

IMMEDIATE

No. F.2(3)-B(S)/84-1338/85
GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET WING)

Islamabad, the 3rd July, 1985**OFFICE MEMORANDUM**

Subject:- PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD CREDITS/LOANS.

The undersigned is directed to forward herewith a copy of the "Procedure for the Maintenance and Operation of Special Accounts (Revolving Funds) to be opened for International Development Association (IDA)/International Bank for Re-construction and Development (IBRD) Credits/Loans" evolved by this division, for information and necessary action where applicable. It is requested that the project executing authorities utilizing the IDA/IBRD Credits/Loans may kindly be advised to proceed with their cases in accordance with this Procedure.

**Sd/-
(SULTAN AHMED)
DEPUTY SECRETARY
PHONE: 822564**

To

All Ministeries/Divisions, Islamabad/Rawalpindi.

Copy forwarded to information and similar action to:-

1. The Secretary, Finance Department,
Government of Punjab/Sindh/NWFP/Baluchistan,
Lahore/Karachi/Peshawar/Quetta. (5 Copies)
(Registered).
2. Auditor General of Pakistan, Central Offices Building,
Gulberg-III, Lahore (5 Copies)
(Registered).
3. Joint Secretary (External Finance),
Finance Division, Islamabad.

4. Joint Secretary (Dev), Finance Division, Islamabad.
5. Mr. Andre Cracco, Deputy Chief, World Bank Resident Mission in Pakistan, Islamabad. (5 Copies)
6. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi/Karachi.
7. Chief (R&S) / Deputy Secretary (DM/WB), Economic Affairs Division, Islamabad. (3 Copies)
8. Accountant General, Pakistan, Revenues, (Foreign Aid Section), Islamabad. (5 Copies)
9. Director of Accounts (Accounts Wing), Economic Affairs Division, Islamabad. (15 Copies)
10. The Director, Accounts Department, State Bank of Pakistan (Central Directorate), I.I. Chundarigar Road, Karachi. (Registered)
11. The Chief Manager, State Bank of Pakistan, I.I. Chundarigar Road, Karachi. (Registered)
12. All Officers/Sections of Finance Division, Islamabad/Karachi.

Sd/-
(ABDUL HAQ)
SECTION OFFICER
PHONE: 829346

ANNEX to Finance Division O.M. F.2(3)-
B(S)/84-1338/85, dated 03-07-1985.

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET WING)

**Subject:- PROCEDURE FOR THE MAINTENANCE AND OPERATION OF
REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD
CREDITS/LOANS.**

- (I) Revolving Fund Accounts under IDA and IBRD Credits/Loans Agreements shall be opened at National Bank of Pakistan separately for World Bank's share of financing and for Government's share of financing. Such Accounts shall be in the nature of Assignment Accounts. The payments from the Accounts shall be effected through Cheques/Authorities issued by the persons authorized to sign Withdrawal Applications. The Assignment Accounts (Revolving Fund Accounts) for World Bank's share of financing shall be in Dollars and for Government's share of financing in Rupees. Both the Accounts shall be non-lapsable, i.e. the balance at the end of a financial year shall be carried forward to the next year.
- (II) Separate Revolving Fund Accounts shall be opened for each of the Credits or Loans and for each Project Director/person authorized to sign withdrawal Applications.
- (III) National Bank of Pakistan shall be the designated Bank for handling all foreign exchange transactions out of Revolving Fund Accounts. The credits into and payments out of 'Revolving Fund Accounts in Dollars' shall be transcribed into Rupees at the rate of exchange prevailing on the date of transfer of Funds by the Lenders or on the date of payments to the payees.
- (IV) After the Agreements containing provision for the opening of Revolving Fund Accounts have been concluded, the concerned Ministries/Divisions and the project executing agencies will arrange immediate opening of the Assignment Accounts at National Bank of Pakistan with special instruction for operation of the accounts, if any, and prepare Withdrawal Applications requesting the IDA/IBRD to pay the amount of initial deposits/subsequent funding to the Federal Reserve Bank, New York, for credit to State Bank of Pakistan's account and simultaneous credit to 'Revolving Fund Accounts in Dollars' at concerned branch of National Bank of Pakistan. The number of the Revolving Fund Account will be

indicated on the Withdrawal Applications. They will also arrange credit to 'Revolving Fund Accounts' in Rupees for the Government's share.

- (V) On receipt of the First credit advice in this respect from the Federal Reserve Bank, New York, the State Bank of Pakistan's Accounts Department, will advise the Chief Manager, State Bank of Pakistan, Karachi, to credit rupee equivalent of the Foreign Currency to the Government Account under the head 2300-Public Debt-2330-Foreign Debt(Permanent) IDA/IBRD Loan/Credit No..... for..... projects. Subsequent credits to State Bank of Pakistan's Account with the Federal Reserve Bank, New York, will also be advised to the Chief Manager, State Bank of Pakistan, Karachi in the same manner. The Chief Manager will in turn immediately authorise credits into the relevant 'Revolving Fund Accounts in Dollars'. The National Bank of Pakistan will immediately report the receipt in US Dollars as well as rupees to the Project Director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division of Government of Pakistan as well as to Accountant General, Pakistan Revenue.
- (VI) The persons authorised to sign Withdrawal Applications and operate 'Revolving Fund Accounts' shall furnish copies of the Withdrawal Applications to their Administrative Ministries/Divisions as well as to the Economic Affairs Division and State Bank of Pakistan, Karachi. The copies of the Withdrawal Applications shall indicate the Demand No. and head of account under which the rupee equivalent of the amounts authorised for credits into 'Revolving Fund Accounts in Dollars' is to be debited.
- (VII) 'Revolving Fund Accounts in Dollars' opened and maintained at the National Bank of Pakistan or its Branches shall be show debits and credits in Dollars and their rupee equivalent calculated in the manner indicated in para (III) above. For the purpose of funding to the project executing agencies, US Dollars amounts held in these accounts shall be taken into account.
- (VIII) The rate of exchange being different at the time of disbursement of funds by the IDA/IBRD than those obtaining on the dates of withdrawals from the 'Revolving Fund Accounts in Dollars', the account may show debits/credit rupee balances even after the US Dollars amount stand fully utilized. This loss (debit balances) or gain (credit balance) will on the full utilization of Credits/Loans be got adjusted as loss/gain by exchange by the Ministries/Divisions concerned.

