

HUMAN RESOURCES

OUR PEOPLE, OUR ASSETS

At the State Bank, we firmly believe that the principal source of our strength as an organization is our human resource base. Managerial attention at the Bank has therefore been focused on the need to continuously invest in people, provide them with the right incentives to perform better and to make merit and performance the criteria for professional and career development. At the State Bank, we strive to develop and sustain a work environment in which each employee is empowered, is provided with opportunities for professional growth and is recognized and rewarded for the contribution made towards achievement of organizational objectives. We value diversity in terms of the unique characteristics that each member of our team brings to the organization as reflected in diverse educational and professional backgrounds, cultural and gender perspectives. This mix positively impacts institutional approach and decision processes by providing broader horizon, helping along the way the institution to be a more aware and responsive organization.

MEET OUR TEAM

A brief profile of bank's senior management team may be referred at Annexure-B.

Recruitment at SBP
Ensuring Competition, Merit And Transparency

Selection of the right people for the job is the first step towards developing an efficient institution. Great stress has therefore been laid on ensuring that the recruitment process at the State Bank is highly competitive, transparent and merit based. As a result of this conscious policy, we have been able to attract some of the top talent in the country in the fields of Economics, Finance, Business administration, IT, Accounts and Audit as well as Statistics. As an Equal Opportunity Employer we consciously seek diversity in terms of education, geographical representation and gender and have actively encouraged women to apply for positions at the State Bank.

As one of the largest employers of professionals in the country, with intake of more than 70 fresh graduates at entry level positions and frequent recruitment at senior levels, we have successfully developed a system that is unblemished by nepotism, subjectivity and political interference. All recruitment is through open advertisement and follows a well drawn out procedure involving thorough scrutiny of all applications according to clearly specified criteria, written tests developed and administered by external experts and interviews by a panel that has representation from our Board of Directors as well as private sector specialists in the relevant field.

This commitment to quality and merit will continue in our recruitment and other managerial actions.

HUMAN RESOURCE MANAGEMENT

Toward achieving a better alignment between the chosen roadmap and the support systems required for ensuring that the institution stays on the path, senior management gave due recognition to the need to review, update and revise Human Resource policies at State Bank. To reassure that this review process is handled in a thoroughly professional manner and in order to lend it an element of objectivity and freshness, services of a senior Human Resource Management expert were acquired from Bank Negara Malaysia (BNM) as Advisor on Human Resource Management. This choice was based on the fact that Bank Negara had itself successfully undergone a change management process some years ago and provided an excellent benchmark for us and the specific selection of the advisor was therefore linked to acquired expertise in the field and direct involvement in the change management process at BNM.

During the contracted period of nearly eighteen months (January 2001 to June 2002), the Advisor provided a new strategic outlook to all aspects of human resource management. After detailed study of existing systems, policies and procedures and assisted by a small, but efficient team that was assigned for the task, the Advisor prepared a range of policies that included:

1. Restructuring of HR function and organization
2. New Performance Management System
3. Dual Career Path and broad banding
4. Succession Planning
5. Reward and Recognition Systems

These new policies were aimed at creating an enabling environment for the professional development of staff by rooting them in merit-based, performance oriented and transparent procedures and processes. However, keeping in mind the absorption capacity of the institution for change and also to ensure effective implementation, rollout of these policies was prioritized. In the first instance, implementation of the new HR Structure and Performance Management System was initiated. The remaining policy initiatives are being introduced gradually.

Simultaneously, an internationally affiliated firm of consultants was hired to conduct Human Resource Audit of SBP. The HR Audit project was aimed at assessing the job contents, skill mix and training needs of the staff.

The next step was to ensure efficient implementation of policies. For this purpose, an HR professional having rich experience in HR practices and exposure of working in several international organizations was hired and appointed as Director HR. His induction has indeed helped in expediting the implementation of policies.

Restructuring of Human Resource Function & Department

As a part of restructuring and consequent upon separation of field offices from the State Bank, all functions of Administration Department were merged with the Human Resources Department effective from 2nd January 2002. The main thrust is to move from an Operation-based to a Development-based structure.

