



Government's 100-days Agenda

National Financial Inclusion Strategy



Executive Summary

In order to achieve sustainable and inclusive economic growth, access to finance is considered critical as it is a prerequisite for equitable distribution of the economic opportunities, poverty reduction, and achieving financial stability. However, in case of Pakistan, the level of financial inclusion up until 2015 was one of the lowest in the world. Only, 16 percent of the adult population had a bank account. The account ownership was even lower for women at 11 percent. Financing to priority sectors i.e. agriculture, SME and housing remained very low. A large segment of faith sensitive population remained voluntarily excluded. Regional disparities increased over a period of time. Overall, reliance on cash also increased. In this backdrop, National Financial Inclusion Strategy (NFIS) was developed and adopted by the Government in 2015. NFIS lays out the national vision, framework, action plan, and targets for financial inclusion in Pakistan. It is worth mentioning that NFIS objectives are completely aligned with government's priorities of achieving inclusive economic growth through enhanced access to finance & deposit base, promotion of small & medium enterprises, easy & affordable access to finance to farmers, facilitation in low cost housing finance and provision of Shariah compliant banking solutions.

While substantial progress has been made in terms of account ownership, usage in these accounts has remained low. Likewise, while the availability of credit to agriculture sector has improved, credit to SMEs and housing has remained stagnant. Similarly, while regional disparities have started to show improvements, sustained efforts are needed to bridge the gaps.

In this connection, GoP has prioritized NFIS as part of its 100-days agenda to address these gaps going forward. The GoP has set following **headline targets to be achieved by 2023**:

1. **Enhance usage of Digital Payments (65 million** active digital transaction accounts, with gender segregation of **20 million** accounts by Women)
2. **Enhance Deposit Base** (Deposit to GDP ratio to **55%**)
3. **Promote SME Finance** (Extend finance to **700,000** SMEs; **17%** of the private sector credit)
4. **Increase Agricultural Finance** (Serve **6 million** farmers through digitalized solutions; enhance annual disbursement to **Rs.1.8** trillion)
5. **Enhance share of Islamic Banking (25 percent** of the banking industry; increase branches of Islamic banks to **30 percent** of the banking industry)

The plan has been developed after comprehensive industry wide consultation and analysis, while specific timelines and responsibilities have been allocated against each target. The recommendations in the plan were also endorsed by the Economic Advisory Committee (EAC) Sub-Committee in its meetings held under the Chairmanship of Finance Minister, on October 30, 2018 and November 17, 2018 at Islamabad.

It is envisioned that implementation of the five year plan can translate into creation of **3 million** new jobs, and additional **exports of US\$ 5.5 billion** through enhanced access to finance to SMEs. Furthermore, the plan also includes a strategy to increase the deposit base of banks to **55%** of

GDP and encourage higher savings. A key assumption in this respect is to allow reduced income tax (20%) on income earned by commercial & microfinance banks on SMEs, Housing & underserved areas for priority sectors.

The summary of actions is as follows:

Enhance usage of Digital Payments:

1. 100 % digitalization of Govt. payments & receipts along with back-end automation
2. Digitalization of Pakistan Post
3. Digitalization of Central Directorate of National Savings (CDNS)
4. Creation of Transformation office at PM Secretariat
5. Launch fully functional Assan Mobile Account (AMA) Scheme

Enhance Deposit Base to 55% of GDP:

1. Banks to develop innovative and specialized products for targeted segments to encourage deposits
2. Expand outreach of banks' branches in rural and semi urban areas
3. Facilitate fully functional digitized echo system to attract savings underserved and hard to reach areas

Promote SME Finance:

1. Launch fully functional Credit Guarantee Company
2. Launch fully functional E-Registry for creation of charge
3. Strengthen FWBL & SME Bank through privatization
4. Speedy disposal of SME loan cases by banking courts
5. Incentivized refinance schemes for Tourism and IT&ITeS Sectors
6. National SME Policy to be in place
7. Provincial Governments to play an active role
8. Reorganize and empower SMEDA
9. Census of business enterprises
10. Banks to be incentivized through fiscal measures i.e. Tax incentives

Increase Agricultural finance:

1. Automation of Land Record Management System (LRMS) and its adoption by banks for agri. lending
2. Kissan Digital Portal to be in place
3. Provision of subsidized agri. inputs to small farmers through digital channels
4. National Crop Insurance to be in place
5. Incentivized scheme for High Value Crops
6. Electronic Warehouse Receipt (WHR) financing mechanism to be in place
7. Incentivized Schemes for Agri. Development Loans for High Efficacy Irrigation Systems and Machine tools, etc.

