Year Book
2009 – 2010

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

CONTENTS

PREFACE

Pursuant to of Rule 25 of the Rules of Business 1973, the Yearbook of Finance Division 2009-10, delineates activities undertaken by various Wings/Sections of the Finance Division and its constituent organization during the year under review. The Yearbook elaborates functions, organizational structure, area of responsibility and working set up which is largely imbedded in the activities persued and accomplished during fiscal year 2009-10. The Yearbook serves as a source of convenience and easy access to achievements of Finance Division and its attached departments/organizations in the area of policy and economic development.

A major accomplishment of the Finance Division in 2009-10 was the 7th NFC award, making the provinces as an important player in economic decisions and transferring them huge financial resources. Introduction of Mid-Term Budgetary Framework (MTBF) has been a major reform in presenting the budget. Overall, Pakistan's economic environment were constrained by regional security and deepening of the global financial crisis. Despite the constraints the real GDP growth rate for 2009-10 was 4.1%, inflation was curtailed to 11.7% compared to 20.8% in the previous year.

Finance Division remains committed to develop and implement pragmatic economic policies and sustainable and equitable economic growth, transparent and efficient financial management. Despite all internal and external shocks, Pakistan's economy is expected to stabilize by continuing structural reforms, improved public expenditure management and domestic resource mobilization.

I hope that this book will serve as a useful reference document.

(Waqar Masood Khan)
Finance Secretary
March 3, 2011

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.

1. General

Functions of the Finance Division

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

1. Finances of the Federal Government and financial matters affecting the country as a whole.

2. The annual Budget Statement and the Supplementary and Excess Budget Statements to be laid before the National Assembly; the schedules of authorized expenditure.

3. Accounts and Audit.

4. Allocation of share of each Provincial Government in the proceeds of divisible Federal Taxes; National Finance Commission.

5. Public debt of the Federation both internal and external; borrowing money on the security of the Federal Consolidated Fund.

6. Loans and advances by the Federal Government.

7. Sanctions of internal and external expenditure requiring concurrence of the Finance Division.

8. Advice on economic and financial policies; promotion of economic research.

9. Proper utilization of the country's foreign exchange resources.

10. Currency, coinage and legal tender, Pakistan Security Printing Corporation and Pakistan Mint.

11. Banking, investment, financial and other corporations, that is to say:-
    (i) Central Banking; State Bank of Pakistan ;

(ii) Other banking (not including co-operative banking) and investment and financial corporations with objects and business not confined to one Province; and

(iii) Incorporation, regulation and winding up of corporations including banking insurance and financial corporations 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. Engagement with 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.

HRM WING

Performance/Achievements

The major function of Human Resource Management(HRM) Wing is to manage official business of an organization smoothly, efficiently by providing effective human resource and logistic support to other units of the organization. The HRM Wing of Finance Division performs the following functions to achieve the goal and objective:-

- To provide competent trained and professional human resource in officer cadre (BS-17 and above) through Establishment Division and to create posts according to the requirement of work assigned to Finance Division. Recruitment of staff and their promotion as per civil servants (Appointment, Promotion & Transfer) Rules, 1973 and their adjustment through posting and transfer within the Division to ensure timely completion of Annual Performance Reports (PERs) of officers and staff of this Division.

- To maintain discipline in the light of:

- To provide logistic support, facilitate to visiting foreign delegates and to provide Customers Service to the general public visiting the Ministry of Finance.

- To make arrangement for the employees of Finance Division regarding hiring of residential accommodation and provision of medical facility. House Building, Motor Car, Motor Cycle, Cycle, G.P. Fund advances etc. The preparation of pension papers for the retiring officers/officials.

- To arrange Annual Audit of the Accounts of Finance Division and coordinate the audit observations by arranging the Departmental Accounts Committee (DAC) meetings. The consolidation work is also carried out for preparing the replies to the Public Accounts Committee (PAC).

- To coordinate submission or replies of National Assembly /Senate questions/Motions/Call Attention Notice, Resolutions, Cut Motions, Notices of Meetings of Standing Committees on Finance & Revenue and other Committees by the concerned wings for preparation of replies/brief.

- To coordinate implementation of President and Prime Minister's Directives, decisions taken by Cabinet, Economic Coordination Committee on Cabinet, Secretaries Committee, Finance Committee on Defence Planning and Secretaries Coordination Committee. To coordinate, submit and collect various reports, miscellaneous information from attached departments, subordinate offices, autonomous / semi-autonomous bodies, corporations etc. of the Finance Division asked by various Ministries/Divisions.

- To prepare and publish the year book of the Ministry.

- Take effective measures to ensure internal security of the Ministry.

- To dispose off public grievances in consultation with concerned organization under this Division.

- To function as Financial Adviser's Organization in respect of Establishment Division.

a) **Achievements/performance of HRM Wing during Financial Year 2009-2010**

- Following the re-structuring/improvement in this Division and creation of new Wings, the HRM Wing recruited 68 persons against the vacant positions ranging from BS-1 to 15.

- Effective logistic support was extended to the officers/officials of Finance Division by spending Rs. 6.876 million against the budgeted amount of Rs. 7.000 million. The condemned vehicles were auctioned and new vehicles were purchased.

- Protocol services were provided to the delegations of Economic Coordination Organization (ECO), World Bank, Asia Pacific Group (APG), Head of Missions, Ministers, foreign and local delegates, Service Chief. Besides such services were also provided to the officers working in Finance Division who went abroad. The Customer Services Department activities were merged in Protocol Section.

- In line with Departmental Quality Assurance Procedure, the DQACs meetings were held on monthly basis and all the decisions taken in the meeting were successfully implemented.

- Residential accommodation was provided to 150 officers/ officials and Medical facility was also provided to 929 in service and 213 retired officers/officials of the Finance Division.

- Timely Budget Estimates were prepared for Finance Division (Main) and its allied organizations. Total 85 contingent paid staff posts and 05 temporary posts were created in Finance Division.

- Business of the Parliament was attended efficiently and table indicating the attendance of National Assembly/Senate questions, adjournment/privilege Motions. Resolutions, Cut Motions/Bills and meetings of the Standing Committees etc. is as under:-

S. No	Senate/National Assembly Business	Target	Percentage (%) Achievement	Shortfall in (%)
1	Starred/Un-Starred Questions	713	99 %	1 %
2	Privilege Motions	65	100 %	No.
3	Resolutions	417	99.9 %	No.
4	Adj. Motions	321	99.9 %	No.
5	Cut Motions	1315	100 %	No.
6	Bills	19	100 %	No.
7	Meetings of Standing Committee	41	100 %	No.
8.	Security/OG Passes	730	100 %	No.
9	Facilitation to Officers	210 times	99 %	1 %
10	Visits for Protocol duties	263 %	99 %	1 %
11	Visit to Camp Office	37	98 %	2 %
12	Misc. Visits	437 times	100 %	No.

Human Resource II

The Requisite information in respect of HR-II Section regarding the details of appointment made during Current Financial Year is as under:-

S. No.	**Name of Posts**	**Number of Vacancies filled in**
1.	Stenographer	08
2.	Assistant	04
3,	Stenotypists	18

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 manager, who fail to comply, by, for instance, spending in excess or Parliamentary appropriations, are accountable before the law.

- **Managerial**

  The budget communicates government policy to public institutions by informing them how much may be spent for what purpose, thereby guiding policy implementation. In some budgeting systems, this function may be reinforced by the inclusion of specific service performance targets within the budget document.

These functions are interdependent: the government is unlikely to implement successful economic policies (economic function) as approved by Parliament (political function) if the budget does not effectively communicate its policies to public agencies (managerial function) and compliance with approved policy is not verified (legal function).

Budget Wing's Profile

The basic functions of the Budget Wing are to coordinate, prepare, print and publish the budget of the Federal Government. Budget is an instrument by which the government expresses its priorities and allocates resources to implement its policies. Moreover, Budget Wing is also responsible to implement the budgetary targets and prepare a monthly report thereon.

The budget making process goes through the stages of,

- Preparation
- Coding/formulation
- Compilation
- Authentication
- Execution

- Monitoring and coordinate implementation of budgetary targets.
- Liaison with all relevant Ministries/Divisions/Organizations and get report on implementation status of the targets given in the budget, indicating various budgetary measures.

A Budget Call Circular issued indicating the time schedule for submission of estimates in respect of receipts as well as for the current and development expenditures of the government of Pakistan.

The non development expenditures are submitted by the various Ministries/Divisions/Departments on a specific format showing revised estimates and the budget estimates for the next financial year through FA's Organization to the Budget Wing. These estimates are securitized, examined and finalized in the Expenditure Wing in consultation with the concerned Ministries/Divisions and Departments.

Performance of Budget Wing

Part 1: The Budget Process

a. The Budget Year

The Budget Wing collects, scrutinizes, compiles and publishes the Federal Budget and lays before the Parliament for approval.

The Process of Budget formulation starts in October each year on issuance of a Budget Call Circular (BCC) by Ministry of Finance. The original estimates are framed in minute detail by the agencies and departments, which collect the receipts and incur the expenditure, keeping in view the past actual, current trends and future expectations and commitments. These estimates are submitted by the estimating authorities to their administrative Ministries and Divisions who, in turn, examine and pass these on to the concerned Financial Advisors with their recommendations. The Financial Advisor and Ministry of Finance, as recommended by the Administrative Ministries and Divisions, subject the estimates, to detailed scrutiny before they are finally accepted for inclusion in the budget. For the financial year 2009-10 (the budget year in Pakistan is from 1st July to 30th June) the Federal budget was prepared in accordance with the budgeting and accounting classification system that has been approved by the Government of Pakistan as an integral part of the new Accounting Model.

b. Budget Call Circular

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

c. Preparation of Estimates

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

The revised estimates for the current year, prepared simultaneously, include provision for such expenditure as has been duly authorized and for which there is reasonable expectation that it will be incurred before the close of year. In all cases where revised estimates for the year exceed the authorized grants, these have to be supported by documentary evidence to show that the increase has been duly authorized by the competent authority, and also the manner in which this excess is to be met, i.e., whether by re-appropriation of savings in the exiting grants/re-appropriations from other items or a supplementary grant. In case the revised estimates are less than the authorized grants, the reasons for short utilization of the grants are to be invariably stated.

Similarly, the development expenditure estimates are submitted to the Budget Wing by the various Ministries/Divisions and

Departments on a specific proforma devised by the Planning Division. These preliminary estimates are discussed in a Priorities Committee meeting in the presence of the representatives of the Planning Division and the Economic Affairs Division. The preliminary draft is again discussed in the Annual Plan Coordination Committee (APCC). The final draft of development expenditure is approved in the National Economic Council (NEC).

The revenue estimates are submitted to the Budget Wing by the Federal Board of Revenue (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 Parliament the budget publications are released to the various Ministries/Divisions and Departments with the authorization to utilize the budget fund from 1st July of each financial year.

As the budget is essentially based on the cash accounting system, the estimates are required to be prepared on the basis of what is expected to be actually received or paid for during the ensuing year and not merely the revenue demand or the liability of expenditure falling due in that year.

According to the conventional classification, the budget is divided into two main sections namely:

a) **Revenue Budget**
b) **Capital Budget**

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

The capital budget is designed to create material assets which add to the economic potential of country. Its main features are that it must involve construction of a work or acquisition of a department asset of public utility such as irrigation and industrial projects. With ever increasing investment to promote economic development, the capital budget is assuming increasing importance. The capital expenditure is generally met from the revenue surplus, revenue funds borrowing for specific or general purpose.

The aforesaid two divisions of the Government budget are merged together to work out the resource estimates which indicate the cash balance position of the Government at the beginning and end of the financial year.

d. Public Sector Development Program (PSDP)

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

The Formulation of the Annual Development Program is one the most important aspects of the budget making. Emphasis is laid on drawing-up the Annual Development Program so that only approved projects, which go through careful technical scrutiny in the Development Working Party and approved by the Executive Committee of the National Economic Council (ECNEC), or have otherwise received the approval of the competent authority, are included in the Annual Development Program. The Program, as finally approved by the National Economic Council (NEC), is reflected in the Budget.

The exercise for the preparation of the Annual Development Program starts some time in early November when keeping in view the overall requirements of the economy and plan targets, the size of the Annual Development Program is fixed and communicated sector-wise to the executing agencies and the Provincial Government by the Planning Commission. Within the overall allocations so intimated by the Planning Commission, the detailed Sector-wise Development Program are formulated by the sponsoring agencies and finalized after detail discussion with the Planning Commission. These allocations are then discussed and finalized in the meetings of the Priorities Committee in March/April/May by the Annual Plan Coordination Committee (APCC) and finally by the National Economic Council. The Annual Development Program, as finally approved and incorporated in the budget, presents the blue print for action by the Federal and Provincial Government and indicates the financial allocations alongwith physical targets in respect of various development schemes.

a) Resources Estimates:

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

i) Public Savings, i.e. the excess of revenue receipt over current expenditure of the Federal and Provincial Government.

ii) Net capital receipts of the Federation and the Provinces (i.e., Recovery of Loans, Saving Schemes and Prize Bond proceeds etc).

iii) The Federal Government's estimates of:

a) Foreign economic assistance

b) Deficit financing (Bank Borrowing) to the extent the latter is warranted by the state of economy.

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

b) Foreign Exchange Component of ADP

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

e. Effect to New Taxation Proposals

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

f. Schedule of Authorized Expenditure

After the budget has been approved by competent authority, 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 the Prime Minister who constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund in the Annual Budget Statement. The Schedule reflects the extent of expenditure to be made under a specific grant/appropriation. It also specified the expenditure Charged upon Federal Consolidated Fund and otherwise. The Charged portion is always reflected in italics.

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

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

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

   a. The Judges of the Supreme Court;
   b. The Chief Election Commission;
   c. The Chairman and Deputy Chairman (of the Senate);
   d. The Speaker and the Deputy Speaker of the National Assembly;
   e. The Auditor General;

b) 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;

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

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

g. 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.

h. 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.

i. Submission of Budget to the Senate

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

j. 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.

Part 1I: Budget Publications

2.01 Budget Publications

The Budget Publication Section publishes the bilingual Federal Budget and circulates to the Cabinet, Parliament and all Ministries/Divisions/Departments.

2.02 The Budget Speech of the Finance Minister

It contains the information on the performance of the economy during the previous year and major efforts proposed to be made during the new budget year for improving the working of the economy. Its second part contains proposals for levy new taxes. The new enhanced or revised taxation conceived as a part of the budget are given effect by means of a distinct legislation called Finance Act. This legislation is an integral part of the budget presentation and without it no tax can be levied, enhanced or revised (This document is printed both in Urdu and English).

2.03 Annual Budget Statement

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

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

(i) Revenue receipts and expenditure on revenue account.

(ii) Capital receipts and disbursements.

(iii) Transactions anticipated under the debt, deposit and remittance heads.

The estimates of receipts and payments included in the Annual Budget Statement are further segregated into transactions relating to the Federal Consolidated Fund and Public Accounts.

2.04 Details of Demands for Grants and Appropriation (*Pink Book*)

This document consists of the following two volumes:

Volume I: Current Expenditure - this document contains Demands and Appropriations relating to current expenditure.
Volume II: Development Expenditure – this document contains development expenditure.

The document containing Details of Demands for Grants and Appropriations reflects in detail the budget estimates of last year, revised estimates of current year and budget estimates of next financial year of the Federal Government.

It was decided by the Federal Government that the Defence services budget from 2008-09 onward will be reflected under various heads of accounts (instead of showing the same as one line budget).

Volume I – Current Expenditure

Part I: Details of current expenditure
Part II: Details for appropriations charged upon the Federal Consolidated Fund.

Volume II – Development Expenditure

Part III: Details for development expenditure

Since an expenditure is made for a defined Function/Object (Fuller details given in the Chart of Classification), the book also presents Function-cum-Object-wise classification of expenditure of every Office/Department separately.

Function-wise classification includes expenditure on General Administration, Defense, Law and Order, Community Services, Social Services, Economic Services, Subsidies, Debt Servicing etc. The object-wise Classification includes expenditures on establishment charges, purchase of durable goods, construction of works and repair and maintenance of durable goods and works, investment, loans and repayments etc.

2.05 Demands for Grants and Appropriations

Demands for Grants and Appropriations contains of expenditure on both revenue and capital accounts. Besides, distinctly showing the expenditure which is charged to the Federal Consolidated Fund under the legal provisions, each demand also exhibits separately summary of Function-cum-object classification. When budgetary allocations for a particular purpose consist wholly of charged expenditure, these are included in Appropriations which, contrary to Demands, bear no serial number.

Part I: Details of current expenditure
Part II: Demands for development expenditure
Part III: Appropriations charged upon the Federal Consolidated Fund

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

(i) Expenditure met from Revenue; and

(ii) Expenditure met from Capital

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

The demands and appropriations as appearing in this book are gross amounts. The receipts and recoveries which are required to be adjusted in accounts in reduction of expenditure are shown below the relevant demands for appropriations. Three very useful schedules have also been appended at the end of the book. In Schedule I, the demands and appropriations are listed in their serial order indicating the nomenclature of each and further classifying the estimates of gross expenditure into:

(i) Sums required to meet expenditure charged upon the Federal Consolidated Fund.
(ii) Other than charged expenditure.

(iii) Total expenditure (Charged + Other than Charged) (This schedule indicates the total amount allowed to a Ministry/Division under a specific demand/ appropriation for expenditure in ensuing year).

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

Schedule III, which indicates the object of current and development expenditure, provides a more useful and informative economic analysis of the expenditure. This schedule gives details as to what specific allocation (under a demand or object as a whole) has been proposed to be allocated i.e. for pay and allowances and other purpose i.e. purchases, repairs etc.

2.06 Budget in Brief

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

1. Receipts

i) Tax Revenue
ii) Non Tax Revenue
iii) Total Gross Revenue Receipts (i + ii)
iv) Revenue Assignments to Provinces
v) Net federal revenue (iii minus iv)

2. **Current Expenditure**

3. **Surplus Available for ADP Financing (1 minus 2)**

4. **Resources**

   a. Internal Resources
      i) Net Capital Receipts
      ii) Self-financing (by Provincial Government/ autonomous bodies.)

   b) External Resources

5. **Development Outlay**

6. **GAP (3 + 4 – 5)**

2.07 Explanatory Memorandum on Federal Receipts

This compilation exhibits the receipts of the Federal Revenue as well as Capital Receipts.

The explanatory notes pertaining to receipts included in 'The Budget' serve to indicate, among other things, the basis on which proceeds of Federal Taxation are shared with the Provincial Governments and also specifies the Provincial Shares in the proceeds of various taxes and duties.

It is tabled alongwith the Annual Budget Statement, as additional information, in order to help the readers understand the details of the receipts included in the Statement. The Memorandum distinguishes revenue from capital receipt. Revenue receipt is further categorized as Tax and Non-Tax Receipt. The section on Capital Receipts provides information on Public Debt and External Resources, which are further explained in a separate publication titled 'Estimates of Foreign Assistance'. A brief overview of Self-Financing of the Public Sector Development Program by the Provinces is also included in this Memorandum.

2.08 Schedule of Authorized Expenditure

After the Budget has been approved by the competent forum, 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 constitutes the sole authority for withdrawal of money from the Federal Consolidated Fund to meet expenditure specified in the Annual Budget Statement and the corresponding demands for grants and appropriations.

In terms of Article 83 (2) of the Constitution, the Schedule so authenticated has to be laid down before the National Assembly but shall not be open to discussion over vote thereon.

This document is printed both in Urdu and English.

2.09 Supplementary Demands for Grants and Appropriations

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

This book like budget is also divided in three parts.

(i) Demands for Current Expenditure
(ii) Demands for Development Expenditure
(iii) Appropriations charged upon the Federal Consolidated Fund.

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

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

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

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

2.10 Estimates of Foreign Assistance

External Resources mainly comprises of:

(i) Loans and credits from friendly countries and specialized international agencies.
(ii) Grants assistance under Food Aid Convention, World Food Program and other specific country Program.

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

(a) Loans contracted by the Federal Government for public or private sector projects and generally termed as federal loans.
(b) Loans contracted direct by public or private sector agencies but guaranteed by the Federal Government for payment of interest and repayment of principal. These are called guaranteed loans.

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

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

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

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

2.11 Winding – up Budget Speech by the Finance Minister

Answer by the Finance Minister on the points raised by the members of the House and detailed explanation regarding various aspects of the budget and the suggestions for accelerating the pace of economic development and social progress etc. form part of winding up Budget Speech of the Finance Minister.

Part - III

MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)

3.01 Introduction

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

- Include a medium-term horizon (3 years - where year 1 becomes the budget and the other 2 years are used for planning purposes),

- Develop Medium-Term Fiscal Framework keeping in view the macro implications to guide budget preparation process,

- Develop Budget Strategy Paper to specify Government's priorities (including fiscal policy) and its linkages with the budget. This paper also provides recommendations in terms of resources available to the Ministries over the medium-term in shape of Indicative Budget Ceilings,

- Introduce output-based budget. The term output means services delivered. Through this method of budget preparation, the budget is linked with the services delivered by a Ministry and areas such as impact of services on target population, budget allocated for each output and the performance targets for the medium-term are addressed. Output-based budgeting provides results-orientation to the budget which can be used to build enhanced accountability for public service delivery.

3.02 Implementation

The MTBF program receives approval by the Cabinet in its meeting of 2nd January 2009 through the rollout of MTBF Budget Call Circular across the Federal Government (except Defence Services grant). Cabinet also approved the issuance to Ministries of indicative budget ceilings for 2009-12 on the recurrent side. Accordingly, Ministries are currently compiling their budget on lines of service delivery. For the entire Federal Government, 'Medium-Term Budget Estimates for Service Delivery - *2009/12'* which presents Federal budget by outputs (services) was prepared.

3.03 Way Forward

The reform program is planned to be further improved notably through the following activities:

a) 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,

b) Introduction of monitoring function in the Federal Government to monitor the performance against the targets identified by the Ministries,

c) Commencement of 'Ministerial Strategic Reviews' to review the policy in selected Ministries, thereby embedding the process of regular review processes each year,

d) Establishment of linkages with PIFRA (Project to Improve Financial Reporting and Auditing) reform program in to allow monitoring of expenditure on outputs and outcomes, and

e) Presentation of the medium term budget estimates for service delivery in the Cabinet and Parliament.

Pakistan - Consolidated Fiscal Operations 2009-10

(Rs in Billion)

Description	**B.E. 2009-10**	**R.E. 2009-10**	**Actuals 2009-10**
Total Revenue	**215.388**	**2160.199**	**2078.164**
Tax Revenue	**1563.560**	**1538.046**	**1472.820**
Federal	1493.560	1483.046	1418.007
Provincial	70.000	55.000	54.813
Non-Tax Revenue	**591.828**	**622.152**	**605.344**
Federal	496.828	550.152	537.450
Provincial	95.000	72.000	67.894
Total Expenditure	**2877.441**	**2942.765**	**3007.225**
Current	**2103.846**	**2347.232**	**2386..42**
Out of which			
Interest payments	647.104	666.549	642.269
Defence	342.913	378.135	375.019
Development and Net Lending	**773.595**	**595.534**	**652.824**
Unidentified Expenditure	**0**	**0**	**-31.641**
Budget Deficit	-722.053	-782.568	-929.061
Financing	**722.053**	**782.568**	**929.061**
External	**312.267**	**365.263**	**188.889**
Domestic	**409.785**	**417.306**	**740.171**
Bank	144.147	89.110	304.561
Non-Bank	246.287	328.196	435.610
Privatization Proceeds	**19.351**	**0.0**	**0.0**
As %of GDP			
Total Revenue	**14.5**	**14.7**	**14.2**
Tax Revenue	10.5	10.5	10.0
Non-Tax Revenue	4.0	4.5	4.1
Total Expenditure	**19.4**	**20.1**	**20.5**
Current	**14.2**	**16.0**	**16.3**
Out of which			
Interest payments	4.4	4.5	4.4
Defence	2.3	2.6	2.6
Development and Net Lending	**5.2**	**4.1**	**4.5**
Budget Deficit	4.9	5.3	6.3
GDP (Rs. In billion)	14837.0	14668.0	14668.0

ANTI MONEY LAUNDERING CELL (AML CELL)

Being responsible country of the international community, Pakistan has been taking a number of short term and long term measures against the money laundering and financing of terrorism. In order to strengthen the work on policy and legislation concerning Anti Money Laundering/Combating Financing of Terrorism (AML/CFT) and to have a dedicated professional and highly capable resource to contribute towards developing an effective AML/CFT regime in accordance with the international standards AML Cell was created within the Finance Division and notified in January 2010.

2. The AML Cell is responsible for the following actions (i.e. terms of reference):-

(a) To provide research assistance on policy and legislation concerning AML/CFT.

(b) To provide working support to the sub-committees constituted by NEC for the development of the national strategy on AML/CFT.

(c) To coordinate with the line Ministries, regulatory authorities, FMU, Provincial Governments and other entities on the implementation of the national strategy.

(d) To maintain database of international treaties, agreements and standards concerning AML/CFT.

(e) To keep track of international developments concerned AML/CFT.

(f) To issue a knowledge-based advocacy-oriented periodic paper on AML/CFT.

(g) To coordinate and provide the secretariat support to NEC and GC.

3. In addition to above the AML Cell is also dealing with the following issues:-

(a) Budgetary, Administrative, Policy, Visit Abroad, Law related matters of Financial Monitoring Unit (FMU) Karachi.

(b) Questions, Motions, Queries of Senate, National Assembly, P.M Secretariat and President Secretariat relating to AML/CFT.

FINANCIAL MONITORING UNIT (FMU), KARACHI

The Financial Monitoring Unit (FMU) was established under section 6 of the Anti Money Laundering Ordinance-2007 (Now Anti Money Laundering Act 2010). It is the central agency in Pakistan responsible for receiving, analyzing and disseminating to the investigatory and supervisory authorities, disclosures of financial information concerning suspected proceeds of crime and alleged money laundering offences and the financing of any activities or transactions related to terrorism. FMU collects, processes, analyses and interprets all information disclosed to it and obtained by it; issues guidelines to Financial Institutions/ non-financial businesses and professions (NFBP) on the manner in which suspicious transactions shall be reported and additional information supplied to the FMU.

2. There are two policy making and oversight committees i.e. the inter-ministerial National Executive Committee (NEC) on AML/CFT headed by Minister for Finance and the inter-divisional General Committee (GC) headed by Finance Secretary. The both Committees are to look at the policy and legislation concerning AML/CFT. They give policy guidelines to FMU for AML/CFT. Director General FMU is the Secretary of both Committees.

3. Details of activities, achievements and progress during the preceding financial year are as under:-

(i) Pakistan promulgated a standalone AML law in October 2007 through promulgation of Anti Money Laundering Ordinance (AMLO), 2007. The AML legislation was comprehensively amended in November 2009 and all the major gaps identified by Asia Pacific Group (APG)/Financial Action Task Force (FATF) in AMLO 2007 were addressed through amendments. The amended law became act of Parliament in March 2010 as Anti Money

Laundering Act, 2010. Most of the FATF designated predicate offences were included in the list of predicate offences under AMLA 2010.

(ii) FMU conducted three awareness raising seminars for Law Enforcement agencies in August 2009 at Karachi, Lahore & Islamabad, arranged under AUSTRAC Technical Assistance & Training Program, two workshops for all stakeholders at Jordan on Risk-Based Approach and designing an effective AML/CTF education campaign and strategy. In March 2010, two four days training sessions were arranged under ADB program for LEAs on Anti-Money Laundering & Asset forfeiture at Karachi and Islamabad. Besides, under ADB program four workshops were arranged for regulators, bankers at Karachi and Islamabad.

(iii) FMU being the focal point for coordinating the actions required under Mutual Evaluation Report has focused on the deficiencies perceived/identified in the Report. Through follow-up with stakeholders, FMU has been able to furnish substantial progress to FATF on Mutual Evaluation Report (MER) recommendations. A number of legislative, policy, regulatory steps have been taken in this context which include, amendments in the laws related directly or indirectly with AML/CFT framework of Pakistan, issuance of necessary regulations by the financial sector supervisors and formulation of required policies at the relevant ministries.

(iv) During the year under review FMU, Ministry of Finance and other stakeholders have shown considerable progress to FATF-ICRG in AML/CFT area and in implementing Mutual Evaluation Report recommended actions, as a result of which, FATF withdrew its adverse statement on Pakistan in June 2010 plenary.

(v) Guidelines for filing of Suspicious Transaction Report and Currency Transaction Report were issued to all the reporting entities during the year 2010-2011.

(vi) During the year 2009-10 FMU received 642 Suspicious Transaction Reports (STRs) from financial institutions and after analysis FMU disseminated 147 STRs to the investigating agencies and regulators.

(vii) **Information Technology related projects**

a. FMU with the support of SBP has developed software capable of receiving STRs / CTRs and related information in electronic form from reporting entities during the preceding year. This software is in testing phase and would be fully operational in the current year i.e. 2010-2011.

b. In order to effectively and efficiently perform the Analysis of STRs and CTRs, it is essential to use latest and state of the art IT for this purpose. Most of the FIUs around the world use any form of such intelligent system that is capable of handling the Analytical and operational functions of searching, sorting, retrieving of information from the internal as well as external databases through real time linkages, etc. which is also a pre-requisite for Egmont membership. During the year under review, FMU with the assistance of IT Expert and SBP finalized very comprehensive Business Requirements for analytical toolset, workflow and case management system. The Bids were invited through various National as well as International Newspapers and at the websites of FMU, PPRA, and SBP on March 26, 2010. The project is likely to be completed in the next financial year.

c. The FMU Website (www.fmu.gov.pk) is up and live since March, 2010. It is expected that the contract to further refine the website and upload the contents on the website would be awarded to an appropriate vendor in the current year.

d. A Data Center is required to provide necessary working environment to the sensitive high-tech Server Machines so that these could efficiently and effectively perform their functions. FMU has initiated the process for procurement Data Center which includes Data Center Capacity and Security; Hardware and Software; Design & Implementation; Power requirements, etc with the support of SBP in the preceding year.

4. The FMU has planned to prepare a national to AML/CFT strategy to fight Money Laundering & Financing of Terrorism, to implement the detailed action plan envisaged in the light of ME recommendations and

Regional Review Group (RRG) action plan, to acquire complete IT Solution for FMU including analytical tools and a data warehouse and to Develop and implement a standard training module for FMU, investigating & prosecuting agencies, Regulators, Reporting Entities and other stakeholders

CORPORATE FINANCE WING

Corporate Finance Wing looks after the economic, financial and corporate affairs of all Public Sector Entities (PSEs), which are working under the administrative control of the Federal Ministries/Divisions. The financial support is provided to the PSEs for their financial and operational restructuring to make them sustainable entities. In this connection GOP grants, loans and equity investment are provided for their financial requirements, as well as to meet any short fall or incurring of losses through GOP budget. The PSEs are also allowed to avail Bank Credit to meet their financial requirements, under GOP guarantees. The Government's, decisions are implemented, relating to the issues for picking up of the Government guaranteed outstanding and non-collectable loans provided by banks and Financial Institutions to the PSEs as well as the other financial losses sustained by them.

- The financial support is also provided through Bank Credit ceilings to the Provincial Food Departments, PASSCO, USC, TCP and other PSEs for the procurement of food and crop items, in order to ensure the procurement of reasonable stock of commodities with the Government.

- The Government provides financial support in the form of subsidy to PSEs, like TCP, USC and PASSCO on account of the price deficit sustained by them due to sale of commodities at reduced rates under GOP decisions.

2. The CF Wing implemented Government decisions to provide financial support to corporate sector during FY 2009-10. Brief position is given as follows: -

(Rs in million)

S. No	Name of Entity	Amount released 2009-10
1.	Subsidy paid to TCP on Import of wheat	16,150.000
2.	Subsidy paid to TCP on Sugar operations	4,000.000
3.	Subsidy paid to TCP on Import of Urea	3,500.000
4.	Cost Differential for Sale of Wheat paid to PASSCO	598.932
5.	Subsidy to domestic producers of Phosphatic & Potassic Fertilizers	2,334.125
6.	Subsidy paid to import of fertilizer	436.981
7.	Subsidy to USC on sale of Food items	1,400.000
8.	Subsidy to pick up shortfall of Pak. Railways	18,432.016
9.	Federal Contribution to Export Investment Support Fund (Implementation of Textile Policy)	9,656.189
10.	3% mark up to Spinning Sector	266.370
11.	R&D Support to Motorcycle Industry	20.471
12.	Payment of foreign loan liability of GIK	77.078

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

2. Power Sector in Pakistan comprised of two vertically integrated utilities WAPDA and KESC. KESC has since been privatized and WAPDA unbundled into corporate companies which include 4 Generation Companies (GENCOs) 9 Distribution Companies (DISCOs) and a National Transmission and Dispatch Company (NTDC). These companies are steered by Pakistan Electric Power Company (PEPCO) which, too, is a corporate company. National Electric Power Regulatory Authority (NEPRA) regulates Generation, Transmission and Distribution of electric power in Pakistan.