The new structure involves a major paradigm shift in people management where HR will facilitate and support change in people management practices in SBP through effective execution of its new roles as facilitator, a change agent, a specialist and designer and adviser to the line departments/managers besides providing efficient and timely HR services. Under the revised

structure, manpower resources have carefully been deployed after taking into account skills gaps in various functional areas and requirements of operational and developmental work.

Based on this new mandate on HR, people management practices in SBP will move on to a new dimension of making HR management a tripartite involvement of HRD, the Line Managers and the individual staff.

NEW PERFORMANCE MANAGEMENT SYSTEM (PMS)

There was a general feeling among the staff that the system of performance evaluation prevailing at the SBP was subjective and did not provide opportunities for improvement and development of the staff. It was therefore felt necessary to introduce new Performance Management System aimed at correcting the deficiencies of the existing system.

The present shape of PMS emerged after extensive consultation and feedback received from the staff. The process started with pre-pilot run and then proceeded with focus group presentations, pilot-run, review committees, HR consultants, training workshops, presentations to HODs & CMT and post implementation modifications based on stakeholders' feedback. The aim of modifications & refinements was to make the system more effective, user friendly and acceptable in the light of the local culture & environment. The Competency Model for SBP was considered to be an essential part of PMS. This Model catered for identification & development of necessary behavioral attributes envisaged for human capital. The development of technical skills as well as behavioral competencies was necessary to enhance capacity of human capital at the Bank. However, some aspects of the program were deferred during the first year for the sake of smooth implementation.

For evaluation purposes, a total of thirty-one behavioral competencies have been identified. From these competencies, a matrix of 12 to 14 competencies has been developed for each Department, depending upon the nature of its functions. In each competency matrix, there are six Core competencies which apply across the board; five competencies are grade specific while the remaining competencies are function specific. The individual departments can customize these matrices by adjusting the levels and relative weights of each identified competency according to the hierarchical levels and nature of assignments. Like any other developmental product, up dates were incorporated as the model was put into action and feedbacks received during the initial process of implementation.

The level-wise selected competencies have been clearly described in the Competency Dictionary in the form of observable behaviors to create understanding of terminologies & ensure consistency. The initial version of Competency Dictionary was revised after taking into account recommendations of the task force established for its review. Additional enhancements in the Competency Model have been undertaken to further customize it while using SBP workplace behavioral examples.

The new PMS has been introduced at SBP from July 2002 after approval by the Central Board in its meeting held on June 5, 2002 for all employees from OG-2 to OG-6 on the regular strength of the Bank. The first appraisal cycle under the new PMS has been completed with the finalization of the appraisal process for the period from July 2002 to June 2003. Introduction of the new PMS would also help in transforming SBP into a performance-driven organization. It is a business tool, which helps to align employee goals with strategies and objectives of the institution with clear demonstration of organizational core values. Implementation of the new PMS (through policies and procedure) would also be manifestation of

the tripartite responsibilities in people management and integration of newly developed competency model into the process.

Implementation of New PMS

The following activities have been undertaken to implement the New PMS.

Communication: A two-way communication process was initiated with the entire bank Staff, HODs, EDs, DGs, and the Governor to improve the level of understanding about the program. This process was observed to be successful, as majority of the officers from OG 2 to OG 6 had already attended elaborate training workshops on the program. This process, guided the formulation of revised PMS forms incorporating the required suggested modifications.

Pre Pilot and Pilot Runs: The results of Pre-pilot and Pilot runs were presented to CMT in December 2001 and April 2002 respectively. Based on the presentations, CMT reviewed and agreed to a number of refinements required to improve PMS on the basis of feedback from the stakeholders. The Competency Model was also modified to make it more customized.

PMS Training: To ensure successful implementation and smooth transition to the new PMS, HRD made requisite arrangements for continuous training and facilitation for all participants to PMS.

