

SBP
STRATEGIC PLAN
2023 - 2028

SBP
VISION
2028



State Bank of Pakistan





State Bank of Pakistan



Vision

Credible, dynamic, and independent central bank, with a high calibre team, committed to improving the well-being of the people of Pakistan



Mission

Maintain price and financial stability, with a technologically advanced financial system for inclusive and sustainable economic development of Pakistan



Values

Integrity

- We stand behind our commitments
- We perform our duties professionally and without personal bias
- We perform our duties in an objective and non-partisan manner
- We ensure the confidentiality of information we receive
- We do not use our positions for personal advantage
- We are honest while giving opinions and advice

Accountability

- We take responsibility for our actions and decisions
- We take responsibility for achieving goals and outcomes
- We hold ourselves to high standards of transparency, disclosure and effective oversight
- We welcome independent reviews in line with international standards and best practices
- We are ready to explain the underlying rationale of our decisions
- We are open to constructive criticism and value feedback

Innovation

- We promote new ideas and challenge the status quo for continual improvement
- We strive for excellence and constructive change
- We make innovation both credible and appealing to stakeholders
- We aim to impart and implement technology to improve stakeholders' experience
- We are committed to managing any impediments to the adoption of technology

Inclusion

- We value people for their diverse skills and ideas
- We promote inclusivity within and outside the organization
- We believe in gender mainstreaming
- We encourage diversity in age, gender, ethnicity, education, physical abilities, race, and religion
- We are an equal opportunity employer
- We maintain a work environment of respect and support

People-Centric

- We put people at the heart of our policies and actions
- We encourage honest and open engagement with stakeholders
- We treat people with kindness, compassion and fairness
- We foster a culture where employees feel valued
- We believe in fostering work life balance
- We care about the health, safety and well-being of people

Concern for Environment

- We believe in conservation of energy and resources
- We believe in minimizing carbon emissions
- We keep our workplace neat and clean
- We aim to become a paperless organization
- We encourage initiatives to improve the work environment
- We promote environment-friendly policies

The Team

Strategic Plan Steering Committee

Sohail Javaad	Executive Director – Digital Financial Services Group	Chairperson
Amin Lodhi	Director – Monetary Policy Department	Member/Secretary
Dr. Omar Farooq Saqib	Director – International Markets and Investments Department	Member
Abid Qamar	Director – Agriculture Credit & Financial Inclusion Department	Member
Dr. Asif Ali	Director – Exchange Policy Department	Member
Fayyaz ur Rehman	Additional Director – Corporate Services and Strategic Planning Department	Member

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MISSION

Maintain price and financial stability, with a technologically advanced financial system for inclusive and sustainable economic development of Pakistan

VALUES

Integrity	Inclusion
Accountability	People Centric
Innovation	Concern for Environment

STRATEGIC THEMES

Strategic Communication
Climate Change
Technological Innovation
Diversity and Inclusion
Productivity and Competitiveness

STRATEGIC GOALS

SG-1: Maintain Inflation within the Medium-Term Target Range
SG-3: Promote Inclusive and Sustainable Access to Financial Services
SG-5: Build an Innovative and Inclusive Digital Financial Services Ecosystem

SG-2: Enhance Efficiency, Effectiveness, Fairness and Stability of the Financial System
SG-4: Transforming to a Shariah-Compliant Banking System
SG-6: Transform SBP into a High-Tech, People-Centric Organization

Governor's Message

I am pleased to present the fourth strategic plan of SBP, the “**SBP Vision 2028**”, which highlights the central bank’s vision, mission and key goals to be pursued over the next five years. This is the first plan after the revision in the SBP Act last year and thus takes into account the significantly enhanced mandate, autonomy and accountability introduced through the changes in the Act. The evolving risks and challenges to the economy and financial stability including volatile global economic environment, rising risks associated with climate change, rapid digital innovations and disruptions, and growing cybersecurity threats have also been kept in perspective in developing the plan. It builds on the achievements of the last plan and covers five cross-cutting themes: strategic communication, climate change, technological innovation, diversity and inclusion, and productivity and competitiveness.

The SBP Vision 2028 envisions to make SBP a people-centric institution, working for the wellbeing of the people of Pakistan. In line with this vision, our first and foremost focus will be on achieving and maintaining price stability. This entails bringing down and maintaining inflation within its medium-term target range of 5 to 7 percent, which we believe is essential to achieve sustainable economic growth, alleviate poverty and enhance economic wellbeing of our people. The strategic plan thus includes several initiatives to enhance the effectiveness of monetary policy, particularly through improvements in the monetary policy transmission mechanism. Further, the SBP will continue to highlight the structural issues as well as emerging risks and opportunities to Pakistan’s economy through its quality publications to increase awareness about the issues and possible solutions amongst the general public and other stakeholders.

A strong and resilient financial system is pivotal for macroeconomic stability and sustainable economic growth, thus ensuring the financial system stability remains a key priority area of the SBP Vision 2028. Our banking system has shown great resilience against several shocks in the past. However, the shocks are getting increasingly complex, with climate change, technological advancements, cybersecurity threats, and financial innovations adding new dimensions in the risks to the financial stability. The SBP Vision 2028 envisages to enhance the banks’ capacity to better manage all such shocks. At the same time, it also aims at improving the SBP’s regulatory and supervisory capacity to proactively identify and assess the individual institutions as well as the industry-wide risks and take timely measures to ensure financial stability. The improvement in banks’ conduct, particularly towards their customers, and enhancement in consumer protection, will also be among our key focus areas during the next five years.