- (IX) The National Bank of Pakistan will provide a monthly statement of accounts to the Project Director, who will claim reimbursement on the basis of this statement plus supporting documentation.

REGISTERED

No. F.2(3)-B(S)/84-1370/85
 GOVERNMENT OF PAKISTAN
 FINANCE DIVISION
 (BUDGET WING)

Islamabad, the 10th July, 1985

To

The Chief Manager,
 State Bank of Pakistan,
 I.I. Chundrigar Road,
 Karachi.

Subject:- PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD CREDITS/LOANS.

Dear Sir,

Please refer to this Division Office Memorandum No. F.2(3)-B(S)/84-1338/85, dated the 3rd July, 1985 on the subject noted above (copy enclosed).

2. It has been laid down in para (V) of the 'Procedure for the Maintenance and Operation of Revolving Fund Accounts opened for IDA/IBRD Credits/Loans' appended to the above referred Office Memorandum that on receipt of first and subsequent credit advices from the Federal Reserve Bank, New York, the rupee equivalent of the Foreign Currency will be credited to the Federal Government's Account under the head "2300-Public Debt – 2330-Foreign Debt (Permanent) – IDA/IBRD Credit/Laon No..... for Project" and the Chief Manager, State Bank of Pakistan, Karachi, will authorize to credits in the relevant 'Revolving Fund Accounts in Dollars'.

3. Since the 'Revolving Fund Account in Dollars' will be in the nature of 'Assistant Accounts', the authorization of credits into these Accounts will not involve actual transfer of funds. The State Bank of Pakistan, while authorizing the credits into 'Revolving Fund Accounts in Dollars', would make the following entries for rupee equivalent in Government Accounts under intimation to Treasury Officer of the District Headquarters where the particular Branch of National Bank of Pakistan is located as well as to the Accountant General, Pakistan Revenues or the Accountants General of the Province concerned:-

Debit : "Head of Account and Demand No., as indicated in the copy of Withdrawal Application".

Credit : "4111-Assignment Account (for Revolving Fund under IDA/IBRD Credit Loan No. for Project.....)".

4. When payments are made by National Bank of Pakistan against the balances in Assignment Accounts and re-imburements in respect of such payments are made by State Bank of Pakistan, the 'Assignment Account' will be debited by credit to the head 'State Bank Deposits'. In case of payments to Foreign Suppliers etc., or other payments abroad, the National Bank of Pakistan will arrange payments through its Counterparts in the first instance and then claim re-imburements as in the cases of other payments out of 'Assignment Accounts'. The balances in the 'Assignment Accounts' at the close of a financial year will not lapse but will be carried forward to the next year. The Rules relating to the opening and maintenance of 'Assignment Accounts' and also for the Operation of these Accounts in Foreign Currency at National Bank of Pakistan by the 'Residents' for transactions relating to IDA/IBRD Credits/Loans, shall be deemed to have been amended accordingly. Formal orders in this regard will be issued in due course.

Yours Faithfully,

(SULTAN AHMED)
DEPUTY SECRETARY
PHONE: 822564

Copy to (with enclosure) forwarded for information and necessary action to:-

1. Joint Secretary (External Finance), Finance Division, Islamabad. The procedure appended to this Division O.M No. F.2(3)-B(S)/84-1338/85, dated 03-07-1985 referred to above, was decided by the Finance Secretary and the Governor, State Bank of Pakistan in the meeting held in Finance Secretary's Room at Islamabad on the 24th June, 1985. It is , therefore, requested that formal orders authorizing the opening and maintenance of 'Assignment Accounts' in Foreign Currency at National Bank of Pakistan by the 'Residents' for transactions relating to IDA/IBRD Credits/Loans may kindly be issued under intimation to this Wing.
2. The Auditor General of Pakistan, Central Government Offices Building, Gulberg-III, Lahore.
3. Joint Secretary (Internal Finance), Finance Division, Islamabad.
4. Joint Secretary (Dev), Finance Division, Islamabad.

5. Chief (R&S)/Deputy Secretary(DM)/Deputy Secretary(WB), Economic Affairs Division, Islamabad.
6. The Accountant General, Pakistan Revenues, (Foreign Aid Section), Islamabad.
7. The Accountant General, Pakistan Revenues, Sub-Office, Lahore/Karachi/Peshawar/Quetta.
8. The Accountant General, Sindh/Punjab/NWFP/Baluchistan, Lahore/Karachi/Peshawar/Quetta.
9. The Director, Accounts Department, State Bank of Pakistan, (Central Directorate), I.I. Chundrigar Road, Karachi.
10. National Bank of Pakistan (Head Office), I.I. Chundrigar Road, Karachi.
11. Director of Accounts, Economic Affairs Division (Accounts Wing), Islamabad.
12. Section Officer (BR-III), Finance Division, Islamabad.

Sd/-
(ABDUL HAQ)
SECTION OFFICER
PHONE: 829346

No. F.2(3)-B(S)/84-13 /92
 GOVERNMENT OF PAKISTAN
 FINANCE DIVISION
 (BUDGET WING)
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Islamabad, the 2nd January, 1992

OFFICE MEMORANDUM

Subject:- PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD CREDITS/LOANS.

The undersigned is directed to refer to this Division's Office Memorandum No. F.2(3)-B(S)/84-1338/85, dated 3rd July, 1985 on the subject noted above wherein it has been inter-alia, laid down that the Assignment Accounts (Revolving Fund Account) for World Bank's share of financing shall be in Dollars and for Government's share of financing in Pak Rupees. The Economic Affairs division have pointed out that it is difficult to open and maintain the Assignment Accounts if the funds are received in currencies other than US Dollars.

2. In order to streamline the Procedure it has been decided to amend the existing Procedure by adding a new Sub-para No.III(b) as under:-
 The existing para III will be numbered as para III (a).