A dedicated team of PMS Trainers/Facilitators from HRD and other departments provided training/facilitation to all staff members of the Bank. Necessary 'Help Documents' were also developed for PMS users. All PMS documents/support documents were made available on a completely revamped PMS Web page on E-Board. Additionally, PMS Team developed templates for PMS users during Goal Setting Exercise to assist in the first phase of goal setting. The Team also developed customer friendly Appraisal Forms on MS Excel to facilitate the process of appraisals.

The details of various training workshops conducted during the implementation phase are as under:

Phase	Activities	Period	Status
Introductory Phase	23; 2 days PMS Training Workshops	April-June 2002	Completed
Performance Planning Phase	HRD Circular on new PMS	July 26, 2002	Issued
	19; 1 day Goal setting Workshops	Aug-Oct, 2002	Completed
Performance Management Phase	Performance Management Blitz	Ongoing	In progress
Performance Appraisal Phase	30; 1 day Performance Appraisal Workshops	April to May 2003	Completed

PMS Simplification: After passing through the process of customization/simplification the system has been made more users friendly.

Focused Presentations: PMS Teams also arranged focused presentations at the request of individual department as well as for new recruits/promotees on various occasions during the year.

Automation of PMS: Operational Analysis Phase of PMS has been completed. The coming year would encompass the complete automation of PMS Module through Oracle HRMS.

Integration of PMS: As a component of overall HR strategy of the State Bank has also addressed certain vital issues giving clarity down the line related to the organizational & individual career progression.

- a) **Dual Career Path and Broad Banding:** Dual Career Path and Broad Banding concepts were introduced in HR Adviser's Report on Enhancement of Promotion Process. Dual Career Path is an option providing career growth opportunities to such employees who do not excel in managerial skills or opt not to fill in management positions but are subject experts in their respective areas. This concept has emerged from organizations having highly specialized or technical jobs. However, it can be adapted to meet requirements of other organizations. The concept has been tailored to the unique needs of SBP enabling it to provide career growth opportunities to professionals in Specialist Group i.e., to Economists, Statisticians, Lawyers, Treasury Experts, HR Specialists, Risk Managers etc. Broad banding is a strategy in managing salary grades of positions by consolidating/collapsing a number of salary grades into one or a few bands. Officers of different grades in one band have no reporting relationships among themselves but report to an officer in a higher band. This concept is used to flatten organizational hierarchy and remove excessive management layers. It has been applied in SBP by clubbing OG-2 & OG-3 into one band, OG-4, OG-5 & OG-6 into another band and OG-6 (Selection Grade) to a separate band. In this way, six salary grades have been accommodated into 3 tier organization i.e., individual contributor/Unit Head, Divisional Head & Director resulting in a leaner organizational structure while providing more chances of promotion to the officers.
- b) **Succession Planning:** Successful Organizations take proactive steps to plan for future talent needs at different levels and implement programs designed to ensure that right leaders are available at the right time to fill relevant positions according to the needs of the Organization. HR Adviser developed a report on "Development of Successions Planning System" and presented it in June, 2002. In a bid to identify people with appropriate leadership competencies to fill in managerial positions, Leadership Development Workshops have been conducted by HR Audit Consultants for all Joint Directors and Directors. Report on all the participants has been received which highlights each individual's strengths and developmental needs, thus identifying likely future successors with appropriate leadership ability. However, a formal succession planning system will be introduced in due course of time.
- c) **Employee Recognition Policy:** An employee recognition policy has been finalized and being implemented w.e.f. July 2003. This policy is aimed at motivating and improving employee morale. The policy provides the required tools to reward and recognize employees who demonstrate positive behavior through their performance towards achievement of goals and/or enhancing the image of the bank.

