YEAR BOOK
2010-2011

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ISLAMABAD
www.finance.gov.pk

Year Book
2010 – 2011

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

CONTENTS

COMPILATION TEAM

1. **MR. MUHAMMAD ANWAR KHAN**
   Senior Joint Secretary (HRM)

2. **MR. MIR AFZAL KHAN**
   Deputy Secretary (Services)

3. **SYED BUNIAD HAIDER**
   Section Officer (Protocol/Doc)

4. **MR. MUHAMMAD SHAHID RAZA**
   Assistant (Protocol)

5. **MR. SHEERAZ HUSSAIN**
   Assistant (Documentation)

6. **MR. SAJJAD ANWAR**
   Stenotypist (Protocol/Doc)

Vetted by:

7. **MR. MANZOOR AHMED YUSUFI**
   A.E.A (Economic Adviser Wing)

Composed by:

8. **Mr. Khurshid Ali Khan** *(Sr.Composer)*
9. **Mr. Naseem Mahmood** *(Composer)*
10. **Mr. Naeem Akhtar** *(Composer)*

PREFACE

Pursuant to Rule 25 of the Rules of Business 1973, the Yearbook of Finance Division 2010-11, delineates the activities undertaken by various Wings of the Division and its constituent organizations during the year. It elaborates functions, organizational structure, area of responsibility and working set up vis-à-vis activities pursued and accomplished during fiscal year 2010-11.

Despite continued regional security issues and aftermaths of global financial crisis, economy has seen positive developments in FY 2010-11. External sector has performed well. Exports reached at a record level of US$ 25.4 billion registering 29.4% growth. Remittances shot up to a record level of US $ 11.2 billion with a 26% growth. Current Account Balance turned surplus at US $ 437 million from a deficit of US $ 3946 million in 2009-10. Per capita income has increased to US $ 1,254 from US $ 1,073 last year. Wheat, sugarcane and maize crops recorded highest ever yield. Incremental transfer of Rs. 342 billion to rural areas on account of higher prices of major crops as against cumulative transfer of Rs. 329 billion in eight years (2001-08) has contributed in rural prosperity and better quality of life. Real GDP growth in FY 2010-11 was 2.4%. Large scale manufacturing grew by 1.1%, service sector 4.1% and agriculture by 1.2%.

Economy still faces a number of challenges which need to be addressed. Finance Division remains committed to developing and implementing pragmatic policies ensuring sustainable economic growth through transparent and efficient financial management. Despite all internal and external shocks, Pakistan's economy is expected to grow by continuing structural reforms including energy sector 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
07.12.2011

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. International Monetary Fund.

19. State lotteries.

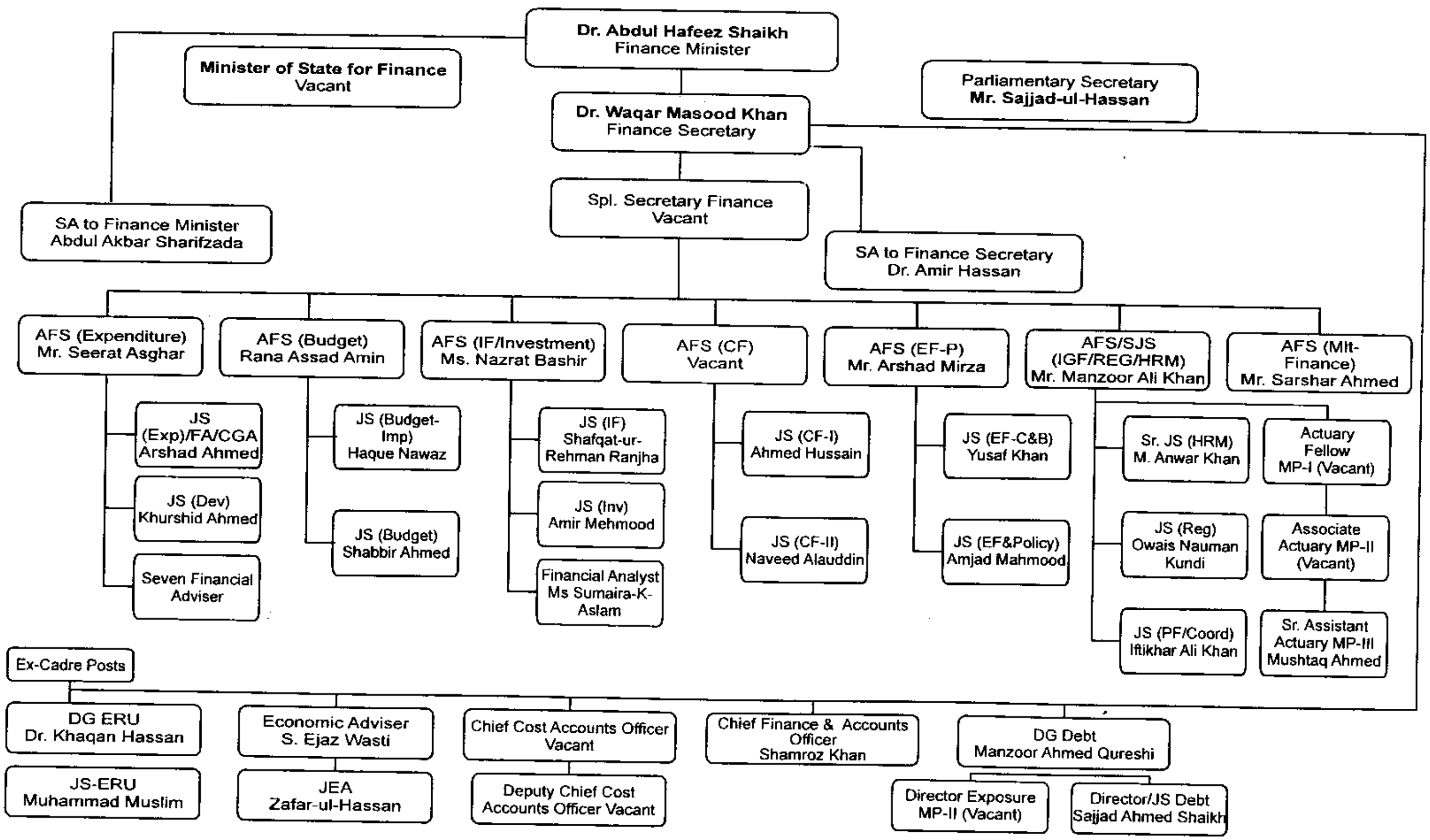
20. Monopoly Control and Anti-Cartel Laws.

21. Deregulation policies.

22. Administration of Economic Reforms Order, 1978.

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

ORGANIZATIONAL CHART OF FINANCE DIVISION



HRM WING

Performance/Achievements

The major function of 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 this Division to ensure timely completion of annual Performance Reports (PERs) of officers and staff of this Division.

- To maintain discipline in the light of Government Servants (Efficiency and Discipline) Rules, 1973:

- To provide logistic support, facilitate visiting foreign delegates and to provide customer's service to the general public visiting the Ministry of Finance.

- To make arrangement for the employees of Finance Division regarding hiring of residential accommodation as per Accommodation Allocations Rules and provision of medical facility. House Building, Motor Car, Motor Cycle, Cycle, advances and other advances like G.P. Fund advances etc. Preparation of pension papers for the retiring officers/ officials.
- To coordinate submission of 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 among different wings of Finance Division for submission to National Assembly/Senate Secretariat.

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

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

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

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

- To improve performance of the employees of Finance Division and enhance its competitive value and augment customer satisfaction level by meeting the requirements of ISO standard 9001:2008.

Achievements/performance of HRM Wing during Financial Year 2010-2011

The Government of Pakistan had placed ban on purchase of physical assets during the financial year 2010-2011. In order to meet the emergent demand of various wings/Sections, 01 computer with LCD Monitor, 01 Laser Jet printer, 06 Fax Machines, 01 shredder, 03 scanner, 01 Lamination Machine, 02 Spiral Binding Machines and 01 UPS were purchased after meeting all Codal formalities to facilitate the officers of this Division.

Effective logistic support including computers and accessories i.e. Flash Drives, DVD, Mousses, CDR and DCRW, TV device, batteries of laptop etc. was provided to the officers/officials of Finance Division. A Photostat pool is providing round the clock photo copying facility in budget days and 14 – 16 hours daily in routine days.

The vehicles maintained in the fleet of the Finance Division were of old vintage. The 06 condemned vehicles were auctioned as per Staff Car Rules of Government of Pakistan.

Timely budget estimates were prepared for Finance Division (Main) and its allied organizations.

Total 88 contingent paid staff posts were created and 100 employees were recruited against the temporary posts during 2010-2011 in the Finance Division. The break-up of temporary posts is as under:-

(i)	Stenographer (BS 15)	06
(ii)	Assistant (BS 14)	04
(iii)	Stenotypist (BS 12)	16
(iv)	UDC (BS 09)	14
(v)	LDC (BS 07)	14
(vi)	Staff Car Driver (SCD) (BS 06)	06
(vii)	Dispatch Rider (DR) (BS 01)	01
(viii)	Naib Qasid (BS 01)	38
(ix)	Sweeper (BS 01)	01

Protocol services were provided to the foreign/local delegates. Such services were also provided to the officers working in Finance Division who proceeded abroad for official visits.

Quality Assurance Program of Finance Division

This is the unique feature of Finance Division among the Ministries/Division of Government of Pakistan that Finance Division is the only ISO 9001:2008 certified Service Provider Organization in Pakistan.

- 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.
- Finance Division has got renewal of ISO 9001:2008 Certification for further three years by meeting the required International Performance Standard in August 2010.
- To monitor the performance of the employees of Finance Division 02 External and 02 internal performance Audits were carried out in the Finance Division.
- To measure the Customer Satisfaction Index (CSI) 02 customer satisfaction surveys were carried out during the financial ;year, 2010-11.
- To build the capacity of employees of Finance Division 28 officers got foreign and 87 have got local training during the year 2010-11.
- A Quarterly Quality Report (QQR) incorporating the achievements of the Finance Division as per their Quality objectives is issued regularly.

BUDGET WING

Budget and its Functions

Budget is the document which, once approved by the Parliament, authorizes the government to raise revenue, 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 economically, 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 the Parliament, then executed by the government, and finally subject to monitoring and appraisal by the 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; 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 can 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

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

- 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.

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 it 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 with minute details by the agencies/ 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 on these to the concerned Financial Advisors with their recommendations. The Financial Advisors of 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 2010-11 (Pakistan's financial year 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 various stages of budget formulation are to be completed. Since time factor is important, emphasis is laid, inter alia, on strict observance of the budget time table at all stages of budget making.

The Budget Call Circular issued indicates 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.

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 whereas 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 the borrowings.

The capital budget is designed to create material assets which add to the economic potential of the country. Its main feature is 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 indicates the cash balance position of the Government at the beginning and end of the financial year.

d. Annual Development Program (ADP)

Provision for development expenditure is included in the budget on the basis of the Annual Development Program prepared by the Planning Commission in consultation with the Ministry of

Finance and the Provincial Governments and approved by the National Economic Council.

The Formulation of the Annual Development Program is one the most important aspect 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 Governments 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:-

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

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

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 Commissioner;
  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.

PUBLICATION OF BUDGET DOCUMENTS

Federal Budget documents compiled and prepared by the various Sections of the Budget Wing are published by the Budget Publication Section. These documents are tabled before the Parliament for approval. This year (FY 2010-11) Budget Wing not only published the following Federal Budget documents but that also were first time uploaded on Finance Division's web site www.Finance.gov.pk

i) 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).*

ii) Details of Demands For Grants and Appropriations

This document consists of the following three volumes:-

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

Volume III: Development Expenditure – this document contains development expenditure.

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

iii) Demands for Grants and Appropriations

Demands for Grants and Appropriations contain estimates 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.

iv) 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 document is printed both in Urdu and English).

v) Budget at a Glance

It explains the overall budgetary position covering all aspects both revenue and expenditure (This document is also printed both in Urdu and English).

vi) 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.

vii) 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 specify the provincial shares in the proceeds of various taxes and duties. It is tabled along with the Annual Budget Statement.

viii) Schedule of Authorised 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.

According to 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).

ix) 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.

x) 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 Programme and other specific country programmes.

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.

xi) Medium Term Budgetary Statement

This year this document is issued under Section 5 of Fiscal Responsibility and Debt Limitation Act 2005 (FRDLA).

xii) 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.

Budget Publication Section also rendered translation of the following mandatory statements issued by Debt Policy Coordination Office into Urdu for laying before the Parliament for information of the honourable members:-

- i) Debt Policy Statement.
- ii) Fiscal Policy Statement.

MEDIUM TERM BUDGETARY FRAMEWORK (MTBF)

The Finance Division is progressing with its major budgeting reform programme called "Medium Term Budgetary Framework (MTBF). Last year, the programme was rolled-out across the Federal Government. This year the process of devolution under the 18^{th} Amendment posed a challenge for presenting medium-term budget estimates. Despite challenges, the Finance Division continued on its reform programme and presented the budget Strategy Paper in the Cabinet and the Green book 2011-14 in the Cabinet and parliament.

The MTBF reform has now entered in its second year of implementation. There are further advancement that the Finance

Division intends to undertake including, establishment of monitoring function, finalization of Public Finance Administration Act, Linkage with PIFRA reform Programme and improved linkage with the New Framework for Growth.

BUDGET IMPLEMENTATION UNIT (BIU)

The budget implementation unit (BIU) was established in the Budget Wing to collect, consolidate, monitor and analyze the budgetary data to meet the budgetary targets set under each financial year. Presently its role is of monitoring nature, however, with the passage of time it would be of recommendatory nature as well. Its main functions, inter alia, include the following:

1. Collection of data regarding revenue receipts from Federal Board of Revenue and non-tax revenue receipts from various Wings of Finance Division/other Ministries/Divisions.

2. Monitoring and coordinating implementation of overall budgetary targets and to prepare a report thereon on Monthly/quarterly basis.

3. Preparation of reports based on data received regarding financing of fiscal deficit and identifying the reasons for variations on monthly basis for taking corrective measures.

4. Liaison with all the relevant Ministries/Organizations and getting report on implementation status of the targets given in the Budget including various budgetary measures.

5. Analysis of revenue receipts tax as well as non-tax specifically Dividend, Interest receipts, recovery of loans and advances.

6. Analysis of expenditure, particularly Debt Servicing, subsidies, Grants and Transfer payments etc.

7. Corresponding with the organizations where from reports originate for identifying the areas of concern and initiating action for taking corrective measures.

Pakistan — Consolidated Fiscal Operations 2010-11

Budget Wing is also responsible to disseminate quarterly data in respect of Fiscal operations, Federal, Provincial as well as Consolidated, on the web-site of the Finance Division. The Summary of Fiscal Operations. 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 commandable and untiring efforts, being made by its staff, have successfully surpassed the given target. July-March, 2010-11 is given below

(Rs, in Billion)

Description	**Actuals July-March 2010-11**
Total Revenue	**1495.3**
Tax Revenue	1117.6
Federal	1074.8
Provincial	42.8
Non-Tax Revenue	**377.7**
Federal	334.5
Provincial	43.2
Total Expenditure	**2278.5**
Current	**1909.8**
Out of which	
Interest payments	507.4
Defence	335.1
Development and Net Lending	**352.7**
Unidentified expenditure	**16.0**
Budget Deficit	**783.3**
Financing	**783.3**
External	83.1
Domestic	**700.1**
Bank	383.8
Non-Bank	316.4

Privatization Proceeds	0.0
Total Revenue	**8.6**
Tax Revenue	6.5
Non-Tax Revenue	2.2
Total Expenditure	**13.2**
Current	**11.0**
Out of which	
Interest payments	2.9
Defence	1.9
Development and Net Lending	**2.0**
Budget Deficit	4.5
GDP (Rs. In billion)	17304

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 Re-structuring Programme, in the shape of Equity injection, and advancing Government's loans for the working capital requirements and provision of subsidy to meet any shortfall or incurring of losses, through the GOP's budget. Moreover, the PSE's are also allowed to get Bank Credit to meet their financial needs. The Government's policy decisions are implemented, relating to the Government guaranteed outstanding and non-collectable loans, provided by banks and Financial Institutions, to the PSEs, and other financial losses sustained by them.

The Government also provides the financial support in the form of subsidy to PSEs, like TCP, and USC, in order to meet the objective to provide essential and primary food commodities to the consumes at reasonable and on subsidized prices.

The CF Wing implemented the Government's decisions, to provide financial assistance to the Corporate Sector, during FY 2010-11, as follows:-

- Subsidy amounting to Rs.32,642.4 million was provided to Pakistan Railways to meet its operational shortfall.
- Subsidy amounting to Rs.4200.0 million was provided to Utility Stores Corporation on sale of various food items at subsidized rates
- Credit ceiling amounting to Rs.372.0 million was provided to Pakistan Television Corporation.
- Payment of foreign loan liability of Ghulam Ishaq Khan Institute amounting to Rs.38.063 million.
- Mark up payment of Karachi Shipyard and Engineering. Works amounting to Rs.517.612 million

- Mark up on National Industrial Development Park amounting to Rs.120.104 million.
- Mark up payment of Pakistan Dairy Development Company amounting to Rs.83.432 million.
- Re-payment of People Steel Mills loan of Rs.231.799 million.
- GoP loan to Printing Corporation of Pakistan Press of Rs.132.0 million
- Mark up on Pakistan Steel loan No.2 of Rs.533.234 million.

ECONOMIC ADVISER'S WING

Economic Advisor's Wing (EAW) performed the following Functions:-

During the period under review, Economic Survey of Pakistan 2010-11, its overview and Highlights both in Urdu and English prior to the announcement of Federal Budget was presented to the government. The Economic Survey of Pakistan evaluates the overall economic performance of the country on the basis of preceding fiscal year's data and covers the following chapters:-

- State of the Economy
- Growth & Investment
- Agriculture
- Manufacturing
- Public Finance
- Monetary Sector
- Inflation
- Balance of Payment
- Public Debt
- Poverty
- Education
- Health & Nutrition
- Capital Markets
- Energy
- Transport & Communications
- Environment
- Population, Labour Force & Employment

The EA wing also publishes the Supplement of Economic Survey of Pakistan that comprises the data on various chapters published in the Economic Survey of Pakistan. The Supplement includes data for the entire fiscal year (July-June) which is considerably more extensive than the statistical appendix given in the Economic Survey.

EA Wing presented the consolidated briefing and presentations on state of the Economy and on price situation on fortnightly basis to the ECC and Cabinet. This covers review of Price Situation, Commodities Stock position, analysis of regional prices of critical consumer items and other economic indicators

A number of briefs on the economy, answers to the Assembly/Senate Questions, Resolutions and replies to the Motions were prepared for the Finance Minister/MoS. Similarly, Briefs and Speeches for Finance Minister/MoS for different economic forums were also prepared.