SBP has been investing in its human resources and technological infrastructure, which has enhanced our capacity as a central bank.

While we have achieved significant progress on the financial inclusion goal during the last 10 years, with bank accounts coverage reaching to over 50 percent of the adult population, the improvement in financial inclusion will remain our key strategic goal during the next 5 years as well. The SBP Vision 2028 envisages to enhance the bank accounts coverage to 75 percent of the adult population, and increase the depth, breadth and quality of financial services, particularly for the low-income clientele, SMEs and farmers. The microfinance sector has contributed significantly in expanding the outreach of financial services to the low-income segment. The sector was badly hit by the Covid-19 pandemic and the devastating floods of last year. Considering the sector’s huge potential in increasing the financial inclusion levels, its revival will be actively pursued in consultation with the microfinance industry and federal government. Similarly, digital technology will be optimally leveraged to improve the financial inclusion in the country. Further, the financial inclusion framework will be modified to cater to the emerging needs of an inclusive financial ecosystem, with increased focus on sustainable and green financing.

The SBP Vision 2028, in line with the Federal Shariat Court's decision, envisions transforming the conventional banking system into a Shariah-compliant banking system. It has also laid out a detailed plan for the transformation, developed in consultation with all stakeholders. The key challenges to the transformation include: conversion of government debt into Shariah-compliant financing, simplification of Shariah-compliant financing products, and training and capacity building of the industry. SBP is collaborating with the industry, Shariah scholars and the federal government to resolve these issues and challenges.

We have made major headway in developing a robust Digital Financial Services Ecosystem under the last strategic plan, with the implementation and rollout of Raast and issuance of digital banks' licensing framework being the most notable initiatives. The journey will continue with more vigor and focus towards the development and strengthening of a digital financial services ecosystem that serves all segments of our economy, including consumers, low-income population, household women, home-based workers, and micro and small enterprises. The digital payments will be made as convenient, efficient and cost effective as cash. The coverage of Raast will be expanded to almost all retail as well as bulk payments, with its P2P, P2M and bulk payment modules. It will also be integrated with other regional instant payment systems, starting with Buna of the Arab Monetary Fund, to facilitate remittances and trade with AMF member countries. The five Digital Banks currently completing the licensing requirements after obtaining the in-principle approval from SBP, will also be instrumental in expanding the depth and breadth of digital financial services in the country. SBP will also be strengthening its capacity to ensure effective oversight of Digital Banks, Electronic Money Institutions, and Payment System Providers and Operators to ensure availability of reliable, efficient, and secure digital financial services to all segments of the economy. The plan also includes a number of initiatives, including aggressive media campaigns to improve digital financial literacy and mitigate risks in the use of digital financial services.

SBP has been investing in its human resources and technological infrastructure, which has enhanced our capacity as a central bank. The investments in HR, technology and physical infrastructure will continue to keep us at par with the fast-changing market dynamics. Significant progress has already been made towards making SBP a paperless institution, with physical files eliminated and replaced by digital approval mechanism. The regulated entities also digitally send all their requests to SBP and get responses digitally as well. The remaining few areas, like correspondence with the government and non-regulated entities, will be digitized in the medium-term to make SBP a completely paperless organization.

An important distinguishing feature of this plan over the previous plans is the explicit description of key success measures against each Strategic Goal, which will improve implementation as well as accountability of senior, middle and lower management. The Strategic Plan's implementation will be monitored by the Executive Committee. Furthermore, the SBP's Board of Directors will also be updated on the plan's implementation and achievements on an annual basis.

Lastly, I would like to congratulate the Strategic Planning Team, the Steering Committee and the senior management for their contribution in developing this plan. I would also like to express my gratitude to the Executive Committee, my predecessor SBP Governors and the SBP Board for their firm support and guidance. I extend my appreciation to all SBP employees for their contribution in the development of the SBP's strategic plan.

Jameel Ahmad
Governor

Strategic Plan Context



To ensure that the strategic direction of SBP is responsive and forward-looking, various political, economic, social, technological, environmental, legal and institutional factors have been analyzed to facilitate the development of an overarching, multi-faceted strategic plan for the central bank.

Political Factors

Political volatility has the capacity to disrupt the continuation of economic policies and reforms that are essential to achieve sustainable economic growth. As such, there is a pressing need to develop a consensus among the political stakeholders to ensure political support for the economic reforms.

In this background, the strategic plan of SBP has identified initiatives and actions to lead informed debates, supported by in-depth analysis and research, with key stakeholders, and strategic communication.

Economic Factors

Pakistan's economic growth rose to around 6 percent in both FY21 and FY22, spurred by domestic demand and supported by Covid-induced accommodative monetary and fiscal policies. However, this elevated domestic demand coincided with the global commodity price super cycle, supply chain disruptions and geopolitical tensions. The impact of these developments was compounded by domestic political situation and delay in the resumption of the IMF program, which left the country at a familiar juncture: high inflation, widening twin deficits, and pressures on FX reserves and domestic currency.

Going forward, the macroeconomic outlook in Pakistan hinges on how well the inflation expectations are anchored through the recent policy rate increases, and on the path of global commodity prices. The external and fiscal balances and all other key macroeconomic indicators are also expected to be affected by the recent policy measures, as well as both immediate and lagged impact of the devastating 2022 floods. The pace of ongoing IMF stabilization program's implementation, the ability to raise external financing, continued supply chain disruptions, especially vis-à-vis Russia-Ukraine conflict, and domestic political stability in the ensuing election year and beyond, are other important determinants.

