



STATE BANK OF PAKISTAN



**STRATEGIC PLAN
2005-10**





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1 STRATEGIC PLANNING PROCESS

The strategic planning process employed by the SBP was participative, consultative and result-oriented. While the overall direction was provided by senior management¹, the action plans were evolved at the departmental level to ensure ownership and commitment of those charged with implementing the plan. The role of the Strategic Planning Unit (SPU) was that of catalyst, facilitator and synthesizer, to guide the planning process effectively.

The SPU held a series of orientation meetings for all the departmental clusters between November 4 and 18, 2004 to share with them the basic strategic planning model employed by the SBP. A concept paper on strategic planning, approved by the Corporate Management Team (CMT), highlighted the importance of the strategic planning function and charted out a roadmap for the completion of the planning process by December 18, 2004. All the relevant documents were also posted on the Electronic Notice Board (ENB) for the information and knowledge of all employees.

Individual departments were requested to do their respective environmental scans through a SWOT analysis whereby they identified their internal strengths and weaknesses as well as the external opportunities and threats. All departments of the SBP along with the SBP Banking Services Corporation (SBP BSC) were grouped into five clusters. The individual department's SWOT analyses were consolidated by the cluster representatives.

Banking Cluster	FRM Cluster	Research Cluster	Support Cluster	Services Cluster
Banking Policy, Supervision and Inspection Departments and Islamic Banking Department.	Exchange and Debt Management, Exchange Policy, Payment Systems, Accounts and Audit Departments, Risk Management Division and RTGS Project.	Economic Policy, Research, Statistics Departments and Agricultural Credit Department ² .	Human Resources, Information Systems, Corporate and Media Affairs Departments, Legal Services Division, and Project Management Office.	SBP BSC; Medical Services, Engineering and Internal Bank Security Departments.

The Strategic Planning Workshop, held from 29 November to 2 December 2004, brought together the nominated cluster representatives along with all the Head of Departments (HoDs) to formulate their strategic plans for the next five years. The workshop was organized in collaboration with the HayGroup and AASA consultants. The HoDs were also requested to hold departmental meeting before and after the workshop to obtain feedback from the rest of their employees. After the workshop, special meetings were held with the Pakistan Bankers Association (PBA) and the SECP to seek their comments and recommendations. The cluster level strategic plans were also posted on the ENB for review by all the employees.

¹ Pakistan's Financial Sector: A Roadmap for 2005-2010 and Concept Paper for Strategic Plan 2005-10 by Dr. Ishrat Husain, Governor SBP.

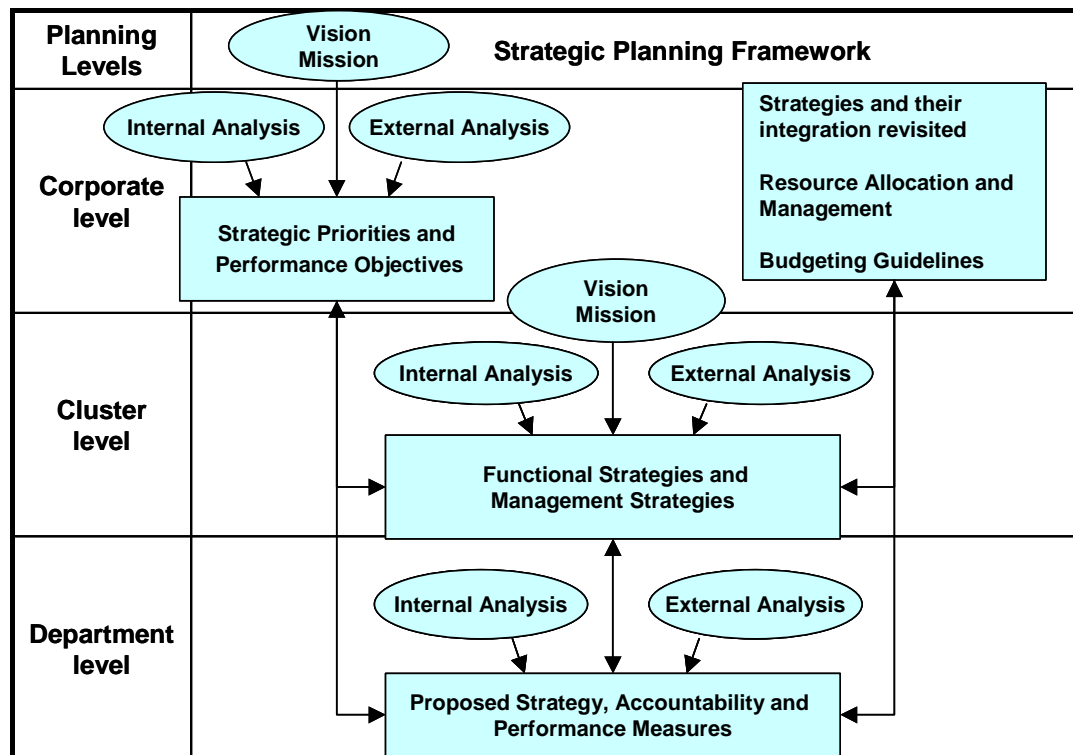
² Agricultural Credit Department was included in the Banking Cluster during the Strategic Management Conference.