“ IF the funds from IDA/IBRD are received in Currencies other than US Dollar, these shall be credited in respective Revolving Fund Accounts with Dollar equivalent at the prevailing rate.”

Sd/-
(ABDUL QAYYUM CHAUDARY)
Section Officer
PHONE: 829346

To

All Ministeries/Divisions, Islamabad/Rawalpindi.

Copy forwarded for information and necessary action to :-

1. The Secretary, Finance Department, Government of Punjab/Sindh/NWFP/Baluchistan, Lahore/Karachi/Peshawar/Quetta.

2. Auditor General of Pakistan, Central Offices Building, Gulberg-III, Lahore.
3. Joint Secretary (External Finance Wing), Finance Division, Islamabad.
4. Joint Secretary (Dev), Finance Division, Islamabad.
5. Mr. Pervez Saleem Siddique, Deputy Chief, World Bank Resident Mission in Pakistan, House No.37, Street No.1, F-6/3, Islamabad.
6. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi/Karachi.
7. Chief (R&S) /Deputy Secretary (DM/WB), Economic Affairs Division, Islamabad.
8. The Director, Accounts Department, State Bank of Pakistan, (Central Directorate), Karachi.
9. The Chief Manager, State Bank of Pakistan, I.I. Chundrigar Road, Karachi.
10. All Officers/Sections of Finance Division, Islamabad/Karachi.

Sd/-
(ABDUL QAYYUM CHAUDARY)
Section Officer

FAX

**DEPARTMENT OF THE
AUDITOR – GENERAL OF PAKISTAN
GULBERG III, LAHORE- II**

From: Mrs. Tanweer Hamid,
Assistant Auditor-General (Accounts)

To: Mr. Bashir Ahmed Bhatti,
Deputy Secretary,
Finance Division,
Government of Pakistan,
Islamabad.

No. 70-AC.II/1-76-89

Dated:- 31-03-1992.

Subject:- **REVISED PROCEDURE FOR MAINTENANCE OF SPECIAL
ACCOINTS OPENED FOR IDA/IBRD CREDITS/LOANS.**

Kindly refer to your letter No. F2(3)-B(S)/84-463/92 dated 08-03-1992.

2. The contention expressed in the letter under reference that Assignment Account is a proforma account is not correct. It is a regular head which is opened in terms of rule 170-A of Federal Treasury Rules and accounting of the transactions passed through this head is done as per procedure prescribed in foot Note 275 of the Chart of Classification. However, this office comments on the procedure captioned in the subject are as under:-

- I) The two separate accounts prescribed in the procedure are meant for NBP and will not be reflected in Government Accounts. The receipts to these accounts will be credited to Government accounts by State Bank to the receipts head "2300000-Public Debt-2330000-Foreign Debt (Permanent)" vide clause III and payments to budgetary heads vide clause IV. This need confirmation.
- II) The receipt head laid down in clause III is operated in both Federal and Provincial governments books. It needs clarification whether receipts from World Bank will be credited to the Federal Government only or receipts of the Provincial Projects will be credited to the Provincial Governments Accounts. Similarly the word Demand No used in clause IV also needs clarification whether it refers to Federal Government Budget Demand only or also covers Provincial Governments budget Demands. It may be pointed out that in the past Provincial A.Gs/Governments have not been

accepting debits raised by the AGPR on this account on the ground that receipts and payments were made by the State Bank direct to the Assignment Accounts of the projects Directors without affording any credit/debit to their Bank Account (No I). The result is that there is wide variation in the Federal and Provincial Governments figures on this account. In order to avoid such variations in future and to account for the transactions in the Government Accounts accurately, the following proposal is made for consideration and inclusion in the procedure:-

- (a) The receipt of IDA/IRBD credits/loans relating to the provincial projects may be credited in Pakistan Rupee to the Provincial Government Account No. I under intimation to the concerned Provincial Finance Department/Accountant General.
- (b) The Provincial Governments should make budget provisions for such projects in their annual Budget Demands which may be debited when payment is made out of Special Accounts on mentioning the Demand No and head of account in accordance with clause IV of the procedure.

- III) In order to avoid any variation and misclassification in the Government Accounts, the Project Director may be required to send a monthly statement of expenditure/receipt Loan wise to the concerned Accountant General who may compare and agree the same with the figures reported in the treasury accounts or direct by State Bank and book accurate figures in his monthly civil accounts.
3. Further comments emerging from detailed examination of the procedure will be sent later.
4. This issue with the approval of Deputy Auditor General (A&P).

Sd/-
(MRS. TANWEER HAMID)
ASSTT: AUDITOR GENERAL (ACCOUNTS)

A/31392.

OM No. 70-AC-II/1-76/89 dated 31.3.1992
D_R_A_F_T

March 07, 1992

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET WING)

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Subject:- **REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF SPECIAL ACCOUNTS (REVOLVING FUND ACCOUNTS) OPENED FOR IDA/IBRD CREDITS/LOANS.**

- (I) Special Accounts (Revolving Fund Accounts) under IDA and IBRD Credits/Loans Agreement shall be opened and maintained at National Bank of Pakistan for World Bank's share of financing. The special Accounts shall be maintained in US Dollars. Rupee payments from these Accounts shall be effected through Rupee Cheques and payments in other currencies including U.S. Dollars shall be effected on the basis of authority letters to be signed by the Project Director and/or persons authorized to operate the Special Accounts and sign withdrawal Applications. Payments made in Rupees out of special accounts in Dollars through Rupee Cheques, or in other currencies will be converted in U.S. Dollars (according to prevalent rate of conversion) before debiting to Special Account in Dollars, by National Bank of Pakistan. There will be another Rupee Account in the same of branch of National Bank of Pakistan for GOP share for the same Project. The Project Director/its controlling Ministry will be responsible for getting credit to the Special Account by means of issue of sanction against their Annual Budget Grant.
- (II) Separate Special Account shall be opened for each of the Credit or Loan and for each Project.
- (III) After the Loan/Credit Agreements containing provision for the opening of Special Accounts have been concluded, the concerned Ministries/Divisions and the project executing agencies will be authorized for immediate opening of the Accounts at the respective Branch of National Bank of Pakistan with instructions for operation of the accounts. The withdrawal applications requesting the IDA/IBRD to pay the amount of initial deposits/subsequent replenishments shall be sent directly by the Project entities to the World Bank, with a copy to the State Bank of Pakistan Upon receipt of disbursements from the World Bank the SBP will advise the Chief Manager, State Bank of Pakistan, Karachi to credit rupee equivalent of the Foreign Currency to the Government Account under the head 2300000 - Public Debt – 2330000 – Foreign Debt (Permanent) IDA/IBRD Loan/Credit No..... For

