

## 6 Institutional Strengthening

### 6.1 HR Developments

The SBP *Vision 2020* envisages significant enhancement in the HR skill mix of the Bank through training and capacity building initiatives and fresh inductions at entry, middle and senior management levels. For achieving the requisite improvement in the skills mix a focused approach was adopted whereby the line departments were mobilized to partner with HR group. The year witnessed major initiatives in the areas of workforce rationalization, talent resourcing, promotions, capacity building and HR automation.

#### 6.1.1 HR Profile

The Bank's initiatives are designed to ensure that its total HR resource mix remains relevant and competitive. During the year, the Bank's workforce increased by 2 percent, from 1,190 employees in FY16 to 1209 employees. The grade-wise comparison of organizational workforce for FY17 and FY16 is given in **Table 6.1**. The Bank places a high priority on continuously improving gender composition across different hierarchies. Currently, the female representation is at 11 percent as compared to 10 percent in the preceding year. The employee turnover was recorded at 1 percent as compared 2 percent in FY16.

**Table 6.1: HR Profile of State Bank of Pakistan**

Position/Grade	FY17	FY16
Governor/DGs	2	3
OG-8	13	12
OG-7	33	37
OG-6	58	51
OG-5	113	108
OG-4	227	218
OG-3	321	272
OG-2	296	298
OG-1	36	70
Support Staff	104	114
Contractual Employees	6	7
<b>Total</b>	<b>1,209</b>	<b>1,190</b>

#### 6.1.2 HR Planning

The annual HR planning exercise was conducted to assess the manpower requirements in the light of business needs, departmental structure, existing working strength and future developmental projects. After detailed review and discussion with concerned Directors, the Manpower Rationalization Committee approved 63 additional vacancies during FY17.

#### *Reorganization*

During FY17, the 'Office of Chief Information Security Officer' (CISO) was established to formulate and implement the IT security strategy. The CISO Office shall identify, develop, implement and maintain processes to reduce Information Technology (IT) risks in the Bank while establishing appropriate standards and controls.

#### *Talent Resourcing*

The SBP pursued a merit-based talent resourcing policy under which it initiated several recruitment drives to equip the Bank with qualified candidates at the entry and mid-to-senior level positions. Based on the manpower

**Table 6.2: Recruitments during FY16**

Grade & Designation	Numbers
<b>OG-2</b>	
Assistant Director	60
Junior Software Engineer	6
Legal Officers	4
IT Auditors	4
Assistant Director- IT Security	2
IT Professionals	3
<b>OG-3</b>	
Law Officers	2
Senior Analyst	2
Deputy Director- Financial Stability	2
Deputy Director- Finance	4
Executive Secretary	2
<b>OG-7</b>	
Chief Information Security Officer	1
<b>Contractual Hiring</b>	
Scholars for SBP Memorial Chairs	4
Museum & Art Gallery	2
<b>Grand Total</b>	<b>97</b>

requirements, 60 fresh graduates were inducted through State Bank Officers' Training Scheme (SBOTS) and Economic Analysts Training Scheme (EATS). Additionally, 37 professionals were appointed on lateral hiring in the specialized areas of Information Technology, Internal Audit, Financial Stability, Law and Finance. The Grade-wise recruitments made during FY17 are shown in the **Table 6.2**.

### **Employer Branding**

The Bank has taken several initiatives to promote SBP as an 'employer of choice' for young graduates as well as for senior professionals. The annual internship programs being organized regularly and visits of SBP middle and senior management officers to reputed Business Schools and Colleges across are targeted towards this end. Further, to increase the outreach and utilize social media platforms, advertisements for various positions were also posted on the official Twitter and LinkedIn accounts. Further, to encourage Pakistanis living abroad, platforms like "jobs.ac.uk" and American Economic Associates were also utilized. The career page of SBP website was revamped to incorporate essential details for stakeholders. Going forward, the Bank would introduce E-Recruitment module which shall improve the processes, add efficiency and reduce turn-around time of recruitment cycles.

### **Career Development**

Providing fair and transparent career development opportunities to all employees is an important part of SBP strategy to maintain a highly skilled and motivated workforce. Keeping in view with organizational requirements, 185 promotions were made in various grades during the year as shown in **Table 6.3**.