The plans were then refined and amended during the Strategic Management Conference (SMC), held on 17 and 18 of December 2004, to take account of feedback received from both internal and external stakeholders. The strategies were also prioritized in terms of their importance for resource allocation in the annual business planning cycle. The strategies, which had linkages across various clusters, were identified and cross-functional teams were developed. The respective Policy Groups were made in charge of monitoring these cross-functional initiatives.

After approval of the Strategic Plan 2005-10 by the Board of Directors (BoD) of the SBP, the document will serve as a blueprint of the Central Bank's agenda for the next five years. The changing circumstances will however, warrant constant review and monitoring to keep it relevant, strategically agile and continuously aligned with the Central Bank's overall mandate.

The Strategic Plan will be operationalised through successive Annual Business Plans. Allocation of resources for various activities will be guided by the priority given under the Strategic Plan. The Strategic Plan will itself be a rolling plan which will be reviewed and monitored at the Annual Conference for Senior Managers and modified in light of the circumstances and conditions prevailing internally and externally. Stakeholder surveys will be the main instruments to obtain the feedback on implementation and review.

1.1 Strategic Planning Framework



2 THE STRATEGIC PLAN OF THE SBP 2005-10

The SBP's strategic objectives are aligned with its functional priorities. During the next five years, the SBP will continue to ensure (i) soundness of the financial sector, (ii) effective monetary management of the economy, (iii) prudent exchange and reserve management, and (iv) efficient and sound payment systems.

2.1 Functional Strategies

To ensure the soundness of the financial sector, the SBP will focus its efforts on financial sector deepening, proactive supervision and regulation of financial institutions, strengthening of financial sector, privatization of the Public Sector Banks and divestment of Government shares in privatized banks, and promotion of Islamic banking as a parallel system.

In the area of monetary management, the SBP will work on developing a forward looking policy framework, enhancing the effectiveness of Monetary Policy implementation, improving research and data dissemination capabilities, and deepening the financial markets.

For prudent exchange rate and reserves management, the focus of SBP will be on building in-house reserve management capacity, liberalizing the capital account in a phased manner, capacity building in the area of risk management, strengthening of reporting mechanism of exchange companies and documenting all capital flows especially cash transactions.

The main targets for the SBP to ensure an efficient and sound payment systems will be through implementation of the RTGS, promotion of E-banking, establishment of an electronic clearing house, and development of Public Key Infrastructure (PKI) and Digital Certification.

2.1.1 Financial Sector Deepening and Broadening of Access

For financial sector deepening and broadening of access, the short to medium term strategic plan is to consolidate and build on the existing initiatives in Agriculture finance, SMEs, Mortgage and Microfinance. The strategy includes strengthening of the exiting microfinance regime and expansion of agriculture credit to small farmers and for livestock. For the SMEs, as an initial step, delivery of credit by banks will be monitored and intermediary/technical support organizations will be encouraged to assist the SMEs in preparing bankable proposals. In the medium term, the staff of the banks will be trained in program lending and the proposed guarantee scheme by the Government of Pakistan (GoP) will be established. To pursue this strategy, close coordination will be established with the Small and Medium Enterprise Development Authority (SMEDA).

The SBP will organize itself internally to respond to the needs of SME and Infrastructure Financing by inducting skilled manpower in these areas and train younger staff by sending them for attachments.

SME, Housing and Infrastructure Finance Divisions will be strengthened with experts in these areas as well as Securitization and Structured Finance. One of the initiatives that has not made much headway so far is the Infrastructure/Municipal Bonds, that will open up the financing of long gestation infrastructure projects to the private sector in partnership with the public sector or on stand-alone basis. Asset Backed Securitization (ABS) has proved to be quite handy in Oil and Gas, Telecom and Roads and Highway Projects. The SBP will promote and reinforce the ABS and, as and when a critical mass of mortgage loans is accumulated, move towards pooling of these loans and structure them into Mortgage Backed Securities (MBS).