..... Projects. Subsequently credits to State Bank of Pakistan's Account will also be advised to the Chief Manager, State Bank of Pakistan, Karachi in the same manner. The Chief Manager in turn will transfer these funds for direct credit to "US Deposit Dollars" Special Accounts (Revolving Fund Accounts) maintained at the concerned branch of National Bank of Pakistan. The National Bank of Pakistan will immediately report the receipt in US Dollars to the Project Director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division of Government of Pakistan as well as to Accountant General, Pakistan Revenues. The bank account number of the Special Accounts with NBP should be indicated on the Withdrawal Applications.

- (IV) The persons authorized to sign Withdrawal Applications and operate "Special Accounts" shall furnish copies of the Withdrawal Applications to their Administrative Ministries/Divisions as well as to the Economic Affairs Division and State Bank of Pakistan, Karachi. The copies sent to State Bank of Pakistan and Economic Affairs Division shall indicate the Demand No. and Head of Account under which Rupee equivalent of the amount authorized for credit into Special Account "Revolving Fund Accounts" in Dollars is to be debited.
- (V) The National Bank of Pakistan will provide a monthly statement of accounts in US Dollars to the Project Directors, who will claim replenishment of the Special Account on the basis of this statement plus supporting documentation.
- (VI) The National Bank of Pakistan will be required to keep all the Dollar balances in Pakistan and will not be allowed to use these funds for its other operations outside Pakistan, and will be authorized to make all foreign exchange payments required under the contractual obligations for the project for which the particular Special Account is established.
- (VII) The National Bank of Pakistan is also authorized to make foreign exchange payments to foreign consultants working in Pakistan without the requirement of no objection to the contract agreement by the External Finance Wing of Ministry of Finance, Government of Pakistan.
- (VIII) The Special Accounts shall be non-interest bearing.
- (IX) The above instructions will come into force on existing and new Loans/Credits with effect from
- (X) The National Bank of Pakistan maintaining Special Accounts will make special arrangements for sending daily cash balance reports (relating to these Special Accounts) to State Bank of Pakistan, Karachi so that State Bank of Pakistan, Karachi may include these balances in the daily cash balance report submitted to the Federal Government.

MOST IMMEDIATE
BY URGENT MAIL SERVICE

Government of Pakistan
Finance Division
(Budget Wing)

No. F.2(3)-B(S)/84-1275/92

Islamabad, the 10th June, 1992

To

1. Mr. Khalid Rafique,
Deputy Auditor General,
Department of the Auditor General of Pakistan,
Gulberg-III,
Lahore.
2. Mr. Mohammad Ashraf Janjua,
Deputy Governor,
State Bank of Pakistan,
Karachi.
3. The Secretary,
Finance Department,
Government of Punjab,
Lahore.
4. The Secretary,
Finance Department,
Government of Sindh,
Karachi.
5. The Secretary,
Finance Department,
Government of N.W.F.P,
Peshawar.
6. The Secretary,
Finance Department,
Government of Sindh,
Quetta.

Subject:- **REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS FOR IDA/IBRD CREDITS/LOANS.**

Sir,

I am directed to refer to the correspondence exchanged in the recent past on the subject, and to enclose a copy of revised procedure proposed to be adopted for the maintenance and operation of revolving fund accounts for IDA/IBRD Credits/Loans. This will be discussed in a meeting to be held immediately after Eid holidays under the Chairmanship of Secretary, Economic Affairs Division. The date and time will be intimated in due course. You are requested to kindly give your comments urgently. So that a meaningful discussion could take place. It may be pointed out that the revised procedure has to be finalized and circulated before 30th June, 1992 so that it can take effect from the next financial year i.e. 1st July, 1992.

2. This may kindly be given top priority and the comments transmitted very urgently by fax/telex/telegram.

Your obedient servant,

(Bashir Ahmed Bhatti)
Deputy Secretary
Tele: 822564

No. F.2(3)-B(S)/84-1275/92 dated 10.06.1992
 Government of Pakistan
 Finance Division
 (Budget Wing)

Subject: - **REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF SPECIAL ACCOUNTS (REVOLVING FUND ACCOUNTS) FOR IDA/IBRD CREDITS/LOANS.**

(I) Special Accounts (Revolving Fund Accounts) under IDA and IBRD Credits/Loans Agreements shall be opened and maintained at National Bank of Pakistan for World Bank's share of financing. The Special Accounts shall be maintained in U.S Dollars. Rupee payments from these Accounts shall be effected through rupee cheques and payments in other currencies including US Dollars on the basis of authority letters signed by the Project Director and/or person(s) authorized to operate the Special Accounts and sign Withdrawal Applications. Payments made in rupees out of Special Account in Dollars through rupee cheques, or in other currencies will be converted in US Dollars at the prevalent rate before debiting to Special Account in Dollars, by the National Bank of Pakistan. There will be a Rupee Account in the same branch of National Bank of Pakistan for GOP share for the same Project. The Project Director/its controlling Ministry will be responsible for getting credit to the Special Account by means of issue of sanction against their Annual Budget Grant.

(II) Separate Special Account shall be opened for each of the Credit or Loan and for each Project Director.