However, in order to prevent recurring episodes of boom-bust cycles in the long run, a host of structural challenges to Pakistan's economy needs to be addressed. Lack of coherent industrial and agricultural policies, and inadequate investment in human development, have resulted in stagnant exports, dismally low crop yields, and weak labor productivity. The financial landscape also requires efforts to enhance financial access to underserved segments of society and encourage private savings to raise the country's investment-to-GDP ratio. Consistent improvements are needed to expand the tax base at both the federal and provincial levels, to reduce the susceptibility of tax revenues to business cycle risks and generate resources for needed public sector investment to support productivity enhancement in the economy. Policy reforms are needed to develop markets and promote competition. Finally, documentation and digitalization of the economy ought to be strengthened, especially keeping in view the rising tide of Pakistan's young population.

Social Factors

Pakistan is the world's fifth largest country by population size, with almost 60 percent of citizens falling in 15-59 year age bracket and 27 percent in the 15-29 age group. This young population is becoming increasingly literate, urbanized, and digitally connected. This bodes well for SBP's efforts for improving financial inclusion in the country.

Achieving the headline targets under the National Financial Inclusion Strategy (NFIS) would be pivotal to achieve the objectives of the Strategic Plan. The NFIS targets envisage enhanced use of digital payments, higher deposit base, promotion of SME finance, stepping up agricultural finance, and increase the share of Islamic banking. These targets would help address the evolving needs of credit, broaden the financial landscape through inclusion, and remove financing gaps of priority sectors. The NFIS would also facilitate the creation of more jobs, enhance exports, encourage higher savings, and increase financial literacy.

Technological Factors

Keeping pace with technological advancements, ensuing changes and challenges remain key priorities for

central banks. Technology has brought diversity with innovations and developments like Artificial Intelligence, Block Chain, Cloud Computing and Big Data, thus transforming the digital landscape. These drivers of technology have been instrumental in improving the financial market infrastructure, enhancing access to banking and finance, and paving the way for innovation in payment systems.

Yet, as these technologies boost efficiency, they also pose challenges to banking and payment systems related to cybersecurity, availability of unsecure alternative financing, increase in online frauds, scams and unauthorized access to information and data. As a central bank, SBP will pursue a balanced approach that would not only encourages innovation for improving the digital landscape of Pakistan, but also mitigates risks to financial stability.

The role of digital banks in Pakistan would be important to foster the digital financial ecosystem in the country by focusing on inclusion of women and low-income groups. The digital financial services offered should be easily and conveniently accessible to broaden the customer base. The changing preferences of customers would also be pivotal in setting priority areas, including digitalization of government services and private sector payments. Emergence of Central Bank Digital Currencies (CBDCs) may be the next step in the ongoing transformation of central banking operations and payment systems in Pakistan.

The persistent growth in the users of mobile devices, expansion of 3G/4G services, enhancement of Raast payment gateway and increased use of e-commerce would further strengthen the digital landscape of Pakistan. These developments, coupled with an increase in branchless banking and alternative delivery channels, would provide access to digital financial services to the underserved and rural segments of the population. However, the risks related to cloud storage, cybersecurity, unregulated digital currencies, protection of data storage systems, and unauthorized access to information and data may undermine the growth of digitalization in Pakistan.

Environmental Factors

Pakistan is ranked among the top 10 countries that are most vulnerable to climate change; this is despite the fact that Pakistan's contribution to global CO₂ emissions is very marginal. During 2000-2019, the country has experienced 173 climate-related extreme events. The detrimental impact of environmental degradation and climate change on economic growth are real and their severity and intensity have increased manifold in the past few years. In 2022, the country experienced some abnormally high downpours and flooding, that were never observed in Pakistan's history.

The risks emanating from climate change in the form of natural calamities can adversely impact price and financial stability, economic growth, and poverty level in the country. Climate change has been adopted as one of the main themes in the SBP Vision 2028, with the objective of enhancing risk mitigation and management capabilities.

Legal Factors

Two important recent developments dominate the legal landscape related to financial services: amendments in the SBP Act and the Federal Shariat Court judgement to make Pakistan's banking sector Shariah compliant. Both of these have been important considerations in the design of this Strategic Plan. The amended SBP Act clearly delineates the priorities for the central bank by setting down its objectives. Furthermore, it entrusts SBP to perform a wide range of functions, and strengthens the institution's autonomy. The amended SBP Act envisages price stability as the primary objective, followed by financial stability, and support of the general economic policies of the government.

The Federal Shariat Court judgement has set an ambitious target for the Islamic Banking industry, which requires stringent and coherent actions from all stakeholders. The SBP will have to play a pivotal role in implementation of this judgment.

Institutional Factors

The success of any public policy crucially depends on the institutional strength for its formulation and implementation. Recent amendments in the SBP Act are important to enhance this institutional strength, by providing more room for independent and time-consistent policy-making. Accordingly, the SBP Vision 2028 has particular emphasis on SBP to be a role model for best corporate governance practices in Pakistan and deliver efficient and effective outcomes at every level.

Therefore, in line with the Strategic Plan and the role envisaged in the SBP Act, it is pivotal for SBP to further augment its institutional capacity and structure. The focus in this regard would be on areas such as human resource management, corporate governance, internal controls and knowledge management, by leveraging technology and improving business processes. At the same time, achievement of SBP's objectives depends on the support from its external stakeholders, particularly in addressing the long-standing structural issues in the economy. It is of paramount importance to build a strong coordination mechanism among all key stakeholders to work cohesively and develop synergies for achieving the policy objectives and performance targets set in the SBP Vision 2028.