2.1.2 Proactive Supervision and Regulation of Financial Institutions

The SBP plans to formulate an agile banking crisis resolution mechanism through implementation of Prompt Corrective Action (PCA) regime and reinforce it with modification in the BCO, 1962. In the short term the cluster plans to enhance market discipline through adoption of International Accounting Standards 39 and 40, implement IRAF, and enhance the usage of CIB along with the Data Warehouse (DW). IRAF will also be further modified to reflect the Risk Profiles of each banking institution and a standardized template will be developed for this purpose (to be filled in by the bank management and endorsed by their Board). This Risk Profile, as assessed by the Banking Desk, will also be taken into account in the final composite rating of each bank. Streamlining of data reporting by banks and DFIs, and ongoing improvements in the inspection procedures will also strengthen the existing supervisory regime.

As the AML law becomes fully operational, the SBP will facilitate in setting up a Financial Intelligence Unit (FIU). Contacts will be intensified with the new Economic Crime Wing under the National Accountability Bureau (NAB) and rules of engagement will be laid down explicitly to prevent, detect, and prosecute banking crimes. For achieving Consolidated Supervision, cooperation with other regulatory bodies (foreign and local) will be intensified resulting in enhanced off-site monitoring and targeted on-site inspections of cross border branches.

In the medium to long term a smooth transition from Basel-I to Basel-II and institutionalization of stress testing will strengthen the existing risk management regime. To accomplish this task the SBP plans to enhance internal capacity to assess the banks' risk measurement, management and mitigation efforts on a systematic basis. Capacity building of existing staff and hiring of those familiar with quantitative techniques and modeling, deployment of appropriate software application packages, collection of relevant data, and conducting of analysis are also planned.

2.1.3 Privatization of the Public Sector Banks and Divestment of Government shares in Privatized Banks

The SBP plans to develop appropriate strategies to facilitate the GoP in privatization and divestment of the Public Sector Banks including the IDBP, SME Bank and Zarai Taraqiati Bank (ZTBL) and divestment of remaining Government shares in the already privatized banks. The strategy is to proactively play its role as an advisor and facilitator of the privatization process by bringing

improvements in the selection of strategic investors, due diligence process, and successful completion of the transactions.

2.1.4 Strengthen the Financial Sector

To further strengthen the financial sector, the SBP will focus on introducing a safety net through the intended Deposit Insurance Scheme, a phased increase in the regulatory capital requirement, and acting as catalyst in development of an enabling legal framework for private sector credit bureaus.

Modest progress has so far been made in the consolidation and mergers of financial institutions. Although the minimum capital requirement has been raised to Rs2 billion, effective from 31st December 2005, this amount of almost US\$35 million is still inadequate in comparison with the trends in the global banking markets. The SBP is aiming to prescribe US\$100 million as minimum capital by end of 2009 - a three-fold jump from the present levels. At present, there are ten banks with US\$100 million capital. The higher capital requirements will allow some medium size banks to emerge and assuming a capital-assets ratio of 5 percent, enable these banks to book assets up to US\$2 billion.

In the coming years, the professional development of the human resource base of banking industry will be an area of major focus for the SBP. The SBP has formed several working groups of the banking industry to come up with appropriate recommendations, which after review and approval by the PBA, will then form the basis of Human Resource Policy guidelines for all the banks to be issued by the SBP. Human Resource Department (HRD) and National Institute of Banking and Finance (NIBAF) of the SBP are also involved in the initial stages of this exercise.

2.1.5 Promote Islamic Banking as a Parallel and Compatible System

Islamic Banks are becoming popular not only in Pakistan, but all over the world. The work of licencing, supervision, regulation, inspection, Shariah Audit, training of personnel of these Islamic banks or branches are done by the Islamic Banking Department (IBD). A two-pronged approach will be followed i.e. attracting international banks of quality to locate in Pakistan and nurturing a cadre of professional Islamic bankers domestically.

2.1.6 Conduct Forward Looking Policy Analysis

It has long been recognized that monetary policy management needs a forward-looking dimension due to the existence of long lags between policy actions and their intended effects on output and inflation. The major hurdle in this respect for the SBP is the absence of a formal framework that could supplement the forward-looking policy analysis. In order to address this limitation, the SBP plans to build a macro model to make dynamic impact analysis of various policy scenarios. This will be an inter-departmental task that will help in exploring the inter-linkages in macroeconomic variables, particularly understanding the transmission mechanism of monetary policy. At the same time, the SBP plans to strengthen the forecasting group to make it more effective and result oriented.