3. The detailed brake-up of subsidy released during the last year and budgeted for the current financial year is given as under:-

(Rs. in Billion)

A) Pakistan Electric Power Company (PEPCO)

Name of Subsidy	**Subsidy Paid 2009-10**	**Budgeted Subsidy 2010-11**
Inter DISCO Tariff Differential	83.487	30.000
12.5% Subsidy for agricultural tube-wells (GoP share) for Sindh, Punjab and KP	2.157	-
GST subsidy for protected consumers	5.704	4.000
Tariff Differential Agricultural Tube-wells in Balochistan	5.042	-
Subsidy to pick up PEPCO's interest payment for TFCs	30.200	40.000
Subsidy to pick up PEPCO's arrears on tariff differential	10.000	-
Subsidy to pick up WAPDA receivables from FATA	10.000	-
Sub. Total-I	**146.590**	**84.000**
B) Karachi Electric Supply Company (KESC)		
Tariff Differential	31.714	2.000
0.230	0.230	1.000
Tariff Differential Agricultural Tube-wells Balochistan	0.690	-
Pick-up KESC's payable to PSO/PKGCL	0.238	0.317
Sub. Total-II	**32.872**	**3.317**
G. Total (I+II)	**179.462**	**87.317**
C) Subsidy to pick up PSOs cost Differential between Fuel Oil and Gas	**1.8**	**Nil**

4. Assistance provided to PIA during 2009-10

A) Demand No.132-Misc. Investment by Federal Government

S.No.	Name of Scheme	Investment 2009-10	Budget 2010-11
1)	ID-0978 GoP Equity in PIAC	2.101	3.677

B) Demand No.133-Other Loans and Advances by Federal Government

S.No.	Name of Scheme	Loan 2009-10	Budget 2010-11
1)	ID-5154 PIAC	6.00	Nil

C) Demand No.043-Subsidies and Miscellaneous Expenditure

S.No.	Name of Scheme	2009-10	Budget 2010-11
1)	ID-5176 Payment of PIA for repair and maintenance of WIP Aircraft	0.987	1.00

ECONOMIC ADVISER'S WING

Economic Adviser's Wing (EAW) is responsible for analyzing and reporting economic conditions, both domestically as well as in an international context, to government.

To this end, it undertakes the following activities:

- It produces the annual Economic Survey, which is the flagship publication on the economy of the Government of Pakistan. The Economic Survey 2009-10 received the highest rating in the annual Quality and Satisfaction survey of users.
- It provides a fortnightly comprehensive presentation to the Economic Coordination Committee (ECC) of the Cabinet on latest economic indicators, the price situation, and the stock position of essential commodities in the country.
- Under the Rules of Business, EAW is also tasked to prepare replies and responses pertaining to the economy in relation to Parliament business.
- EAW also prepares periodic reports and briefs on the state of the economy for internal as well as external dissemination on Ministry of Finance's website.
- EAW provides the write-up on *Macroeconomic Developments and Outlook* for the semi-annual Budget Strategy Paper, prepared by Finance Division for Cabinet.
- EAW also prepares periodic presentations for Finance Division for Prime Minister and President as well as other forums such as the Economic Advisory Council and the Business Person's Council.
- It also prepares briefs, speeches and position papers for the Finance Minister, Minister of State, Secretary and other stakeholders on the economy as well as global economic issues.

The Economic Advisers' Wing remained integrally involved during 2009-10 in formulation and implementation of economic reform of GOP, and in consultations with IMF and other IFIs. The review missions of the ongoing IMF program typically start with a presentation on real sector data, developments and trends prepared by EAW.

The Economic Advisers' Wing is the point of interface of government economic ministries with investors, both domestic as well as foreign, and markets, including the international credit rating agencies such as Standard and Poor's and Moodys.

EAW also acts as a resource tool for GOP in its training and development activities. During 2009-10, like in previous years, the Economic Advisor made several presentations, and delivered lectures at important national institutes such as National Defense University, Staff College, and National Institute of Public Administration, in addition to talks at private universities.

EAW also maintains the Ministry of Finance website and is responsible for timely release of relevant content.

During 2009-10 EAW remained engaged in capacity enhancement of its staff by arranging long and short term courses, including donor funded courses outside Pakistan.

As part of its developmental activities, EAW arranged a one-day workshop on National Accounts in collaboration with FBS and GTZ for all relevant staff in Finance Division. In addition, EAW has arranged access to Higher Education Commission's learning portal that will provide free access to thousands of development journals and articles for staff and researchers in Finance Division and other economic ministries. Housed in EAW, it is expected to become operation soon.

EXPENDITURE WING

During financial year 2009-10, Expenditure Wing has taken following steps/actions:-

Measures to Ensure Fiscal Discipline

With a view to improve financial discipline and streamline the management of Public Accounts, it was decided to restrict the validity of cheque upto three months or 30th June of the financial year whichever is earlier. For this purposes, necessary amendments were made in the Federal Treasury Rules 162 and 170-A. Restriction of validity of cheques will be helpful for cash flow management of the Government.

Provision of Funds for IDPs

During financial year 2009-10, Expenditure Wing allocated/released funds for Relief/Reconstruction and Rehabilitation of Internally Displaced Persons (IDPs) and to meet expenditure on Law & Order situation in the Country. For the said purpose an amount of Rs.26,359.868 million was released to the Provincial Governments of Khyber Pakhtun Khawa, Sindh, Balochistan, FATA and Cabinet Division etc.

Finalization of Budget

Expenditure Wing finalized current budget for revised estimate 2009-10 and budget estimate 2010-11 in accordance with the New System introduced under Medium Term Budgetary Framework. While finalizing the budget, FA's Organization undertook quality assurance of the estimates of Ministries/Divisions remaining within the overall indicative budget ceilings given by the MTBF Secretariat for each Ministries/Division/Organization. The budgetary estimates were finalized within the prescribed time schedule.

EXTERNAL FINANCE WING

Pakistan entered into a Programme with IMF in November, 2008 under the Agreement, IMF agreed to provide an amount of SDR 5169 million equivalents to about $7.6 billion to be disbursed in 7 installments over a period of 23 months. In the Board meeting held on August 7, 2009 IMF approved augmentation of SBA by 200 percent (SDR 2.067 billion equivalent to US$ 7.236 billion), bringing the total financial support to the tune of SDR 7.236 billion (about US$ 10.854 billion) and extended the period to 25 months. So far Pakistan has received an amount of US$8.7 billion.

The Executive Board of the IMF also approved a disbursement of an amount equivalent to SDR 296.98 million (about US$452 million) on September 15, 2010 under the Emergency Natural Disaster Assistance (ENDA) for Pakistan to help the country manage the immediate aftermath of the massive and devastating floods that have hit the country.

Statement Showing Disbursement of Programme Loans And Other Cash Flows During 2010-11 Updated Till 17.09.2010

Date	**Source/ Agency**	**Amount** **Cash**	**Prog. Loan**
IMF SBA Programme 2008-2009			
26-11-2008	IMF (SBA 1st Tranche)	0.00	3049.00
02-04-2009	O.w Budget Support	0.00	849.90
Sub-Total (2008-09)		0.00	3899
2009-2010			
12.08.2009	IMF (SBA 3rd Tranche)	0.0	1198.90
	O.w. Budget Support	0.0	745.00
31.08.2009	SDR Allocation Increase From IMF	0.0	1198.40
09.09.2009	Special SDR Allocation From IMF	0.0	82.30
29.12.2009	IMF (SBA 4th Tranche)	0.0	1200.00
	O.w. Budget Support	0.0	372.00
19.05.2010	IMF (SBA 5th Tranche)	0.0	1126.80
	O.w. Budget Support (shifted to 2010-11)	0.0	350.00
Sub-Total (IMF)		0.0	4806.40
O.W. Budget Support			1467.00
2010-2011			
17.09.2010	IMF (Emergency Assistance)	0.0	452.50

EXTERNAL FINANCE (POLICY WING)

External Finance Policy (EFP) Wing compiles the Government of Pakistan's principal policy for macroeconomic governance and poverty reduction i.e. in the shape of the Poverty Reduction_Strategy Paper (PRSP). It also deals with multilateral and bilateral institutions like the World Bank, Department for International Development (DFID), South Asian Association for Regional Cooperation (SAARC), ECO, Joint Ministerial Committees (JMCs) and United Nations Development Programme (UNDP). The Wing assists in the management of their portfolios in the country like Gender Reform Budgeting Initiative (GRBI), Gender Reform Action Plan (GRAP), Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP) and the Project for Improvement in Financial Reporting and Auditing (PIFRA). The project for enhancing the capacity of Public Sector i.e. Public Sector Capacity Building Project (PSCBP) was also being managed by the EFP Wing.

Poverty Reduction Strategy Paper

The essence of designing External Finance Policy lies in oversight based on the guidelines set out in the PRSPs. The contents of PRSP (currently referring to PRSP-II, which was finalized in 2008), encompasses a broad-based medium to long term economic reform and development framework including the goals and projections of sectoral policies of key social sectors, tracking of budgetary & non-budgetary expenditures related to those sectors and policy responses at various forums relating to poverty reduction. PRSP-II is a key national policy document of the Government of Pakistan as future concessional lending by multilateral institutions like the World Bank, IMF and others are linked with the vision and strategic direction enshrined in it.

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 asses 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.

Development Partnership Arrangement (DPA) talks with DFID

GoP is fully committed towards achieving the priority objectives/pillars of poverty reduction and attainment of Millennium Development Goals (MDGs); strengthening public financial management and accountability; and abiding by human rights obligations. The EFP Wing in particular, plays a key role in assisting and monitoring this process (in the first two pillars), acting as a mediator between GoP and Department For International Development (DFID). EF Policy Wing facilitated DFID in compiling and updating matrices used in the preparations building up to the Development Partnership Arrangement (DPA) talks and the disbursement of ₤ 60 million during the year.

One UN Program

Aligning PRSP targets with the Millennium Development Goals (MDGs) requires continuous assessment exercises to measure progress. The Ministry of Finance is an active member of the One UN Reform Programme which attempts to create synergies on international development priorities as outlined in MDGs/Millennium Declaration between government agencies and UN organizations and also within UN organizations under one strategic programme. Being the co-chair of the Joint Program Component (JPC-4), several of its meetings were held. The meetings finalized the calendar of activities alongwith the budget for those activities to be undertaken during the year.

Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP)

PRSP-II has an inbuilt mechanism for results-based monitoring and evaluation that tracks its progress through formulation of indicators to measure outputs in the medium term and outcomes in the long term. To strengthen monitoring of poverty reduction efforts, GoP in collaboration with UNDP, conceived SPRSMP to effectively track the implementation progress of the PRSPs. During the year, a number of activities were undertaken under this project.

PRSP Annual Progress Report for the FY 2008/09, Mid Year Progress Report July 01, 2009 to December 01, 2010 and Quarterly Progress Reports were finalized during the FY 2009/10. These Reports are uploaded on the Finance Division's website. SPRSMP Annual Progress Report for the Year 2009 and 4 quarterly progress reports were also finalized during FY 2009/10.

Gender Resource Budgeting (GRB)

Pakistan is the only country in South Asia which has used all the six GRB tool; namely

- i) Time Use Survey
- ii) Gender Aware Beneficiary Assessment Survey
- iii) Gender Aware Policy Analysis
- iv) Engendering Budget Call Circular (BCC)
- v) Gender Budget Statement
- vi) Gender Analysis of the budget

The Results Based Monitoring and Evaluation of PRSP II Terms of Reference (TORs) and Request For Proposal (RFP) have been finalized by the SPRSMP during FY 2009/10. The selected firm will start working on the above study very soon. During FY 2009/10, Gender Aware Policy Appraisal (GAPA) briefs for three sectors, Population Welfare, Education and Health were finalized by the project.

Valuation of Unpaid Care Work in Pakistan

The Time Use Survey (TUS) quantified the time period used by the respondents for activities relating to data in respect of: i) System of National Accounts (SNA), ii) Extended SNA, and iii) Non-SNA. The Valuation of Unpaid Care Work in Pakistan was carried out in August, 2009 to calculate the value of extended SNA activities using these time periods by four methods. The objective was to highlight the contribution made through unpaid work to the calculation of GDP and highlight the invisible and undocumented part of the economy. A dissemination workshop of the report “Valuation of Unpaid Care Work in Pakistan” was held on February 04, 2010 to share key findings of the report. Further research on Time Use Survey (TUS), 2007 data were commissioned by UNDP, Strengthening PRS Monitoring project, SDC and World Bank. The research will contribute (directly & indirectly) to the review of Pakistan National Social Protection Strategy.

SAARC Development Fund (SDF)

The 14th Summit of the South Asian Association for Regional Cooperation (SAARC) held in New Delhi on 3-4 April 2007, laid down specific guidelines for the creation of the SAARC Development Fund (SDF). The Fund is to offer concessional and non-concessional loans 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 Charter and the Bye-Laws of SDF have been finalized. Initial paid-up capital of SDF is SDR 200 million, to be subscribed by the Member States in accordance with proportion of the assessed contribution to the SAARC Secretariat Budget. Pakistan’s share in the initial paid-up capital comes to SDR 45.04 million. The total size of the Fund would be SDR 1000 million. EF Policy Wing is entrusted with all financial issues and matters pertaining to SAARC and the SDF. During the year several meetings of SDF and Inter-Governmental Expert Group(IGEG) on financial issues were held along with the annual SAARC Summit at Thimpu, Bhutan. Pakistan contributed the 1st installment of its share contribution to SDF.

Third Party Evaluation of PIFRA-I

The Project for Improvement of Financial Reporting and Auditing (PIFRA) was originally approved by ECNEC on 20.3.1996. It was sponsored by Ministry of Finance and executed by Office of the Auditor General of Pakistan and Controller General of Accounts. The project (PIFRA-I) was in line with the government’s ‘vision statement’ and strategy to address problems in accounting and auditing by introducing policy changes and aimed at improving and integrating government financial management at Federal and Provincial levels. While approving the PIFRA-II as a sequel to PIFRA-I, the ECNEC decided that Ministry of Finance would undertake the Third Party Evaluation (TPE) of PIFRA-I. Resultantly, the work regarding TPE was awarded to a consultancy firm by EF Policy Wing. The first draft of the Evaluation Report has been received which was later discussed and finalized among the stakeholders. Negotiations for consideration of further extension of PIFRA to complete the unfinished tasks under the project were also held with the World Bank.

Implementation of National Gender Reform Action Plan Project (INGRAP)

Approved by the Federal Cabinet, National Gender Reform Action Plan (GRAP) is a set of professionally analyzed statements of intent, aimed at introducing reforms to engender government institutions and machinery at the Federal, Provincial and District levels through implementation of National and Provincial GRAP simultaneously. The national GRAP focuses on key reform areas i.e. (i) Institutional Restructuring (ii) Policy and Fiscal Reforms and (iii) Women Employment in Public Sector. The activities initiated/completed during FY 2009-10 are summarized as under:

i. Organized orientation/Sensitization session on Sexual Harassment Act for Alumni members of National GRAP in Finance Division. In compliance with Sexual Harassment Act, the HRM Wing has notified constitution of an Enquiry Committee. Work plan for effective implementation and provision of conducive working environment for women is in progress.

ii. Day Care Centre has been established in Finance Division which is expected to be operational shortly.

iii. On the demand of GRAP unit, specific space has been allocated to women in Finance Division for prayers.

iv. Regular Consultation meetings are being held with women officers and staff of the Division to address gender concerns.

v. Organized Gender Sensitization trainings for officers of Finance Division and Gender Analysis tools.

vi. Strengthening PRSM Project and Gender Development Section, Finance Division jointly organized Trainings of Core Budget teams of six Social Sector Ministries i.e. Ministry of Education, Health, Food & Agriculture, Social Welfare, Population Welfare and Local Government Rural Development to pursue the objectives specified below;

    (a) Induction to GRB and Gender Equality Commitments of Pakistan.

    (b) Orientation to gender indicators and gender integration into budgetary process.

Public Sector Capacity Building Project

The Public Sector Capacity Building Project (PSCBP) was approved on July 27, 2004 at a total planned outlay of US$ 61 Million (Rs.3,538 million) and was implemented in 20 Federal Ministries/Divisions i.e. Federal Board of Revenue (FBR), Civil Service Reforms Unit, (CSRU), National School of Public Policy (NSPP), Federal Public Service Commission (FPSC), Finance Division, Commerce Division, Ministry of Water & Power, Planning & Development Division (P&D), Ministry of Industries, Production & Special Initiatives, Ministry of Petroleum, Economic Affairs Division, Board of Investment & Investment Division, Women Division, Privatization Division, Competition Commission of Pakistan (CCP), KANA Division for Gilgit - Baltistan government, four Regulatory Authorities i.e. National Electric Power Regulatory Authority (NEPRA), Public Procurement Regulatory Authority (PPRA), Oil & Gas Regulatory Authority (OGRA) & Pakistan Telecommunications Authority (PTA) and two provincial governments i.e. Punjab & Balochistan. The accomplishments made under the Umbrella PSCBP were as under:

S.No.	Category	Numbers
01	Officers trained	4678
02	Consultants Recruited	89
03	Studies undertaken	23

Finance Division’s Component

Finance Division was one of the stakeholders of the umbrella Public Sector Capacity Building Project which closed on 30th June, 2010. The performance of the component during the year was as under:

S. No.	Category	Numbers
01	Officers trained through short term foreign trainings	65
02	Staff trained through local trainings	325
03	Consultants Recruited for various Wings i.e. Regulations Wing, EF Policy Wing and PF Wing	5
04	Study undertaken on Modernization of Books of Rules & Regulations of Finance Division	1

ECONOMIC REFORMS UNIT (ERU)

Economic Reforms Unit (ERU) was established in the Finance Division with the approval of the then Prime Minister, notified on 13th

September, 2006. The objectives and functions of the ERU are as under:

Formulate a Private Sector Development Strategy
First Sub-National Doing Business (SNDB) Report

ERU is making efforts to improve investment and business environment. The first Pakistan sub-National Doing Business (SNDB) Report has been launched by ERU with the support of World Bank, USAID, UKAID, and IFC on 29th June 2010. In this report business environment in 13 cities of Pakistan was benchmarked. ERU is working on Doing Business Reform Agenda that will help in reducing the regulatory burden that makes doing business in Pakistan very expensive and tiresome. Review existing laws, rules and regulations pertaining to the business environment that are obsolete, overlapping, and inconsistent or unduly add to the cost of doing business.

Act as Quality Filter for new regulations and propose changes that stimulate private sector development, improve transparency, reduce costs and are consistent with international best practices.

Following work has been undertaken by ERU regarding above mentioned functions.

Policy Support to Ministry of Finance and Other Ministries

ERU provides support in policy areas to the Ministry of Finance and other ministries as required.

Economic Advisory Council (EAC)

ERU is the secretariat of Prime Minister's Economic Advisory Council (EAC) which comprises of eminent economists, technocrats, businessmen and government's economic management team. It is also working on Budget Formulation, Integrated Energy Plan, Microfinance Strategy and suggestions/Reviews of Key Initiatives of the Economy.

Establish a Better Business Advisory council (BBAC), comprising representatives from both the private and public sectors to advise the

Government on priorities of private sector friendly reforms at the national, provincial and local levels.

Businesspersons Council (59 members)

An institutional public private interface has been established in the form of Businesspersons Council (BPC) in order to involve private sector in policy design, implementation and evaluation processes. BPC comprises of leading businessmen of the country represented by almost all Chambers of Commerce and Industry across four provinces and FATA. Prime Minister has approved the constitution of PBC comprising 53 members. After inclusion of few other members it now comprises of 59 members. ERU follows up the suggestions of private sector with the government agencies and presents the status of deliberations of BPC in each meeting. Three sub-committees of EAC have been constituted namely:

- Committee on Implementation of Textile Policy.
- Committee on Tax Facilitation at FBR.
- Committee on Industrial Parks.

Develop a prioritized sector wise reform plan and a roadmap with benchmarks for its effective monitoring and implementation, supported by funding interventions, wherever necessary.

Following are the salient reforms being under taken in this regard:

Austerity Plan

An Austerity Plan has been prepared by ERU. The plan has been approved by a special Cabinet Meeting on 16th December 2009. A Cabinet Committee on Austerity (CCOA) was constituted by the Prime Minister to prioritize/oversee the implementation of approved Austerity Measures. ERU developed a prioritization/implementation framework alongwith a time-line and responsibility structure. The framework has been approved by CCOA and duly issued by the Cabinet Division to all Ministries/Divisions. Monthly status of implementation of Austerity Measures is submitted by all Ministries/Divisions to ERU. A special cell has been established within the Auditor General of Pakistan for compliance audits.

Restructuring Plan for Eight Public Sector Enterprises (PSEs)

A restructuring plan has been developed and endorsed by CCOR. The plan has been approved by the Cabinet on 10th March 2010. Autonomous Board of directors (BODs) of PSEs will be reconstituted to improve corporate governance as per the Cabinet deadline. ERU has requested concerned Ministries/Division to propose a panel of professionals to be considered by the CCOR for the BODs for onward submission to the Prime Minister. CCOR will deliberate on the reconstitution of BODs after co-opting the concerned Ministers. Appointment of professional CEOs and development of restructuring plans will be dealt by the reconstituted BODs under the guidance of CCOR.

National Governance Plan

A draft National Governance Plan (NGP) was developed based on the deliberations of the Committee on Governance issues constituted by the Prime Minister in November 2010 and research/analysis of earlier reform initiatives. The NGP was submitted to the Prime Minister to solicit authorization to share the NGP with a board spectrum of the society including political parties, academia and private sector to ensure an inclusive consultation process. NGP will be finalized after due consultation for presentation to the Cabinet.

Power Sector Reform Plan

A draft Power Sector Reform Plan (PSRP) has been developed in consultation with Ministry of Water & Power, World Bank and Asian Development Bank. It mainly focuses on empowerment, financial sustainability and capacity building of the Power Sector and monitoring and implementation of the Reform.

The reforms initiatives along with their current status are given below:

Reform Initiatives	Status
Austerity Plan	Developed – Under Implementation
Re-structuring Plan	Developed – Under Implementation
National Governance Plan	Being Developed – Under Consultation
Power Sector Reform Plan	Developed – Under Implementation

FINANCE DIVISION (MILITARY)

Finance Division (Military) deals with preparation, execution, monitoring of Defence Budget and expenditure relating to the Armed Forces, Inter Services Organizations, DP Establishments procurement of all Defence equipment and all other related matter pertaining to them. Finance Division (Military) has performed the assigned job in accordance with the laid down procedures/instructions and set targets including Budget Estimates as well as Revised Estimates and expenditure relating to Development Projects and miscellaneous stores during Financial Year 2009-2010. It is felt that it would not be appropriate to divulge the nature of all its cases/contracts and activities, being classified in nature and financed from classified Defence budget. However, it is worth mentioning that while concurring all procurement and development contracts due care has been exercised for optimum utilization of available resources by applying different financial techniques to get best value for the money. In addition, achievements in other main areas are highlighted as under:-

a) **Budget Allocation/Expenditure**

Last financial year i.e. 2009-2010, twenty four cases for Technical Supplementary Grants were processed and approved by competent authority besides, this REs 2009-10 and BEs 2010-11 were scrutinized in detail and substantial reductions were proposed. Service-wise/Head-wise expenditure was monitored carefully to keep the expenditure within sanctioned grant.

b) **Accounting of Defence Expenditure**

Defence expenditure/receipts are classified under twenty one 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.

c) **Purchase of Stores**

i) Endeavour is always made to meet the operational requirements of the Armed Forces within the allocated resources. In this regard, extra efforts were made by persuading the procurement Agencies to generate healthy competition among the competitors in order to achieve best possible rates for the desired equipment and technologies for Armed Forces of Pakistan.

ii) Indigenization efforts are being supported to provide opportunity to our private sector industry to compete in the defence market.

d) **Development Projects**

To bolster our defence various projects are prepared by services HQs/DP establishment and submitted to Finance Division (Military) for appraisal. It is highly professional job which requires well trained staff having expertise in a project appraisal field. Financial appraisal of the project is carried out to ensure optimum utilization of resources. Proposals about manpower, equipment and support services requirements re scrutinized on the basis of financial analysis techniques and modern HRM practices.

e) **Special Packages**

To meet the requirement of mega defence project, internal security and execute the future plan to modernize our Defence forces, funds are allocated with through scrutiny. It is strictly watched that funds are utilized according to the laid down procedure with proper accounting.

f) **Miscellaneous Activities and Achievements**

i) Optimum efforts were made to facilitate Armed Forces and Attached Departments of Defence Division for timely flow of finances, strictly within the parameters of existing rules and regulations.

ii) The trend of expenditure was closely monitored throughout the year to pre-empt over expenditure by the Departments/Services.

iii) In case where public interest was involved, efforts were made to hold to the tenants of natural justice, without compromising the interests of the state.

iv) To enhance performance of this Division, most of the Wings/Sections have been provided/equipped with latest equipment.

g) **Programme of Activities/Targets**

i) Timely disposal of all cases.

ii) Strict adherence of relevant financial regulations and procedures in finalization of cases including financial concurrence.

iii) Finalization of REs 2009-2010 and BEs 2010-2011 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. 30th June, 2010.

DEVELOPMENT WING

Development Wing is functioning in the Finance Division to deal with:

- Policy Coordination with regard to Development Work.
- Scrutiny and Examination of all Development projects to ensure
  - i) The schemes fit in overall development program.
  - ii) The scheme does not clash with any other scheme of any other Ministry/Division/Department.

- Examination/Preparation of Briefs for CDWP/ECNEC meetings.
- Participation in quarterly review of Federal PSDP Development projects.
- Coordination with FA's Organization on Development projects place before CDWP and ECNEC.

For generating development planning/activities Development Wing attend Pre-CDWP & CDWP meetings as and when convened in the Planning Commission and the requisite briefs for the ECNEC meetings are also prepared for the Finance Secretary, Advisor on Finance and MOS for Finance & EAD for participation in the meetings.

During Planning Year (April, 2009 – March 2010) 327 schemes at an estimated cost of Rs.1,330,882.208 million were approved by CDWP an ECNEC out of them 71 schemes at an estimated cost of Rs.12,42,736.531 million were approved by the ECNEC and 256 schemes at an estimated cost of Rs.88,145.677 million by the CDWP.

During Planning Year (April, 2009 – March 2010) 53-schemes were recommended by CDWP during above period but could not be considered by ECNEC and remained in process in finalization till 31.03.2010. 11-Schemes were considered by CDWP/ECNEC but postponed for want of further information. 3-Schemes were returned after discussion by CDWP/ECNEC. In total 394-Schemes were considered by both the forums till March, 2010.

Present Government is giving utmost priority to the Social Sector. Development Wing handled release of Development funds to the Higher Education Commission (HEC). In Financial Year 2009-10, funds to the tune of Rs.11.030 billion were release to HEC. Funds to the extent of Rs.15.763 billion have been allocated during 2010-11. Finance Division also approved cash plans of Development Projects of HEC for 2009-10. By provision of huge funds in the Higher Education Sector, Development Wing is protecting the public interest by building a nation having health, strong, imaginative and creative youths to meet the challenges of tomorrow.

Development Wing is also monitoring the releases of development funds made to various Ministries/Division, out of their PSDP allocation, so that the economic benefits being achieved through release of funds could be gauged. Development Wing also released funds for the following schemes:

S.No.	**Name of Project**	**Allocation**	**Releases**
1	TA-2 project "Governance Main Streaming"	6.5 million	3.570 million
2	"Monitoring & Evaluation Cell	11.630 million	3.784 million

For the Current Financial Year i.e. FY 2010-11, the National Development Programme of Rs.663.000 billion has been made.

MONITORING & EVALUATION CELL

The Project "Monitoring & Evaluation Cell" is established to monitor the PSDP funded projects of Finance Division (Main) and to implement the decisions of DDWP, CDWP and ECNEC. Total 14 projects were taken up by M&E Cell for monitoring. Reports for which were generated time to time accordingly. The Monitoring & Evaluation Cell also devised four categories of customized performas to examine the progress of the project, which are as below:

- Project Profile
- Monthly Monitoring Report
- Quarterly Report
- Annual Report

After analyzing the PC-I and the data received by the project offices M&E Cell, advised the followings to the project offices for its improvement in accomplishing the project tasks:

- Project authorities of the Pakistan Competitiveness Support Fund (CSF) should provide complete project activities for the current year and complete Cash/Work Plan accordingly so the process of examination of the activities of the project may be completed.
- The project authorities of Financial Monitoring & Evaluation of Drought Recovery assistance Programme Project (DRAP/DERA-II) are requested to explain the reason of high incurred expenditure (Rs.48.932) as compared to the total amount of released (Rs.44.007 million).
- The achievement of physical targets of the project Financial Monitoring & Evaluation of Drought Recovery Assistance Programme Project (DRAP/DERA-II) is same as it was during 3rd Quarter (2009-10). Project authorities should explain the reason why the physical progress is stagnant.
- The authorities of the Project Improvement of Financial Reporting & Auditing, Phase-II (PIFRA) should submit revised PC-I as concept paper has been cleared in CDWP in its meeting held on 18th March, 2010.
- As per report submitted by the project Central Directorate of National Saving Centre (CDNS) the physical achievements of implementation of software has been completed in 44 sites, location of sites alongwith specification of software and the deputed manpower may be also provided.
- As the original approved project National Institute of Public Finance Accountancy, Phase-I (NIFA) has been completed, therefore, the executing agency i.e. Auditor General Pakistan should submit the completion report of approved work and may

proceed for the approval of phase-II construction of the institute.

- The project authorities of (TA-II Gender & Governance) should make effort to stream line all project activities so that the desired objectives upto December, 2010 and Grant Component should be utilized properly.

List of PSDP Projects

Sr. No.	Name of the Project
1	TA-II Gender 7 Governance
2	Project of Improving Financial Reporting & Auditing (PIFRA)
3	Financial Monitoring & Evaluation of DERA-II/DRAP
4	Automation of Central Directorate of National Saving Centre
5	Competitiveness Support Fund (CSF)
6	National Institute of Public Finance & Accountancy (NIPFA) Phase-I
7	Public Sector Capacity Building Project (PSCBP) Finance Division Component
8	Support Participatory Policy Development & Building Institution & Markets for Business & Credit for Small & Medium Enterprises
9	Infrastructure Project Finance Facility
10	TA-4894-PAK “Improving Access to Financial Service Programme”
11	TA-Grant Microfinance for the Poorest TA-9105 PAK
12	Establishment of Programme Coordination Unit
13	Strengthening of Pension. Insurance & Saving System
14	Local Government Performance Enhancement TA-I

Implementation of Audit Plan by DRAPP Audit Office For The Year 2009-2010

Field Audit Offices	Total No. of Formations Under Jurisdiction	No. of Formations Planned	No. of Formations Audited	% age of Audit Plan Covered
DG DRAPP Audit Punjab, Lahore	31	31	31	100%
DG DRAPP Audit Sindh, Karachi	13	13	12	92%
DG DRAPP Audit KPK, Peshawar	33	33	33	100%
DG DRAPP Audit Balochistan, Quetta	125	67	67	100%
DG DRAPP Audit RPU, Fed., Islamabad	23	23	23	100%
Total	225	167	166	--

PROJECT TO IMPROVE FINANCIAL REPORTING AND AUDITING (PIFRA)

Project Rationale

PIFRA-II is aimed at increasing accuracy, completeness, reliability and timeleness of government financial reports at the national, provincial and district levels. This project directly supports the government's commitment to improve public financial management, accountability and transparency to facilitate public oversight and increase credibility in the international community.