Economic Adviser Wing, represented Ministry of Finance in meetings with International Monitoring Fund (IMF), World Bank etc. and other national high level committees, (Committee of National Accounts, National Credit Consultative Committee, Industry Credit Advisory Committee, Agricultural Credit Advisory Committee, Special Committee on Prices of Essential Commodities, Standing Committee on Balance of Payments, Annual Plan Coordination Committee National Economic Council and Federal Committee on Agriculture). ECC of the cabinet has formed a special National Price Monitoring Committee (NPMC) under Finance Secretary. EA Wing is the Secretariat to this committee involving representatives from provincial governments and federal ministries to review the price movement of some essential food items. The committee is assigned to improve mechanism to mitigate price pressures. The committee meets at least once a month.

A meeting of the Fiscal Monetary Coordination Board, chaired by the Finance Minister was held in May 2011 to review the interaction between Fiscal and Monetary authorities.

EA wing emphasized on capacity building and human resource development through regular in house interaction, meetings and by nominating officers and support staff in different training programmes and seminars within and outside the country in the field of Economics, Finance, and Public administration etc. These training courses provided them an opportunity in acquiring knowledge and enhancing competencies and skills.

EXPENDITURE WING

Expenditure Wing has taken following steps/actions during financial year 2010-2011:-

New System for Disbursement of Pension through all Banks

The pension was being disbursed through National Bank of Pakistan and Pakistan Post Office till 31st December, 2010. Realizing the difficulties being faced by the pensioners in getting their pensions, Finance Division has introduced new system for disbursement of pension through all banks which has been implemented w.e.f. 01.01.2011. For this purpose, necessary amendments were made in the Federal Treasury Rules. The introduction of new system of disbursement of pension will facilitate the pensioners to great extent as pensioners are now entitled to get pension from any branch of all the commercial Banks.

Finalization of Budget

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

Economy in Current Expenditure During 2010-2011

Following economy measures were enforced due to financial constraints during financial year i.e. 2010-2011:-

- POL Ceiling of entitled officers was reduced to 50%.
- Expenditure on TA and Stationery was curtailed to 50% of the available budget under these heads.
- A total ban was imposed on purchase of physical assets including all types of vehicles.

- A total ban was imposed on recruitment w.e.f. 18th March, 2011. However, the cases of recruitment to posts, already advertised, were exempted.
- Restrictions were imposed on re-appropriation of funds from Heads POL charges, TA, Stationery and acquiring of physical assets.
- Expenditure Wing has been exercising control over expenditure in view of ongoing financial crunch being faced by the government. In order to control the quarterly expenditure, ceiling for release of funds was imposed during 2010-11. The government organizations were allowed to incur 20% of the allocated budget each during 1st & 2nd quarter and 30% each during 3rd & 4th quarter.

Budget Release For IDPs

During 2010-11, the allocation of funds for relief/reconstruction of IDPs was 45,000.0 million. Out of this an amount of Rs. 27,772.960 million was released for rehabilitation of internally displaced persons and to meet the expenditure on law and order situation in the country. The flood relief activities in Gilgit Baltistan, AJK, Khyber Pakhtunkhwa, Punjab, Sindh and Balochistan were also carried out from these funds.

EXTERNAL FINANCE WING

External Finance Wing is responsible for arranging financing from international financial institutions for balance of payments and budgetary support. Besides, allocation and utilization of foreign exchange both by civil departments and armed forces is released and maintained by EF Wing. The performance of the Wing during financial year 2010-11 is highlighted under the following headings:

Outcomes of Balance of Payments 2010-11

During the CFY both the internal and external shocks like floods, unexpected increase in international commodity/oil prices and security situation which continued to adversely affect in particular the fiscal side. However, the most significant development during the CFY was the historic performance of the external sector where the current account recorded a surplus due to increase in exports, high home remittances receipts and moderate demand of imports.

The BoP position remained satisfactory throughout the year. Exports on (fob) basis grew by 29.3% as against projected growth of 4%. Imports on fob basis registered a growth of 14.5% as against projected growth of 5.6%. The trade deficit remained at $10.287 billion showing an improvement of 11.80% over the same period of last year. Workers' remittances touched the level of $11.20 billion as against $8.906 billion in the same period of last year reflecting a significant increase of 25.77%. Remittances have shown an upward trend due to various factors, prominent among them are the measures taken under the Pakistan Remittances Initiative (PRI) leading to increase inflow through official channel.

Trade Balance:

The trade balance stood at the level of US $10.287 billion lower than the target of US$12.314 billion and actual of US$ 11.536 billion for the preceding year.

Export Goods

The actual exports in the FY 2010-11 reached the level of $25.440 billion reflecting an increase of about 29.3% over the actual exports recorded in FY 2009-10. The increase in exports was mainly due to higher international prices especially in textile sector which contributes over 55% of total exports.

Import Goods

The imports touched the level of $35.727 billion implying a growth of 14.5% over the actual for FY 2009-10. However, the increase in import goods is mainly due to increase in international prices of POL and Palm oil.

Services Account

For FY 2010-11, total services receipt stood at $22.092 billion showing an increase of 19.7% over the same period of last year. While total payments stood at the level of $11.368 billion for FY 2010-11 showing an increase of 4.6%. The improvement in the services account is attributable to a substantial increase in services receipts on account of a record level of home remittances received from Overseas Pakistanis, receipts from official transfers and reimbursement of coalition support fund from USA.

Current Account

During the FY 2010-11 current accounts stood at the level of $0.437 billion equivalent to 0.21% of GDP. The improvement in the current account is mainly due to increase in exports and higher receipt from current transfer including worker's remittances.

Capital & Financial Account:

During the FY 2010-11 capital and financial accounts reached the level of US$1.597 billion. Transactions of current account, capital/ financial account and IMF disbursement led to a net accretion of US$2.225 billion in the SBP's net foreign exchange reserves. The SBP's net reserves reached the level of $14.786 billion by the end of June, 2011.and total FE reserves of the country reached at $18.25 billion.

Preparation and Release of Foreign Exchange Budget

Against the Budget Allocation of US$ 2499.689 million, Revised Estimates for 2010-11 (actual utilization) came to US$ 1635.248 million (US$ 878.749 million for imports and US$ 756.498 million for invisibles). A net saving of US$ 864.441 million was made, which means Revised Estimates 2010-11 were lower than original Budget Estimates by 34.6%. This saving/decrease was mainly due to the strict control over the F.E. releases both under current and development expenditure. To reduce public sector spending, EF Wing adopted a policy of case-to-case scrutiny of release requests and releases were made on monthly basis rather than bi-annual or quarterly basis.

Credit Transaction with China National Aero-Technology Import & Export Corporation (CATIC)

Among others, a credit transaction for US$1.2 billion with CATIC China for financing JF-17 programme was finalized. The Pakistani negotiating team was able to finalize the agreement at interest rate of 3.99% p.a.

Pakistan Domestic SUKUK Ccompany

Pakistan Domestic Sukuk Company Ltd incorporated in 2007 has so far raised about Rs.224.0 billon from the domestic capital market via Sukuk. The above amount includes Rs.182 billion raised against the Sukuk floated during 2010-11 against the underling asset of Jinnah International Airport, Karachi. Major portion of the above amount was raised at minus T-bill rate for three years duration.

ECO Trade and Development Bank

EF (C&B) Wing endeavored towards finalization of the cash credit of US$ 10 million with ECO Trade and Development Bank in June, 2011. The agreement was finalized at interest rate of six months LIBOR + 1.5% with a tenure of 15 years. The amount was utilized for balance of payment and budgetary support.

IMF Programme

The Executive Board of the International Monetary Fund (IMF) approved disbursement of an amount equivalent to SDR 296.98 million (about US$ 452.50 million) on September 15, 2010 under the Emergency Natural Disaster Assistance (ENDA) for Pakistan to help the country manage the immediate aftermath of the devastating floods that hit the country. Additionally, IMF has also disbursed US$350 million under SBA arrangement during the financial year 2010-11 for budgetary support.

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), Citizens Damage Compensation Programme (CDCP), SAARC Development Fund (SDF), ECO Trade and Development Bank, United Nations Development Programme (UNDP), Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP), One UN Programme, the Project for Improvement in Financial Reporting and Auditing (PIFRA-II), Pakistan Poverty Alleviation Fund (PPAF), the project titled "Institutional Strengthening of Finance Division (ISFD) and Joint Ministerial Commission (JMCs / JECs).

Poverty Reduction Strategy Papers (PRSPs)

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

The PRSP Secretariat housed in EF Policy Wing monitors/tracks pro-poor expenditures 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 into future policy formulation to improve well-being of the people. Quarterly progress reports have accordingly been compiled and uploaded on Finance Division`s website on a regular basis. The annual progress report has also been published and will be shared with all stakeholders in a dissemination workshop as per past practice.

Medium Term Expenditure Framework (MTEF)

Given the significant resources required for its funding, GoP prioritized PRS through MTEF. The MTEF provides the 'linking framework' that allows projected expenditures to be driven by policy priorities reflected in the 9 pillars of the PRSP as disciplined by budget realities. This expenditure framework adheres to the Fiscal Responsibility and Debt Limitation Act (FRDLA), 2005. Accordingly, expenditure tracking reports are compiled and uploaded on Finance Division's website on a quarterly basis.

Strengthening Poverty Reduction Strategy Monitoring Project (SPRSMP)

The PRSP-II has an inbuilt mechanism for results-based monitoring and evaluation that tracks its progress through 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 implementation progress of the PRSPs. Activities under Gender Responsive Budgeting Initiative (GRBI) project stand merged with SPRSMP. During the year, a number of activities were initiated under this project some of which are given below:

a. Establishment of Provincial SPRSMP Units
b. Booklet: Gender Responsive Budgeting in Pakistan: An Evolutionary Process
c. Gender Aware Policy Appraisal (GAPA)
d. Gender Aware Beneficiary Assessment Survey (GABA)
e. Time Use Survey
f. Gender Analysis of the Budget
g. Gender Sensitive Amendments in the MTBF, Budget Call Circular
h. Awareness Raising
i. Internship Programme

Public spending and allocations in pro-poor sectors were analysed and reviewed through a gender lens to better understand the contribution and needs of men and women. Improvement of quality, collection, analysis and management of PRSP data at national and provincial levels was ensured and national engagement in PRSP monitoring was mobilized through participatory processes.

Citizens Damage Compensation Programme (CDCP)

The goal of the CDCP is the economic recovery of flood-affected households. This is being accomplished through CDCP which GoP established to assist victims of the major flooding that affected Pakistan in the summer 2010. Specifically, assistance has been provided via cash grants to targeted households channeled through the commercial banking system. The primary objective of the programme is to quickly inject cash into flood affected households.

During the first phase of CDCP an amount of Rs.20,000/- has been disbursed to each affected family while for the remaining amount of Rs.80,000/- the CCI in its meeting of November, 2010, decided that the criteria for payment of this compensation would be decided in a meeting by Finance Minister in consultation with the provincial Chief Secretaries. Consequently, External Finance Wing took charge of the Citizens Damage Compensation Programme in February, 2011. Meanwhile, an MOU was signed between the GoP and World Bank and a total envelope of US$ 580 million was agreed targeting 1.1 million household, out of which GoP is to provide US$ 100 million.

To finalize the programme, this Wing arranged a number of meetings with provincial Chief Secretaries, their representatives, Cabinet Division (Implementing Agency), EAD, NADRA, World Bank and other development partners for finalization of the programme in June, 2011.

As a result of extraordinary efforts, the programme became effective and disbursement of US$ 190 million USAID grant and US$ 40 million IDA component became possible by June 30, 2011. All procedural and codal formalities were completed in time not just on behalf of Finance Division but the endeavor went an extra mile to get issues resolved and matters expedited in other domains as well.

ECO Trade and Development Bank

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

The Bank is currently offering credit facility to Pakistan through the following Financial Institutions:

Financial Institution	Approved Credit Lines (US$ millions)	Disbursement (US$ millions) as of May 2011
Habib Bank Ltd.	5	5
United Bank Ltd.	15	15
Allied Bank Ltd.	15	-
Orix Leasing	10	-
Faisal Bank	15	-
TOTAL	60	20

In order to promote trade in the region, the Bank has also structured a special product called Short-term Trade Finance Facility (STFF), which is being offered through various financial institutions in Pakistan. The details are as under:

Financial Institution	Approved Credit Lines (US$ million)	Utilization (US$ million) as of May 2011
Habib Bank Ltd.	20	11.588
United Bank Ltd.	20	-
MCB Ltd.	20	-
Allied Bank Ltd.	20	-
Faisal Bank	20	-
TOTAL	100	11.588

As a result of efforts to explore suitable ventures in different sectors, the following projects were evaluated in the ECO Bank and got approved by the Board of Directors in April 2011:

i) Loan to Pakistan National Shipping Corporation (PNSC) amounting to US$ 30 million, financing procurement of a ship to enhance cargo handling capacity of PNSC.

ii) Project Finance loan to Zorlu Energy amounting to US$ 20 million, financing establishment of a wind farm power project in Pakistan to support development of renewable energy sources in the country.

iii) Trade Finance loan to the Pakistan Refinery Limited amounting to US$ 35 million for import of oil from another bank member country.

iv) Loan to DG Khan Cement Company amounting to US$ 20 million for the establishment of waste heat recovery plant and refuse derived fuel plants.

SAARC Development Fund (SDF)

The SDF serves as an umbrella financial institution for all SAARC projects and programmes in fulfillment of the objectives of the SAARC Charter. Pakistan has duly been represented on the Board of Directors of SDF and several of the projects have been approved to be executed in Pakistan. One such project i.e. "Women Empowerment - Strengthening the Livelihood Initiative for Home Based Workers in SAARC Region" is under successful implementation already. Another project/study on "Teacher Development as Key to Enhancing Quality of Basic Education" to be implemented inter alia in Pakistan, is being considered by the SDF Board of Directors.

Development Partnership Arrangement (DPA)
with Department for International Development (DFID)

Under the DPA, DFID provides Poverty Reduction Budget Support (PRBS). The DPA was signed at Prime Ministerial level between GoP and the Government of UK in November, 2006. As agreed in the DPA, GoP is fully committed towards achieving the priority objectives/pillars namely, Poverty Reduction and attainment of Millennium Development Goals (MDGs); Strengthening Public Financial Management and Accountability; and abiding by Human Rights obligations. External Finance 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 DFID. The External Finance Wing facilitated DFID in compiling and updating policy matrices used in the preparations building up to the DPA talks and the disbursement of the remaining ₤ 60 million during Financial Year2011-12.

One UN Program

Aligning PRSP targets with the Millennium Development Goals (MDGs) requires continuous assessment to measure progress. The Ministry of Finance is an active member of the One UN Reform Programme which attempts to create synergies in 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) of the One UN Program, Finance Division organized several of its meetings, which finalized the calendar of activities along with the budget for those activities to be undertaken during the year.

PIFRA-II - Finance Division's Component

An amount of US $ 0.4 million has been provided to Finance Division under PIFRA-II for PIFRA-related activities/capacity building that includes training on tracking of pro-poor expenditures and Financial Management Integrated System (FMIS) in order to enhance fiscal reporting and monitoring activities.

PIFRA Training Room has been setup in FBC Building to impart hands-on training to the officers/officials of Finance Division. During the year, five comprehensive trainings on PIFRA System, SAP, New Accounting Model (NAM), IT and Finance & Accounting have been conducted in collaboration with FABS, PIFRA Directorate. The officers and officials of Budget, PF, EF-P, Development and Expenditure Wings including Financial Adviser's Organization benefited from the opportunity. SAP connectivity has also been provided to the remaining offices in EF and Budget Wings.

Pakistan Poverty Alleviation Fund

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

Performance Overview as of June 30, 2011:

Financing Activities

	Activity	PPAF Disbursements (Rs in million)
A	**Lending for microcredit/enterprise**	**52,628**
B	**Grant Funding**	
	Water & Infrastructure Projects	9,671
	Health & Education Projects	2,405
	Capacity Building	4,570
	Social mobilization	2,053
	Livelihood Enhancement and Protection	362
	Disability support	47
	Relief/Rehabilitation & Reconstruction Projects for earthquake affected areas.	19,396
	Flood relief activities	413
	Sub Total	**38,917**
	Total (A+B)	**91,545**

Outreach

- 98 Partner Organizations (POs), 128 districts; 240,000 groups/community organizations.

Output

- Microcredit loans: 5,000,000
- Infrastructure projects: 25,500
- Health facilities: 175
- Education facilities: 511
- Individuals trained : 465,000

PPAF has received funding from various multilateral and bilateral agencies including World Bank; International Fund for Agricultural Development; U.S. Department of Agriculture; KfW Development Bank (Germany); Committee Encouraging Corporate Philanthropy (USA); and U.S. Agency for International Development.

Special Initiatives:

a. Waseela-e-Haq Programme with BISP (2010-12)

In order to enhance the capacity of Benazir Income Support Programme Waseela-e-Haq beneficiaries or their nominees so that they can properly use the amount received by them for setting up a business, PPAF is providing enterprise development and skill development trainings to them.

b. Flood Relief-2010

To cope with the devastation caused by floods-2010, PPAF adopted a comprehensive strategy and expanded its activities to 132 union councils in 22 districts across the country. PPAF is carrying out relief operations through 20 partner organizations and disbursed Rs.434 million in flood affected areas.

Institutional Strengthening of Finance Division (ISFD)

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

a. Bridge the skill gaps by provision of consultants services

b. Conduct research studies

c. Provide on the Job/function-based local trainings

The project initiated its activities recently and recruitment for hiring of 16 experts and 4 research associates is under process.

Joint Ministerial/Economic Commissions (JMCs/JECs): EF-Policy Wing coordinates, liaises and provides information to Economic Affairs Division in respect of 59 active JMCs/JECs on regular basis.

Foreign Exchange Regulations Act (FERA): Under the existing provisions of Foreign Exchange Regulation Act (FERA), 1947, the SBP does not have the power to impose monetary penalties and has to approach to court of law for proceeding against any violations which entails both time and resources. The issue was addressed by proposing an amendment in the provisions of FERA, 1947 by way of insertion of a new Section 23K in the Act. However, the Act could not be amended. Therefore, a notification is issued annually by the Federal Government for SBP to exercise the powers relating to certain cognizable offences under the authority of the Federal Government as envisaged under the Act.

ECONOMIC REFORMS UNIT (ERU)

ERU's Mandate

- Formulate a Private Sector Development Strategy.
- 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.
- Establish a Better Business Advisory Council (BBAC), comprising of 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.
- Develop a prioritized sector wise reform plan and a roadmap with benchmarks for its effective monitoring and implementation, supported by funding interventions, wherever necessary

Restructuring of Public Sector Enterprises (PSEs)

Restructuring of PSEs has been initiated as a roadmap for improved economic governance. An overall framework for restructuring of following eight PSEs has been devised:-

- ➢ Pakistan International Airlines (PIA),
- ➢ Pakistan Steel Mills,
- ➢ Pakistan Electric Power Company (PEPCO),
- ➢ Pakistan Railway (PR),
- ➢ National Highway Authority (NHA),
- ➢ Pakistan Agricultural Storage and Services Corporation (PASSCO),
- ➢ Trading Corporation of Pakistan (TCP) and
- ➢ Utility Stores Corporation (USC).