Key Achievements under SBP Vision 2020

SBP Vision 2020 envisaged an appropriate balance between price stability and economic growth; financial system stability; a more efficient and competitive banking sector; greater financial inclusion; modern and robust payment systems; and enhanced institutional capacity of SBP to operate as an efficient and effective central bank. Some of the major achievements under the SBP Vision 2020 are as follows:

Enhance the Effectiveness of Monetary Policy

Under SBP Vision 2020, substantial progress was made towards enhancing the effectiveness of monetary policy. Key developments include: (a) establishing an independent Monetary Policy Committee (MPC) to improve independence and quality of monetary policy decisions; (b) discontinuation of inflationary government borrowings from SBP; (c) adoption of market-based exchange rate regime; and (d) introduction of a reformed Interest Rate Corridor framework for effective implementation of monetary policy stance. To better explain the policy stance to the public, the Monetary Policy Statement's (MPS) format and contents were improved significantly, and information-sharing sessions were initiated with external researchers & analysts, academia and print & electronic media houses after the announcement of the MPC decisions. Further, the publications of Working Paper Series and SBP Staff Notes were increased significantly to foster economic research environment. SBP's data management system also witnessed significant improvements with the launch of the Easy Data portal.

Strengthen the Financial System Stability Regime

To strengthen the financial system stability framework, the Financial Stability Department (FSD) was established at SBP and an overarching National Financial Stability Council (NFSC) comprising MoF, SBP, and SECP was constituted as an apex financial

stability forum of Pakistan. The Deposit Protection Corporation (DPC) was also established to augment financial stability regime and protect small depositors in case of bank failure. The lender of last resort (LOLR) facility was instituted as an emergency liquidity assistance tool to help banks in coping with interim liquidity pressures. SBP and SECP also set up a dedicated Joint Task Force to monitor and manage risks posed by financial conglomerates. Moreover, Shariah-compliant LOLR facility for Islamic banking institutions was developed and a framework for regulation and supervision of domestic systemically important banks (D-SIBs) in Pakistan was issued in line with the BCBS guidelines. Further, to strengthen the supervisory regime and better assess the risk profile and quality of risk management systems of banks and financial institutions, SBP transformed its supervisory approach and implemented a Risk-Based Supervisory regime.

Improve the Efficiency, Effectiveness, and Fairness of the Banking System

During the currency of SBP Vision 2020, a roadmap 2025 for the banking industry was developed in consultation with all stakeholders to improve its efficiency and effectiveness. Further, a digital onboarding framework was issued to facilitate resident Pakistani customers to conveniently and remotely open bank accounts using digital channels. SBP also launched a licensing and regulatory framework for setting up digital banks in Pakistan as a separate and distinct category in the banking business. The banks were facilitated by implementing a technology-based regulatory approval system for foreign exchange-related transactions.

Increase Financial Inclusion

Financial inclusion remained the SBP's top priority area. Under the SBP Vision 2020, National Financial Inclusion Strategy (NFIS) was adopted and implemented. The Banking on Equality (BoE) Policy was



launched to introduce a gender lens in the financial sector and bridge the substantial gender gaps in the financial sector's clientele as well as workforce. SME Asaan Finance (SAAF) Scheme was launched to provide an avenue for SMEs to secure collateral-free financing from banks. Further, Asaan Mobile Accounts (AMA) were launched to enable the low-income segment to digitally open bank accounts without an internet connection. Two private credit bureaus were licensed to facilitate member financial institutions by providing complete credit history of their loan applicants.

In line with the SBP Vision 2020, the share of Islamic banking assets in the country's banking system increased significantly to 15.3 percent by June 2020. To steer the growth of Islamic banking industry on sustainable basis, SBP issued the third strategic plan for Islamic Banking industry for the period FY2021-25. Further, Centres of Excellence in Islamic Finance Education (CEIFEs) were established for promotion, training and capacity building of the Islamic Banking industry.

Develop Modern and Robust Payment Systems

Development of a robust and ubiquitous payment system was an important strategic goal of the SBP Vision 2020. A National Payment Systems Strategy was developed under the Vision 2020. The development and rollout of the Micro Payment Gateway (Raast) was the most important initiative completed under the Vision 2020, which propelled Pakistan to the list of a few countries having an Instant Payment System (IPS). The IPS is a pre-requisite for development of a digital payments ecosystem. Further, the Roshan Digital Accounts (RDA) framework was launched to enable overseas Pakistanis to digitally open and operate bank accounts in Pakistan. SBP also issued regulations for Electronic Money Institutions (EMIs) to provide enabling regulatory framework to non-banking entities like Fintech firms to venture into the payment systems landscape. Likewise, standards on QR codes for pay-

ments in Pakistan were issued to ensure interoperability and promote digital retail payments.

Strengthen SBP's Organizational Efficiency and Effectiveness

To align the institutional capacity with the Vision 2020, a number of initiatives were taken to enhance the HR skillset, improve robustness and reliability of IT systems, and strengthen risk management and internal control systems. The development and roll-out of the Knowledge Management (KM) system, one of the critical projects under the Vision 2020, was a step towards making SBP a paperless digital organization, improving the organizational efficiency. Further, to ensure a better workplace environment, improve gender balance and adopt zero tolerance towards sexual harassment, specific policy and infrastructure measures were undertaken.