The revision in monetary aggregate is particularly important for the SBP as it anchors its monetary policy to the monetary aggregate. The SBP proposes to compile M3 on monthly basis. Monetary survey will also be reviewed, recast and estimates of M3 prepared regularly as part of this survey. At the initial stage, owing to data constraints, the M3 series will be compiled on quarterly basis. However, once the data constraints are addressed, the M3 series can be compiled on monthly basis.

2.1.7 Enhance Effectiveness of Monetary Policy Implementation

In the case of Pakistan, the most actively used monetary tool is Open Market Operations (OMO), though its frequency is quite low (less than 3 per month on average). Experience shows that at times the market remains significantly liquid or illiquid, as the SBP is not able to intervene at the desired level and overnight rates face volatility. In order to manage the short-term call money market more effectively, the SBP plans to introduce the Liquidity Adjustment Facility in Pakistan. The proposed framework will be subject to a regular quarterly review by the Monetary and Exchange Rate Policy Committee (MERPC).

The SBP also plans to restructure the existing MERPC in the medium to long term through extending its membership to two external experts on monetary policy, raising its status as a decision making body by introducing necessary changes in the SBP Act, and releasing minutes of the meeting to the public after suitable time lags.

While implementing an effective monetary policy is important, it is equally important to do so in a transparent manner. Transparency requires a central bank's openness in explaining the rationale for its specific policy decisions. Transparency insulates the central bank from political pressures. It also helps market participants to form their expectations regarding future outcomes. There is therefore a need to educate the public on issues relating to economic policy. This will help in creating better understanding and public support for needed economic changes. For this purpose, a series of pamphlets will be published on major economic issues, which will focus on explaining important economic concepts in simple non-technical language.

2.1.8 Improve Research and Data Dissemination Capability

The SBP provides a candid and objective review of the economy through its flagship publications (monetary policy statement, annual report, quarterly report, financial sector assessment, financial markets review, and banking sector review). However, there is a need to continuously improve the quality and depth of analysis by producing new insights and more in-depth analysis. With a view to enhancing the coverage in the area of prices, the SBP plans to publish the Monthly Inflation Monitor that will contain analytical charts and tables on prices. At a later stage, this document will be transformed into an Inflation Report that will not only evaluate the developments in inflation and economic conditions, but also analyze the linkages between monetary developments and inflationary trends. In addition, this document may be integrated with the output of inflationary forecasting model (which will be developed as a part of the macro model).

At the same time, it is essential to work on topics of direct operational relevance for the monetary and exchange rate policy, inflation, international trade, and domestic & external debt. With a view to improving its profile in scientific research the SBP plans to substantially increase the quantum of working paper by 2010. In addition, SBP is also working to launch an annual Research Bulletin, which will be a journal of peer-reviewed papers.

The SBP plans to estimate expenditure patterns on the basis of annual surveys conducted by Federal Bureau of Statistics (FBS). The monitoring and analysis of expenditure patterns is important for determining the impact of economic policies on income distribution, poverty, consumption and saving behavior.

The SBP is also planning to develop a mechanism for periodic review of all data series compiled. Some of the statistical series have outlived their utility whereas information on other highly useful variables such as employment, nominal and real wages, corporate debt, household debt, real estate and construction price indices are missing. Primary data collection is at present limited to banking and monetary statistics. This strategy will help in increasing the scope, coverage and quality of data to support policy makers, researchers and other stakeholders.

2.1.9 Deepening of Financial Markets

New financial products will be traded in the Money/Bonds market by the introduction of Zero Coupon Yield Curve through the bootstrapping process, Bond Stripping and development of a GoP Bond Index. Recognizing the need for tradable financial instruments for Islamic banking treasury operations, the SBP plans to design and implement these new instruments.

The SBP is planning the listing of government securities particularly Pakistan Investment Bonds (PIBs) on the stock exchange. This will broaden the investor base through inclusion of retail/small institutions.

2.1.10 Prudent Exchange Rate and Reserves Management

SBP's Foreign Exchange reserves have risen steadily in the past four years touching a level in excess of US\$10 billion. Foreign exchange reserves form part of the national assets and these needs to be deployed rationally keeping in mind the principles of safety, liquidity, and return. The reserves, which are currently deployed by the SBP's in-house reserve management treasury dealers, are in short-term high quality bank deposits. The SBP plans to improve the return on these reserves, within the Central Board's approved risk parameters, through capacity building of the front, middle and back offices and to develop competitive benchmarks for future performance.