The process of improving fiscal and financial reporting in Pakistan was started in early 1990's with the support of World Bank through PIFRA-I. The basic goal to modernize the institutional framework and to automate accounting processes were achieved in PIFRA-I by separating accounting and auditing functions, establishing a chart of account that was compliant with international standards and design and piloting of an automated system. To build on the achievements of PIFRA-I, PIFRA-II started its activities in May 2005.

PIFRA-II, which was started in May 2005 with the total project cost of 93 million USD (IDA 84 M USD & GoP 9 M USD), has established an accounting, reporting and audit system that covers core government entities of federal, provincial, district and some local Governments. These achievements place Pakistan at the forefront of Public Financial Management reform in the south Asia region and Pakistan is the only country in the region where SAP gas been implemented on such a large scale in public sector.

Objectives of PIFRA-II

- Modernize government audit procedures and adopt internationally accepted auditing standards.
- Establish effective accounting and reporting systems.
- Strengthen financial management practices.
- Generate financial information, which is more useful, complete, reliable and timely. Improved data will facilitate program management by government decision-makers.

- Tighten internal controls and minimize the occurrence of errors and irregularities in the processing of payments and receipts.

Institutional Arrangements

To achieve these objectives, various institutional arrangements have been setup. A project management unit of PIFRA is established at Audit house Islamabad to oversee the completion of deliverables. For implementation of FABS, a SAP Competency Centre with in-house and market resources provide support for accounting reforms based on the New Accounting Model. For implementation of Audit Component, an Audit Competency Centre is working at PMU to support Audit reforms on Financial Audit Manual and computerized auditing techniques. Similarly, at the regional level, Regional Directorates of PIFRA are established at each provincial headquarter which act as regional SAP CC and Audit CC for support and implementation of reforms.

Project Development Objectives

- Strengthening Government financial management policy and capacity, including the role and the reach of the CGA's office, internal controls, and accounting skills requirements across the board.
- Expanding PIFRA sites to all district accounts offices and capacity building of users in IT.
- Modernizing and strengthening the Auditor General's Department.
- Strengthening communication and change management to promote transparency and increase stakeholder awareness and ownership.

Main Achievements

Financial Accounting & Building System (FABS): All budgets are now being prepared on the system, at Federal, Provincial, and District levels. Budget data of the last 10 years has been uploaded in the system for analysis and decision-making. All payments are being processed through the system which has bill tracking features and automatic accounting of transactions, and generation of monthly accounts. So far, payroll of 1.835 million government employees has been computerized. All pension cases are being processed through the system. Historical data of pension and General Provident Fund have been uploaded into the system to the extent of 70%.

The Project is also facing a host of challenges while facilitating public financial management reforms in the country. The prevalent law and order situation in Balochistan and FATA may affect the PIFRA development works in those particular areas. Similarly, networking of Federal Ministries for integration with the system has been another leading challenge for the Project. The integration has been delayed due to information security issues raised by the IT Ministry. Scope of the coverage is also under revision due to increase in the number of Federal Divisions and District Accounts Offices. Smooth decentralization and handing over of the operational components of PIFRA from project management to the relevant offices like CFA, AGP and Finance is a gigantic task which requires substantial support by the stakeholders. In this regard, continued government commitment in terms of administrative and financial matters shall be required to effectively achieved PIFRA objectives. The project is presently engaged in preparation of a comprehensive financial management sustenance strategy (in terms of financial and human resource development) that will focus on the sustenance of the reforms once the project management hands over its activities to the stakeholders.

Audit Component

Main deliverables of PIFRA-II in respect of the Audit Component included modernization of auditing, capacity building of human resources of Pakistan Audit on new audit Methodology, reduction in timelines for submission of accounts to the legislature from close of relevant financial year, and equipping the audit offices with modern accessories.

Financial Audit Manual based on International Auditing Best Practices has been developed and implemented in all field audit offices, for all three tiers of the government. Specific Audit Guidelines have also been developed to facilitate monitoring and oversight of each field audit offices in terms of their peculiar activities. Computer Assisted Audit Techniques (CAAT's) are now applied to analyze financial data to ensure a high level of representatives in preparation of audit reports.

For this purpose, Audit Command Language (ACL) Software has been procured to facilitate scientific data management during audit. All field audit offices have also been upgraded through site development and provision of IT equipment.

There has been significant impact of reform process on public sector auditing. There are efficiency gains through upgraded human resources and use of technology, risk-based auditing has helped in improving audit quality, and timely reports are now being submitted to the legislature. Besides, there is increased audit assurance through comprehensive audit covering of systemic issues. This is supplemented by a greater focus on value for money auditing and implementation of an internal quality assurance framework. All these developments have led to an improvement in PEFA (Public Expenditure Financial Accountability) rating from "D" in 2006-07 to "C" in 2007-08. The Department is now set to achieve "B" rating for FY 2008-09.

Training Component

The Project envisages capacity building of human resources at Federal, Provincial, and District levels. It also aims at capacity building of audit staff to allow auditing based on new methodology introduced under PIFRA. Under PIFRA-II, so far, 26,258 resources of Controller General Accounts, Finance, and executive agencies have been provided training in the New Accounting Model, SAP, and internal audit. In case of Pakistan Audit Department, 11,607 resources have been trained in Financial Audit Manual (FAM), PIFRA (Pakistan Institute of Public Financial Accountants) Course, and ACL (Audit Command Language).

Project Management

Operational phase of the Project will end on December 31, 2010. This will be followed by a two-year consolidation phase during which all operational activities will be handed-over to the concerned stakeholders. During this phase, a central Project Management Unit will oversee standardized operation of FABS and Audit Components, under administration of two steering committees related to these two components.

DECENTRALIZATION SUPPORT PROGRAM (DSP) NATIONAL PROGRAM SUPPORT OFFICE

Introduction

TA-2 "Gender and Governance Mainstreaming: is a GoP-ADB co-sponsored project under the Decentralization Support Program (DSP), which was approved in 2005. The project is being executed by the Ministry of Finance. The objective of the project is to support the executing agency and implementing agencies in implementation of national commitments on gender equality articulated under Gender Reform Action Plans (GRAPs). The main component of the project i.e. ADB loan, was closed on 30.6.2007. The other component i.e. ADB grant, Support to Implementation of GRAPs (SIG) amounting to Rs.288 million (Rs.240 million ADB grant & Rs.48 million GoP counterpart funding) is under implementation since July, 2008.

SIG grant is managed by the Pakistan Resident Mission (PRM), of ADB. In order to assist in the management of TA for TIPs implementation ADB has hired an independent team of Consultants i.e. Advisory Technical Assistance (ADTA). The GoP is committed to provide counterpart funding on account of administrative/support facilities. In view of satisfactory progress of the Project, ADB with the consent of GoP has extended its duration till December 1, 2010 to utilize the funds adequately and effectively.

Background

Pakistan has expressed its commitment to mainstreaming gender in the Gender Reform Action Plans (GRAPs) prepared by the GoP with ADB assistance and already approved by the federal and provincial cabinets except Khyber Pakhtunkhwa. The Government of Khyber Pakhtunkhwa is expected to approve it shortly. The GRAPs were deigned as part of the Decentralization Support Program (DSP), comprising policy and investment loans provided by ADB through the Federal Government. GRAPs include gender-based policy and administrative, political and fiscal reforms at the federal, provincial and district levels to enable the Government to implement its national and international commitments on gender equality. It proposes reforms at the federal, provincial and district level across all sectors. These reforms focus on women's empowerment and aim to enhance the participation of women across the gender and governance sphere: from political participation, where citizens' wishes are expressed through political mandates and legislation, to government actions, where these wishes are implemented through public sector institutions, policies and budgets.

Performance of the Project during Financial Year 2009-10

The Support to Implementation of GRAPs (SIG) Project aims to help federal and provincial governments' implement the reforms and supporting actions highlighted in the GRAPs. In view of the efforts and the firm commitment of GoP to provide support to the ongoing GRAPs reform, ADB has extended the grant component upto December 31, 2010 to utilize the available resources.

The grant component is moving forward satisfactorily. Twelve (12) Technical Investment Proposals (TIPs)/Sub-projects amounting to Rs.149.43 million approved against the grant were under implementation at various stages. Out of these seven (7) costing Rs.49.03 million have been completed upto June 30, 2010. It is hoped that by the close of the project, implementation of all the TIP/Sub-projects shall be completed. The important interventions include Institutional Support to NCSW, Gender Strategy for City District Government Faisalabad, Punjab Female Internship Program, and Gender Mainstreaming through Media, Women's Political and Parliamentary Development, Capacity Building of GRAP Stakeholders, Draft GRAP II – Khyber Pakhtunkhwa, Drafting Rules for the Ombudsman on Sexual Harassment Law.

In addition, ADB in close collaboration with this office (NPSO) and the Federal GRAP organized a one day National Consultative Workshop under SIG at ADB, Islamabad. The objectives of the consultation include sharing of information about various initiatives being planned and implemented under SIG at Federal and Provincial levels to support implementation of GRAPs, to provide an opportunity to all GRAP stakeholders to learn about GRAP implementation status at federal and provincial levels; identify challenges in their implementation and seek ideas for future reform and resource needs, as well as the donors current support and plans. Further, on the request of Federal GRAP, evaluation/study for Monitoring Gender Development Grants in Punjab disbursed by the Federal GRAP was also carried out under SIG.

ZARI TARAQATI BANK LIMITED (ZTBL)

Performance

During the year 2009-2010, the Bank continued to push forward its on-going programmes relating to provision credit to target groups covering landless, subsistence and small farmers to help increase their productivity as well as income level. The Bank once again achieved outstanding results during the period under review and registered a substantial growth in its Disbursement. Recovery Operations and Profitability, during FY 2009-2010, ZTBL had a share of around 32% of the total institutional agricultural credit.

Bank's Operations

Since inception upto 30-6-2010, the Bank has disbursed loan amounting to Rs. 678.336 billion. So far the Bank has financed 539946 tractors and 149111 tube-wells besides being the major source of financing for farm inputs including seeds, fertilizers, pesticides and insecticides. Priority was also accorded to the provision of more credit for livestock, dairy farming, poultry farming, aqua-culture and financing of oil seed crops. At present Bank operates through a network of 27 Zonal Offices and 347 Branches and a team of 1408 Mobile Credit Officers (MCOs) in the field.

Performance during the year 2009-10

The Bank's disbursement reached new heights when it touched the mark of Rs. 79.012 billion as compared to Rs. 75.139 billion during last year. The Bank served 596085 borrowers through various schemes including One Window Operation, Sada Bahar Scheme, White Revolution Scheme, Benazir Tractor Scheme, Awami Zarai Scheme and Rural Development Scheme. The detail of the Bank's performance in tabulated form can be seen in the Annex-I.

Recovery Operations

The most positive indicator of operational performance during the year 2009-10 was the increase in volume of recovery. All time high recovery of Rs. 73.273 billion as compared to Rs. 69.971 billion recovered during the previous year.

A Recovery Relief Package for the small borrowers of Malakand Division & FATA was announced by the Prime Minister of Pakistan during the year and Ministry of Finance accordingly released Rs. 1550.929 million to the Bank. ZYBL accordingly passed on the relief to its all eligible borrowers by waiving off 100% agricultural loans of small farmers having subsistence land holding and loan outstanding as of 30-6-2009 in the area.

NEW SCHEMES

Benazir Tractor Scheme

In order to bridge the gap between demand and supply position of tractors in the country, the Federal Government decided to launch Accelerated Agricultural Mechanization for Productivity Enhancement, "Benazir Tractor Scheme" through ZTBL.

The scheme envisaged supply of 10,000 tractors during 2009-10 to the farmers selected through computerized balloting for grant of subsidy up to 50% of the cost of the tractor subject to maximum of Rs. 200,000/- per beneficiary/tractor.

Rural Development Scheme

In order to provide credit assistance of Dairy, Poultry, Sheep & Goat arming in the rural areas of the State of Azad Jammu & Kashmir, a Memo of Understanding between Zarai Taraqiati Bank Limited and Azad Kashmir Small Industries Corporation has been signed.

Awami Zarai Scheme (Farm Credit)

Mandatory for all new borrowers and optional for existing borrowers of crop production loan to avail revolving limit under Awami Zarai Scheme to get inputs in kind through M/s Kissan Support Services Limited (KSSL) a subsidiary of ZTBL.

Awami Zarai Scheme (Non-Farm Credit)

This special scheme is tailored for provision of non-farm credit through which working capital would be provided for poultry, dairy and fishery renewable on yearly revolving basis with 3 years currency period.

Performance of ZTBL During 2009-10

(Rs.Million)

CREDIT OPERATIONS		
Agri. Credit Disbursement		79012
Borrowers Served (Numbers)		596085
Category wise Disbursement		
Production Loans		61552
Development Loans		17406
Farm Credit		72225
Non-Farm Credit		6787
Crops wise Loans Disbursed		
Rabi Crops		26529
Kharif Crops		34219
Economic Group wise Disbursement		
Subsistence		53381
Economic		22818
Large		2813
Loans to Small Farmers		
Disbursement to Small Farmers		69319
Small farmers as % of total loans		88%
Scheme wise Disbursement		
One Window Operations		14001
Sadabahar/Revolving Finance Scheme		60298
Tractor/Tube well Financed		
Tractor Financed	No.	24380
	Amount	10705
Tube well Financed	No.	3920
	Amount	434
Recovery Operations		
Total Amount Recovered		73273
Network of Operation		
Number of Zones		27
Number of Branches		347
Number of MCOs		1408

SME BANK LTD

During the year 2009, bank earned total income of Rs. 1664 million and incurred expense of Rs 1,622 million thereby generated before tax profit of Rs 42 million. Total deposit of the bank stood at Rs 2,203 million and an amount of Rs 1,998 million was disbursed as loans & advances to SME Sector. Total number of SME's served during the period is 692.

Bank is operating with 13 banking branches with a net equity of Rs 2,203 million. It is pertinent to mention that the information pertains to year 2009 starting from 1st January 2009 to 31st December 2009.

INVESTMENT WING

PERFORMANCE OF COMPETITION COMMISSION OF PAKISTAN (2009 – 2010)

Organization

The Competition Commission of Pakistan (CCP) was established on 2nd October 2007 under Competition Ordinance, 2007 CCP is a quasi-judicial, quasi-regulatory, independent law enforcement agency. The Competition Law, 2010 was passed in October 2010.

Highlights of Achievements

1. 5 Orders in the matter of 'Abuse of Dominant Position' cases were issued.
2. 4 Orders in the matter of "Prohibited Agreements/Cartel' cases were issued.
3. 3 Orders in the matter of 'Deceptive Marketing Practices' were issued.
4. 2 Orders were passed by the Appellate Bench of the CCP on 3 appeals filed by undertakings.
5. 40 Exemption from Prohibited Agreement were granted.

6. 48 Acquisition, 10 Mergers and 2 joint Venture cases were disposed of during the year.
7. Commission followed 7 appeal cases filed before Supreme Court challenging CCP's Order.
8. 8 enquiries were conducted to investigate violations of the Competition Law.
9. 20 meetings of the Commission and 3 meetings of Competition Consultative Group were held.
10. 1 national and 1 International conference along with 3 Journalists Training Workshops were organized.
11. Publications; Quarterly newsletter, Annual Report of the Commission and State of Competition in Pakistan-2009. Competition assessment Reports on; Banking, Sugar, Fertilizer and Power sector. Booklet on deceptive marketing practices.
12. Merger Control, Leniency, General Enforcement and Service Regulations of the Commission were amended.
13. 4 Policy Notes were issued for pro-competition actions by relevant organizations.
14. To effectively participate in international activities, Office of International Affairs was set up. Commission participated in a number of activities organized by the UNCTAD, OECD and the International Competition Network.
15. Project for provision of state of the art IT infrastructure was completed. A new dynamic website was developed.
16. Office of Fair Trading was created within the Commission to look into deceptive marketing practices.
17. Competition Compliance Code was prepared serve as guideline for stakeholders.

List of Orders Passed From 01-07-09 to 30-06-2010

Sr.No.	Name of the Undertaking	Date of Order
01	All Pakistan Cement Manufacturers Association & its 21 Members	27-08-09
02.	China Mobile Pakistan Ltd. (Zong) and Pakistan Telecom Mobile Ltd. (Ufone)	29-09-09
03.	Fecto Belarus Tractors – complaint against Shehzad Trade Links (Single Member)	02-10-09
04.	Pakistan International Airlines (Hajj Fares)	20-11-09
05.	Karachi Stock Exchange (Guarantee) Ltd (KSE) Lahore Stock Exchange (Guarantee) Ltd (ISE)	26-11-09
06.	Pakistan International Airlines (Flight Re-scheduling)	08-12-09
07.	Trading Corporation of Pakistan	12-02-10
08.	LPG Association of Pakistan & Jamshoro Joint Venture Limited (JJVL)	14-12-09
09.	Askari Bank Limited, United Bank Limited, My Bank Limited & Habib Bank Limited (Deceptive Marketing Practices)	14-01-10
10.	Takaful Pakistan Ltd.(TPL) & Travel Agents Association of Pakistan (TAAP)	29-01-10
11.	Proctor & Gamble Pakistan (Deceptive Marketing Practices)	23-02-10
12.	M/s Fecto Belarus Tractors (Pvt) Limited (Appeal)	16-03-10
13.	M/s Pakistan Steel Mills Corporation (PSM)	22-03-10
14.	Fecto Belarus Tractors	28-05-10

PAKISTAN POVERTY ALLEVIATION FUND (PPAF)

Following targets were set for PPAF for the year 2009-10 with the aim to help the poor to enable them to gain access to resources for their productive self-employment, to encourage them to undertake activities of income generation and poverty alleviation. The actual achievements are as follows:-

Indicators	Targets July 09- June 10	Achievements July 09 – June 10
Credit and Enterprise Development		
Sub-Loans (Nos)	705,500	818,324
Disbursement (Rupees in million)	10,090	9,648
Water and Community Physical Infrastructure		
Projects (Nos)	4,000	4,143
Disbursements (Rupees in million)	2,240	1,800
Human and Institutional Development		
Staff Trainees (Nos)	1,250	1,623
Community Trainees (Nos)	90,000	112,424
Disbursements (Rupees in million)	660	915
Health		
Health Center Supported	136	223
Disbursements (Rupees in million)	644	452
Education		
School Supported	203	590
Disbursements (Rupees in million)	612	636
Social Mobilization		
Community organizations formed (Nos)	50,000	48,434
Disbursements (Rupees in million)	2,000	547
Rehabilitation and reconstruction in earthquake affected areas		
Disbursements (Rupees in million)	410	448

KHUSHHALI BANK LIMITED (KBL)

The targets set for Khushhali Bank Limited for the year 2009-10 and the actual achievements are as follows:-

	Targets 2009-2010	Achievements 2009-2010
Coverage Numbers of Districts	80	80
Disbursements (Rs)	5,229,234,108	4,864,685,740
Active Clients	359,314	389,383
Beneficiaries		
Male	300,559	238,806
Female	94,9134	89,362
Total	395,472	373,168

COMPETITIVENESS SUPPORT FUND (CSF)

The Competitiveness Support Fund (CSF) is a joint initiative of the Ministry of Finance, Government of Pakistan, and USAID establishment to reposition Pakistan's economy on a more globally competitive footing. Through a combination of interventions aimed at improving the policy environment and promoting investment and innovation, CSF has made tangible achievements in improving the competitiveness of the business environment as well as in specific sectors.

CSF worked on the Poverty Reduction Strategy Paper (PRSP-II) for the GOP and developed a pillar entitled "Crafting a Competitive Advantage" that includes papers on globalization, private sector development, trade liberalization and value added in agriculture. CSF is also the institutional partner of the World Economic Forum in Pakistan for conducting surveys for the Global Competitiveness Rankings which benchmarks the relative strengths and weaknesses of the entire Pakistan economy. CSF recommendations on structural changes to the BOI for improving its performance were approved and CSF is continuing to support BOI in implementing the plans. CSF developed the Investment

Strategy focused on FDI, which is currently with the Cabinet of the GOP, and is working with the BOI on its implementation.

There have been specific projects where CSF's support and investment has generated significant direct and indirect investment from private, public and academic sectors. Additional to investment generation, CSF policy and sector assistance has resulted in specific cases of significant revenue generation. For instance, CSF assistance to the motorcycle industry had an impact of increasing sales and exports and generating $175 million of additional sale tax revenue for the government.

KUSHHAL PAKISTAN FUND (KPF)

A. Performance during the year 2009-10:

The Directors on the Board of the KPF in the meeting held on 18-08-2009 signed the Declaration of solvency and approved the draft special resolution for winding up the KPF Company and also recommended passing the Resolution by the Members of the Company in the AGM. The Directors on the Board of the KPF in the meeting held on 08-01-2010 signed the Declaration of Solvency for voluntary winding up of the KPF Company. Annual General Meeting (AGM) of the Members of KPF was also held on 08-01-2010. The Members approved inter-alia the Special Resolution for voluntary winding up of the KPF Company as per recommendation of the KPF Board and appointed Liquidator for winding up of the Company with in twelve months under Section 362 of the Companies Ordinance, 1984.

B. Major activities/proposals for FY 2010-2011 to 2012-2013 :

KPF Company is under the process of voluntary winding up; and is expected to be wound up by the mid of FY 2010-11.

JOINT INVESTMENT COMPANIS IN PAKISTAN

The following joint Investment Companies have been established with the friendly countries on the basis of equal shareholding by the two Governments (i.e. 50 : 50) towards the paid-up capital contribution:-

i) Pak-Libya Holding Company (PLHC)
ii) Pak-Kuwait Investment Company (PKIC)
iii) Saudi-Pak Industrial & Agricultural Investment Company (SPIAICO)
iv) Pak-Oman Investment Company (POIC)
v) Pak-Brunei Investment Company (PBIC)
vi) Pak-Iran Joint Investment Company (PIJIC)
vii) Pak-China Investment Company Limited (PCICL)

2. Salient features of the seven Pakistan Joint Ventures are given below :-

1	Company	PLHC	PKIC	SPIAICO	POIC	PBIC	PIJIC	PCIC
2	Year of Incorporation	1978	1979	1981	2001	2006	2007	2007
3	Paid up Capital As on 31.12.09	6142	6000	6000	6152	6000	6000	7420*

*Authorized Capital is US$ 200 million (equivalent in Pak Rupees to be paid in installments

3. The major areas of operation of all the joint Investment Companies are almost the same and include:

a) Project financing
b) Lease financing
c) Equity participation
d) Money market operations,
e) Foreign currency deposits,
f) Stock market operations,
g) Term finance certificates (TFCs) Investments
h) Financial advisory services
i) Financial consultancy and syndication

4. The Companies are managed by the Board of Directors which comprises of three nominees Director of Government of Pakistan and three from partner country concerned except Pak-Brunei have four members two nominee Directors of Government of Pakistan and the rest from the Government of Brunei. The Chairman of the Company is the nominee of partner country and the Managed Director is always the nominee of the Government of Pakistan. However, in case of Pak-China Investment Company, the Chairman is from Pakistan and Managing Director from China. The business of the Company is managed under the Articles of Association.

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY

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

Its Performance during the Financial Year 2009-2010 remained as under:-

A. (i) PPP Policy 2009

Public Private Partnership (PPP) Policy 2007 needed extensive modifications on account of changes in regulatory and economic regimes taking place in Pakistan. Therefore, IPDF with the consultation of Asian Development Bank and World Band drafted new policy 2009 which was approved by Economic Coordination Committee of the Cabinet on 26 January 2010.

(ii) PPP Law

IPDF drafted the Public Private Partnership (PPP) Law, which was sent to the Finance Division for approval and legislation. However due to the changes in the newly approved policy of 26 January 2010, the

Finance Division directed to amend and modify the draft law in accordance with the newly approved PPP policy and in consonance with best international practices. IPDF has substantially completed the amendment and modification of the PPP Law, which is currently at an advance stage.

(iii) Viability Gap Funding Guidelines

IPDF has successfully developed the Viability Gap Funding Guidelines; however, World Bank has not yet helped in capacitating the Viability Gap Fund.

(iv) Project Development Fund Guidelines

IPDF has developed Project Development Fund (PDF) guidelines for funding of feasibility studies and Transaction Advisory services for Public Private Partnership projects. It is envisaged that this PDF would be a revolving fund accessible to all Implementing Agencies of the Government including IPDF. However, the World Bank has not yet helped in capacitating for setting up of PDF.

(v) Standardization of contractual framework for User Charges

During this year, IPDF has come up with the version of contractual frame work based upon User Charges. In the previous year, contractual framework for unitary charges was finalized. Presently, IPDF is utilizing both these documents for drafting of concession agreements and in preparation of Request for proposals.

(vi) Water Cell

Multipurpose Water Reservoir Financing Cell (Water Cell) has been set up by IPDF with the assistance of World Bank in terms of the loan facility extended by World Bank titling ‘Water Sector Capacity Building and Advisory Project’ under Credit No. 44370-Pak. Transaction Advisory firms are being hired with the approval of World Bank for development of enabling framework under PPP modality. Water Cell, in consultation with Hydro Electric Board, Government of Azad Jammu and Kashmir and the Government of Gilgit/Baltistan is undertaking structuring of some of their small to medium hydropower electric projects under PPP mode. A joint hydropower committee comprising of Secretary Water & Power, Chairman WAPDA and IPDF had been established to identify and undertake potential hydropower projects with private sector participation. In this regard, LAWI Hydropower Project (69 MW) in Chitral had been selected by the said committee to be undertaken as a pilot project under PPP modality. The financial feasibility & structuring of the Project has been completed by IDPF and presented to WAPDA.

B. Project Based activities and Achievements

(i) Cool Chain System under National Trade Corridor :

Ministry of Commerce has decided to establish a Cool Chain System under National Trade Corridor Improvement Project. The Cool Chain Project is bound to act as a back bone for the development of supply chain infrastructure for horticulture produce. The Cool Chain System will consist of cold stores, pack houses and reefer yards.

The Needs & Options Report, the Technical & Financial Feasibility studies have been completed. IPDF has presented the same along with a recommended incentive package for the private sector to the Pakistan Horticulture Development Company (PHDEC) operating under the Ministry of Commerce and the Core Group formed under the Ministry of Agriculture. The PC-1 has been formulated and would be taken to CDWP for approval. Once the security package is approved, the project would be launched in the market for private sector participation.

(ii) Faisalabad Solid Waste Management Plant :

City District Government Faisalabad faces an urban problem of inadequate solid waste management and intends to rectify this problem through private sector participation in the development and implementation of an integrated solid waste management project under the PPP modality.

Detailed needs & options as well as feasibility study were conducted. IPDF presented the feasibility study to CDGF. Upon the finalization of the feasibility study, 'Expression of Interest' was floated in the market by IPDF. The project attracted a lot of private sector interest and twelve parties submitted the prequalification. IPDF and CDGF are in the process of finalizing the Request for Proposal'. Once approved the RFP would be floated to the qualified private parties.

(iii) Lahore Southern Bypass from Motorway to Ferozepur Road :

Traffic Engineering and Transport Planning Agency, Lahore Development Authority intends to develop Southern Bypass as strategic, high speed and access controlled road for Lahore City. The development of Lahore Southern Bypass is a major component of Lahore master plan approved in 2002.

Detailed technical feasibility was done. IPDF conducted the financial feasibility for this project. At present, IPDF is in the process of finalizing the RFP. Once approved by LDA, the RFP would be floated in the market. There has been a high interest by the private sector in this project.

(iv) Pakistan Institute of Medical Sciences (PIMS) projects:

PIMS intends to structure following projects on Public Private Partnership basis:

a) Institute of Dentistry : A state of the art Dental Treatment Facility as well as a teaching, training and research centre is to be a established within the premises of PIMS.
Technical Feasibility has been conducted. IPDF performed the financial feasibility which was presented to PIMS and Ministry of Health. Once the feasibility is finalized, IPDF in collaboration with PIMS will invite private parties to submit their proposals for the project.

b) Center for Liver Diseases and Organ Transplantation (CLOT) : A viable and sustainable liver transplant centre is to be established within the premises of the PIMS. Technical and financial feasibility is being conducted. IPDF presented the initial findings to PIMS.

(v) Flyover/Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the national Highway N-5)

National Highway Authority aims to develop six lanes Flyover/ Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169 of the national Highway N-5) Along new alignment under PPP modality.

Detailed needs & option was conducted. During discussions that IPDF had with N.H.A. ten different options were explored for project design. Out of these, three were shortlisted. IPDF conducted feasibility. The final decision is awaited from N.H.A. The project has attracted immense private sector interest.

(vi)Karachi Circular Railways (KCR)

KCR was opened for traffic in to phases in 1964 and 1970. Over the 15 years of operations it gradually lost its ridership due to longer travel time and delays. Number of train were gradually reduced and KCR was closed in December, 1999. It has been decided by the Government that KCR was be revived as a modern commuter system and KUTC was setup for its implementation/ operation.
IDPF conducted detailed financial feasibility for this project. The financial feasibility was presented to ECNEC and the project was approved.

(vii) Environment-friendly CNG Buses

Government of Pakistan intends to introduced 8 thousands CNG buses in 9 mega cities in Pakistan to provide efficient, environment friendly and affordable transportation.. IPDF conducted detailed technical and financial feasibility. IPFD also developed the RFP. Seven operators have been shortlisted. At present, the lenders have reservation to finance the project. Negotiations are being conducted.

(viii) Charsaddah Solid Waste Management System

As a part of the overall UNDP program, Charsaddah Solid Waste Management Project has been identified as pilot project which, if successful, can be used as model for the other projects for provision of solid waste management system in those towns and tehsils that have a population in excess of 20000.

Technical and financial feasibility was conducted by IPDF. The RFP was floated in the market for private sector participation. However, due to security reasons, the project didn't gather a lot of private sector interest.

(ix) Hydropower Projects

A Multipurpose Water Reservoir Financing Cell has been established within IPDF with the assistance of World Bank. The purpose of this cell is to develop of framework for private sector investment in the hydro poser sector similarly to the one already in place to the thermal sector.

Technical feasibility study completed and IPDF has finalized the financial structuring and tariff recommendations. The findings will be presented to WAPDA and once approved, it can be launched in the market for private sector investment.

(x) Quaid-i-Azam School of Management Sciences, Islamabad

Quaid-i-Azam School of Management Sciences, Islamabad is envisioned to be state of art institution providing quality education in business and management sciences at an under graduate level. In order to facilitate the private sector and commerce classes at the earliest possible time QAU has decided to temporarily give one of its blocks to the private party to start operation of QASMS.

IPDF conducted detailed financial feasibility which was presented to Quaid-e-Azam University. RFP for this project was also developed by IPDF and floated in the market. Bids have been submitted and selection process is near its completion.

(xi) Hostel Facility at COMSATS, Islamabad

IPDF is assisting COMSATS and HEC in setting up a hostel facility at COMSATS for its students under the PPP modality.IDPF in collaboration with COMSATS has selected the technical advisor for this project. The technical feasibility is being conducted and would be followed by a detailed financial feasibility by IPDF.

(xii) Solar Thermal Power Plant

In order to improve efficiency, PEPCO wants to covert the thermal power plant in Faisalabad to a solar thermal power plant.
IPDF is in the process of conducting technical and financial feasibility for this project.

(xiii) Operating Cargo and Oil Trains

Pakistan Railway with the help of IPDF is attracting private sector to bring rolling stock for the running of cargo oil trains on Pakistan Railways track by paying track access charges under open track access policy.

IPDF performed the detailed financial feasibility for this project which was presented to Pakistan Railways. IPDF is in the process of developing the RFP for the project. Once the RFP is approved by Pakistan Railways, it will be floated in the market.

(xiv) Sundar Logistics Hub

Development of logistics industry is considered as an important aspect of trade facilitation and increased competitiveness. IPDF is working with National Trade Corridor and the Planning Commission to setup a logistics hub near Sundar Industrial Estate.

Due diligence and financial analysis has been completed by IDPF. IPDF is still awaiting a response from stakeholders.

(xv) Civil Aviation Authority

IPDF is in consultation with CAA to undertake the technical/ financial feasibility of the projects and develop. Following projects were shortlisted to be undertaken on PPP modality.

(a) Commercial Hub: Within the airport boundary there is approximately 1200 acres of land earmarked for commercial activities. IPDF will undertake a detail master plan for the development of commercial hub which possibly includes a 5-star hotel, IT park, freight forwarders and golf-course.