Promotion of Financial Inclusion through Low Cost Housing Finance:

1. Defining Low cost housing finance
2. Implementation of Financial Institutions (Recovery of Finances) (Amendment) Act, 2016
3. General reserve requirements to be withdrawn
4. CAR requirements to be reduced
5. The Loan to Value (LTV) ratio to be relaxed

6. Bank/DFI's exposure in low cost housing not to be included in exposure limit
7. Standardization and simplification application forms
8. Housing microfinance to be up-scaled
9. Housing Finance Companies (HFCs) to be rejuvenated

Promotion of Financial Inclusion through Islamic Finance:

1. Develop roadmap for promotion of Islamic banking industry
2. Providing Enabling Legal & Regulatory Environment
3. Efficiency in Liquidity Management
4. Awareness Raising & Capacity Building

A detailed action plan along with institutions responsible and timeline with specific KPIs are given in the following pages. While, Government is fully committed to play its role defined in the plan, it is expected that various federal and provincial departments along with relevant private sectors stakeholders will also play their due role to achieve the overall objectives. Prime Minister's Office will directly monitor these actions to ensure effective coordination among various stakeholders and implementation of the proposed actions.

Government's 100-days Agenda

National Financial Inclusion Strategy

Access to finance is considered critical for achieving inclusive economic growth, as it is a prerequisite for equitable distribution of the economic opportunities, poverty reduction, and achieving financial stability. However, in case of Pakistan, the level of financial inclusion up until 2015 was one of the lowest in the world. Only, 16 percent of the adult population had a bank account. The account ownership was even lower for women at 11 percent. Financing to priority sectors i.e. agriculture, SME and housing remained very low. A large segment of faith sensitive population remained voluntarily excluded. Regional disparities increased over a period of time. Overall, reliance on cash also increased. In order to address these gaps, Government of Pakistan (GoP) adopted a broader National Financial Inclusion Strategy (NFIS) in May 2015.

The strategy was developed by SBP in consultation with all stakeholders including regulators, Federal/provincial governments departments, banks, associations, donor agencies, etc. The Strategy lays out the national vision, framework, action plan, and targets for financial inclusion in Pakistan. Under the NFIS, Pakistan is pursuing a target of ensuring 50% adult population is financially included by 2020, whereas the broader objective remains to achieve universal financial inclusion by promoting digital financial services and increasing priority sector lending like agri, SME, Islamic banking & low cost housing finance.

It is worth mentioning that NFIS objectives are completely aligned with government's priorities of achieving inclusive economic growth through enhanced access to finance & deposit base, promotion of small & medium enterprises, easy & affordable access to finance to farmers, facilitation in low cost housing finance and provision of Shariah compliant banking solutions.

While substantial progress has been made in terms of account ownership, usage in these accounts has remained low. Likewise, while the availability of credit to agriculture sector has improved, credit to SMEs and housing has remained stagnant. Similarly, while regional disparities have started to show improvements, sustained efforts are needed to bridge the gaps.

In this connection, GoP has prioritized NFIS as part of its 100-days agenda to address these gaps going forward. The GoP has set following **headline targets to be achieved by 2023**:

1. **Enhance usage of Digital Payments (65 million active digital transaction accounts, with gender segregation of 20 million accounts by Women)**
2. **Enhance Deposit Base (Deposit to GDP ratio to 55%)**
3. **Promote SME Finance (Extend finance to 700,000 SMEs; 17% of the private sector credit)**
4. **Increase Agricultural Finance (Serve 6 million farmers through digitalized solutions; enhance annual disbursement to Rs.1.8 trillion)**
5. **Enhance share of Islamic Banking (25 percent of the banking industry; increase branches of Islamic banks to 30 percent of the banking industry)**

While digitalization and provision of finance will play key role in achieving the overall objectives, it is believed that these targets will translate into **creation of 3 million new jobs**, and additional **exports of US\$ 5.5 billion** through SMEs.

In order to achieve above mentioned targets and potential impact, following set of actions/ recommendations are presumed to be adopted/taken by various stakeholders. It is worthwhile to note that these recommendations/actions are proposed by relevant NFIS technical committees after a comprehensive consultative and industry analysis process and are duly endorsed by NFIS Steering Committee. A key assumption in this respect is to allow reduced income tax (20%) on income earned by commercial & microfinance banks on SMEs, Housing & underserved areas for priority sectors.