Promotion to Grade	No. of Officers
OG-8	3
OG-7	1
OG-6	8
OG-5	20
OG-4	35
OG-3	86
OG-2	32
<b>Total</b>	<b>185</b>

### **Capacity Building**

During FY17, 110 in-house training programs were conducted through NIBAF on the basis of *Training Need Assessment*

conducted in FY16. Further, to ensure a pool of internal resources, a select group of officers went through a comprehensive residential ToT program on Instructional Design. Additionally, specialized institution-wide trainings covering International Certification of Enterprise Risk Management and International BCP Good Practice Guideline were conducted. A refresher course for OG-1 officers was also conducted which was attended by 58 officers.

The local trainings were supplemented with foreign trainings in reputed international institutions/ central banks. Accordingly, 244 officials proceeded on foreign trainings/ seminars/ study visit programs during the period.

**Table 6.4: Foreign Trainings/ Seminars**

Organization/ Institute	Participants
International Monetary Fund	57
Deutsche BundesBank	14
Federal Reserve Bank of New York	13
Bank Negara, Malaysia	4
SEACEN Centre	2
Bank of England – CCBS	4
Financial Stability Institute – Bank of	
International Settlements	8
Study Centre of Gerzensee	4
Asian Development Bank	4
World Bank	11
Others	123
<b>Total</b>	<b>244</b>

### **Employee Engagement Survey**

In FY17, the Bank conducted the Employee Engagement Survey through a Consultant, wherein 74 percent of the Bank's officers

participated in the survey. The survey was aimed at gauging the level of engagement and disengagement at SBP and to recognize factors that affect the employee engagement level. Based on

the survey results, action plan will be prepared to address the identified issues which cause employee disengagement.

### **6.1.2 HR Automation Initiatives**

To improve service delivery standards, various HR operations were automated which are briefly discussed as follow:

#### ***Implementation of Promotion Module***

The promotion application process was automated during the year, which enabled integration of various functions e.g. PMS, qualification, training, leave, last promotion date, etc. The module will also generate multiple reports related to the promotion process including the evaluation reports.

#### ***Updation in Training Module***

In order to keep track of the individual mandatory training hours, real time access was also given to officers while the Departmental Training Coordinators were given access to monitor their departmental training hours and foreign training data.

#### ***Updation in Rest and Recreation Module***

Subsequent to introduction of Online Leave Application, its inter-linkage has been created with Rest and Recreation (R&R) Module to automate disbursement of R&R allowance

#### ***Internship***

As a part of corporate social responsibility and to promote SBP as the employer of choice, the annual 6-week Summer Internship Program was arranged for students of Bachelors/ Masters Degree programs. Over 100 students from major educational institutions across the country as well as reputed foreign universities attended the internship program. The program enabled the participants to enhance their understanding of central banking functions and help build SBP's image as an employer of choice.

### **6.1.3 Future HR Initiatives**

Having a futuristic outlook, the SBP is committed to ensure alignment of its workforce with the organizational strategic objectives. In this regard, various HR policies are being reviewed to meet the changing dynamics of the organization. Further, to build a competency-based assessment framework, SBP would introduce Assessment and Development Centre which would be used as a systematic tool for evaluating potential and existing employees against a required set of competencies and skill set. The project on '*Workload Analysis and Job Evaluation*' will also be undertaken to determine the ideal headcount of the organization and assess the need of various jobs on a set of defined factors. A holistic review of PMS and reward system has also been made by the HR Consultant which would result in introduction and implementation of new system as per best market practices. Going forward, the strategic partnership between the HR and line departments would be further strengthened to fully align the HR capacity with the strategic goals.

## **6.2 Strengthening IT Systems**

The development of a secure, reliable and robust IT infrastructure is a critically important component of SBP's strategy for institutional strengthening. The initiatives taken in this direction included implementation of Knowledge Management Program, upgradation of application software / IT systems, automation of business process and implementation of security protocols / policies.

