

## *Managing Director's Message*

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I am pleased to present the Annual Performance Report (APR) of SBP-BSC for the fiscal year ended 30<sup>th</sup> June 2008. This was the first full year since I assumed the charge of MD BSC in March 2007 during which the organizational restructuring and reorganization as envisaged in the restructuring plan, chalked out in the last quarter of FY07, was initiated. The key areas of focus were better alignment of BSC functions with SBP strategic objectives, optimum utilization of automation, and technological facilities, skill enhancement, improvement in the quality of service delivery, business process re-engineering, review of manuals and operating procedures, improvements in physical infrastructure, rationalization of staff strength, and transparent HR policies. I am pleased that significant progress has been made in all these areas and signs of change and turn around in the BSC have started taking shape. The following paragraphs briefly touch the progress achieved on aligning the BSC role and functions with SBP strategic objectives and building institutional capacity to effectively undertake the assigned role and meet the enhanced stakeholders' expectations.

The Currency Management, a core BSC function, got a big boost during the year with the establishment of a separate Currency Management Department (CMD). The exclusive focus of the department on currency management translated into substantial improvement in the quality of currency notes in circulation as well as the BSC's capacity to ensure adequate supply of clean currency notes of all denominations in the economy. The key initiatives in this respect included regular supply of fresh currency notes, timely withdrawal of soiled notes, mechanization of currency management operations and better inventory management. The disposal/destruction of soiled currency notes withdrawn from circulation has also been a key issue causing congestion in our vaults and thus constraining our capacity to timely withdraw the soiled notes from circulation. Significant progress was made during the year to address the issue as huge quantity of the soiled notes was destroyed using special procedures. Further a number of awareness programs on the security features of the new currency notes were arranged across the country which proved very useful in minimizing apprehensions about the quality of new currency notes and improving the stakeholders' capacity to check counterfeit currency notes. While these improvements are encouraging the efforts would continue to bring our currency management systems, policies and practices at par with internationally accepted benchmarks.

The establishment of a new Development Finance Support Department in BSC and its units in BSC field offices was another major initiative taken during the year to facilitate SBP in broadening and deepening of the financial system. This has added a new dimension to the BSC's role and functions and made its field offices as the focal points for dissemination and implementation of all SBP policies and initiatives generally and those related to Development Finance particularly. It has also been instrumental in strengthening the consultative mechanism at grassroots level; separate Focus Groups for Agriculture, SME and Micro finance have been established in 13 field offices to discuss and evolve strategies for increasing the outreach of banking system to these largely under-banked sectors in their respective regions. The groups also provide an important platform for dissemination of SBP policies and collecting feedback thereof. The results achieved during the year and the

stakeholders' feedback on these initiatives have been very encouraging and give optimism that the BSC could contribute significantly in improving the depth and breadth of financial services in the country.

The BSC also facilitates SBP in ensuring smooth functioning of the payment and settlement system through a network of its sixteen field offices across the country. The automated Clearing System, which is an important component of the payment system, was extended to 107 cities during the year to extend the benefits of technological improvements to the smaller cities and towns; the facility was available in 80 cities as at close of FY07. Besides improving the speed of settlements, this will also be instrumental in promoting banking habits in smaller cities and towns. Further, the efforts are underway to reduce the clearing and settlement time from existing 3 days to 1 day which would substantially improve efficiency of the payment and settlement system.

The functional improvements and their alignment with SBP strategic objectives would not be sustainable without comparable enhancement in BSC's institutional capacity particularly the skill-mix and competencies of its human resources. A separate Training & Development Department was established during the year to cater to the capacity building and skills enhancement needs of BSC staff. A comprehensive training strategy was also developed based on a detailed TNA conducted during the year and an assessment of skill-mix and competencies required to effectively undertake the assigned role and functions. The implementation of the strategy is also in progress; the impact of these initiatives on the skill mix would however be visible in 1-2 years.

The Business Planning and Performance Management System similar to the one implemented in SBP, was introduced in BSC during the year initially for OG-4 and OG-5 to inculcate strategic thinking amongst the senior BSC officers and also bring transparency and objectivity in the employees' performance assessment. The results have been encouraging and the scope of the system has been extended to OG-2 and above officers of BSC from FY09. I am confident that the Business Planning and PMS framework would contribute significantly in performance improvement, employees' development, merit and performance based culture and change management initiatives being taken to transform BSC into an effective and efficient operational arm of SBP.

While the restructuring, reorganization and change management process is continuing on the above lines, the services of a reputed consulting firm were also hired during the year to conduct a diagnostic study of BSC to have a third party professional advice on the BSC's mandate and structure, identify the organizational problems and gauge its state of preparedness for change management. The study report would be available by December 2008. The initial findings are however largely in line with our assessment of the BSC's institutional capacity and the key reform areas highlighted in the restructuring plan. The consultant's report would further refine and crystallize the restructuring and reorganization proposals and would also help us in better aligning our role with SBP strategic objectives.

Lastly I would like to thank the BSC Board and its Chairperson for the support, patronage and ownership of the change initiatives we have taken to achieve the desired turnaround in BSC. I am also thankful to my Directors, Chief Managers and BSC staff whose ownership of the change process is equally important for transforming BSC into an effective and customer friendly institution.

**Muhammad Kamran Shehzad**  
**Managing Director**  
**SBP-BSC**