A summary of these actions/recommendations along with their KPIs, timelines and responsibilities is as follows:

1. Enhance usage of Digital Payments

The technological advancements have changed the dynamics of banking across the globe. With the adoption of the new technologies, the scale of disruption in the banking industry is unprecedented across markets, distribution channels and product lines. Significant penetration of digital channels like mobile phone, smart cards, internet, and other technologies are resulting in new innovative business models that deliver financial services at lower prices and with broader customer reach.

In Pakistan, with high cell-phone penetration, high internet usage, enabling regulations, and multiple branchless banking operators, digital payments are trending upward. Currently, the share of e-Banking channels i.e. real time online branches (RTOB), ATMs, e-Commerce, Internet, Mobile Phone and Call Centers/ IVR Banking in total transactions processed is 8%. Majority of these transactions are focused towards P2P/P2B/B2P payments. In order to enhance the usage of digital payments to the next level and create a behavioral shift towards adoption of digital financial services, there is a need to develop digital payments eco-system along with a range of retail payment services that allows a person to make payments digitally from anywhere at any time. Further, digitalization of Governments payments and receipts would provide a boost to achieve this objective as currently 16% of the Govt. Payments and receipts are digitized.

The list of actions to achieve the headline target of 65 million active digital transaction accounts of which 20 million will be owned by women is as follows:

Sr. No.	Action	Timeline	Responsibilities	KPIs by 2023
1	<p>Digitization of Government departments and facilitate G2P, P2G, G2B & B2G payments: Government to formulate a strategy for digitization of all government departments: processes and rules to technically & operationally enable G2P, P2G, G2B & B2G payments.</p> <ul style="list-style-type: none"> ▪ Creation of Transformation center at PM Office 	<p>June 2019</p> <p>March 2019</p>	<p>PM Office, Ministry of Finance, Provincial Finance Departments, Accountant General of Pakistan, FBR, CGA, MOITT, etc.</p>	<p>100% Digitalization of Govt. payments & Receipts along with backend automation</p>

	<ul style="list-style-type: none"> ▪ Back-end digitization of Government Departments ▪ Digitalization of Government payments and receipts 	<p>June 2022</p> <p>June 2023</p>		<p>Digitalization of PP and CDNS double the access points</p> <p>Creation of 1 million new Jobs</p>
2.	Expanding digital access points for improving access to formal financial services			
	Digitization of Pakistan Post for provision of financial services on fast track basis to leverage its rural distribution network	December 2019	Ministry of Postal Services & Ministry of Finance	
	Digitization of Central Directorate of National Savings <ul style="list-style-type: none"> ▪ Automation of 163 branches 	March 2020	Ministry of Finance & CDNS	
	Development of Micro Payment Gateway (MPG) for retail payments in a cost effective and efficient manner	December 2020	SBP, Karandaz & Banks	
3	Operationalization of Asaan Mobile Account (AMA) Scheme to improve access of digital transaction accounts and drive usage			<p>65 million active transactional accounts of which 20 million will be owned by women</p>
	Devise a strategy for opening of USSD channels of Cellular Mobile Operators for all banks and adopt a market based pricing structure for USSD sessions	November 2018	Pakistan Telecommunication Authority, CMO & Banks	
	Currently NADRA is providing 7 data fields on account opening of BB accounts at PKR 10 per request. NADRA may also provide following additional fields: <ul style="list-style-type: none"> ▪ CNIC issuance date ▪ Father name to meet e-CIB requirement in case of digital credit 	January 2019	NADRA	
	Mandatory interoperability among all type of accounts (conventional as well as branchless banking) for enhancing the access and usage of wallets among masses	March 2019	SBP & Banks	
	Design a plan to expand merchant acceptance points	June 2019	SBP & Banks	
	Pakistan Television Corporation and Radio Pakistan to run Asaan Mobile Account Scheme media campaign on prime time as public service messages	January 2019	Ministry of Information & Broadcasting, SBP & Banks	

2. Enhance Deposit Base

Deposits are considered as a lifeline for the banking system that plays an important role in economic development of any country. Deposits, besides nurturing savings through attractive returns, also ignite investments in infrastructure, businesses and other key sectors. Also, they are primary and cheap source of creating liquidity for priority sector lending, thus generating business activities, creating employment and stabilizing the overall economy.