- d) **Human Resource Audit:** For the first time in the history of the State Bank, a Human Resource Audit was carried out to provide a detailed analysis of the gaps between job requirements and specifications, the skills possessed by the incumbents and the skills required to enable State Bank to perform its emerging roles. The Audit was conducted by a leading Human Resource & Management Consulting firm has provided invaluable information to top management by identifying the 'lack of fit' between people, jobs and responsibilities. The results would also greatly assist management in planning in a more informed way on issues such as training, succession planning and professional growth of officers at SBP. After completion of assignment at SBP, the consultants have started HR Audit of SBP BSC in the year 2003.
- e) **Merit Based Career Movement:** In order to promote merit based career movement, the framework for a merit based promotion system has been finalized. All promotions in the fiscal year 2003-04 would take place according to the new promotion policy

Initiatives

- a. **Recruitment:** During the years 1999-2003 the following direct recruitments have been made at various levels through an open and competitive process consisting of advertisements in the news papers and website, screening of eligible candidates, written tests, structured interviews and final selection.

Name of post	Years				Total 1999-2003
	1999- 2000	2000- 2001	2001- 2002	2002- 2003	
SBOTS †	28	41	45	45	159
Research Officers	-	-	24	20	44
Statistical Officers	-	-	-	13	13
Women OG-2	-	-	-	24	24
Directors	-	02	02	01	05
Joint Directors	-	16	06	06	28
Jr. Joint Directors	-	-	-	04	04
I. T. Professionals	-	31*	24*	26*	81*
Advisers/Directors/ Consultants etc.	12*	10*	09*	12*	43*
TOTAL					401
TOTAL (excl. Contract)					277

†State Bank Officers Training Scheme

*on Contract

b. **Human Resource Management System**

The automation project of HR process, in form of Oracle HRMS being developed by M/s Hyundai Information Technology, is in advanced stages of completion. Majority of the modules relating to different HR functions such as employee information, recruitment, transfer/posting, benefit management, payroll and oracle payables has been implemented due to which up to date information is available on employee data helping towards efficient decision-making. The other modules relating to PMS and Leaves are in the advanced stage of implementation.

c. Career Progression For Clerical and Non-Clerical Staff (CNS)

As the CNS is a dying cadre, a special career progression path has been designed to promote to OG-1 those who are suitably qualified and clear a written test and interview. Twenty-five CNS were promoted in the first such test. Similar tests will be repeated at every six-month interval. They were imparted intensive training in Central Banking at the NIBAF.

d. Promotions

The following promotions of staff members were effected in the years 1999-2000 to 2002-2003:

Grade	1-7-1999 to 30-6-2000	1-7-2000 to 30-6-2001	1-7-2001 to 30-6-2002	1-7-2002 to 30-6-2003	Total
CNS to OG-1	05	26	58	-	89
OG-1 to OG-2	14	114	147	43	318
OG-2 to OG-3	81	98	200	38	417
OG-3 to OG-4	05	14	93	12	124
OG-4 to OG-5	24	15	28	03	70
OG-5 to OG-6	15	09	12	02	38
OG-6 to OG-7	03	-	-	03	06
TOTAL	147	276	538	101	1,062

Value Addition at SBP through Advisory Support

A number of questions have been raised in the media and the parliament about the appointment of advisors at high salaries and emoluments at the State Bank of Pakistan. In a rapidly changing environment, the SBP has to change itself and acquire competencies and expertise that it does not possess. It therefore adopted a three-pronged strategy to fill in the skills gaps that exist in the SBP and to develop new expertise.

- (i) Select capable SBP staff members to carry out the new jobs and expose them to intensive training domestically and overseas hoping they will become the experts and master trainers in these fields
- (ii) Induct outsiders in the SBP through a highly competitive, transparent and merit based process to fill in the skills gap- in some cases, temporarily on contract basis and in others permanently on regular jobs if these skills are required in the longer term.
- (iii) Bring in firms, consultants, individual advisors and experts under the technical assistance project of World bank, ADB etc. to work with our own staff and exit after transferring the knowledge and skills to the institutions.