(b) Fuel Hydrant System : Fuel Hydrant system is an underground network of pipes specially designed to efficiently dispense fuel to aircrafts. Ground work for fuel hydrant system has already begun at the new airport site. A private party would be invited to build fuel farm (approx investment PKR 550-600 million) which will be operated on Public Private partnership.

IDPF will undertake technical and financial feasibility shortly.

THE COMPETITION COMMISSION OF PAKISTAN

Improving Pakistan's Competition Framework

Through effective enforcement of Competition Law, the Government of Pakistan seeks to promote and protect competition in the economy with private sector acting as the engine for sustainable economic growth.

Competition Ordinance, 2010 seeks to (i) encourage businesses to be competitive and achieve economies of scale and pass on the benefits to consumers through competitive pricing (ii) encourage commercially rational conduct on the part of business enterprises and (iii) put in place a framework that ensures free interplay of market forces, and hence promotes competitiveness and consumer welfare.

The law enforcement provisions in the Ordinance are bifurcated into an *ex post* review of prohibited practices and *ex ante* assessment of proposed mergers.

Prohibited practices include vertical and/or horizontal agreements which have the object or effect of reducing competition, abuse of dominant position, and unfair or deceptive trading practices. Under the law, reviewable transactions include approval of mergers and acquisitions as these can reduce competition by creating a dominant position.

The Competition Commission of Pakistan

Competition Commission of Pakistan (CCP or the Commission) has a broader and more progressive mandate i.e., *promoting healthy competition among economic agents*.

The Commission is a quasi-judicial, quasi-regulatory, independent law enforcement agency. Fully in keeping with the spirit of the law, the Commission seeks to be non-discriminatory, to protect competition rather than competitors, to facilitate business growth, to achieve co-ordination with other agencies and the public, and to maintain integrity in applying the law. The law requires the Commission to take a reasoned approach, to carry out studies to identify and address competition vulnerabilities, and to engage in advocacy through various means in order to create awareness of competition issues and to promote a healthy competition culture.

During the period under review, the Commission comprised of five members depicting a blend of professionals from the legal, academic, and private sectors which added technical strength and versatility to the organisation.

Activities
Regulations & Guidelines

Competition Ordinance, 2010 is an enabling law and without the regulations it cannot be enforced. CCP reviewed all the regulations it issued in the preceding year, relating to: i) Merger Control, ii) General Enforcement, iii) Leniency, iv) Conduct of Business, and v) Service regulations. After eliciting public opinion, these regulations were suitably amended and notified.

The Commission amended the following regulations:

1. Competition Commission (Merger Control) Regulations, 2007:
   SRO 935(I)/2009 dated 30-10-2009: - Regulation 4 (Thresholds) was amended so as to increase the value of shares or assets acquisitioned from Rs. 50 million rupees to 100 million rupees; and thresholds were also prescribed for Asset Management Companies.

2. Competition (Leniency) Regulations, 2007:

   SRO 936(I)/2009 dated 30-10-2009:- The above Regulations were amended so as to rationalize its provisions regarding applicability of the Leniency Regulations were extended. The existing Regulation 4 containing the grant of reduction in the amount of penalty was substituted with a new regulation. The reduction in the amount of penalty was categorized into the following and the conditions were provided:-

   a. An undertaking may benefit from reduction in the financial penalty upto 100%; and

   b. An undertaking may benefit from a reduction in the financial penalty upto 85%, subject to the specific circumstances and the prescribed conditions.

   The Commission was empowered to impose further conditions and it was laid down that any reduction in the level of financial penalty shall be the discretion of the Commission who will take into account certain specified practice before exercising the discretionary powers.

The Regulation 5 regarding reduction upto 50% was deleted. A new Regulation 6 regarding the confidentiality of the information supplied by certain person was inserted so as to boost confidence of leniency seekers.

3. Competition Commission (General Enforcement) Regulations, 2007:

   Regulation 26 was amended so as to provide the mode of presentation of the cases to the Commission by the parties concerned and it was emphasized that the representatives of the parties appearing before the Commission must be well conversant with the case being heard.

4. Competition Commission (Service) Regulations, 2007:

   A new para 21 was inserted in Chapter 10 of the 'Employees Service Manual' so as to ensure punctuality in attending the office. All employees were directed to register their arrival/departure at the office premises through Biometric Attendance System installed at entrance. It was decided that three late arrivals shall be treated as one day casual leave and if there was no authorized casual leave at the credit of an official, the three late arrivals shall be accounted as one day's absence and be treated as leave without pay.

LAW ENFORCEMENT

The Commission took significant steps, including several landmark decisions as summarised below:

A. Abuse of Dominant Position

1. Pakistan International Airlines and Saudi Arabian Airlines – increase in Haj Fares

   CCP took *suo moto* notice of media reports that Pakistan International Airlines was charging exorbitant Haj fares and conducted an inquiry which showed that PIA had increased Haj fares by more than 80 percent from Rs 38,500 to Rs 70,000 for South Region and from Rs 46,200 to Rs 85,000 for North Region in one year without reasonable justification, thereby attracting violation of Section 3(3)(a) of the Ordinance. CCP after providing opportunity of hearing to the parties and deliberating on all the material available on record imposed a token penalty of rupees ten million on PIA vide its Order dated November 20, 2009; for unreasonable increase in Haj airfare during the year 2008, thereby abusing its dominant position in the market for Haj airfares from Pakistan to Saudi Arabia.

2. Pakistan International Airlines – excessive and discriminatory pricing in flight rescheduling and cancellation charges

   CCP took *suo moto* notice of excessive and discriminatory pricing in flight rescheduling and cancellation charges and conducted an in-depth enquiry into the matter. The enquiry revealed that the PIA was basing its rescheduling/ cancellation charges as a percentage of the ticket fare, which was discriminatory in nature and thus, prima facie, violated Section 3 of the Competition Ordinance. Therefore, a Show Cause Notice was issued and detailed hearings were conducted. Upon a proposal made by PIA to remove the discriminatory fee structure, CCP took a lenient view and did not impose any penalty, disposing the matter vide its Order dated 8-12-2009. PIA was directed to implement the proposed non-discriminatory rescheduling fee structure in letter and spirit by 01-01-2010, and the passengers who wished to reschedule their flight to an immediate preceding flight were mandated to be allowed to do so without having to pay any penalty charges.

3. Jamshoro Joint Venture Limited & LPG Association of Pakistan

CCP's enquiry revealed that the Jamshoro Joint Venture Ltd. (JJVL) and LPG Association of Pakistan (LPGAP) entered into a vertical collusion agreement to fix LPG prices and also to keep LPG importers out from competition in the LPG market through their exclusionary conduct. In its Order of 14-12-2010, a penalty amounting to 3.75% (out of a maximum 15% imposable) of previous year's annual net turnover, i.e. Rupees 278 million was imposed on JJVL. The Company was directed to cease and desist from restricting competition through limit-pricing. The Oil & Gas Regulatory Authority was strongly recommended to review its policy and implementation regarding 'reasonable consumer price' and was directed to take necessary measures to ensure a level playing field for all stakeholders and to ensure that no party including importers should either be excluded from the relevant market through anti-competitive measures or be allowed to create or maintain artificial entry barriers in the relevant market. CCP took a lenient view and imposed a sum of Rs 40 million as penalty on LPGAP keeping in view that LPGAP is not a repeat offender.

4. Trading Corporation of Pakistan – tenders for import of sugar

CCP conducted enquiry to verify whether the terms and conditions of the Trading Corporation of Pakistan (TCP) tenders, floated to import 500000 metric tons of refined sugar, were preventing restricting or reducing competition in the relevant market in violation of the provisions of Section 3 and/or 4 of the Ordinance. The Enquiry Report pointed out that certain clauses of the terms and conditions of the tenders were of concern. These clauses were: i) Clause 2 wherein Solution Colour ICUMSA Unit Max. was fixed at 120, Sulphur Dioxide mg/kg was fixed at 15.0 ppm and Copper mg/kg, Max. was fixed at 2.0, ii) Clause 6 wherein the dimensions for packing bags were set forth in detail, iii) Clause 10, which provided that the bids were to be submitted personally and no bid through courier or fax shall be accepted, iv) Clause 15 in which minimum quantity

of shipment and the time period for subsequent shipments were also fixed, iv) and Clause 19 wherein it prohibited transshipment and stated that no other cargo was to be shipped along with the sugar. TCP was directed to issue a corrigendum to amend conditions of the tenders suitably and announce this in two national newspapers the following day.

5. Pakistan Steel Mills Corporation (Pvt.) Limited – refusal to deal

CCP took *suo moto* notice of a news items that most allocations of critical raw material known as steel billets were being allocated by Pakistan Steel Mills (PSM) to one particular downstream purchaser and the remaining users of steel billets were not getting these in time or in the quantities required by them. The Commission conducted an enquiry which was concluded on April 10, 2009. It was found that PSM, *prima facie,* holds a dominant position in terms of clause (e) of sub-section (1) of Section 2 of the Ordinance being *inter alia* the sole domestic manufacturer of the product and refusing to supply steel billets to its regular customers, diverting supply to one customer. The undertaking was therefore served a Show Cause Notice on April 29, 2009. CCP vide its Order dated 22-03-2010 disposed of the matter. A penalty of Rs.25 million was imposed on PSM for abusing its dominant position in the market of steel billets by arbitrarily refusing to supply certain customers without adequate justification. PSM was also reprimanded for abusing its dominant position and was cautioned that any future infringement of the Ordinance would be viewed most adversely by the CCP and would justify the imposition of a far higher penalty.

B. Prohibited Agreements/Cartels

1. All Pakistan Cement Manufacturers' Association (APCMA): cement cartel

   CCP took *suo moto* notice of items appearing in newspapers and electronic media's websites on 20.3.2008 alleging an agreement between the various cement manufacturers. Acting in line with its mandate, CCP conducted a search of the premises of APCMA and recovered an agreement dated 8.5.2003 between APCMA and its members. The Agreement contained clauses aimed at controlling quotas and supply to achieve a targeted price amongst parties to the Agreement. This was clearly a prima facie violation of section 4 (1) and section 4 (2) (a) and (c) of the Ordinance. CCP imposed a penalty of 7.5% of turnover in the case of each member undertaking based on last annual accounting statements of each of the member undertaking of the Association. APCMA itself was fined a maximum of Rs. 50 million.

2. Takaful Pakistan Limited (TPL) & Travel Agents Association of Pakistan (TAAP): cartel, abuse of dominance & deceptive marketing practices

   Upon a reference by the Civil Aviation Authority, CCP conducted an inquiry which revealed that travel insurance offered by TAAP under the said scheme through its member travel agents, is not only restricting competition but is also engaged in deceptive marketing with respect to the price it charges from consumers. It was alleged that as part of the deceptive scheme, travel agents charge Rs 600 to consumers purchasing tickets for international destinations, as charges for travel insurance. A portion of Rs 600 is in fact used to pay the premium for default insurance, which every travel agent is bound by IATA to have under a Billing Settlement Plan, without the knowledge of the passengers. Based on the findings of enquiry report, CCP issued show cause notices to TPL and TAAP. After conducting detailed hearings, CCP disposed of the matter vide its Order dated 29-01-2010. It was held that the TPL has abused its dominant position by tying the products in violation of

Section 3, entered into Agreements I & II with TAAP in violation of Section 4 and also resorted to deceptive marketing practices. Thus, CCP imposed the following penalties:

For abusing its dominant position, a penalty of rupees twenty million was imposed on TPL and it was directed that it shall continue to provide TAAP members default insurance/Guarantee at the same rate of contribution i.e., PKR 70 for each international ticket and PKR 35 for each domestic ticket sold by the travel agent, in accordance with paragraph 2 of Schedule A of the TAAP Agreement-II.

For fixing price of travel and medical insurance for passengers, a penalty of PKR ten million was imposed on both TPL and TAAP. For deceiving customers/passengers, TAAP was directed to collect from its members and pay a penalty of PKR ten million.

C. Deceptive Marketing Practices

1. China Mobile Pak Limited (CMPAK) & M/S Pakistan Telecom Mobile Limited (Ufone)

CCP took *suo moto* notice of the advertisements of '8 Anay per call' offer of ZONG and 'Ufone UWON' package and issued Show Cause Notices to both the undertakings for alleged violation of Section 10 of the Ordinance, which addresses deceptive marketing practices. CCP on 29-09-2009 passed an Order wherein the subject advertisements by both the undertakings were held in violation of Section 10 of the Competition Ordinance. However, owing to CCP's conciliatory and compliance-oriented approach, and the assurances given on part of both the companies through an undertaking in writing for future compliance with the provisions of the Ordinance, CCP did not impose any penalty. The companies were warned that in future CCP would take a very strict view of any or all non-compliance or contraventions under the Ordinance. CCP's Order set forth general guidelines in relation to enforcement of Section 10 with reference to definition and distinction

between 'false' and 'misleading' information as well as definition of a 'consumer'.

2. Askari Bank Limited, Habib Bank Limited, United Bank Limited & Mybank Limited

    CCP took *suo moto* notice of the advertisements published in the print media, on behalf of MyBank Limited, United Bank Limited, Askari Bank Limited, and Habib Bank Limited for advertising term/time deposits accounts giving exaggerated and incorrect profit rates. These advertisements were deceptive in that they did not specify the basis of calculation of the expected rate of return, did not disclose consequences of early withdrawal from such deposit accounts and carried important information in small print. Relying on a precedent from the US, the bench referred to the Truth in Savings Act of the US, which lists different requirements to be followed when advertising financial goods or services. The Order clarified that Section 10 applies to the marketing of both goods and services. The matter was disposed of vide Order dated 14-01-2010 by the CCP. Since the Undertakings stopped the subject advertisements upon initiation of proceedings and expressed their willingness to comply with the provisions of Section 10, as evidenced by the written commitments made by them, a lenient view was taken and no penalty was imposed on them. The parties were; however, warned that in future, if, similar violations are found to be committed it may give rise to serious consequences under the Competition Ordinance.

3. Proctor & Gamble Pakistan – Head & Shoulders Shampoo

    CCP took *suo moto* notice of the advertisements of one of the products of P&G, i.e. '*Classic Clean Head & Shoulder Shampoo*', wherein, it was advertised that, the Product is '*World's No. 1 anti-dandruff shampoo*' suggesting that its use renders the hair '*100% dandruff free*'. CCP asked P&G to provide the evidence to substantiate the claims made in the Advertisements; however, P&G was unable to provide satisfactory evidence to substantiate its claims. The matter

was disposed of vide Order dated 23-02-2010. CCP in its Order directed P&G to stop advertising the subject advertisement (which has been modified by P&G) and in future P&G shall not use the phrase <u>'100% dandruff free'</u> in their advertisement of the Product, unless it is properly substantiated by a cogent evidence providing it a reasonable basis for such claim; and/or, b) modify its claim of <u>'100% dandruff free'</u> to include significant conditions that it 'removes 100% of visible dandruff flakes' and 'the claim is based on the visibility of flakes at two feet distance when used regularly', in line with what has been approved by ClearCast for broadcast on TV in UK. c) file compliance report with CCP forthwith after implementing the aforementioned directions." In the event P&G fails to comply with the above directions and continues with the contravention of Section 10 of the Ordinance, the Order stated that it would be liable under Section 38 of the Ordinance to pay a penalty amounting to Rs. 25,000,000/- (Rupees Twenty Five Million) million and an additional penalty of Rs. 2,50,000/- (Rupees Two Hundred and Fifty Thousand) per day from the date of passing of the Order.

D. Orders Passed by the Appellate Bench of the CCP

The Appellate Benches of CCP have been performing their functions expeditiously. The Appellate Benches of CCP passed the order in the matter of Lahore, Karachi and Islamabad Stock Exchanges and Fecto Belarus Tractors (Pvt.) Limited.

MERGERS, ACQUISITIONS AND EXEMPTIONS

In 40 cases, the Commission granted exemptions from prohibited agreements. 60 merger and acquisition cases were also processed during the year. Commission also provided advice on specific questions raised by business houses.

ADVOCACY

Competition advocacy is about the promotion of competition though means other than law enforcement. The Commission has been very active in advocacy as required under Section 29 of the Competition Ordinance, 2010.

During the year, the Commission organised a **National Conference on "Competition Regime in Pakistan"**. The Conference aimed to discuss state of competition in key sectors of country's economy. The conference gathered a wide range of stakeholders including industry leaders, representatives of trade associations, regulators, government, non-governmental organizations and journalists.

Mr. Vinod Dhall, former Acting Chairman and Member Competition Commission of India also delivered a talk on the occasion.

International Conference on "Challenges in implementing competition laws in developing countries" indicated the resolve of CCP to promote international cooperation in the enforcement of competition laws through exchange of information. The conference brought together eminent international experts on competition law including Mr. William Evan Kovacic, Commissioner of the US Federal Trade Commission, Professor Richard Janda, a well known competition expert from Canada, Mr. Halil Baha Karabudak, Adviser to the Chairman, Turkish Competition Authority, and Mr. Joe Angland, Partner, Antitrust & Competition Practice, New York. The Conference was also attended by representatives of Pakistan's corporate sector, industry and trade associations, officials of the Government of Pakistan, and journalists.

In addition to these conferences, training workshops, seminars and meetings with groups of businessmen, twenty four TV interviews and twelve press conferences were also organised. Competition Consultative Group (CCG) that comprise of leading business executives, sector-specific regulators and academics held three meetings in 2009-10.

CCP launched a new dynamic website that was developed keeping in view the requirements of the Commission to be easily accessible to its stakeholders. All the orders, press releases, regulations and decisions issued by the Commission were immediately posted to the website. The availability of guidelines on the website promotes voluntary compliance by the business community. Details about public advocacy such as policy notes, seminars and other important activities are also readily uploaded.

The Commission published its Annual Report 2009, State of Competition Report 2009 and research studies on banking, sugar and fertilizer sectors.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Introduction

The Securities and Exchange Commission of Pakistan (the Commission) was established in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997 (the Act) and became operational on January 01, 1999. The SECP has been functioning as a body corporate to administer the laws relating to capital market, corporate sector, and financial (non-banking) sector. Its core function is to regulate the stock exchanges and the securities

market. The Commission succeeded the Corporate Law Authority (CLA), which was a Government department attached to the Ministry of Finance. The Commission operates under the guidance of a Securities and Exchange Policy Board established under the Act.

Mr. Salman Ali Shaikh is the Chairman of the Commission. In addition, the Commission comprises of one Commissioner - Mr. S. Tariq Asaf Husain.

Activities During Fiscal Year 2009-10

During the period July 01, 2009 - June 30, 2010 SECP's works in the sectors under its purview are summarised below:

Securities Market
Market Overview
Stock Market

The advent of FY2010 was marked positively at the Karachi Stock Exchange consequent to the promising economic outlook for Pakistan. The KSE - 100 Index after witnessing a turbulent FY2009 following global recession along with various other factors posted considerable gains during the FY 2010. The KSE - 100 index picked up accelerating momentum by the beginning of the FY 2010 owing to factors like build-up of foreign exchange reserves, reduced rate of inflation in the first quarter of FY 2010 and net inflow of foreign investment in Pakistan, etc.

The benchmark Index manifested its strength by a robust start in the beginning of FY2010; starting at year's low of 7,270.72 points, the KSE - 100 Index geared-up and touched a level of 9,845.74 points by October 15, 2009 consequent to the successive positive trading sessions. The tangible evidences of economic growth in the country contributed significantly for index growth. However, the KSE - 100 Index faced a sluggish trend later resulting in meager decline in index values. The stock market remained dull and range-bound due to numerous factors including instability in the exchange rates, rising circular debts among various government entities, rumors regarding the implementation of Capital Gains

Tax, unavailability of a leverage product in the stock market, etc., which gripped the positive movement of the market.

However, during the 2nd half of the FY2010, KSE-100 Index outperformed well and emerged among well performing exchanges, internationally. The KSE - 100 index crossed benchmark of 10,000 points in March, 2010. Upward trend in the index was also reflected in the improved Market Capitalization, which stood at year's high of Rs. 3,024.98 Billion on April 19, 2010. However, the positive trend of index could not be sustained till end of the fiscal year.

Irrespective of the numerous negative factors hampering the robust index growth, by the end of FY2010, the KSE - 100 index stood at 9,721.61 points as of June 30, 2010, increased by 33.71% on YoY basis reflecting the overall improved outlook of Capital Markets. The Market Capitalization stood at Rs. 2,732.373 Billion (US $ 32.30 billion). The salient factor motivating the stock market sentiments was increase in foreign investment during the FY2010. Net inflow of foreign investment in Pakistan from July 2009 to March 2010 was US$431.9 million which was a large increase considering the negative foreign portfolio investment in the last financial year.

Commodity Market

The trading volumes at NCEL showed an exponential rise during the review period. The total traded value of contracts climbed upto Rs. 63.34 billion in FY 2009-10 compared to Rs. 10.25 billion in FY 2008-09 with the number of contracts traded rising to 314,670 from 24,571 traded in the FY 2008-09 representing a growth of 518% in traded value and 1181% in the number of contracts traded during the year. Further, during the period under review, the membership base of NCEL also showed a healthy growth with addition of 15 new brokers being registered with SECP, under the Commodity Exchange and Futures Contracts Rules, 2005.

Regulatory Actions:

Actions under Section 18A of the Securities and Exchange Ordinance, 1969

During the year under review, 28 cases of submission of 59 fictitious or multiple applications for subscription of shares of companies in violation of Section 18A of the Securities and Exchange Ordinance, 1969 were reported in 06 Public Offerings.

Further, during the year under review 2247 orders in respect of 2307 applications (2248 pertaining to previous cases and 59 pertaining to current cases) were passed and after being proved as fictitious/ multiple, subscription money of 2211 applications amounting to Rs.51.477 million was confiscated.

Investor Complaints

Quick redressal of investor complaints and grievances is an important instrument in restoring investor confidence. During the year under review the investor Complaint Wing has issued 4 Show Cause Notices to Brokers for redressal of Investor Complaints, Non Provision of Information to the Commission and Illegal Brokerage Houses, Further 6 Orders have been passed for redressal of investor complaints.

Developmental Activities

Fit and Proper Criteria for Directors on the Boards of the Stock and Commodity Exchanges, CDC and NCCPL

To ensure that Boards of Directors of organizations that serve as the cornerstone of the Pakistani securities market, comprise of professionals who satisfy the highest standards of integrity and honesty, promote business ethics and inculcate practices of good corporate governance, a Fit & Proper Criteria for Directors on the Boards of the Stock and Commodity Exchanges, the CDC and the NCCPL was introduced. The said criteria provides for a comprehensive way of judging the prospective individuals for directorship of the said entities including professional, academic and ethical aspects.

Policy for Dissemination of Material Information to the Stock Exchanges

A comprehensive Policy for 'Dissemination of Material Information to the Stock Exchanges' and the 'Policy for Ordering Suspension of Trading in the Shares of Companies' was formulated with a view to achieve transparency and better enforcement of the regulatory framework of the exchanges on the regulates.

Arbitration Procedure at KSE

To safeguard the interests of the investors, the SECP has comprehensively reviewed the existing arbitration procedure in place at the stock exchanges. Efforts are being made to bring in more transparency and to reduce the time period involved in settling disputes together with ensuring fairness and independence in the dispute resolution process.

Broad Basing of NCEL Shareholding

As a major developmental activity for the NCEL, broad basing of its ownership structure was achieved. Offer of 200% Rights Issue was made by NCEL in accordance with the scheme of broad basing to include financial institutions. Further to this, the National Bank of Pakistan acquired Rs.60 million worth of shares in NCEL thereby largely achieving the scheme of broad basing by diluting the concentrated shareholding and inclusion of financial institution in the shareholding structure.

Market Surveillance Suite

In order to strengthen the monitoring and surveillance of the Stock Market, MSW has deployed an in-house surveillance facility termed as Market Surveillance Suite (MSS) developed by SECP's IT Department. The implementation of the software constituted input in the structural design, detailed testing and error identification accompanied by the review of the application features and reports. The software, along with the provision of

real-time and historical data also facilitates the detection of market manipulation, price distortion and other market abusive activities.

Amendments in the share subscription form

In order to facilitate the shareholders/IPO investors and to encourage payment of dividend through direct credit in shareholder's bank account, a separate clause under the head "Dividend Mandate" has been incorporated in Share Subscription Form. This gives the option to the members of Listed companies to receive their cash dividend direct in their bank accounts instead of dividend warrant.

Data regarding privately placed debt instruments

Pursuant to the Commission's Circular No. 27 of 2008 dated December 05, 2008 information/ data regarding issuance of privately placed (PP) instruments of redeemable capital (e.g. PPTFCs, PP Sukuk and Commercial Papers etc.) is also being maintained along with their redemption statuses. Such information alongwith IPO related data is now available for all investors, general public and researchers through Commission's website.

Rationalization of the cost of issue of corporate bonds

In order to rationalize the cost of issue of corporate bonds, the rate of stamp duty applicable on issue and transfer of TFCs and CPs were decreased by the Government of Punjab and ICT Administration in 2008. During the year under review the Government of Sindh was also requested to bring down the rate of Stamp duty and make it in line with those applicable in ICT and the province of Punjab. The Sindh Government has accordingly brought down the stamp duty to 0.05% on issue of TFCs and 0.02% on issue of Commercial Papers.

Corporate Sector
Key Achievements:
eServices Project

In order to further facilitate companies in the eServices regime, the following activities have been undertaken:

- **Electronic Inspection of Records**

  To facilitate the public in inspecting the records/ documents submitted by the companies, the facility for electronic inspection of records has been provided at the Company Registration Offices (CROs). Presently, this facility includes documents which are filed online. However, efforts are being made to include documents which are filed manually also.

- **Foreign Companies Module:**

  Foreign companies module has been introduced, which enables the promoters to incorporate foreign companies, and file their returns online.

- **Module for filing of annual and quarterly accounts:**

  Module for filing of annual and quarterly accounts was developed and deployed in eServices.

- **Miscellaneous items with or without Challan modules:**

  Miscellaneous items with or without Challan modules for the functions for which the processes were not developed in eServices were deployed in eServices.

- **Entry of Multiple Forms:**

  In order to facilitate the filers, process for entry of multiple forms of Form A (annual return) and Form 29 (Particular of directors and officers etc) at the same time, has been enabled in eServices.

- **Frequently Asked Questions (FAQs) on eServices:**

To provide further facilitation to the end users of eServices Frequently Asked Questions (FAQs) were developed and placed on the SECP website.

- **Standard Operating Procedures (SOPs):**

  Standard Operating Procedures (SOPs) for payment process, availability of company name, offline and online company incorporation and filing of statutory returns in the eServices regime were developed.

Scanning and Archiving Project

All the physical record of companies maintained at CROs except CRO Peshawar was scanned during the previous financial *year.* During this FY, the scanning pertaining to physical record of companies maintained at CRO Peshawar was also completed.

Creating Awareness of eServices

Post launch seminars were held in the cities of Karachi, Lahore, Islamabad, Rawalpindi and Sialkot, in collaboration with professional bodies, i.e., respective chambers, tax bar associations, and ICMAP, for creating awareness on eServices. Training workshops for journalists were also held at Karachi and Islamabad. These seminars and workshops were widely attended and an overwhelming response was received. Stakeholders also gave suggestions for further improvement in eServices to facilitate users.

Development of Legal Framework

- Promulgation of the Companies (Corporate Social Responsibility) General Order, 2009

  The General Order has been issued to prescribe narrative and monetary disclosures of Corporate Social Responsibility (CSR) activities undertaken by the companies through their directors' report to the shareholders annexed to the annual audited accounts. The Order is applicable on all the public companies from the financial year beginning on or after July 1,

2009, and entails disclosure of all the charitable and philanthropic activities as diverse as corporate philanthropy, environmental protection, occupational safety and health, community welfare, etc. carried out by them during each financial year. Through the mandatory disclosure of CSR activities carried out by a company, the General Order would provide an impetus for all the public companies to undertake charitable and philanthropic activities to the benefit of their customers, suppliers, employees, shareholders, communities, and all the other stakeholders.

- Deferral of the Companies Cost Accounting Records (General Order), 2008

With a view to have cost appraisal of the companies, to identify inefficiencies in the production and increase profitability and performance, cost accounting records were prescribed by the Commission, vide General Order dated 26 September, 2008, for companies engaged in manufacturing, production and processing of fertilizer, thermal energy, petroleum refining, natural gas and polyester fiber. In view of the reservations received from the aforesaid sectors, the applicability of the General Order has been deferred to be effective from the financial year commencing on or after July 1, 2010. The Institute of Cost and Management Accountants of Pakistan has also been requested to prepare guidelines to facilitate the companies in the aforesaid sectors ensure maintenance of cost accounting records for the purpose of cost audit.

- Amendments in the Group Companies Registration Regulations, 2008

The SECP promulgated the Group Companies Registration Regulations on December 31, 2008 to provide a regulatory framework for the formation of group companies. The Regulations were also aimed to empower the Commission to designate the group

companies contemplating to avail group relief and group taxation benefits from the Federal Board of Revenue (FBR) in terms of the provisions of Income Tax Ordinance, 2001.

However, on the basis of consultation with the stakeholders, a few provisions of the Regulations were found to have jurisdictional overlaps with those under the regulatory purview of FBR. Such provisions were amended on September 7, 2009 to ensure that both the corporate and tax regulators are able to effectively exercise their powers under their respective jurisdictions.

- Amendment in the Companies (Invitation and Acceptance of Deposits) Rules, 1987:

The SECP with the approval of the Federal Government, has withdrawn the earlier amendments made in the Companies (Invitation and Acceptance of Deposits) Rules, 1987 (the Deposit Rules) as the rules were impracticable and SECP faced major impediment owing to the 'advances' in the real estate sector are actually pre-payments and not 'deposit'. Besides, the subject of housing and real estate development falls within the Provincial legislative jurisdiction, as it neither appears in the Federal nor in the Concurrent Legislative List of the Constitution. Provincial Governments have requisite legal framework and administrative machinery for the regulation of the housing and real estate companies.

- Delegation of Powers

Delegation of powers and functions of the Commission delegated to Commissioner, CLD, Executive Director (Regn.) and Registrar of Companies and Registrars concerned was notified vide S.R.O. 659(I)/2009 dated 14th July, 2009. The said notification provides a

consolidated version of previous notified delegations with partial modification.

Further, vide S.R.O. 658(I)/2009 dated 14th July, 2009, the powers of the Registrar conferred by 476(1)(b) were delegated to Registrar concerned and powers of Additional Registrars of CRO Karachi, Lahore and Islamabad conferred by section 476(1)(a) were delegated to Joint Registrars of respective CROs. Delegation will help in quick disposal of cases.

Regulatory Actions

- Processing of application for grant of license to Associations not-for-profit under section 42

During the financial year 2008-09, 22 licenses were issued to associations not-for-profit under section 42, as compared to 23 licenses issued during last year. The Commission ensures quick disposal of applications seeking licences to association not for profit

- Approvals and Permissions

The Ordinance contains a number of provisions that require companies to obtain prior approval of the Commission or the Registrar before taking a particular action. A large number of applications totaling to 72,805 were received during the year.

Monitoring and Enforcement

- Investigations into affairs of companies

During the year, the Commission received and processed five applications under section 263 of the Ordinance for investigation of affairs of the companies which were allegedly not being managed properly in accordance with the law.

- Inspection of books of account and other books and papers of companies

  During the year, the Commission received and processed two applications under section 231 of the Ordinance for inspection of books of account and other books and papers of the companies. An order in the matter was issued in one case.

- Adjudication of cases under the Ordinance

  During the year, the Registrar of Companies and the CROs adjudicated 1,143 cases of violation of various provisions of the Ordinance Punitive actions were taken against errant companies.

- Dissolution of Companies

  The Commission disposed off 316 cases of dissolution of companies. Of these, 30 companies wound up voluntarily, and 286 companies were struck off from the register under section 439 of the Ordinance. The dissolved companies had a cumulative paid up capital of Rs. 795.57 million.

- Investors' grievances against companies

  During the period, the Commission received 99 complaints from different stakeholders. Of the, 78 complaints were disposed off during the year while 21 complaints were in process at the close of the year.

- Disposal of Appeals

  During the FY 2009-10, 51 appeals were received under the Ordinance. Of these, 41 appeals were disposed off while 10 appeals are pending at the end of the period under review.