Currently, the deposit base of banking sector in Pakistan is around 14 trillion with Deposit to GDP ratio at 40%. In order to increase the deposit to GDP ratio to 55%, (annual growth of 16%), the following actions are required to be taken:

Sr. No.	Action	Timeline	Responsibilities	KPIs by 2023
1.	<p>Increase in rural and semi urban banks' branches</p> <ul style="list-style-type: none"> • Commercial banks asked to open 25 % new branches in Rural and Underserved Areas (RUAs) (ongoing) out of which 5% branches should be in Unbanked Areas • KPK & Balochistan specific action plan developed and monitored (ongoing) • SBP's top leadership convenes meetings with CEOs of Banks in KPK, Balochistan and AJK for regional focus <ul style="list-style-type: none"> KPK – 150 Branches & 293 ATMs added since Dec 2016; <ul style="list-style-type: none"> – Deposits increased by 21 % since Dec 2016 – Advances increased by 50 % since Dec 2016 Balochistan – 58 Branches & 73 ATMs added since Dec 2016; <ul style="list-style-type: none"> – Deposits increased by 30 % since Dec 2016 • Focus needs to be enhanced for inroads into the underserved (ongoing) 	December 2021	SBP & Banks	<p>Deposit to GDP ratio to 55%</p> <p>25% branches in rural areas and 5% in unbanked areas</p>
2.	Banks to develop innovative and specialized products for target segments (including Islamic Banking products for faith sensitive, youth and women) to encourage deposits	June 2019	Banks	
3.	Promote digital banking solutions for the underserved and hard to reach areas through tax incentives	June 2023	PM Office, MoF, Govt. Departments, CGA, AGPR, FBR, SBP, PTA, CMOs & Banks	

3. Promotion of Small & Medium Enterprises

The small & medium enterprise (SME) sector is one of the priority sectors of the economy due to their economic and developmental contributions in national Gross Domestic Product (GDP), employment generation and poverty alleviation etc. Significance of SMEs is also evident from the fact that they constitute over 90 percent of estimated 3.2 million business enterprises in the country. In overall macroeconomic terms, SME sector is contributing 30 percent towards the country's GDP, employing more than 80 percent of non-agricultural workforce and generating 25 percent in export earnings.

However, keeping in consideration the overall developmental impact of SMEs in the economy, the flow of credit to SMEs is only 416 billion, i.e. 7.0% as percentage of private sector credit. Earlier, SBP launched Policy for promotion of SME Finance in December 2017 to enhance SMEs share in private sector credit to 17 % by 2020. The policy is based on 9 pillars addressing key supply and demand side bottlenecks. Since launch of the policy, a number of awareness programs have been held at various locations across the country.

Among other initiatives, SBP has also setup a number of subsidized short and long-term refinance facilities for SMEs with end user rate of 6% per annum. A specialized refinance facility for women entrepreneurs is also in place with end user rate of 5% per annum.

To increase the share of SME finance to 17% of the private sector credit, creation of 2 million new jobs and US\$ 5.5 billion additional contributions in exports through SMEs, following actions have been proposed:

Sr. No.	Action	Timeline	Responsibilities	KPIs by 2023
1.	Government to contribute equity in the Credit Guarantee Company <ul style="list-style-type: none"> Core equity capital Requirement : Rs. 750 million GoP's 70% Contribution: Rs. 525 million 	June 2019	Ministry of Finance, SECP, SBP	Increase SME share in private sector credit from 7% to 17%
2.	Establishment of e-Registry			Enhance access to finance to SME borrowers from 173,510 to 700,000
	Appointment of Registrar	December 2018	Ministry of Finance	
	Finalization of rules for the Registry	December 2018		
	Completing administrative arrangements for the registry	March 2019		
	Operationalization of the Registry	June 2019		
	Moving towards unified and integrated e-Registry in the country	December 2020	Ministry of Finance, SECP, SBP	

