

6 Institutional Strengthening

6.1 HR Developments

The HR function in SBP is institutionalized with a long term vision of having a well qualified and trained human resource base to enable the organization to achieve its strategic objectives. Under the SBP vision 2020, a comprehensive roadmap to achieve the institutional objectives was developed by strengthening strategic partnerships with line departments across the Bank; reorganization of business functions for improved efficiency, realignment of HR policies with changing organizational needs, reviewing job descriptions of each position, revitalizing training function to improve skills mix in line with vision 2020.

HR Profile

Grade-wise comparison of headcount in FY16 and FY15 is given in Table 6.1. The change in grade-wise composition of working strength is mainly due to absorption of employees in SBP BSC under its Absorption Policy; these employees were already working on deputation with SBP BSC. The work force has over 10 percent female representation, which is improving gradually and is indicative of positive gender diversity in the work force. The Employee turnover was recorded at 11 percent which was mainly due to resignations under Absorption policy of SBP BSC.

Table 6.1: HR Profile of State Bank of Pakistan

Grade	FY 2016	FY 2015
Governor/DG	3	3
OG-8	12	11
OG-7	37	41
OG-6	51	55
OG-5	108	95
OG-4	218	255
OG-3	272	320
OG-2	298	279
OG-1	70	96
Support Staff	114	123
Contractual Employees	7	2
Total	1,190	1,280

Reorganization

In line with strategic objectives of the bank, a new department namely Financial Stability Department was created, whereas Information Systems & Technology Department was bifurcated into three separate departments based on their distinct functions and responsibilities. Bifurcated departments include Information Systems Department (ISD), Information Technology Department (ITD) and IT Strategy & Project Management Department.

Realignment of HR Policies

In line with strategic objectives a comprehensive review of HR Policies was initiated last year wherein eleven policies were revised. In FY16, continuing with the same intent of making policies more dynamic, five policies i.e. Leave policy, Deputation/secondment policy, reward & Recognition policy, performance improvement & separation policy and internship policy were reviewed and updated to bring them in conformity with the overall direction and approach of the HR policies.

HR Automation Initiatives

To improve service delivery and bring transparency, various HR operations were automated with active cooperation of IT team. Towards this end, following high impact HR processes were automated through self service kiosks and web-enabled HR administration:

Biometric Access Control and E-attendance System (BACES): BACES was formally launched during the year to ensure that only the authorized persons have access to the Bank's buildings and premises, and replace manual attendance system with biometric and e-attendance system. It has been

integrated with Leave workflow system and has eliminated the manual attendance registers for all intent and purposes.

HR Dashboard: HR Dashboard is a concise, real-time user interface showing graphical presentation of current status and historical trends of HR key performance indicators for instant and informed decision-making.

Performance Measurement and Improvement System (PMIS): To improve robustness and rigor of the system, mid-year performance review was launched this year. The objective was to ensure timely feedback to employees by their appraisers on various assignments and goals for helping them take timely corrective actions. This will also help in better expectation management of the employees.

Enhancement in Payroll Automation: The payment of monthly salaries to employees has started through RTGS which has significantly increased the speed, efficiency and accuracy of the process. The automation of Payroll System has eliminated numerous manual processes and registers.

HR Planning

The annual bank-wide exercise was conducted to assess manpower requirements in light of business needs, departmental structure, existing working strength and workload and manpower requirements were rationalized. Further, over 650 job descriptions of all the departments were also updated after several rounds of consultations between line departments and HRD.

Recruitments

Based on manpower requirements, induction of 26 fresh graduates was completed through the State Bank Officers Training Scheme (SBOTs) 19th Batch. Apart from regular entry level recruitments through SBOTS, 29 experienced professionals of different areas including IT, Economics, library sciences, law etc were also hired during the year in regular and contractual cadre. Grade-wise recruitments made during FY16 are shown in **Table 6.2**.

Employer Branding

In order to attract best talent from the job market, branding organization's image as a potential employer is important. Therefore, together with positioning itself internally as a strategic partner of the line departments, the Bank's HR team has also made its presence felt in the Academia and HR community of the country. HR team visited various business schools of national and international repute to represent itself as an 'Employer of Choice'. Such events also provided an opportunity to the students to learn about SBP functions, working environment and career opportunities. Further, students from 36 domestic educational institutions and 6 foreign universities participated in a six weeks Summer Internship Program, which has also been an important instrument for promoting SBP as the "Employer of Choice" in the country's business, economics and management schools.