SBP VISION 2028

Strategic Themes

We have identified five strategic themes for SBP Vision 2028 that would cut across all strategic goals of SBP and its subsidiaries. These strategic themes would be pivotal in reshaping the future of banking and economy, particularly in the backdrop of evolving global and domestic challenges. The strategic themes include Strategic Communication, Climate Change, Technological Innovation, Diversity and Inclusion, and Productivity and Competitiveness.



Strategic Communication

Strategic Communication is defined as purposeful and planned communication of an organization to advance its vision and mission. Strategic Communication aims to foster communication across internal and external stakeholders to enhance transparency, improve trust and confidence, make decision making robust and effective, share information, and augment coordination and collaboration. Due to evolving challenges and emergence of new technologies, central banks around the world are focusing on improving communication to anchor expectations and enhance trust of people. As a financial sector regulator, SBP aims to inculcate the perspective of strategic communication in every policy action and measure to:

- Improve understanding of its stakeholders for greater transparency
- Enhance confidence and trust of people
- Anchor market expectations and reduce uncertainty
- Encourage ideas and suggestions to improve operational efficiency
- Disseminate success stories and experiences



Climate Change

Pakistan is among the top 10 countries that have been worst affected by climate change in the form of unprecedented torrential rains, melting of glaciers, flooding and sudden heatwaves. This has not only caused colossal damage to livelihood of over 30 million Pakistanis, essential crops, infrastructure and mass communication networks, but also

proved detrimental to energy and food security. These impacts of climate change are exacerbated by weak governance structure and inadequate social support, resulting in mismanagement of such incidents. As the world is moving towards clean energy and zero emission targets, it is crucial for our country to adapt to climate change requirements in every sector to ensure sustainable growth.

In view of the climate change and ensuing economic and social challenges, SBP would focus on segments of financial sector that are vulnerable to climate change by:

- Providing proactive policy measures for financial sector stakeholders to address the requirements and challenges of climate change
- Reducing climate associated risks by improving the regulatory and supervisory framework
- Promoting the allocation of resources towards the development of a more sustainable, dynamic and green economy; and
- Improving infrastructure through enhancing access to finance and promoting sustainable finance to address the challenges particularly related to food and water crisis



Technological Innovation

The role of central banks around the world is evolving due to emergence of new technological advancements particularly in the areas of artificial intelligence, block chain technology, cloud storage, fintech and big data. These technologies have posed multiple challenges for central banks on the regulatory and supervisory fronts and are expected to completely transform the traditional roles of banking and finance in the economy. Central banks have to adapt to these technological changes through a structured transformation of their organizational infrastructure and systems to strengthen their roles as regulator. Digital transformation is crucial to bring efficiencies and synergies in financial markets and increase financial inclusion.

Technology has been a prime focus of SBP in the past few years, wherein multiple projects and initiatives have been undertaken to reform the bank-



ing and financial landscape of Pakistan. Going forward, SBP would aim to:

- Foster the adoption of digital banking and payments with particular emphasis on cybersecurity
- Expansion and integration of data with internal and external stakeholders to facilitate in reducing the size of the informal economy
- Explore multiple aspects of digital currencies and use of tech-based regulations and supervision
- Leverage the benefits from emerging technologies for resource optimization, automation of processes, risk management, value delivery and smooth operations; and
- Provide a sandbox environment for stakeholders to test new ideas



Diversity and Inclusion

The importance of diversity and inclusion is gaining momentum in organizations around the world. Diversity and inclusion focus on promoting equality and equity at the workplace and helps organizations to capitalize on ideas and thinking patterns brought forward by people from different backgrounds. This helps organizations to nurture and thrive on a sustainable basis. Lack of diversity and inclusion would lead to consequential risks related to behaviour, environment and culture of an organization. For central banks, diversity and inclusion are important components to deliver on the mandate and achieve strategic objectives. Further, diversity and inclusion at regulated institutions enhance the quality of corporate governance and prioritize the fair treatment of consumers.

SBP, being a regulator, has taken multiple initiatives to improve diversity and inclusion in the organization and regulated financial institutions. SBP issued the Banking on Equality (BoE) Policy to reduce the gender gap in financial inclusion by bringing a shift towards women-friendly business practices in the financial sector. SBP would continue to support diversity and inclusion through:

- Ensuring effective implementation of BoE policy
- Encouraging diversity at workplaces

- Harnessing technology to reduce gender gap
- Improving organizational environment through cultural diversity
- Enhancing access to financial services for the underserved segments
- Motivating people to share ideas and take initiatives to improve business processes and workplace environment



Productivity and Competitiveness

Central banks are adapting to the rapid changes in the global economy to effectively deliver on their mandate. This requires proactive identification of priorities, which are critical to achieve the long-term objectives. Supporting and enhancing productivity and competitiveness through conducive policy measures and regulatory interventions should be a priority for a developing country's central bank. Likewise, the evolving risks and challenges to Pakistan's economy entail SBP to improve its regulatory landscape, encourage innovation in the financial sector, enhance coordination among relevant stakeholders, and facilitate industry through supportive policy measures.