Promotion of Compliance

- Facilitation extended in filing of annual returns and annual accounts

  With the view to facilitate companies in timely filing of returns and to promote corporate compliance, the Commission provided took efforts to facilitate companies on the due dates of filing of annual returns and annual accounts. CROs remained open on Saturday on the closing dates. Last dates for filing of annual accounts and annual returns were also extended to extend maximum facilitation for collection of these documents. Advertisements, public notices and press releases for creating awareness were also issued.

- Advertising campaign against Unauthorized/Illegal Businesses and to improve statutory compliance

  In line with previous efforts, an advertising campaign was undertaken to create awareness amongst the general public against fraudulent business activities and to improve statutory compliance.

  As a part of the SECP-SBP Joint advertising campaign, advertisements/ public warnings were published, on fraudulent business activities by companies/ non corporate entities and individuals. SECP also issued public warning on unauthorised activities in case of specific companies.

  Further advertisements were published on filing of annual returns, re-launching of Companies Regularization Scheme, and compliance issues.

- Compliance to Companies (Appointment of Legal Advisors) Act, 1974:

  The Honorable High Court of Sindh, vide its order dated 16th March, 2010, in CMA No.9056 of 2009 (CP 3162 of 1993), directed the SECP to compile and provide to the

Secretary Finance, Government of Pakistan, a report containing the names of all companies who have not appointed Legal Advisors in terms of the Act, for the purpose of initiating necessary action against such companies as per law.

A list of companies which have not yet appointed the Legal Advisors as required under the law, was placed on website, to encourage compliance before sending the list to the Federal Government. Further advertisement in nation wide newspapers and press release was issued asking the companies to make compliance.

Facilitation Measures

- Extension of Companies Regularization Scheme (CRS)

An amnesty scheme, 'Companies Regularization Scheme' was initially launched for 45 days from May 15, 2009 to June 30, 2009, however, keeping in view the encouraging response received from the corporate sector, the scheme was further extended upto July 31, 2009. The scheme enabled filing of overdue returns on payment of only normal filing fees and provided complete waiver of additional late filing fees and penalties. The scheme was applicable on all types of companies other than listed companies

Circular to companies, letters to Chambers of Commerce and Industry and other professional bodies, and guidelines to CROs were issued Advertisements and press releases in nation wide newspapers were issued for creating awareness of the scheme during the extended period. CROs remained o n till late hours on last date of the scheme to facilitate collection of returns.

The scheme received an overwhelming response from the corporate sector and a total of 4,290 companies availed this opportunity as on 31.07.2009 and filed 18,106 returns.

- Help Desk at Faisalabad Chamber of Commerce and Industry (FCCI):

  A help desk has been established at FCCI for having a liaison with business community to encourage corporatization and compliance. For this purpose an official visited the FCCI on every Tuesday for four hours throughout the year.

- Review of English Version of Promoters' Guide:

  The promoters' Guide which guides the promoters in formation of a company was already available on web-site. The guide was reviewed to amend it in line with eServices scenario and uploaded on web-site.

- Persian version of Promoters' Guide :

  The promoters' Guide has been translated in Persian language to facilitate foreign companies and investors having Persian origin. SECP is thankful to the Commercial Counsellor in Iran, Embassy of Pakistan for his contribution towards provision of the translation guide. The translated guide has been placed on web-site.

- Guide for Appointment of Statutory Auditors and Ancillary Matters:

  A guide explaining the procedure for appointment of statutory auditors and ancillary matters was developed and placed on SECP's web-site.

- Change of Name Guide :

  A guide explaining the Change of Company Name process was developed and placed on SECP's web-site. The guide provides step wise procedure for both online and offline submission of change of company name application.

- Attendance of Directors of Listed and unlisted public companies in the board meetings through Tele/ Video Conferencing:

  In order to facilitate the corporate sector for holding the board meetings, the procedure *for* holding board meetings through tele/video-conferencing has further been simplified, vide the Commission's Circular no. 6 *of* 2010. Now, it would not be essential to secure the tele/video recording of the proceedings of the meetings which would curtail the unnecessary expenditure of the companies.

- Meetings with Corporate Consultants and Company Secretaries

  In house meeting with corporate consultants/ intermediaries were held at Company Registration Offices to obtain their feedback for improvement in various areas mainly operational working of CROs. Different issues regarding online & offline filing were discussed and some useful suggestions were received. SECP's efforts and initiatives for extending facilitation to the corporate sector were much appreciated.

  Meetings with Company Secretaries of prominent Listed Companies were also held at CROs. Practical demonstration of eServices was made before them to discuss the issues/ problems faced by them. These seminars remained quite interactive.

Developmental Activities:

Consultation in World Bank Global and Sub National Doing Business Study & Improvement in Ranking

World Bank Doing Business Report 2010 revealed significant improvement in 'Starting a Business' indicator, which interalia takes into account the procedure of registration of a company. The country's ranking has improved by 17 points from 80th in 2009 to 63rd in 2010. The improvement seems to be mainly attributed to launch of eServices by SECP.

World Bank (WB) along with Economic Reforms Unit (ERU), Finance Division, Govt of Pakistan also carried out a Sub-National Doing Business (SNDB) study for improving business environment across the country. A Right of Reply (ROR) Mission comprising of World Bank/USAID officials from Washington and Pakistan, and ERU officers, visited Pakistan from 7th to 19th August, 2009. The ROR mission held consultative meetings with officers of Commission and CROs Lahore, Karachi, Quetta and Islamabad, to get feedback on current procedures in registration process and

discuss future plans. They also visited CROs and appreciated the level of facilitation provided to general public at these offices.

The Sub national Doing Business in Pakistan Report has been released, which states that Pakistan performs relatively well in starting a business as compared both regionally and globally. Findings of the report indicate that registration of a company has become faster after introduction of eServices. Report gives a comparison across different cities, according to which Islamabad ranked 1st in starting a business indicator, followed by Faisalabad.

Assessment of Anti-Money Laundering/Countering the Financing of Terrorism (AML/ CFT) regime

The Asia Pacific Group of the World Bank on Money Laundering undertook an AML/CFT assessment during the year under review. The assessment, inter-alia, focused on the beneficial ownership information in respect of the persons exercising ownership and control of the companies as well as on the regulatory framework for Non-Profit Organizations (NPOs) operating in corporate form (companies registered under license granted under section 42 of the Ordinance). Based on the feedback provided, a rating of 'Partially Compliant' status was awarded vide the Mutual Evaluation Report dated July 9, 2009 in the aforesaid areas.

Representation in the Corporate Registers Forum

Being the charter member of Corporate Registers Forum (CRF), an international not for profit organization for administrators of corporate and securities registers, SECP actively participates in the activities of the forum. Regular interaction with the registrars of other jurisdictions through the discussion forum of the CRF and participation in global surveys on various matters, takes places.

Companies Division
Mutual Funds
Performance Review

The financial year 2008-09 posed serious challenges for the mutual fund industry due to the crisis that ripped through the domestic and global financial markets. To restate, the issues that surfaced during the crisis included difficulty in fair price discovery of debt securities due to dormant debt market, disparate provisioning treatment against defaulted corporate bonds by fund managers, cross-matching investments between funds and financial institutions , and mismatch of asset profile and investment style with open-end structure of funds giving rise to liquidity constraints. Though a number of remedial measures such as improved methodology for valuation of debt securities, categorization of funds, and other investors protection measures were taken by the Commission, the industry was severely plagued by the crisis. As a result, size of the mutual funds industry remained stagnant during the period from July, 2009 to June, 2010, showing a marginal increase of 4.4% to Rs. 237 billion in June, 2010. However, asset management companies, continued to offer new funds as witnessed by a surge in the total number of mutual funds which stood at 126 in June, 2010 as compared to 101 in June, 2009. In the aftermath of the crisis encountered by the industry in late 2008 and to cater the subdued risk appetite and restore the investors' confidence, the fund managers focused more on introducing money market and capital protected funds during this year.

During the period under review, categorization of mutual funds was implemented by the asset management companies in accordance with the criteria prescribed by the Commission. Appropriate categories assigned to the funds by the asset management companies are aimed to facilitate the investors to better understand the risk & return profile of a fund in order to enable them to make well-informed decisions. Categorization of mutual funds is one of the key confidence building measures introduced by the Commission and procedure for merger of Collective Investment Schemes was notified to facilitate the market.

Regulation of NBFCs

Given the issues which surfaced in the wake of the financial crisis and posed serious challenges to the survival and growth of the ''NBFC Sector, there was need for the Commission to take prompt remedial actions. Key actions taken in this regard include:

- **In order to provide a breathing space to the NBFCs affected by the liquidity crisis in particular and economic crisis in general, the timeline for meeting prescribed minimum equity requirement was extended by two years to June 30, 2011. The validity period of licenses issued to NBFCs was enhanced from one year to three years in order to provide operational flexibility to NBFCs.**

- **Investment Banks subject to prior permission and certain terms and conditions were allowed to undertake brokerage business from their platform without forming a separate subsidiary.**

- **NBFCs have been allowed further eligible securities in addition government securities, for the purpose of maintaining the 15% liquidity Reserve Requirement.**

- **In order to provide a breathing space to NBFCs affected by the liquidity crisis in particular and economic crisis in general, the application of classification and provisioning criteria as provided in Schedule XI of the NBFC & NE Regulations, 2008 was deferred for further two years till June 2012.**

- **The Commission SECP encouraged and facilitated transfer of management rights of certain problematic funds to sound industry players from the weaker ones as they were unable to withstand the redemption pressures. Management rights of two mutual funds managed by AMZ Asset Management Limited, namely, AMZ Plus Income Fund and AMZ Plus Stock Fund were transferred to Crosby Asset Management Pakistan Limited and Faysal Asset Management Limited, respectively. This transfer was executed with the consent of the majority unit holders and Trustees of the respective funds.**

- **Time relaxation was given to AMCs to achieve regulatory**

compliance. For this purpose extensions were granted to enable AMCs i) adjust excess exposures of mutual funds without adversely affecting interests of the unit holders; and ii) align portfolios in accordance with the categorization of mutual funds.

- **Moreover, mutual funds facing difficulties in achieving compliance with the 25% per sector limit subsequent to the introduction of revised Sector Classification by Karachi Stock Exchange (KSE) with effect from 151 January 2010, were allowed enhanced sector limits to better align exposure limits with the index weight of each sector. Likewise, per party exposure limits for equity funds were also enhanced to enable AMCs better match return of the funds with respective benchmarks.**
- **Dormant debt securities market coupled with liquidity crunch significantly dried out trading of debt securities held by Collective Investment Schemes last year. Fair valuation of debt securities is still an issue in the Pakistani debt market. In addition to certain regulatory interventions last year, SECP still believes that a holistic solution is necessary in this regard. Hence an independent consultant has been hired through support of a international funding agency who is working on figuring out a long term and sustainable solution for this problem. To take industry on board, the consultant is communicating with the mutual fund industry in general and MUFAP in specific regarding proposed solutions.**

New Licenses

The Commission granted license to Pakistan Private Equity Management Ltd. (PPEML) to undertake Private Equity and Venture Capital Fund Management Services. Earlier, PPEML was licensed as a Venture Capital Company.

Developmental Activities

Continuing with its earlier endeavors for growth and development of the mutual funds industry, the Commission undertook some of the following initiatives:

- **In accordance with international best practices minimum requirements for NBFCs to undertake portfolio management services were prescribed. To ensure that the NBFCs properly discharge their fiduciary responsibility towards investors, they are now required to execute a written Portfolio Management Agreement and prepare periodic Investment Policy Statement of clients to better understand their needs and circumstances.**
- **To ensure development of human resources in the financial sector, Commission specified mandatory certification requirements for sales agents of AMCs. These requirements were introduced to equip sales agents with requisite knowledge and skills and to minimize any abuse of misselling. Now AMCs need to have at least two persons or 20% of their employees (whichever is higher) undertaking activities related to sales of mutual funds to obtain the Institute of Capital Markets Certification for Mutual Fund Sales Agents by June 30, 2011.**
- **In an effort to streamline the submission of information to the Commission and to facilitate the NBFCs, the Commission developed an online Returns Submission System which was formally launched in January and is in place.**
- **In order to avoid potential conflict of interest and to ensure independence of trustee, the Commission barred trustees from investing in those Open-end schemes for which they were offering trusteeship services. Those trustees which had already invested in Open-end schemes were required to redeem their investment from such schemes not later by June 30, 2010.**
- **In order to further improve the valuation methodology of debt securities, MUFAP was given the discretion to apply maximum mark up of upto 500bps to calculated yield of any specific debt security after taking into account the various**

potential credit risk factors in order to ensure true and fair determination of the prices of performing debt securities.

Modarabas

Modarabas provide a *Shariah* compliant mode of financing and investment, and have played a vital role in the development and growth of the economy and capital markets since their inception in 1980. Most of the Modarabas in Pakistan are doing business in the financial sector whilst few fall in the industrial, trading or other service sector. The Modaraba sector has an established legal framework that allows flexibility to undertake any business activity, which is not against the injunctions of Islam. There are two types of Modarabas (i) multi-purpose Modarabas having multiple objectives; and (ii) specific purpose Modarabas.

The financial crises of 2008 and 2009 did not affect Modarabas to the extent that has crippled many of their counterparts in the NBFC Sector. Despite the financial and economic crises in the country, Modarabas continued performing and recording profits. As per un-audited financial statements of Modarabas as on June 30, 2010, the aggregate Paid-up Fund of Modarabas remained at Rs. 8,439.42 million total assets of Modaraba Sector stood at Rs. 24,561.93 million against the figure of Rs. 26,626 million of the corresponding year. Similarly, total equity of the Modaraba Sector was Rs. 10,900.03 million which shows decrease of Rs. 434 million from the last year. Inspite of recession in the market, as on 30.06.2009, out of 26 Modarabas in existence, 08 Modarabas declared cash dividend to their certificate holders ranging between 15% to 63%.

Major sources of funds for Modarabas consist of equity and borrowing from banks and financial institutions mostly on Musharakah basis. The funds generated by Modarabas from issuance of Term Finance Certificates, Certificates of Musharakah etc. amounted to Rs. 4,032.07 million. All the funds raised through the said sources were utilized mainly in leasing, extending Musharakah and Murabahah facilities, investing in shares of listed companies and trading etc.

Developmental Activities:

For the development of Islamic Financial Services in Pakistan, the State Bank of Pakistan and SECP have established a Joint Forum whereby SBP and SECP agree to exchange information and ideas on cross sector developments, developing and strengthening supervisory framework for the Islamic Financial Institutions (IFIs) to improve operational and financial governance of IFIs in accordance with *Shariah* and the IFSB standards. During the period under review, first draft of the guidelines prepared by SECP on the issuance of Sukuk was shared with the SBP.

In order to provide guidance on the effective supervision and regulation of Institutions Offering Islamic Financial Products and Services including Islamic Insurance (Takaful) Intuitions, Islamic mutual funds and Modarabas and to develop for the Islamic financial services industry, the SECP became associate member of the Islamic Financial Services Board in the year 2007-08 and has continued its membership during the period under report.

During the period under review, SECP issued circulars containing various directions regarding filing of online returns, clarification on applicability of IFAS-II and a new set of guidelines to combat the anti money laundering issues faced by Modarabas.

Pension Funds

Voluntary Pension System is a new savings vehicle in the market, and SECP has been constantly in touch with the industry and benchmarking international best practices to further refine and improve the system. In recent past, the following steps have been taken to contain risk, safe-guard interest of participants and to promote VPS:-

- **Investment limits have been specified separately for conventional and Shari'ah compliant pension funds;**
- **Investment in securities rated BBB or below by the pension funds has been forbidden;**
- **Ratings of commercial banks with which deposits of pension funds are made , have been elevated to AA;**

- **Obligations of Pension Fund Managers have been explicitly stipulated;**
- **Duration of debt sub funds portfolio has been decreased from 10 to 5 years;**
- **Participants have been allowed to change allocation of their balance in the pension fund twice a year.**

SECP is a member of International Organization of Pension Supervisors (IOPS). The Organization draws members from pension Regulators. SECP keeps itself abreast of IOPS principles in terms of governance, powers, risk orientation, transparency and confidentiality.

To create awareness about VPS and facilitate individuals to make informed decisions, SECP periodically publishes a comparative statement of the pension funds in leading newspapers. The comparison highlights, return generated by different funds, expenses incurred on management of funds and other material information about operations of a fund.

Insurance Sector

Key Achievements

Capping of Illustrative Return of Life Insurance Companies

With a view to curb the tendency of illustrating unrealistic and excessively optimistic rates of return by life insurance companies to boost their sales, the Commission had capped the maximum illustrative return. Unrealistic and high rates of return were not sustainable in the prevailing scenario of falling yields on corporate and government bonds in which the insurance companies usually invest their funds. In order to check this practice and make the projections more realistic, the Commission took the decision to cap the maximum illustrative return for all marketing illustrations at 8% in the year 2005. Later in the year 2006, the three scenarios for the rate of return assumptions were prescribed as 6%, 8% and 10%. The Commission, however, reviews the projected return from time to time based on the movement in interest rates and other investment options.

During the year, SECP also framed comprehensive guidelines to enhance transparency, provide better understanding of the product to prospective policyholders, and enable them to make an informed decision. These guidelines are intended to pave the way towards bringing consistency and standardization of investment returns resulting in enhanced confidence of the policyholders.

For the year 2010, the three scenarios for the rate of return assumptions are 8%, 10%, and 12%. These guidelines became effective from 1st January 2010. All new products launched by life insurers and family takaful operators are now following these guidelines from this date. For new policies of existing products, the illustrations have been modified to fall in line with these guidelines. While there was no restriction on the sale of the products during the transition period, insurers were advised to modify the illustrations as early as possible, but not later than 31st March, 2010.

Review and amendments in the minimum solvency requirements

While enhancing the risk management measures of the insurance industry, the need was felt to revise the solvency requirements and also frame provisions on the investments of insurance companies. A committee of experts was formed by the Commission with a mandate to review the existing solvency provisions laid down in the Insurance Ordinance, 2000 and the Rules, as well as the existing practices of both the life and non-life insurers with respect to the investments.

The committee submitted its specific recommendations on the investment of funds; valuation basis for assets and liabilities; allocation of investments and criteria for admissibility of assets and solvency along with reporting on solvency by insurers, as part of the regulatory accounting returns. The recommendations were considered by the Commission and it was decided that the draft amendments in the Securities and Exchange Commission (Insurance) Rules, 2002 be approved for publication in the official Gazette for eliciting public opinion, in exercise of the powers

conferred under sub-section (2) of section 167 of the Insurance Ordinance, 2000, read with notification No.S.R.O.708 (I)/2009. After a detailed review of the comments received by the Committee, the Solvency Rules are in the final stages of approval by the Commission and will be sent for notification shortly.

Guidelines for Bancassurance

Bancassurance is one of the fastest growing, non-traditional and emerging distribution channels for insurance products. Since Bancassurance has evolved as an important distribution channel for insurance business, particularly life insurance products, the extensive bank branch network can be effectively leveraged for extending the insurance outreach thereby increasing the insurance penetration in the country. It is therefore important that Bancassurance is developed in a systematic and orderly manner to efficiently distribute and deliver insurance products and services to the consumers.

The Commission has issued a set of Guidelines in consultation with all stakeholders, particularly the Pakistan Banks Association, to increase the level of transparency and ensure the protection of the policyholders' interest. These guidelines are intended to provide a framework for the insurance companies and their Bancassurance partners to adopt a standardized approach.

Annual Supervision Fee

The Commission also issued a notification vide S.R.O.1123(I)/2009 in December 2009, about the Annual Supervision Fee to be paid by an insurer in terms of clause (c) of sub-section 11 of the Insurance Ordinance, 2000, that every insurer registered under the Ordinance, shall pay to the Commission on or before the fifteenth of day of January in every calendar year, an annual supervision fee of Rs.1.50 per thousand in the first year and Rs.2.0 per thousand, from the second year of this notification, on gross direct premium written in Pakistan during the whole calendar year, subject to a maximum limit of Rs.50 million.

Compliance with Anti-Money Laundering Act, 2010

The procedure and manner in which information is to be furnished to the Financial Monitoring Unit, Government of Pakistan by insurance companies and takaful operators under the Anti-Money Laundering Act, 2010 has been advised through various circulars and guidelines for compliance. The compliance of this will be verified by the Commission through onsite as well as offsite inspections of the insurance companies and intermediaries.

Transfer of Supervisory Powers to the Commission

One of the significant achievements during 2009 for the Insurance Division was the Notification of 27th July, 2009 vide S.R.O.708(I)/2009, in which the Ministry of Commerce has conferred its powers and functions under Section 167(2) of Insurance Ordinance, 2000 to the Commission. This will ensure an effective and centralized supervision of the insurance industry along with the consolidation of regulatory framework.

On-site Inspections

In order to reinforce its monitoring and regulatory effectiveness within the insurance industry, the Commission has started to conduct regular on-site inspections of the insurance and takaful companies. This is an ongoing exercise for which a yearlong calendar has been planned and eventually all insurance and takaful companies will undergo the inspection process.

Future Plan For Fiscal Year 2010-11

Securities Market:

Demutualization

During the financial year under review, important deliverables were achieved with respect to the proposed demutualization of the stock exchanges, which is expected to improve the efficiency of the exchanges by segregating its commercial and regulatory functions and is thus expected to bring greater balance among interests of different stakeholders. The Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2009 was approved by the National Assembly on October 8, 2009. However, subsequent to

approval by the National Assembly, the Act could not be taken up by the Senate and is awaiting promulgation.

Margin Financing, Margin Trading and Securities Lending and Borrowing and Pledging Mechanisms

The SECP after extensive consultation with the relevant stakeholders finalised the concept paper on Margin Financing recommended by the Consultative Group on Capital Markets. While consolidating activities including margin financing, securities lending and borrowing and pledging of clients' securities the "Securities (Margin Financing, Lending, Borrowing and Pledging) Rules, 2010" were drafted and made available for public consultation subsequent to being vetted by the Law & Justice Division. These Draft Rules are not only expected to introduce effective disclosure requirements to ensure greater transparency but also to cater for the financing needs of capital markets while providing retail investors with an easy access to financing against shares. The Rules will be implemented after their promulgation by the Federal Government.

Automation of Transfer of Securities into CDS against Trades / Transactions Settled Through NCSS

To cater to the concerns over the level of authentication and control deemed to be adequate for the purpose of preventing misuse in procedures governing the movements of book-entry securities in the CDS, the SECP constituted a Committee comprising representatives of CDC, NCCPL and KSE which submitted its recommendations in relation to an automated clearing & settlement process whereby securities would move directly from sellers Sub-Account or House Account to buyers Sub-Account or House Account at the CDC. This project will be implemented subsequent to necessary regulatory amendments and system/software changes.

Capital Adequacy and Revised Brokers' Regime

As an initiative to revamp the regulatory regime for brokers in the stock market and to introduce stringent risk management reforms

for regulation of the market intermediaries, the Consultative Group on Capital Markets, earlier constituted by the SECP, submitted a comprehensive concept paper which inter-alia provide for the following areas in line with the IOSCO Principles for market intermediaries:

- **Framework for Margin Financing in line with the international best practices**
- **Revised broker regime including enhanced capital adequacy requirement;**
- **Code of Conduct for Brokers;**
- **Fit and Proper Criteria for sponsors/ directors/ employees of brokerage houses, etc.**

The said recommendations of the Consultative Group are being reviewed to further augment areas in line with international best practices and a plan for phased implementation of the same will being finalized in consultation with the relevant stakeholders.

Widening of Scrip-Level Circuit Breakers and Index-Based Trading Halts

In light of the international best practices and local market conditions, the current level of scrip level circuit breakers are proposed to be enhanced to give effect to the market forces of demand and supply thereby allowing securities to adjust to their fair values. In addition to this, an index-wide market halts will be introduced which would bring coordinated halt in the index once either ends of the predetermined range are reached. This temporary halt will allow investors an easy exit mechanism and will give market participants a relaxation time which shall allow them to take well-informed and educated investment decisions.

Restriction on Trading by Employees of Brokerage Houses

To curtail front-running and other malpractices, the Regulations of the Stock Exchanges impose restriction on the employees of brokerage houses from trading through other brokerage houses of the same exchange. To ensure effective implementation of this

restriction members of the exchanges are in the process of registering all their employees into a UIN database. Furthermore, the UIN database at NCCPL will be enhanced in a phased manner to provide for registration of directors/associates/their spouses of brokerage houses and other dependents who may be involved in insider trading in the listed companies.

Exchange Traded Funds (ETF)

ETFs are being proposed as a new investment product in the Pakistani market, representing a basket of securities that track an index such as the KSE 30 Index. Realizing the potential of the said product in the domestic market and the flexibility of trading offered by it, the SECP is in process of finalising various modalities and has held deliberations/ discussions with the Exchange and other stakeholders and the regulatory framework for the launch of the product is being finalised.

Market Making

The concept of Market Making will be introduced for the securities being traded on the stock exchange with the intention to bring more liquidity to the market and reduce the risks associated with excess volatility in various scrips. The said concept is currently being reviewed for improvements and implementation.

Introduction of Sector Indices

In the light of international practices, proposal relating to commencement of trading in stock index futures contracts (SIFC) is under deliberation. SIFC trading will enhance liquidity in the market as these indices will offer investment diversity to the investors and an opportunity to hedge their portfolio risk against volatility in the said sectors.

Products and Systems Development Initiatives for NCEL

Various product and system development initiatives are in the pipeline for NCEL for the coming fiscal year, which include expansion of NCEL product range by introduction of new futures

contracts, introduction of Market Makers framework to enhance liquidity in various contracts listed at the exchange and a revised Code of Conduct for Brokers of the Commodity Exchange.

Specialized Companies
Amendment in the Modaraba Law:

In order to strengthen the regulatory framework and to bring about operational flexibility and consistency between the financial institutions under the NBFC regime and Modarabas, existing provisions of the Modaraba Ordinance, Rules and Prudential Regulations for Modarabas are proposed to be reviewed comprehensively in consultation with all the stakeholders.

Meeting with the Religious Board:

A meeting of the Religious Board will be convened to discuss various policy issues pertaining to regulatory and operational matters of Modarabas including the following:

- **To examine the concept of appointment of a 'Trustee' in governance structure of Modarabas.**
- **Possibility of making provision in the Modaraba Ordinance to introduce the concept of holding AGM of Modaraba certificate holders to pass the annual accounts under the Islamic principle of "accountability."**
- **Exposure Draft of Islamic Financial Accounting Standard on Profit & Loss Sharing on Deposits, introduced by the Institute of Chartered Accountants of Pakistan.**

Future plans

Based on the feedback from industry and review of other post-retirement schemes in Pakistan, SECP is gearing up to improve the Voluntary Pension System. The Voluntary Pension System Rules, 2005, are being reviewed to improve management of pension funds in line with market dynamics. SECP is also interacting with FBR along with pension fund managers to remove tax inequalities between pension funds established under the Voluntary Pension System Rules 2005 and post-employment benefit schemes set up by companies, so as to create a level playing field, promote competitiveness and provide a wider choice to individuals for savings.

Corporate Sector:
Quality Assurance

The project of obtaining ISO 9001:2008 certification for the CROs of Karachi, Lahore and Islamabad is in progress. At the end of the year, documentation phase of the project is in its final stages. The certification would achieve the following objectives:

- **Enhance the image of Commission in its service delivery;**
- **Improve the quality of existing processes and services to the public; and**
- **Increase public satisfaction through removal of deficiencies/ gaps in service delivery**

Development of Legal Framework
Amendments in the Companies Ordinance, 1984

Amendments in the Companies Ordinance, 1984 would be suggested in order to bring it in line with the present procedure and to remove practical difficulties faced under different provisions of the Ordinance.

a) Draft Associations not-for-profit (Licensing and Corporate Governance) Regulations

Draft Regulations for associations not-for-profit would be finalized and notified, which contain the regulatory

framework, requirements and specifically the provisions of the Code of Corporate Governance proposed to be applicable on the associations not for profit.

b) Draft Public Sector Companies (Corporate Governance) Regulations

Regulations would be finalized to extend the provisions of the Code of Corporate Governance to public sector (state-owned) companies. Pursuant to the initiative taken by the Federal Government to restructure the selected Public Sector Enterprises through its Cabinet Committee on Restructuring (CCoR) formed for the purpose, the draft Regulations have been shared with the Economic Reforms Unit of the Ministry of Finance and their comments/input thereon are being incorporated in the Regulations. Various meetings have been held and feedback provided to the Ministry in view of the aforesaid exercise.

c) Amendments in the Second Schedule to the Ordinance

Amendments would be finalized in Part II of the Second Schedule to the Ordinance, relating to form of Statement in Lieu of Prospectus, to simplify its requirements.

d) Revamping of Companies (General Provisions and Forms) Rules, 1985

Revamping of existing Companies (General Provisions and Forms) Rules, 1985, would be undertaken and an altogether new form of these rules is being developed, to remove the practical difficulties faced in eServices regime. It would also prescribe enhanced disclosures relating to beneficial ownership information in case a foreign company appears as a subscriber to a company being locally incorporated.

e) Extension of the Code of Corporate Governance on unlisted public and private companies

A Committee has been constituted by the Chairman with representation from across the Commission to

review the Code of Corporate Governance. Its mandate also includes extension of the Code on unlisted public and large private companies. Proposals to the aforesaid effect have been received from the Pakistan Institute of Corporate Governance (PICG); which are being examined.

f) Amendments in Single Member Companies Rules, 2003

Amendments in Single Member Companies Rules, 2003 would be finalized to simplify the procedures for Single Member Companies.

g) Amendments in Companies (Registration Offices) Regulations 2003

The Companies (Registration Offices) Regulations, 2003 would be updated to customize its various provisions in line with the eServices regime, including online registration of companies and other functions performed by the concerned registrars.

h) Amendments in the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000

Amendment in the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 would be proposed to delete the word "further" from Rule 5(1) of these Rules, so that the same becomes applicable in both the situations i.e. issuance of shares with varied rights, either at the time of incorporation of the company or subsequently after incorporation.

e Services Project

- Role of e-intermediary in eServices

The concept has been studied by a team of officers from the Department and a concept paper has been developed, based on the framework provided under the tax law as well as the corporate models in vogue in various countries. Further deliberations are being made

with the tax bar associations and professional consultants for obtaining their feedback on the concept.

- Standard Operating Procedures

  Remaining Standard operating procedure for process of applications in the eServices regime will be developed.

- Interface to link archived version and the documents attached in eServices

  Presently documents are viewed in two separate interfaces. One is for the documents scanned through eServices and other is for the archived documents scanned through scanning and archiving project. In order to locate any particular document both the interfaces are searched separately. To save time both the interfaces will be linked together, to view documents through single channel.

- Modules for Adjudication, complaints and processing of applications u/s 42:

  Separate modules will be developed for the adjudication matters, complaints matters and processing of applications seeking license u/s 42.

- Demonstration for eServices modules through Voice-Help Guides and Video Documentaries:

  The idea of introducing voice demonstrations and video documentaries on eServices modules will be explored further.

Public *Facilitation*

(a) Launching of facilitation schemes

Facilitation schemes of Companies Regularization Scheme and Companies Easy Exit Scheme will be launched, to provide an opportunity to inactive companies to either get regularized by filing their overdue returns under CRS or dissolve their companies under CEES.

(b) Publication of Guide Booklets

In order to facilitate the corporate sector and to create public awareness on various statutory matters, the Commission launched a series of guide booklets.

During FY 2010-11, revision of following existing guides shall be made:

- **Promoters' Guide in English, Urdu, Chinese and Arabic**
- **Single Member Company Guide**
- **Foreign Companies Guide**
- **All other guides**

The following new booklets shall be published:

- **Complaint Lodging and redressal**
- **Filing of statutory returns**
- **Meetings and resolutions of a company**
- **Board meetings and resolutions**
- **Transfer and transmission of shares**
- **Allotment of shares**
- **Issuance of shares on discount**

(c) Seminars on eServices and Corporatization

Awareness seminars on eServices and corporate legal status will be continued and arranged in different cities.

(d) Meetings with Corporate Consultants:

Regular meetings with corporate consultants will continue to be held at CROs to get feedback and suggestions for improvement, and to create awareness on compliance and eServices.

(e) Media Campaign

Public awareness notices will continue to be issued in newspapers on annual returns filing, schemes launched by the Commission and illegal business activities.