(III) After the Loan/Credit Agreements containing provision for the opening of Special Accounts have been concluded, the concerned Ministries/Divisions and the Project executing agencies will be authorized for immediate opening of the Accounts at the respective branch of National Bank of Pakistan with instructions for operation of the Accounts. The Withdrawal Applications requesting the IDA/IBRD to pay the amount of initial deposits/subsequent replenishments shall be sent directly by the Project entities to the World Bank with a copy to the State Bank of Pakistan. The disbursements from the World Bank will be transferred in US Dollars to the concerned branch of NBP without any delay.

(IV) Upon receipt of disbursements from the World Bank, the State Bank of Pakistan, Karachi will advise the Chief Manager, State Bank of Pakistan, Karachi to credit rupee equivalent of the Foreign Currency to the Government Account No. 1 under the Head 2300000-Public Debt-2330000-Foreign Debt(Permanent) IDA/IBRD Credit/Loan No..... for Projects. In case of Provincial Projects the rupee equivalent will however be credited to

Account No. 1 of the respective Provincial Governments by raising debit to Federal Government Account No.1. Subsequent credits to State Bank of Pakistan's Account will also be advised to the Chief Manager, State Bank of Pakistan, Karachi in the same manner. The Chief Manager in turn will transfer these funds in tact to National Bank of Pakistan for credit to Special Accounts. The National Bank of Pakistan will immediately report the receipt of proceeds in US Dollars to the Project Director with copies to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division of Government of Pakistan as well as to Accountant General Pakistan Revenues. The Bank Account number of the Special Accounts with NBP should be indicated on the Withdrawal Applications relating to such remittance.

(V) The persons authorized to sign Withdrawal Applications and operate 'Special Accounts' shall furnish copies of the Withdrawal Applications to their Administrative Ministries/Divisions as well as to the Economic Affairs Division and State Bank of Pakistan, Karachi. The copies sent to State Bank of Pakistan and Economic Affairs shall indicate the Demand No. and Head of Account under which rupee equivalent of the amount authorized for credit into 'Special Account' 'Revolving Fund Accounts' in Dollars is to be debited.

(VI) The NBP will provide a monthly statement of accounts in US Dollars to the Project Director, who will claim replenishment of the Special Account on the basis of this statement plus supporting documentation.

(VII) The NBP will be required to keep all the Dollar balances in Pakistan and will not be allowed to use these funds for its other operations outside Pakistan, and will be authorized to make all foreign exchange payments required under the Contractual obligations for the project for which the particular Special Account is established.

(VIII) The National Bank of Pakistan is also authorized to make foreign exchange payments to foreign consultants working in Pakistan on the basis of authorization by the concerned aid utilizing agencies, and this would be without the requirement of authorization by the External Finance Wing of Ministry of Finance, Government of Pakistan.

(IX) The Special Accounts shall be non-interest bearing.

(X) The National Bank of Pakistan maintaining Special Accounts will make Special arrangements for sending daily cash balance reports (relating to these Special Accounts) to State Bank of Pakistan, Karachi so that State Bank of Pakistan, Karachi may include these balances in the daily cash balance report submitted to the Federal Government.

(XI) In order to avoid any variation and misclassification in the Government Accounts, the Project Director will send a monthly statement of

expenditure/receipt loan-wise to the concerned Accountant General who may compare and agree the same with the figures reported in the treasury Accounts or direct by State Bank and book accurate figures in his monthly civil accounts.

(XII) The above procedure will come into force on existing and new Loans/Credits with effect from 1st July, 1992.

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
BUDGET (STATISTICS) SECTION
“@”@”@”@”@”

Subject:- REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD CREDITS/LOANS.

- (I) Revolving Fund Accounts under IDA and IBRD Credits/Loans Agreement shall be opened at National Bank of Pakistan separately for World Bank’s share of financing and for Government’s share of financing. Such Accounts shall be in the nature of Assignment Accounts. The payments from the Accounts shall be effected through Cheques/Authorities issued by the persons authorized to sign Withdrawal Applications. The Assignment Accounts (Revolving Fund Accounts) for World Bank’s share of financing shall be in Dollars and for Government’s share of financing in Rupees. Both the Accounts shall be non-lapsable, i.e. the balance at the end of a financial year shall be carried forward to the next year.
- (II) Separate Revolving Fund Accounts shall be opened for each of the Credits or Loans and for each Project Director/person authorized to sign withdrawal Applications.
- (III) (a) National Bank of Pakistan shall be the designated Bank for handling all foreign exchange transactions out of Revolving Fund Accounts. The credits into and payments out of ‘Revolving Fund Accounts in Dollars’ shall be transcribed into Rupees at the rate of exchange prevailing on the date of transfer of Funds by the Lenders or on the date of payments to the payees.
- (b) If the funds from IDA/IBRD are received in currencies other than US Dollar, these shall be credited in respective Revolving Fund Accounts with Dollar equivalent at the prevailing rate.
- (IV) After the Agreements containing provision for the opening of Revolving Fund Accounts have been concluded, the concerned Ministries/Divisions and the project executing agencies will arrange immediate opening of the Assignment Accounts at National Bank of Pakistan with special instruction for operation of the accounts, if any, and prepare Withdrawal Applications requesting the IDA/IBRD to pay the amount of initial deposits/subsequent funding to the Federal Reserve Bank, New York, for credit to State Bank of Pakistan’s account and simultaneous credit to ‘Revolving Fund Accounts in Dollars’ at concerned branch of National Bank of Pakistan. The number of the Revolving Fund Account will be

indicated on the Withdrawal Applications. They will also arrange credit to 'Revolving Fund Accounts' in Rupees for the Government's share.

- (V) (a) On receipt of the First credit advice in this respect from the Federal Reserve Bank, New York, the State Bank of Pakistan's Accounts Department, will advise the Chief Manager, State Bank of Pakistan, Karachi, to credit rupee equivalent of the Foreign Currency to the Government Account under the head 2300000-Public Debt-2330000- Foreign Debt(Permanent) IDA/IBRD Loan/Credit No..... for..... projects. Subsequent credits to State Bank of Pakistan's Account with the Federal Reserve Bank, New York, will also be advised to the Chief Manager, State Bank of Pakistan, Karachi in the same manner. The Chief Manager will in turn immediately authorize credits into the relevant 'Revolving Fund Accounts in Dollars'. The National Bank of Pakistan will immediately report the receipt in US Dollars as well as rupees to the Project Director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division of Government of Pakistan as well as to Accountant General, Pakistan Revenue.