3.	Strengthening of SME Bank Limited and First Women Bank Ltd through privatization	June 2019	Ministry of Finance and SBP	Increase SME Financing from Rs. 416 billion to Rs. 1.9 trillion
4.	Speedy disposal of SME Loan cases by Banking Courts			
	Appointment of required number of judges in banking courts	March 2019	Ministry of Law & Justice (MoL&J)	
	Training and consultative sessions for Banking Court Judges	March 2019	MoL&J, SBP, PBA	
5.	Refinance facilities for Tourism and IT & ITeS Sectors			Enhance share of SMEs in exports to USD 11 billion Create 2 million new Job opportunities
	Tourism Industry: Development of a long term refinance scheme facilitating this sector to: <ul style="list-style-type: none"> • Build bed & breakfast facilities in tourist areas specially in KPK, GB, and AJK • Purchase of vehicles for use in tourism 	December, 2018	SBP, Pakistan Tourism Development Corporation, Banks	
	IT and ITeS Sector: <ul style="list-style-type: none"> • Long Term Financing Needs: Refinance facility for SMEs will be introduced • Short Term/Working Capital Financing Needs: (already available under SBP's SME Finance Policy) 	December, 2018	SBP, MoITT, Banks	
6.	National SME Policy			
	Revision of National SME Policy and its approval	March 2019	SMEDA, Ministry of Industries & Production (MoI&P)	
	Dissemination of Updated SME Policy among stakeholders	April-June 2019	SMEDA	

7.	Effective role of Provincial Governments		
	Setup Small industrial zones	December 2019	SMEDA and Provincial Ministries/ Departments of Industries
	Developing strategic plan to enhance the role of provincial small industries corporations and industries departments	June 2019	
8.	Reorganize and empower SMEDA		
	Development of strategic plan for strengthening SMEDA	December 2018	Mol&P
	Implementation of strategic plan for reorganization of SMEDA	June 2019	Mol&P and SMEDA
	Providing necessary budgetary support to SMEDA	December 2018	Ministry of Finance
9.	Census of Business Enterprises	December 2019	Pakistan Bureau of Statistics
10.	Tax incentives		
	Women entrepreneurs and start-up small businesses may be included in above clause (62A) through Gazette Notification	December 2018	Ministry of Finance and FBR
	Income tax for small companies to be lowered from 25% to 20% in the next five years	June 2019	
	Providing tax reduction on the income of the banks earned on SME portfolio from 35% to 20%.	July 2019	

4. Increase Agricultural Finance

Agri. finance has witnessed a phenomenal growth during last few years and touched the mark of Rs. 972 billion in June 2018, 73% of total agri. credit requirement of Rs. 1,343 billion, as compared

to agri credit disbursement of Rs. 516 billion in FY 2014. In terms of outreach, 3.7 million agri. borrowers have been financed by banks as of June 30, 2018. Currently 52 institutions including domestic private banks, microfinance banks, Islamic banks besides 5 major banks, specialized banks (ZTBL & PPCBL) and 16 microfinance institutions are extending credit to agriculture sector.

SBP has made sustained efforts through Agricultural Credit Advisory Committee (ACAC) to bring focus to underserved provinces and regions. Besides, a number of initiatives including awareness programs for farmers, 5 Job Fairs in underserved provinces/regions and trainings for Agri. Credit Officers have been held. While further actions are being proposed to develop electronic Warehouse Receipt Financing (WHRF) to reduce post-harvest losses which can enhance food security of the country. SBP has been supporting WHRF through a subsidized long-term Refinance Facility for Storage of Agricultural Produce at 6% end user rate to supplement these initiatives.

Despite this impressive growth and extensive network, the farming community is still struggling to make the agri. business economically viable and sustainable for them. Availability of low quality seeds, fertilizers and adulterated pesticides, conventional cropping patterns, high postharvest loses, lack of risk coverage mechanism and most important use of conventional delivery channels for access to finance resulted into low crop yield and low earnings. In order to make the farming business viable, there is a need to transform the cropping patterns from conventional crops to high value crops, provision of quality inputs, enhance the outreach of agri finance through use of ICT solutions, provision of quality storages to reduce postharvest losses, etc.