(f) Standardized Memorandum of Association

Standardized Memorandum of Association for remaining sectors shall be developed and placed on the Commission's web site for public facilitation.

Capacity Building

Training needs of the officers/ staff of Registration Department and the CROs would be identified and adequate training would be imparted to the officers and staff as an on-going process. In-house training sessions shall continue to be conducted by CRO Incharge(s).

Insurance Sector
Amendments in Insurance Ordinance 2000

While the Insurance Ordinance, 2000 has introduced a number of laudable reforms, it has omitted a number of elements that are the key to a modern risk-based supervisory regime. Although it represents a significant shift from the Insurance Act, 1938, it lacks the depth prevalent in the laws of other jurisdictions. Additionally there are certain anomalies and discrepancies between the Insurance Ordinance, 2000 and the two set of Insurance Rules, 2002 which need to be removed. It is also important that the Commission is delegated with the necessary punitive and civil prosecution powers, inline with the IAIS Principles and international best practices. The law is also silent on the provisions of Anti-Money Laundering, Bancassurance, Microinsurance, etc. The Commission plans to carryout an in-depth exercise, with the help of an international expert, of reviewing the Ordinance and Rules, while addressing these key areas.

Assessment and Implementation of IAIS Principles, Standards and Guidance

The International Association of Insurance Supervisors (IAIS) is committed to developing standards that can be used by insurance supervisors throughout the world. The IAIS principles, standards and guidance papers represent global best practices and can be implemented in a flexible manner depending on the market dynamics within each jurisdiction. It has been observed that there is a clear gap between the current insurance laws in Pakistan and IAIS Principles and Standards, and hence arises an urgent need to assess and implement the IAIS Principles and Standards across the industry. As a member of IAIS, the Commission is committed

to bring the local insurance industry at par with the international best practices and standards in a phased manner.

Terrorism Pool

The on-going terrorist activities in our major cities have reinforced the importance and urgent need of creating a Terrorism Insurance Pool. Recognizing this fact, the Commission deliberated and initiated the project for establishing the Terrorism Pool with risk partnership among insurers, reinsurers and other stakeholders. The initial spadework on the project feasibility has been completed. The insurance industry is supportive to the concept and the legal framework of the pool is in the phase of development. Most countries in the world have developed Terrorism Pools as a result of public-private partnership. The Commission, in concert with the insurance industry, is also working to establish such a pool, with technical assistance and support form the Asian Development Bank. It is envisaged that the pool will be established by the end of this year.

Microinsurance

Microinsurance is a term increasingly used to refer to insurance characterized by low premium and low caps or low coverage limits, sold as part of atypical risk-pooling and marketing arrangements, and designed to service low-income people and businesses not served by typical social or commercial insurance schemes. The Commission is cognizant of the fact that there is a strong need to draw a comprehensive regulatory framework for microinsurance as well as encourage the insurance companies to manage this product line actively. Also it is felt that due to the unique nature of modalities in Microinsurance, special underwriting guidelines for microinsurance plans also needs to be developed. In order to increase the microinsurance penetration, a strong public awareness and relations campaign and training programmes for microinsurance managers, policyholders and policymakers is also required. The Commission has started the consultative process with all stakeholders along with the assessment study of international models and now is working at an advanced stage to bring in a comprehensive regulatory framework

for microinsurance in consultation with the industry. It is envisaged that the framework for microinsurance will be in place by the end of this year.

Review and amendments in Takaful Rules 2005

Attributed to the varying interpretations of Shariah and the critical need for the standardization of terms & accounting formats, the Takaful Rules 2005 are being reviewed and a new set of Takaful Rules 2010 has been formulated with stakeholders' consultation and will be issued by the end of current fiscal year.

'Fit and Proper' criteria for Management of Insurance companies

The `Fit and Proper' guidelines are practiced & implemented by Regulators globally, in order to promote good corporate governance and to encourage the Managing Director/ Chief Executive and the Management team to play an effective role for the capacity building of their Institution. It is vital to point out that in order to prepare the insurance sector to face the impact of globalization and shrinking margins and also to avoid mal-administration, the Insurance companies must be run by competent executives with adequate know-how of insurance business. It was observed that many insurance companies were being headed by individuals with no qualification or experience of 'direct relevance' to the conduct of Insurance operations, as laid down in the Insurance Ordinance 2000. Resultantly, the companies were not being managed in a sound & prudent manner. Keeping in view the importance and urgency of the matter, the Commission has developed a 'Fit and Proper' criteria for the insurance sector in line with the Insurance Ordinance, 2000 and in consultation with the Insurance Association of Pakistan. It is envisaged that the criteria will be notified by the end of this year.

Development of Guide Publications

Attributed to the low levels of insurance knowledge across the industry and lack of any clear benchmarks, it was realized that there is a formidable need to introduce easy-to-understand

guides on the subject of insurance regulatory framework as well as complying with the statutory requirements. The Insurance Division has developed a series of guide publication on the topics of Understanding Insurance Basics, Takaful and Insurance Brokers Registration with input from all quarters, and these guides will be published soon.

Total Number of Registered Companies:

NUMBER & TYPE OF COMPANIES
(Registered under the Companies Ordinance, 1984)

Type of Companies	Newly Incorporated Companies for the Financial Year ended on June 30, 2010	Total Companies as on 30.06.2010
Companies limited by shares:		
Public listed (only those which are registered under the Ordinance)	**0**	**609**
Public unlisted	**44**	**2,223**
Private	**2,804**	**50,750**
SMCs	**151**	**1,024**
Total Companies limited by shares	**2,999**	**54,606**
Companies limited by guarantee u/s 43	**2**	**69**
Not-for-profit associations u/s 42	**26**	**449**
Trade Organizations	**0**	**205**
Foreign companies	**14**	**783**
Unlimited companies	**0**	**3**
Companies under section 503 of the Ordinance	**0**	**5**
Total Companies	3,041	56,120

Of these 3,041 new incorporation during the FY 2009-10, 1,179 companies were incorporated through online system, accounting to 39 % of the new incorporation. This shows the increasing acceptance/ adaptability level by the general public towards eServices.

PROVINCIAL FINANCE WING

Role of PF Wing

The main functions of the Provincial Finance Wing are as under: -

- **To process the composition of National Finance Commission (NFC), in accordance with the provision of Article 160 of Constitution of Islamic Republic of Pakistan. PF Wing also provides Secretariat Support to the Commission.**
- **Distribution of resources amongst the provinces in accordance with the Presidential Order called the "Distribution of Revenue and Grants-in-Aid Order" promulgated under Article 160 (4) of the Constitution.**
- **Finalization of Budget Estimates and Revised Estimates relating to Provincial Share in the Divisible Pool and Straight Transfer and their distribution.**
- **Recovery for cash development loans (CDL) and SCARP Loans from the provinces as well as monitoring of cash balance position of provinces, with the State Bank of Pakistan.**
- **Provision of obligatory grants to the Provinces in accordance with the Presidential Order called the "Distribution of Revenues" and Grants-in-Aid (Amendment) Order, 2006 (From FY 2010-11, the distribution of resources will be in accordance with P.O called the "Distribution of Revenue and Grants-in-Aid Order 2010)"**
- **Transfer of funds to the provinces for federally sponsored provincial projects and budgetary support to Government of AJ&K including development loans and advances.**
- **Release of Funds under People's Works Programme-II for implementing Prime Minister's directives regarding development schemes (From FY 2010-11 this Programme will be dealt by M/o Local Government & Rural Development).**

National Finance Commission Award 2009

Pakistan has a federal democratic form of Government having four provinces viz. Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan as federating units along with special areas which include Gilgit-Baltistan, FATA and AJK. Most of the revenues are collected by the Center and then distributed vertically between the federal and provincial governments and horizontally amongst the provinces. The resource transfer paradigm has been a major bone of contention among the federation and the federating units.

Financial resources play a key role in development. Its judicious and equitable distribution is necessary to build up any under developed or under privileged areas. The current state of resources distribution has been evolved over a period of time and various improvements have been made in the resource sharing mechanism among the federal and provincial governments. In Pakistan fiscal federalism has always remained a focal issue of the federation. Out of all the seven Commissions (constituted after 1973 Constitution), only four have come up with additional parameters to distribute the resources among the federation units.

Under Article 160(1) of the 1973 Constitution, the NFC is to be set up at the intervals not exceeding five years. Its members are Federal Finance Minister (Chairman), provincial finance Ministers and other concerned experts which the President may appoint after consultation with Provincial Governors [Constitution of Pakistan (1973)]. As per law, NFC is intended to have an amicable mechanism for resource sharing formula between the federation and federating units as well as amongst the provinces. The National Finance Commission (NFC) has undergone many changes and has dynamically grown to its present shape. The NFC is established by law for smooth and judicious re-distribution of resources collected by Center according to the need goals for development of federation and the federating units. There have been three Awards (recommendations), in the last 34 years by the National Finance Commission.

The much awaited award was finalized in Lahore on December, 12 2009 and was inked by the members of the Commission in

Gawadar. The historic signing ceremony of the 7th NFC Award was held in the sea port city of Gawadar on Wednesday, the 30th December, 2009. The Prime Minister, Chief Ministers of the Provinces, Members of the Federal Cabinet, MNAs/Senators as well as General Public of Gawadar witnessed the historic event.

According to the new criteria set in the 7th NFC Award, 1% of the Divisible Pool taxes have been assigned to Khyber Pakhtunkhwa province for War on Terror. The Federating units would receive 57.5% share of the balance Divisible Pool taxes, while 42.5% share would go to the Center. As per the horizontal distribution among the provinces, the Punjab would now get 51.74%, Sindh share will be 24.55%, Khyber Pakhtunkhwa will receive 14.62% share while Balochistan will get 9.09%. The criteria agreed upon includes population, backwardness poverty, revenue generation/collection and inverse population density. Population has been allocated weightage of 82% in the horizontal distribution formula, backwardness 10.3% revenue 5% and inverse population density 2.7%.

Federal Transfer to Provinces

The federal transfers to the provinces consists the following: -

- **i) Divisible Pool Transfers**
- **ii) Straight Transfers**
- **iii) Grants-in-Aid (Subvention)**
- **iv) Development Fund (Federal PSDP)**
- **v) People's Works Programme-II under the PM's directives**
- **vi) Other Non-development grants/Misc. Grants.**

Divisible Pool Transfers

During 2009-10, the distribution of provincial share out of the divisible pool and straight transfer were made on the methodology set in the Distribution of Revenues and Grants-in-Aid (Amendment) Order, 2006 dated 19-01-2006 and under the Constitution of Islamic Republic of Pakistan, on reporting of the collection figures by the Reporting Agencies i.e. by FBR and M/o

Petroleum and Natural Resources. The share of the provinces were released on fortnightly basis. So that no delay could occurred which may cause financial difficulties for the provinces.

During 2009-10, the federal transfers made to the provinces are as under: -

(Rs in Million)

	Punjab		Sindh		Khyber Pakhtunkhwa		Balochistan	
Components	**B.E.**	**Release**	**B.E.**	**Release**	**B.E.**	**Releas e**	**B.E.**	**Releas e**
Divisible Pool Transfer	**321.022**	**318.090**	**143.924**	**143.047**	**75.669**	**74.913**	**29.205**	**28.962**
Straight Transfer	**13.384**	**6.974**	**50.125**	**45.316**	**9.659**	**5.162**	**12.228**	**10.989**
Special Grants (Subventions)	**4.659**	**4.779**	**8.893**	**9.124**	**14.823**	**15.207**	**13.975**	**14.338**
Total	339.065	329.843	202.942	197.487	100.151	95.282	55.408	54.289

Funding of the Provincial Projects through Federal PSDP

The President and the Prime Minister during their visits to various parts of the country announce funds for execution of various projects of the provincial governments. Finance Division provides funding to these projects on co-sharing basis. During Financial Year 2009-10, the funds were transferred to the provinces on the basis of (i) Expenditure Wings instructions and (ii) utilization of previously released amount to the project. The position is reflected as under: -

(Rs. in billion)

Province	**No of Projects**	**PSDP Allocation**	**Releases**	**% Releases**
Punjab	**53**	**11.943**	**2.343**	**19.62%**
Sindh	**54**	**11.893**	**3.565**	**29.97%**
Khyber Pakhtunkhwa	**24**	**9.308**	**0.396**	**4 .25%**
Balochistan	**29**	**7.711**	**3.183**	**41.27%**

Total	160	40.855	9.487	23.28

Beside it, the province of Khyber Pakhtunkhwa was provided development grants outside PSDP for the following purposes:-

(Rs. in billion)

S.No	Purpose	Amount
i.	**Maintaining Law & Order in the province**	**7.867**
ii.	**Distribution amongst IDPs**	**1.250**
iii.	**Payment of electricity consumed in the premises occupied by the IDPs, Army and FC**	**0.273**
iv.	**Compensation to the Bomb blast victims (traders), Peshawar**	**0.057**
v.	**Compensation to the legal heirs of Shaheed Shamsher Ali MPA**	**0.005**
vi.	**Damage need assessment(DNA) as bridge financing**	**2.000**
	Total	11.452

In addition to the above, an amount of Rs.1.00 billion was also provided to Government of Balochistan for the re-settlement of internally displaced persons of Dera Bugti.

People's Works Programme-II

People's Works Programme-II (PWP-II) is a Special Programme of the Prime Minister to provide the basic necessities of life i.e. Gas, Electricity, Roads, Water Supply Schemes at gross-roots level. The schemes are identified by the Parliamentarians and funds are allocated out of this programme on the directive of the Prime Minister.

14. During financial year 2009-10 Rs.30.00 billion were allocated

under PWP-II. Out of this an amount of Rs.29.998 billion were disbursed to the Ministries/Divisions/Provincial Governments as per details given below: -

(Rs. in Million)

Ministries/Divisions/Provincial Government	No. of Directives implemented	Amount Released
Petroleum and Natural Resources (Sui Gas Scheme)	**02**	**11.486**
Water & Power (Electrification schemes)	**394**	**8237.535**
Housing & Works (Roads, Water Supply etc)	**423**	**11766.136**
Other Ministries/divisions (Misc. Schemes)	**15**	**161.398**
FATA (Development schemes)	**29**	**877.484**
Provinces	**273**	**8944.507**
Total	1136	29998.546
Total % of releases to the total allocation		**99.99%**

Other Misc. Non-development Grants to the Provinces

15. The Federal Govt. has also transferred funds as Misc. non-development grant during 2009-10 which are tabulated as under: -

(Rs. in Million)

Component	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
Re-imbursement of NAB Recoveries	**36.890**	- -	**55.151**	**29.724**	
Production Bonus	- -	**984.482**	- -	- -	984.482
Net Hydel Profit	**13,000.000**	- -	**10,000.000**	- -	23,000.000
Property Transfer to PTCL by Govt. of Punjab	**5,705.000**	- -	- -	- -	5,705.000
Payment of Overdraft to SBP (Principal and Interest	- -	- -	- -	**5,353.000**	5,353.000
PM's Special grant for Budgetary Support of the Province of Balochistan	- -	- -	- -	**3,000.000**	3,000.000

Recoveries of Cash Development Loan (CDL) from Province

The following recoveries on account of CDL from the provinces have been made during 2009-10: -

(Rs. in Million)

Province	Principal	Interest	Total
Punjab	**4493.376**	**6554.570**	11047.946
Sindh	**814.055**	**2456.324**	3270.379
Khyber Pakhtunkhwa	**697.419**	**1942.250**	2639.669
Balochistan	**42.097**	**183.929**	226.026
Total	6046.947	11137.073	17184.02

Federal Transfer to AJ&K Government

i) Non-Development Expenditure

(Rs. in million)

	Components	**Allocation 2009-10**	**Release**	**%**
a)	**Federal Govt.** **(Share Taxes)**	**6022.000**	**5118.700**	**85%**
b)	**Revenue deficit grant**	**5050.000**	**4292.500**	**85%**
	Total	11072.000	9411.200	

ii) PSDP Projects of AJ&K

(Rs. in million)

	Components	**Allocation 2009-10**	**Release**	**%**
a)	**Cash Development Loan**	**7860.000 (Revised)**	**6231.450**	**65%**

During the currency of the financial year 2009-10, the following actions were also completed.

(i) Compilation of R.E 2009-10 and B.E. 2010-11 of the following Demands for grants:

(Rs. in Billion)

Sr. No.	Demand No.	R.E. 2009-10	B.E. 2010-11
i)	**42**	**81.968**	**54.398**
ii)	**145**	**31.559**	**43.952**
iii)	**130**	**33.399**	**10.061**
iv)	**176**	**52.276**	**52.842**

(ii) **During the Financial Year 2010-11 the Nos. of projects along-with allocation is given as under: -**

(Rs. In Billion)

Name of Province	No. of Projects	Allocated amount
Punjab	**07**	**2.478**
Sindh	**29**	**5.273**
Khyber Pakhtunkhwa	**12**	**1.731**
Balochistan	**28**	**3.698**
Total	77	13.181

The preceding position indicates that PF Wing was quite pro-active through out the Financial Year 2009-10 and met all its targets given in the functions of this Wing.

QUALITY ASSURANCE

Quality Assurance (QA) Program was launched in the Finance Division in the year 2006 to increase the customer's satisfaction level, raise service quality and improve internal working efficiency. The Program has been implemented in two phases i.e. Phase-I (Jan 2006 to Feb 2007) and Phase-II (Jan 2007 to April 2008).

The performance of the Quality Assurance section during the financial year 2006-07, 2007-08, 2008-09 and 2009-10 financial year is given as follows:-

Quality Assurance Section

1. **Quality Policy and Strategic Quality Framework" has been defined. Quality Assurance Structure of this Division has been established.**

2. **Meetings of Departmental Quality Review Committee (DQRC) of each Wing are being held regularly to monitor the implementation of QA Program.**

3. **Customer Service Department has been established.**

4. **Training to build capacity of the officers of this Division on 'Quality' related topics are planned and implemented regularly. More than 225 Officers have been trained on 'Quality' till March 2010.**

5. **Training to build capacity of the officers of this Division 10 officer got foreign training in the year 2010.**

6. **268 Officers/Officials got trainings from various local Institutes such as STI, Islamabad, PIM, Lahore/Karachi/Islamabad, Public Procurement & Regulatory Authority (PPRA), Islamabad, PIFRA, Islamabad and NIBAF, Islamabad.**

7. **On the basis of external and internal 'Quality' related audits, entire Division has been certified on internationally recognized ISO 9001:2000 Standard in 2007 and renewed certification for further three years 2010 -2013.**

8. **A Quarterly Quality Report (QQR) incorporating the achievements of the Finance Division as per their Quality Objectives is issued regularly. For each Quality Objective, data in respect of their Quality Objectives is collected from various Wings of**

Finance Division for its analysis through statistical techniques and integrate the results for further planning Quality Management System (QMS).

9. **To measure the customer satisfaction of finance division surveys are conducted bi-annually. Current Customer satisfaction survey for the period July to December, 2010 is in process.**

10. **To promote quality related activities Newsletter has been published. Current Newsletter has been issued for the period of October to December, 2010.**

REGULATIONS WING

Main Functions

As per its job description Regulation Wing of Finance Division performs the following main functions:-

- **To determine pay package and other financial terms and conditions of service, perquisite and fringe benefits of the Govt. servants.**
- **Proposals for regulatory matters pertaining to pay, allowances, perquisite, fringe benefits and pensions of civil employees armed forces personnel, employees autonomous/semi autonomous and regulatory bodies of the Federal Govt.**
- **Approval of the pay packages of the employees of autonomous bodies, corporations, companies etc. where public investments have been made in order to safeguard the interest of the Govt. of Pakistan.**
- **Approval of proposals regarding pay protection and upgradation 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 and issues of clarifications in this regard.**
- **Counting/Regularization of service of civil employees.**
- **Matters relating to G.P. Funds, pension contribution during deputation of civil employees to autonomous bodies and vice versa.**
- **Issues relating to house building advance and conveyance advance.**
- **Determination of rates of TA/DA.**
- **Terms and conditions of deputation on training within Pakistan and abroad.**
- **TA/DA on transfer from foreign Missions to Headquarter and vice versa.**
- **Vetting of financial provisions in the Ordinances, Acts, Resolutions and Service/Financial rules of autonomous/semi autonomous bodies, companies.**
- **Fixing of rental ceiling for hiring of residential houses for civil employees.**
- **Hiring rental policy regarding office accommodation.**

All legal cases where Finance Division is a party in the Supreme Court of Pakistan, High Courts, Federal Service Tribunal and other courts and tribunals

Performance/Achievements during 2009-10

Government constituted a Pay & Pension Commission in April, 2009 with following TOR's.

- **(a)** **To evaluate the salary structure, including compensatory allowances and to assess the need for their revision, keeping in view the market conditions and affordability.**
- **(b)** **To assess the adequacy of the existing Pay Scales in terms of their span to provide financial advancement and recommend any other system, if required, keeping in view the market rates and rates in other countries of the Region.**
- **(c)** **To analyze job content under the public sector in comparison with the private sector and to suggest a degree of comparability of their salary structure.**
- **(d)** **To make recommendation on the possibility of monetizing the perks/facilities, etc.**
- **(e)** **To rationalize the existing Pension System and to remove discrimination, if any.**
- **(f)** **To recommend an improved system of pension disbursement.**

Regulations Wing of the Finance Division was the Secretariat of the Commission. Regulations Wing arranged 12 meetings of the Commission, prepared working papers for the meetings and drafted the minutes of the meetings. Finally the report of the Commission was drafted by the Regulations Wing and submitted by the Commission to the Government in April 2010.

M/s Abdullah Associate were appointed as consultants for modernization, simplification and updation of following books of the Finance Division:-

- **i.** **FR & SR**
- **ii.** **Civil Service Regulations**
- **iii.** **General Financial Rules**
- **iv.** **G. P. Fund Rules**

v. Compilation of Orders regarding Scheme of National Pay Scales

vi. Treasury Rules

vii. Leave Rules

viii. TA/DA Rules

ix. Compilation of General Orders (other than TA/DA Rules)

Regulations Wing arranged more than 20 meetings with the consultant and other stakeholders of the books like Auditor General of Pakistan, Controller General of Accounts, Military Accountant General, Accountant General Pakistan Revenue, FBR, State Bank of Pakistan, National Bank of Pakistan, Pakistan Mint and finalized its updation modernization and simplification. Final report of these books is under process of validation before these are submitted to the competent authority for approval.

The Adhoc Relief Allowance - 2009 was allowed as under:-

i) Civil Employees in BPS 1-16 @ 20% and BPS 17-22 @ 15% of the basic pay.

ii) Executive/Supervisory Staff of 11 autonomous/semi-autonomous bodies and corporations @ 15% of the basic pay.

iii) Management Grade Holders @ 15% of the basic pay.

Government allowed Adhoc Relief Allowance @ 15% of basic pay to:-

a) Prime Minster of Pakistan.

b) Federal Ministers.

c) Ministers of States.

d) Chairman Senate and Speaker National Assembly.

e) Deputy Chairman Senate and Deputy Speaker of National Assembly.

f) Members of the Parliament.

Government raised the pay of Chairman FPSC by 30% and judicial allowance was allowed @ Rs.113,750/- per month.

Government allowed increase in pay and allowances of Judges and employees of Supreme Court of Pakistan as under:-

i) **Increase in pay @ 30% of their existing pay to the Chief Justice of Supreme Court of Pakistan, Judges of Supreme Court, Chief Justices of High Courts and Judges of High Courts.**

ii) **Increase in allowances of the employees of the Supreme Court of Pakistan:**

Name of Allowance	BPS	Existing Rate	Revised Rate
Judicial Allowance	BPS-22	-	30% of the basic pay
	BPS-19 -21	-	Rs.14,000 p.m.
	BPS-18	-	Rs.12,000 p.m.
	BPS-17	-	Rs.10,000 p.m.
	BPS-7-16	-	Rs.6,000/- p.m.
	BPS-1-6	-	Rs.4,000/- p.m.
Utility Allowance	BPS-22	-	Rs.10,000/- p.m.
	BPS-19-21		Rs.8,000 p.m.
	BPS-17 & 18	Rs.5,000/- p.m.	Rs.5,000 p.m.
	BPS-7 to 16	15% of the basic pay but not less than Rs.2000/- p.m.	Rs.1,000 or 10% of basic pay subject to a maximum of Rs.4,000 p.m. (fixed)
	BPS-1 to 6		Rs.1000 or 10% of basic pay subject to a maximum of Rs.3,000 p.m. (fixed)
Car Allowance	BPS-20 & above	-	Rs.7,000 p.m.
	BPS-19	-	Rs.6,000 p.m.
	BPS-17 & 18	-	Rs.5,000 p.m.
Special Judicial Allowance	BPS-1 to 22	30% of basic pay w.e.f. 01-	Equal to three times of the initial of the

		05-2008	**substantive pay scale to all the employees of Supreme Court of Pakistan.**

Government allowed increase in pension as under:-

i) Government allowed increase in pension @ 15%, 10% and 16% instead of 10%, 5% and 8% to all those pensioners who retired on or after 01.07.1990 to 01.06.1991 and on or after 01.06.1993 to 01.06.1994 and availed the benefit of pay scales of 1991 and 1994.

ii) Government allowed increase in pension with effect from 1st July, 2009 to all civil pensioners of the Federal Government including civilian paid from Defence Estimates as well as retired Armed Forces Personnel at the following rates:-

a) Those pensioners who retired on or before 30.06.1999 20%

b) Those pensioners who retired after 30.06.1999 15%

iii) Government restored the amounts of the Secretariat/Personal Allowance of those civil servants/retired civil servants in BPS-17-22 whose Secretariat/Personal Allowance was adjusted in annual increments during 01.06.1994 to 30.11.2001 i.e. till the date of discontinuation of secretariat/personal allowance.

(iii) Government allowed the pensionary benefits on Secretariat/Personal Allowance to the civil servants who retired prior to 01.12.2001 and who were in receipt of above said allowance at the time of their retirement.

11. Government devised a standard pay package for the project employees and notified as under:-

S. No.	BPS/ Equivalent	Pay package in rupees
1.	**22**	**150,000 to 200,000 (5% annual increment upto maximum)**
2.	**21**	**125,000 to 150,000 (5% annual increment upto maximum)**
3.	**20**	**100,000 to 118,000 (5% annual increment upto maximum)**
4.	**19**	**75,000 to 90,000 (5% annual increment upto maximum)**
5.	**18**	**50,000 to 75,000 (5% annual increment upto maximum)**
6.	**17**	**45,000 to 50,000 (5% annual increment upto maximum)**
7.	**16**	**30,000 to 35,000 (5% annual increment upto maximum)**
8.	**11-15**	**15,000 to 25,000 (5% annual increment upto maximum)**
9.	**5-10**	**10,000 to 15,000 (5% annual increment upto maximum)**
10.	**1-4**	**7,000 to 10,000 (5% annual increment upto maximum)**

Govt. revised the entitlement of Civil Servants of Railway accommodation traveling on official duty within the country as under:-

Category-I Civil Servants in BPS-17 & above
Air conditioned class or accommodation of the highest class available on the route.

Category-II Civil Servants in BPS 14 to 16
Business Class. If traveling on line which does not provide Business Class the next lower class.

Category-III Civil Servants in BPS 11 to 13
AC Standard. If traveling on line which does not provide AC Standard the next lower class.

Category-IV Civil Servants in BPS 01 to 10
Economy Class or the Lowest Class by whatever name be it called.

Regulations Wing also dealt with following different Proposals:-

- **i)** **283 proposals received from different Ministries/ Divisions/Departments for upgradation/redesignation of different posts were disposed off.**
- **ii)** **84 proposals received from different Ministries/ Divisions/Departments for fixation of pay were disposed off.**
- **iii)** **210 proposals received from different Ministries/ Divisions/Departments for pay of higher post were disposed off.**
- **iv)** **40 cases of antedated proforma/promotion received from different Ministries/Divisions/Departments were disposed off.**
- **v)** **Policy instructions were issued for pay protection of employees of the autonomous bodies on appointment from one post to another post who have adopted basic scales scheme in toto.**
- **vi)** **Examined 13 summaries for the Prime Minister containing proposals for appointment of professionals from private sector against MP scales.**
- **vii)** **Examined 12 summaries of the Chairman, ECC of the Cabinet for grant of honorarium received from different Ministries/Divisions.**
- **viii)** **Vetted Leave Rules received from the administrative Ministries/Divisions of the following organizations:-**
  - **a.** **Government Holding Private Limited.**
  - **b.** **Pakistan Electronic Media Regularity Authority.**
  - **c.** **Gawadar Port Authority.**
  - **d.** **Trade Development Authority of Pakistan.**
  - **e.** **Human Organ Transplant Authority.**
  - **f.** **Intellectual Property Organization of Pakistan.**
  - **g.** **Higher Education Commission.**

ix) Instructions were issued to all Ministries/Divisions to strictly follow the instructions of the Finance Division that Chairman and Executive/Members of Public Sector Organization should travel in economy plus class instead of club/first class.

x) Financial provision of the Ordinances, Acts Resolutions on the Establishment of 24 different organizations were vetted.

xi) 140 cases of hiring of private buildings for office accommodation of different departments were processed/disposed off.

(xii) 130 cases for grant of extraordinary pension/family pension decided received from different organizations were dealt.

1362 appeals/writ petitions received from different courts i.e. Supreme Court of Pakistan, High Courts, Service Tribunal, Federal Shariat Court and lower judiciary were dealt in the Regulations Wing wherein Finance Division was a party. Para-wise comments/written statements were filed in the relevant courts. All the courts are being attended by the officers of the Regulations Wing on the dates of hearing of the cases.

AUDITOR GENERAL OF PAKISTAN

Office of the Auditor General of Pakistan (AGP), being the Supreme Audit Institutions of Pakistan, is performing its statutory responsibilities of auditing public expenditure as well as revenue under Articles 169, 170 and 171 of the Constitution of Islamic Republic of Pakistan; 1973. The Auditor General's (Function, Powers and Terms and Conditions of Service) Ordinance 2001 and under Section 115 of the Local Government Ordinance, 2001.

Office of the Auditor General ensures public accountability and fiscal transparency in public sector operation, and help to bring about improvements in the financial discipline and internal control environment in the executive departments for minimizing the possibility of waste and fraud. Besides promoting transparency, accountability & good governance at all levels of government, i.e Federal, Provincial & Local, the AGP also strengthens parliamentary oversight of public funds through its reports of the National, Provincial & District. Assemblies.

Vision of the AGP is to be a Model Supreme Audit Institution, adding value to the National resources. The Department's mission is serving the nation by promoting accountability, transparency and good governance in the management and use of public resources. It's core values are integrity, quality and partnership. Its strategic goals are:

i. Producing timely quality reports for the legislatures and the Government.

ii Responding to emerging challenges in the field of audit and accounts.

iii Maximizing the value of Auditor General's office by conforming to international best practices.

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Following is a brief account of the activities of Office of the Auditor General of Pakistan during the year 2009-2010

02 Audit Policy & Special Sectors Wing (AP&SS)

Audit Policy & Special Sectors is the research & development wing for policy formulation and its implementation. It is primarily concerned to provide "Quality Input " to advance public financial management principles , standards and promote their implementation .

During financial year 2009-10 , the AP & SS wing has performed following activities .

1) Creation of Knowledge Groups.

Developed business plan and identified the goals for the creation of knowledge group; integrated the activities performed by other wing of DAGP. The knowledge groups, in this globally fast changing era, aim to undertake audit of specialized areas which had not yet been introduced in Pakistan.

2). **Identified Special Sector of Audit**

Identified following Special Sectors for audit:

a) Power Sector/Energy Management
b) Environmental Auditing
c) Audit of Debt Management
d) Regulatory Bodies
e) Forensic audit

3). **Draft Outline for the Audit of Energy Management**

The wing prepared a draft outline for Audit of Energy Management. The study aims to be holistic in two ways:

a) It proposes to cover all possible aspects associated with Energy Management, including creating a good energy balance, types of tariff and structure.
b) The study carried out in consultation of all stakeholders; Ministry of Water and Power Energy Wing in the Planning Commission, WAPDA, ENERCON, Pakistan Power Infrastructure Board, Alternative Energy Development Board etc.