### **6.2.1 Enterprise IT Strategy**

A comprehensive IT Strategy was developed during the year, which provides a roadmap for revamping of the existing IT infrastructure and moving towards next generation of systems to enable the Bank to achieve its strategic objectives and improve its business operations. The emerging challenges like IT security, IT governance and standardization, optimization and an accelerated move towards a digital working environment are the key strategic drivers of the IT Strategy.

### **6.2.2 Knowledge Management Program**

In order to achieve excellence in IT usage and move towards corporate digital operating environment, an Enterprise wide Knowledge Management Program was initiated under strategic objective of *SBP Vision 2020*. The program has following three stages:

- Phase-I: Electronic Case management and enterprise content management
- Phase-II: Identification and preservation of other knowledge assets, and historical record
- Phase-III: Accessing and preservation of tacit knowledge

A high level road map for the Phase-I has been developed and after review of similar systems implemented in world's leading institutions like Asian Development Bank, Bank Negara Malaysia and Securities Commission Malaysia, the procurement process for acquisition of requisite technology components has been initiated.

### **6.2.3 Establishing New Main Data Center & strengthening Technology Infrastructure**

The replacement of existing Main Data Center with a new state of the art facility as per best industry standards is the key initiative under IT strategy developed during the year. The architecture and low-level design of the Data Center has been finalized and various alternatives are being evaluated to take the project forward to the next level i.e. acquisition and implementation phase. For strengthening the technology infrastructure, the latest virtualization based technology have been adopted and the existing Servers and allied components e.g. storage area network and operating systems have been replaced with state of the art systems for hosting new and upgraded business systems and applications. Further, more than 500 desktop computers and laptops after reaching obsolescence have been replaced organization wide. The IT security fabric of the setup has been further enhanced in critical business domains by employing Intrusion Detection and Prevention Systems and related process controls. A comprehensive cyber security assessment has also been carried out with the help of the World Bank's experts and changes in IT governance and access control are being made accordingly.

### **6.2.4 Core Business Application Upgrades**

The Real Time Gross Settlement System, which was deployed in 2008-09, has been successfully upgraded for improving its reliability and performance. Additional corporate payment streams with IBAN support have been added in the system. Similarly, the migration of Globus Currency Issue and Management Systems to its latest release of *T24* has been successfully completed; whereas migration of Core Banking System is in progress which is expected to be completed by November 2017.

### **6.3 Enterprise Risk Management (ERM)**

The Bank has completed two rounds of Risk Control and Self Assessment (RCSA) through bottom up approach for risk identification, analysis, prioritization and mitigation for its staff and subsidiaries. An Incident Reporting Policy has been introduced and enforced across the organization for report of incidents to provide information on control weaknesses to trigger remedial actions in order to strengthen the Bank's risk management framework. The Banks' Enterprise Risk Management Framework has been reworked to align risk assessment process with modern techniques and to make

it as objective as possible. The Bank has also arranged multiple training sessions on ERM to foster risk culture and enhance capacity of its employees in ERM.

### **6.3.1 Investment Risk Management**

In order to bring its investment risk management function at par with global best practices and effectively manage/mitigate the multifaceted risks emerging from reserve management activities, the Bank has broadened the coverage of market and credit risk indicators. These indicators enabled the bank to monitor credit risk build-up through industry, sector and security specific implied risk premiums. Additional market risk indicators are key inputs for carrying out customized stress testing and formulating expected scenarios that may increase downside risk. In addition, to mitigate the risks associated with outsourced portfolios, the fund managers due diligence mechanism was significantly strengthened by analyzing their policies such as stop-loss limit, derivative usage policies, transaction processing, and internal controls. Fund managers' selection framework was also aligned with the reserve management objectives by incorporating guidelines and procedures for carrying out comprehensive assessment of investment philosophy and capabilities, security selection mechanism, portfolio construction process, and risk control environment of prospective managers.