(b) Since the 'Revolving Fund Account in Dollars' will be in the nature of 'Assistant Accounts', the authorization of credits into these Accounts will not involve actual transfer of funds. The State Bank of Pakistan, while authorizing the credits into 'Revolving Fund Accounts in Dollars', would make the following entries for rupee equivalent in Government Accounts under intimation to Treasury Officer of the District Headquarters where the particular Branch of National Bank of Pakistan is located as well as to the Accountant General, Pakistan Revenues or the Accountants General of the Province concerned:-

Debit : "Head of Account and Demand No., as indicated in the copy of Withdrawal Applications".

Credit : "3905006-Other Accounts - Assignment Account (for Revolving Fund under IDA/IBRD Credit Loan No. forProject)".

(c) When payments are made by National Bank of Pakistan against the balances in Assignment Accounts and re-imburements in respect of such payments are made by State Bank of Pakistan, the 'Assignment Account' will be debited by credit to the head 'State Bank Deposits'. In case of payments to Foreign Suppliers etc., or other payments abroad, the National Bank of Pakistan will arrange payments through its Counterparts in the first instance and then claim re-imburements as in the cases of other payments out of 'Assignment Accounts'.

- (VI) (a) The persons authorized to sign Withdrawal Applications and operate 'Revolving Fund Accounts' shall furnish copies of the Withdrawal Applications to their Administrative Ministries/Divisions as well as to the Economic Affairs Division and State Bank of Pakistan, Karachi. The copies of the Withdrawal Applications shall indicate the Demand No. and head of account under which the rupee equivalent of the amounts authorized for credits into 'Revolving Fund Accounts in Dollars' is to be debited.
- (b) The Project authorities shall also given a three days advance notice in writing to National Bank of Pakistan for Withdrawal from their Assignment Account in order to enable the bank to obtain the requisite funds from State Bank of Pakistan.
- (c) National Bank of Pakistan in any case, will not refuse to honour a cheque drawn by the authorized project authority, with in the authorized allocation on the ground that the funds have not been received from State Bank of Pakistan. The State Bank of Pakistan will not impose penalty on the National Bank of Pakistan for making such (over draft) payments. The National Bank of Pakistan will issue a circular to their offices for this purpose.
- (VII) 'Revolving Fund Accounts in Dollars' opened and maintained at the National Bank of Pakistan or its Branches shall be show debits and credits in Dollars and their rupee equivalent calculated in the manner indicated in para (III) above. For the purpose of funding to the project executing agencies, US Dollars amounts held in these accounts shall be taken into account.
- (VIII) The rate of exchange being different at the time of disbursement of funds by the IDA/IBRD than those obtaining on the dates of withdrawal from the 'Revolving Fund Accounts in Dollars', the account may show debits/credit rupee balance even after the US Dollars amount stand fully utilized. This loss (debit balance) or gain (credit balance) will on the full utilization of Credits/Loans be got adjusted as loss/gain by exchange by the Ministries/Divisions concerned.
- (IX) The National Bank of Pakistan will provide a monthly statement of accounts to the Project Director, who will claim reimbursement on the basis of this statement plus supporting documentation.

**MINUTES OF THE MEETING HELD ON
23RD NOVEMBER, 1992**

Subject:- PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA/IBRD CREDITS/LOANS.

A meeting was held under the Chairmanship of Secretary EAD on 23rd November, 1992 on the above subject. List of participants is at Annex-I.

2. This meeting was held to discuss the draft revised procedure for the Maintenance and Operation of Special Accounts of World Bank assisted projects circulated by Finance Division in October, 1992 and to develop a consensus in this regard.

3. The Chairman while welcoming the participants invited the representative of Finance Division to explain the reason for not issuing the revised procedure and inform the meeting of the view of concerned agencies departments.

4. Joint Secretary (Budget) Finance Division recapitulated that in the meeting taken by Secretary EAD on June 25, 1992, it was decided that a further meeting be held in the Finance Division to resolve the issues emanating from the Auditor General observations on the proposed draft procedures. Basically these related to the need for ensuring that the special accounts remain within the Consolidated Fund. In pursuance of this decision, a meeting was held in the Finance Division on 23rd July, 1992. It was decided in that meeting to amend the existing procedure so that flow of funds to project authorities is expedited. The following modifications were incorporated:

- a) The project authorities would give a three day advance notice in writing to the National Bank of Pakistan for Withdrawal from their Assignment Account. The National Bank would, on the basis of this notice, be placed with the requisite fund by the State Bank.
- b) In any case, the National Bank will not refuse to honour a cheques drawn by the authorized project authority within the authorized allocation, on the grounds that fund have not been actually received from the State Bank. The State Bank will not impose any penalty on the National Bank for making such (over draft) payments. The National Bank will issue a circular to their offices for this purpose.

5. Accordingly Finance Division issued the draft revised procedures. These were discussed in a meeting of Provincial Finance Secretaries on 10th November, 1992 at Lahore. The Provincial Finance Secretaries observed that they were not consulted in this regard and asked for fresh meeting, which was now being held.

6. The Secretary EAD invited the comments of the Provinces to the proposed revised procedures. The representative of the Finance Department, Government of Punjab stated that since funds were not being passed through the Provincial Account for Provincial Projects, the expenditure and receipt were not being booked. This was against the Constitutional requirement. It was therefore imperative that the project fund be passed through the Provincial Accounts No.1. The representatives of Finance Departments, Government of Sindh and NWFP also supported this view.

7. The Additional Chief Secretary Sindh Government did not support this view as this would delay release of funds. Lapse of funds at the end of a fiscal year would create further problems. This was also reported to be the view of Chairman, Planning and Development Board, Punjab. The Provincial Finance Departments, however, assured that delays would not take place as the Special accounts will be credited promptly and the lapsed balance would be reauthorized in the succeeding fiscal year. The Provincial Planning Departments would indicate the lapsed amounts to the Finance Department.