The management, with the approval of the Board of Directors, has followed a mix of all the above three components to meet the institutional goals. The SBP did not have any expertise in data warehousing, Network Management, systems administration, Business Outsourcing services, real Time gross settlement system (RTGS), reserve Management, Risk Management in the treasury, risk based audit, IT Audit, accounts Preparation according to International Accounting standards, Islamic Banking, Microfinance and rural financial services, Macroeconomic Forecasting, trims under WTO, Housing and Infrastructure Finance, export-Import Bank, New Performance Management System, HR Audit, Job evaluation etc. the bank has sent more than 100 of its staff members on training abroad in many of these fields and also attachments at other Central Banks. But this process will take some time to produce results. In the meantime, as a part of this strategy, the bank also employed a few individual advisors under the World Bank TA Project for a limited period of time under a carefully drawn terms of Reference to train our staff in some of these missing skills. Each of the advisors has since left the SBP after completing their tasks, developing policies coaching staff and have been replaced by the SBP regular staff. The benefits of this approach in building in-house capacity far exceed the paltry costs of a few hundred thousand dollars incurred in this process.

There are only two advisors on the SBP payroll at present. The advisor on Information technology, who is partly financed by UNDP is also the project manager executing the largest IT Project in the country. The Chief legal Advisor has replaced the Director legal services and the job has been abolished.

Training and Development

Training has been important aspect of the strategy adopted by the Bank to enhance quality of human resources. Indeed, continued training and the process of learning have played a vital role towards successful accomplishment of the mandated responsibilities in recent times. By providing the members with an opportunities for acquisition & enhancement of skills, linking the learning process with results and making learning an inherent part of PMS, we have transformed training into a requirement and not an option.

The training imparted to employees has been divided into six broad categories, out of which first five constitute institutional forms of training while the sixth was more specific department based training.

Post Induction Training: All new recruits are exposed to this training module in order to familiarize them with the main functions of central bank as well as economic management in general. This mandatory form of training for all recruits is conducted through NIBAF.

Foundation Courses: These specially designed courses aimed at equipping all the officers of the State Bank of Pakistan with basic understanding of the Central Banking are mandatory. An officer cannot become eligible for promotion to the next grade unless he/she has successfully completed all the modules prescribed in the Foundation courses.

Management Training: As most of the SBP staff is professionals, they need to be trained in the basic techniques and tools of management theory and practice. These courses also help in identifying potential managers for the institution.

Foreign Training: In order to expose our officers to latest tools of trade, international best practices and advanced knowledge, officers are also sent for foreign training to institutions like World Bank Institute, SEACEN, BIS, Center for Central Banking Studies, IMF Training Institute as well as a host of other renowned international training centers. A number of these training

opportunities are funded through Technical Assistance Program from Asian Development Bank as well as World Bank.

IT Skills Training: Given the shift to an automated work environment, training in IT related skills, ranging from basic computer training to advanced skill acquisition on banking applications, database management etc. are considered imperative. This form of training is also provided at NIBAF or outsourced to reputed IT training institutions.

Specialized Training: Besides enhancement of general skills through institutional training programs, there are many department-specific training needs. Here the directors of respective departments have been authorized to identify training needs specific to their requirements and develop programs, which are funded through departmental budgets. This arrangement not only provides flexibility to departments but also allows them to follow a more focused approach towards enhancement of skills necessary for specific work environment.

Performance Status of Training Initiatives

The results of concerted effort aimed at realizing the full potential of employees towards the objectives of professional growth & acquisition and continued enhancement of the knowledge base are beginning to show some gains. Almost all officers have been provided foundation courses, training and exposure to current knowledge in the fields relevant to the context of State Bank. As cost-benefit evaluations are also at the core of choices & available options, especially in respect of training opportunities abroad, a structured approach has been adopted internally for dissemination of knowledge gained through reports, write-ups and presentations affording cross-functional interactions.

In addition to NIBAF, other domestic training institutions relevant for SBP's skill up-gradation have also been utilised for specialised training in a number of disciplines.