Conducive policy environment has been the cornerstone at SBP, wherein a number of policy measures and initiatives have been planned to enhance productivity and competitiveness. These include strengthening the market-determined exchange rate regime, enhancing effectiveness of monetary policy to achieve price stability, ensuring adequate financing to priority sectors (including agriculture, SMEs and housing), increasing digitalization of financial services and achieving higher financial inclusion. Going forward, SBP would work to enhance productivity and competitiveness within its domain through:

- Enhancing coordination and collaboration with key stakeholders to address the persistent issues in increasing productivity and competitiveness
- Developing new policies to encourage private sector credit penetration and access to finance to underserved segments
- Taking regulatory measures to mitigate risks for smooth functioning of markets
- Encouraging innovative product development by financial institutions through leveraging technology and capacity building
- Analyzing and identifying new opportunities to improve policy measures and strengthen the financial system

High Level Strategic Goals – At a Glance

SG-1: Maintain Inflation within the Medium-Term Target Range	SG-2: Enhance Efficiency, Effectiveness, Fairness and Stability of the Financial System	SG-3: Promote Inclusive and Sustainable Access to Financial Services
<p>T01 Enhance analytical and forecasting capabilities to support effective monetary policy decision making</p> <p>T02 Improve public awareness about monetary policy to anchor inflation expectations through better communication</p> <p>T03 Adopt an inflation targeting regime</p> <p>T04 Strengthen data collection, compilation and dissemination using innovative tools and technologies</p> <p>T05 Improve the implementation mechanism for effective transmission of monetary policy</p> <p>T06 Facilitate macroeconomic reforms through research and analysis on structural issues</p>	<p>T01 Strengthen the legal and regulatory frameworks to enhance the soundness of the financial system</p> <p>T02 Strengthen supervisory frameworks to improve financial stability</p> <p>T03 Strengthen "Consumer protection" and "Fair Treatment of Consumer (FTC)" frameworks</p> <p>T04 Assess, measure and mitigate risks related to climate change</p> <p>T05 Enhance communication and outreach to improve customer confidence and experience</p>	<p>T01 Promote inclusion and diversity in access to financial services</p> <p>T02 Support the government in introducing incentives /schemes for exports to expedite phase out of SBP's export-related refinance schemes</p> <p>T03 Strengthen financial inclusion framework through targeted policy initiatives for priority areas, including agriculture, SMEs, microfinance, housing finance and trade finance</p> <p>T04 Develop policies to promote climate resilient and sustainable financing initiatives</p> <p>T05 Enable and promote innovative product design by leveraging technology to build an inclusive financial ecosystem</p> <p>T06 Implement financial literacy initiatives with enhanced focus on digital means</p>

SG-4: Transforming to a Shariah-Compliant Banking System	SG-5: Build an Innovative and Inclusive Digital Financial Services Ecosystem	SG-6: Transform SBP into a High-Tech, People-Centric Organization
<p>T01 Strengthen legal and regulatory environment</p> <p>T02 Transform existing conventional banks to Islamic banks</p> <p>T03 Strengthen the Shariah Governance Framework (SGF)</p> <p>T04 Conduct market development and research in the field of Islamic financial services</p> <p>T05 Enhance capacity building and awareness</p>	<p>T01 Enhance legal, regulatory and governance frameworks to promote the wider adoption of digital financial services (DFS)</p> <p>T02 Undertake and complete critical DFS infrastructure projects</p> <p>T03 Facilitate cross border remittance transfers using modern technology and platforms</p> <p>T04 Encourage innovation to improve access to digital financial services</p> <p>T05 Improve the resilience and oversight of the DFS ecosystem</p> <p>T06 Promote digitization of government payments and receipts</p> <p>T07 Maintain the quality and security of banknotes</p>	<p>T01 Build a high calibre and motivated team</p> <p>T02 Ensure a diversified workforce</p> <p>T03 Upgrade the digital working environment for a dynamic workforce</p> <p>T04 Adopt a targeted and effective communications strategy to meet organizational objectives</p>

Maintain Inflation within the Medium-Term Target Range

Strategic Goal 1

What we aim to achieve

Price stability is the primary objective of monetary policy. To achieve and *maintain inflation close to the government's medium-term inflation target*, SBP would further enhance the efficacy of monetary policy by implementing a flexible inflation targeting regime, improving the transmission mechanism of monetary policy, strengthening research and data management capabilities and identifying structural issues in Pakistan's economy and collaborating with stakeholders to address them. Through SBP Vision 2028, SBP aims to:

T01 Enhance analytical and forecasting capabilities to support effective monetary policy decision making

- Provide timely information and analysis on topical as well as structural issues to support MPC's deliberations and decision making
- Enhance capacity to forecast medium-term inflation, assess interest rate path, and better use monetary policy tools to improve inflation outcomes
- Augment models and analysis used in monetary policy formulation to account for emerging risks and opportunities related to climate change, digitalization, technological advancement and financial inclusion

T02 Improve public awareness about monetary policy to anchor inflation expectations through better communication

- Establish and deepen engagement with key stakeholders through various forums, including social media platforms
- Improve the public's understanding of key macroeconomic concepts, particularly monetary policy

T03 Adopt an inflation targeting regime

- Implement a flexible inflation targeting regime that balances long-term price stability and economic growth

- Conducting research to arrive at an agreement on the definition of price stability with the government

T04 Strengthen data collection, compilation and dissemination using innovative tools and technologies

- Adopt modern techniques and technologies to collect, compile and communicate data to facilitate research and policy decisions
- Facilitate research, analysis and policy making by instituting a common national user-friendly database and fostering understanding and discussion on economic issues

T05 Improve the implementation mechanism for effective transmission of monetary policy

- Improve efficiency of monetary policy implementation by introducing new products, including Shariah-compliant monetary and liquidity management tools, and modernization of the existing tools
- Foster development of financial markets by strengthening and facilitating market-based exchange rate regime, deepening and diversifying money and government debt markets, and establishing a vibrant market mechanism
- Improve financial market infrastructure and introduce new products for better risk management