The SBP is presently monitoring exchange companies through weekly returns and on-site inspections. Exchange companies in Category B have already been given one year to organize themselves, appoint the Chief Executives with proper qualifications and experience and to automate systems. The SBP plans to develop an effective monitoring system for these companies. There is

also a strong need to have on-line real time monitoring of these companies, which the SBP plans to establish by end of 2006. In the past, attempts have been made by these companies to take out foreign exchange without declaration or a proper reconciliation, leaving room for capital flight. The SBP plans to develop an effective mechanism to control capital flight through airports in close coordination and collaboration with Customs Authorities and Civil Aviation Authority (CAA).

Capital Account convertibility plan will be evolved in a phased manner so that the immediate impact on balance of payments remains limited and manageable. Once the experience from this partial liberalization is gathered, the next round of reforms can be designed for further movement in this direction. Foreign Exchange Regulations Act (FERA), 1947 will also be updated to make it in sync with the Economic Reforms Act, 1992.

2.1.11 Efficient and Sound Payment Systems

RTGS will be completed by December 2005. To reduce the settlement time significantly and increase cost effectiveness the SBP plans to establish an electronic clearinghouse. Instead of paper cheques, its image will be forwarded by payee's bank using secured network and the clearing will be done automatically. The SBP also plans to promote accelerated adoption of E-banking and ensure that all banks get networked and connected electronically within the next two years. Security of online payment processing is vital for promotion of e-commerce, and the Central Bank is playing a key role in the development of a cost effective infrastructure for PKI and Digital Certification.

2.2 Management Strategies

Management Strategies for SBP link up with the functional strategies to ensure that the supporting infrastructure is available to effectively implement the plans. The focus of the management strategies remain on increasing employee attraction, retention and motivation, institutionalizing succession planning, implementing the remaining part of the Information Technology project and the transition plan, and preparing substantive legislation for new products and areas like e-banking. The SBP will also focus on strengthening its Business Continuity Process (BCP), enhancing its Management Information System (MIS), streamlining its procedures through Business Process Re-engineering (BPR), and a stronger risk based and IT audit function.

2.2.1 Human Resource Development

The SBP plans to increase employee attraction, retention and motivation by reducing recruitment timelines, devising innovative compensation and benefit plans, establishing employee counseling, providing equitable training opportunities and enhancing the Performance Management System (PMS). To develop the capacity to offer market based targeted compensation and benefits packages for the high performers, line managers' ability to provide performance-based incentives is being enhanced. Moreover, flexi benefits plan are being introduced to address the needs of a diverse workforce. Equitable training opportunities will be identified for line and support staff through

specialized higher education to ensure continuous up-gradation of skills and knowledge base in their respective areas. The SBP also plans to further enhance the PMS to bring transparency and objectivity to decisions regarding employee career management.

In addition to the present training opportunities, employees will be encouraged to spend some time acquiring on-the-job experience of commercial banking and capital markets. This objective will be achieved through a variety of methods – secondment, deputation, short-term assignments, attachment, and leave without pay. To enhance the career prospects of well-qualified staff, who will eventually assume leadership positions in the SBP, job opportunities of specific duration with international organizations such as Bank of International Settlement (BIS), International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB) and Central Banks and Regulatory Agencies will be identified. Participation in assessment missions and technical assistance projects will also be solicited for those who wish to limit themselves to short duration assignments. As mentioned above, SBP also plans to play a proactive role in introducing best HR practices in the banking and financial industry and develop its professionals on an ongoing basis.

2.2.2 Information Technology Up-gradation

The IT project is planned for completion by September 2005 and will subsequently be handed over by the Project Office to the Information Systems Department (ISD). Successful transition is very critical for the operation of the new system and provision of efficient services. After completion of the remaining tasks of the IT project like ERP, Globus, DW and rollout, the IT Project Management Team plans to prepare a transition plan with timelines and milestones for approval and monitoring by the IT Steering Committee.

The data analysis requirements of the institution and the need to use appropriate business intelligence applications are ongoing. It is the long-term plan of the IT team to keep the quality of application up-dated as per the business needs of the SBP to improve its data management capacity. The IT team further plans to establish an IT security framework and improve it by deploying an appropriate set of security policies.