Programs at NIBAF – Islamabad

Courses/ Programs	2002-03		2001-02		2000-01	
	Weeks	Participants	Weeks	Participants	Weeks	Participants
A- Induction Level						
SBOT 5 th					24	41
Joint Directors					7	35
SBOT 6 th			20	46		
Analysts	8	20	19	24		
Statistical Officer	15	13				
SBOT 7 th	20	35				
SBOT-7 th Additional	14	39				
B- Mid Career						
Foundation Courses	44	547	62	936	5	60
T O T A L:	101	654	101	1006	101	654

Foundation Training Program:

No. of modules conducted	39
No. of weeks training imparted	111
No. of participants attended NIBAF modules	1,543
No. of participants completed six weeks & above	350

training	
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Domestic Training (Other than NIBAF):

Name of Institutions	No. of courses offered/approved	No. of participants attended
LUMS	02	02
IBP	18	87
NIPA	08	38
PIM	19	33
MAP	2	8
PPMI	6	7
Others	21	52
Total	76	227

Foreign Training: During 2003, 120 officers were sent on foreign training while another 59 nominees are in the waiting. Most of these training sessions were held at the IMF Institute, SEACEN, BNM and at the World Bank in a number of areas, including banking supervision, macroeconomic management, risk management, money laundering, corporate governance, financial markets and new financial instruments. The funding for these training initiatives was arranged under the Technical Assistance for the Banking Sector (TABS) program. Foreign training is focused on areas where local expertise is to be developed or the new and emerging areas of business have to be initiated.

FOREIGN TRAINING COURSE PARTICIPATION

(From 1st July, 1999 to 30th June, 2003)

Financial Year	OG-2	OG-3	OG-4	OG-5	OG-6 & above	Total
1999-2000	24	28	3	12	13	80
2000-2001	11	17	6	19	14	67
2001-2002	6	51	10	24	27	118
2002-2003	19	48	11	22	28	128
TOTAL	60	144	30	77	82	393

Internship Program: SBP provides a targeted internship program for University students from all over Pakistan for 8 weeks each summer. The Internship Program at SBP has been revamped to make it a more dynamic and useful activity in the light of feedback received from the Internees. The program is divided into two phases: an overview of the functions, roles and services performed by the State Bank of Pakistan through a combination of briefings in all the departments over a two week period; and a project-based, intensive experience in specific departments for six weeks. To achieve greater diversity in terms of gender, geographical and professional backgrounds, 50% of the internees selected are females and a purposeful approach has been adopted toward seeking out candidates from the rural Sindh and Balochistan. This year 128 applicants were found eligible out of which 60 students (30 female & 30 male) were selected

for internship. A similar program was also initiated for Probationers belonging to the District Management Group, although the duration for this short attachment with the State Bank of Pakistan was for a fortnight. In the coming year, this arrangement with the Civil Services Academy will be enhanced by way of a longer internship program. Besides, separate training internship program for students from IBA was also conducted to provide them an opportunity of gaining knowledge in the field of central banking.

Training of OG-1 Officers: 25 Clerical/ Non-clerical staff who had cleared the special test conducted by the Bank were promoted as OG-1 and put through the 6 months mandatory training with effect from 15-7-2002 at NIBAF, Karachi Campus. The same group was also provided two months of hands-on training in different departments of SBP to ensure their smooth absorption within the existing structure.

Management Training: Through the adoption of PMS, we are promoting participative management culture. Goal setting process at department level is derived from its business plan and HOD sets its departments goals in consultation with his/her staff. We arranged several PMS training workshops through HR Consultants for all the Joint Directors and Directors in the bank. PMS system also inculcates our values and desired behaviours through the introduction of work-related Competencies. Moreover, we are also introducing competency based interviewing techniques in SBP. In this regard, we arranged training workshops to impart competency based behavioural interviewing techniques for top management through our HR Audit Consultants.