Key objectives are (i) improve overall corporate governance of PSEs; (ii) curtail hemorrhaging; (iii) improve service delivery; (iv) reduce fiscal burden on the exchequer and (v) move to a structural surplus and increased public sector savings.

Key aspects of restructuring model include (i) restructure Boards of Directors (BODs) of PSEs by inducting a mix of skills including academia, management experts, professional managers and technocrats; (ii) induct professional management including CEOs, CFOs and key mangers; (iii) develop viable turn around plans; (iv) ensure implementation of plans in an independent manner with the support of government under the mandate of Cabinet Committee of Restructuring (CCOR) and; (v) ensure monitoring by CCOR.

Substantial progress has been achieved including restructuring BODs of 8 Power Sector Distribution Companies (DISCOs), National Transmission and Dispatch Company (NTDC), Pakistan Steel Mills (PSM) and Pakistan Railway. BODs for 4 Power Generation Companies (GENCOs), Central Power Purchase Authority (CPPA), USC and TCP are being finalized.

A framework for hiring of professional CEOs has been approved by the Cabinet Committee on Restructuring (CCOR) of PSEs to create transparency. BODs are being empowered to carry a transparent process and induct professionals from the market.

Extensive work is being done on turn-around plans of PSEs. Turn around plans for Power Sector and PSM are under implementation and consequently hemorrhaging has been curtailed in these PSEs.

Initial restructuring plan for TCP, PIA, PASSCO and USC has been framed. Initial implementation process of the restructuring plans for these enterprises is underway.

Future strategy is to develop a framework for ensuring well functioning Boards and to engage them in turn around of the PSEs. The corporate governance framework envisages i) a transparent process of Board nominations ii) capacity building of BODs

iii) clarifying role of BODs and iv) monitoring performance of BODs by setting key performance indicators.

Power Sector Reform Plan

Power Sector Reform plan initiated under the guidance of Cabinet Committee on Restructuring (CCOR) of Public Sector Enterprises (PSEs). The plan developed entails the following key pillars:

a) Improved governance structure
b) Supportive legal framework
c) Financial sustainability
d) Supply side management
e) Demand side management
f) Promote private sector participation in the sector

Dissolution of PEPCO has been initiated to ensure autonomy to power sector companies. Boards of Directors (BODs) of 8 DISCOs and NTDC have been reconstituted as professional and autonomous BODs with a mix of government and private sector professionals. Technical, financial and managerial audit of DISCO's has been completed. Capacity addition (2008-June 2011) of 3334 MW from IPPs (fuel based), nuclear, GENCOs rehabilitation and small percentage of hydel has been made. Line losses of DISCOs reduced to 19.6% (June 2011) from 20.4% (July 2010) with an estimated saving of Rs 12 billion.

Austerity Plan

ERU continues to coordinate implementation of Austerity Plan with concerned Ministries/Divisions, Cabinet Division and Auditor General of Pakistan.

Consultation on Economic Policies

ERU has provided technical support for consultative meetings with the technocrats and private sector regarding economic policies and issues including budget making process. Economic Advisory Council (EAC) and Businesspersons Council (BPC) play a significant role in this regard.

Improving Investment Climate

ERU has started consultation process with the provincial governments for developing a Doing Business Reform Agenda based on a Sub-National Doing Business (SNDB) study completed by ERU in collaboration with World Bank, FIAS, USAID and DFID. The SNDB report has focused on business environment of 13 selected cities across four provinces and a follow up reform plan is being developed in consultation with stake holders.

FINANCE DIVISION (MILITARY)

Finance Division (Military) deals with preparation, execution, monitoring of Budget and expenditure relating to MoD, MoDP the Armed Forces, Inter Services Organizations, DP Establishments procurement of all Defence equipment and all other related financial matters pertaining to them. Finance Division (Military) have performed the assigned job in accordance with the laid down procedures/instructions and set targets including Budget Estimates as well as Revised Estimates and expenditure relating to Development Projects and miscellaneous stores during Financial Year 2010-11. It is felt that it would not be appropriate to divulge the nature of all its cases/contracts and activities, being classified in nature and financed from classified Defence budget. However, it is worth mentioning that while concurring all procurement and development contracts due care has been exercised for optimum utilization of available resources and adherence to rules by applying different financial techniques to get best value for the money. In addition, achievements in other main areas are highlighted as under:-

Budget Allocation/Expenditure

Last financial year i.e 2010-11, 08 cases for Technical Supplementary Grants were processed and approved by competent authority. Besides this, REs 2010-11 and BEs 2011-12 were scrutinized in detail and substantial reductions were proposed. Service-wise/Head-wise expenditure was monitored carefully and necessary instructions were also issued, where necessary, to keep the expenditure within sanctioned grant to MoD /MAG.

Accounting of Defence Expenditure

Defence expenditure/receipts are classified under twenty one main heads and a large number of sub heads, minor heads and detailed heads. To cope up with the day to day requirements necessary changes are carried out in the classification hand book. All proposals on this account have been examined carefully to ensure transparency in reporting/booking of expenditure.

Purchase of Stores

i) Endeavor 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.

Development Projects

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

Special Packages

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

Miscellaneous Activities & Achievements

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

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

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

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

Program of Activities/Targets.

- Timely disposal of all cases.
- Strict adherence of relevant financial regulations and procedures in finalization of cases including financial concurrence.
- Finalization of REs 2010-11 and BEs 2011-12 with due regard to economy in expenditure.
- All the targets assigned to this Division were achieved well in time and within the stipulated period with no pendency at the end of last financial year i.e. 30th June,2011.

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.
- Monitoring of PSDP releases made for various Ministries/Division for economic benefits.
- Monitoring & evaluation of development projects of Finance Division (Main) by Monitoring & Evaluation Cell created in the Development Wing.

Briefs for the ECNEC meetings were prepared for the finance Secretary, advisor on Finance and MoS for Finance & EAD for participation in the meetings. 15-Pre-CDWP meetings followed by 06-CDWP meetings and 01-ECNEC meeting were also attended by Development Wing to represent view point of Finance Division from April 2010 to March 2011.

Present government is giving utmost priority to the Social Sector. Funds to the extent of Rs.14.634 billion were allocated to HEC during 2010-11 out of which Rs.14.029 billion were released. Finance Division also approved cash plans of Development Projects of HEC for 2010-11. By provision of huge funds in the Higher Education Sector, Development Wing has protected the public interest by building a nation having healthy, strong, imaginative and creative youths to meet the challenges of tomorrow.

Development Wing also released funds for the following schemes for financial year 2010-11:-

Sr. No.	Name of the Project	PSDP Allocation 2010-11		Total Releases
		Original	Revised	
1	TA-2 Gender Governance Mainstreaming (SIG) Grant Component	2.881	1.872	1.872
2	Financial Monitoring & Evaluation of Drought Recovery Assistance Program Project (DERA-II)	50.080	71.920	71.920
3	Project of Improvement of Financial Reporting & Auditing (PIFRA)	64.622	150.409	150.409
4	Monitoring & Evaluation Cell	16.036	7.100	7.100
5	Automation of CDNS	175.699	144.205	115.364
6	National Institute of Public Finance & Accountancy (NIPFA)	150.000	58.000	0.000
7	Institutional Strengthening of Finance Division (ISFD)	50.000	10.610	8.488
8	TA 4894-Improving Access to Financial Services	1.385	1.683	1.683
9	Competitiveness Support Fund (CSF)	41.155	6.600	6.600
10	Purchase of Land for the construction of Federal Audit Complex	0.000	7.000	7.000
Total		**551.858**	**459.399**	**370.436**

For the current Financial Year i.e FY 2011-12, the National Development Programme of Rs. 730.000 billion has been prepared.

Inter-Wing Coordination/Consultation

a) Development Wing coordinated with the Planning Commission in Pre-CDWP meetings for the finalization of the project proposal (PC-Is) received by the Planning Commission from various Ministries/ Divisions for their consideration in the CDWP/ECNEC meetings.

b) On receipt of PC-Is, F.A's Organization was involved to rationalize the cost regarding manpower, vehicles and financial estimates provided in the PC-I.

c) Budget Wing was consulted as and when required in determining the overall size of PSDP/release of funds, keeping in view the financial resources available with the Government.

d) PF Wing has consulted in the matter relevant to Provincial Finance appearing in the Federal PSDP particularly relevant to PSDP of Finance Division.

e) Admn Wing has consulted for providing administrative support to the Development Wing.

INTERNAL FINANCE WING

State Bank of Pakistan (SBP)

The post-flood recovery in wheat, sugarcane and minor crops helped agricultural growth surpass previous year's level. In the manufacturing sector, demand for products, particularly textiles, autos, fertilizer, and POL remained strong. Nevertheless, despite this strong demand, supply constraints – particularly the shortfall in energy – created production bottlenecks, which led to a significant slowdown in industrial growth.

Despite these major challenges, the external sector showed significant improvement. Specifically, rising prices of value added textiles and strong growth in remittances pushed the current account into a *surplus* of US$ 542 million from a deficit of US$ 3.9 billion in the corresponding period of the preceding year. Textile exports managed to post strong growth despite efforts by competitor countries to hinder concessionary access of Pakistani products in developed markets. The steady growth in remittances is a welcome development – remittance inflow during FY11 reached US$ 11.2 billion from US$ 8.9 billion in the previous year.

National Bank Of Pakistan (NBP)

National Bank of Pakistan is the largest commercial bank operating in the country with 15% market share in deposits. It has re-defined its role and has moved from a public sector organization to being a modern commercial bank. NBP is today the market leader across all sectors - debt and equity market, corporate and investment banking, retail and consumer banking, agriculture financing and treasury services.

Financial Performance

Year 2010 was a milestone year for the bank as NBP became the first financial institution in the country to surpass the One Trillion Rupee' mark. Total assets of the bank were at Rs.1.035 trillion at the year end, up by 9.6% from year end 2009, an appreciable growth in a challenging economic environment. Pre-tax profit increased by 15% from Rs. 21.3 billion to Rs. 24.4 billion.

The bank's total deposits increased by Rs. 105 billion or 14%. The bank also managed to increase its CASA deposit ratio from 56% last year to 62%. Net advances remained at last year level.

Year 2010 Key performance indicator of NBP vis-à-vis 2009 key numbers are given below:

Heads	Actual Jan-Dec 2009	Actual Jan-Dec 2010	Variance against Actual Dec 2009	
			Amount	%
Key Figures-Balance Sheet (Rs. Billion)	944.6	1,035.0	90.4	10%
Total Assets	727.5	832.2	104.7	14%
Deposit	475.5	477.5	2.3	0%
Advances	21.3	24.4	3.1	15%
Pre-Tax Profit	17.6	17.6	0.0	0%
After-Tax Profit				
Ratios				
Return on Assets (Pre-Tax)	2.6%	2.5%	(0.1%)	(3%)
Return on Equity (Pre-Tax)	26.8	25.4%	(1.4%)	(5%)
Earning Per Share	13.1	13.1	0.0	0%

First Women Bank Ltd. (FWBL)

First Women Bank Ltd., a scheduled commercial bank and DFI designed, managed and run by women was set up in 1989. The FWBL model caters to women at all levels of economic activities like; micro, small, medium and corporate. Most importantly, the Bank provides women with the support services development of business.

Since inception, FWBL has contributed substantially in raising a sizeable body of women entrepreneurs and banking professionals in the country. FWBL has disbursed more than Rs. 30,219 Million with outreach to 48,206 borrowers of which, Rs. 17,400 Million has been disbursed to women which comprised 57.58% financing to women.

Brand of the Year 2010

The Brand Foundation of Pakistan has recognized bank initiatives and role for women empowerment in the country and selected FWBL for Brand of the year 2010 award. Further more, the bank is also live on SWIFT to transfer funds internationally. At present, the Bank has a network of 38 branches in 23 districts of Pakistan.

Pakistan Security Printing Corporation (PSPC)

Pakistan Security Printing Corporation (PSPC) is engaged in printing of Security documents of Government & Private Institutions particularly Banknotes which are required by State Bank of Pakistan (SBP) on an annual basis.

During the year under review, the indent of the SBP for various denominations of banknotes reduced from 1,792 million pieces to 1,775 million pieces. The indent was successfully completed and all the consignments of banknotes of SBP were delivered before the closure of financial year. Bank note of Rs.500 with additional security features of OVI Ink already been printed and supplied to SBP.

Sale of other Security Products (OSP) increased from Rs. 987 million to Rs. 1,061 million. OSP Division also successfully met the production and delivery schedule in respect of most of the other security product items.

Highest ever sales of Rs.5,637 million have been made during the year, sharing an increase of 33% over the result of previous year.The corporation is expected to earn Gross Profit at 22% of total sales. Other income increased by 45% due to effective and efficient financial management. The Corporation is expected to achieve the overall net profit after taxation of 16% on sales.

Despite a decline in indent by SBP, the Corporation maintained highest cash dividend of Rs.300 million to Government of Pakistan paid during the year but related to the financial year 2009-10.

With the installation and operation of state-of-the-art machines; both in Banknote & OSP Divisions and Co-generation Power Plant, the corporation achieved International benchmark in security printing and to offer its products for export.

Pakistan Mint

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

Pakistan Mint has delivered 216.388 (million) coins in Nos. worth Rs.290.688 million. In addition the revenue worth Rs. 41.527 million has also been earned against the other jobs executed during 2010-2011.

House Building Finance Corporation (HBFC)

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

During the review period total disbursement of Rs.1,095 million were made for construction purchase and renovation of houses. With the increasing market competition HBFC has increased the loaning facility up to maximum of Rs.10 million from 7.5 million to attract large section of high profile clientele. Details are as under.

Amount Rs. in million

During the period	2010-2011			
	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun
	Q 1	Q 2	Q 3	Q 4

Actual Disbursement	189	319	250	337
Target Disbursement	465	465	375	375
% Achievement	41%	69%	67%	90%

During the review period total of Rs.3, 425 million were recovered

Amount Rs. In million

During the period	2010-2011			
	Jul-Sept	Oct-Dec	Jan-Mar	Apr-Jun
	Q 1	Q 2	Q 3	Q 4
Actual Recovery	791	921	810	902
Target Recovery	824	824	900	900
% Achievement	96%	112%	90%	100%

SME Bank Ltd.

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

During the year 2010, bank earned total income of Rs 682.6 million and incurred expenses of Rs 1,026 million thereby generated a before tax loss of Rs 289.7 million. Total deposit of the bank stood at Rs 2,225.8 million and an amount of Rs 1,930 million was disbursed as loans & advances to SME sector. Total number of SME's served during the period is 642.

Bank is operating with 13 banking branches with a net equity of Rs 1,992.9 million. It is pertinent to mention that the information pertains to year 2010 starting from 1st January, 2010 to 31st December, 2010.

Financial Monitoring Unit (FMU), Karachi

The Financial Monitoring Unit (FMU) was established under the Anti-Money Laundering Ordinance, 2007 (now AML Act, 2010) in order to act as the Financial Intelligence Unit of Pakistan. As FMU is the hub of AML/CFT regime in Pakistan, it has endeavored to create awareness amongst the stakeholders and in this context FMU has arranged training & capacity building programs both domestically and internationally.

Details of Activities, Achievements & Progress During the Preceding Financial Year

- The Directorate General of Intelligence & Investigation (DG, I&I) Federal Board of Revenue (FBR) has been designated as investigating and prosecuting agency under the AML Act, 2010.

- Additional predicate offences have also been notified to be included in the schedule to the AML ACT, 2010 (i.e. smuggling, market manipulation, provisions of Pakistan Environment Protection Act, 1997 etc.).

- Pakistan being an important member of APG has been participating in such workshops / seminars / training sessions including typologies workshops.

- Pakistan has developed its national strategy that defines the main objectives and priorities of the domestic stakeholders, sets out the policy on money laundering and terrorism financing and delineates the implementation plan in stated timelines.

- During the last six months, FMU has been piloting a project of electronic collection of STRs/ CTRs in which to date 24 financial institutions have been taken on board and out of these, 7 financial institutions have started sending reports electronically to FMU.

- FMU has developed an SOP to standardize the process of information seeking from different sources. SOP is summarized guidelines for the analysts to convert suspicious transaction report into valuable intelligence for Investigation agencies.

- FMU has been coordinating with various regional / international bodies for technical assistance & training to the domestic stake holders in the AML/CFT context and was able in getting TA&T

assistance from donors which included AUSTRAC, ADB, USA-OTA, APG in arranging AML/CFT training programs.

Zari Taraqiate Bank Limited (ZTBL)

ZTBL has a network of 31 Zonal Offices and 358 Branches all over the country providing credit and technical assistance to farming community and rural poor. The Bank is the largest financial institution in the rural sector of Pakistan's economy and playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling growers, particularly the small landowners and landless poor to increase their farm produce and income. ZTBL along serves about 0.518 million farm families annually and has annual share of about 25% in total institutional credit.

Following initiatives have been taken by the Bank during the last three years:

Awami Zarai Scheme

Due to shortage of fertilizer in the open market, farmers faced a lot of difficulties in its procurement, the Kissan Support Services Limited (KSSL), a subsidiary of the Bank, arranged supply of inputs (Fertilizer, Liquid Fertilizer and is planning to also arrange supply of Seeds, Pesticides, Insecticides & agri. Machinery etc. to borrowers under the "Awami Zarai Scheme".

Technology For Agriculture

The management of the Bank has established Agriculture Technology Division (ATD) to revitalize developmental role and dissemination of latest technology and taking special initiatives to improve yield and income of the farming community in Pakistan, the Bank has created Provincial Agriculture Technology Units and declared 31 villages to serve as a model for demonstration of new technologies. ZTBL is also addressing climate change and Hi-efficiency irrigation technologies besides looking into efficient harvesting techniques/technologies.

Operational/Financial Performance of ZTBL

A cursory glance at previous years of gross profit of ZTBL indicates that in year 1997 gross profit was Rs.0.2 billion, in 1998 Rs.3.8 billion, in 1999 Rs.1.8 billion, in 2000 Rs.0.3 billion till ultimately in 2002 a loss of Rs.8.4 billion was incurred. However, since the present government and the present management of ZTBL has taken over there has been a steady increase in profit margins in 2007 Rs.1.8 billion, in 2008 Rs.4 billion, in 2009 Rs.3.3 billion and now in 2010 profit of Rs.3.2 billion (provisionally) despite the heavy onslaught of devastating floods.

INVESTMENT WING

COMPETITIVENESS SUPPORT FUND (CFS)

The Competitiveness support Fund (CSF) is a joint initiative of the Ministry of Finance, Government of Pakistan an USAID established to reposition Pakistan's economy on a more globally competitive footing. Majority of Directors are from the private sector. CSF has been provided so far $11.8 million over a period of 5 years and additional $5 million will be available to it soon.

Activities:

- Drivers of growth and competitiveness – A strategic framework for prosperity.
- Punjab competitiveness study – A roadmap for improving growth prospects.
- Promoting competitiveness and growth – A strategic framework for investment in Balochistan.
- National Policy Platform (NPP).
- International linkages to promote investment & trade with Central Asia.
- Corporate Rehabilitation Act and Resolution Trust Corporation.
- Benami Law (Land Title) Reform.
- Limited Liability Partnership Law.
- Physical Trade and Market Development for commodities.
- The Multan Food Processing Center (Pvt) Ltd.
- Standford Innovation Journalism Program.
- World Economic forum Executive Opinion Survey Website Coverage.