Table 6.2: Recruitments during FY16

Grade & Designation	Appointments
OG-2	
Assistant Director	38
Assistant Librarian	4
Junior Software Engineer	4
OG-3	
Deputy Director	2
Law Officer	1
OG-4	
Joint Director	1
Contractual Hiring	
Corporate Secretary	1
Research Analyst	2
Translator	2
Grand Total	55

Training and Development

The SBP being a knowledge based organization has extensive focus on training and development to ensure that the skills mix of its HR remains compatible and responsive to the industry’s dynamics. The SBP Board has accordingly made it mandatory for lower management (up to OG-4) to have at least 100 hours of training each year and minimum 50 hours of training for middle to senior management (OG-5 and above). To make these trainings effective, a Bank-wide TNA (Training Need Analysis) was conducted to identify training requirements at different levels. Based on the TNA results, training calendar for the year was developed and 8058 man days of in-house trainings were completed. In addition to the in house trainings, 170 officials were sent on foreign trainings/ seminars/study visit programs in reputed training institutes and Central Banks etc in FY16 (Table 6.3). Further, a number of institution-wide specialized training programs on topics like Leadership Grid, Internal Assessor Certification Program, Job Descriptions, Aligning What and How of PMS, Leadership Development and Leading High performance Teams and COSO Risk Framework were organized. Besides, 35 officers completed the International Certification of Enterprise Risk Management by the faculty of George Washington University.

Table 6.3: Foreign Trainings/ Seminars

Organization/ Institute	Participants
Institute of Monetary Fund (IMF)	47
Deutsche BundesBank	11
Federal Reserve Bank of New York	9
Bank Negara, Malaysia	7
SEACEN Centre	7
Bank of England – CCBS	6
Boulder Institute of Finance	6
Financial Stability Institute – BIS	4
Study Centre of Gerzensee	4
Asian Development Bank	3
Others	66
Total	170

Signing of MoU with Chartered Financial Analyst Institute (CFAI)

Considering the relevance of CFA qualification with the SBP’s core business areas and growing interest of its officers in enrolling for CFA certifications every year, a Memorandum of Understanding was signed with CFAI during the year. The institute will now offer discounted rates to SBP employees and its subsidiaries across Pakistan for registration in CFA, CIPM and /or Claritas Investment Certifications.

6.2 Strengthening IT Systems

With bulk of SBP’s operations including banking, financial accounts, procurement, payroll, payments etc have been automated, the reliability and robustness of IT Systems and infrastructure has become critically important for ongoing operations of the Bank. Thus continuous improvement and strengthening of IT systems and infrastructure is the most important component of SBP’s institutional strengthening strategies along with HR development. During the year several major projects were initiated to upgrade the IT systems including migration of core Banking System (Globus G11) to its latest version Temenos-T24 R15, and replacement of underlying servers, Storage Area Network Systems and Operating Systems for catering to the requirements of hosting new / upgraded Business Systems and Applications. Further, the deployment of high-speed 10 Gigabits/second Fiber Optic network infrastructure was completed and IT Security infrastructure was strengthened by employing latest network security solution. In order to assess the readiness and effectiveness of Disaster Recovery-DR site to continue operations in case of disasters a series of “Live Disaster Recovery-DR” exercises were successfully conducted. Moreover the IT Operations Center was strengthened for 24 by 7 integrated monitoring and support of IT Infrastructure and related Systems including all Data Centers across the country.

The automation of remaining business operations as identified and prioritized by the business groups also continued during the year to improve the organizational efficiency. The major business operations/routines automated during the year included incorporation of technical solution for

liquidity Management Framework of Islamic Banking industry in the Bank's core Banking System, and implementation of AgentChex- the Agent monitoring System for capturing and analysis of data from fast growing Branchless Banking Agents. Further, the Federal Government initiative and schemes like PM's Youth Business Loan Program, Subsidy Scheme on export of wheat and sugar, Drawback of Local Taxes and Levies (DLTL) etc were implemented by developing suitable IT based solutions. The automation of HR functions and implementation of E-attendance system discussed in the previous section were also possible due to active role of IT team in developing IT based business solutions.

Another significant operational efficiency measure under-taken during the year was installation of state of the art high definition Video Conferencing and Tele-presence Systems in Lahore and Islamabad offices for official meetings thereby reducing significant operational cost. Further, the consultancy work on developing and designing a modern and state of the art Main Data Center as per best industry standards was initiated during the year. The new Main Data Center once developed will replace the existing data center, which needs a complete overhaul.