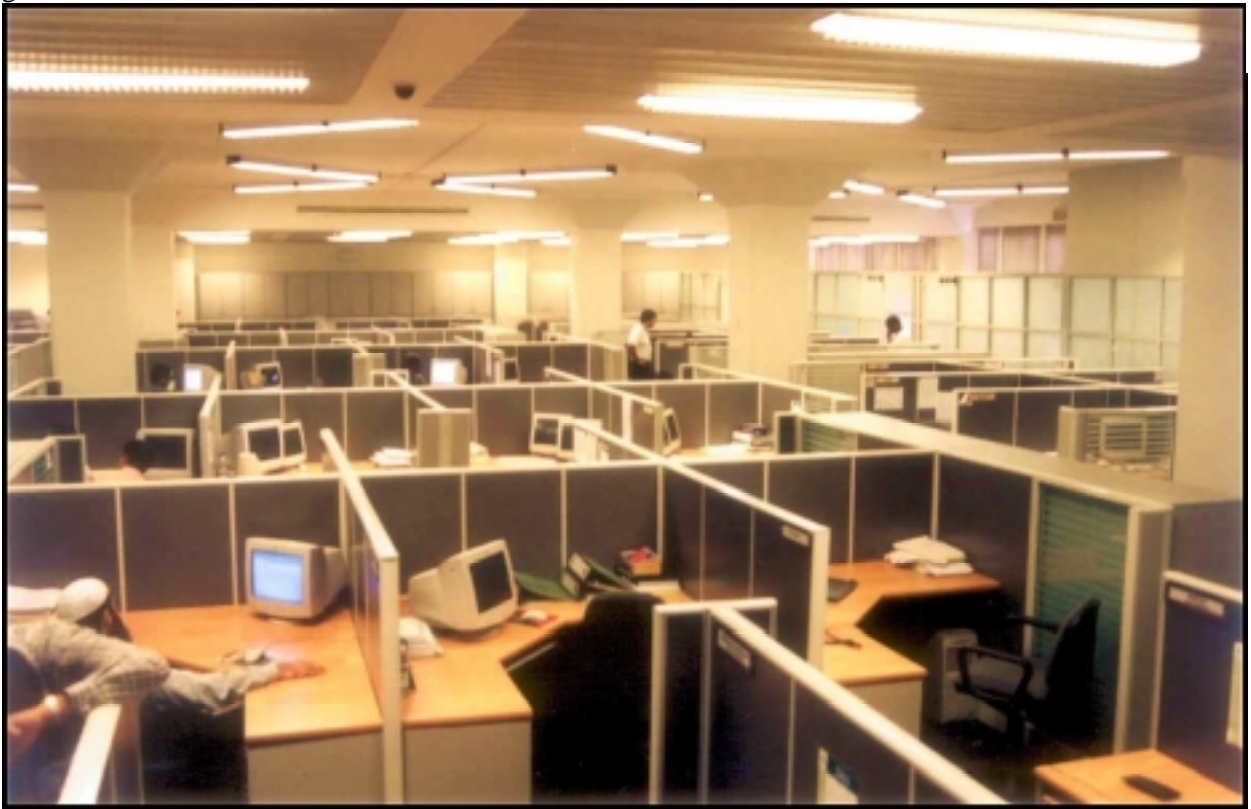
To ensure internal equity among the salary grades of different position incumbents across all the departments, a Job Evaluation System has been introduced following recommendations of HR Audit Consultants. Job Evaluation training was imparted to counterpart staff (responsible for evaluating the jobs) and to Directors of various departments enabling them to evaluate and grade updated/new positions in the Organization.

Moreover, Leadership Development Workshops were conducted by HR Audit Consultants for all Joint Directors and Directors of SBP. Purpose was to identify incumbents' leadership strengths and developmental needs. One to one briefing sessions were conducted to apprise incumbents about their strengths, developmental needs and future plans for improvement.

Besides Leadership Development Workshops a Skills Gap Analysis was conducted by HR Audit Consultants. Based on the results of these documents and for imparting management training to our officers, a 3 years World Bank funded TABS (Technical Assistance for Banking Sector) Program has been initiated. Moreover, officers are also sent on regular basis to different management courses conducted by NIPA, PMA and PIMS etc.