Achievements:

To date, CSF has realized significant achievements and impact mainly in these areas :

- The State of Pakistan's Competitiveness Report.
- Pakistan Innovation Initiative.
- Poverty Reduction Strategy Paper-II (PRSP-II).

- Commercial Arbitration Law.
- Special Economic Zones Act.
- Board of Investment (BOI) Revitalization Plan.
- Mid-term Investment Strategy (2010 – 2015).
- Prime Ministerial Committee on Agriculture and Policy Intervention.
- Pakistan Electronic Media and Regulatory Authority (PEMRA Karachi Fish Harbor).
- Sindh Fisheries & Aquaculture Stretegy 2010 – 2013.
- Policy Analysis on Competitiveness of Motorcycle Industry.
- Sindh Development Fund.
- Innovation Journalism.
- Matching Grants.
- Business Incubator.

NATIONAL INVESTMENT TRUST LIMITED

National Investment Trust Limited (NITL) declared outstanding results along with remarkable payouts for all Funds under its management for the year ended 30th June 2011.

NI(U)T Fund

The Company's flagship Fund, NI(U)T, declared a dividend of Rs. 4.00 per unit for its unit holders which involved a total payout of Rs.5,037 million amongst its unit holders. During FY11, NI(U)T has earned a net income (excluding unrealized gains) of Rs. 5,871 million against Rs. 2,608 million incurred by the Fund in the corresponding period of last year. This net income translates into a per unit earning of Rs. 4.66 in FY11 against a per unit of Rs. 2.44 incurred by NI(U)T in FY10, thus depicting a huge growth of 91% YoY.

The Fund has earned a dividend income of Rs. 1,930 million in FY11 as compared to Rs. 1,549 million in FY10 showing growth of 25% YoY. The Fund has registered a healthy growth of 15% in capital gains realized which increased to Rs. 848 million during the year ended on 30th June 2011 from Rs. 737 million realized by the Fund during the year ended June 30, 2010.

The equity portfolio of NI(U)T is invested in about 435 companies across all the sectors of the economy that provides it with maximum diversification and minimizes the risk to its investors.

Performance Highlights of NI(U)T Fund

	FY11	**FY10**	**FY09**
Dividend Income (Rs mn)	1,930	1,549	1,746
Capital Gains (Rs mn)	848	737	642
Net Income (Rs mn)*	5,871	2,608	5,739
Earning/Unit Rs.	4.66	2.16	(12.75)
Dividend/ Unit Rs.	4.00	2.25	3.25
NAV/Unit Rs. (XD)	32.14**	25.92	23.89

* Inclusive of capital gains and dividend income but excluding unrealized gains/losses.
** Closing NAV.

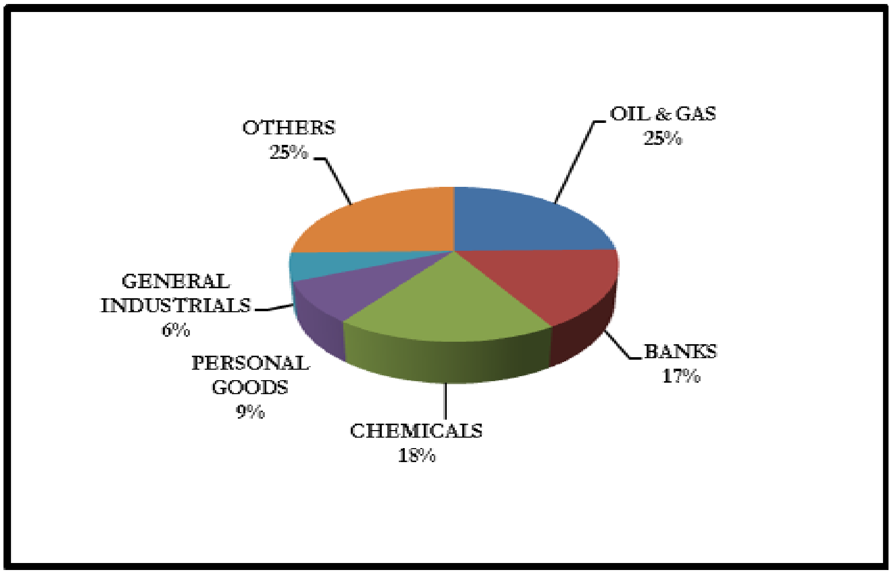
The Net Asset Value of units of NI(U)T increased from Rs. 25.92 as on June 30, 2010 (Ex Dividend) to Rs. 32.14 as on June 30, 2011, thus depicting a total return of around 24%.

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

TOP 10 HOLDINGS
As on 30th June, 2011

NAME	% of NI(U)T's Portfolio
Fauji Fertilizer Company Limited.	13.19
Pakistan State Oil Co. Ltd.	9.86
Bank Al - Habib Limited	6.48
National Refinery Ltd.	5.32
Habib Metropolitan Bank Ltd.	4.22
Siemens Pakistan Engineering Co. Ltd.	3.04
Pakistan Oilfields Ltd.	2.78
Attock Refinery Ltd.	2.75
Bata Pakistan Ltd.	1.84
International Industries Ltd.	1.72
Total	**51.2**

SECTORAL BREAK-UP OF NI(U)T'S PORTFOLIO
As on 30th June, 2011



NI(U)T-LOC Fund

As per the directive of the Ministry of Finance (MoF), NITL had transferred the portfolio of NI(U)T-LOC Holders Fund, worth about Rs. 23 billion to its four unit holders to settle the long outstanding matter of LOC issued by the Government of Pakistan (GoP). Further, the balance portfolio representing the strategic/frozen portion comprising of shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) is also expected to be settled shortly through a tri-party agreement amongst NIT, NBP and the Privatization Commission of Pakistan.

NIT State Enterprise Fund (NIT-SEF)

NITL has declared a bonus @ 23% on the face value of Rs. 50/- for the unit holders of NIT-SEF. The Net Asset Value of NIT-SEF unit increased by 14.75% YoY from Rs. 83.41 as on June 30, 2010 (Ex-Dividend) to Rs. 95.71 as on June 30, 2011. Furthermore, if the performance of the Fund since its inception till 30th June 2011 is compared with its benchmark of KSE-100 Index, the Fund has given a staggering return of 141% and outperformed the benchmark by 35%. During FY11, the Fund realized capital gains of Rs 1,252 million whereas, the dividend income earned by the Fund stood at Rs.1,342 million. The Fund earned a Net Income of Rs. 3,325 million for the year which translates into per unit earning of Rs.12.07.

NIT Equity Market Opportunity Fund (NIT-EMOF)

The Fund declared a bonus of Rs. 8.00/- per unit for its unit holders for the year ended June 30, 2011. The Net Asset Value of units of NIT-EMOF increased from Rs. 98.33 as on June 30, 2010 (Ex Dividend) to Rs. 121.62 as on June 30, 2011, thus depicting a total return of around 23.7%. However since inception, the NAV of the Fund has increased by 27.74% compared to the benchmark KSE-100 Index increase of 12.00% resulting in a healthy outperformance of 15.74% over its benchmark. During FY11 the Fund earned a net income of Rs.405 million which translates into per unit earning of Rs.8.63 compared to Rs 149 million earned during the previous year, translating into an earning per unit of 3.27. The Fund also realized capital gains of Rs. 226 million compared to Rs. 139 million in the previous year, while the dividend income earned by the Fund stood at Rs. 311 million as against Rs. 250 million earned in the previous year.

Income Funds

NIT Government Bond Fund (NIT GBF)

The NAV of NIT GBF increased from Rs.9.9980 (Ex dividend) as on June 30, 2010 to Rs.11.1169 as on 30th June 2011, thus yielded an annualized return of 11.19%. Further, since its inception, NIT GBF earned an annualized return of 11.03% against the benchmark return of 10.98%, thus outperforming its benchmark. During FY11, the Fund has earned a net income of Rs 305 million as compared to Rs232 million in FY10 (since its inception on November 18, 2009 till June 30, 2010). Net income translates into a per unit earning of Rs.1.11 as compared to Rs 0.66 per unit last year. The Fund has also declared a per unit distribution of Rs 1.0201 for its unit holders.

NIT Income Fund (NIT IF)

The NAV of NIT Income Fund increased from Rs.9.9938 (Ex-Dividend) as on 30th June, 2010 to Rs.11.2029 as on 30th June 2011, thus yielded an annualized return of 12.10%. During FY11, the Fund earned a net income of Rs. 207 million as compared to Rs.86 million the previous year (since its inception on Feb 19, 2010 till June 30, 2010). This net income translates into a per unit earning of Rs.1.15 as compared to Rs.0.39 per unit last year. For NIT IF, NIT declared a per unit distribution of Rs. 1.0581.

Operational and Structural Reforms

In a short time span, both operational and structural reforms have been introduced to this premier organization. The Funds are being managed more actively and prudently, with an aim to maximize the unit holder's returns. Emphasis is being given on utilization of latest technology to position NIT as a high tech AMC and to increase efficiency and transparency. Further, NITL through its efforts has brought almost all its branches online.

During the year, NIT has also arranged kiosks in various supermarkets in order to create awareness in the general public about the mutual fund industry, thereby increasing the total investors to about 60,000 as on June 30, 2011.

In the recent past, NIT has opened new branches in North Nazimabad, Karachi, Township, Lahore and DHA, Lahore to facilitate the investors of these areas, thereby increasing its branch network to 22. Furthermore, one additional branch in Karachi is expected to open shortly. To better serve its investors, NIT is also in an advance stage of providing ATM based redemptions facility to its unit holders.

COMPETITION COMMISSION OF PAKISTAN (CCP)

Introduction

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 Act, 2010 seeks to (i) encourage businesses to be competitive and achieve economies of scale passing on the benefits to consumers through competitive pricing (ii) put in place a framework that ensures free interplay of market forces, and hence promote competitiveness and consumer welfare.

The law enforcement provision in the Act 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 engage in advocacy through various means in order to create awareness of competition issues and to promote a healthy competition culture.

Activities of the Commission

Amendments in the Regulations

CCP has been vested, by the Act, with requisite powers to prescribe Rules and Regulations relating to its functions and activities. The Legal Department is charged with the responsibility of drafting such secondary legislation and vetting it to ensure its compliance with the law.

The Legal Department during the financial year 2010-2011 has proposed various amendments to the existing regulations, out of which following have subsequently been approved by CCP:

Name of Regulation	Date of Notification	Amendment
Competition Commission (Service) Regulations, 2007	S.R.O 666(I)/2010 dated 19-07-2010	The procedures for awarding House Building Advance and termination of employees added.
Competition Commission (Service) Regulations, 2007	S.R.O 1001(I)/2010 dated 27-10-2010	The procedure for granting study leave to its employees and the benefits during the said leave added/modified.
Competition Commission (General Enforcement) Regulations, 2007	S.R.O 85(I)/2011 dated 4-02-2011	The power to grant block exemptions on Commission's own initiative was added.

Orders of the Commission

Office of the Registrar:

During the year, CCP has issued show cause notices to various undertakings, conducted **23** hearings, and resultantly issued a number of decisions of major significance regarding various aspects of competition law from June 2010 to June 2011. Most of the decisions taken have broken new ground in the realm of competition law in Pakistan, and have made substantial contributions to the further development of competition law jurisprudence in Pakistan. The decisions passed by the CCP are mentioned below.

S.No.	Name of Undertaking	Nature of Violation	Date of Order
01.	Pakistan Vanaspati Manufacturers Association Order	Section 3&4 Prohibited Agreement & Abuse	30 June 2011
02.	Engro Vopak Terminal Ltd Order	Section 3 Abuse of Dominance	29 June 2011
03.	Implementation agreement entered into between PQA and EVTL	Section 4 Prohibited Agreement	29 June 2011
04.	Pakistan Ship's Agents Association Order	Section 4 Prohibited Agreement	22 June 2011
05.	PESCO Tender Order	Section 4 Prohibited Agreement	13 May 2011
06.	RITS Incorporation Order	Section 10 Deceptive Marketing Practices	11 May 2011
07.	M/s Cinepax Ltd.	Section 3 Abuse of Dominance	28 Mar 2011
08.	Wateen Telecom (Pvt.) Limited & Defence Housing Authority	Section 4 Prohibited Agreement	22 Mar 2011
09.	Acquisition of Wind Telecom s.p.a by Vimpelcom Ltd	Section 11 Second Phase Review N.O.C	17 Mar 2011
10.	Pakistan Jute Mills Association and members mills	Section 4 Prohibited Agreement	3 Feb 2011
11.	M/s. Fauji Fertilizer Company Ltd	Section 11 Second Phase Review N.O.C	26 Jan 2011
12.	M/s. Pakistan Poultry Association	Section 4 Prohibited Agreement	16 Aug 2010
13.	M/s. Ace Group of Industries	Section 10	16 Aug 2010

		Deceptive Marketing Practices	
14.	M/s. Tetra Pakistan Ltd	Section 3 Abuse of Dominance	13 Aug 2010
15.	Dredging Companies	Section 4 Prohibited Agreement	23 July 2010
16	Fertilizer Companies	Section 3 Abuse of Dominance	23 July 2010
17.	Takaful Pakistan Ltd & Travel Agents Association of Pakistan	Section 41 Appellate Bench	23 July 2010
18.	Bahria University	Section 38 Non-compliance	21 July 2010
19.	Fauji Fertilizer Company, Fauji Fertilizer Bin Qasim Ltd	-do-	16 July 2010

Exemptions (Prohibited Agreements) under Section 5 of the Act

The Legal Department processes applications for exemptions in light of the criteria set out under Section 9 of the Act. In fiscal year 2010-2011, dozens of exemption applications were processed, out which **66** were granted exemption certificates.

Law Enforcement

Dredging Companies – Bid Rigging

CCP took notice of the news item appearing in the *daily* Business Recorder, wherein it was reported that some international dredging companies had formed a cartel in order to qualify for the bids of dredging 45 kilometers long navigational channel of Port Qasim Authority (PQA) project. CCP appointed inquiry officers to conduct an inquiry into the allegation of collusive bidding. From the analysis of the material available on the record, and the conduct of M/s China Harbour Engineering Company Limited (CHEC) and M/s China International Water & Electric Corporation (CWE), the inquiry officers concluded that, prima facie, CHEC and CWE were submitting cover bids for each other in PQA and Karachi Port Trust (KPT), and that CHEC, M/s Dredging International (DI), M/s Jan De Nul N.V (JDN) had entered into an agreement for submission of a single joint bid. CCP taking into account the conclusions and the recommendations of the Inquiry Report, deemed it appropriate to initiate proceedings against CHEC, DI, JDN and CWE, by issuing Show Cause Notices for violation of section 4 of the Act.

A two member Bench of the CCP constituted reached the conclusion that, there was a collusive arrangement *inter se* CHEC and CWE to divide territories i.e. KPT Project and PQA Project among themselves and to file cover bids in their respective territories.

The bench imposed a penalty of Rs. 50 million each on M/s China Harbour Engineering Company Limited (CHEC), M/s Dredging International (DI), M/s Jan De Nul N.V (JDN) and M/s China International Water & Electric Corporation (CWE) especially in view of the fact that all the parties due to their sophisticated nature, international exposure and standing, should have been aware of the competition issues.

Concession Agreement Between Engro Vopak Terminal Limited (EVTL) and Port Qasim Authority (PQA)

CCP took notice on its own of exclusive rights granted to EVTL through a concessionary agreement agreed between Port Qasim Authority (PQA) and EVTL to handle and store all liquid chemicals at Port Qasim (the "Concession Agreement") for 30 years which appeared to have an object or effect to prevent, restrict and reduce competition within the relevant market. Show Cause Notices were issued to PQA and EVTL for, *prima facie,* contravention of Section 4 of the Act.

During the hearing, the Bench observed that PQA had failed to carry out due diligence to determine the competition indicators and short comings of the market and also to entrust EVTL with certain obligations or impose constraints to prevent any potential abuse of dominance and to achieve the desired general economic interest. The Bench granted only conditional exemption with respect to the Concession Agreement and directed PQA to review the Concession Agreement and incorporate therein effective provisions to address competition concerns stipulated in the Order. Failure to comply with the aforementioned direction was held to constitute a breach of condition having the effect of cancellation of the exemption and making PQA and EVTL liable to pay a penalty of Rs.1 million for each day of default. The Bench also expressed this apprehension that PQA has awarded all its major terminal on the basis of 30 years BOT which may set a tendency for exploitative and exclusionary practices by concessionaires. Therefore, PQA was directed to apply for exemption in respect of all other concession agreements which will be reviewed by the CCP on case to case basis.

Peshawar Electric Supply Company (PESCO) Tender- Collusive Bidding

CCP initiated an inquiry on its own after reviewing the historical data related to PESCO's tenders which raised suspicion of collusive bidding in a particular tender numbered ADB-PESCO-06-2009 LOT III for the procurement of 4759 High Tension Pre-stressed Concrete and 3678 Low Tension Pre-stressed Concrete poles. The inquiry was completed vide a report which concluded that the five undertakings namely; Nam International (Pvt.) Limited, Amin Brothers Engineering (Pvt.) Limited, Creative Engineering (Pvt.) Limited, M.R. Electric Concern (Pvt.) Limited, and Redco Pakistan Limited entered into a joint venture agreement to collectively bid for the tender, while the fifth undertaking also submitted a cover bid to give the impression of competitive bidding. On the recommendation of the report, CCP issued show cause notices to five undertakings.

After hearing all the parties, CCP held that all five undertakings had violated Section 4 of the Act, 2010 by participating in a collusive bidding arrangement to secure PESCO tender in 2009. A penalty of PKR 10 million was imposed on five undertakings involved in collusion.

Pakistan Jute Mills Association & Member Jute Mills-Cartelization

CCP, as part of its initiative to detect bid rigging in public procurement, sought information from Pakistan Agriculture Storage and Supply Corporation Limited (PASSCO) regarding tenders and bidding in the last few years. Scrutiny of the information received from PASSCO raised a suspicion of bid rigging. CCP taking *suo moto* notice of the information initiated an inquiry by appointing an Inquiry Committee and also authorized its officers to conduct a search and inspection of Pakistan Jute Mills Association's (PJMA) office under Section 34 of the Act. The Inquiry Committee prepared a detailed Inquiry Report which concluded that PJMA had taken decisions and the Jute Mills had entered into any agreements, with respect to production, pricing and tendering of Pakistan Grain Sacks (PGS) to public procurement agencies, in violation of Section 4 of the Act.

The Bench took into consideration the admission of PJMA and Jute Mills that their actions had inadvertently caused non-compliance with the Act and a total penalty of PKR 23 million was imposed on PJMA and 10 Jute Mills engaged in collusive activities.

Pakistan Poultry Association- Cartelization

CCP taking notice of media reports regarding an unprecedented hike in prices of poultry products and possible cartelization, initiated a *sou moto* enquiry. An Inquiry Committee was appointed to conduct an inquiry into possible violations of Section 4 of the Act. On the basis of information available, CCP also authorized its officers for search and inspection of Pakistan Poultry Association's (PPA) offices. The Inquiry Report submitted by the Inquiry Committee concluded that there was *prima facie*, violation of Section 4 of the Act by PPA. Based on the recommendations of the Inquiry Report, PPA was issued a Show Cause Notice.

