Dolmen City REIT, successfully completed its first year of operation in June, 2016 and distributed dividend as envisaged in its business plan.

Key achievements of the NBF sector:

- During the year, in a bid to remove inherent bottlenecks in the system and ensure that adequate checks are in place for consumer protection, amendments in the regulatory framework for Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 were carried out in order to facilitate growth of the NBF sector and provide an enabling framework for its development.
- Private Fund Management Regulations, 2015, promulgated to facilitate launch of private equity, venture capital and alternative funds such as hedge funds, infrastructure fund, SME fund, debt fund etc.
- The maximum level of sales load reduced from 5% to 3% of NAV to facilitate unit holders.

- Expenses of mutual funds were capped through the introduction of expense ratio concept.
- To cater for the growing needs of Islamic Finance in the country, legal provision for exclusively Islamic NBFCs has been provided.
- Regulatory requirements introduced for the opening, closure and re-location of branches of NBFCs and modarabas.
- Standardized methodology for calculation and disclosure of expense ratio for mutual funds prescribed.
- AMCs directed to immediately allocate net asset value on receipt of applications for investment in mutual funds and ensure expeditious deposit of payment instrument by utilizing the appropriate banking facility.
- AMCs and investment advisors prohibited from offering any guarantee on portfolio management.
- In order to facilitate Shariah-compliant funds, short term sukuks classified as cash and near cash instruments.
- Investment policy for voluntary pension schemes revised and reporting of inflation adjusted terminal value of investments was made mandatory issued in the interest of the participants.

Future outlook

- Transformation of Mutual Funds Association of Pakistan (MUFAP) from a trade body to self-regulatory organization.
- Standardization of benchmarks of different categories of mutual funds.
- Standardization of constitutive document of mutual funds in line with the amended NBFC regulatory framework.
- Introduction of requirements for online issuance and subscription by mutual funds.
- Cooling-off period requirements and point of sale disclosure requirements for mutual funds.
- Review of the Voluntary Pension Scheme Rules.

Modarabas:

The modarabas are the pioneering Islamic financial institutions in Pakistan. Modarabas as Islamic financial institutions, provide Shari'ah compliant services and products. The Modarabas Companies and Modaraba (Floatation and

Control) Ordinance, 1980 provides the regulatory framework for modarabas in Pakistan.

Activities and achievements:

Currently, 37 modaraba companies are in existence and total number of operational modaraba is 26. During 2015-16, two new companies were registered as modaraba companies, whereas one new modaraba was floated and listed on the stock exchange.

During the year under review, the modaraba sector has shown growth in terms of total assets. As per the unaudited financial statements of modarabas as of June 30, 2016, the aggregate equity of the modarabas was Rs. 20,031 million and total assets of the modaraba sector stood at Rs. 36,538 million. For the year ended on June 30, 2015, 20 modarabas declared dividend in the form of cash and bonus issue. Three modarabas issued right modaraba certificates.

- A comprehensive review of modarabas on the basis of their historical performance was carried out to identify the entities which failed to perform despite availability of vast Shari'ah compliant business avenues.
- Amendments were proposed in the Modarabas Companies and Modarabas (Floatation and Control) Ordinance, 1980 to strengthen the modaraba regulatory framework and ensure enhanced rights to the certificate holders.
- Amendments in the Modaraba Companies and Modaraba Rules, 1981 were carried out to update the legal framework for registration of modaraba companies and floatation of modarabas in the country.
- A new set of statutory Regulations namely; the Modaraba Regulations was prepared and published.

Enforcement Actions (Modarabas):

During the year under review; 11 modaraba management companies (MMCs) were deregistered. These MMCs were found non-compliant with the conditions of registration certificates. Also, in one case an administrator was appointed to manage the affairs of a Modaraba, in place of its management company. Monetary fines were also imposed on three MMCs for violating the provisions of the Modaraba Ordinance and the Rules.

Supervision and Enforcement of non-bank finance companies (NBFCS)

The supervision of NBF sector is carried out by the Supervision and Enforcement Department of Specialized Companies Division, which is primarily responsible for Offsite Surveillance and Monitoring and On-site Inspections of

Non-Banking Finance Companies (NBFCs), Notified Entities (NEs) and Modarabas.

Offsite Surveillance and Monitoring

Offsite Surveillance and Monitoring function is entrusted with the responsibility to oversee the financial health and regulatory compliance of the NBFCs and Modaraba Sector, on the basis of information/data received electronically through Specialized Companies Returns System (SCRS – an online returns submission system) and published information. The submitted returns along with published information are analyzed/examined by the respective Wings in order to prepare reviews of every entity under their domain with a view to assess its financial health and level of regulatory compliance. These reviews cover areas including the following:

- Compliance with regulatory framework
- Performance of Collective Investment and Pension Schemes
- Concentration of risk with respect to asset class, sector and single entity / security
- Mismatch of maturities of assets and liabilities on the balance sheet of depository/lending institutions
- Assessment of classified assets, related provisioning and recoveries made there-against
- Liquidity of financial institutions
- Assessment of adequacy of capital
- Examination of profitability
- Composition of Board , audit committees and other committees

The findings observed during offsite examination of entities in the year 2015-16 were taken up with respective entities primarily through compliance letters and warnings.

Statistics of offsite examinations conducted during the FY 2015-16:

Type of Entities	Offsite Examinations Performed During 2015-16
Asset Management Companies	80
Investment Advisors	4
REIT Management Companies	6
Investment Banks	21

Leasing Companies	24
Modarabas	75
Total	210

Statistics pertaining to various types of enforcement actions taken during FY 2015-16	
Enforcement Actions	2015-16
Compliance Letters	356
Warnings / Directions	19
Show Cause Notices	19
Orders	16
Total	410

Onsite Inspection

Onsite inspection of NBFCs, notified entities and Modarabas plays a critical role in the efficient and effective monitoring of the NBF sector. Selection of the entities for inspections is based on risk assessment criteria of the onsite inspection wing, as well as recommendations from other department/wings. The on-site inspection mainly focuses on the following areas:

- Assessment of the level of corporate governance structure in the entity
- Evaluation of internal controls of the entity including policies and procedures adopted by the entity
- Review of entity's financial health and its business performance
- Examination of financial records of the entity
- Compliance with the applicable regulatory framework
- Progress/ changes made by the entity based on the observations reported during previous inspections (where applicable)

During the year 2015-16, inspections of 11 entities (5 Asset Management Companies managing 57 notified entities, 1 Investment advisor, 4 Modaraba and 1 Leasing Company were conducted covering 25 % of the total NBFC and Modaraba sector).

In addition to the full scope inspections, the Onsite Inspection Wing also carried out thematic / focused inspections of entire mutual fund industry in order to determine compliance with Circular 12 of 2009 regarding Customer Due Diligence (CDD)/ Know Your Customer (KYC) requirements.

Future Plans

- During FY 2016-17 offsite reviews will be conducted as per the operating manual approved by the Commission. In this regard, detailed regulatory matrices have been developed, which would enhance coverage / effectiveness of examination meaningfully, hence, offsite examination of NBFCs and NEs and Modarabas will be conducted on a semi-annual basis.
- Conduct research on Risk Profiling of investors of mutual funds and arrange development of standardized format for customer risk profiling for implementation on industry wide basis. This would curtail the chances of miss-selling of mutual fund products to investors.
- Detailed analysis of deposit holders data will be conducted pertaining to deposit taking NBFCs/Modarabas.
- Develop standardized format for Fund Manager Report for Pension Funds.

4. Insurance sector

The insurance industry in Pakistan comprises of fifty one (51) insurance companies out of which forty two are non-life insurance companies including one state owned national reinsurer, one state owned company with exclusive mandate of insuring public property, and three (3) general takaful operators. The life sector comprises of nine (9) life insurance companies which includes two (2) takaful operators and one state owned company, State Life Insurance Company Limited (formerly State Life Insurance Corporation of Pakistan) holding largest market share of 49% in the life insurance market. The Insurance sector in Pakistan for the past five years has been growing at an average rate of around 13.6% per annum on compound basis along with minimal but consistent increase in the insurance penetration and insurance density.

The total assets of the insurance industry have reached Rs.982 billion as of year ended December 31, 2015 of which life insurance sector's assets amount to Rs.777 billion while the assets of non-life sector stand at Rs.205 billion.

The Gross Written Premium (GWP) of the industry has increased from Rs.199 billion as of year ended December, 2014 to Rs.233 billion (USD 2.2 billion) as of year ended December, 2015. The major contribution to this increase comes from life insurance sector where GWP increased from Rs.131 billion to Rs.162 billion showing 24% growth year on year[1] (YoY) basis. While performance of life insurance sector in respect premium underwritten remains favorable, the non-

[1] Year on year (YoY) refers to position as of December, 2015 in comparison to December, 2014

life sector has maintained its dismal performance by showing only 4.4% increase in GWP increasing from Rs.68.11 billion to Rs.71.33 billion, year on year basis. This accounts for total sector growth of 17% year on year basis in terms of GWP.