Further, under Vision 2020, a comprehensive Knowledge Management Program has been initiated under which a centralized electronic repository of documents and records would be established and an Automated Business Workflow System would be implemented to promote the culture of knowledge sharing and collaboration. The program is likely to bring unprecedented improvement in the organizational efficiency and productivity.

6.3 Risk Management

6.3.1 Enterprise Risk Management (ERM)

The SBP has made significant progress in implementation of the Enterprise Risk Management (ERM) framework. The ERM framework has been prepared covering all business and organizational areas after extensive consultation with all key internal stakeholders including the two SBP subsidiaries. The certification program on ERM attended and completed by 35 SBP officials during the year also helped a lot in developing the framework for SBP. World Bank also completed its need assessment program during the year to assess existing ERM process at SBP on non-lending technical assistance basis.

6.3.2 Investment Risk Management

In order to address risks inherent in the SBP's reserve management activities in a holistic manner, several initiatives were taken to align Investment Risk Measurement and Monitoring function with international best practices. The initiatives include: i) development and implementation of 'Investment Risk/Return Analysis Framework' for evaluation of proposed investment avenues; ii) development & institution of 'Fund Managers Selection and Performance Evaluation Mechanism' to mitigate risk of poor manager selection and also to monitor the effectiveness of existing external fund managers; and iii) strengthening systemic risk monitoring framework through institution of 'Early Warning System' for monitoring trends and developments in financial and macroeconomic risk factors that may severely impact our investment portfolios.

6.3.3 IT Security

In order to strengthen local control environment of high value payment system, a security control review was carried out during the year to assess the control weaknesses/gaps, if any. The gaps/weaknesses identified during the review were filled/removed, which significantly reduced the risks associated with high value payments. Moreover, to address IT security issues at the operational

level, key baseline security policies have been developed which are under review phase and will be finalized in FY17.

6.4 Business Continuity Management

The Business Continuation management (BCM) aims at ensuring continuity of critical functions and preventing any major disruption in the country's financial system under unforeseen circumstances. The BCP at SBP has come a long way since its conceptualization. Currently, the Bank boasts fully functional backup sites for all the critical departments and critical support departments. These sites are equipped with all necessary equipments and facilities required to perform the critical time sensitive functions of SBP and SBP-BSC. Additionally, SBP has also developed a state of the art Disaster Recovery Site for backing up of all critical data and applications. To increase the level of readiness at SBP, following initiatives were taken:

- Around 200 BCP exercises conducted in SBP. Additionally a surprise test exercise of the Critical Time Sensitive Functions of the Bank was also conducted at the primary Backup Site.
- A fresh Business Impact Analysis (BIA) has been planned; the Terms of Reference for the BIA has been developed and would be initiated in FY17.
- A Critical Functions Review Committee (CFRC) was formed to review the critical functions of field offices.
- In order to standardize all backup sites, a minimum criterion for a backup site was developed.
- Three BCP awareness sessions for departmental BCP Coordinators and key persons were conducted.
- Institute of Bankers Pakistan (IBP) arranged BCI certification training for the first time in Pakistan. Also a BCP training module was developed and included in the flagship training modules of NIBAF.

6.5 Risk Based Audit Function

The effectiveness of the Bank's governance, risk management and control processes is assessed through audit function. During FY16 audit of financial, operational, and IT systems and operations was conducted. As an additional check, ongoing quality assurance of audit activities is undertaken through Quality Assurance Unit (QAU) that ensures that the audit approach, methodology and activities are in conformance with the international standards and best practices. Further, a dedicated Compliance Unit was established to follow up with the departments to get audit recommendations implemented and report the outstanding issues on periodic basis. The major initiatives and achievements of the audit function during FY16 included the following:

- A study of Governance / Hierarchical Structure & Control / Operational Issues of IT operations of five major banks was conducted and comparative evaluation with SBP was made in the form of a review report.
- IT Stakeholder Satisfaction Survey was carried out within the Bank for assessing IT/ IS (Information Technology/Systems) operations for stakeholder satisfaction.
- Improvements in working methodology of audit function were introduced by reviewing the Risk Assessment Framework for Audit Universe and modified the structure of audit reports accordingly.
- Make preparations for adopting criteria based audit reporting.
- As required in the IMF Safeguard Assessment, monetary program data was reviewed by IACD on quarterly basis, the reports of which were submitted to IMF Safeguard team as an independent assessment.