### **6.4 Business Continuity Management**

The Business Continuation Plan (BCP) is aimed at ensuring continuity of critical functions and preventing any major disruption in financial system of the country in the face of a catastrophe such as natural disaster, fire, civil strife, sabotage or an act of war. The Bank has improved its level of preparedness and readiness to an unprecedented level by establishing a state of the art Disaster Recovery (DR) Site and fully equipped Backup Site(s) for critical time sensitive functions. The Bank periodically tests its DR and Back-up sites to assess the robustness of the Bank's BCP at all the field offices. Training workshops are also conducted for the critical persons to keep them abreast with the latest developments in BCP. To increase the level of readiness at the central bank, following initiatives were taken during the year:

- Around 200 BCP exercises were conducted in SBP and SBP-BSC. Additionally, quarterly BCP Combined Staff Relocation Exercises were conducted that included participants from all the critical and support departments of SBP and SBP-BSC.
- A Critical Functions Review Committee (CFRC), comprising of Chief Managers and BCP Coordinator to review the critical functions of the field offices and the existing BCP document was formed. The CFRC worked to assess the criticality of functions, interdependencies between different functions, legal / statutory obligations and documents and resources required to ensure continuity of the critical functions. The CFRC had proposed function based templates for outlining critical functions.
- The BCP Communication Cards were updated. The cards ensure that in the event of a disaster, the key persons are contacted in a planned manner. These cards clearly elaborate the responsibilities of various committees for managing the situation under crisis, a brief on what-to-do list and information on the activation levels.
- SBP has included certification from Business Continuity Institute (BCI) in the approved list of certification under Professional Development Incentive Program (PDIP). During FY17, six officers of SBP acquired international BCP certification from BCI, UK.

- SBP acquired corporate membership of BCI, UK. This membership would provide SBP access to a wealth of information on the subject as well as to international forums on Business Continuity Planning (BCP).

### **6.5 Risk Based Audit Function**

The Bank has in place an independent internal audit department, providing an independent and objective audit assurance on the effectiveness of its governance, risk management and control processes. The Department conducts financial, operational and information technology (IT) audit of Bank's operations. The Internal Audit Charter, approved by Audit Committee of the Board, mandates the independence and authority of audit Department and the Director Audit reports functionally to Audit Committee of the Board.

The Audit Department also undertakes ongoing quality assurance of audit activities and ensures that these are in conformance with the international standards and best practices. It is also responsible for following up and reporting of outstanding audit recommendations on a periodic basis. The internal audit function also performs special assignments that are received from Governor / Audit Committee. During FY17, the following significant initiatives were taken by the Department in line with its strategic direction:

- Provision of End-to-End Assurance and theme based auditing
- Adoption of Criteria based auditing
- Structured usage of data analytics
- Structured usage of sampling techniques
- Enhancing audit management software
- Enhanced focus on Cyber security and IT Governance

### **6.6 Legal Services Function**

The SBP has an extensive legal services function that ensures that overall business of the Bank is in full conformity with the laws. For this purpose all major policies and business decisions are legally vetted by the law professionals in the Bank's Legal Services Department (LSD). LSD provides legal opinion to various departments of SBP and its subsidiaries. During FY17, the Department provided opinion in 3,185 references, forwarded by various departments of SBP and its subsidiaries to ensure that legal risk associated with the business decision is appropriately addressed. Similarly, the Department manages litigation cases against SBP and its subsidiaries in consultation with Advocates. Currently, there are 336 cases where the Bank's decisions /circulars have been challenged.

During FY17, the Legal Services Department (LSD) has been instrumental in the promulgation of certain laws which included *Deposit Protection Corporation Act 2016*, *Financial Institutions (Recovery of Finances) (Amendment) Act, 2016*, *Credit Bureaus (Amendment) Act, 2016*, *Foreign Exchange Regulations (Amendment) Act, 2016*, *Offences in Respect of Banks (Special Courts Amendment) Act, 2016* and *Financial Institutions (Secured Transactions) Act 2016*.

### **6.7 SBP Library**

The SBP Library supports research, training and learning initiatives of SBP employees, the banking community, students, and the general public through provision of high quality books, journals and other information resources. During FY17, the Library has taken several initiatives for improving discoverability of its knowledge base, promoting access to electronic sources, enhancing effectiveness of the Library System and ensuring accuracy in the inventory management. The Library subscribed *Ebsco Discovery Service* that has made the searching more simple and efficient through provision of a

single interface for all library databases. The library also subscribed *OpenAthens Authentication Service* for selected 200 users, which further simplified the remote accessibility of library resources beyond office premises and *VPN Authentication Service* to the entire SBP community. Further, the Library Information & Management System was also made more efficient and effective with addition/modification of a number of new features/reports. The **Table 6.5** below gives a summary of the library operations during the year.