8. The Deputy Auditor General and representative of Finance Department Punjab observed that National Bank as agent of State Bank was maintaining the Special Accounts on the Commercial side instead of assignment accounts. Consequently, all transactions remained outside the Government Accounting System. This was inappropriate and National Bank should stop this practice.

9. Secretary EAD observed that this meeting was not the proper forum for reconciling the difference of view between the Planning and Development and Finance Departments of the Provinces. This would have to be resolved by the Provincial Governments themselves. The question of passing Provincial Project fund through the Provincial Account-I could then be taken up by the Provincial Governments, with the Finance Division. The Provincial Finance Departments stated that in their view the revised procedures should be implemented only after addressing this issue. Secretary EAD noting the view of the Finance Departments observed that as this could not be accepted without reconciliation of the divergence between them and their P&D Departments at this stage to avoid further delay in the implementation of the revised procedure. We need to consider whether the amendments would facilitate the flow of fund. The Provincial representatives expressed no reservations.

10. J.S (Banks) EAD informed the meeting about the World Bank's view that in the revised procedure to be issued, Project Directors should be allowed to make payment from Special Accounts for eligible expenditure, such as overseas training and consultancy, requiring foreign exchange, without obtaining approval of Finance Division. The D.S (EF) Finance Division stated that according to his knowledge if an agreement containing such provision in once cleared by the EF Wing, Finance Division, no further approval is required at the latter stage. He, however, promised to check and convey their comments/views to Budget Wing, Finance Division.

11. Subject to the above observations, it was decided that the revised procedures as envisaged in the Finance Division circular of 1st October, 1992 be issued after the following amendments:-

- (I) Modifying para (i) as it is not possible to allow non-lapse rupee accounts. However it may ensured that amount lapsed in one year is protected in the next year's allocation.
- (II) Deleting the Words "on the date transfer of funds by the Lenders or" from 5th line of para III (a).

12. It was also reiterated that the Auditor General of Pakistan may arrange a special audit of a few World Bank aided projects. Systems and procedures of audit would be one of the main areas to be looked into by the Audit. The Project authorities would be encouraged to bring to notice any problems that they face in the actual implementation of the Special Accounts System.

**LIST OF THE PARTICIPANT OF THE
MEETING HELD ON 23-11-1992
ON SPECIAL ACCOUNTS**

<u>Name</u>	<u>Designation</u>	
<u>ECONOMIC AFFAIRS DIVISION</u>		
1. Mr. R.A. Akhund	Secretary	Chairman
2. Mr. Tanwir Ali Agha	Joint Secretary	Member
3. Mr. Nisar Ahmed Khan	Section Officer	-do-
<u>FINANCE DIVISION</u>		
4. Mr. Abdul Ghafoor Mirza	Joint Secretary	-do-
5. Mr. Abid Akbar	Deputy Secretary	-do-
6. Mr. Tanwir Hussain	Assistant Economic Advisor	-do-
<u>DEPARTMENT OF THE AUDITOR GENERAL OF PAKISTAN</u>		
7. Mr. Khalid Rafique	Deputy Auditor General	-do-
<u>GOVERNMENT OF PUNJAB</u>		
8. Mr. Shahid Hussain	Additional Secretary	-do-
<u>GOVERNMENT OF SINDH</u>		
9. Mr. Fazlullah Qureshi	Additional Chief Secretary (Dev)	-do-
10. Mr. Asrar Ahmed	Additional Secretary	-do-
<u>GOVERNMENT OF NWFP</u>		
11. Mr. Zahid Ellahi	Chief (Foreign Aid)	-do-
12. Mr. Ziaur Rehman	Additional Secretary	-do-
<u>STATE BANK OF PAKISTAN</u>		
13. Mr. M.M.K. Khaishgi	Director Accounts	-do-
<u>NATIONAL BANK OF PAKISTAN</u>		
14. Mr. Gul Nawaz Khan	Executive Vice President	-do-

Government of Pakistan
Finance Division
(Budget Wing)

No. F.2(3)-B(S)/92-70

Islamabad, the 17th January, 1993

Subject:- **REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR ADB IDA/IBRD CREDITS/LOANS.**

The existing procedure in force for the maintenance and operation of Revolving Fund Accounts opened for IDA/IBRD credits/loans is attached at Annexure-I. A revised procedure as agreed to in the meeting held on 23rd November, 1992 under the Chairmanship of Secretary, Economic Affairs Division and as a result of subsequent consultation with the Economic Affairs Division is also enclosed at Annexre-II.

2. A meeting will be held on 24th January, 1993 at 10:00 A.M. in the Committee Room, Second Floor, 'Q' block, Islamabad, under the Chairmanship of Finance Secretary to finalize the proposed revised procedure.
3. It is requested to kindly make it convenient to attend this meeting.

Sd/-
(Bashir Ahmed Bhatti)
Deputy Secretary
Tel: 822564

1. The Secretary, Economic Affairs Division, Islamabad.
2. Dr. Mohammad Yaqub, Special Secretary / Principal Economic Advisor, Finance Division, Islamabad.
3. Mian Tayyab Hassan, Additional Finance Secretary (Budget), Finance Division, Islamabad.
4. Mr. Mueen Afzal, Additional Finance Secretary (D), Finance Division, Islamabad.
5. Mr. Mehmood Ahmed Lodhi, Additional Finance Secretary (Exp), Finance Division, Islamabad.

6. Mr. Mohammad Ashraf Janjua, Deputy Governor (Policy), State Bank of Pakistan, Karachi.
7. Mr. A. Ghafoor Mirza, Joint Secretary (Budget), Finance Division, Islamabad.
8. Mr. Khalid Rafique, Deputy Auditor General, Office of the Auditor General of Pakistan, Gulberg-III, Lahore.
9. Mr. Tariq Sultan, Finance Secretary, Government of Punjab, Lahore.
10. Mr. Salik Nazir Ahmed, Finance Secretary, Government of Sindh, Karachi.
11. Mr. Mohamamd Yunis Khan, Finance Secretary, Government of NWFP, Peshawar.
12. Mr. Mohammad Tariq Janjua, Finance Secretary, Government of Baluchistan, Quetta.