- Hosted ‘SAARC Conference on Internal Audit practices in Central Banks’ under aegis of SAARC Finance.

6.6 Legal Services Function

The SBP has an elaborate Legal Services function to ensure that all at its operations, policies, regulations, decisions are in full conformity with the law. For the purpose all major policies and initiatives are reviewed by the law professionals in the Bank’s Legal Services Department (LSD) before issuance. It also advises the line departments on different legal issues being faced by them. Similarly the proposals for amendments in the existing laws and for development of new laws are finalized with the active support and advice of LSD. The laws recently promulgated after rigorous pursuance and follow up by the Bank include i) Credit Bureaus Act, 2016, ii) Offences in Respect of Banks (Special Courts) (Amendment) Act, iii) The State Bank of Pakistan (Amendment) Act, 2015, iv) Financial Institutions (Secured Transactions) Bill, 2016, v) Deposit Protection Corporation Bill, 2016, vi) Financial Institutions (Recovery of Finances) (Amendment) Bill, 2016, and vii) Foreign Exchange Regulation (Amendment) Bill, 2016.

LSD also partners with stakeholder departments in formulating rules, regulations, and policies to carry out the Bank’s business in accordance with applicable laws. Besides, LSD has been offering expert advice with regard to various functions of the Bank and its subsidiaries. As being legal arm of the Bank, LSD effectively represented the Bank in various courts of law and other such forums during FY16.

6.7 Enhancing Knowledge-base of the Organization

Throughout the year SBP Library remained active to support the research, training and learning endeavors of SBP employees, the banking community, and the general public through provision of high quality information resources and services. During the year the library initiated and completed an important project of withdrawal and disposal of all periodical issues that meet the weeding criteria set out in the weeding policy to create room for future procurements. **Table 6.4** sheds some light on operational routines of the library including enhancement of resource-base, technical processing of the acquired resources and their dissemination to the users during the year.

Operational Areas			FY12	FY13	FY14	FY15	FY16
Procurement	a) Books	i. Purchased	2,124	2,061	1,560	1,633	1,650
		ii. Complimentarily acquired	192	253	250	204	160
	b) Periodical issues	3,598	3,291	2,649	2,719	2,542	
Technical processing	a) Books catalogued	2,183	2,460	2,401	1,948	1,837	
	b) Articles indexed	8,047	4,697	3,561	4,069	3,300	
Circulation (Books loaned)	a) The SBP employees (active and retired)	27,139	16,612	26,653	25,844	26,334	
	b) General public	2,242	2,175	2,146	2,211	1,885	
Membership	a) The SBP employees (active and retired)	125	45	60	106	85	
	b) General public	160	184	180	143	106	
Visitation	a) The SBP employees (active and retired)	17,522	17,874	17,703	16,693	14,598	
	b) General public	9,007	8,873	7,619	7,056	7,217	
Documents Downloads	a) Downloaded documents delivery through email	2,621	2,767	3,343	1,745	3,503	
	b) Bank-wide article downloads through subscribed resources	---	---	18,555	9,747	12,178	

6.8 Strengthening External Relations

In line with its strategic objectives, the Bank has adopted a multidimensional approach to strengthen communications and external relations to ensure that the intent and objectives of all policy, regulatory, supervisory and developmental initiatives being taken by the bank are clearly understood by the concerned stakeholders including media. The first component of the strategy is development of a formal communication policy to improve understanding and confidence of public about the SBP role in economic management and policy making; the communication policy was developed during the year, which is being reviewed internally and will be issued and implemented during FY17. The second important component of the strategy was the revamping of SBP website, which was successfully completed during the year with the launch of revamped website on 14th August, 2016. Moreover, the development of an Urdu version of the SBP website was largely completed during the year and will be launched in FY17. Improving presence on social media particularly on twitter was also part of the strategy, the twitter account was accordingly opened and being used frequently to disseminate SBP initiatives and decisions.

Further, to communicate SBP stance on different strategic economic issues several interviews of the Governor with the national and international media were arranged that enabled the stakeholders to better appreciate and understand SBP stance on key economic issues/indicators. A significant number of press releases were also issued to inform the masses about SBP affairs. The other key initiatives taken during the year to improve communication with public are given in the **Box 6.1**.