2.2.3 Effective Communication Strategy

The feedback received from External Stakeholders Survey 2004 showed a high level of satisfaction amongst both the direct stakeholders as well as the indirect stakeholders with the quality and content of information disseminated by the SBP through its various periodic reports. However, timeliness seems to be an issue. Based on this feedback the SBP plans to further enhance its image as the provider of reliable and accurate data and analysis. A new Communication Policy was finalized at the SMC 2004 to address this need. The policy will be both responsive as well as a proactive in nature. The SBP is also planning to establish a learning resource centre within the new SBP Library so that relevant people (media, students, academics, researchers, etc.) are able to access information on finance, economy as well as the SBP's various activities.

2.2.4 Strengthening of Legal Framework

A number of new areas are emerging where the SBP plans to venture or has already initiated work, like E-banking, Deposit Insurance Scheme, Electronic Clearinghouse, PKI, Exim Bank and Digital Certification. The SBP plans to help formulate and strengthen the legal framework governing these areas. Many of the functional strategies listed above encompass either updating/changing the existing legal frameworks or facilitation of enactment of new laws in areas like AML, Private Credit Bureaus, Banking Crisis Resolution, Islamic Banking, Capital Account Liberalization and legislation for Government Securities.

2.2.5 Strengthening of Contingency Mechanisms

To ensure continuity of critical functions (time sensitive) of the SBP and prevent any major disruption in financial system of the country the SBP plans to establish a technology Disaster Recovery Center (DCR) to cope with any interruption due to a technology fault or a disaster. The enforcement mechanisms to ensure regular testing and up-dating will be in place by end 2005 and will be coordinated by the Business Continuity Process (BCP) coordinator with the relevant critical departments.

2.2.6 Business Process Re-engineering

The focus of Business Process Re-engineering (BPR) is to enhance the operational efficiency and internal controls by removing redundancies in business processes while taking advantage of the implementation of Globus banking solutions, Oracle Enterprise Resource Planning (ERP) and RTGS. The completion of existing BPR relating to centralized payment and procurement functions will be completed in 2005. In order to enhance efficiency and reporting of Government Accounts, implementation of a new Chart of Accounts and development of interface for Globus with the Project for Implementation of Financial Reporting and Accounting (PIFRA) is planned.

2.2.7 Management Information System

Implementation of Globus, ERP and RTGS will further augment and expedite the process of Management Information Reports/ MIS on online basis. SBP plans to upgrade the existing reporting to online and expand the current reporting framework by 2006.

2.2.8 Risk based Audit

The SBP plans to develop risk registers for all its departments. The capacity for inspection and audit of Information Technology (IT) based systems will also be strengthened.

2.3 SBP BSC

To supplement the strategic plan of the SBP the SBP BSC plans to focus on providing improved currency management processes, timely implementation of infrastructure projects and improvement in the Medical Services for all employees.

Currency Management is the most vital area for SBP BSC. As the retail-banking arm of the central bank, the SBP BSC has to ensure continuous supply of fresh currency notes and coins. Currency Management now has become a specialized function and systems and procedures have to be improved in line with best international practices. The SBP BSC plans to install note-sorting machines, launch currency notes and coins of new denominations, and proactively supervise commercial banks' branches to reduce complaints by the general public about the availability of fresh currency. The Services departments plan to increase service level standards by timely implementation of infrastructure projects and their maintenance, improved security standards, and better medical services for the employees of SBP and its subsidiaries.

While contributing to the strategic plan of the SBP, SBP BSC also plans to conduct a separate planning exercise to ensure the participation of its field offices in the formulation and finalization of its strategic plan for the next five years.

2.4 NIBAF

The strategic plan for NIBAF has been derived from the future training requirements of SBP and SBP BSC. Here, the main focus during the next five years will be on increasing the scope and coverage of its activities, including implementation of intermediate and advanced courses as well as specialized sectoral programs. Collaborative programs with other domestic training institutes will also be devised and customized regional programs developed to attract delegates from neighbouring countries.

NIBAF will also focus on enhancing the quality and delivery of its programs by revisiting its curriculum and training material and enhancing the diversity of its faculty. While optimizing the use of its physical infrastructure and leveraging the use of its IT resources, NIBAF will also ensure that it builds a team of dedicated professionals who can maintain the highest service delivery standards for all stakeholders of SBP and its subsidiaries.