4). **Concept Papers**

The wing, being the brain of Department of AGP, has also been entrusted to prepare concept papers on various subjects/issues for presentation in the Policy Board Meeting from time to time.
Following concept papers have so far been prepared:

* Creation of Knowledge.Group(s)
* Concept of Desk Audit
* Peer Review
* Policy guideline on outsourcing audit
* Energy Management Audit
* Outline for Audit of Environment

5). **Peer Review**

Peer review is the process of subjecting and author's scholarly work, research or ideas to the scrutiny contemporary experts in the field. Peer review requires a community of experts in the given field, who are qualified and able to perform an impartial review.

6). **Survey on Proficiency of Field Audit Officers**

In order to evaluate and assess the professional knowledge and skill of the field audit officers of the department of AGP and to take further decisions by the Auditor General regarding professional development and training needs of its human resource, proficiency survey has been conducted.

7). **Survey in Filed Audit Offices to Assess Knowledge and Competency**

Similarly, a survey in field audit offices to assess the knowledge and competency of field auditors and their approach to modern techniques in public auditing has been conducted.

8). **Developed and Circulated Different Sectoral Audit Guidelines**

In order to implement the public sector Auditing principles as introduced by Financial Audit Manual (FAM) sectoral audit guidelines have been developed.

9). **Guideline on Quality Management Framework (QMF)**

Developed guidelines on Quality Management Framework (QMF) to ensure quality in audit reports.

10). Developed and Circulated and Audit Report Template

In order to achieve consistency and standardization in annual audit reports and audit report template has been developed

11). Training Sessions/Workshops of Public Auditors:

Conducted a series of training sessions/Workshops of public auditor at provincial headquarters and federal capital.

12). GAPS Analysis

Constantly analyzing the gaps between auditing standards in Pakistan and standards of International Organization of Supreme Audit Institutions (INTOSAI).

3 APR & SD Wing.

I) Certification of Appropriation Accounts Prepared by the Controller General of Accounts for Federal Provincial District Governments and Self Accounting Entities

In term of section 7 of the Auditor General's (Function, Power and Terms & Conditions of Service) Ordinance 2001, "the Auditor General of Pakistan shall, on the basis of such audit as he may consider appropriate and necessary, certify the accounts, compiled and prepared by the Controller General of Accounts or any other person authorized in that behalf, for each financial year, showing under the respective heads the annual receipts and disbursements for the purpose of the federation, of each Province and of each District, and shall submit the certified accounts with such notes, comments or recommendation as he may consider necessary to the President or the Governor of a province or the designated District Authority , as the case may be".

II) Submission of Federal Audit Reports of Auditor General for the Audit Year 2008-2009 to the President.

Department of Auditor General carried out certification audit (financial attest) of Appropriation Finance Accounts and Regulatory Audit of the Federal, Provincial and District Governments as well as Self-Accounting Entities for the year 2008-2009. The AGP gave an independent audit opinion on the financial statement of the District Government in accordance with the auditing standards/guidelines of the International Organizations of Supreme Audit Institutions (INTOSAI). Finalization of Certification and Regulatory Audit Reports usually used to take 18-24 months after the close of financial year. The time lag has been reduce to nine months. Resultantly, the World Bank has improved Public Expenditure Financial Assessment PEFA rating to Pakistan Audit Department from D to C+.

4) IR & C Wing

As the Supreme Audit Institution (SAI) of Pakistan, the Department of the Auditor General of Pakistan meets a range of international obligations and frequently interacts with international audit fraternity on issues of professional development. International Relation and Coordination (IR &C) Wing of the department is responsible for transacting business in this area.

Asian Organization of Supreme Audit Institutions (ASOSAI)
Auditor General of Pakistan is the Chairman of ASOSI- Supreme Audit Institutions (SAIs) of 45 Countries. The forum shoulders developments in the field of financial management, auditing and accounting amongst the members. The SAI Pakistan remained associated with different research projects undertaken by the ASOSAI including the development of “Guidelines for Prevention of Fraud and Corruption”. 7th ASOSAI Research Project on “Audit Quality Management System”, and the Relationship between the Internal Audit Units and SAIs in 2009-2010.

The XI ASOSAI Assembly and 4th Symposium

Auditor General of Pakistan hosted the ASOSAI Assembly and 40th and 31st ASOSAI Governing Board meetings in Islamabad from Oct 9-15, 2009. The congregation is held every three years in one of the 45 member countries of ASOSAI, the secretary General of International Organization of Supreme Audit Institutions (INTOSAI), representative of INTOSAI Development Initiative (IDI), and 136 delegates from 34 countries graced the occasion. With the hosting of the XI Assembly, the SAI Pakistan assumed the Chairmanship of ASOSAI for three year (2009-12) – a privilege the country has received for the first time .The 40th Governing Board meeting of ASOSALI elected SAI Pakistan as ASOSAI’s nominee, on the governing Board of INTOSAI. The XI ASOSAI Assembly sessions were punctuated with the 4th Symposium on the theme of “The role of SAIs on the Effectiveness of Public Expenditure”.

Auditor General of Pakistan arranged the ASOSAI Seminar on "How to Strengthen Internal control in SAIs" from December 7-8, 2009 at Lahore.

External Auditor of the United Nation Industrial Development Organization (UNIDO) for the Biennium 2008-2009

The Auditor –General of Pakistan was elected as External Auditor of the United Nations Industrial Development Organization (UNIDO) for 2008-2009. The Auditor General of Pakistan prepared and presented an interim external audit report on accounts of UNIDO on May 2009.

Economic Cooperation Organization Supreme Audit Institutions (ECOSAI)

According to ECOSAI Charter there shall be a Governing Board (GB) of member countries consisting of the President, Secretary General and three elected members, which will meet at least once a year. The board is responsible for ensuring smooth functioning of the Organization. Accordingly, a GB meeting was held on October 28, 2009 at Almatay, Kazakhstan. The SAI Pakistan attended the meeting in the capacity of the permanent Secretary General of ECOSAI. The SAI Pakistan published the ECOSAI Circular in October 2009, which was presented before the 14th ECOSAI GB meeting at Almatay, Kazakhstan. The GB appreciated the Circular, extending thanks to Pakistan for its contribution towards exchange of knowledge among member countries.

FAO Wing

The Federal Audit Operation Wing (FAO Wing) deals with audit matters of Directors General Audit, Federal Govt. (DGA/FG), Foreign and International (DGA/F&I) and Zakat Audit, coordination with all Deputy Auditors General Audit in audit matters and Federal PAC matters.

Achievements of Federal Audit Wing

- In addition to main PAC, seven additional Special committees of the PAC worked during the FY 2009-10.
- The main PAC held four sessions from September 2009 to February 2010, examined appropriation accounts and audit reports of 33 Ministries / Divisions / Departments and completed examination of Audit Report for the audit 2005-06.

- The main PAC took the appropriation accounts and audit reports for the audit year 2008-09, held nine sessions from February 2010 to June 2010 and examined the grants / audit reports of 78 Ministries / Divisions / Departments.
- The PAC Special Committee No. II completed examination of appropriation accounts / audit reports for the year 1990-91 during 2009-10.

1. Achievements During the Year 2009-10

The details of audit activities performed by the field audit offices of this wing during the financial year 2009-10 are as under:

i) Director General Audit (FG). Islamabad

During the year 2009-10, following audit assignments were completed:-

S.#	Name of Assignment	No. of Formations Audited
1	Certification Audit of Federal Govt. (AGPR) and departmentalized accounts.	05
2	Financial Statement/Finance Account of Federal Govt. (AGPR)	01
3	Compliance Audit/ Regularity Audit	347
4	Special Audit/Performance Audit	03
5	Certification Audit of Foreign Aided Projects	26
6	Audit of Development Projects	42

(ii) Director Zakat Audit, Islamabad

During the year 2009-10, following audit assignments were completed:

S.#	Name of Assignment	No. of Formations Audited
1	Regularity Audit of Central Zakat Fund	01
2	Provincial Zakat Fund	05
3	Zakat Collection Agencies, District Zakat Fund, Local Zakat Fund, Zakat receiving Health Institutions and Vocational Training Institutes (VTIs) etc.	61
4	Performance Audit	02

(i) Director General Audit (Foreign & International) Islamabad

During the year 2009-10, following audit assignments were completed:

S.#	Name of Assignment	No. of Formations Audited
1	Regularity Audit of M/o Foreign Affairs, Islamabad (local formation).	11
2	Regularity Audit of missions abroad	44
3	Audit of PIA Sales offices abroad	09
4	Certification Audit of M/o Foreign Affairs	01

2. The Details of Major Activities:

I) Audit Plans for the Year 2009-10 and 2010-2011

Draft Audit Plan for 2009-10 received from above FAOs were reviewed and processed for approval of AGP. Audit Plans for 2010-2011 have been handed over to AP&SS Wing for further examination and finalizing.

II) Finalization of Audit Reports

Audit Reports for Audit Year 2008-09 and 2009-10, prepared by the FAOs were approved/printed and got signed from AGP during the year 2009-2010. FAO wise details are tabulated as under:

S.#	Field Audit Office	Audit Year	Audit Reports printed/signed
1	The DGA (FG) Islamabad	2008-09 2009-10	• Regularity Report=01 • Special Report = 01 • Regularity Report=01
2	The Director Zakat Audit Islamabad	2008-09 2009-10	• Audit Reports of C.Z.F and NLHIs =01 • AR on C.Z.F, NLHIs and Zakat Deducting Agencies=01 • AR on Zakat & Ushr Committee ICT Islamabad=01
3	The Director Foreign Audit Islamabad	2008-09	• Regularity Report=01

III) Certification of Appropriation & Finance Accounts

This section coordinates with APR&SD Wing in connection with timely submission of the following Certification Audit Reports by the DGA (FG) and DG Audit (F&I): (i) Pak Mint (ii) National Savings (iii) Geological Survey (iv) Food Department. (v) AGPR (Federal Govt.) (vi) M/o Foreign Affairs.

Due to vigorous pursuance by this wing, all the Certification Audit Reports for the FY 2008-09 (audit year 2009-10) were timely transmitted and printed.

IV) Review/Improvement of Minutes of PAC Sub-Committee Meeting and Preparation of Overview of Ministries/Divisions (PAC Matter)

Draft minutes of PAC sub-committee meetings for 1989-90 were examined, and improved. Similarly, the material for preparation of Report of PAC on account of Federal Govt. for 2005-06 and 1989-90 received from National Assembly was examined. An "Overview" of 50 Ministries/Divisions was conducted. Hard & soft copies of "Overview" were handed over to National Assembly Secretariat for incorporation in the Report of PAC on the accounts of Federal Govt. for the years 2005-06 and 1989-90.

Reports to PAC

Article 171 of the Constitution of the Islamic Republic of Pakistan lays down that the Reports of the Auditor General relating to the accounts of the Federation shall be submitted to the President who shall cause them to be laid before the National Assembly. The FAO wing is responsible to deal with Federal PAC matters. All the Federal Audit Reports as well as Accounts (prepared by different audit wings) are submitted to the President/National Assembly through a summary signed by Auditor General of Pakistan. Following Audit Reports and the accounts for the Financial Year 2007-08 & 2008-09 were submitted to the President through a summary dated 19-08-09 and 26-02-2010 respectively.

**Details of Reports Relating to the Accounts of the Federation
For the Audit Year 2008-09**

S.#	Reports/Accounts	Subject of Audit Reports / Appropriation Accounts
Audit Reports		
1	Audit Report	Federal Government (Civil) Audit Year 2008-09.
2.	Audit Report	Ministry of Foreign Affairs Audit Year 2007-08
3	Audit Report	Central Zakat Fund National Level Health Institutions Audit Year 2008-09
4	Audit Report	Government of Pakistan civil works-CAA, NAPWD, PPWD, Archaeology, Pak. Rangers and WWBs-Audit Year 2008-09.
5	Audit Report	Government of Pakistan Civil Works-CDA, CAA, NHA, NAPWD, PPWD/EO, Archaeology & Pak Rangers Audit Year 2007-08.
6	Audit Report	Federal Board of Revenue (Direct Taxes) – Audit Year 2008-09
7	Audit Report	Federal Board of Revenue (Indirect Taxes) – Audit Year 2008-09
8	Audit Report	Non-Tax Receipts of M/o Petroleum & Natural Resources – Audit year 2008-09
9	Audit Report	Revenue Receipts Direct Tax of the Federal Govt. Audit Year 2007-08
10	Audit Report	Revenue Receipts Indirect Tax of the Federal Govt. Audit Year 2007-08
11	Audit Report	Defence Services Audit Year 2008-09
12	Audit Report	Defence Services Audit Year 2007-08
13	Audit Report	Pakistan Railways – Audit Year 2008-09
14	Audit Report	Pakistan Railways – Audit Year 2007-08
15	Audit Report	Water and Power Development Authority – Audit Year 2008-09
16	Audit Report	Water and Power Development Authority – Audit Year 2007-08
17	Audit Report	Pakistan Post Office Department – Audit Year 2008-09
18	Audit Report	Telecommunication Sector – Audit Year 2007-08
19	Audit Report	Pakistan Post Office Department – Audit Year 2007-08
20	Audit Report	Telecommunication Sector – Audit Year 2007-08
21	Audit Report	Public Sector Enterprises – Audit Year 2008-09
22	Audit Report	Public Sector Enterprises – Audit Year 2007-08

Finance and Appropriation Accounts

23	Finance Accounts	Financial Statements of the Federal Government 2007-08
24	Appropriation Accounts Vol-I	Civil – 2007-08
25	Appropriation Accounts Vol-II-A	Defence Services – 2007-08
26	Commercial Appendix to Appropriation Accounts Vol-II-B	Defence Services – 2005-06
27	Appropriation Accounts	Pakistan Railway – 2007-08
28	Appropriation Accounts Vol-IV	Food Division – 2007-08
29	Appropriation Accounts Vol-V	Ministry of Foreign Affairs – 2007-08
30	Appropriation Accounts Vol-VI	Pakistan Public Works Department – 2007-08
31	Appropriation Accounts Vol-VII	Pakistan Mint – 2007-08
32	Appropriation Accounts Vol-VIII	National Savings Organization – 2007-08
33	Appropriation Accounts Vol-IX	Geological Survey of Pakistan – 2007-08
34	Appropriation Accounts	Pakistan Post – 2007-08

Details of Reports Relating to the Accounts of the Federation

For the Audit Year 2009-10

S.#	Reports/Accounts	Subject of Audit Reports / Appropriation Accounts
Audit Reports		
1	Audit Report	Federal Government (Civil) Audit Year 2009-10.
2.	Audit Report	Ministry of Foreign Affairs Audit Year 2008-09
3	Audit Report	Central Zakat Fund National Level Health Institutions Audit Year 2009-10
4	Audit Report	Islamabad Zakat and Ushr Committee ICT Islamabad – Audit Year 2009-10.
5	Audit Report	Government of Pakistan Civil Works-CDA, CAA, NHA, NAPWD, PPWD/EO, Archaeology & Pak Rangers Audit Year 2007-08.
6	Audit Report	Federal Board of Revenue (Direct Taxes) – Audit Year 2009-10
7	Audit Report	Federal Board of Revenue (Indirect Taxes) – Audit Year 2009-10
8	Audit Report	Non-Tax Receipts of M/o Petroleum & Natural Resources – Audit year 2009-10
9	Audit Report	Defence Services – Audit Year 2009-10
10	Audit Report	Pakistan Railways – Audit Year 2009-10
11	Audit Report	Water and Power Development Authority – Audit Year 2009-10
12	Audit Report	Pakistan Post Office Department – Audit Year 2009-10
13	Audit Report	Telecommunication Sector – Audit Year 2009-10
14	Audit Report	Public Sector Enterprises – Audit Year 2009-10
15	Audit Report	Earthquake Rehabilitation and Reconstruction Authority Audit Year 2009-10
16	Audit Report	Capital Development Authority Cabinet Division Government of Pakistan for the Financial Years 2005-06, 2006-07 and 2007-08
17	Audit Report	National Highway Authority Ministry of Communications Government of Pakistan for the Financial Years 2005-06, 2006-07 and 2007-08

Finance and Appropriation Accounts

18	Finance Accounts	Financial Statements of the Federal Government 2008-09
19	Appropriation Accounts Vol-I	Civil – 2008-09
20	Appropriation Accounts Vol-II-A	Defence Services – 2008-09
21	Commercial Appendix to Appropriation Accounts Vol-II-B	Defence Services – 2006-07
22	Commercial Appendix to Appropriation Accounts Vol-II-B	Defence Services – 2007-08
23	Commercial Appendix to Appropriation Accounts Vol-II-B	Defence Services – 2007-08
24	Appropriation Accounts	Pakistan Railways – 2008-09
25	Appropriation Accounts Vol-IV	Food Division – 2008-09
26	Appropriation Accounts Vol-V	Ministry of Foreign Affairs-2008-09
27	Appropriation Accounts Vol-VI	Pakistan Public Works Department 2008-09
28	Appropriation Accounts Vol-VII	Pakistan Mint – 2008-09
29	Appropriation Accounts Vol-VIII	National Savings Organization – 2008-09
30	Appropriation Accounts Vol-IX	Geological Survey of Pakistan – 2008-09
31	Appropriation Accounts	Pakistan Post – 2008-09

PAC Discussion

Audit Reports of AGP for the Audit year 2009-10 and 2008-09 were submitted to PAC. Nine Sessions of PAC were held during the year 2009-10 in which Audit Reports as well as accounts for 2005-06 (completed) & 2008-09 (partially) were discussed, which covered about 55 Ministries/Divisions. In addition to these, 20 meetings of sub-committee of PAC were also held during the period which discussed audit paras pertaining to audit years 1990-91, 1992-93, & 2001-02.

Recoveries at the Instance of Audit

During the audit year 2009-10, Rs. 23,967.51 million were recovered at the instance of audit.

6. HRM Wing

HRM Wing of the department has undertaken various initiatives to build capacity of the Department with a particular view to make the PIFRA reforms successful and sustainable. The efforts of the Wing ranges from developing coherent policies and strategic plans while focusing on aligning the human resource management and development plans with redefined objectives and functions of the department. Through efforts, which achieved various milestones and benchmarks during the said period, the wing has been able to develop human resources so as to make them capable of achieving the results being desired in internal and external reforms,, perspective. The wing has developed cooperative arrangements with various international donor agencies to augment capacity building efforts as well as to strengthen legislative oversight by helping PAC Secretariat. The specific efforts and achievements relating to capacity building during 2009-2010 are as under.

1) US GAO International Auditor Fellowship Program 2009

The US General Accountability Office, Washington D.C USA invites nomination for International Auditors Fellowship Program every year. The case for nomination was processed during 2009, but due to financial constraints the officer nominated could not be sent to attend the course. However the invitation for the program 2010 has been circulated among the field Audit and Accounts offices as well as MAG and Member Finance Railways. On receipt of the applications of officers from the various offices a committee was constituted to develop criteria for short listing and selection of the officers for the program. The case for selection of five officers is under active process.

2) ASOSAI Workshop

a) .Mr. Mahmood Amir, Director Audit District Government Loralai attended an ASOSAI sponsored Workshop on "Audit of Privatization including the element of Public-private Partnership" being organized by the ASOSAI in collaboration with the Comptroller and Auditor General of India from November 9 to 20, 2009 at International Centre for Information System and Audit, Noida, India.

3) Training Course on 'Public Audit" from 30.09.2010 to 16.10.2010 under the Korean International Cooperation Agency (KOICA)

Mr Tahir Socail, Director General (FAO) of this office has been nominated for participation in "Public Audit", held on 30-10-2010 to 16-10-2010 at Korea under funding of KOICA.

.4) Training Course on Fiscal Operation and Reformation" from 14-10-2010 to 29-10-2010 under the Korean International Cooperation Agency (KOICA)

Four PA & AS Officers have been nominated for participation in "Fiscal operation and Reformation" Course being held at Korea under funding of KOICA. The final Selection by the KOICA is awaited.

5) Selection of PA&PA Officers for Higher Education at National Graduate Institute for Policy Studies at Tokyo Japan

Mr**.**M. Qasim Chatta Deputy Director of this office has been selected for pursuing one year Master in Public Policy at National Graduate Institute for Policy studies at Tokyo ,Japan under funding of Asian Development Bank.

6) Fulbright/Chevening/Hubert H-Humphery Scholarships

05 PA&As officers were selected for the disciplines mentioned against each under funding arrangements of the donors for pursuing professional degree studies at USA/UK.

International Centre of Information System and Audit, India: Mr. Noman Zafer, Dy.Director MIS, Islamabad participated in "Audit" in IT Environment" Course offered by the Comptroller and Auditor General of India during 15.02.2010 to 16.03.2010 at ICISA NOIDA, India under funding arrangement of PIFRA a World Bank/IDA funded project.

Professional Development Program (PDA) Under (CSRU): Mr.N.Idrees Mian, a BS-19 officer was nominated for two years MPA degree course under PDP a capacity building program launched by the Civil Service Reform Unit (CSRU) of Establishment Division with the assistance of the World Bank during 22.09.2008 at London School of Economics and Political Sciences, UK. The officer could not complete the program and returned to Pakistan on 12.10.2009 due to paucity of funds. On the request of officer the competent authority granted permission for continuance of remaining period of his MPA Program at London School of Economics and Political Sciences, UK.

AUSAID Scholarship: 16 PA&AS officers applied for Master program under funding of AUSAID Scholarship to pursue higher studies and their applications forms have been forwarded to the quarters concerned for further consideration and short listing and selection of the officers in the light of their criteria.

Certified Information System Auditor (CISA) Examination Conducted by ISACA, USA: The case has been referred to Finance Division for obtaining the approval of competent authority for inclusion of CISA under the Incentive Scheme of the Auditor General of Pakistan.

Public Financial Management Course from July 5 - 24, 2009 at Harward Executive Education USA under USAID: 3 officers of PA&AS participated in Public Management Course from July 5-24, 2009 at Harvard Executive Education USA under USAID.

Course on Fraud and Forensic Auditing at Manila, Philippines from 8.3.2010 to 12.3.2010 Under USAID: 4 officers participated in the Course on “Fraud and Forensic Auditing” from 8.3.2010 to 12.3.2010 at Manila, Philippines under funding arrangement of USAID.

Delivery of International ITP Training to Other SAIS: The training experts of SAI Pakistan delivered the International ITP in Performance Auditing to the employees of Government Auditing Bureau, Kingdom of Saudi Arabia and commission of Audit of Macau. Correspondence for appointment/deputation of foreign employment in United Nations, OPCW and International Agencies. Correspondence for Incentive Scheme of CIA examination Institute of Internal Auditors. Miscellaneous work for monitoring, evaluating of foreign training and local training.

PIFRA-II

PIFRA-II is aimed at increasing accuracy, completeness, reliability and timeliness of intra-year and year end government financial reports in Pakistan at the national, provincial and district levels. This project directly support the government's commitment to improve public financial management, accountability and transparency to facilitate public oversight and increase credibility in the international community. PIFRA-II was started in May 2005 with the total project cost of US$ 93 million (IDA US$ 84 million & GoP US$ 9 million), has established an accounting reporting and audit system that covers core government entities of federal, provincial, district and some local Governments. These achievements place Pakistan at the forefront of public financial management reform in the South Asia region and Pakistan is the only country in the region where SAP has been implemented on such a large scale in Public sector.

Main Achievements

Financial Accounting & Budgeting System (FABS)

All budgets are now being prepared on the system, at the federal, provincial, and district level. All payments are being processed through the system which has bill tracking features and automatic accounting of transactions, and generation of monthly accounts. So far, payroll of 1.835 million government employees has been computerized. All pension cases are being processed through the system. Historical data of pension and general provident fund have been uploaded into the system to the extent of 70%.

Audit Component

Main deliveries of PIFRA-II in respect of the audit component included modernization of human resources of Pakistan auditing, capacity building of human resources of Pakistan. Audit on new audit methodology, reduction in timelines for submission of accounts to the legislature from close of relevant financial year and equipping the modern offices with modern accessories.

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Financial Audit Manual based on international auditing practices has been developed in all field audit offices, for all three tiers of the Government. Specific Audit Guidelines have also been developed to facilitate monitoring and oversight of each field audit office in terms of their peculiar activities. Computer Assisted Audit Techniques (CAAT) are now applied to ensure a high level of representatives in preparation of audit reports. For this purpose, Audit Command Language (ACL) has been procured to facilitate scientific data management during audit. All field audit offices have also been upgraded through site development and provision of IT equipment. There are efficient gains through upgraded human resources and use of technology, risk-based auditing has help in improving audit quality and timely report are now being submitted to the legislature. Besides, there is increased audit assurance through comprehensive audit covering of systemic issues. This is supplemented by a greater focus on value for money auditing and implementation of an internal quality framework. All these development have led to an improvement in PEFA (Public Expenditure Financial Accountability) rating from “D” in 2006-07 to “C” in 2007-08. The Department is now set to achieve “B” rating for FY 2008-09.

Training Component

The project envisages capacity building of human resources at Federal, Provincial and District levels. It also aims at capacity building of audit staff to allow auditing based on new methodology introduced under PIFRA. Under PIFRA-II, so far, 26,258 resources of controller general account, finance and executive agencies have been provided training in the New Accounting Model, SAP and internal audit. In case of Pakistan Audit Department, 11,607 resources have been trained in Financial Audit Manual (FAM), PIFRA and Audit Command Language.

Project Management

Operational phases of the project will end on December 31, 2010. This will be followed by a two year consolidation phase during which all operational activities will be handed-over to the concerned stakeholder. During this phase, a central project Management Unit will oversee standardized operation of FABS and audit components, under administration of two steering committees related to these two components.

D.G. Revenue Receipt Audit, Lahore
Achievement of Planned Work

Type of Audit	Planned	Executive	% Coverage
Financial Attest	16	16	100%
Regularity	94	94	100%
Expenditure	26	26	100%
Foreign Aided Project	02	02	100%

Position Regarding Amount Pointed Out			**Rs.in Million**
a)	Amount pointed out in Regularity Audit		25,209.894
b)	Amount pointed out by Desk Audit		585.665
c)	Amount pointed out in cases where record was produced after PAC directive		2,271.570
	Total:		**28,067.129**
d)	Amount pointed out in Performance Audit Report on:		
	i)	On detained/confiscate goods/vehicles	232.839
	ii)	On Receipts of M/o Petroleum & N.R.	3,319.600
	iii)	Internal Audit	11,227.216
	iv)	Recovery of Arrears	255.216
	v)	Tax Exemptions	778.765
	Total:		**15,814.270**
	Grant Total:		**43,881.399**

Audit Report Printed During 2009-2010

Particulars	No.of Paras/DPs*	Amount (Rs.in million)
Audit Report on the Account of FBR	466	16.343.154
Audit Report on the Accounts of the M/oP&NR	26	13,708.798

*No.of paras/DPs and amount are related to the o/o the DGRRA (North), Lahore.

Cost Benefit Retio

	Rs. in million
Expenditure	49.0907.
Recovery	6,842.175
Cost benefit Ratio	1:137

D.G. District Govt. Punjab (North), Lahore

Sr.No.	Descrioption	Numbers
1	Regularity Audit Reports	19
2	Special audit Reports	0
3	Performance Audit Reports	1
4	FAP Audit Reports	0
5	Environment audit Reports	0
6	Total Units Audited	446
		(Rs.in million)
7	Total Expenditure Audited	37,659
8	Recovery made at the Instance of Audit	23
9	Amount of Expenditure objected	20,547

D.G. District Govt. Balochistan, Quetta

Sr.No.	Descrioption	Numbers
1	Regularity Audit Reports	28
2	Special audit Reports	0
3	Performance Audit Reports	0
4	FAP Audit Reports	0
5	Environment audit Reports	0
6	Total Units Audited	898
		(Rs.in million)
7	Total Expenditure Audited	19,244
8	Recovery made at the Instance of Audit	0
9	Amount of Expenditure objected	8,217

DAG, CA&E, Lahore
Corporate Audit & Evaluation Wing

Corporate Audit & Evaluation Wing is assigned the task to carry out annual audit of the unit and formations under M/o Water & Power, M/o Railways, Pakistan Post Offices, M/o Information & Technology and all the Corporations/State Enterprises falling under 24 Federal Ministries and Provincial governments. This Wing achievements during the year 2009-10 were:

- Two Special audit Reports under taken in 2009-10.
- Four Performance audit Reports finalized during 2009-10.
- Two certification audit Reports finalized during 2009-10,
- 398 persons were trained in 112 courses during 2009-10.

Audit Activities Performed During 2009-10

Regularity Audit

FAOs	Formations Planned	Coverage	%age
D.G.Audit Wapda, Lahore	144	143	99
D.G.Commercial Audit & Evaluation, Lahore	32	30	94
D.G.Commercial Audit & Evaluation, Karachi	40	39	98
D.G.Audit PT&T, Lahore	161	161	100

Special Performance Audit Completed

FAOs	Title of Reports
Wapda Audit	- Performance Audit of Kachhi Canal Project.
	- Performance Audit of Mangla Dam Raising Project
	- Performance Audit of Subakzai Dam Project
Commercial Audit Lahore	- Special Audit of Port Qasim Authority
	- Special study of Trading Corporation of Pakistan
PT&T Audit	- Performance Audit of Coastal Optical Fibre Link between Keti Bander Karachi and Gawadar/Jiwani (NTC)

Recoveries Effected at the Instant of Audit

Rs.in million

FAOs	Recoveries Effected
Wapda Audit, Lahore	322.823
Commercial Audit, Lahore	1,369.536
Commercial Audit, Karachi	943.658
PT&T Audit, Lahore	431.200
Total	**3,067.215**

Finalization of Audit Reports

FAOs	Title of Audit Report	No. of Reports
Wapda Audit, Lahore	Audit report on accounts of Wapda	01
Commercial Audit, Lahore	Audit report on accounts of Public Sector Enterprises (Federal)	01
	Audit report on the accounts of Public Sector Enterprises (Punjab & Khyber Pakhtunkhwa	02
Commercial Audit, Karachi	Audit report on the accounts of Public Sector enterprises (Federal)	01
	Audit report on the accounts of Public Sector Enterprises (Sindh & Balochistan)	02
PT&T Audit, Lahore	Audit report on the accounts of Pakistan Post Office Department	01
	Audit report on the accounts of Telecom Sector	01

D.G. Audit Railways, Lahore
Details of Activities During the Year 2009-2010

Activities	Planned Formation	Audit Achieved	% Coverage
Additional Compliance Audit	70	70	100%
Financial Attest Audit	26 Accounting Units	26 Accounting Units	100%
PSDP Projects	06	06	100%
Special Audit	03	03	100%

Programme of Activities and Targets Set Out and Achieved

Audit Report issued	01
Recoveries effected during the year 2009-10	1698.074
Expenditure for the year 2009-10 (on provincial basis)	55.47 million
Cost Benefit Ratio	(Exp:Recoveries) 1 : 30.61

Besides above, in compliance with directives of DAG (RRA), Lahore, the following activities/assignment have been undertaken by this office with significant audit results during 2009-1010.

1	Funds/Misc.-appropriation in Revenue receipts.
2	Irregularities in disbursement of pension through NBP.
3	Purposed packages of re-employment of officers and staff in PRACS.
4	Printing of fake Railway tickets at Okara.
5	Outstanding of 06 trains of PRACS.
6	Expenditure on repair and maintenance of residential buildings, office's bungalows in Mayo Gardens.
7	Result of stock verification.
8	Expenditure on rest house and position of recoveries from the occupants.
9	Payment on account of consultancy services by Pakistan Railway.
10	Expenditure on Vehicles by Pakistan Railway..
11	Investigation of losses
12	Special Audit of "Train Operations"
13	Special Audit on the performance of "Washing Lines, Lahore"

D.G. Audit Income Tax, Lahore

S.No.	Particulars
1	50 Audit Inspection Reports were issued in respect of financial, compliance and expenditure audit during 2009-1010.
2	Following performance audit conducted during audit year 2009-1010. i) Tax Exemption. ii) Arrear Demand iii) Withholding Tax iv) Performance of legal division v) Desk audit by the department.
3	There is one audit organization that is Federal Board of Revenue(Direct Taxes).
4	Total formation fall under audit jurisdiction = 216 Total formation audited = 79 Total amount being audited in respect of financial, receipt & expenditure audit is as under: Finance Audit = 390 billion Receipt Audit = 110 billion Expenditure Audit = 0.675 billion

D.G. Audit Works (Provincial), Lahore

Activities	Planned/ Targeted	Executed/ Achieved	Amount Planned	Amount Audited	% Utilized
Financial Attest Audit	01	01	81,733.219	81,733.219	100%
Compliance with Authority Audits	252	251	84,529.262	56,352.841	99%
Project Audits/Spl.Studies	18	16	14,374.960	11,892.500	88%
FAP Audit	09	09	9,196.076	9,196.076	100%

Office of D.G. Audit Works (Federal), Islamabad

S. No.	Description	Planned No.	Planned Budget Rs.million	Actual No.	Actual Budget Rs.million
1	Total Entities in Audit Jurisdiction	9 PAOs	150,049.30	9 PAOs	150,049.30
2	Total Entities Audited	9PAOs 163 formation*	113,131.99	9PAOs 163 Formation*	112,431.99
3	Audit & Inspection Report	165	113,131.99	163	112,431.99
4	i) Project Audit	08	30,97.81	08	30,977.81
	ii) Special Studies	01	7,302.64	01	097,302.64
	Sub-Total	09	38,280.45	09	38,280.45
5	i) Financial Attest	01	8,845.74	01	8,845.74
	ii) Foreign Aided Project	03	5,375.03	03	5,5375.03
	Sub-Total	04	14,220.77	04	14,220.77

*Out of total 305 formations of all 9 PAOs.