Achievements during 2015-16:

Small Disputes Resolution Committees

Three Small Dispute Resolution Committees (SDRCs) have been constituted in Islamabad, Karachi and Lahore for mediation and resolution of disputes arising between the insurers and the policyholders. The committees arbitrate small disputes arising between insurance policyholders and insurance companies. Each committee comprises of a chartered accountant or a management accountant, a lawyer and senior insurance industry professional. Three SECP officials coordinate with the said committees.

Enhancement of the minimum paid-up capital requirement

The SECP has notified the insertion of a new rule in the Securities and Exchange Commission (Insurance) Rules, 2002 i.e. Rule 9, vide S.R.O 828(I)/2015 through which the minimum paid up capital for insurers is enhanced by an amount of Rs. 200 million. Existing paid up capital requirements are Rs. 300 million and Rs. 500 million for non-life and life insurers, respectively. The idea behind such enhancement is to enable the insurers to retain more risks, as it is expected to enhance the capacity of the insurers to underwrite and retain risks thereby reducing the outflow of foreign exchange that goes abroad in the shape of reinsurance premium due to the existing limited capacity of the insurers. Moreover, an increase in the insurers' paid up capital would ultimately contribute towards better solvency position of the insurers.

Code of Corporate Governance for Insurers

With rapidly rising growth in the insurance and takaful industry in Pakistan, there was a dire need to put in place a comprehensive corporate governance framework to ensure maximum protection of the insurance policyholders. Hence, keeping this in view, the SECP has instituted the Code of Corporate Governance for Insurers, 2016 on February 26, 2016. The framework has been devised in such a manner so as to cater to both the general governance aspects as well as insurance specific ones. The insurance specific provisions have been taken from the Insurance Core Principles laid down by the Insurance Association of Insurance Supervisors (IAIS).

Bancassurance Regulations, 2015

Considering the tremendous growth in the bancassurance business in last few years, the SECP, with the approval of the Policy Board notified the Bancassurance Regulations, 2015 in July, 2015 which has introduced various regulatory requirements such as rationalization of bank's remuneration structure, restriction on recycling of life insurance policies, introduction of commission claw-back provision, minimum persistency benchmark, minimum surrender values and minimum financial underwriting parameters. The new Bancassurance Regulations aim to protect the interests of insurance policyholders without radically changing the earlier regime for bancassurance contained in the Bancassurance Guidelines 2010.

Issuance of SEC Guidelines on Estimation of IBNR Claims Reserve, 2016

The insurance industry in Pakistan has been using different methods to compute the Incurred But Not Reported (IBNR) claims reserve and did not have an industry-wide standardized and uniform methodology for this purpose. The SECP has issued guidelines on the estimation method to be used for the calculation of IBNR claims reserve which prescribe a standard method for the estimation of IBNR claims reserve and aim at bringing standardization and uniformity across the non-life insurance sector in respect of such estimation. The guidelines are expected to ensure the adequacy of the reserves by prescribing standard methodology so as to protect the insurance company from the adverse financial impact in case of unanticipated IBNR losses.

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:

Strengthening the Insurance Regulatory Framework with Technical Assistance of the World Bank/ FIRST Initiative

A comprehensive project for review and revision of the existing insurance regulatory framework, with technical assistance from the World Bank and FIRST Initiative, is under process. The project is aimed at identifying the gaps and shortcomings inherent in the existing regulatory framework and substituting these with the best practices in insurance supervision and regulation worldwide. The project is also aimed at bringing the areas that have not been addressed by the law within the regulatory ambit of the SECP. For this purpose, the technical and legal consultants both from Pakistan and abroad have been engaged. The task of revising the primary insurance law is in its final stages while the World Bank is currently working on the proposed revision in the subsidiary legislation. The SECP is actively pursuing the project and is committed to complete it at the earliest.

Draft Insurance Rules, 2016

The subsidiary legislation for insurance sector comprises of two main sets of rules i.e. the SEC (Insurance Rules) 2002, issued by the SECP and the Insurance

Rules, 2002 notified by the Ministry of Commerce. The draft Insurance Rules, 2016 were published in the official gazette for public comments and are in final phase of approval required before notification. In the proposed Insurance Rules, 2016, the SECP has also strived to bring substantial reforms in the insurance sector by introduction of new accounting formats for life and non-life insurers especially for the purposes of Financial Statements and strengthening of the regulatory regime for insurance brokers and insurance surveyors through enhancing the requirements of paid up capital, professional indemnity etc.

Draft SEC (Reinsurance Brokers) Regulations, 2015:

The SECP is in the process of formulating the regulatory framework for Reinsurance Brokers, a business segment which has remained unregulated as the primary insurance law does not define or recognize the “reinsurance broking” nor does it provide for regulation of the same. The proposed SEC (Reinsurance Brokers) Regulations, 2016 prescribe various regulatory requirements for the reinsurance brokers such as minimum paid up capital requirement, statutory deposit requirement, professional indemnity insurance, the requirement to obtain license from the SECP, filing and reporting requirements, disclosure requirements and certain other provisions regarding conduct of reinsurance business. The draft Regulations were previously published for public comments and are now in the final phase of pertinent approvals required before notification.

Credit and Surety-ship Business Rules, 2016

The draft Rules for regulating the business of credit and surety-ship have been drafted by the SECP whereby regulatory measures have been proposed to be undertaken by the Commission to ensure that the insurance companies comply with their absolute commitments arising out of irrevocable and unconditional guarantees, issued by such companies. The Rules would be notified after public consultation and approval of the Policy Board.

Future outlook

- Centralized Information sharing solution for health insurance and non-life sector
- Proposal for implementation of motor third-party liability insurance scheme to compensate road accident victims
- Establishment of insurance repository
- Proposal for effective implementation of compulsory group life insurance

5. Islamic Finance Department

The recent decade has shown the tremendous growth in Islamic financial industry. Business appeal of Islamic finance further stems from its inherent ability to promote economic maximization and social welfare opportunities. This high potential of Islamic finance is being unleashed with more distinct recognition of different dimensions, elements of Islamic finance and financial innovation it offers. Currently, Islamic Finance global volume has exceeded USD $2 trillion which is progressively increasing with each year passing. Islamic finance volume in Pakistan has exceeded USD $6 billion and increasing at a progressive rate. Islamic capital market in Pakistan has been playing its vital role in bringing development and channelizing the idol resources.

Islamic Finance Department (IFD) has been showing its full determination and solidarity in the preview of growth of this sector considering it its religious and national responsibility.

Major activities of IFD

Launching of All-Share Islamic Index

On 18th November, 2015 Finance Minister Ishaq Dar inaugurated All-share Islamic index. The index has been developed by a panel of experts representing State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Mutual Funds Association of Pakistan, Meezan Bank Limited and Pakistan Stock Exchange. This index will provide the criteria of listing for the Shari'ah compliant listed companies on the Pakistan Stock Exchange (PSX).

IFSB membership

Securities and Exchange Commission of Pakistan (SECP) became member of the Islamic Financial Services Board (IFSB).Board serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic Financial Services Industry (IFSI).The SECP's membership means that it will benefit from cooperation amongst IFSB members in developing the Islamic Financial Services Industry in Pakistan and avail of the training facilities.

Adoption of Shari'ah Standards

In line with its efforts to bring standardization and harmonization in Shari'ah-related matters of Islamic financial institutions (IFIs) under its regulation and supervision, the Securities and Exchange Commission of Pakistan (SECP) adopted Shari'ah standards numbers 3, 8, 9 and 13 issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Proposals on tax neutrality/reductions for Shariah compliant companies in the finance bill 2016-17

- In order to eliminate Riba and for the promotion and development of the Islamic capital market a 2 % tax rebate is proposed for all shariah complaint companies.

This proposal of tax incentive will attract new listings of companies on the Pakistan Stock Exchange (PSX) and will add depth to the market. Moreover, it will create vibrant primary and secondary markets; capitalize the limited capital base; mobilise resources through channeling of faith-based investor savings; counter market anomalies and malpractices due to larger free-floats; create employment and generate revenue for the national exchequer through additional direct and indirect taxes.

- Definitions of Shari'ah Complaint Company and Shari'ah compliant instrument with enabling provisions for Governance framework have been proposed in the Companies Bill 2016.
- A holistic review of the Shariah provisions in the existing laws/rules and regulations in the jurisdiction of the SECP were conducted and a draft regulatory framework for Shari'ah compliance is under formulation.