T06 Facilitate macroeconomic reforms through research and analysis on structural issues

- Provide support through in-depth analysis and research on the structural issues and collaborate with stakeholders to design economic reforms and monitor their implementation
- Incentivize private sector inflows, particularly foreign investment, to make the external balance of payments resilient and sustainable

Enhance Efficiency, Effectiveness, Fairness and Stability of the Financial System

Strategic Goal 2

What we aim to achieve

A stable and efficient financial system is essential for maintaining macroeconomic stability. Under the SBP Vision 2028, SBP would further enhance the efficiency and stability of the financial system by strengthening the legal and regulatory frameworks, improving the supervisory and consumer protection frameworks, addressing the risk of climate change, and increasing bilateral communication and engagement with the industry. Through SBP Vision 2028, SBP aims to:

T01

Strengthen the legal and regulatory frameworks to enhance the soundness of the financial system

- Improve and implement the legal and institutional framework for resolution and crisis management
- Strengthen regulatory framework for the financial system
- Implement a strategy for reduction of non-performing loans in the banking industry

T02

Strengthen supervisory frameworks to improve financial stability

- Update and strengthen the supervisory framework
- Strengthen financial stability assessment
- Adopt new technologies for more effective supervision
- Strengthen Conduct Supervision for improved consumer protection
- Enhance consumer trust in digital financial services

T03

Strengthen “Consumer Protection” and “Fair Treatment of Customers” (FTC) frameworks

- Improve banking experience of customers through standardized services and fair treatment
- Undertake initiatives to further facilitate overseas Pakistanis

T04

Assess, measure and mitigate risks related to climate change

- Support structural reforms in the economic and financial systems for effective mitigation of climate risks
- Build climate information architecture, including reliable and quality data and disclosure standards
- Incorporate climate-related risks into supervisory and macro prudential assessments

T05

Enhance communication and outreach to improve customer confidence and experience

- Improve financial stability communication
- Enhance awareness to improve customer experience

Promote Inclusive and Sustainable Access to Financial Services

Strategic Goal 3

What we aim to achieve

Access of individuals to efficient and affordable formal financial services is key to improving household income, mobilization of savings, enhancing investments, creating jobs, increasing financial security, and reducing vulnerability of people to shocks. The financial inclusion indicators of Pakistan have shown improvement over the past few years amid the implementation of the NFIS. However, significant efforts are still required to catch up with regional and peer economies. Similarly, the growing gap in gender diversity may be addressed prudently as the financial inclusion of women remains quite low. To address these challenges, SBP would work to effectively implement the NFIS and the “Banking on Equality” policy, strengthen the financial inclusion framework through targeted policy initiatives for priority areas, develop policies to promote climate resilient and sustainable financing initiatives, strengthen the legal and regulatory framework, enable and promote innovative product design by leveraging technology to build an inclusive financial ecosystem, and impart financial literacy. Through SBP Vision 2028, SBP aims to:

T01 Promote inclusion and diversity in access to financial services

- Develop and implement the National Financial Inclusion Strategy (NFIS)
- Implement the Banking on Equality Policy (BoE)

T02 Support the government in introducing incentives /schemes for exports to expedite phase out of SBP’s export-related refinance schemes

- Phase out export related refinance schemes gradually from SBP

T03 Strengthen financial inclusion framework through targeted policy initiatives for priority areas, including agriculture, SMEs,

microfinance, housing finance and trade finance

- Promote an enabling environment to facilitate enhancement of agriculture finance
- Improve credit to deposit ratio in underserved provinces/ regions
- Strengthen microfinance banks’ business model
- Develop SME financing ecosystem and implement the National SME policy
- Develop housing finance ecosystem
- Promote financing to stimulate export diversification and import substitution for sustainable trade

T04 Develop policies to promote climate resilient and sustainable financing initiatives

- Strengthen the role of financial institutions in mitigating the adverse impacts of climate change
- Promote sustainable finance

T05 Enable and promote innovative product design by leveraging technology to build an inclusive financial ecosystem

- Promote access to finance for the underserved segments through innovative channels
- Build digital ecosystem through digitizing end to end market infrastructure

T06 Implement financial literacy initiatives with enhanced focus on digital means

- Promote financial literacy for adults
- Promote financial literacy for children/youth
- Promote financial literacy among farmers and SMEs
- Assessment of financial literacy programs

Transforming to a Shariah-Compliant Banking System

Strategic Goal 4

What we aim to achieve

Islamic banking has been a cornerstone of the SBP's strategic plan. Due to SBP-led initiatives for Islamic banking, including the development of legal, regulatory and supervisory frameworks and promotion of participatory mode of financing, the share of Islamic banking in the overall banking industry has increased manifold over the years. The market share of Islamic banking assets and deposits has reached around 20 percent and 22 percent respectively and the number of Islamic branches has increased to 4,534 by June 2023. Further, the publication of the third strategic plan for Islamic banking, in consultation with all relevant stakeholders, has provided a strategic vision and direction to the industry.