A three member Bench heard all the parties at length. It was observed by the Bench that PPA had taken various decisions through its various central and zonal committees, and sub-committees, which had the object or effect of restricting, reducing, preventing or distorting competition through price fixing and production control in the relevant markets of Parent Stock, Day Old Chick, Broiler Chicken, Table Eggs and Poultry Feed. The Bench passed an Order in which it imposed a penalty of Rs. 50 million on PPA for violation of Section 4 of the Act.

Pakistan Shipping Agents Association (PSAA)- Cartelization

CCP received information from Pakistan Paper Merchant's Association which indicated that PSAA may be involved in collusive practices. On enquiring from PSAA, it was learnt that PSAA recommended ancillary charges pertaining to shipping services. CCP appointed an Inquiry Committee to conduct an inquiry in the matter and also authorized them to conduct a search and inspection of PSAA's premises. The inquiry team submitted the Inquiry Report which concluded that PSAA, by recommending a range of charges to its members to levy on ancillary shipping services had, *prima facie,* violated Section 4 of the Act.

Based on the recommendation of the Inquiry Report a show cause notice was served to PSAA. During the hearing, PSAA contended that it was constantly pressurized by the government to regulate prices and expressed its desire to conform to the competition laws. PSAA gave an undertaking to pass a resolution affirming its commitment to adhere to the Act and to refrain from taking any decision in violation of it. The Bench, while passing its order, appreciated PSAA's approach and, despite rejecting governmental pressure as a state action defense, took the mitigating factors into consideration and imposed a token penalty of 1 million on PSAA.

The Case of Pakistan Vanaspati Manufacturers Association-Cartelization

A Ghee and Cooking oil sector study carried out by CCP and information collected through other sources indicated anti-competitive practices by PVMA and its members. Based on the information available to CCP it deemed it appropriate to search and inspect the offices of PVMA. Two teams of officers authorized by CCP raided PVMA's offices situated in Islamabad and Karachi for potential evidence of violations of the Act. Thereafter, to examine the impounded material and conduct a formal inquiry, CCP appointed an Inquiry Committee to prepare a detailed Inquiry Report under Section 37 of the Act. The Inquiry Committee submitted its Inquiry Report on 25 April, 2011 which concluded that PVMA had been involved in fixing the price, prima facie, in violation of Section 4(2)(a) of Act and had also discriminated between its members and commercial importers by charging two different rates of invoice verification in, prima facie violation, of Section 3(3)(b) of the Act. Based on the findings of Inquiry Report, CCP issued show cause notice to PVMA.

The Bench found PVMA guilty of violating section 4 of the Act and imposed a penalty of PKR 50 million on them. The bench also found PVMA guilty of violating section 3 and directed it to cease the discriminatory behavior with immediate effect. In the case of non-compliance the bench held that they would be liable to pay a fine of PKR 1 million for each day of default.

Defense Housing Authority (DHA) and Wateen Telecom Ltd.- Exclusive Agreement

Upon preliminary investigation, CCP found that the exclusive agreement between Wateen Telecom and DHA restricted the choices of residents of DHA. The agreement gave Wateen Telecom the sole and exclusive right to procure, provide, install, set up and establish telecommunication equipment/system and infrastructure within DHA Lahore which was a violation of Section 4 of the Act. Furthermore at the termination of 30 years Wateen would also have the last right of refusal. The CCP issued Show Cause Notices to DHA and Wateen Telecom for, prima facie, violation of Section 4 of the Act.

A penalty of Rs. 10 million and Rs. 5 million was imposed on DHA and Wateen Telelcom respectively. The parties were reprimanded that continuing the breach would make the parties liable to pay a maximum penalty of Rs. 1 million for each day of default. Furthermore, the agreement between DHA and Wateen was declared to be in violation of Section 4 of the Act and thus of no legal effect. Accordingly, grant of exemption in respect of such exclusivity was denied.

Mergers & Acquisitions

During the year from July 2010-11, 67 cases of acquisition of shares, 14 cases of Mergers between the undertakings and 3 Joint Venture cases were reviewed by the Commission and NOC were given to the applicant undertakings.

The following cases were moved to second phase review and thereafter decided by the Commission:

i. Acquisition of 79% shares of M/s Agritech Limited by M/s Fauji Fertilizer Company Ltd (FFC)

ii. Acquisition of Wind Telecom S.p.A. (formerly Weather Investments sarl) by VimpleCom Ltd

iii. Acquisition of 100% shares of Coastal Refinery Ltd. by Universal Terminal Ltd

Acquisition & Merger Facilitation Office (AMFO)

The Competition Commission facilitates and provides guidance to the undertakings, law firms, and other stakeholders to comply with the Competition Act, whether the advice sought is done so telephonically or in writing. Information and non-binding advice is issued in accordance with section 28 of the Competition Act, read with guidelines, on AMFO available on the Commission's website, which is available at www.cc.gov.pk. During the year more than thirty five undertakings, law firms and consultants were facilitated on different issues relating to mergers application filings and substantive issues. To illustrate, in the following two cases non-binding advices were issued:-

i. Acquisition of shares of M/s Unilever Pakistan Limited (UPL) by its parent company – M/s Unilever Overseas Holdings Limited, UK (UOHL)

ii. Acquisition of 100% shareholding of Ansaldo Energia S.p.A. (AEN) by a joint venture vehicle company participated by Finmeccanica S.p.A. Italy (55%) and FR Marinsail Limited (45%)

Competition Policy and Research

a. The detail of activities, achievements and progress during the preceding FY

Major activities of the department are listed below:

i) Competition impact assessment reports:

1. Cooking Oil and Ghee Sector
2. Polyester Staple Fiber Industry
3. Aviation Sector

4. Power Sector

ii) Publications

1. The Commission published its Annual Report 2010.

2. Booklet on 'Protection from anti-competitive practices: a guide for consumers and businesses' was also published for improving awareness about the Competition Act, 2010.

iii) Influencing and modifying policies

The CP&R department assists in changing and modifying policies to enhance competition, using available tools, such as Policy Notes. The department worked on milk, banking and SECP regulations, aiming to:

1. scrutinize the impact of regulations and policies on competition;

2. review work of the ministries to find instances of regulatory capture or anti-competition outcomes of their actions; and

3. recommend suitable pro-competition amendments.

One policy note was issued to SECP concerning listing regulations.

iv) Networking with stakeholders:

One of the activities of the department is to coordinate with both internal and external stakeholders to share the findings of research work with others, and to give inputs in the work done by other organizations

v) International Affairs:

1. The Department regularly contributes in the work relating to international organizations such as UNCTAD, ICN, OECD and the Global Competition Forum.

b. The program of activities and targets set out for itself during the preceding FY and the extent to which they have been realized.

Apart from the activities and achievements mentioned in a) above, the department planned and worked on the following reports during FY-2010/11, which are at the stage of finalization:

1. Private Healthcare Sector
2. Private Sector Schooling
3. Automobile Industry
4. State of Competition Report

c. The relevant statistics properly tabulated.

S.No.	Activity/ task	Nos.
1.	Competition Assessments finalised	4
2.	Competition Assessments in hand	3
3.	Reports in hand	1
4.	Number of policies/ legal frameworks reviewed	8
5.	Policy note issued	1
6.	Annual Report	1
7.	Other publications	1
8.	Contributions in international fora	5
9.	Presentations to stakeholders	7
10.	No. of subjects/ issues on which interacted with ministries and other organizations.	10

Competition Advocacy

Advocacy Activities of the Commission

During the year under review, the Commission utilized its limited resources to educate the business community and consumers on their rights and responsibilities under the competition law. The main thrust of all activities has been to promote voluntary compliance of the competition law. A review of the activities organized during the year is given hereunder.

Educating the business community

Business community is the key stakeholders for the Commission. During the year under review the following advocacy activities were organized to interact with businesses:-

- Presentation to CCP Chairperson by Toyota Pakistan, Pak Suzuki
- Seminar at Rawalpindi Chamber of Commerce and Industry (RCCI)
- Chairperson addressed Seminar on Consumer Rights Day
- Chairperson and CCP Members addressed Seminar at Overseas Investors Chamber of Commerce & Industry (OICCI)

Partnership with consumer rights organizations

The Commission addresses consumer complaints through its Office of Fair Trading (OFT). An online complaint cell has also been established within CCP to take consumer complaints related to deceptive marketing and other anti competitive practices. The Commission decided to build partnerships with consumer rights groups having direct contact with general public to create more avenues for receiving public complaints regarding competition issues. Several organizations were identified out of which two including the Consumers Association of Pakistan and the Consumers Forum, have so far been taken on board.

The Commission held two separate seminars for the members of Consumers Association of Pakistan and the Consumers Forum.

Advocacy through media

The Commission realizes the importance of using media in creating awareness about the competition law. Media has been very supportive to the Commission in this regard. Regular liaison with print and electronic media helps the Commission in getting wide coverage of its initiatives and creating awareness among its stakeholders.

Competition Consultative Group (CCG)

CCG is an informal body set up by the Commission to solicit feedback from the stakeholders about its enforcement and advocacy strategies. CCG meetings are convened quarterly in different cities with varying participants including representatives of regulatory institutions, business community, academia and the industry. Three meetings of CCG were held during the year under review in Islamabad, Lahore and Karachi.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

The Securities and Exchange Commission of Pakistan (SECP) was established in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997 (SECP Act) and became operational on January 1, 1999. The SECP 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 SECP succeeded the Corporate Law Authority (CLA), which was a government department attached to the Ministry of Finance. The SECP operates under the guidance of a Securities and Exchange Policy Board established under the SECP Act. The SECP delivered the following services/performance in the relevant fields during the year 2010-11:-

Securities Market

Market Overview:

Stock Market

The outlook of KSE – 100 Index manifested significant strength in terms of growth and sustainability in the FY2011 after two relatively turbulent years. The improved market indicators were consequent to encouraging factors like financial assistance from international donors, significant foreign investment in blue chip stocks, anticipation of an effective leverage product etc.

The benchmark index demonstrated accelerating trend since the start of the financial year, starting from a level of 9,730.90 points and touched highest of 10,519.02 points. The upward trend in the index movement continued and it crossed 12,000 points in January 2011 and touched 12,681 (the highest) on January 17, 2011 registering a rise of 30.32%. During the second half of the FY2011, the index struggled to maintain and managed to close at 12,496 points by the end of FY2011. Factors like massive foreign selling in the stocks, local and international political turmoil, increased discount rate by the central bank negatively affected the investors' confidence. This has ultimately resulted in limited participation by the local investors and dearth of liquidity in the capital market.

The net inflow of foreign investment by the end of the FY2011 stood at USD280.181 million, which was predominantly accumulated in the first half of the FY2011.

Key Achievements

- **The SECP granted approval for four public offerings of shares and three Term Finance Certificates.**

- **During the FY2011 approved three Employees Stock Option Schemes.**

- **During the period under review, NOC/approval was granted to a company for issue of American Depository Receipts (ADRs).**

- **During FY2010-2011, the SECP allowed listing of a Commercial Paper (CP) of Rs1 billion and two Term Finance Certificates (TFCs) of Rs2 billion and Rs4 billion on OTC market.**

- **'Automation of Securities Settlement' Project**

To bring in more efficiency and assist in preventing misuse of book entry securities at the CDC, the project of 'Automation of Securities Settlement' at the CDC was launched in collaboration with the CDC, NCCPL and the stock exchanges.

- **Strategy for Companies in Violation/Non-compliance of the Listing Regulations of the Stock Exchanges**
  In consultation with the stock exchanges, a comprehensive policy was formulated in 2010 for dealing with companies in violation of the Listing Regulations of the exchanges, based on their nature of default(s), in terms of which the SECP ordered suspension of trading in the shares of such companies.

Regulatory Actions:

Market Monitoring and Surveillance

In 14 violations of securities law, orders imposing penalties on the members of the stock exchanges as precautionary measures to prevent the future violations.

Beneficial Ownership

- During the FY 2010-2011, the SECP took the following regulatory actions to regulate the trading activity by beneficial owners of the listed companies **Actions under Section 224(2) of the Companies Ordinance, 1984 (*Recovery of Tenderable Gain*):** 5 cases of tenderable gain were brought forwarded, while 23 fresh cases were detected during the period under review. The SECP disposed off 14 cases, while the remaining 16 cases were under process. During the period under review, the SECP detected one hundred forty one cases of late filing of beneficial ownership and took the necessary action against the defaulters under the same relevant section of the law. One hundred thirty five cases had been disposed off by the end of the year under report.

Brokers Registration

- The hearing notice to 10 brokers were issued for being misstating their status as clearing member registered with NCCPL and subsequently Certificates of Registration of 7 brokers was cancelled.

- Certificate of Registration of 4 brokers was cancelled for being an inactive member of the exchange.

- 7 show cause notices were issued to the brokers for redress of investor complaints. 3 Orders had been passed in this connection. A penalty of Rs.200,000/- was imposed on a broker being violator of regulations.

(i) Investor Complaints

Various complaints pertaining to IPOs were entertained. During the period under review, the SECP disposed off 35 complaints. Furthermore, a total of 85 investors' complaints pertaining member/brokers were also resolved.

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

During the year 2010-11, 19 orders in respect of 40 applications were passed and after being proved as fictitious/multiple, subscription money of 20 applications amounting to Rs.776,000/- was confiscated. During the same period an amount of Rs52,850,530 earlier confiscated was recovered.

Developmental Activities

- **Margin Financing, Margin Trading and Securities Lending and Borrowing and Pledging Mechanisms**
  Realizing the dearth of liquidity and non-availability of any financing mechanism in the Pakistani capital market, the Securities (Leveraged Markets and Pledging) Rules, 2011 were promulgated after exhaustive consultation with all relevant stakeholders. These

Rules provide a broad regulatory framework for Margin Financing, Margin Trading, Securities Lending and Borrowing and Pledging of clients' securities.

- **Debt Capital Market Development**
  Automated System for trading of bonds at the stock exchanges. was revamped with various system enhancements in line with international standards to facilitate market participants.

- **Development of the Commodities Market**
  To fulfil the hedging requirements of various market segments related to various commodities, for broadening the investor base and for bringing Pakistan Mercantile Exchange (PMEX) in comparison with other commodities exchanges internationally, the product portfolio of PMEX was renewed. Silver and Gold contracts of varying sizes, along with the crude oil futures contract, cotton and sugar futures contracts were listed at PMEX, after determining market demand and stakeholder consultation.

- **Introduction of Market Makers**
  The concept of market making was introduced for the securities being traded on the stock exchanges with the intention to bring more liquidity to the market and reduce the risks associated with excess volatility in various scrips.

- **Introduction of Tradable Sectoral Indices**
  In order to promote liquidity and provide more benchmarks for derivative trading, trading in sector indices based on Oil & Gas and Banking sectors in addition to KSE 30 Index was introduced.

CORPORATE SECTOR

Development of Legal Framework

Amendments to the Companies (Registration Offices) Regulations, 2003:
The amendments have been made to ensure effective and smooth functioning of CROs, under the online submission environment and to include the functioning of CROs beyond their territorial jurisdictions. Companies have been facilitated in getting the duplicate certificates in

case of loss, destruction, defacement or mutilation, etc of the original certificate, previously issued by the registrars. Moreover, a foreign company shall also be issued a certificate of registration of documents. Business timings for dealing/ transaction with the public have been enhanced to extend more facilitation to public.

Deferral of the applicability of the Companies Cost Accounting Records (General Order), 2008:
The SECP deferred the applicability of Companies Cost Accounting Records (General Order), 2008, on companies engaged in fertilizer, thermal energy, petroleum refining, natural gas, and polyester fibre industries. The same shall now be applicable from the financial year commencing on or after July 01, 2011. This decision has been taken in view of the practical difficulties being faced by companies in these industries.

Amendment to the format of Statement in Lieu of Prospectus:
The SECP amended the Statement in Lieu of Prospectus format contained in Part II and III of Second Schedule of the Companies Ordinance, 1984 (Ordinance), required to be filed by unlisted public companies for obtaining Commencement of Business Certificate and by a private company converting into a public company, respectively.

The main purpose of this revision is to make Statement in Lieu of Prospectus more compatible with the SECP's eServices regime and understandable for the regulated entities as well as their consultants. Previous format contained some cumbersome and difficult information. Amended format is much easier to be filled and best suitable for online submission environment.

Amendments to Sixth Schedule:
Sixth Schedule to the Ordinance, containing the table of fees paid to the registrar and the SECP has been amended three times whereby relief to the stakeholders utilizing the services of the SECP through eService has been provided.

The SECP reduced the registration fee for physical submission of documents for incorporating a company, with nominal capital up to Rs10 million. Reduction in fees for incorporation of companies with less capital would encourage the small and medium enterprises to enter into the documented corporate sector.

Enhancing disclosures under Group Companies Registration Regulations, 2008:

The SECP promulgated the Group Companies Registration Regulations, 2008 to provide a regulatory framework for the formation of group companies. In order to further enhance the public disclosure of intra-group shareholding and financial position of the group companies, all the holding companies registered under the Regulations have now been required to maintain their websites and place thereon the annual audited financial statements of their group along with their directors' report and the auditors' report.

Regulatory Actions

1. Processing of application for grant of license to not-for-profit associations under section 42

During the financial year 2010-11, 53 licenses were issued to associations not-for-profit under section 42, as compared to 22 licenses issued during last year. The SECP ensures quick disposal of applications seeking licences to association not for profit

2. Amalgamations and Mergers of Companies

During the year, in response to the SECP's oral and written representations, the courts approved 7 schemes of amalgamation.

MONITORING AND ENFORCEMENT

Investigations into affairs of companies and special audit:

The SECP processed ten applications under Section 263 of the Ordinance for investigation of affairs of the companies that were allegedly not being managed in accordance with the law. Further, two orders were passed for appointment of inspectors to conduct the special audit of companies, under section 234A of the Ordinance.

Adjudication of cases under the Ordinance

During the year, the Registrar of Companies and the CROs adjudicated 1,279 cases of violation of various provisions of the Ordinance Punitive actions were taken against errant companies.

Dissolution of Companies

The SECP disposed off 284 cases of dissolution of companies. Of these, 42 companies wound up voluntarily, 2 companies compulsorily liquidated under orders of the court and 240 companies were struck off from the register under section 439 of the Ordinance. The dissolved companies had a cumulative paid up capital of Rs1.05 billion.

Investors' grievances

During the period, the SECP received 892 complaints from different stakeholders. Of these, 851 complaints were disposed off during the year while 41 complaints were in process at the close of the year.

Disposal of Appeals

During the FY 2010-11, 37 appeals were received under the Ordinance. Of these, 28 appeals were disposed off while 9 appeals are pending at the end of the period under review.

Irregularities in Provident Fund

Action against directors of 33 companies and trustees was initiated for mis-utilization of the provident fund contributions, which were not being deposited/invested by the companies in timely fashion prescribed under the Ordinance. In this regard, directors of 16 companies were penalized, warnings were issued to 11 companies and 6 are in the process of finalization.