Annexure

1 STRATEGIC PLAN OUTLINE

Functional Strategies	
Financial Sector Deepening and Broadening of Access	Broadening access of formal credit to middle and lower income groups- Small and Medium Enterprises (SMEs), Micro enterprises and through consumer financing
	Development of regulatory regime for infrastructure financing
	Strengthening of Housing Finance Regime
	Enhancement of volume and scope of agricultural credit through new schemes
	Research and Special Studies needs of agricultural credit (and microfinance)
	Strengthening of the Export Finance Regime
	Dissemination of knowledge regarding SBP efforts
Proactive Supervision and Regulation of Financial Institutions	To formulate agile and proactive resolution mechanism for Banking Crisis
	Strengthening of Supervisory Regime
	Streamlining data reporting by banks / DFIs
	Development of regulatory frame work for E-Banking
	Implementation of Basel-II Capital Accord
	Make Pakistan Banking System compliant to AML regime
	Consolidated Supervision of Banks/DFIs
	Create Consumer Awareness
Privatization of Public Sector Banks and Divestment of Government Shares in Privatized Banks	Development of strategy to restructure and privatize IDBP, ZTBL and SME Bank

Functional Strategies	
Strengthening of Financial Sector	Strengthening of capital base of banking system
	Introduction of Safety nets in the banking system
	Encouragement of Private sector Credit Bureau
	Augmenting the “fit and proper regime” for professionalization and development of human resource base of banking industry
Promote Islamic Banking as a Parallel and Compatible System	Promotion & Strengthening of Islamic Banking Regime
Forward Looking Policy Analysis Framework	To develop a framework for forward looking policy analysis (Macro Modeling)
	To improve use and effectiveness of data to support policy and research
	Enhance coverage of monetary aggregates
Enhance Effectiveness of Monetary Policy Implementation	Better Liquidity Management through Introduction of Liquidity Adjustment Facility
	Creation of an effective Monetary Policy Committee in place of existing Monetary and Exchange Rate Policy Committee (MERPC)
Improved Research and Data Dissemination Capability	To improve quality and dissemination of research
	Improve interaction with stakeholders

Functional Strategies	
Deepening of Financial Markets	Listing of Government Securities on Stock Exchange
	Deepen the financial markets by introduction of additional / variants of financial derivatives
	Deepening of Money / Bond Markets by allowing new Financial Products (Zero Coupon Yield Curve through Bond Stripping, GoP Bond Index)
	Development of Islamic Money Market
	Revision and Replacement Legislation for Government Securities
	Providing Regulatory Support for Supra National Local Currency Bonds (LCBs) e.g. ADB
	Proactive Public Debt Management in coordination with Public Debt Office, Ministry of Finance
Prudent Exchange Rate and Reserves Management	In-house Reserve Management through Capacity Building of Front, Middle and Back Office
	Scope enhancement and unification of Risk Management process in the SBP
	Detailed evaluation and recommendation for alignment of provision of Foreign Exchange Regulation Act (FERA), 1947 with the current context
	Strengthening supervision of Exchange Companies monitoring through on-line reporting
	Developing policies / mechanism for documenting all capital flows specially cash transactions
	Assessment & progressive integration of capital account liberalization in a phased manner
	Devising policy stance / mechanism inherently averse to all speculative activities impacting Forex Market
Efficient and Sound Payment System	Implementation of Real Time Gross Settlement System (RTGS)
	Facilitation in development of Public Key Infrastructure (PKI) & Digital Certificate Infrastructure
	Promotion and facilitation of e-banking / commerce within the country
	Establishment of Electronic Clearing House
	Integration of Payment System with other settlement systems (local and foreign)
	Development of Securities Settlement System for Secondary Market

Management Strategies	
Human Resource Development	Improve employee attraction & retention
	Institutionalize succession planning
	Help in producing of banking professionals for export of financial services to target markets
	Enhance SBP's image as employer of choice
	Reduce response time for organization's HR specific needs
	Enhance HR's role as strategic partner
Information Technology Up-gradation	Implementation of remaining tasks of the (IT) Project
	Improve IT security framework
	Implementation of Transition Plan
	Improve data management capacity of the organization
	Further improve provision of expert services to financial industry & other stakeholders
	Catalyze progress on Disaster Recovery Plan (DRP)
	Align IT strategies to achieve business goals
	Improve services to internal customers (SBP & Subsidiaries)
	Enhance IT resource skill base
Effective Communication Strategy	Improve communications with stakeholders
	Proactively participate in corporate citizenship initiatives

Management Strategies	
Strengthening of Legal Framework	Preparation of substantive legislation along with rules and regulations
Strengthening Contingency Mechanisms	Strengthening of Business Continuity Process (BCP) by establishing a technology Disaster Recovery Center
Business Process Re-engineering	<p>Business Process Re-engineering to improve processes in sync with implementation of technology and RTGS</p> <p>To improve use and effectiveness of data to support policy and research</p> <p>Enhancing efficiency and reporting of information relating to Government Accounts</p> <p>Removing hurdles in achieving seamless coordination between policy and operations in the areas of Accounts, Audit and Exchange Policy</p>
Management Information System	Enhancing Content and timeline of Management Information Reports on the basis of implementation of Globus and ERP
Risk Based Audit	<p>Specific customized audit training on Globus, ERP and RTGS</p> <p>Developing Risk Registers for all Departments of the SBP</p>