Recently, the landmark judgement by the Federal Shariat Court, requiring Pakistan's banking sector to be Shariah-compliant by 2027, has set an ambitious target for the Islamic banking industry. Achieving this goal requires a well thought out plan and coherent actions from all stakeholders. In light of the above, through the SBP Vision 2028, SBP aims to:

T01 Strengthen legal and regulatory environment

- Build a conducive legal and regulatory landscape
- Ensure alignment with international prudential standards (IFSB and others)
- Ensure tax neutrality for Islamic banking vis a vis conventional banks

T02 Transform existing conventional banks into Islamic banks

- Design a roadmap for transition towards Islamic banking
- Coordinate with banks for conversion to Islamic banking
- Design solutions/tools for liquidity management for Islamic banks

T03 Strengthen the Shariah Governance Framework (SGF)

- Revise the SGF and adopt best practices
- Ensure alignment with international standards on Shariah
- Strengthen coordination with stakeholders

T04 Conduct market development and research in the field of Islamic financial services

- Increase focus on market development and research Initiatives

T05 Enhance capacity building and awareness

- Capacity building through human resource development and raising awareness about Islamic banking and finance

Build an Innovative and Inclusive Digital Financial Services Ecosystem

Strategic Goal 5

What we aim to achieve

Digitalization of the economy can stimulate economic activity and growth in a country. A secure, efficient, inclusive and innovative payment system is central to the digitalization of economic transactions. In implementing its Vision 2020 strategy, SBP laid the foundation for the development of a financial ecosystem that would nurture and promote digital financial services. Now, to further enhance the digital financial services landscape, SBP intends to strengthen the governance framework, encourage technological advancements (particularly for remittances and payments), promote digitization of government payments and receipts, reduce currency in circulation through digitization, improve the oversight framework of payment systems, and create awareness to mitigate risks in the use of digital financial services. In SBP Vision 2028, SBP aims to:

T01 Enhance legal, regulatory and governance frameworks to promote the wider adoption of digital financial services (DFS)

- Strengthen and formalize collaborative mechanisms between stakeholders
- Establish a specialized entity for undertaking and operating critical DFS infrastructure projects
- Update legal and regulatory frameworks to enable the provision of digital financial services in the country

T02 Undertake and complete critical DFS infrastructure projects

- Deploy critical payment infrastructure in line with SBP's National Payment Systems Strategy

T03 Facilitate cross border remittance transfers using modern technology and platforms

- Research innovative approaches to enhance the efficiency of cross border fund transfers
- Facilitate cross border transactions through international payment service providers

- Establish a representative body of SWIFT user community in Pakistan

T04 Encourage innovation to improve access to digital financial services

- Establish state of the art facilities, including technical and regulatory sandboxes and innovation offices, to facilitate and provide guidance to existing and new market players
- Explore the use of innovative technologies, such as Distributed Ledger Technology (DLT), AI, ML, in digital financial services
- Promote digitization of banking services

T05 Improve the resilience and oversight of the DFS ecosystem

- Upgrade SBP's oversight framework for payment institutions to enhance financial and systemic stability, consumer protection and digital adoption
- Upgrade data acquisition, analytical and dissemination mechanisms by implementing state of the art regulatory and supervisory technologies
- Establish frameworks to proactively monitor, detect and respond to cybersecurity threats to protect critical digital infrastructure of the financial sector

T06 Promote digitization of government payments and receipts

- Collaborate with the federal, provincial and local governments to digitize their payments and receipts
- Take active measures to replace the use of currency with digital means

T07 Maintain the quality and security of banknotes

- Enhance the security and durability of banknotes

Transform SBP into a High-Tech, People-Centric Organization

Strategic Goal 6

What we aim to achieve

SBP, being a knowledge organization, continually works to transform itself into a people-centric, high-tech central bank. SBP aims to further improve its human resource through enhanced engagement, greater focus on capacity building, embedding diversity and inclusion, and upgrading leadership skills. SBP would also upgrade its digital work environment, strengthen its knowledge management framework, enhance internal communication, and improve governance frameworks and internal controls. Through its SBP Vision 2028, SBP aims to:

T01 Build a high calibre and motivated team

- Enhance employee engagement
- Develop and implement bank-wide structured capacity building programs to achieve strategic objectives of the bank
- Develop and implement a long-term talent acquisition and retention plan

T02 Ensure a diversified workforce

- Achieve diversity and inclusivity

T03 Upgrade the digital working environment for a dynamic workforce

- Enhance technology infrastructure to improve employee effectiveness
- Adopt and implement modern technological advancements to improve processes and service delivery

T04 Adopt a targeted and effective communications strategy to meet organizational objectives

- Design and implement a comprehensive communications strategy

List of Abbreviations

A

AI	Artificial intelligence
AMA	Asaan Mobile Account
AMF	Arab Monetary Fund

B

BoE	Banking on Equality
BCBS	Basel Committee on Banking Supervision

D

DFS	Digital Financial Services
DLT	Distributed Ledger Technology
DA	Detailed Activity

E

EC	Executive Committee
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F

FTC	Fair Treatment of Consumer
FX	Foreign Exchange
FY	Financial Year

G

GDP	Gross Domestic Product
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H

HR	Human Resource
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I

IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
IT	Information Technology
IPS	Instant Payment System

K

KM	Knowledge Management
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L

LOLR	Lender of Last Resort
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M

ML	Machine Learning
MPC	Monetary Policy Committee
MoF	Ministry of Finance

N

NFIS	National Financial Inclusion Strategy
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P

P2P	Person to Person
P2M	Person to Merchant

S

SBP	State Bank of Pakistan
SG	Strategic Goal
SGF	Shariah Governance Framework
SME	Small & Medium Enterprise
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SECP	Securities & Exchange Commission of Pakistan
SAAF	SME Asaan Finance

T

TO	Tactical Objective
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