Non-Preparation and Submission of Consolidated Financial Statements

Action against directors and officers of 15 companies were initiated, who failed to prepare and attach consolidated financial statements with their standalone annual audited financial statements as required under the Ordinance.

Non-holding of AGM and SECP's power to hold overdue AGM
The SECP's efforts resulted in more than 81.93% compliance by the listed companies in case of conducting the due general meetings.

PROMOTION OF COMPLIANCE

Activation Drive
The SECP launched an extensive activation campaign in February, 2011 to activate defaulter companies and strike off defunct companies.

Advertising campaigns
Extensive advertising campaigns were run to create awareness amongst the public during the first, second and third phase and extension period of facilitation schemes of Companies Regularization Scheme (CRS) and the Company Easy Exit Scheme (CEES), and before deadlines of filing of annual returns. The SECP also issued public warnings against illegal/fraudulent/unauthorised business activities in case of specific companies.

FACILITATION MEASURES

Launch of Companies Regularization Scheme (CRS) and Company Easy Exit Scheme

- In line with the objective of extending public facilitation at large, the SECP launched two facilitation schemes namely Companies Regularization Scheme (CRS) and the Company Easy Exit Scheme (CEES), wherein opportunity was provided to defaulter companies to either get regularized by filing their overdue returns under CRS or dissolve their companies under CEES.

Standardized Memorandum of Association
Standardized Memorandum of Association for 40 additional sectors have been developed and placed on the SECP website for public facilitation.

Revision of existing guides
Following existing guides have been revised to incorporate new developments:

- Promoters' Guide in English

- Availability of Company Name Guide
- Change of Company Name Guide
- Mortgages and Charges Guide
- Directors' & Secretaries' Guide
- Foreign Companies' Guide
- Conversion of Status Guide
- Appointment of Statutory Auditors Guide

SPECIALIZED COMPANIES DIVISION

MUTUAL FUNDS

Performance Review

During the financial year 2010-11, mutual funds ascended with an increased momentum as evidenced by a surge in total assets of over 21% to Rs290 billion, significantly beating the growth figure of a mere 4.4% for the financial year 2009-10. As at June 30, 2011, the number of mutual funds in the industry stood at 137 compared to 127 in June 2010. The uptrend in the assets under management is primarily attributed to change in the risk appetite of investors towards safer asset class, i.e., money market funds offering competitive returns with safety of capital and capital protected schemes. Though recovery in the equity markets was evidenced, flight to safety dominated the investment climate. Consequently, most of the funds launched during the financial year were in the category of money market and capital protected making bulk of their investment in government securities.

Key Achievements

During the period under review, the SECP in its continued efforts to protect the interest of the unit holders and facilitate the industry took the following measures:

- The SECP made it mandatory for asset management companies (AMCs) to enhance disclosure requirements of mutual funds under their management holding non-compliant investments with regard to either the assigned category or investment requirements of the constitutive documents. The primary rationale was to ensure that informed investment decisions are made by investors.

- Equity-oriented mutual funds were allowed to invest in all kinds of futures contracts to effectively achieve their investment objectives. This measure was also taken with an anticipation of growth and development of the futures market.
- As a result of various discussions with the industry participants including Mutual Funds Association of Pakistan (MUFAP), few AMCs voluntarily adopted Global Investment Performance Standards (GIPS) which is internationally recognized as a global standard of performance presentation. It is envisaged that adoption of GIPS will enhance confidence of investors in the industry.
- In an attempt to enhance investor awareness about mutual funds, the SECP published an investor guide with details on all aspects of mutual funds including its pros and cons.
- The SECP approved proposals of various AMCs for automating the process of issuance, redemption, and transfer of units of mutual funds.
- In conjunction with MUFAP, the SECP laid the grounds for uniformity in presentation of monthly fund manager reports by asset management companies with added disclosures pertaining to non-compliant investments held by mutual funds.
- The SECP convened several meetings with MUFAP to discuss important issues. These included valuation of debt securities, Bonds Automated Trading System (BATS) and imposition of know your customer (KYC) measures to curb money laundering in the mutual funds industry.
- As per the requirements stipulated in its circular pertaining to categorization of mutual funds, the SECP ensured that benchmarks for all mutual funds are explicitly stated in their constitutive documents for performance comparison.
- The SECP approved the proposal of MUFAP to launch a unified industry campaign promoting money market funds represented by the ten big asset management companies in Pakistan.

- The SECP had acquired services of an independent consultant to resolve the daunting problem of fair valuation of debt securities which had significantly dried out liquidity from the debt market. The valuation report submitted by the consultant was thoroughly reviewed and shared with the industry for their feedback. It is envisaged that recommendations of the report shall be implemented in due course of time.
- The SECP conducted meetings with industry participants on the technical aspects of Exchange-Traded Funds that need to be looked into prior to their launch in Pakistan.
- The SECP initiated efforts to bring about significant amendments to the Non-banking Financial Companies and Notified Entities Regulations, 2008, which included:
    - Registration of trustee to bring it within the regulatory ambit;
    - Eliminating the seed capital requirement for new funds;
    - Empowering unit holders of a mutual fund in being able to change its management rights in case redemption of units is suspended beyond fifteen days; and
    - Enhanced oversight by trustee of a mutual fund in line with best international practices.

The Ministry of Finance approved the appointment of a new member of the Religious Board namely: Mufti Munib-ur-Rehman. His induction completed the requisite quorum of the Religious Board. It is expected that the Religious Board would now be in a position to facilitate the modarba sector in resolving issues pertaining to the *shariah* interpretations, introducing new financing/investment products and floatation of a new Modarbas in an expeditious manner.

MODARABAS:

Modarabas provide a s*hariah* compliant mode of financing and investment and have played a vital role in the development and growth of the economy and capital markets in Pakistan since their inception in 1980. Modaraba sector has an established legal framework that allows flexibility to undertake any business activity, which is not against the injunctions of Islam.

The recent global financial crisis has brought about, among others, an opportunity for the modaraba sector to position itself as a stable form of financial institution. It is worth to note that despite the financial and economic crises in the country, modarabas continued performing and distributing profits to their certificate holders.

Key Achievements:

The Ministry of Finance approved the appointment of a new member of the Religious Board namely: Mufti Munib-ur-Rehman. His induction completed the requisite quorum of the Religious Board. It is expected that the Religious Board would now be in a position to facilitate the modaraba sector in resolving issues pertaining to the *shariah* interpretations, introducing new financing/investment products and floatation of new Modarabas in an expeditious manner.

Developmental Activities:

- **Guidelines for Musharakah and Modaraba Financing by Islamic Banking Institutions**
  During the period under review, a meeting of Joint Forum of SBP and SECP was convened to discuss the guidelines to promote Musharakah and Modaraba financing by Islamic banking institutions.

- **Amendment to Zakat & Ushr Ordinance, 1980**
  Amendments were proposed in the Zakat and Ushr Ordinance, 1980 (the Ordinance), to include the name of modaraba in the list of 'deducting agency' to deduct zakat on the investment of modaraba certificate holders and exclusion of modarabas from the definition of 'Sahib-e-Nisab' entities to exempt modarabas' income from deduction of zakat.

- **Amendment to Workers Welfare Ordinance, 1971**
  Amendments were proposed in the Workers Welfare Ordinance, 1971, to grant exemption to modarabas from levy of Workers Welfare Fund (WWF) in light of exemption already granted to mutual fund industry.

- **Short Form Ijarah Agreement**
  During the period under review, the Religious Board for modarabas approved short form of Ijarah Agreement which would facilitate a modaraba to carry out multiple small ticket-size ijarah transactions with a client who has already executed the master ijarah agreement with a modaraba.

INSURANCE SECTOR

Key Achievements

The insurance industry in Pakistan is relatively small compared to its peers in the region. The insurance penetration and density remained very modest as compared to other jurisdictions while the insurance sector remained underdeveloped relative to its potential. As of December 2010, the industry's total premium revenue stands at over US$1.15 billion.

The market is fairly liberalized as 100% foreign ownership and control of insurance companies is permitted with paid up capital requirements as US$4 million, with the condition of bringing in a minimum of US$2 million in foreign exchange and raising an equivalent amount from the local market.

The minimum capital requirements are being increased in a phased manner, though they still remain modest by international standards, at Rs250 million for non-life and Rs500 million for life in 2010. Currently there are 39 non-life insurers operating in the market including three Takaful Operators (*Islamic insurance*) and one state owned company, National Insurance Company Limited (NICL), which has a monopoly over government business including semi autonomous entities. Approximately 65% of the market share in gross written premium rests with the top 3 players. In the year 2010, the sector grew by 3.45%. The main reason for recent sluggish growth has been the political instability, law and order situation and the global recession with an adverse impact on Pakistan's economy. However in 2010, the total premium non-life insurance sector stands at Rs45.9 billion.

There are 9 life insurance companies, including two Takaful operators and one state-owned corporation in the life insurance sector. In addition, a government owned reinsurer, the Pakistan Reinsurance Company Limited, continues to benefit from a mandatory minimum 35% share in the treaties of non-life companies. In the year 2010, the life insurance market grew by 26.78%. Currently, the State Life Insurance Corporation enjoys a monopoly position with a 66.5% market share in terms of gross written premium. However, the total premium for the calendar year 2010 stands at only Rs53.8 billion.

There are two dedicated foreign health insurance companies in the market along with two foreign life insurance companies and two non-life foreign companies. The total revenue generated by the industry in the calendar year 2010 was Rs99.8 billion. The market has witnessed introduction of new products in the lines of health, crop and livestock insurance. New distribution channels such as Bancassurance, Websales and Telesales are also growing rapidly.

Compliance with Anti-Money Laundering Act, 2010: All insurance/takaful companies and insurance brokers are being regularly advised on the procedure and manner in which information is to be furnished to the Financial Monitoring Unit under the Anti-Money Laundering Act, 2010 and compliance with this requirement is being enforced.

Delisting/removal of insurance companies by banks in contravention of the Section 86 of Insurance Ordinance, 2000

The insurance industry has been raising various issues with the SECP on the subject of providing insurance cover to banks and other financial institutions. The issues highlighted include non-existence of any disclosed criteria for panel enlistment of insurance companies, delisting/removal of insurers from the banks' panel without any just reason, and grossly varying per-party/per-risk limits adopted by different banks. The matter was again taken up with the State Bank of Pakistan which informed the SECP that it had issued a circular advising all banks/DFIs to follow the provisions of Section 86 of the Insurance Ordinance, 2000 in letter and spirit. Subsequently, the industry was advised to highlight any specific incident where the violation has been observed, so that the matter may be taken up for due action. The issue stands resolved now while only specific cases are being considered and taken up with the stakeholders for their due resolution.

Review and Amendments to Takaful Rules, 2005

The Takaful industry in Pakistan is seen to be coming out of its infancy and moving towards maturity where the conventional market participants are interested in expanding the domain of *shariah* and the need to standardize terms and accounts, the Takaful Rules, 2005 are being reviewed and modified to remove anomalies and to address areas which are silent in the existing Takaful Rules 2005.

Unit-linked/ Products Regulations

Due to the complex benefit structure and investment risk in unit-linked policies borne by the policyholders, a committee comprising members from the SECP, Institute of Chartered Accountants of Pakistan and Pakistan Society of Actuaries has been formed to draft new regulations. These regulations aim to achieve more transparency in disclosures made by the insurance companies to policyholders regarding unit pricing and fund management. These regulations, which are in the advance stage of being formulated, will also lead to standardization of the pricing models used by all life insurers.

Sound and Prudent Management Regulations

The SECP observed that a large number of insurance companies were being headed by individuals who neither had any qualification nor any experience of ‘direct relevance’ to the conduct of insurance operations, as laid down in the Insurance Ordinance, 2000.

Sound and Prudent Management Regulations

The SECO observed that a large number of insurance companies were being headed by individuals who neither had any qualification nor any experience of ‘direct relevance’ to the conduct of insurance operations, as laid down in the Insurance Ordinance, 2000.

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, 2011	Total Companies as on 30.06.2011
Public listed	-	648
Public unlisted	32	2,207
Private	3,056	53,750
SMCs	214	1,225
Companies limited guarantee u/s 43	4	73
Not-for-profit associations 42	53	503
Trade Organizations	4	210
Foreign companies	22	798
Unlimited companies	0	3
Total Companies	3,385	59,417

Of these 3,385 companies incorporated during the FY 2010-11, almost 50 % of the new incorporation took place through online system, showing an increasing adaptability by the general public towards eServices.

JOINT INVESTMENT COMPANIES IN PAKISTAN(JICs)

Pakistan has a rich experience of setting up Joint Investment Ventures with other friendly countries. At present, there are seven such companies set up on 50:50 partnerships with Libya, Kuwait, Saudi Arabia, Oman, Brunei, Iran and China.

(Rs. in million)

1	Company	PLHC	PKIC	SPIAICO	POIC	PBIC	PICL	PCIC
2	Year of Incorporation	1978	1979	1981	2001	2006	2007	2007
3	Paid up capital as on 31.12.2010	6142	6000	6000	6150	6000	6000	7400*
4	Profit Before Tax 2010	135.370	840.975	(363.718)	381.757	881.658	878.584	862.102

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

The major areas of operation of these Joint Investment Companies include Project financing, lease financing, equity participation, money market operations, foreign currency deposits, stock market operations, term finance certificates (TFCs) investment, financial advisory services and financial consultancy and syndication.

Note:

- Pak. Libya Holding Company.
- Pak-Kuwait Investment Company.
- Saudi-Pak Industrial & Agricultural Investment Company.
- Pak-Oman Investment Company.
- Pak-Brunei Investment Company.
- Pak Investment Company Ltd.
- Pak-China Investment Company.

INFRASTRUCTURE PROJECT DEVELOPMENT FACILITY (IPDF)

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. IDPF is a key vehicle of the Government mandated to create enabling environment for the private investor to participate and invest in commercially viable transactions though long term contractual arrangements under the Public Private Partnership modality. IPDF undertook the following projects during 2010-11 which are at different stages of finalization:-

- Faisalabad Solid Waste Management Project of City District Government, Faisalabad and PPP Unit Punjab.
- Lahore Southern Bypass from Motorway to Ferozepur Road of Lahore Development Authority.
- Pakistan Institute of Medical Sciences (PIMS) Projects viz (i) Institute of Dentistry and (ii) Centre for Liver Diseases and Organ Transplantation (CLOT).
- Flyover/Railway Overhead Bridge at Habibabad (Wanradha Ram at Km 1168-1169) of the National Highway (N-5).
- Hostel Facility at COMSATS, Islamabad.
- Operating Cargo and Oil Trains on Pakistan Railways track.
- Civil Aviation Authority projects viz (i) Commercial Hub and (ii) Fuel Farm and Fuel Hydrant System.
- Faisalabad Slaughter House Project of City District Government, Faisalabad.
- Islamabad Solid Waste Management Project of Capital Development Authority.
- IT Park Project of National University of Science and Technology (NUST).
- Light Commercial Vehicles Project of Sindh Engineering.

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.

- 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 No.5 of 2010 called the Distribution of Revenues and Grants-in-Aid Order, 2010 to be effective from 1st July, 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.

National Finance Commission Award 2009

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 to whom 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.

The 7th NFC Award was finalized in Lahore on 12th December, 2009. The signing ceremony of this Award was held in the sea port city of Gawadar on Wednesday, the 30th December, 2009. The 7th NFC Award is effective from 1st July 2010.

The main features of 7th NFC Award are as under: -

i. 1% of the Divisible Pool Taxes assigned to Khyber Pakhtunkhwa for war on terror.

ii. The federating units would receive 56% share of the balance Divisible Pool Taxes during 2010-11 while 44% share would go to the Center. From Financial year 2011-12 onward the share of the provinces would be 57.5% and that of federal govt it would be 42.5%.

iii. As per horizontal distribution, the provinces would have the following shares:-

a)	Punjab	51.74%
b)	Sindh	24.55%
c)	Khyber Pakhtunkhwa	14.62%
d)	Balochistan	9.09%

iv. Balochistan province will get Rs.83 billion (9.09% of the Provincial share in the Divisible Pool) in the 1st year of the award. Any short fall in this amount shall be made up by the Federal Government from its own resources. This arrangement would be protected through out the remaining four years of the award based on annual budgetary projection

v. The province of Sindh would receive an additional transfer of an amount equivalent to 0.66% of the

Provincial pool from the Federal Government on account of OZT.

vi. The development surcharge on Natural Gas for Balochistan w.e.f 1.7.2002 would be worked out and this amount subject to maximum of Rs. 10.00 billion would be paid by the Federal Government in five years in five equivalent installments.

Federal Transfer to Provinces during Financial Year 2010-11

Divisible Pool Transfers During 2010-11, the distribution of provincial share out of the divisible pool and straight transfer were made on the methodology set under 7th NFC Award promulgated vide Presidential Order No.5 of 2010. On reporting of the collection figures by the Reporting Agencies i.e. FBR and M/o Petroleum and Natural Resources, the share of the provinces were released on fortnightly basis. So that no delay could occur which may cause financial difficulties for the provinces.

During 2010-11, the federal transfers made to the provinces are as under:

(Rs. in billion)

	Punjab		***Sindh***		***Khyber Pakhtunkhwa***		***Balochistan***	
Components	B.E.	Release	B.E.	Release	B.E.	Release	B.E.	Release
Divisible Pool Transfer	436.839	421.308	207.275	199.784	138.665	133.434	83.000	83.337
Straight Transfer	57.419	39.495	72.355	80.081	21.694	24.492	16.398	17.356
Total	**494.258**	**460.803**	**279.630**	**279.865**	**160.359**	**157.926**	**99.398**	**100.693**

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 as well as fully funded by federal govt. During Financial Year 2010-11, the funds were transferred to the provinces on the authorization of Planning & Development Division. The position is reflected as under: -

(Rs. in million)

Province	No of Projects	Revised PSDP Allocation	Releases	Remarks
Punjab	07	930.348	830.348	
Sindh	28	1689.277	1599.291	
Khyber Pakhtunkhwa	12	449.852	342.894	
Balochistan	36	4758.084	3844.474	The released amount include Rs. 800.00 million released for Pasni Fish Harbour Project, received from Counter Value Fund of Japanese Grant.
Total	**83**	**7827.561**	**6617.007**	

Besides, the province of Khyber Pakhtunkhwa was provided development grants of Rs.3.900 billion outside PSDP, for IDPs/Maintaining Law & Order in the province.