In the backdrop of above issues and requirements, the following recommendations /actions are proposed:

S. No	Action	Time Lines	Responsibility	KPI
1.	Automation and Adoption of Electronic Land Record Management System by Banks for Agri. Lending			Access to 6 million farmers to formal agri. Financing
	Punjab: Adoption of Punjab Land Record Management Information System (LRMIS) by banks for agri. financing	December 2018	Punjab Land Revenue Authority and Banks	
	Sindh BoR to fully automate records as per requirement of banks for agri. financing	March 2019	Sindh BoR, Banks	
	Banks to adopt e-land record for agri. financing	June 2019		
	KPK BoR to fully automate records as per requirement of banks for agri. financing	June 2019 September 2019	KPK BoR, Banks	

	Banks to adopt e-land record for agri. financing			
	Balochistan, GB and AJK to automate land record of settled areas Banks to adopt e-land record for agri. financing	December 2019 March 2020	Provincial BoRs, Banks	
2.	Kissan Digital Portal for Agri. financing			Collect database of 10 million farmers
	A committee led by Federal Ministry for Information Technology and Telecommunication to implement and execute the project	March 2019	Federal Ministry for Information Technology and Telecommunication Provincial IT Boards, Land Record Authorities and MoNFSR	
	Develop information portal for registration of farmers	June 2019	Provincial IT Boards	
	Integrate of provincial Land Record Management Information Systems (LRMISs) with information portal	September 2019 onward	Provincial Land Revenue Authorities	
	Mobilize farmers to register in portal for various support services including financial services, government subsidized schemes, agriculture insurance and farm advisory etc	Ongoing	Provincial Agri. Departments	
	Banks will facilitate farmers mobilization through: <ul style="list-style-type: none"> ▪ Banks to access Kissan Digital portal for approaching potential farmers for agri. financing ▪ SBP/banks to introduce E-loan application for agri. loans ▪ Promoting agri. loan products through 	September 2019	Banks	

	electronic, print media, mobile text/ WhatsApp messages			
3.	Provide smart subsidy for agricultural inputs to small farmers			Provision of agricultural inputs subsidy to 3 million small farmers
	Development of subsidized Agri. input Scheme for Small Farmers through Digital Channels Notify list of authorized agri. input vendors at union council	March 2019	MoNFSR, MoF, MoITT, Provincial agri depts. & BORs, agri input suppliers, SBP, and Banks	
	Budget allocation over a period of 5 years for covering subsidized average annual input cost for farmers with land holding of up to 5 acres	June 2019	MoF	
	Mechanism for monitoring of the scheme to be developed	July 2019	MoNFSR	
	Payments to farmers and vendors to be made using digital platform (M-wallets/E-Account)	July 2019	MoNFSR, SBP and Banks	
4.	National Crop Insurance Scheme (NCIS) scheme to safeguard around 9 million farm households			Safeguard around 9 million farm households in case of loss of crops due to natural calamities and disaster
	Government to constitute a Task force headed by SECP to review and update National Crop Insurance Scheme already submitted to Ministry of Commerce.	March 2019	Ministry of Commerce, SECP, SBP, Insurance companies, Pak Re, SUPARCO, BoR, Farmers Organizations	
	SECP in coordination with Ministry of Inter Provincial Coordination finalize insurance premium sharing mechanism with respective Provincial Governments	May 2019	SECP, Ministry of Interprovincial Coordination	
	Develop mechanism for farmers registration	March 2019	Provincial IT Boards, Provincial Agriculture Department	
	Develop mechanism for insurance premium claims	March 2019	Ministry of Commerce, SECP, insurance companies	

	Develop crop loss assessment mechanism based on verification through satellite images	May 2019	SUPARCO	
	Budgetary allocation and Implementation of scheme	June 2019	MoF	
	Establish NCI office at MoC to implement National Crop Insurance Scheme	June 2019	Ministry of Commerce	
5.	Incentivized Schemes for High Value Crops			25% Increase in area under cultivation of oil seed/pulses
	Development of Refinancing facility to banks @ 2 percent with cap on end user rate @ 6 percent	March 2019	SBP	
	Develop mechanism for ensuring proper utilization of financing	June 2019	Agri Departments and SBP	
	Introduction of support price for oil seed and Pulses	June 2019	MoNFSR	
	Enhance scope of Crop Loan Insurance from five major crops to other high value crops	March 2019	MoF	
	Developing complete value chain of each crop from farm to market	December 2019	MoNFSR and Provincial Agri Departments	
	Mobilize farmers to produce oilseed, pulses olives, and high value crops	Ongoing	Provincial Agri. Departments	
6.	Promoting Electronic Warehouse Receipt Financing (WHRF)			Reduce post-harvest losses by 50 percent
	Formation of Committee to execute the implementation of WHRF	January 2019	SECP, MoNFSR, SBP and PMEX	
	Conduct study for near-farm storage infrastructure requirement and mapping	June 2019	MoNFSR	
	Legal amendments to establish Collateral Management Companies for WHRF	March 2019	SECP	