Operational Areas				FY13	FY14	FY15	FY16	FY17
(1)	Procurement	(a)	(i) Purchased	2,061	1,560	1,633	1,650	3,037
			(ii) Complimentarily acquired	253	250	204	160	209
		(b)	Periodical issues	3,291	2,649	2,719	2,542	3,565
(2)	Technical processing	(a)	Books catalogued	2,460	2,401	1,948	1,837	3,580
		(b)	Articles indexed	4,697	3,561	4,069	3,300	6,624
(3)	Circulation (Books loaned)	(a)	The SBP employees (active and retired)	16,612	26,653	25,844	26,334	31,029
		(b)	General public	2,175	2,146	2,211	1,885	1,815
(4)	Membership	(a)	The SBP employees (active and retired)	45	60	106	85	242
		(b)	General public	184	180	143	106	145
(5)	Visitation	(a)	The SBP employees (active and retired)	17,874	17,703	16,693	14,598	19,890
		(b)	General public	8,873	7,619	7,056	7,217	4,521
(6)	Documents Downloads	(a)	Downloaded documents delivery through email	2,767	3,343	1,745	3,503	3,971
		(b)	Bank-wide article downloads through subscribed resources	---	18,555	9,747	12,178	15,373

## 6.8 Effective External Relations

The SBP being aware of the importance of timely communication of its decisions and action in a clear and well designed manner has been strengthening its external relations and communication function. The Bank during the year significantly enhanced its presence and outreach in print, electronic and social media to inform and educate the public on SBP policies, stance and actions on variety of central banking and economic issues. During FY17, 181 press releases along with Urdu translation were issued to print and electronic media about SBP decisions and initiatives. To enhance its media outreach, the Bank started sending its communications (press releases) to reporters and media houses in six cities other than Karachi. During FY17, SBP website was revamped and launched along with its Urdu version on August 14, 2016. After the launch of new website, the number of visitors increased three times to more than 1,500,000 as compared to the previous year. On social media front, the number of followers on SBP's Twitter account (@statebank\_Pak) has reached to over 7000 followers with over 3000 tweets, which is reflective of increased information sharing through twitter. The **Box 6.1** below gives a brief of initiatives taken on external relations front.

### Box 6.1: Initiative for promotion of external relations during FY17.

- Urdu translation of SBP's flagship publications i.e. SBP Annual and quarterly reports on State of Pakistan's Economy, and Financial Stability Review were arranged and released concurrently alongwith its English version. Simultaneous release of monetary policy decisions in Urdu along with the English versions was also arranged.
- To create awareness about demonetization of old design banknotes of Rs10, 50, 100 and 1000, a comprehensive public awareness campaign on demonetization of old design banknotes was conducted via print and electronic media.

- During the year, 230 advertisements in print media and 287 in electronic media were placed for the transfer of information, concepts and awareness to both general and specific audiences.
- SBP arranged media coverage of Managing Director IMF, Ms. Christine Lagarde at her visit to Pakistan in October 2016 and her keynote speech in a seminar titled, “Emerging markets in the world economy” at Islamabad. Key Government functionaries and eminent personalities from international institutions attended the event and it was widely covered by electronic and print media.
- During FY17, a condolence gathering to pay homage to the late Abdul Sattar Edhi was held in July 2016. Subsequently, a special ceremony was held on the eve of issuance of Rs 50 coin to commemorate the services of the late Abdul Sattar Edhi. Both these events were extensively covered in print and electronic media.

## 6.9 Museum & Art Gallery

The SBP has a well reputed Museum & Art Gallery, which has been playing a key role in educating the visitors specially the students about the history of SBP, currency notes and coins. The SBP Museum has eight galleries i.e. Coin Galleries I & II, Stamp Gallery, Currency Gallery, History of State Bank Gallery, Governors’ Gallery, *Sadequain’s* Gallery and the Contemporary Art Gallery, each depicting subject-wise history ranging from origin to present day status.