Future outlook

- Implementation of Shari'ah Governance and Compliance framework post the amendments in Companies Bill 2016.
- Adoption of AAOIFI's Shari'ah and Accounting Standards.
- Collaboration of IFD with the three centers of excellence for Islamic Finance
- Development of Islamic financial products
- Awareness creation through International conference in collaboration with RedMoney Group, Islamic Finance News, Malaysia to be held in Sep 2016 and other training sessions in Islamabad.
- Implementation of recommendations of Steering Committees on Islamic Finance and NFIS
- Complete review of IFSB principles
- Finalization of Standardization of constitutive documents of Shari'ah compliant Mutual Funds i.e. Trust Deed and Offering Documents

6. Legislation and legal reforms

During 2015-16, a comprehensive exercise was undertaken to initiate the process of revamping existing primary as well as secondary legislation. Details are given below;

Primary Legislation

- Futures Market Act, 2016
- Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015
- Companies Ordinance (Amendment) Act, 2015
- Corporate Restructuring Companies Act, 2016

- Securities and Exchange Commission of Pakistan (Amendment) Act, 2016
- Companies (Appointment of Legal Advisors) (Amendment) Bill, 2016
- Corporate Rehabilitation Bill, 2016
- Limited Liability Partnership Bill, 2016
- Unclaimed Dividend and Insurance Benefits and Investor Education and Awareness Fund (Amendment) Bill, 2016
- Motor Vehicle Third Party (Amendment) Bill, 2016
- Compulsory Group Life Insurance (Amendment) Bill, 2016
- Companies Bill, 2016
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, (Amendment) Bill, 2016
- Draft Amendments to the Insurance Ordinance, 2000

Secondary Legislation

- Draft Centralized (Know Your Customer) Organization Rules, 2016
- Draft Credit and Suretyship (Conduct of Business) Rules, 2016
- Draft Customer Compensation Fund (Establishment and Operation) Rules, 2016
- Draft Bond Pricing Agency Rules, 2016
- Draft Advisers and Consultants to the Issue of Securities Rules, 2016
- Draft Public Offering of Securities Rules, 2016
- Draft Private Placement of Securities Rules, 2016
- Insurance Rules, 2016
- Draft Bankers to an Issue of Securities Rules, 2015
- Employees' Provident Fund (Investment in Listed Securities) Rules, 2016
- Small Dispute Resolution Committee (Constitution and Procedure) Rules, 2015
- Draft Appellate Bench Rules, 2016
- Central Depositories (Licensing and Operations) Regulations, 2016
- Securities Brokers (Licensing and Operations) Regulations, 2016
- Access to Inside Information Regulations, 2016

- Companies (E-Voting) Regulations, 2016
- Joint Inspection Regulations, 2015
- Research Analyst Regulations, 2015
- Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015
- Book Building Regulations, 2015
- Private Funds Regulations, 2015
- Bancassurance Regulations, 2015
- Companies (Buy-Back of shares) Regulations, 2016
- Insurance Accounting Regulations, 2016
- Draft Centralized Customer Protection Compensation Fund Regulations, 2016
- Draft Valuers Registration and Governance Regulations, 2016
- Draft Clearing Houses (Licensing and Operations) Regulations, 2016
- Draft Securities and Exchange Commission (Reinsurance Brokers) Regulations, 2015
- Draft Modaraba Regulations, 2015

MICROFINANCE

I. Performance of the Microfinance Industry (up to March, 2016) [2]

- At the close of quarter ended March, 2016 around **50 institutions** including 10 deposit taking microfinance banks (MFBs) were involved in providing microfinance services
- During the first three quarters, the microfinance sector (MFBs and Non Bank – Microfinance Institutions, NB-MFIs combined) witnessed 29.3 percent (or Rs. 23.7 billion) growth in its **aggregate microcredit portfolio** to reach Rs. 104.7 billion as of March 31, 2016. This included Rs. 64.0 billion (61 percent) worth loans disbursed by MFBs which grew by 40.6 percent from Rs. 45.5 billion in June, 2015.
- The **number of borrowers** also registered growth of 14.1 percent, to exceed 4.0 million mark at the end of March, 2016. These included around 1.6 million (40 percent) MFB borrowers.

[2] The analysis is based on latest available statistics; (i) microfinance industry (includes both Microfinance Banks and Non Bank Microfinance Institutions) up to March, 2016, (ii) microfinance banks & (iii) branchless banking up to June, 2016.

- Over the quarters, the sector was able to expand its **branch/service centre network** to 3,005 by adding 276 new business locations till March 31, 2016.

Indicators	30-Jun-15			31-Mar-16		
	MFBs	MFIs	Total	MFBs	MFIs	Total
Total No. of Borrowers	1,296,204	2,211,129	**3,507,333**	1,597,130	2,405,290	**4,002,420**
Gross loan portfolio (Rs. In Mln.)	45,582	35,369	**80,951**	64,098	40,631	**104,729**
Avg. Loan Balance (Rs. in Mln.)	35,165	15,996	**23,081**	40,133		**26,166**
Total No. of Depositors	11,598,523	-	**11,598,523**	10,819,788	-	**10,819,788**
Deposits (Rs. in Mln.)	52,016	-	**52,016**	66,314	-	**66,314**

II. Quarterly Performance of the Branchless Banking Industry (up to June, 2016)

- The **BB deposit base** increased by 26% over the quarter to rise to Rs. 13.7 billion from Rs.10.8 billion.
- The **average deposit** per account increased to Rs. 942 from Rs. 796 which indicates that the customers are gradually realizing that these easy to open accounts with low KYC requirements are preferred choice over cash to maintain their savings.
- The **number of BB accounts** rose to 14.5 million, showing a steady growth of 6.6% whereas the average size of transaction remained Rs. 4,577.
- The **BB agents' network** continued to establish its footprints during the quarter with a modest increase of 1.56%, reaching 346,716 agents.
- The **volume and value of transactions** witnessed 2.45% and 6.77% increase respectively which is another positive indicator depicting the enhanced usage of the digital financial channel which is primarily designed to establish an inclusive financial system in the country.

Indicators	Jan-Mar 2016	Apr-Jun 2016	Growth*
Number of agents	341,403	346,716	1.56%
Number of Accounts	13,673,442	14,576,387	6.60%
Deposits as on quarter end *(Rs. in Billion)*	10,885	13,734	26.18%
Number of transactions during the quarter	115,927	118,772	2.45%
Value of transactions during the quarter *(Rs. In Billion)*	509,126	543,609	6.77%
Average size of transactions *(Rs.)*	4,392	4,577	4.21%
Average daily transactions	1,288,083	1,319,684	2.45%
Average deposit in accounts *(Rs.)*	796	942	18.37%

***** Growth during First Half of the CY 2016 (Jan-Jun 16)

Source: Agricultural Credit & Microfinance Department, SBP

III. Performance of the Microfinance Banks (up to June, 2016)

- **Microcredit portfolio** of the microfinance banks registered an annual growth of 60 percent (or Rs. 27 billion) to reach Rs. 72.8 billion in June, 2016 from Rs. 45.5 billion at the end of preceding period. A corresponding growth of 31 percent was also recorded in terms of credit outreach as the number of borrowers to exceeded 1.7 million.
- The **deposit base** of MFBs managed to exceed Rs. 87.0 billion, compared to Rs. 52.0 billion in June, 2015.
- MFBs collectively provided deposit services to more than 12.7 million **depositors**
- The aggregate **assets** of the MFBs witnessed an increment of Rs. 50.4 billion to reach Rs. 133 billion.
- The MFBs generally remained adequately **capitalized**, with over all equity exceeding Rs. 22.6 billion at the end of the period.

(Rs. in billions)

Microfinance Banking Indicator	Jun-15	Jun-16
No of Borrowers	1,296,204	1,700,302
Gross Loan Portfolio	45.581	72.861
Deposits	52.016	87.023
No of Depositors	11,598,523	12,781,691
Equity	16.630	22.677

Assets	82.525	133.324
Borrowings	8.945	14.576
NPLs	1.76%	1.28%

Source: Agricultural Credit & Microfinance Department, SBP.

IV. Key Policy Initiatives relating to microfinance

1. **Corporate Governance Framework for MFBs:** The governance framework was strengthened to ensure compliance with legal and regulatory framework. The new instructions require MFBs to submit an additional undertaking (E-4) at the time of inducting new Presidents, Board Members and Key Executives to validate their measures taken for to validate their educational and proprietary fitness.
2. **Commencement of Sindh MFB's Operations:** In May, 2016 Sindh Microfinance Bank started its banking operations on a province-wide basis in Sindh after completing necessary formalities. This brings the number of deposit taking MFBs to eleven (11). Sindh MFB is expected to play a important role in improving access to financial services in Sindh.
3. **Digital Credit:** Tameer and Mobilink MFBs have been allowed to extend digital credit to their existing BB customers who lack access to branches to facilitate real-time disbursements with aggregate exposure from all the MFBs not exceeding 30,000/-.
4. **Very Small (Micro) Enterprise Lending Workshop:** A two and a half (2½) day workshop was jointly organized by SBP & International Finance Corporation (IFC) in collaboration with Department for International Development (DFID) – UK. The workshop was attended by the Presidents/CEOs of microfinance banks along with their relevant key executives. The event aimed to sensitize audience over specific needs/issues/concerns related to Micro-Enterprise Lending and stress over the need for MFBs to strengthen their internal controls and risk management practices for sustainably venturing in this area under both Islamic and conventional modes.
5. **Enhancement of Biometric Infrastructure**: Biometric infrastructure is being speedily installed at agent level to aid real-time account opening at discounted price structure.