PHYSICAL RESTRUCTURING & NEW WORK ENVIRONMENT

Management at State Bank recognizes the importance of providing a comfortable and motivating physical work environment for its employees. Toward this end, a decision was made to remodel all the floors at State Bank's main building to standards of physical work environment expected of a progressive and dynamic organization. Painstaking efforts were put into evaluating actual current and future needs emanating out of the HR rationalization and restructuring exercise and synchronizing the planned physical work environment with redesigned work processes and increased reliance on electronic modes of information sharing & communication in the backdrop of an increasingly automated work environment. Based on the stated policy parameters, three floors currently housing the Banking Supervision Function have already been remodeled while by the end of the calendar year 2003, all floors would have acquired the new, modern look adding further to the already visible productivity and motivational gains.



EVOLVING ORGANIZATIONAL STRUCTURE

As a continuous process to adapt the organizational structure to meet emerging needs, changing circumstances and new roles and responsibilities, a number of restructuring exercises were undertaken.

a. Restructuring of Research Department

In order to bring greater consistency in their working and also to allow them to focus on policy issues, the International Economic Research Department (IERD) and Monetary & Fiscal Research Department (MFRD) have been merged into a new Department named Economic Policy Department. This department has been assigned tasks, which also include acting as the Secretariat for the Monetary & Economic Policy. Similarly, General Economic

Research Department (GERD) has been restructured into Research Department, with revised work arrangements aimed at enhancing quality of research outputs in the form of main publications such as Annual & Quarterly Reports, Banking & Financial Sector Assessment studies and assignments such as initiation of a working paper series.

b. Merger of Human Resource Department and Administration Department

Consequent upon separation of field offices from State Bank with effect from close of business on 31st December 2001, all functions of Administration Department have been shifted to Human Resources Department with effect from January 2002 and Administration Department has ceased to exist.

c. Restructuring of Banking Supervision Department

As a result of unification of both policy & operations relating to offsite supervision of banks/DFIs, merger of Credit Information Bureau into BSD and creation of a number of new divisions such as Micro Finance, Islamic Banking and Problem Bank Management, the size of Banking Policy and Regulation Department (BPRD) had become unwieldy. In order to remove redundancies in the existing set up and with a view to improve the operational efficiency, the BPRD has been split into two departments namely Banking Supervision Department (BSD) and Banking Policy Department (BPD). The two departments have been assigned specific responsibilities but effective coordination between them and the Banking Inspection Department takes place through the Banking Team.

d. New Divisions

Problem Bank Division: Proactive approach to supervision has necessitated diversion from compliance-oriented to risk-based enforcement. As a step towards effective monitoring and rehabilitation of weak financial institutions, Problem Bank Management Division has been established in Banking Supervision Department.

Housing Finance and Infrastructure Development Division: The division has been established in Banking Policy Department to create enabling environment for Housing finance and to smoothen the flow of funds from financial institutions to Housing Industry. The division also aims at developing the financial market by removing the impediments in the growth of Housing Finance and Infrastructure.

Micro Finance and Rural Support Division: The broad aim for this Division was an orderly development of Micro-finance Sector. With a view to promote sustainable development of micro finance sector, the division is the focal point for all related function undertaken by the State Bank including development and continuous review of policy, legal, regulatory and supervisory framework for Micro finance banks (MFBs), licencing of new MFBs, ensuring effective regulatory and supervisory oversight of MFBs and capacity of state Bank in micro finance. Supervision and regulation of Khushhali Bank and Micro-finance Institutions (MFIs) in Private Sector also fall under the domain of this Division. The Division is also the focal point for management of ADB funded Micro Finance Sector Development Program (MSDP) as an Executing Agency and Rural Finance Sector Development Program (RFSDP) as an Implementing Agency.

Procurement Division: In the wake of the development of an automated procurement system and to achieve greater operational efficiency, Procurement Division in Accounts Department was created to handle work related to procurement of various items. Previously, this task was being

performed by Administration Department. The work relating to procurement of Dead Stock Articles and Stationary items previously handled by Administration Department was transferred to Accounts Department with effect from March 2002.