Recoveries Made at the Instance of Audit

S.No.	Month	Recovery	Progressive
1	July, 2009	122.074	112.074
2	August, 2009	41.265	153.339
3	September, 2009	79.761	233.100
4	October, 2009	33.496	266.596
5	November, 2009	4.325	270.921
6	December, 2009	13.144	284.065
7	January, 2010	162.806	446.871
8	February, 2010	93.815	540.686
9	March, 2010	112.247	652.933
10	April, 2010	120.859	773.792
11	May, 2010	196.688	970.480
12	June, 2010	29.15	1,000.195

D.G. Audit (ERRA), Islamabad

Detail of Activities During The Year 2009-2010

1	Total number of Auditee/formations	58
2	Total number of AIR produced in audit year	55*
3	Total amount of expenditure audited (on test check basis)	13,300 million

*Due to law & order situation in district Shngla and Kohistn, the audit of DRUs Shangla/Kohitn & DCO Shangla could not be conducted. These formations have been included in current year audit plan.

Office of D.G. Audit Balochistan, Quetta

S. No.	Description	Planned No.	Planned Budget	Actual No.	Actual Budget
1	Total entities in audit jurisdiction	771	63,267.046	771	63,267.046
2	Total entities audited	144	28,688	144	28,688
3	Audit Inspection Reports	144	-	144	-
4	Special Audit Reports	1	2,214	1	2,214
5	Performance Audit Report	1	-	1	-

The amount planned for Regularity/Additional Compliance Audit has been amended at S.No.2 (above) i.e. from Rs.26,350.374 to Rs.28,688.

The total entities audited were 144 (S.No.2 above), where in the Presentation of audit Plan 2010-11, only Principal Accounting Officers (PAOs) were mentioned in the Achievements (Financial Year 2009-10). The template was provided by the AP&SS Wing.

Table -2

(Rs.in million)

		Expenditure					
S N	**Description**	**Acquisition Of Physical Assets (Procure-ment)**	**Civil Works**	**Others**	**Total Exp.**	**Receipts**	**Total**
1	Outlays Audited	-	10,989.987	12,866.221	23,856.208	2,494..166	50,206.582
2	Amount placed under Audit Observation/ Irregularities pointed out						2,111.697
3	Recoveries pointed out at the instance of Audit						1,032.047
4	Recoveries accepted /Established at the instance of Audit						118.169
5	Recoveries realized at the instance of Audit						9.011

Note 1: The figure at S.No.5 (above) has been updated i.e.Rs.8.457 million to Rs.9.011 million, as on June 30, 2010.

Table - 3

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Violation of rules and regulation, including reported cases of fraud, embezzlement, thefts, misuse of public resources.	1,069.134
2	Accounting errors that are significant but are not material enough to result in the qualification of audit opinions on the financial statement	-
3	Violation of principles of propriety and probity in public operations	136.843
4	Recoveries and overpayments, representing cases of established overpayments or misappropriation of public money	829.438
5	Non-production of record	-
6	Other including cases of accidents, negligence etc.	76.282
	Total	**2,111.697**

Table - 4

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Inappropriate/irregular asset management	1.187
2	Weak Finncial Mangement	855.508
3	Weal omterma; cpmtrp;s	239.582
4	Others	14.054
	Total	**1,110.331**

Table - 5

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Outlays Audited (Item 2 of Table)	2,111.697
2	Expenditure on Audit	15.885
3	Recoveries realized at the instance of audit	9.011
4	Cost Benefit Ratio	1:0.56

Note 1: The Cost Benefit Ratio has been revised from 1:0.53 to 1:0.56 actual recoveries accepted at the forum of Department Accounts Committee by the auditees was Rs.118.169 million but so far the recoveries realized and intimated to audit in Rs.9.011 million, as stated in Table 5 above. However, if the Cost-Benefit Ration is calculated on the basis of recoveries accepted in the DACs, them the resultant would be 1:7.43.

Office of D.G. Audit Sindh, Karachi

S. No.	Description	Planned No.	Planned Budget	Actual No.	Actual Budget
1	Total entities in audit jurisdiction	-	-	1284	283,280.622
2	Total entities audited	537	87,323.702	537	87,323.702
3	Audit Inspection Reports	537	-	537	-
4	Special Audit Reports	10	-	10	-
5	Performance Audit Report	01	-	01	-
6	Other Reports	10	-	10	-

Table -2

(Rs.in million)

SN	Description	Expenditure: Acquisition Of Physical Assets (Procure-ment)	Civil Works	Others	Total Exp.	Receipts	Total
1	Outlays Audited	-	-	-	87,323.702	21,729.565	109,053.267
2	Amount placed under Audit Observation/ Irregularities pointed out	48.549	8,340.183	88,072.299	96,461.031	6,731.152	103,192.183
3	Recoveries pointed out at the instance of Audit	-	-	6,787.108	-	6,731.152	13,518.260
4	Recoveries accepted /Established at the instance of Audit	-	-	6,787.108	-	6,731.152	13,518.260
5	Recoveries realized at the instance of Audit	-	-	122.087	-	-	122.087

Table – 3
Details of Irregularities Pouted Out

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Violation of rules and regulation, including reported cases of fraud, embezzlement, thefts, misuse of public resources.	27.499
2	Accounting errors that are significant but are not material enough to result in the qualification of audit opinions on the financial statement	66,177.456
3	Violation of principles of propriety and probity in public operations	22,800.745
4	Recoveries and overpayments, representing cases of established overpayments or misappropriation of public money	6,787.247
5	Non-production of record	356.247
6	Other including cases of accidents, negligence etc.	311.837
	Total	**96,461.031**

Table – 4
Audit Observations Classified by Categories

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Inappropriate/irregular asset management	241,648
2	Weak Finncial Mangement	29,923.189
3	Weal omterma; cpmtrp;s	118.738
4	Others	66,177.456
	Total	**96,461.031**

Table - 5

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Outlays Audited (Item 2 of Table)	103,192.183
2	Expenditure on Audit	76.866
3	Recoveries realized at the instance of audit	122.087
4	Cost Benefit Ratio	0.63

Note: During the year under review, the office of the Director General Sindh also verified recoveries pertain to the Audit Year 2004-05 and 2005-06 in the course of PAC meetings during which additional recoveries of Rs.985.162 million were realized (total amount recoveries Rs.1,107.249 million). If the total recoveries are incorporated in the Table-5, then the revised Cost Benefit Ration would as under:

(Revised) Table - 5

(Rs.in million)

S.No.	Description	Amount Placed Under Observation
1	Outlays Audited (Item 2 of Table)	103,192.183
2	Expenditure on Audit	76.866
3	Recoveries realized at the instance of audit	1,107.249
4	Cost Benefit Ratio	0.07

Office of the D.G. Audit Khyber Pakhtunkhwa

The office of the Director General Audit Khyber Pakhtunkhwa have the mandate to Audit all the Provincial Government Funded Departments/Entities. Further this office under take certification audit of accounts of the Provincial Government an various Foreign Aided Projects. This assignment is significant in view of the donor's conditioning released reimbursement of loans/grants with the timely submission of audit reports about such projects. Following table reflects performance of Director General Audit during the year 2009-10.

S.No.	Description	No.of Audit Reports
1	Additional Compliance Audit (Expenditure)	1
2	Additional Compliance Audit (Revenue Receipt)	1
3	Special Audit Reports	2
4	FAP Audit Reports	41
5	Total Units Audited	45

Following table summarized outcome of the audit of accounts of Provincial Government of Khyber Pakhtunkhwa conducted:

S.No.	Description	Amount Rs.in billion
1	Total Expenditure Audited	60.261
2	Recovery at the instance of Audit	0.0687
3	Amount of expenditure objected	8.279

Back up of Amount Objected

S.No.	Description	Amount of Exp. Objected (Rs.in billion)
1	Non Production of record	1212.856
2	Non recover & non deposit of Govt. due/receipt	575.858
3	Loss of Govt.	614.158
4	Overpayment	84.664
5	Misappropriation of Govt. receipts/stores	41.549
6	Unauthorized Expenditure	3360.050
7	Non-accountable of stores	6.325
8	Irregular expenditure	132.788
9	Unauthentic expenditure	1593.471
10	Excess expenditure	627.566
11	Blockage of govt. money	14.023
12	Double Drawl	0.75
13	Wasteful expenditure	14.923
	Total	**8278.981**

Office of the D.G. Revenue Receipts Audit (South), Karachi

Regular Audit
Out of 131 total inspections, 94 were planed for the audit year 2009-10 in respect of Federal Government. 04 formations were conducted during the year 2009-10, yielding converge of 100% formations.

Audit and Inspection Reports
94 Audit & Inspection reports were issued during 2009-10 involving financial irregularities of Rs.70,009.828 million.

Draft Paras (DPs)
During the financial year 2009-10, 397 Draft Para (Federal) pointing out government revenue of Rs.67,715.977 million were prepared and issued to Principal Accounting Officers.

Financial Attest

This office also conducted the financial attest of Receipt and Expenditure accounts of Indirect Taxes pertaining to Federal Board of Revenue during the Audit Year 2009-10.

Audit Report 2009-10

03 DAC meetings were held with Federal Board of Revenue and Ministry of Petroleum & Natural Resources and discussed Draft Para for Audit Reports 2009-10.

Memorandum For DAC (MEFDAC)

Two MEFDAC reports for the year 2009-10 were compiled and issued to the Principal Accounting Officer.

Cash Recoveries Made at the Instance of Audit

Cash recoveries of Rs.1,498.449 million were made at the instance of audit during the year 2009-10.

Training

Eight training courses were arranged at DG, PAW, Lahore and AATI, Karachi for officers of this office and 18 officers participated in the training courses.

Performance Audit

During the financial year 2009-10 four performance audits were assigned, 50% work was completed. The results of entire reports will be included in the Audit Year 2010-11.

DG District Government, Khyber Pakhtunkhwa

Statement Showing Category Wise Amount Objected By The Audit During The Financial Year 2009-10

(Rs.in million)

S.No.	Description	Amount Objected
1	Fraud/Theft	485.554
2	Loss/Misappropriation	2681.918
3	Recovery Pointed Out	2040.870
4	Non-production of record	1357.779
5	Overpayment	740.450
6	Violation of rules	4899.830
7	Un-authorized payment	7481.854
8	Other	2813.449
	Total	**22503.704**

Total Allocated Budget of All Entities

	(Rs.in million)
Salary Budget	95,325.583
Non-Salary Budget	4,344.827
Development Budget	8,452.987
Total allocated Budget	**108,123.397**

NATIONAL SAVINGS ORGANIZATION (CDNS)

The history of National Savings Organization dates back to the 2nd World War when the British Govt. of undivided India launched the savings schemes to meet the war time expenditure. To have a permanent arrangement, a National Savings Bureau was established as an Attached Department of the Ministry of Finance, offices of which were established in almost all provinces of the sub-continent with the objective of popularizing the savings schemes among the masses as well as to supervise, guide and control the working of the agents authorized to sell the savings instruments.

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

At present, Central Directorate of National Savings is operating with a network of 420 offices comprising 12 Regional Directorate, 16 National Savings Treasures, 370 National Savings Centres, 01 Directorate of Inspection and Accounts, 07 Zonal Inspection and Accounts Offices, 12 Regional Accounts Offices and 02 Training Institute . This CDNS is responsible for mobilization of domestic savings through the sale of various Govt. securities called National Savings Schemes (NSS). Presently, the following NSS are in operation:

i. **Defence Savings Certificates.**

.

A ten years' maturity instrument offering an average compound rate of 12.15% p.a on maturity. The profit in this scheme is paid for completed years on maturity or encashment, whichever is earlier.

ii. **Special Savings Certificate (Regd)/Accounts.**
A three years maturity schemes available both in form of certificates and accounts providing bi-annual return @

11.00% p.a for the 1st five profits and @ 12.50% p.a. for the last profit.

iii. **Regular Income Certificate.**
A five years scheme providing monthly profit payment @ 11.52% p.a. subject to 10% withholding tax at source.

iv **Bahbood Savings Certificates.**
A new savings scheme exclusively launched for widows and senior citizens with maturity period of 10 years, which offers monthly profit payment @ 13.56% p.a. The profit earned on this scheme has been exempted from withholding tax at source w.e.f 01-07-2004.

v **Savings Account.**
Savings Account is an ordinary account offering profit @ 8.50% p.a.

vi **Pensioners' Benefit Account**.
A new savings scheme exclusively launched for pensioners with maturity period of 10 years offering monthly profit payment @ 13.56% p.a. The profit accrued on or after 01-07-2004 on this scheme has been exempted from withholding tax at source.

vii **Prize Bonds.**
A bearer type of security, available in the denominations of Rs. 200, Rs 750, Rs. 1,500. Rs.7500,Rs.15,000, and Rs.40,000. The scheme offer prizes drawn on quarterly basis. The rate of return on this scheme works to 08.00% p.a.

viii **National Savings Bonds.**
A tradable type of security was launched in January 2010 under the Second Generation of Capital Market Reforms Programme. The National Savings Bonds are , available in the 3, 5 & 10 years maturity and offered in issues .The subscription of first issued closed on 26-01-2020. The rate of return is paid bi-annually for first issue were 12.50% 12.55% & 12.60%.

During FY 2009-10, the following changes were made in the existing National Savings Schemes:-

a) In order to ensure better return to investors in line with the market trend, the rates of return on all the NSS are reviewed quarterly and subject to alter as per market trend..

b) For the first time in the history of country, the National Savings has launched 100% scrip less Government Guaranteed tradable bond namely “National Savings Bonds” during FY 2009-10. The second issue is planned to open in October, 2010.

c) The CDNS is also considering introduction of specialized Savings Products for Non-Resident Pakistanis (NRPs) abroad in collaboration with the active local & foreign banks..

Investment Target for FY 2009-10

The gross and net investment target of National Savings Schemes for FY 2009-10 were pitched by the Finance Division at Rs.708,238/- million & Rs.217,923.82 million respectively. The CDNS has surpassed the target by mobilizing gross receipts of Rs. 721,548.16 million and net receipts of Rs. 225,714.46 million during FY 2009-10. Despite the mid year review of the target and stiff competition being faced in the wake of vibrant financial sector, having competitive edge in pricing and services, the organization due to the commendable and untiring efforts, being made by its staff have successfully surpassed the given target.

Automation Project of Central Directorate of National Savings

The Automation of National savings is part of the central Directorate of National Savings (CDNS) strategic plan to achieve the following targets:-.

* To improve financial control to complete technology driven financial Market.
* To ensure effective polity decisions.
* To improve quality of service to obtain customer satisfaction

- * To decrease work load on National Saving Staff.
- * To obtain uniformity.

During 2009-10 after the approval of PC-I by CDWP,HR Hardware Infrastructure was hired/purchased for execution.

Target viz-a-viz achievements in the accordance with PC-I are as given below

S. No	**Region**	**NSC**	**NST/ NSST**	**Controlling Offices**	**Total**	**Targets Achieved**
1	Islamabad			7 Controlling officer of Rawalpindi/ Islamabad including main information Technology centre	16	16
	Rawalpindi	08	01		09	09
2	Faisalabad	03	02	4 Controlling officers of Faisalabad	09	09
3	Karachi	04	0	6 Controlling officers of Karachi	10	10
	Total	**23**	**4**	**17**	**44**	**44**

Restructuring of National Savings Organization

A detailed in-house study for restructuring of the CDNS was carried out and study report along with the draft law was furnished on Feb-2001 to the Finance Division for consideration. Government announced to convert CDNS into a corporation in the budget for FY 2004-05. Draft law along with the summary for the Prime Minister aiming to convert CDNS into a Corporate Body was prepared and submitted in November, 2004. Honorable Prime Minister agreed to the proposal in principle. The draft law stands vetted by the SBP, SECP, and Estt. Division and the Law and Justice Division by May, 2006. The present Government after coming into power has taken up the issue on priority. The Cabinet has recently again approved the bill in principal and constituted a high power committee. The Committee shall include code the Minister of Finance and Economic Affairs (Convener), Minister of Law, Justice and Parliamentary Affairs (Member) and Minister for Privatization (Member). The matter is under active consideration of the Committee.

CONTROLLER GENERAL OF ACCOUNTS

Introduction:

i The Controller General of Accounts was established under CGA (Appointment, Function and Power) Ordinance, 2001. Accounting Internal Control, and Payment functions were transferred from Auditor General of Pakistan to this Office w.e.f 1-7-2001 under the said ordinance.

ii. The CGAs organization authorizes/makes payment from Consolidated Fund and Public Account and Compile accounts of Federal, Provincial & District Governments.

iii. The following offices work under the administrative control of Controller General of Accounts:-

a) The Accountant General of Pakistan, and its sub-offices.
b) The Military Accountant General and its sub-offices.
c) Accountant General of each province and District Accounts Offices subordinate to them.
d) Accounts Offices of the Departmental Accounting Entities.and their sub office.

Achievements of the FY 2009-10

The main achievement of the FY 2009-10 are as below:-

a) Commitment Accounts

The New Accounting Model (NAM) introduced under Project to improve Financial Report and Auditing (PIFRA), envisaged modified cash basis of accounting. This system besides cash transactions also records commitments against the budget, as they are made, so that complete information regarding expenditure, incurred and committed, is available le to the stakeholders. During 2009-10 Commitment Accounting Module implemented on experimental basis in AGPR and AGs (Punjab, Sindh KPK) with recording of all commitments of Rs 0.5 million and above. The module will be fully implemented from 2010-11.

b) Financial Reporting :

i) The initiative taken by CGA in 2008-09 to reduce time lag in submission of annual accounts after close of financial year pursued further in 2009-10. The Annual accounts of Federal & Provincial Governments for the year 2008-09 were submitted to audit on 31st August 2009, thereby reducing the time lag to two months as against three months in 2008-09.

ii) The accounts of Federal, Provincials, SAEs and Districts Government were prepared on International Public Sector Accounting Standards (IPSAS cash basis)

iii) Submission of timely and reliable accounts is an objective hitherto focused on annual accounts only. During the year 2009-10 efforts also made for early submission monthly accounts, which are now being submitted by 10th of the following month while the prescribed date is 15th. The monthly accounts and additional reports from SAP, R-3 system, installed in accounting offices, have also been generated and provided to the Ministries/Divisions/Departments. For their administrative decisions. Detail object wise repots sent with Monthly Civil Accounts to Finance Division and respective Finance Department by the AGs.

iv) Reconciliation is an essential element of reliable accounts and also an effective tool for deterring fraud and irregularities. Monthly accounts prepared by AGs are reconciled regularly with PAOs to confirm agreement with the accounts of Ministries/Divisions/Departments. From February 2010, the AGPR introduced special monthly reconciliation with FD/EAD before closing of the accounts to ensure that all direct transactions made by them are incorporated in the account. The provincial AGs have also been directed for similar monthly reconciliation before the closing of the account.

v) Budget Execution Report (BER) showing comparison of Budget and Actual Expenditure are generated by all AsG and sent to respective Governments for their information and decision making.

c) Service Delivery:

In order to monitor performance and improve service delivery in our field offices a bill tracking system has been installed. Processing of bills is monitored through periodic 'Bill Tracking Report'. At present, 15-20% claims are processed within 3 days while rest of the bills are finalized in 5-7 days.

d) Pension Reforms:

SOP for payment of pension through all scheduled banks to facilitate the pensioners to draw pension from the bank of their choice has been devised. The SOP is under consideration with Finance Division for issuance/implementation.

e) Chart of Accounts (COA)

Our COA has been successfully mapped with IMF, GFS standards.

PAKISTAN MINT
LAHORE

PAKISTAN MINT

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

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

Pakistan Mint has delivered 174.700 (million) coins in Nos. value Rs.255.400 million in addition to the revenue earned against the other jobs executed during 2009-10 worth value Rs.57.296 million as detailed below:-

S.#	Name of Articles	Quantity In Nos. (Million)	Quantity In Value (Million)
	A-Coins		
1.	Re.1/ Aluminum	94.800	94.800
2.	Re.2/ Aluminum	79.800	159.600
3.	Re.5/	--------	--------
4.	Re.10/--C.N- (Commemorative Coins (60th Anniversary of China)	0.100	1.000
	Total ---	**174.700**	**255.400**

	B-Jobs Others Than Coins	**Quantity In Nos.**
1	Medal/Badges	67661
2	Coins Pieces	13692
3	Stamps and Seals	2549
4	Year Type	40743
5	Coat Flag	1100
6	P.P. Seal/Sealers	416
7	Scales/Weight	03
8.	Shields	514
9	Embossing Machine	50
10.	Lapel Pins	1501
11.	Paper Cutters	42
12	Tent Pager/Uryal/Gliding Bar	13
13	Name Plate	05
14	Velvet Box & Ribbons	2667
15	Key Rings	30
16	Brass Seals/Bits	211
17	Year Punches	583

Value of the Coins delivered to State Bank of Pakistan.	=	Rs.255.400 Million
Revenue earned against the jobs Executed other than Coins	=	Rs. 57.296 Million
Total	=	Rs. 312.696 Million

DEBT POLICY COORDINATION OFFICE

a) **Major Achievements and Activities**: The DPCO act as a secretariat for the Fiscal Responsibility and Debt Limitation Act 2005.As part of its primary responsibilities, the DPCO successfully formulated and presented to parliament the Debt Policy Statement and Fiscal Policy Statement 2009-10. These 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.

Further. the DPCO also contributed to the Economic Survey 2009-10 by submitting a chapter on Public Debt and an Annexure on Contingent Liabilities.
The Medium-Term Budgetary Statement 2010-11 was also prepared by the DPCO. This statement, which included three year target for key economic indicators, was included in the federal budget of 2010-2011.

During the fiscal year 2009-10, the DPCO deliberated upon the computation and presentation of government indubitableness. For the first time, the DPCO clearly defined the parameters against which a country's indebtedness is measures in term of stock and flow ration.

Moreover, the DPCO consolidated the outstanding guarantees of the government extended to various public sector entities and has been assigned the responsibility of publishing the stock of outstanding guarantees on the Finance Division's web portal on a monthly basis. In this connection, the DPCO has been issuing NOC w.r.t public on a guarantees and new external loans as per the FRDL Act 2005.

As part of its mandate, DPCO successfully drafted a Medium Term Strategy 2010-11 in which different scenarios encompassing debt and fiscal indicator over the next three year were outlined based on the macroeconomic assumption presented in the Budget Strategy Paper.

The Debt Management Committee (DMC) was formed having representation from fiscal policy monetary & exchange rate policy, and debt management policy. The DPCO arranged three meetings of the Committee during 2009-10 in which the office presented the review of public debt as well as discussed the medium-term debt strategy.

A connection of the Debt Management and Financial Analysis Software (DMFAS) from the Computer Centre, Economic Affairs Division(EAD) was successfully installed at the DPCO, thereby providing timely access to the external debt portfolio of the country in order to fulfill regular reporting requirements.

In addition to these achievements, the DPCO continued its routine functions of monitoring and analyzing the government's fiscal performance and the stock of Public Debt throughout 2009-10.

Lack of human capital in addition to shortage of physical infrastructure remained major problems throughout 2009-10. Presently, the DPCO is functioning at the level of Director General with no staff reporting to the authority (other than the personal support staff).

b) **Targets**: The activities performed in the preceding financial year are largely in line with the programme set out by the DPCO.However, the issue of human resource development was not addressed in 2009-10.

c) **Relevant Statistics:** Table on public domestic and external debt are attached at Annexure, I, II and III respectively

Public Debt FY 06 – FY 10*

	FY06	FY07	FY08	FY09	FY10
Domestic Currency Debt	2337	2610	3275	3860	4653
Foreign Currency Debt	1956	2129	2697	3390	3742
Total Public Debt	4293	4739	5972	7250	8395
	In Percent of GDP				
Rupees Debt	30.7	30.1	32.0	303	31.7
Foreign Currency Debt	25.7	24.6	26.3	26.6	25.5
Total Public Debt	56.3	54.6	58.3	56.9	57.2
		In percent of Revenue			
Rupees Debt	217	201	218	209	224
Foreign Currency Debt	182	164	180	183	180
Total Public	399	365	398	392	404
		In percent of Total Debt			
Rupees Debt	54.4	55.1	54.8	53.2	55.4
Foreign Currency Debt	45.6	44.9	45.2	46.8	44.6
Memo:					
Foreign Currency Debt (In US$ billion)	32.5	35.1	40.1	41.9	43.9
Exchange Rate (Rs./US$, E.O.P)	60.2	60.6	67.3	81.0	85.3
GDP (In Rs. Billion)	7623	8673	10243	12739	14668
Total Revenue (In Rs. Billion)	1077	1298	1499	1851	2078

Source: EAD, SBP, EA Wing, MoF and DPCO staff calculation.

*Provisional.

Table 2
Outstanding Domestic Debt, FY06 – FY10
(Rs. in billion)

	FY06	FY07	FY08	FY09	FY10
Permanent Debt	**514.9**	**562.7**	**616.6**	**685.9**	**797.7**
Market Loans	2.9	2.9	2.9	2.9	2.9
Government Bond	9.6	9.6	2.9	2.9	2.9
Prize Bonds	9.6	9.6	9.3	7.3	7.2
Foreign Exchange Bearer Certificates	165.5	174.5	182.8	197.4	236.0
Bearer National Fund Bonds	0.3	0.2	0.2	0.2	0.1
Federal Investment Bonds	0.0	0.0	0.0	0.0	0.0
Special National Fund Bonds	6.6	3.1	0.9	1.0	0.0
Foreign Currency Bearer Certificate	0.0	0.0	0.0	0.0	0.0
US Dollar Bearer Certificate	0.0	0.0	0.0	0.0	0.0
Special U.S. Dollar Bonds	14.8	9.4	8.2	7.7	2.7
Government Bonds Issued to SLIC	1.5	0.6	0.6	0.6	0.6
Pakistan Investment Bonds (PIB)	303.8	352.5	411.6	441.0	505.9
Government Bonds issued to HBL	9.8	9.8	0.0	0.0	0.0
GOP Ijara Skuk	0.0	0.0	0.0	27.8	42.2
Floating Debt	**940.2**	**1,107.6**	**1,637.4**	**1,904.1**	**2,399.1**
Ad hoc Treasury Bills	0.0	0.0	0.0	0.0	0.0
Treasury Bills on Tap	0.0	0.0	0.0	0.0	0.0
Treasury Bills through Auction	432.1	655.5	536.4	795.6	1,227.4
Rollover of Treasury Bills discounted SBP	0.6	0.6	0.6	0.6	0.6
Treasury Bills purchased by SBP (MRTBs)	507.5	451.5	1,052.6	1,107.3	1,124.4
Outright Sale of MTBs	0.0	0.0.	47.8	0.6	46.7
Unfunded Debt	**881.7**	**940.0**	**1,020.3**	**1,270.5**	**1,4546.5**
Defence Savings Certificates	295.9	289.0	284.6	257.2	224.9
Khas Deposit Certificates and Accounts	0.6	0.6	0.6	0.6	0.6
National Deposit Certificates	0.0	0.0	0.0	0.0	0.0
Savings Accounts	8.8	18.7	27.7	16.8	17.1
Mahana Amdani Account	2.4	2.5	2.5	2.4	2.1
Postal Life Insurance	67.1	67.1	67.1	67.1	67.1
Special Savings Certificates and Accounts	192.2	208.3	227.6	377.7	470.7
Regular Income Scheme	69.7	51.3	51.0	91.1	135.7
Pensioners' Benefit Account	57.5	69.0	87.7	109.9	128.0
Bahbood Savings Certificates	143.0	190.2	229.0	307.5	366.8
National Savings Bonds	0.0	0.0	0.0	0.0	0.0
G.P. Fund	44.5	43.3	42.5	40.1	39.9
Total Domestic Debt	**2,336.9**	**2,610.3**	**3,274.3**	**3,860.4**	**4,653.4**
Total Domestic Debt (excluding foreign currency debt included in external debt)	2,321.7	2,600.6	3,265.8	3,852.5	4,650.5

Source: SBP, Budget Wing, MoF and DPCO staff calculations.

Table 3
Pakistan: External Debt and Liabilities
(Rs. in billion)

	FY06	FY07	FY08	FY09	FY10
1. Public and Publically Guaranteed Debt	**32.8**	**35.3**	**40.2**	**42.2**	**43.1**
A. Medium & Long Term(<1 year)	32.6	35.3	39.5	41.6	42.3
Paris Club	12.8	12.7	13.9	14.0	14.0
Multilateral	16.8	18.7	21.6	23.1	23.8
Other Bilateral	0.8	1.0	1.2	2.0	2.7
Euro Bonds/Saindak Bonds	1.9	2.7	2.7	2.2	1.6
Military Debt	0.1	0.1	0.0	0.2	0.2
Commercial Loans/Credits	0.2	0.1	0.1	0.2	0.1
Local Currency Bonds	0.0	0.0	0.0	0.0	0.1
B. Short Term (<1 year)	0.2	0.0.	0.7	0.7	0.8
IDB	0.2	0.0	0.7	0.7	0.8
2. Private Non-Guaranteed (>1 year)	106	2.3	2.9	3.3	3.2
3. IMF	1.5	1.4	1.3	5.1	8.1
Of which Central Govt.	0.0	0.0	0.0	0.0	1.1
Monetary Authorities	0.0	0.0	0.0	0.0	7.0
4. Scheduled Banks' Borrowing	0.0	0.0	0.0	0.0	0.0
Total External Debt (1 through 4)	**35.9**	**39.0**	**44.5**	**44.5**	**54.5**
(of which) Public	*32.5*	*35.1*	*40.1*	*41.9*	*43.9*
5. Foreign Exchange Liabilities	1.3	1.3	1.7	2.1	1.1
Total External Debt & Liabilities (1 through 5)	**37.**	**40.3**	**46.2**	**52.8**	**55.6**
(of which) Public Debt	32.5	35.1	40.1	41.9	43.9
Official Liquid Reserves	10.8	13.3	8.7	9.5	13.1
		(In Percent of GDP)			
Total External Debt (1 through 4)	**28.2**	**27.3**	**27.2**	**31.3**	**31.1**
1. Public and Public ally Guaranteed Debt	25.8	24.7	24.6	26.0	24.6
A. Medium and Long Term (>1 year)	25.6	24.7	24.1	25.6	24.2
B. Short Term (<1 year)	0.1	0.0	0.4	0.4	0.5
3. IMF	**1.2**	**1.0**	**0.8**	**3.2**	**406**
5. Foreign Exchange Liabilities	1.1	0.9	1.0	1.3	0.6
Total External Debt & Liabilities(1 through 5)	**29.2**	**28.2**	**28.2**	**32.5**	**31.8**
Office Liquid Reserves	8.5	9.3	5.3	5.9	7.5
Memo:					
GDP (in billion of Rs.)	7,623	8,673	10,243	12,739	14,668
Exchange Rate (Rs./US$, Period Ag.)	59.9	60.6	62.5	78.5	838
Exchange Rate (Rs./US$, EOP)	60.2	60.6	67.3	81.0	85.3
GDP (in billion of US dollars)	127.4	143.0	163.8	162.3	175.0

Source: SBP, Economic Affairs Division and DPCO staff calculations.