Prime Minister's Interest Free Loan (PMIFL) Scheme

The government launched the Prime Minister's Interest Free Loan (PMIFL) Scheme to make poor to stand on their feet by offering them a chance to set up their own small enterprises productively. Pakistan Poverty Alleviation Fund (PPAF) has been assigned as implementing agency.

Salient Features:

Name:	Prime Minister's Interest Free Loan (PMIFL) Scheme
Funds Allocated:	Rupees 3.5 Billion (Rs.3.1 Billion for on-lending)
Type of Loan:	Interest Free Loan for Productive purposes
Loan Size:	Up to Rs. 50,000 per borrower
Beneficiary Eligibility:	Up to 40 on the Poverty Score Card (PSC), who qualify social and technical appraisals, 50% of whom would be women

Key achievements & Progress

	July, 2015– June, 2016			**Cumulative for Two Years (Oct, 2014 to June 30, 2016)**		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Number of Application Received	69,885	98,708	168,593	85,811	127,198	213,009
Number of Application Approved	58,212	86,544	144,756	78,777	118,501	197,278
Number of Loans provided to Borrowers	56,386	86,509	142,895	72,587	116,198	188,785
Amount Disbursed to Borrowers (Mill. Rs.)	1,194.01	1,943.73	3,137.74	1,524.89	2,543.58	4,068.47
Induction of partner organizations	25			26		
Amount disbursed to POs (Mill. Rs)	1,901.05			3,231		
Coverage under PMIFL (District)	36			44		
UCs/Tehsils Outreach	266			287		
Loan Centers/Branches Established	164			233		
Implementation support & Monitoring Visits (No.)	55			110		

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY (IPDF)

Public Private Partnerships (PPP) are at the forefront of the Government of Pakistan's agenda for leveraging private sector investment for the infrastructure development in Pakistan. Infrastructure Project Development Facility (IPDF) in this regard is playing an active role in structuring infrastructure transactions under PPP modality attracting private sector financing and expertise. IPDF's role as the Federal PPP unit has been reinforced with the GOP's renewed strategy to catalyze national economic growth through fiscal prudence and private sector participation. IPDF is fully committed to offload the budgetary constraints of the Federal Government from the overall Public Sector Development Program (PSDP).

The performance details of IPDF for the past 12 month period (FY 2015-16) are as follows:

I. IPDF has been instrumental in facilitating National Highway Authority (NHA), BOT Cell to develop projects under PPP methodology. IPDF's assistance to NHA has come in the form of conducting financial feasibilities, transaction structuring, devising bid documents, financial evaluation of bids received for the projects, development of concession agreements and contract negotiations. Past three years have witnessed unprecedented project development activity in NHA of which IPDF has been an integral part, bringing in approx. US$ 1b in private sector investment. During this last 12-month period, IPDF has successfully assisted NHA in the following projects:

    i. Lahore–Sialkot Motorway on BOT: The project envisages development of a 90 km six lane controlled access motorway being developed on BOT basis with a cost of approx. Rs.68 billion. This is a Greenfield project connecting the city of Sialkot and Lahore. IPDF assisted NHA in developing financial feasibility and transaction structure for the Project. Letter of Intent for the project has been issued to FWO and the negotiations on concession agreement will commence shortly.

    ii. Multan-Muzaffargarh-DG Khan Road on BOT: This is 80 km road serves as East-West linkage across the river Indus. The road needs rehabilitation/up-gradation of the existing facility as well as conversion to dual carriageway to facilitate North-South freight traffic and at the same time open up an East-West economic corridor. The total project cost is estimated at Rs.10 billion. At the moment the project is in concession negotiations phase with the private party.

iii. Sukkur-Hyderabad Motorway (M-6): This is a 296 km six lane controlled access motorway with a projected cost of Rs.176 billion. This is a Greenfield project connecting the city of Sukkur and Hyderabad. NHA wants to implement this project with private sector participation on PPP basis. Transaction structuring of this Project is in process after which the NHA will float this Project in market.

II. Keeping in view its growing fiscal constraints and their increasing burden on public sector financing, Pakistan Post like many of its peers is also looking to attract private sector investment to enable it to better utilize its existing asset and resource base with the underlying objective to increase its revenue streams and improve its service offerings. IPDF is assisting Pakistan Post in developing and implementing projects on PPP mode by providing its expertise in transaction structuring and transaction implementation. Some of the projects that IPDF is working on are:

i. Mobile Money Solution: Pakistan Post is engaged in providing financial services through its vast network of 3,400 departmental and 9,000 extra departmental post offices across Pakistan. Keeping in-line with the vision of GOP, Pakistan Post (PP) has adopted financial inclusion as one of the key strategic goals to improve the level of financial inclusion in the country from existing 10% to 50% by 2020. In order to achieve this goal and to develop digital payment product ecosystem, PP requires a robust and a reliable digital platform to facilitate digital transactional accounts and payment streams of various types. PP intends to execute this project on PPP basis with the private sector bringing capital, technology and management expertise to develop and operate this mobile digital payment system. The project is at the moment in inception phase with the EOI for the market test already issued.

III. To keep private sector investment flowing into infrastructure, GOP has taken a proactive approach. The Government is in the process of bringing a Public Private Partnerships Law at the Federal Level, and forming of a Public Private Partnership Authority (PPP Authority) with the objective to provide a regulatory and an enabling environment for private participation in provision of public infrastructure and related services through fair and transparent procurement processes. IPDF has been instrumental in the development of this law and in catering to the views of all the stakeholders. PPP Law would be a testament to the Government's commitment to attracting private sector investment in the country and facilitating economic growth.

COMPETITION COMMISSION OF PAKISTAN (CCP)

The Commission enforces the substantive provisions of the Competition Act, 2010, which can be classified in two broad categories: **enforcement** and **advocacy**. Enforcement pertains to addressing possible violations of **§3- Abuse of Dominance**; **§4-Prohibited Agreements**, and **§10- Deceptive Marketing**. Pre-merger clearances are covered under **§11-Approval of Merger**. Advocacy and research activities fall under the ambit of **§29-Competition Advocacy**.

Activities and Results

In the financial year, the Commission's performance can be summarised, with **key indicators** of output, as follows:

Enforcement

- **15 inquiries** in various matters took place. **Four** were relating to violations of **§3** and **§4** of the Act (**trade abuses** and **cartels**) and **11** were on violations of **§10 (deceptive marketing practices)**.
- **49 exemptions** were given to agreements that could otherwise be seen as anti-competitive in the financial year 2015-16.

Acquisitions and Mergers

- **71pre-merger clearance applications** were processed. Of these, two were taken to a second phase review – the integration of the three stock exchanges into the PAKISTAN STOCK EXCHANGE and the acquisition of WARID by MOBILINK.

Adjudication

- The Commission held **19**hearings in the period of these, **six** hearings were on enforcement actions under §3 and §4 of the Act, **seven** were pertaining to deceptive advertising matters under §10 and **six** were related to mergers and acquisitions under §11.
- **Nine Orders have been passed in the period. Four** of these pertain to deceptive marketing practices and **two** pertained to pre-merger applications filed by the STOCK EXCHANGES and MOBILINK-WARID.The remaining **three** orders were on matters pertaining to cartel-like behaviour in violation of §4 of the Act.

Advocacy and Research

- The Commission held regular **advocacy** events in the period. The 22-city road show kicked off in December 2015 and continued to the end of January 2016. The road show participants were various chambers of commerce and industry as well as trade associations.

- **Four** policy notes were issued, three of which pertained to tax and duty matters.
- A module on competition law and economics, developed with the assistance of KING'S COLLEGE, London, was introduced in the curriculum of the NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY (NUST) in February 2016 with one of the Commission's officers teaching the material over a sixteen-week semester.
- The MERGERS Department held briefing sessions with law firms in Islamabad, Lahore, and Karachi in May 2016 to help develop their capacity to file merger applications with the Commission on behalf of their clients.

International Events and Capacity Building Sessions

Eight events with an international and capacity building focus, in collaboration with the JAPAN INTERNATIONAL CO-OPERATION AGENCY, U.S.FEDERAL TRADE COMMISSION, the TURKISH COMPETITION AUTHORITY, the WORLD BANK, and the ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)took place in FY2015-16.

- The **Chairperson** and one **Officer** attended the UNCTAD'S 7TH REVIEW CONFERENCE ON THE UN SET in Geneva, July 2015
- **One** officer the Commission attended a JICA -funded competition training programme at the JAPAN FAIR TRADE COMMISSION(August-September 2015).
- The **Chairperson** attended the OECD's GLOBAL FORUM ON COMPETITION in Paris, October 2015
- **Three experts** of the U.S. FEDERAL TRADE COMMISSION (FTC)spent four days in Islamabad with the Commission's staff, investigative processes for merger review in the United States (November 2015).
- A **two**-member delegation from the TURKISH COMPETITION AUTHORITY (TCA) spent two days with the Commission for training on competition advocacy and practices, merger control regime vis-à-vis privatisation, abuse of dominance, and Case Handling Procedure, Leniency and Fining in Turkey. Along with the TCA, the CCP's Mergers Department and the Office of International Affairs also participated in a two-day training programme, focused on electricity distribution and privatisation, for the PRIVATISATION COMMISSION.
- A WORLD BANK Technical Assistance Mission to Pakistan (**three** experts) also conducted a two-day training programme for the Commission titled A PRAGMATIC APPROACH TO COMPETITION POLICY ADVOCACY AND

ENFORCEMENT-FROM VERTICAL MERGERS AND VERTICAL RESTRAINTS TO COMPETITION EXEMPTIONS AND COMPETITION ADVOCACY (17-18 March 2016).