Box 6.1: Key Activities for strengthening external relations during FY16

- The Bank established its official twitter account in July-2015. This is primarily aimed at informing journalists and general public about any information/data dissemination through SBP's website.
- Training workshop for journalists titled "Understanding Monetary and Financial Stability" was organized in Islamabad in April 2016. A total of 30 media representatives attended the workshop.
- Awareness campaign i) for obtaining fresh currency notes through SMS facility, ii) for ATM users, iii) on list of unclaimed deposits, iv) on financial inclusion and SME financing initiatives, v) on subsidized financing facility for storage of agricultural produce, and vi) on business with unauthorized Money Changers, was carried out during the year.
- A media campaign/public service message *Rupee Ko Pechano* was negotiated for and subsequently run on PTV Network.
- Monthly in-house journal State Bank News was revamped in order to bring it closer to the international standards in terms of its size, printing, formatting and lay out. The magazine has been expanded beyond a record of history; making it a forum where more varied information could be shared. The magazine's current size is at par with recognized international standards whereas several new features have also been added to maximize staff contribution.
- Occasional and regular publications were printed and disseminated to more than 37,000 inland and foreign recipients to broaden the access to information. The major achievement, in this regard was simultaneous release of SBP flagship publications along with their Urdu versions.

6.9 Museum & Art Gallery

The SBP is maintaining a well reputed Museum and Art Gallery to educate visitors particularly the students about the history of currency, coins and State Bank of Pakistan. The Museum and Art Gallery comprises: Coin Galleries, Stamp Gallery, Currency Gallery, History of State Bank, Governors' Gallery, and Art Gallery. The coin galleries have coinage from its evolution till the contemporary period, stamps which were used as Currency in the interim period between Coinage to Currency, and the Currency Gallery from very early time period to present paper/polymer notes.

History of SBP depicts the History of SBP from its establishment since 1948, and the Governors' Gallery displays brief profiles of the Ex-Governors with their photographs. The Art Gallery is one of

the most attractive parts of the Museum, displaying Sadequain's four huge murals and collages of metal and wood and one mural of Zahoor-ul-Ikhlāq. The Contemporary Art Gallery, holds temporary exhibitions of young artists on quarterly basis. During the year, four paintings of Jimmy Engineer were added in the Art Gallery. Archives Section is dealing with the acquisition of Archival Material related to historical manuscripts, History of Pakistan, Art, Historical Books etc.

The Museum also has a Technical Section comprising Conservation Lab, Modeling Section and Replica Section. The lab and modeling section are responsible for conservation of coins, archival materials etc. for their preservation and consolidation. The Replica Section is unique, as it prepares replicas/models of antiquities to sell to the visitors as souvenirs. The replicas are also used for education purposes and discourage the smuggling of original ones. The Shop includes replicas of the materials and some size specific products, publications and interactive videos and demos.

Visitors Flow and Souvenir Shop

During the year 6633 visitors (1,982 Male, 1,743 Female and 2,908 children) visited the Museum and learned about the coins' and SBP's history. The special occasions also provided a chance to a large number of visitors to visit the SBP Museum.

Major Initiatives

To support the Museum's mission of the enhancement of education for the youth and the public, different workshops/activities were arranged in SBP Museum.

Independence Day Celebration

State Bank Museum celebrated the Independence Day with a special exhibition of currency notes and stamps. The exhibition was inaugurated by the Governor SBP. This exhibition was unique in many ways, displaying the procedure of currency notes and stamp designing by a renowned artist, Mr. Adil Salahuddin, S.I., who also donated a huge collection of stamps to SBP Museum. A large number of bank officers/employees with their families and public visited the exhibition arranged on the Independence Day.

International Women's Day

Women's Day is celebrated on March 8 every year to highlight the social, economic, cultural and political achievements of women. To make this day memorable State Bank Museum organized a Workshop of Calligraphy for the female employees of SBP and SBP BSC. A large number of female employees attended the workshop and learnt unique calligraphic techniques by renowned calligraphers.

Summer Camps

The Museum as per its tradition organized Summer Camp-2016 for the children of SBP and SBP BSC employees. Since 2011 educational summer camp is organized each year where the children are taught about Calligraphy. This year Museum also engaged parents (SBP and SBP BSC employees) and conducted a survey to design the Summer Camp events and activities. Based on the survey response, this year's summer camp focused on improving 'creative writing' and 'drawing & painting' skills of the participants. The services of experienced trainers were hired for both the areas.