Current/Non-Development Budget in respect of Devolved Ministries/Divisions/Departments/ Projects of the defunct Ministries/Divisions devolved (From Current/ Non Development Budget)

Consequent upon the reorganization of Federal Secretariat in pursuance of Eighteenth Amendment in the Constitution, the following numbers of Departments/ Projects of the defunct Ministries/Divisions were devolved to the Provinces. Province-wise allocation of Non-development grant and funds provided under Demand No.42-Grants-in-Aid and Misc. Adjustments between the Federal and Provincial Governments for the year-2010-11 is as under:-

(Rs. in million)

S#	Name of Province	Nos. of Deptts./Projects	Allocation (through TSG)	Funds Provided /released
1	Punjab	32	64.609	64.609
2	Sindh	26	86.738	86.738
3	Khyber Paktunkhwa	18	21.725	21.725
4	Balochistan	14	10.295	10.295
	Total:	**90**	**183.367**	**183.367**

Development Budget in respect of Devolved Ministries/Divisions

Development Projects of the defunct Ministries/Divisions were devolved (From Development Budget)

Various Development Projects of the defunct Ministries/Divisions were devolved to the Provinces as a result of 18th Amendment. Province-wise allocation of development grants and funds provided under Demand No.145-Other Development Expenditure for the year-2010-11 is as under:-

(Rs. in million)

S#	Name of Province	Projects	Allocation (through TSG)(R.E.2010-11	Funds Provided/ released
1	Punjab	19	1638.661	1638.661
2	Sindh	18	952.865	952.865
3	Khyber Paktunkhwa	7	474.570	458.466
4	Balochistan	14	678.634	678.634
	Total:	**58**	**3744.730**	**3728.626**

Releases of funds to Provinces under devolved Ministries/Divisions have successfully been completed by PF. Wing upto 30-6-2011.

Other Misc. Non-development Grants to the Provinces:

The Federal Government has also transferred funds as Misc. non-development grant 2010-11 which are tabulated as under:

(**Rs. in Million**)

Component	**Punjab**	**Sindh**	**Khyber Pakhtunkhwa**	**Balochistan**	**Total**
Production Bonus	0.000	939.952	0.000	0.000	939.952
Grants to offset Losses of abolition of OZT	0.000	5,326.746	0.000	0.000	5,326.746
Net Hydel Profit	5,166.000	0.000	25,000.000	--	30,166.000
Grant to Balochistan in Liue of Arrear of GDS 2002-03 to 2009-10	- -	- -	- -	2,000.000	2,000.00
Grant to Balochistan in Liue of Arrear of GDS 1991-92	- -	- -	- -	10,000.000	10,000.00
Grant for posts under **"AHBP"**	- -	- -	- -	740.000	740.000
Grant-in-aid Over Draft Payment to SBP)	- -	- -	- -	3,957.997	3,957.997
Others (Grant to Jagalma Hospital Sindh)	--	80.000	--	--	80.000
Total:	5,166.000	6,346.698	25,000.000	16,697.997	53,210.695

Out of the total allocation under demand titled "Other Development Expenditure" the number of development projects of the provinces were decreased from 75 to 66 with total allocation of Rs.8.846 billion to be released during the FY 2011-12. The number of projects and its allocation provinces-wise, for the year 2011-12 are as under:

(Rs. in Million)

Name of Province	**Projects**	**Amount**
Punjab	12	2,364.669
Sindh	22	2,317.804
Khyber Pakhtunkhwa	11	1,548.459
Balochistan	21	2,615.649
Total:	**66**	**8,846.581**

Cash Development Loan

An amount of Rs.2500.00 million has also been released to Govt. of Sindh for Protection of Bunds on 5th April 2011.

Recoveries of Cash Development Loan (CDL) from Province:-

The following recoveries on account of CDL from the provinces have been made during 2010-11: -

(Rs. in million)

Province	Principal	Interest	Total
Punjab	4,506.594	5,777.390	10,283.984
Sindh	822.316	2,363.116	3,185.432
Khyber Pakhtunkhwa	706.058	1,669.353	2,375.411
Balochistan	23.400	90.229	113.629
Pre-mature retirement of CDL	5720.072(Rs.1682.845m by GOB and Rs.4037.227 m by Go KPK in 2010-11)	-	5720.072
Total	**11,778.440**	**9,900.088**	**21,678.528**

During Financial Year 2010-11, the R.E 2010-11 in respect of the Demands for grants controlled by PF.Wing, were completed as under: -

Sr.No.	Demand No.	BE 2010-11	RE 2010-11
i)	42	54.398	54.060
ii)	130	10.061	10.052
iii)	145	43.952	19.405
iv)	176	52.842	37.156

FEDERAL TRANSFER TO AJ&K GOVERNMENT

Non-Development Expenditure - by KA&GB Division under Demand No.82

(Rs. in million)

	Components	Allocation 2010-11	Release	%
(a)	Federal Grant	6143.292	6143.292	100.0
(b)	Revenue Deficit Grant	6796.959	6796.959	100.0
	Total	**12940.251**	**12940.251**	**100.0**

AJ&K's ADP and Federal Projects under Demand No.176.CDL

Components	Allocation 2010-11	Release	%
ADP	5516.478	5016.478	91.0
Federal Projects	2859.575	1287.125	45.0
Total	**8376.053**	**6303.603**	**75.26**

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 of autonomous/semi autonomous and regulatory bodies of the Federal Govt.

- Approval of the pay packages of the employees of autonomous bodies, corporations companies etc. where public investments have been made in order to safeguard the interest of the Govt. of Pakistan.

- Approval of proposals regarding pay protection and up-gradation of posts.

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

- Matters related to deputation allowance, senior post allowance and additional charge allowance.

- Honorarium policy for civil servants, policy on Management Pay Scales, Management Position Scales and Leave Rules.

- Determination of foreign allowance and entertainment allowance of the Govt. employees posted in Pakistan Missions abroad.

- Determination of rates of house rent allowance, conveyance allowance, overtime allowance etc.

- Determination of policy in regard to pension for Govt. servants 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 2010-11

During the financial year 2010-2011, the Government has allowed the following reliefs to the employees/pensioners:

i) Adhoc Allowance @ 50% of basic pay has been allowed to all the civil employees of the Federal Government w.e.f. 1.7.2010.

ii) The rates of some special pays and allowances such as Medical Allowance, Night Duty Allowance, Conveyance Charges for late sitting, Special Pays for PS/PAs and Daily Allowance for BPS.1-16 have also been revised.

iii) Introduced Medical Allowance @ 15% of basic pay to the employees in BPS-16 & above.

iv) Government allowed increase in pension with effect from 1st July, 2010 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:-

- Those pensioners who retired before 01.12.2001
  20%
- Those pensioners who retired on or after 01.12.2001
  15%

v) Government allowed increase in minimum pension w.e.f. 1st July, 2010 from Rs. 2000/- p.m. to Rs.3000/- p.m. to civil pensioners of the Federal Government including civilian paid from Defence Estimates as well as Armed Forces Personnel. Family pension allowed to the family of a retired Government employee including those paid from Defence Service Estimates under the Pension-cum-Gratuity Scheme 1954, and Liberalized
Pension Rules, 1977 has also been increased from current rate of 50% to 75% i.e. Rs. 1000/- p.m. to Rs.2250/- p.m.

vi) Government introduced Medical Allowance with effect from Ist July, 2010 to civil pensioners of the Federal Government including civilians paid from Defence Estimates and Civil Armed Forces at the following rates:-

a) Pensioners who retired / will retire in BPS 1-15 @ 25% of pension drawn.
b) Pensioners who retired/will retire in BPS 16-22 @ 20% of pension drawn.

vii) Government allowed increase in the rate of family pension from 50% to 75% of Gross & Net Pension, as the case may be, with effect from 01.07.2010. No arrears on any part of increase in gross or net pension being allowed will be admissible, in the case of family pension pertaining to the period prior to 01.07.2010.

viii) Allowed Increase in pay and allowances of Superior Judiciary w.e.f. 01.07.2010 as under:-

Name of the post	Increase in Pay		Increase in Superior Judicial Allowance	
	Existing	**Revised**	**Existing**	**Revised**
Chief Justice of Supreme Court	Rs.259,838/-	Rs.389,757/-	Rs.113,750/-	Rs.170,625/-
Judges Supreme Court	Rs.245,457/-	Rs.368,185/-	Rs.113,750/-	Rs.170,625/-
Chief Justice High Court	Rs.240,825/-	Rs.361,238/-	Rs.91,000/-	Rs.136,500/-
Judges High Court	Rs.231,563/-	Rs.347,345/-	Rs.91,000/-	Rs.136,500/-
Staff of Superior Judiciary	50% increase at uniform rate in basic pay and Judicial Allowance			

ix) Increase in rates of Prime Minister/President House Allowances as under:-

S.No.	Name of Deptt.	Percentage of Allowance
1.	a) President's Sectt.(Personal & Public)	All employees – equal to 100% of basic pay w.e.f. 10.05.2011.
		100% of basic pay w.e.f. 10.05.2011 (For Security Staff)
	b) Prime Minister's Sectt. (Public & Internal)	All employees – equal to 100% of basic pay w.e.f. 10.05.2011.

x) Allowed following benefits to Islamabad High Court w.e.f 03-01-2011:-

S.No.	Name of Deptt.	Percentage of Allowance
1.	Special Judicial Allowance	Equal to three times of the initial of the substantive pay scale (all the officers and staff of all BPS).
2.	Judicial Allowance	BPS-22 – 45% of the basic pay
		BPS 19 – 21 Rs.21000 pm (Fixed)
		BPS-18 - Rs.18000 p.m. (Fixed)
		BPS-17 - Rs.15000 p.m. (Fixed)
		BPS 7-16 – Rs.9000 p.m.(Fixed)
		BPS 1-6 - Rs.6000 p.m.(Fixed)
3.	Utility Allowance	BPS 7 – 16 – Rs.4000 pm (Fixed)
		BPS 1-6 – Rs.3000 pm (Fixed)
4.	Car Allowance	BPS-20 & above Rs.7000 pm(Fixed)
		BPS-19 - Rs.6000 p.m.(Fixed)
		BPS-17 & 18 – Rs.5000 pm(Fixed)

xi) Allowed following benefits to Federal Shariat Court w.e.f 01-07-2010

S.No.	Name of Allowances	Percentage of Allowance
1.	Judicial Allowance	BPS 19 – 21 Rs.21000 pm (Fixed)
		BPS-18 Rs.18000 p.m. (Fixed)
		BPS-17 Rs.15000 p.m. (Fixed)
2.	Special Judicial Allowance	Equal to three times of the initial of the substantive pay scale to all the Members of Establishment of Federal Shariat Court.
3.	Utility Allowance	BPS-19 & above Rs.8000 p.m.(Fixed)
		BPS-17 & 18 – Rs.5000 p.m(Fixed)

		BPS 7-16 – Rs.4000 p.m(fixed)
		BPS 1-6 - Rs.3000 p.m.(Fixed)
4.	Car Allowance	BPS-20 & above Rs.7000 p.m.(Fixed)
		BPS-19 - Rs.6000 p.m.(Fixed)
		BPS-17 & 18 Rs.5000 p.m.(Fixed)

xii) Allowed following benefits to Law & Justice Commission of Pakistan w.e.f. 01-02-2011:-

S.No.	Name of Allowances	Percentage of Allowance
1.	Special Judicial Allowance	Equal to three times of the initial of the substantive pay scale (all the officers and staff of all BPS).
2	Judicial Allowance	BPS 19 -21 Rs.21000 pm (Fixed)
		BPS-18 – Rs.18000 pm (Fixed)
		BPS-17 – Rs.15000 pm (Fixed)
		BPS 7-16 – Rs.9000 pm (Fixed)
		BPS 1-6 – Rs.6000 pm (Fixed)
3.	Utility Allowance	BPS-19-21 - Rs.8000 pm(Fixed)
		BPS-17 & 18 – Rs.5000 p (Fixed)
		BPS 7-16 – Rs.4000 p.m(fixed)
		BPS 1-6 - Rs.3000 p.m.(Fixed)
4.	Car Allowance	BPS-20 & above Rs.7000 pm (Fixed)
		BPS-19 – Rs.3520 pm (Fixed)
		BPS 17-18 – Rs.2520 pm (Fixed)
5.	Special Allowance	20% of basic pay to the Personal staff of the Chairman, Law & Justice Commission of Pakistan.

xiii) Allowed following benefits to Federal Judicial Academy w.e.f. 01-02-2011:-

S.No.	Name of Allowances	Percentage of Allowance
1.	Special Judicial	Equal to three times of the initial of

	Allowance	the substantive pay scale (all the officers and staff of all BPS).
2.	Judicial Allowance	BPS-22 - @ 45% of the basic pay
		BPS 19 -21 Rs.21000 pm (Fixed)
		BPS-18 – Rs.18000 pm (Fixed)
		BPS-17 – Rs.15000 pm (Fixed)
		BPS 7-16 – Rs.9000 pm (Fixed)
		BPS 1-6 – Rs.6000 pm (Fixed)
3.	Car Allowance	BPS-19 & above Rs.7000 pm (Fixed)
		BPS-18 – Rs.6000 pm (Fixed)
		BPS 17 – Rs.5000 pm (Fixed)

xiv) Enhanced the rate of honorarium admissible to Council Assistants in the Federal Secretariat from Rs.130/- p.m. to Rs.500/- p.m.

xv) Granted Adhoc Allowance - 2010 @ 50% of the Basic Pay to the Executive/Supervisory Staff of Autonomous/ Semi-Autonomous Bodies and Corporations.

xvi) Granted Adhoc Allowance – 2010 @ 50% of Existing Basic Pay to the Officers Holding Management Grades.

THE AUDITOR-GENERAL OF PAKISTAN

Mandate and Scope

The SAI Pakistan has a long history of being at the centre of public accountability that goes back to the 19th century when the financial codes and manuals for public financial management in the region were first drafted in pre-independence era. Since the independence of the country, the SAI Pakistan enjoys a constitutional status that ensures continuity of its operations for promoting transparency in governmental operations.

According to the Constitution of the Islamic Republic of Pakistan, the Parliament and the Provincial Assemblies have the final word over the issuance of public funds from the Consolidated Funds and the Public Accounts of the Federal and Provincial Governments. Control over these funds is exercised by the Parliament through the office of the Auditor General who ensures conformity to the determination of the legislature. His mandate, given in the Constitution of the country and supported by subsidiary legislation, enables him to develop independent and objective assessments of the process of governance, which augment the legislative oversight of the peoples' representative on governmental operations.

Role of the PAC in Public Accountability

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

Corporate Audit Plan

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

- Timely, reliable and relevant reporting for the stakeholders vis-à-vis Legislature and the Government and the Public.
- Addressing High Risk Areas and System Weaknesses in the Financial System.
- Value Addition by assessing key performance indicators.
- Identifying emerging challenges.

Audit Reports of the AGP

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

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

Besides identifying cases of financial irregularities and internal control weaknesses in a particular audited organization, an audit report also identifies areas of financial management that need improvement. It also reports on the compliance to the PAC's directives relating to the previous audit reports on the same audited entity.

The audit findings of the field audit offices that depict financial irregularities, internal control weaknesses and other areas of vulnerability are generally grouped in the following categories for reporting purposes:

- Violation of rules and regulations, including reported cases of fraud, thefts, misuse of public resources and weaknesses of internal control systems.
- Accounting errors that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.
- Violation of the principles of propriety and probity in public operations.
- Recoveries and overpayments, representing cases of established overpayments or misappropriations of public monies.
- Non-production of records.
- Others, including cases of accidents, negligence, etc.

Criteria for the classification of audit findings into these categories are clearly provided in the Reporting Guidelines for the Field Audit Offices to ensure that FAOs categorize heir audit findings uniformly.

The financial statements of the Federal and Provincial governments are certified under a System Based Approach (SBA) to Financial Attest. The objective of SBA is to enable the government auditors to plan their activities economically and efficiently so that they can collect the required evidence regarding the health of government accounts.

Certification Audits: The AGP certifies the Accounts and Financial Statements of the Federation, Provinces and Districts.

Regularity and Compliance audits are conducted under a roll over plan for all organizations at all tiers.

Performance Audits primarily examine economy, efficiency, effectiveness aspects of public sector operations.

Special audits and studies of the risk-prone or public interest areas of public sector operations are also carried out by the Department on the request of the Executive, the Public Accounts Committee or other relevant stakeholders. The final decision on whether to proceed or not on a request rests with the Auditor General.

Following is a brief report on the activities of the AGP for the Audit Year 2010-11.

Certification of Accounts

During the Audit Year 2010-11, the Auditor General of Pakistan (AGP) certified the accounts of 254 federal, provincial and district governments involving an amount of Rs.7,369 billion. Break-up of government entities, number of accounts certified and amount involved in certification for the Audit Year 2010-11 are summarized in the following table:-

Government	**No. of Accounts Certified**	**Size of Account (In Million Pak.Rupee)**
Federal	2	5,598,001
Self Accounting Entities	9	491,091
Total Federal Government	**11**	**6,089,434**
Provincial – Punjab	4	491,345
Provincial – Sindh	3	263,937
Provincial – KP	3	122,902
Provincial – Balochistan	2	60,544
Districts	226	275,593
ERRA	1	21,062
AJ & K Council	2	6,251
AJ & K Government	2	38,264
Total	**254**	**7,369,332**

Compliance with Authority and other Audits

During the Audit Year 2010-11, Field Audit Offices (FAOs) of the AGP conducted compliance with authority audits of 8,746 formations. In terms of coverage, the AGP covered 325 Federal and Provincial entities and 253 districts entities. The audited amount comprising receipts, disbursement, and expenditure was Rs.15.278 trillion. Of this, the AGP placed Rs.868,940 million (5.7% of audited amount) under audit observations. In addition to compliance with authority audits, the AGP conducted a large number of performance audits, special audits, and foreign-aided projects audits during the Audit Year 2010-11. As a result, the AGP produced 352 Audit Reports in the Audit Year 2010-11 as indicated below:-

Sr. No.	Description of Audit Reports	No. of Reports
1	Compliance with Authority Audits	164
2	Special Audit Reports	14
3	Performance Audit Reports	70
4	Other Audit Reports (Audits of foreign funded Projects, IT & Environment Audit etc)	104
5	Total Audit Reports	352

Efficiency of our Operations

Cost benefit ratio of the AGP's work has always been very high. For the Audit Year 2010-11, the AGP verified recoveries amounting to Rs.69.620 billion against a budget of Rs.2.058 billion. Thus, an amount of Rs.34 was recovered and verified at pointation of the AGP for every rupee allocated to the AGP in its budget of 2010-11. The recovery effected in the Audit Year 2009-10 was Rs.23.65 billion. Thus, recoveries increased by nearly 300% in the Audit Year 2010-11 compared to previous year.

Institutional Development

A. System Development

In the Audit Year 2010-11, the AGP formulated and institutionalized a Quality Management Framework (QMF). Consistent with international standards and guidelines, the QMF captures all dimensions of audit quality and applies to all stages of audit cycle. Audit reports are now rated against benchmarks given in the QMF. The AGP also formulated Guidelines for the Audit of Disaster Management and FAOs are now testing these guidelines in field work. The AGP also developed templates and guidance notes to standardize our audit reports. As a result, the quality of our audit reports has improved notably in Audit Year 2010-11.

As part of its strategic intent, the AGP is also investing in institutional development for Information System (IS) Auditing. In the Audit Year 2010-11, the AGP set up a CISA training centre within the premises of its training establishment at Lahore. The centre prepares officials not only to take CISA exams but also conduct IS audits. The AGP also formulated and printed Guidelines for the Audit of IS: Procurement of Hardware and software (Volume-1). Work on Guidelines (Volume-II), that focuses on system's auditing, is likely to be approved shortly. The process of implementing Audit Management Information System (AIMS) also accelerated in the Audit Year 2010-11.