- Two Commission Members attended the AMERICAN BAR ASSOCIATION's **Spring Meeting** in Washington, D.C. (April 2016).
- The Commission's Officers participated in various events sponsored by the OECD's KOREA POLICY CENTRE:
  - Sectoral Workshop on **Telecommunications**, Korea (September 2015) – **two** officers.
  - Workshop on **Merger Remedies**, Korea (December 2015) – **two** officers.
  - Workshop on **Building Cartel Enforcement**, Hanoi (March 2016) – **one** officer.
  - Workshop on **Abuse of Dominance and Unilateral Conducts**, Bali (May 2016) – **one** officer.
  - Workshop on **Competition Rules and the Financial Sector**, Korea (June 2016) – **one** officer.

Other Notable Achievements

- For its work done in 2015, the GLOBAL COMPETITION REVIEW, in its RATING ENFORCEMENT 2016,evaluated the Commission at 3-stars (out of 5) putting it at par with other well-established agencies and regimes.
- The Commission acquired its **ISO** certification during the period.
- The World Bank agreed to increase its grant assistance to the Commission from US$ 500,000 to US$ 2 million.

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 2016.

NI(U)T Fund

NIT has declared an interim dividend @ Rs. 4.50 per unit for unit holders of NI(U)T for the fiscal year FY2016 as compared to Rs. 4.25 per unit for the year ended on 30th June 2015. The payment of dividend @ Rs. 4.50 per unit would involve a huge cash payout of Rs. 4,482 million among its unit holders.

For the year ended 30 June 2016, the Fund earned a healthy total return of 9.59% where its NAV increased from Rs. 63.75 (Ex-Dividend) as on 30.06.15 to

Rs. 65.15 (adjusted for payout) as on 30.06.16 against the benchmark KSE-100 index which increased by 9.84%.

Further, for the year ended 30 June 2016, the NI(U)T Fund earned a Net income of Rs. 7,658 million (EPU of Rs. 7.47) against an income of Rs. 6,167 million (EPU of Rs. 5.55) during FY15, an increase of 24.2% YoY.

During FY16, NI(U)T Fund realized capital gains of Rs. 5,264 million depicting a growth of 41.8% from previous year's capital gains of Rs. 3,713. During the year under review, the dividend income earned by the Fund stood at Rs. 3,177 million as compared to Rs. 2,473 million in FY15, growth of 28.47% in dividend income. The net assets of the Fund stood at Rs. 66,830 million (adjusted for payout) as on 30 June 2016.

Performance Highlights of NI(U)T Fund

(Rs in million)	**FY16**	**FY15**	**FY14**	**FY13**	**FY12**
Dividend Income	3,177	2,473	2,329	2,822	2,421
Capital Gains	5,264	3,713	3,504	4,448	1,439
Net Income	7,658	6,167	5,431	1,365	5,664
Earning/Unit (Rs.)	7.47	5.55	5.13	1.22	4.13
Dividend/ Unit (Rs.)	4.50	4.25	4.10	3.75	3.50
NAV/Unit Rs. (XD)*	65.15	63.75	56.59	38.66	26.77

**Ex-Dividend NAV's.*

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

TOP 10 HOLDINGS

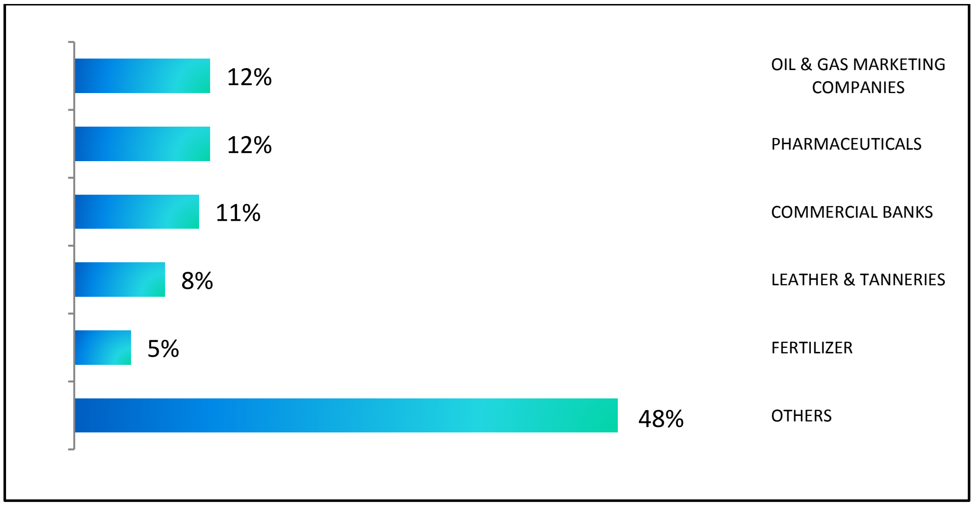
As on 30th June, 2016

NAME	**% of NI(U)T's PORTFOLIO**
PAKISTAN STATE OIL	11.0%
BATA PAKISTAN LTD.	6.0%
BANK ALHABIB	5.0%
FAUJI FERTILIZER	5.0%
PACKAGES LIMITED	4.0%
MARI PETROLEUM	4.0%
PAKISTAN TOBACCO	3.0%
ABBOT LABORATORIES	3.0%

GLAXOSMITHKLINE	3.0%
FEROZSONS LABORITIES	2.0%
Total	**46.0%**

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

As on 30th June, 2016



NIT State Enterprise Fund (NIT-SEF)

NITL has declared an interim cash dividend of Rs 1.0 per unit for the year ending June 30, 2016.

During the period under review, the Fund reported a net income of Rs.139 million (EPU of Rs. 0.93) whereby the capital gains realized were Rs. 84 million. The Fund also earned a dividend income of Rs. 107 million in FY16.

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. 12.7 billion to the GoP as part of its profit sharing of NIT-SEF to date. The net assets of SEF stand at Rs. 2,034 million as of June 30, 2016.

NIT Equity Market Opportunity Fund (NIT-EMOF)

The Board has declared an interim dividend of Rs. 12.50 per unit in the form of cash for the year ending June 30, 2016.

During the year, NIT-EMOF earned a net income of Rs. 658 million (EPU of Rs. 16.79) where as it realized capital gains of Rs. 419 million and earned a dividend income of Rs. 430 million. During the period, the Fund earned a healthy return of 8.44%.

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. 8,415 million as on June 30, 2016.

NIT Islamic Equity Fund (NIT-IEF)

NIT-IEF was launched on May 18, 2015. During FY16, NIT-IEF earned a net income of Rs. 195 million (EPU of Rs. 0.42). During the year, the Fund also realized capital gains of Rs. 234 million and earned a dividend income of Rs. 213 million.

During the period under review, the Fund earned a total return of 5.78%. As at June 30, 2016, net assets of NIT-IEF stood at PKR 4,786 million.

INCOME FUNDS

NIT Government Bond Fund (NIT GBF)

NIT has declared an interim distribution of Rs. 0.75 per unit for unit holders of NIT GBF for the year ending June 30, 2016.

During FY16, the Fund has earned a net income of Rs. 239 million and yielded an annualized return of 5.78% compared to the benchmark return of 5.78%. Furthermore, since its inception till 30^{th} June 2016, NIT GBF earned an annualized return of 12.88% against the benchmark return of 9.05%, an outperformance of 383 bps. Net assets of NIT GBF stood at Rs. 4,091 million as on 30^{th} June 2016.

NIT Income Fund (NIT IF)

NIT has declared an interim distribution of Rs. 0.76 per unit for unit holders of NIT IF for the year ending June 30, 2016.

During FY16, the Fund earned a net income of Rs. 176 million and yielded an annualized return of 5.87% compared to the benchmark return of 6.53%. Furthermore, since its inception till 30th June 2016, NIT IF has earned an annualized return of 13.29% against the benchmark return of 10.30%, an outperformance of 299 bps.

Net assets of NIT IF increased by 12.4% and stood at Rs. 4,127 million as on 30^{th} June 2016 increasing from Rs. 3,673 million as on 30^{th} June 2015.