	Licensing of first Collateral Management Company	June 2019	SECP, MoF	
	Developing product guidelines on WHRF and make necessary regulatory changes in Prudential Regulations	September 2019	SBP	
	Linking WHRF with online commodity trading platform	December 2019	PMEX	
7.	Incentivized Schemes for Agri. Development Loans for High Efficacy Irrigation Systems and Machine tools, etc.			Reduce water losses from existing more than 60 percent to 40 percent
	Development of Refinancing facility to banks @ 2 percent with cap on end user rate @ 6 percent	March 2019	SBP	
	Development of financing product and promotion of scheme	June, 2019	Banks	
	Develop mechanism for ensuring proper utilization of financing	June 2019	Banks, Agriculture Departments	
	SBP/Banks in collaboration with Provincial Agri. Department to facilitate in uptake of financing under the schemes	June 2019	Agriculture Departments, SBP, Banks	
	Mobilize farmers to use high efficiency irrigation systems, machine tools and develop orchard and forestry	Ongoing	Provincial Agriculture Departments	

5. Promotion of Financial Inclusion through Low Cost Housing Finance:

Pakistan, like other developing countries, has been facing shortage of housing units; and this basic human need is felt more profoundly at the bottom-of-the-pyramid comprising of the poor and financially under-served segments of the society. According to the 2017 census, Pakistan's population has reached 208 million, growing at an average of 2.4% annually since 1998. It is estimated that annual demand for new homes is approximately 700,000 a year, whereas, only about half of this demand is met. Overall, the housing deficit is estimated at 10 million units.

The formal financial sector has not been able to meet the financing demands for affordable housing to a larger segment of the population particularly the low income segment. The combined volume of outstanding housing finance from banks and the HBFCL stands at around Rs. 90 billion as of Sep 2018. The outstanding housing finance, including the staff housing loans

of financial institutions, is currently less than 0.5 percent of GDP. This ratio (referred to as mortgage depth) is low in comparison, not only to advanced economies but also to regional developing economies of India and Bangladesh.

While the government has envisioned to build 5 million houses under the Naya Pakistan Housing Program, which will address the issue of lack of housing in totality, the following actions are proposed with specific reference to promotion of financial inclusion for low cost housing finance:

S. No	Action	Time Lines	Responsibility
1.	Legal and regulatory environment to be made more facilitative		
	Defining Low cost housing finance in Pakistan	January 2019	SBP
	Implementation of Financial Institutions (Recovery of Finances) (Amendment) Act, 2016	January 2019	Mol&J, Banks, SBP
	Regulatory relaxations for banks/DFIs on low cost housing financing i. General reserve requirements The existing 0.5 – 1.5 % general reserve requirement against classified housing finance portfolio will not be applicable on low cost housing financing / loans ii. Relaxation in CAR requirements Low cost housing / developer finance portfolio will attract a risk weight of 25% for the purpose of calculation of CAR (<i>Current risk weight 35%</i>). iii. Loan to Value (LTV) ratio The Loan to Value (LTV) ratio of 85:15 will be relaxed to 90:10 for low cost housing financing / loans iv. Limit on bank/DFI's exposure: Bank/DFI's exposure in low cost housing shall not be included for calculating the real estate exposure limit (<i>i.e. 10% of the advances and investments</i>)	December 2018	SBP
	Standardization and simplification of housing finance application form.	December 2018	SBP and PBA
2.	Housing microfinance to be up-scaled		
	Maximum size of a housing loan allowed to Microfinance Banks (MFBs), to be increased from PKR 500,000 to PKR 1,000,000	December 2018	SBP
3.	Housing Finance Companies (HFCs) to be developed & promoted		
	Review of current legal and regulatory framework for HFCs and propose revised legal and regulatory framework	March 2019	SECP, SBP

	Launch of an awareness drive to promote HFCs as a viable business opportunity to potential investors	June 2019	SECP, BoI and PMRC
	Availability of long-term funding for HFCs to address funding constraints	December 2018	PMRC

6. Promotion of Financial Inclusion through Islamic Finance:

Islamic banking industry in the country has shown significant growth since its re-launch in 2002; Islamic banking industry constitutes 13.6 percent share in assets and 14.7 percent share in deposits of overall banking industry with a network of 2,709 branches spread across the country. Since a large segment of population of Pakistan being faith sensitive may be voluntarily financially excluded, the following recommendations /actions are proposed to enhance access to Shariah compliant banking services:

Sr. No	Actions	Time Lines	Responsibility	KPIs by 2023
1.	Enhancing Depth & Breadth of Islamic Finance			
	Develop roadmap for promotion of Islamic banking industry.	March 2019	SBP, Islamic banking institutions	Increased share of assets to 25 %. Increased share of deposits by to 25 %. Increased branch network to 30 percent of overall banking industry with enhanced focus on underserved areas.
2.	Providing Enabling Legal & Regulatory Environment			
	Develop proposals for legal amendments in BCO 1962, SBP Act 1956 and Microfinance Institutions Ordinance 2001. (ongoing)	December 2019	SBP, Ministry of Finance & Ministry of Law	Legal amendments related to Islamic banking approved by the Parliament
	Review and propose amendments in other related laws for smooth Islamic banking operations. (ongoing)	June 2021	Ministry of Finance, SBP, SECP, Ministry of Law	Amendments in other related laws approved by the Parliament

	Introduce legislation for establishment of Islamic banking benches at banking courts.	December 2019	Ministry of Law, SBP, & Ministry of Finance	Legislation for establishment of Islamic banking benches at banking courts approved by the Parliament
3.	Efficiency in Liquidity Management			
	Regular issuance of domestic sovereign Sukuk of varying size and tenor.	June 2019	Ministry of Finance & SBP	Regular issuance of Sukuk
	Provide SLR eligibility to SBP Bai-Muajjal transactions.	January 2019	Ministry of Finance	SLR eligible SBP Bai-Muajjal transaction
4.	Awareness Raising & Capacity Building			
	Introduce Islamic finance in curriculum of schools, colleges and universities.	June 2020	Provincial Education Ministries & HEC, SBP, IBI	Inclusion of Islamic finance in curriculum of schools, colleges and universities
	Social Media Platforms, Print and Electronic Media to be used to create awareness of Islamic Finance in local and regional languages.	December 2019	IBIs, SBP, SECP, Ministry of Information and other related Ministries	Improved perception about Islamic banking and enhanced awareness among masses

Implementation Framework

Since large number of stakeholders will be involved to implement action plan, therefore, a central monitoring and coordination mechanism is suggested to oversee and report progress of the recommended actions. The salient features of implementation framework are:

- Creation of **Transformation Office** at PM Office to coordinate, supervise, monitor and report progress on implementation plan.
- Assigning the task **lead agency** for the implementation of each action item and empowering them to implement the requisite action items in coordination with concerned stakeholders.
- The ultimate responsibility for the implementation of the assigned action items within timelines and as per stipulated KPIs will vest with the lead implementation agency/office.
- The federal & provincial governments will be prioritizing the requisite legislation/ legal amendments required for the implementation.

- The federal & provincial governments will allocate necessary resources (financial, human etc.) to implement the requisite actions.

A high level focal point at Prime Minister's Office will be critical not only to ensure effective coordination among various stakeholders, but also for the successful implementation proposed actions.

Summary of Key Actions to be undertaken by the Government

Government will create 3 million new jobs, generate additional exports of US\$ 5 billion and enhance banks' deposits to GDP ratio to 55% by 2023 through measures adopted under National Financial Inclusion Strategy (NFIS). These measures will promote use of digital payments and enhance financing to priority sectors including Agriculture, SMEs and low cost housing along with measures to strengthening Islamic banking. Key actions adopted by the Government include the following:

1. 100% digitalization of Government payments and receipts along with back-end automation
2. Allow reduced income tax (20%) on income earned by commercial & microfinance banks on SMEs, Housing & underserved areas for priority sectors
3. Provide smart subsidy for agricultural inputs to 3 million small farmers (upto 5 Acres)
4. Enact legal amendments to establish Collateral Management Companies for Warehouse Receipt Financing (WHRF)
5. Incentivize development of digital banking solutions for the underserved and hard to reach areas
6. Establish Credit Guarantee Company and fully functional e-Registry to support SME borrowers
7. Reorganize and empower SMEDA to take a central role for the demand side aspect of SME financing
8. Make legal and regulatory environment more conducive for low cost housing finance
9. Regular issuance of Sukuk of varying tenors by the GoP

These measures will be rolled out in collaboration with federal and provincial government departments, financial institutions and other private sector stakeholders. Prime Minister's Office will directly monitor these actions to ensure effective coordination among various stakeholders and implementation of the proposed actions.