The History Gallery shows history of SBP from 1948, while the Governors’ Gallery shows brief profiles of the former governors with their portraits.

The Art Gallery is one of the most attractive parts of the Museum, displaying *Sadequain’s* four huge paintings and collages of metal and wood. A restored large triptych by *Zahoor ul-Akhlaq*, donated by philanthropist *Ava Cawasjee* is displayed in the Contemporary Art Gallery, where temporary exhibitions of young artists are also held on non profit basis.

Museum’s Archives Section deals with the acquisition of Archival Material related to historical manuscripts, history of Pakistan, Art, historical books, etc.

The Technical Section has a Conservation Lab which is responsible for conservation of coins, archival material, etc.

The Replica/Modeling Section is unique as it is responsible for preparing replicas/models as souvenirs for the visitors. The objective of this section is to replicate the antiquities for education and to discourage smuggling of the originals. The Shop has replicas of artifacts as well as special museum publications and interactive videos and demos. The literature available thus serves its educational purpose.

Research Section deals with publication and research. The researched and digitized data is published as yearly plan; the purpose of the publication is to not only safeguard the data but also to encourage young researchers. The publication section facilitates research on the museum and its collection by scholars from Pakistan as well as abroad.

### 6.9.1 Visitors’ Flow Souvenir Shop

During FY17, around 11466 visitors (3808 Male, 2476 Female and 5182 children) visited the museum. Special occasions also provided an opportunity to a large numbers of visitors to visit the SBP Museum, the number of which is other than above mentioned figures. The Museum’s Souvenir Shop, in a very short span of time has become one of the best Souvenir Shops in Pakistan. A total sale of Rs 2,034,400 was recorded on non-profit basis in FY17. The major events, programs organized by the museum during the year are given in **Box 6.2**.

**Box 6.2: SBP Museum's Initiatives During FY17**

- **Independence Day Celebrations:** SBP Museum celebrates Independence in luminous and exclusive way with special exhibitions every year since 2010. On August 14, 2016 an exhibition depicting rare photographs of the old buildings of Karachi was held along with a solo show of the amateur artist *Mustaque Lashari*. He used tea and coffee as painting medium instead of the traditional paints. A large number of bank officers/employees with their families and public visited the exhibition.
- **International Day of Persons with Disabilities:** SBP's Museum celebrated "International Day of Persons with Disabilities" on December 3, 2016. Students of KVTC (Karachi Vocational Training Centre) alongwith two other educational institutions visited SBP Museum. The role of SBP Museum was appreciated by the print and electronic media on this occasion.
- **Conservation and Restoration of Oil Painting Workshop:** The Museum invited artist Muhammad Azam, a qualified and experienced Art restorer and Conservationist having a vast experience in this field, to conduct a one month Workshop on Conservation of Paintings. The participation was free of cost to attract large number of participants.
- **Exhibition of Drawings of Late *Abdul Sattar Edhi* By *Jimmy Engineer*:** On January 30, 2017, the Museum held an exhibition of the ten pencil drawings of the great social worker late *Abdul Sattar Edhi*, generously donated by the well known Pakistani Painter *Jimmy Engineer*. The generosity and cause of Mr. Jimmy Engineer was highly appreciated on the occasion.
- **Digital Photography Workshop for the Visually Impaired:** The Museum has adopted "*Beat Disability*" as its special slogan and as a part of this initiative arranged a special three days photography workshop for the visually impaired in May 2017. The Blind Resource Foundation Pakistan, Karachi sent their seven students and two teachers for participation. Trained by the Museum staff these participants clicked photographs. These Photographs were sold on August 14, 2017 after framing and the sale proceeds were given to the participants who clicked the photos.
- **Summer Camp:** SBP Museum as per its tradition organized Summer Camp this year also for the children of SBP employees. The 2017 summer camp program was formulated to teach the children not only about the dying arts and crafts of our country e.g. calligraphy (one of the traditional methods of writing beautifully and artistically) but also about the current useful techniques of civil defense. Thus they were also given firefighting and first aid lessons.