IMPORTANT ACHIEVEMENTS

NIT had completed fifty four years of its establishment. Few important achievements made during this period of 54 years are highlighted below:

- During FY16, NIT introduced two new funds namely NIT-Government Treasury Fund and NIT Islamic Income Fund.
- NIT is the largest asset management company of Pakistan. With the introduction of two new funds, NIT's family of Funds comprises of ten funds, three convential equity, one Islamic equity, two fixed income, one money market, one Islamic income and two pension category funds (conventional & Islamic). Total funds under management of NIT stood at Rs. 91.77 billion as on June 30, 2016 which is 19% of the entire mutual funds industry and the Equity Funds under management of NITL constitute around 46% of open-end equity funds. NIT has the largest number of investors which stands at about 54,000 as on June 30, 2016.
- 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 and a desk at Sarmayakari Markaz, Abottabad.
- NIT, being pioneer in the mutual fund industry, fully understands its Corporate Social Responsibilities and has been playing its role towards poor/needy/neglected people by contributing generously.
- NIT has been playing its role in creating awareness among potential investors about Mutual Fund industry.

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	6488	5521	1144	900	300	-

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. JICs are facilitating two way business particularly with partner countries and other regions. Theses JICs controlled and managed by their Board of Directors with equal representation of two sovereign states

OFFICERS OF INVESTMENT WING

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

Mr. Badar ul Arifeen
DS (Inv-I)

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

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

Mr. Mushtaque Ali
AEA(Inv-I)

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

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

PROVINCIAL FINANCE (PF) WING

ROLE OF PROVINCIAL FINANCE (PF) WING

Overview

The principle responsibilities of PF Wing, includes, the following:-

- *To Provide Secretariat support to National Finance Commission (NFC), a constitutional body responsible to recommend revenue sharing arrangement between the Federation and Provinces.*
- *To arrange meetings of NFC bi-annually, to monitor the implementation of NFC award/recommendations as provided in the constitution.*
- *To distribute funds (i.e. Divisible Pool Taxes & Straight Transfers) to the Provinces in accordance with the NFC award/formula.*
- *Timely release of funds for Provincial projects funded through Finance Division's PSDP and grants-in-aid to Special Areas i.e GB and AJ&K.*
- *Implementation of President/Prime Minister's Directive relating to Provinces and Special Areas.*
- *To administer and maintain inter-governmental fiscal relationship between Provinces and Special Areas. Settlement of monetary issues, raised by the Provinces and to address such issues with utmost speed and efficiency.*
- *Provision of long term loans/advances to government employees for house building /purchase of motor cars/cycles.*
- *Maintenance of record of the Cash Development Loans (CDL) provided to Provinces and recovery of the same together with foreign exchange loans (FEL) for Provinces.*
- *Coordination relating to meetings and implementation of decisions of CCI and IPCC relevant to Provinces.*
- *To conduct periodic reconciliation of the Federal transfers made to Provinces, with AGPR sub offices and offices of the Accountant Generals located at Provincial Headquarters.*
- *Conducts quarterly 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.

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 9th NFC was set up on 24th April, 2015 in consultation with Provincial Governments. The 9th NFC in its inaugural meeting held on 28th April 2015 constituted four Working Groups to conduct studies on the following, in order to make its deliberations meaningful:-

- 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".

The study reports prepared by Working Groups and their recommendation would be helpful to the 9th NFC to conclude its recommendations.

Revenue Transfers

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

a. ***<u>Divisible pool transfers</u>**: 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 17th and last working day of each month.*

b. ***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 2015-16 is as under:-

(Rs. in billion)

	Punjab		Sindh		Khyber Pakhtunkhwa		Balochistan	
Components	**B.E**	**Release**	**B.E**	**Release**	**B.E**	**Release**	**B.E**	**Release**
Divisible Pool	887.906	895.781	421.301	425.037	281.039	283.532	155.992	155.992
Straight Transfers	6.747	5.672	61.499	63.626	19.413	18.523	15.495	13.999
Total	**894.653**	**901.453**	**482.800**	**488.663**	**300.452**	**302.055**	**171.487**	**169.991**

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 2015-16 is as follows:

(Rs. In billion)

Component	Punjab	Sindh	Khyber Pakhtunkwa	Balochistan	Total
Grant to offset Losses of abolition of OZT (NFC Award) to Sindh.	-	11.803	-	-	11.803
Financial assistance to Govt. of Khyber Pakhtunkhwa for flood Affectees.	-	-	0.500	-	0.500
Compensation to the Affectees of earthquake 2015.	-	-	5.500	-	5.500
Grant to Govt. of Khyber Pakhtunkhwa for District Government Bannu.	-	-	0.100	-	0.100

Grant to Govt. of Khyber Pakhtunkhwa for Tehsil Municipal Administration Bannu, District Bannu.	-	-	0.050	-	0.050
Grant to Govt. of Khyber Pakhtunkhwa for Tehsil Municipal Administration Domail, District Bannu.	-	-	0.050	-	0.050
Grant to Govt. of Khyber Pakhtunkhwa for District Government Swat.	-	-	0.200	-	0.200
Grant to District Government Mansehra for acquiring land for graveyard at four different locations.	-	-	0.200	-	0.200
Grant to Govt. of Khyber Pakhtunkhwa for District Government Shangla.	-	-	0.200	-	0.200
Grant to Balochistan residential college, Loralai.	-	-	-	0.015	0.015
Grant in lieu of Arrear of GDS 1991-92 under AHBP	-	-	-	10.000	10.000
Grant to Balochistan for cadet College, Mastung.	-	-	-	0.020	0.020
Incentive Grant to Provinces on maintaining Surpluses in terms of CCI decision.	1.685	0.837	1.198	2.000	5.720
Total:	**1.685**	**12.640**	**7.998**	**12.035**	**34.358**

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 2015-16, 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 (Revised)	Releases
Punjab	08	0.950	0.950
Sindh	14	1.065	1.065
Khyber Pakhtunkhwa	05	0.291	0.291
Balochistan	25	6.360	6.360
Total	**53**	**8.666**	**8.666**

Loan and Advance to Federal Government Servants:-

A profile of Loan and Advance to Federal Government Servants during FY 2015-16 is as under:-

S.#	Name of Offices / Departments	HBA	Motor Car Advance	Motor Cycle/Scooter Advance	Cycle Advance	Grant Total Released 2015-16
		In Rupees				In Billion
1.	AGPR, Islamabad.	2,250,489,000	451,800,000	221,550,000	1,925,000	**2.925**
2.	AGPR, Sub-Office, Lahore	832,500,000	90,000,000	79,650,000	700,000	**1.002**
3.	AGPR, Sub-Office, Karachi	610,049,000	84,150,000	75,000,000	700,000	**0.770**
4.	AGPR, Sub-Office, Peshawar	337,620,000	47,250,000	36,300,000	700,000	**0.422**
5.	AGPR, Sub-Office, Quetta	199,001,000	25,200,000	4,650,000	175,000	**0.230**
6.	AGPR, Sub-Office, Gilgit	281,875,000	20,700,000	21,525,000	175,000	**0.324**
7.	Others*	1,349,484,000	116,360,000	123,750,000	6,597,000	**1.600**

*It represents self entity/independent Organizations.

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 2015-16 is shown as follows:-

(Rs. in billion)

Province	Principal	Interest	Total
Punjab	28.802	4.117	32.919
Sindh	8.044	4.317	12.361
Khyber Pakhtunkhwa	6.128	0.792	6.920
Balochistan	4.789	0.527	5.316
AJ&K[1]	3.426	8.596	12.022
Total	**51.189**	**18.349**	**69.538**

[1]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 2015-16 is shown as follows:-

(Rs. In billion)

Component	Allocation 2015-16 (Revised)	Released 2015-16
Federal Grant (Shared taxes)	16.750	16.750
Revenue Deficit Grant	15.142	15.142
Total	**31.892**	**31.892**

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 2015-16 is as follows:-

(Rs. in billion)

Component	No. of Projects	Allocation 2015-16	Released 2015-16
ADP (Block Allocation)	---	11.000	11.000
PSDP (Federal Projects)	09	1.525	1.425
Total	**09**	**12.525**	**12.425**

Federal Transfers to Government of Gilgit-Baltistan

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 2015-16 is shown as follows:-

(Rs. in billion)

Component	Allocation 2015-16	Release 2015-16
Grant in Aid to G.B.	21.406	21.406
Wheat Subsidy to G.B.	6.045	6.045
Total:	27.451	27.451

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

Strength of Regulations/ Litigation Wing

Wing	Joint Secretary	Deputy Secretary	Section Officer
Regulations	1	4	9
Litigation	1	2	6

PERFORMANCE OF REGULATIONS WING DURING FINANCIAL YEAR 2015-16.

ITEMS	Number of cases
Court Case proceed during the year	367
Service rule/Regulations of different department vetted – Rules Vetted	8
Major Policy Decisions taken	22
Cases regarding Up-gradations of posts of different organization	55
Fixation of Pays	72
National Assembly/Senate business	106
FR-17 Cases	366

Regulations Wing

- Government has revised Basic Pay Scale of all Federal Government employees in BPS 1-22, and introduced Basic Pay Scale 2015 w.e.f 1-7-2015.
- Government has granted Adhoc relief Allowance @ 7.5% to all Federal Government employees, w.e.f 1-7-2015.
- Government has increased Medical Allowance of all Federal Government employees by 25% of the amount of Medical Allowance, w.e.f 1-7-2015.