B.Capacity Building

During the Audit-Year 2010-11, 72 officers attended Mid Career Management Course (MCMC), Senior Management Course (SMC), National Management Course (NMC))/ National Defence University Course (NDU) as per the following break-up:

Course Name	2010-11
MCMC (10 weeks)	19
SMC (20 weeks)	42
NMC (20 weeks)	9

NDU (One Year)	2

The AGP is a knowledge-based organization that continuously invests in imparting relevant skills to its workforce. The AGP's training establishment, Audit and Accounts Training Institute (AATI) keeps track of training needs of officials and organizes responsive training programs. During the year 2010-11, the AATI organized 165 training courses as summarized below:

AATI Station	No. of Courses	No. of Participants	No. of Days
Lahore	46	908	392
Islamabad	37	556	382
Karachi	30	429	250
Peshawar	27	276	246
Quetta	25	521	238
Total	**165**	**2,690**	**1,508**

Topics covered included Code of Ethics, Auditing Standards, IPSAS, Audit Planning, New Accounting Model, Audit Command Language (ACL), Forensic Auditing, Report writing etc. In addition, three Intensive Training Program (ITP) for 67 officials were organized at the AGP's Performance Audit Wing (PAW), Lahore. The ITP is designed to help trainees to build on their existing knowledge and skills and apply good practices in Value for Money (VFM) audits. PAW also conducted a refresher course for ITP qualified officials during the year.

Our Impact

The AGP is always looking for opportunities to improve systems and procedures to increase the effectiveness of government operations. The AGP measures its impact not only by the amount of public money it helps recover but also by the changes in systems and procedures made in response to its recommendations. For the Audit Year 2010-11, the AGP verified recoveries amounting to Rs. 69.620 billion. Annexure-(Impact of Audit) lists some major changes in government's systems and procedures resulting from our compliance with authority audit reports. .

Our International Profile

The AGP is an active member of many other multilateral professional organizations including the International Organization of Supreme Audit Institutions (INTOSAI). It is elected as Member of Governing Board of INTOSAI, elected as Chairman of Asian Organization of Supreme Audit Institutions ASOSAI, and permanent Secretary General of Economic Cooperation Organization of Supreme Audit Institutions (ECOSAI). In addition to representing Pakistan at these forums, the AGP takes active part in capacity building initiatives at regional level. Following are some of the examples of the AGP's engagement in international activities during the Audit Year 2010-11:

i. Delivered performance audit training to officers of the General Auditing Bureau, Saudi Arabia (July 2010).

ii. Participated in Workshop "Strengthening External Public Auditing in ASOSAI Region", South Korea (December 2010).

iii. Participated in the International Development Initiative of ASOSAI titled " Quality Assurance in Performance Audit" in November-December 2010, Kuala Lumpur, and April-May 2011, in Bangkok, Thailand.

iv. Organized training course on IT audit at General Auditing Bureau, Saudi Arabia, (January 2011).

v. Organized training course on Certification Audit Course for the Commission of Audit, Macau, (January 2011).

vi. Participated in IDI-INTOSAI capacity building in the audit of public debt management, Philippine, (March 2011).

vii. International Intensive Training Program (ITP) in Performance Audit for regional audit offices in PAW, Lahore. 14 Officials from regional national audit offices participated in this event.

The AGP has been the External Auditor to the United Nations Industrial Development Organization (UNIDO) for the biennium 2008-09, and 2010-11. In this capacity, the AGP carried out external audit of UNIDO for the year ending December 31, 2010 during 2011.

Annexure

IMPACT OF AUDIT

S.No.	Name of FAO	Impact
1	DG Audit (Foreign & Int'l)	The Ministry Of Foreign Affairs revised the rules regarding utilization of Pakistan Community Welfare & Education Fund (PCW&EF) and Fund for Improvement of Government Owned Buildings (FIGOB).
2	DG Federal Audit	The Ministry of Law, Justice and Parliamentary Affairs is working on amending the Legal Practitioners and Bar Councils Act for more transparent disbursement of grants to the Bar by the Federal and Provincial Governments. Rules are being framed to regulate regimental funds of the Civil Armed Forces.
3	DG Audit Works Provincial LHR	Provincial Engineering Departments have adopted PPRA Rules and the practice of first sanctioning technical estimates before start of procurement activity.
4	DG Audit Works (Federal) Islamabad	Civil Aviation Authority (CAA) and Pakistan Rangers have adopted the PPRA Rules. CAA is formulating SOPs to streamline its posting/transfer procedures.
5	DG Audit (CA & E) Karachi (PSE Federal)	The practice of salary advances made in the Pakistan Housing Authority contrary to the government policy has been stopped. Sui Northern Gas

		Pipelines Limited (SNGL) stopped paying motivational incentives not admissible under rules. Further, the SNGL is amending its Project Manual to recognize revenues from disposal of falling trees.
6	DG Audit (PT&T) (Telecom Sector)	Service Rules of Telecom Sector including pay packages have been formulated for government telecom entities. Further, these entities have adopted PPRA Rules.
7	DG Audit (PT & T) (PPO sector)	Post masters are required to use Imprest Fund rather than drawing cash on paper chits. Similarly, incentives and allowances offered in isolation by the Pakistan Post Office Department have been rationalized.
8.	DG(RRA) North & South (Indirect Taxes	FBR issued SRO restricting the sale of filter rods for cigarettes to registered persons only in order to plug evasion of federal excise duty and sales tax on cigarettes.

Source: Audit Reports for the Audit Year 2010-11

CENTRAL DIRECTORATE OF NATIONAL SAVINGS (CDNS)

The history of National Savings Organization dates back to the 2nd World War when the British Govt. of undivided India launched the savings schemes to meet the war time expenditure. To have a permanent arrangement, a National Savings Bureau was established as an Attached Department of the Ministry of Finance, offices of which were established in almost all provinces of the sub-continent with the objective of popularizing the savings schemes among the masses as well as to supervise, guide and control the working of the agents authorized to sell the savings instruments.

On 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 is considerably expanded set up.

At present, Central Directorate of National Savings is operating with a network of 422 offices comprising 12 Regional Directorates, 16 National Savings Treasuries, 373 National Savings Centres, 01 Directorate of Inspection and Accounts, 07 Zonal Inspection and Accounts Offices, 12 Regional Accounts Offices and 02 Training Institutes. 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 13.55% p.a. on maturity. The profit in this scheme is paid for completed years on maturity or encashment, whichever is earlier.

ii. **Special Savings Certificates (Regd.)/Accounts**
A three years maturity scheme available both in form of certificates and accounts providing bi-annual return @ 13.20% p.a. for the 1^{st} five profits and @ 14.00% p.a. for the last profit.

iii. **Regular Income Certificates**
A five years scheme providing monthly profit payment @ 13.44% 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 @ 15.36% 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 @ 9.00% p.a.

vi. **Pensioners' Benefit Account**
A new savings scheme exclusively launched for pensioners with maturity period of 10 years offering monthly profit payment @ 15.36% 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.7,500, Rs.15,000 and Rs.40,000. The scheme offers prizes drawn on quarterly basis. The rate of return on this scheme works to 10.00% p.a.

viii. **National Savings Bonds**

A tradable type of security was launched in January 2010 under the Second Generation of Capital Market Reforms Programme. The National Savings Bonds are available in the 3, 5 & 10 years maturity and offered in issues. The subscription of first issue was closed on 26-01-2010. The rates of return is paid bi-annually which for first issue were 12.50%, 12.55% & 12.60 %.

Investment Targets for FY 10-11.

- The gross and net investment targets of National Savings Schemes for FY 2010-11 were pitched by the Finance Division at Rs.744,770 million & Rs.223,100 million respectively. The CDNS has surpassed the target by mobilizing gross receipts of Rs.784,629 million and net receipts of Rs.234,944 million during FY 2010-11. 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.

Restructuring of National Savings

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 Establishment Division and the Law & Justice Division by May, 2006. The matter is again under active consideration of the present Government and the Finance Minister in a recent meeting has desired to make some amendments in the draft law and have decided to convert CDNS into a Modern Saving Bank. The draft law is under process at the level of CDNS.

Automation of National Savings Organization

The automation of National Savings is a part of the Central Directorate of National Savings (CDNS) strategic plan to facilitate the customers with the efficient customer services at its National Savings Centers (NSCs). Main Application relating to business activities at NSCs has been developed. Data entry at 63 NSCs has been completed since inception Main Application is being tested through parallel run at these NSCs. Networking, electric cabling, Hardware and Communication Infrastructure have been installed at all 63 NSCs of different RDNSs, the project will be completed by last quarter of 2012 with the computerization of 108 sites.

Implementation of an automated system for all functions of the CDNS will improve financial control, ensure accurate assessment of budget estimates/ effective policy decisions, improve customer service, decrease workload on end users, extend value added services to investors and will equip the CDNS for restructuring to compete with the technology driven financial market.

CONTROLLER GENERAL OF ACCOUNTS

Activities and Achievements

Introduction:

i. On the Separation of accounting function from auditing, the office of the Controller General of Accounts (CGA) was established as an independent organization w.e.f. 01.07.2001, under CGA ordinance No. XXIV of 2001. Accounting, Internal Control, Pre-Audit and Payment functions were transferred from Auditor-General of Pakistan and entrusted to the CGA under the ordinance.

ii. Office of the CGA and its subordinate offices are not only preparing accounts of the Federal, Provincial and District Governments but are also maintaining accounts of Self Accounting Entities. Apart from preparation of accounts offices under CGA are also making payments after applying necessary pre-audit checks.

iii. As per section 6(2) of the CGA Ordinance, 2001 following accounting organizations were brought under the Controller General of Accounts:-

a. Accountant General of Pakistan Revenues and its sub-offices.
b. The Military Accounting General and its sub-offices.
c. The Accountants General of each Province and District Accounts Offices of the respective provinces subordinate to them.
d. The Chief Accounts Offices of the Departmentalized Accounting Entities
e. Any other Departmentalized Accounting Entity and their sub offices.

Iv Controller General of Accounts under section 6(3) of the CGA Ordinance, 2001 has been declared as administrative head of all the offices subordinate to him with full authority for transfer & posting within his Organization.

Achievements of the FY 2010-2011:-

The main achievements of the FY 2010-2011 are as below:

a. Commitment Accounting

The Commitments Accounting Module has been fully implemented in Federal Government as well as Provincial Governments in the financial year 2010-2011. The recording of commitments of Rs. 0.5 million and above are being watched regularly.

b. Financial Reporting

The Accounts of the Federal Government, Provincial Governments and Self Accounting Entities (SAE) were submitted to audit within two months after close of the financial year 2009-2010. Necessary steps have already been taken to ensure that accounts for the year 2010-2011 are submitted to audit within the target date.

Submission of timely, relevant and reliable annual accounts is a major objective. To achieve this milestone, monthly civil accounts and other reports are regularly generated from SAP, R-3 system for use in Ministry of Finance and the Finance Departments to help in day-to-day decision making, rather than relying on year-end financial statements.

Budget Execution Report (BER) showing comparison of Budget and Actual Expenditure are generated by all the AsG from SAP, R-3 and sent to Principal Accounting Offices (PAOs) of respective Governments for their information, reconciliation and decision making.

Efforts are underway to fully implement the Assets Accounting at the Federal and Provincials levels.

Preparation of financial statements on the basis of IPSAS Cash Basis which is a major milestone. These statements are prepared for provinces as well as districts Governments.

Preparation of fiscal operation tables for MOF, which are then submitted to IMF, is also a major achievement. This office prepares quarterly tables for Federal Government and sends it to MOF. Work is underway to extend it to provincial Governments quarterly tables and consolidated one as well.

c. Pension Reforms

SOP for direct payment of pension through all scheduled banks to facilitate all pensioners (Civilian/Defense) has been devised by the Controller General of Accounts and finalized in consultation with Ministry of Finance and State Bank of Pakistan. Pension payments through all the scheduled banks have been implemented with effect from 01.01.2011.

d. Service Delivery

In order to monitor performance and improve services delivery in our field offices, a comprehensive Management Information System (MIS) report has been devised-which serves as an internal control for monitoring progress in various field offices. To improve service delivery various measures are being taken which include generation of following documents thorough the system.

a) Last Pay Certificate.
b) Leave Admissibility Certificate.

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 216.388 (million) coins in number worth Rs. 290.688 million.

S. No..	NAME OF ARTICLES	QUANTITY IN NOS (MILLION)	VALUE (MILLION)
	A-COINS		
1.	Re- 1 Aluminum	145.668	145.668
2.	Rs- 2 Aluminum	70.500	141.000
3.	Rs- 5 ------------	------	--------
4.	Rs- 20 C.N. (Commemorative Coin)	0.200	4.000
	Total	**216.388**	**290.688**

In addition the revenue worth Rs. 41.527 has also been earned against the other Jobs executed during 2010-11 as detailed below:-

S.No.	Name Of Articles	Quantity In Nos.
1.	Medal/Badges	8170
2.	Coins Pieces	11260
3.	Stamps and Seals	1131
4.	Year Type & Date	39749
5.	Coat Flag	627
6.	P.P. Seal/Sealers/P.M. Seal	354
7.	Scales/Weight/Chancellor Scale	58
8.	Shields & Crest	599
9.	Embossing Machine	24
10	Lapel Pins	467
11.	Paper Cutter	36
12.	Tent Pager/Uryal/Gilding Bar/Monogram	281
13.	Name Plate	29
14.	Velvet Box & Ribbons	1443
15.	Key Rings & Buttons	236
16.	Brass Seal/Bits	66
17.	Year Punches	507

Summary

Value of the Coins delivered to State Bank of Pakistan	=	Rs. 290.688 million
Revenue earned against the Jobs executed other than Coins	=	Rs 41.527 million
Total	**=**	**Rs. 332.215 million**

DEBT POLICY COORDINATION OFFICE

1) **Major Achievements:** The DPCO acts as a secretariat for the Fiscal Responsibility and Debt Limitation Act 2005.

Functions:

As per the FRDL Act 2005, DPCO has been entrusted to perform the following functions:

- Prepare a debt reduction path,
- Monitor and evaluate external and domestic borrowing strategies,
- Analyze the foreign currency exposure of Pakistan's external debt by undertaking market risk management,
- Provide consistent and authenticated information on public and external debt and Government guarantees including total guarantees outstanding,
- Provide leadership on debt data questions and ensure compliance with agreed reporting requirements; and
- Maintain a centralized and updated electronic record of the public and external debts.

Publications:

As part of its primary responsibilities, the DPCO prepare and present to the parliament following documents every year:-

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

During 2010-11, this office presented these statements to the parliament. Debt and Fiscal Policy Statements included a comprehensive review of the dynamics of Pakistan’s debt portfolio as well as developments in the fiscal sector covering entire period of FY 2009-10 and first quarter of Financial Year 2010-11. These documents also contain a report on compliance with the provisions of FRDL Act 2005. Medium-Term

Budgetary Statement include three-year targets for key economic indicators and is presented with the annual Budget

Position Of Public Debt During 2010-11

Public debt has become a big issue for many developed countries (e.g Greece) in the wake of the global financial crisis. In Pakistan, public debt is being managed under Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005, which requires that total Public Debt does not exceed 60% of estimated GDP by June 30, 2013. Government has reduced debt ratio to below 60% in 2006 and maintaining that ratio since then.

During 2010-11, total public debt with a decline of 0.7 percentage points stood at 59.2% of GDP. In nominal terms total public debt during 2010-11 increased by Rs 1795.4 billion reaching a total outstanding amount of Rs 10,689.4 billion; an increase of 20.2 percent in nominal terms over the last year. Domestic debt during this period increased by Rs 1361.8 billion or 29.3 percent with 75.8 percent share in total public borrowing, showing an increase of 2 percentage points to 33.3 % of GDP. Foreign public debt increased by Rs 433.7 billion or 10.2 percent, which accounted for 24.2 percent in total public debt, showing a decline of 2.7 percentage points to 25.9% of GDP. It is important to note that out of Rs 433.7 billion the impact on account of exchange rate depreciation was only 4.8 percent due to relatively stable exchange rate regime.

In the fiscal year 2010-11, though Pakistan's external debt and liabilities surged to US$ 60.1 billion, as compared to US$ 55.9 billion in the previous year, showing an increase of $4.2 billion or 7.5 percent, it registered a further decline of 3.2 percentage points to 28.1 percent of GDP.

In emerging economies like Pakistan, domestic debt markets are typically in their nascent stages. This hampers the development and accessibility of alternative sources of cheaper and lower risk finance to the government and confines its options to manage risk through restructuring operations. Overcoming structural weaknesses and creating strategies for managing borrowing from domestic sources should be a core concern.

FISCAL Situation 2010-11

The Pakistan economy during FY 2010-11 remained under stress in the aftermath of the devastated floods, which engulfed one-fifth of the country at the start of the fiscal year and tried to jeopardize fiscal consolidation efforts of the government. The situation was further compounded by paucity of resources because of slow response from development partners. The macro-economic environment carried unresolved structural problems, the most important being acute energy shortage. The domestic environment is still affected by volatile security situation, higher inflation driven mainly by rising food prices, modest growth in tax revenues, resulting a pressure on fiscal deficit; lower than anticipated inflows and increase in oil prices.

The economy started improvement in the second half of FY 2010-11 and showed some signs of recovery mainly driven by external sector buoyancy. Real GDP growth during 2010-11 grew at 2.4 percent compared to 3.8 percent in the previous year. The fiscal deficit for the outgoing fiscal year is projected to remain at 5.9% against the budget target of 4.0%.

Medium-Term Budgetary Statement 2011/12-2013/14 was presented to the parliament with the Federal Budget of 2011-12. This statement provided overall medium term macroeconomic framework and three-year rolling targets for key economic indicators. According to the statement, with prudent fiscal policy, strong implementation and adopting accountability principles, the government during 2011-2012 plans to lower its deficit target to around 4.0 percent of GDP with a policy to further reduces it to 3.0 percent of GDP by 2013-14.

Government will follow the policy of net zero quarterly borrowing from SBP and intends to pay off the outstanding stock of SBP credit in 8 years. With the repayments to the IMF, the total public debt will fall below 46% of GDP during 2013-14. Provision of fiscal space by bridging the revenue-expenditure gap, sustaining growth momentum and achieving robust real growth in revenue collection will allow for a significant reduction in the debt burden in the medium-term. These targets indicate the adherence of government to comply with the Debt to GDP threshold of 60 percent stipulated under the FRDL Act 2005.

2) **Future Policy Priorities:** The primary objective of the DPCO is to establish a well-equipped and efficient unit within the government that is responsible for data dissemination, analysis, and policy advice on debt and debt related issues. These include domestic debt, external debt and liabilities, as well as contingent liabilities. Access to timely data from concerned departments, establishment of exhaustive benchmarks against which debt management operations can be measured, and the formulation of a medium-term debt strategy that ensures the government's medium-term financing requirements are met in a timely and cost efficient manner without placing undue burden on the economy remain key priorities for the DPCO going forward.