SBP BSC	
Efficient Currency Management System	Improve Currency Management – Sorting / Destruction Processes
	Field Implementation of SBP Policies
Provide Effective Banking Services / Services to Stakeholders	Improvement in “MSD Patient Service”
	Timely implementation of Infrastructure Projects / New Buildings / Major Renovations
	Improve Security Measures
	Promote Positive Image for the SBP
	Upgrade service standards in attending to the grievances of general public and other stake holders
	Develop Human Resources
	Develop a Strategic Plan for BSC and Improve Operational Efficiency

NIBAF	
Increasing Scope and Coverage of Activities	Focus on SBP
	Focus on Banks and financial institutions
	Collaborative and International programs
Enhance Quality and Delivery of Programs	Revision of curriculum and training material
	Enhance and diversify floating faculty
	Other multi purpose strategies
Inculcate Values in staff	Awareness
	Incentives
	Role model
	Customer service orientation
	Inculcate urge to learn and express
	Create a sense of belongingness
Enhancing Capability and Systems	Automation
	MIS
Optimal use of Physical Facility	Maintaining facility to highest standard
	Marketing for optimal use of facility
	Additional facility

2 LIST OF ACRONYMS

AASA	Anjum Asim Shahid Associates
ABS	Asset Backed Securities
ADB	Asian Development Bank
AMC	Authorized Money Changers
AML	Anti Money Laundering
ATM	Automated Teller Machine
BCO	Banking Companies Ordinance
BCP	Business Continuation Process
BID	Banking Inspection Department
BIS	Bank of International Settlement
BoD	Board of Director
BPD	Banking Policy Department
BPR	Business Process Re-engineering
BSD	Banking Supervision Department
CAA	Civil Aviation Authority
CAELS	Offsite surveillance framework, which gauges the Capital adequacy, Asset quality, Earnings and profitability, Liquidity and Sensitivity to market risk
CAMELS-S	Onsite inspection framework, which gauges the Capital adequacy, Asset quality, Management soundness, Earnings and profitability, Liquidity, Sensitivity to market risk and System and controls
CIB	Credit Information Bureau
CMAD	Corporate and Media Affairs Department
CMT	Corporate Management Team
DFI	Development Financial Institutions
DW	Data Warehouse
Eco PD	Economic Policy Department
EDMD	Exchange & Debt Management Department
ENB	Electronic Notice Board
EPD	Exchange Policy Department
ERP	Enterprise Resource Planning
FBS	Federal Bureau of Statistics

FERA	Foreign Exchange Regulation Act
FIU	Financial Intelligence Unit
FTP	Fit and Proper Test
GoP	Government of Pakistan
HoD	Head of Department
HRD	Human Resources Department
IBD	Islamic Banking Department
IDBP	Industrial Development Bank of Pakistan
IMF	International Monetary Fund
IRAF	Institutional Risk Assessment Framework
ISD	Information Systems Department
IT	Information Technology
KYC	Know Your Customer
MBS	Mortgage Backed Securities
MERPC	Monetary and Exchange Rate Policy Committee
MIS	Management Information System
NAB	National Accountability Bureau
NBFC	Non-bank Finance Companies
NBFI	Non-bank Finance Institutions
NCB	Nationalized Commercial Banks
NDFC	National Development Finance Corporation
NIBAF	National Institute of Banking and Finance
NSS	National Saving Scheme
OMO	Open Market Operation
PBA	Pakistan Banks Association
PCA	Prompt Corrective regime
PIB	Pakistan Investment Bond
PIFRA	Project for implementation of Financial Reporting and Accounting
PKI	Public Key Infrastructure
PMO	Project Management Office
PMS	Performance Management System

PR	Prudential Regulation
PSD	Payment System Department
RTGS	Real Time Gross Settlement System
SBP	State Bank of Pakistan
SBP BSC	State Bank of Pakistan Banking Services Corporation
SECP	Securities and Exchange Commission of Pakistan
SMC	Strategic Management Conference
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SPU	Strategic Planning Unit
SWIFT	Society for Worldwide Inter-bank Financial Telecommunication
TFC	Term Finance Certificates
ZTBL	Zarai Taraqiat Bank Limited