- All the Federal Government employees in BPS-5 have been allowed one premature increment, with effect from 1st July 2015.
- A uniform Ph.D. Allowance of Rs.10,000/- per month has been allowed to Ph.D./D.Sc. degree holders working under Federal Government, with effect from 1st July 2015. This will replace the existing Science and Technology Allowance of Rs.7, 500 per month and Ph.D. Allowance of Rs.2,250.
- The rates of special pay to Senior Private Secretary and Assistant Private Secretaries has been increased by 100%.
- The rate of orderly allowance and special additional pension has been increased to Rs.12,000 per month.
- Government has allowed increase in pension @ 7.5% of net pension w.e.f. 1st July, 2015 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.
- Government has allowed increase in medical allowance @ 25% in the amount of medical allowance being drawn by the civil pensioners of Federal Government, civilian paid from Defence Estimates and Civil Armed Forces and to the future retirees, on the medical allowance admissible to them at the time of retirement and shall stand frozen at same level.
- The Government has allowed the benefit of restoration of commuted value of surrendered portion of pension to those pensioners who retired/would retire on or after 01.12.2001 in accordance with Finance Division O.M. No. F. 5(2)-Reg.6/2015-699 dated 7.7.2015.
- Government also allowed periodical increases upon surrendered portion of pension after restoration vide letter No. 5(2)-Reg.6/2015-1210 dated 09.02.2016.
- Government has extended the benefit of family pension for life to the widowed daughter/divorced daughter of deceased pensioners.
- Government has declared Gawadar as big city for the purpose of House Rent Allowance @ 45% of the minimum of Basic Pay Scale 2008, w.e.f 1-1-2016.
- Rate of overtime allowance for Drivers/ DRs has been increased from Rs. 25/- per hour subject to maximum Rs. 150/- per day to Rs. 40/- per hour subject to maximum Rs. 240/- per day, w.e.f 1-7-2015.

- Government has revised Tenure Track Package for Professors, Associate Professors and Assistant Professors, w.e.f 1-7-2015

- Government has revised Management Scales 2011 and introduced Management Scales 2015, w.e.f 1-7-2015.

- Personal Staff subsidy for Management Grade Officers has been increased from Rs. 7000/- p.m to Rs. 12000/- P.M, w.e.f 1-7-2015.

- Government has decided that the revision of Basic Pay Scale 2011 and grant of Adhoc Relief Allowance 2015 @ 7.5% will also be applicable to Autonomous/ Semi-autonomous Bodies and Corporations, which have adopted the Federal Governments Basic Pay Scale in totality.

- Government has revised Compensation in lieu of Batman to Pak Navy Officers from Rs. 7500/- P.M to Rs. 10,500/- P.M, w.e.f 1-7-2012.
- To raise the morale of SSG/ Submarine/ Flying officers who are fighting against terrorists, Government has revised SSG/Submarine and Flying allowance @ 40% of basic pay 2011, w.e.f 30-6-2015.
- Government has extended admissibility of Northern Areas Compensatory Allowance allowed to Pak Army, deployed in specified areas of Gilgit Baltistan, for three year, w.e.f 1-8-2013.
- Rate of Ration allowance allowed to Airport Security Force has been revised from Rs. 1500/- per month to Rs. 2500/- per month, w.e.f 1-7-2015.
- Rate of Anti Terrorist Squad allowance allowed to Anti Terrorist Squad of ASF has been revised from Rs. 1000/- P.M to Rs. 1500/- P.M, w.e.f 1-7-2015.
- Admissibility of Special Area compensatory allowance, allowed to the officers, troops and ministerial staff of HQ Frontier Corps Balochistan has been extended to Kharan, Awaran, Barkhan, Chaghai Districts and Qamardin Karez Area of Balochistan.

OFFICERS OF REGULATIONS WING

Mr.Khursid Anwer Shah
JS (Regulations)

Mr.Ghazanfar Ali
DS (Regulations-IV)

Mr. UMAR NAWAZ
DS (Regulations-I)

Mr. Muhammad Shahid Ahmed
DS **(R-III)**

Dr. M. Ismail Hasni,
S.O (R-10)

Mrs.Beenish Ashraf Tahir,
S.O (Reg-VII)

Mr.Zia ur Rehman
S.O (R-1)

Mr. Zafar Iqbal,
S.O (R-4)

Mr. Anwar ul Haq Satti,
S.O (R-3)

Mr. Nisar Hussain,
S.O (R-14)

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	• Sindh High Court (all benches)	• Federal Service Tribunal(FST)	• Supreme Court (all Registries) • All cases in lower courts in Punjab

• Lahore High Court (all benches) • Lower Courts in Islamabad	• Baluchistan High Court (all benches) • Peshawar High Court (all benches) • All cases in lower courts in Sindh, KPK & Baluchistan	Islamabad	• All cases relating to Federal Shariat Court, National Industrial Relation Commission • Chief Courts Gilgit-Baltistan & AJK

Performance of Legal Sections.

Government employees filed 1089 cases against the Finance Division during the Financial Year 2015-2016 which are subjudice in various courts, break-up is as under :-

Legal-I		
S.No.	Name of Court	No. of cases processed
1.	Lahore High Court	178
2.	Rawalpindi Bench	07
3.	Multan Bench	24
4.	Bahawalpur Bench	05
5.	Islamabad High Court	198
6.	Civil Court Islamabad	07
	Total:	**419**
Legal-II		
1.	Sindh High Court Karachi	213
2.	Hyderbabad Bench	09
3.	Larkana Bench	07
4.	Sukkur Bench	03
5.	High Court Peshawar	76
6.	Abbottabad Bench	03
7.	D.I. Khan Bench	02
8.	Mangora, Sawat Bench	02

9.	Balochistan High Court (all benches)	05
10.	Lower Courts Sindh, KPK, Balochistan	07
	Total :	**327**
	Legal-III	
1.	Federal Service Tribunal (FST), Islamabad	155
	Total :	**155**
	Legal-IV	
1.	Supreme Court of Pakistan	100
2.	FST Lahore/Karachi	80
3.	Federal Shariat Court	-
4.	GB/AJK Courts/Civil Courts Punjab	06
5.	NIRC	02
	Total :	**188**
	Grand Total: 419+327+155+188 = **1089**	

Achievements of Legal Sections:

Legal-I Section:

- Legal-I Section have filed parawise comments, reports, concise statement etc. before the hon'ble courts in approximately 370 cases.
- All the cases have been defended efficiently, diligently and in time. No case has been left unattended.

Legal-II Section:

- During the period Legal-II Section, while maintaining previous meritorious track record have this time again remained successful in setting-a-side the Contempt of Court (CoC No.2,3 & 7/2014) from Peshawar High Court, Peshawar in the most popular case filed by the employees of Military Accounts for the grant of Risk allowance. Due to effective and in-time response of the Legal-II Section, the was dismissed from the court in favor of the

Federation. In case of failure, the Government would have to bear huge recurring financial impact. This achievement had also been endorsed by the superior offices of the Finance Division.

- Due to good working relating with the legal Counsels, Legal-II Section have promptly responded all the cased pertaining to Finance Division in an appropriate manner.
- All the 327 cases have been responded in a shape of personal attendance/reports/ concise statement/parawise comments/ miscellaneous applications/intra-court appeals etc.
- During the period, no adverse order from the Court has been received due to non-prosecution.

Legal-III Section:

- Legal-III Section has filed parawise comments, reports, concise statements etc. before the honorable FST, Islamabad approximately in 155 cases.
- All the cases have been attended defended alongwith respective standing counsels in time and no case has been left unattended in FST, Islamabad.

Legal-IV Section:

- Legal-IV Section have filed about 58 Civil Petition for Leave to Appeals (CPLAs), 2 Civil Review Petitions (CRPs) and 2 Civil Misc. Appeals (CMAs) counsels in time and no case has been left unattended in FST, Islamabad.
- All the cases have been defended efficiently, diligently and tin time. No case has been left unattended.

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 (within country/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 Attendants at Pakistan Missions Abroad

R-14 Section

i. Vetting of Ordinances, Acts, Rules & 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.

iv. Examination of proposals 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.

v. Project allowance/Pay Package for Project staff.

vi. Extra-Ordinary Pension (EOP) cases.

vii. 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:

a. Exemption from production of hotel receipt/vouchers was allowed on 30-11-2015 as per entitlement of officials/officers while on tour/duty outside Pakistan in final TA adjustment bill.

b. Name of **Gwadar City** has been included in the list of specified stations for special rates for the purpose of Daily Allowance w.e.f. 18-02-201 .

c. The rate of accommodation charges were allowed w.e.f. 29-02-2016 equivalent to one daily allowance (DA) in case of non-specified stations where no hotel accommodation receipt is produced.

R-14 Section:

a. The Government has approved revised Assistance Package effective from 09-02-2015 for Families of Government Employees who die in service.

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^{th} 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.

Role of PAC in Public Accountability

The Parliament, through its select public Accounts Committee (PAC), is reliant on the Auditor General for most of the information it requires to carry out its particular mandate of Parliamentary Oversight. There are many examples across many countries where in Auditor General has extended the scope of his work in order to accommodate the PAC's needs which go beyond the conventional financial audit. This has given rise to various types of compliance and performance audits. While a PAC might not have the powers to instruct government, by becoming 'formidable' in the eyes of the public it gains an authority that causes government to nonetheless treat its directives as instructions. However, there is a need to further expand the oversight role of the PAC, its legislative mandate to enforce the implementation of its recommendations.

Corporate Audit Plan

As its regular annual feature, the AGP involves all the Field Audit offices (FAOs) in the preparation of a Corporate Audit Plan (CAP) for carrying out its audit mandate. The CAP seeks to achieve the following:

- Timely, reliable and relevant reporting for the stakeholders visa-vis Legislature and the Government and the Public.
- Addressing High Risk Areas and System Weaknesses in the Financial System.

- Value Addition by assessing key performance indicators
- Identifying emerging challenges.

Audit Reports of the AGP

The office of the AGP prepares various types of audit reports to fulfill its audit mandate. These include:

- Certification audit reports express opinion on financial statements
- Compliance with Authority reports ensure that the public operations are in accordance with relevant primary and secondary legislation, and focus on deviations from norms, good practices and regulations.
- Performance audit report deal with the VFM issues.
- Special audit reports address special interest areas of certain stakeholders.

Besides identifying cases of financial irregularities and internal control weaknesses in a particular audited organization, an audit report also identifies areas of financial management that need improvement. 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.

Following are the Audit Wing-wise details of amount audited and recovery made and amount placed under audit observations at the instance of Audit:

(Rs. In millions)

Sr.No.	Description	Total amount Audited	Recovery made at the instance of audit	Amount placed under audit observations
1)	DAG(FAO)	522,419.036	1,398.271	578,401.314
2)	DAG(CA&E)	2,698,242.007	51,959.877	5,624,467.572

3)	DAG(Prov. Audit)	1,899,775.798	7,351.456	425,574.369
4)	DAG(Distt. Audit)	319,613.057	1,676.292	182,937.961
5)	DAG(Defense Services)	353,326.390	2,413.050	211,516.760
6)	DAG(RRA)	3,763,119.790	33,612.800	667,72.130
	Total	9,556,496.078	98,411.746	7,022,737.106

Criteria for the classification of audit findings into these categories are clearly provided in the Reporting Guidelines for the Field Audit Offices to ensure that FAOs categorize heir audit findings uniformly. The financial statements of the Federal and Provincial governments are certified under a System Bases Approach (SBA) to Financial Attest. The objective of SBA is to enable the government auditors to plan their activities economically and efficiently so that they can collect the required evidence regarding the health of government accounts.

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.

IV. Following is a brief report on the activities of the AGP for the Audit Year 2015-16:

Certification of Accounts

During the Audit Year 2015-16, the Auditor General of Pakistan (AGP) certified the accounts of federal, provincial and AJ&K governments and self accounting entities and District Government after the close of Financial Year 2014-15. The Auditor General of Pakistan highlighted the importance of quality assurance during whole audit cycle.

Regularity and compliance

During the Audit Year 2015-16, 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 2014-15.

Performance Audit

During the Audit Year 2015-16, 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 2014-15.

Special Audit and Studies

During the Audit Year 2015-16, 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 were 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 follow:

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 Fund and other retirement benefits in consultation with the concerned Government.

In order to carry out its functions, the 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 2015-16:

Following are some of the major activities under taken by the office of Controller General of Accounts during the F.Y 2015-16 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 2014-15. 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 Federal Government, Provincial Governments and District Governments for the F.Y:2014-2015.

III. During the F.Y 2015-16, Monthly Civil Accounts of the Federal Government and Provincial Governments were prepared as per stipulated deadlines and submitted to all concerned.

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 2010-11 to 2013-14 have been prepared on the revised format. The Auditor General of Pakistan has authenticated the said financial statements for issuance.

VII. Implementation of FI work flow and SAP (HR) in Gilgit-Baltistan Council and its departments.

VIII. FABS Directorate has developed a solution for automated deduction of withholding sales tax in coordination with PRAL. The solution utilizes optic fiber based linkage between SAP server lying at AGPR, Islamabad and the FBR system to validate status of sales tax registration of vendors from FBR database. The solution is expected to contribute significantly towards enhancing tax receipts of the government.

IX. 733,888 employees have been shifted to email solution for their salary and pension slips.

X. 593,970 pensioners have been shifted on direct credit system (DCS) for the payment of their monthly pension.

XI. Organizational Management (OM) Module has been implemented in Khyber Pakhtunkhwa and is being rolled out in other provinces.

XII. Pension tracking system is developed for the federal government.

XIII. Development work completed on performance monitoring system for evaluation of medium term targets of ministries. It will be rolled out in all ministries in the current financial year.

XIV. Budget execution reports are developed for the ministry of finance and provincial finance departments.

XV. Three World Bank funded projects have been implemented on SAP.

FEDERAL TREASURY ISLAMABAD

Federal Treasury Islamabad is Sub-ordinate office of the Finance Division working under the administrative control of the AGPR. It compiles of account of Federal Receipt and Payment received from the SBP/NBP Islamabad and Rawalpindi and submits to the O/o the AGPR for incorporation in Finance account every month. It also Issues all kinds of Judicial and non Judicial Stamps Papers to the departments and 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 to achieve the principles of sound fiscal and debt management;
- 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 prepares and presents to the national Assembly following documents every year:-

- Debt Policy Statement
- Fiscal Policy Statement
- Medium-Term Budgetary Statement Debt and Fiscal Policy Statements include a comprehensive review of the dynamics of Pakistan's debt portfolio as well as developments in the fiscal sector. 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.

List of Activities and Achievements

- Debt Policy Statement for year 2015-16 was submitted to the National Assembly as per section 7 of Fiscal Responsibility and Debt Limitation Act, 2005. Debt Policy Statement contains assessment of the Government's debt policies against the principles of sound fiscal and debt management during the given period;
- Fiscal Policy Statement for year 2015-16 was submitted to the National Assembly as per section 6 of Fiscal Responsibility and Debt Limitation Act, 2005. Fiscal Policy Statement explains performance of fiscal

indicators against the principles of sound fiscal and debt management. Further, it specifies key measures taken during the given period and gives rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administrated pricing and borrowing;

- Medium Term Budgetary Statement (2016/17-2018/19) was presented with annual budgets (2016-17) to the National Assembly under section 5 of Fiscal Responsibility and Debt Limitation Act, 2005. The statement contains 3 year rolling targets for macroeconomic indicators;
- Medium Term Debt Management Strategy (2015/16 - 2018/19) was updated as the macroeconomic realities have changed since 2012-13. The purpose is to ensure that both the level and rate of growth in public debt is fundamentally sustainable while meeting cost and risks objectives. The updated MTDS introduced risk ranges for various debt indicators for the first time with enhanced coverage of public debt portfolio analysis;
- Due to effective implementation of Medium Term Debt Management Strategy, risks associated with public debt portfolio reduced through re-profiling of domestic debt portfolio, broadening of investor base and mobilization of concessional external inflows;
- IMF program benchmarks related to public debt management were met during the covering period;
- Provided technical advisory on foreign loan proposals resulted in reduction in cost and risks of external debt portfolio;
- Cost of domestic debt was rationalized by aligning the rates on domestic debt instruments with the market yields. The conducive economic environment coupled with supportive monetary policy provided an ideal opportunity for the government to revise coupon rates on PIBs in April, 2016. Further, timely synchronization of NSS rates with the wholesale debt instruments were carried out for effective interest rate and market management;
- Started publishing rolling quarterly issuance program for domestic debt securities which brought transparency and effective decision-making for government borrowing;
- Technical advisory and assistance was provided in raising financing for the PSEs and costs and risks were reduced through effective negotiations;
- Handled debt-related questions related to Senate/National Assembly;
- Maintained monthly public debt (domestic & external) and sovereign guarantees stocks;
- Maintained maturity profile of Public Debt;
- Contributed in Economic Survey of Pakistan (2015-16) through publication of “Public Debt” and “Contingent Liabilities” chapters.

ON GOING ACTIVITIES

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 as well as contingent liabilities.

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. Further, it is important for the government to adopt an integrated approach for economic revival and debt reduction which will require trade-offs in the short-term, thus implementing structural reforms that boost potential growth which is a key to ensure public debt sustainability.

OFFICERS OF DEBT POLICY COORDINATION OFFICE (DPCO)

Mr.Ehtasham Rashid
D.G (Debt)

Mr.Sajjad Ahmed Shaikh
Director (Debt)

Mr.Muhammad Ikram
DS (Debt)

Mr.Muhammad Zaheer Abbasi
SO (Debt)

Mr. Arsalan Ahmed
Financial Analyst

Mr. Muhammad Umar Zahid
Financial Analyst

finance.gov.pk