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
BUDGET (STATISTICS) SECTION

“@”@”@”@”@”

No. F.2(3)-B(5)/92-70 dt. 17.01.1993

Subject:- REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR ADB/IDA/IBRD CREDITS/LOANS.

- (I) Revolving Fund Accounts under IDA and IBRD Credits/Loans Agreement shall be opened at National Bank of Pakistan separately for World Bank's share of financing and for Government's share of financing. Such Accounts shall be in the nature of Assignment Accounts. The payments from the Accounts shall be effected through Cheques/Authorities issued by the persons authorized to sign Withdrawal Applications. The Assignment Accounts (Revolving Fund Accounts) for World Bank's share of financing shall be in Dollars and for Government's share of financing in Rupees. Both the Accounts shall be non-lapsable. i.e. balance at the end of financial year shall be carried forward to the next year.
- (II) Separate Revolving Fund Accounts shall be opened for each of the Credits or Loans and for each Project Director/person authorized to sign withdrawal Applications.
- (III) (a) National Bank of Pakistan shall be the designated Bank for handling all foreign exchange transactions out of Revolving Fund Accounts. The credits into and payments out of 'Revolving Fund Accounts in Dollars' shall be transcribed into Rupees at the rate of exchange prevailing on the date of payments to the payees.

(b) If the funds from IDA/IBRD are received in currencies other than US Dollar, these shall be credited in respective Revolving Fund Accounts with Dollar equivalent at the prevailing rate.
- (IV) After the Agreements containing provision for the opening of Revolving Fund Accounts have been concluded, the concerned Ministries/Divisions and the project executing agencies will arrange immediate opening of the Assignment Accounts at National Bank of Pakistan with special instruction for operation of the accounts, if any, and prepare Withdrawal Applications requesting the IDA/IBRD to pay the amount of initial deposits/subsequent funding to the Federal Reserve Bank, New York, for credit to State Bank of Pakistan's account and simultaneous credit to 'Revolving Fund Accounts in Dollars' at concerned branch of National Bank of Pakistan. The number of the Revolving Fund Account will be

indicated on the Withdrawal Applications. They will also arrange credit to 'Revolving Fund Accounts' in Rupees for the Government's share.

- (V) (a) On receipt of the First credit advice in this respect from the Federal Reserve Bank, New York, the State Bank of Pakistan's Accounts Department, will advise the Chief Manager, State Bank of Pakistan, Karachi, to credit rupee equivalent of the Foreign Currency to the Government Account under the head 2300000-Public Debt-2330000- Foreign Debt(Permanent) IDA/IBRD Loan/Credit No..... for..... projects. Subsequent credits to State Bank of Pakistan's Account with the Federal Reserve Bank, New York, will also be advised to the Chief Manager, State Bank of Pakistan, Karachi in the same manner. The Chief Manager will in turn immediately authorize credits into the relevant 'Revolving Fund Accounts in Dollars'. The National Bank of Pakistan will immediately report the receipt in US Dollars as well as rupees to the Project Director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division of Government of Pakistan as well as to Accountant General, Pakistan Revenue.

(b) Since the 'Revolving Fund Account in Dollars' will be in the nature of 'Assignment Accounts', the authorization of credits into these Accounts will not involve actual transfer of funds. The State Bank of Pakistan, while authorizing the credits into 'Revolving Fund Accounts in Dollars', would make the following entries for rupee equivalent in Government Accounts under intimation to Treasury Officer of the District Headquarters where the particular Branch of National Bank of Pakistan is located as well as to the Accountant General, Pakistan Revenues or the Accountants General of the Province concerned:-

Debit : "Head of Account and Demand No., as indicated in the copy of Withdrawal Applications".

Credit : "Credit-3900000-Other Accounts, 3905006-Assignment Account (for Revolving Fund under IDA/IBRD Credit Loan No. forProject)".

(c) When payments are made by National Bank of Pakistan against the balances in Assignment Accounts and re-imburements in respect of such payments are made by State Bank of Pakistan, the 'Assignment Account' will be debited by credit to the head 'State Bank Deposits'. In case of payments to Foreign Suppliers etc., or other payments abroad, the National Bank of Pakistan will arrange payments through its Counterparts in the first instance and then claim re-imburements as in the cases of other payments out of 'Assignment Accounts'.

- (VI) (a) The persons authorized to sign Withdrawal Applications and operate 'Revolving Fund Accounts' shall furnish copies of the Withdrawal Applications to their Administrative Ministries/Divisions as well as to the Economic Affairs Division and State Bank of Pakistan, Karachi. The copies of the Withdrawal Applications shall indicate the Demand No. and head of account under which the rupee equivalent of the amounts authorized for credits into 'Revolving Fund Accounts in Dollars' is to be debited.
- (b) The Project authorities shall also give a three days advance notice in writing to National Bank of Pakistan for Withdrawal from their Assignment Account in order to enable the bank to obtain the requisite funds from State Bank of Pakistan.
- (c) National Bank of Pakistan in any case, will not refuse to honour a cheque drawn by the authorized project authority, with in the authorized allocation on the ground that the funds have not been received from State Bank of Pakistan. The State Bank of Pakistan will not impose penalty on the National Bank of Pakistan for making such (over draft) payments. The National Bank of Pakistan will issue a circular to their offices for this purpose.
- (VII) 'Revolving Fund Accounts in Dollars' opened and maintained at the National Bank of Pakistan or its Branches shall be show debits and credits in Dollars and their rupee equivalent calculated in the manner indicated in para (III)(a) above. For the rupee of funding to the project executing agencies, US Dollars amounts held in these accounts shall be taken into account.
- (VIII) The rate of exchange being different at the time of disbursement of funds by the IDA/IBRD than those obtaining on the dates of withdrawal from the 'Revolving Fund Accounts in Dollars', the account may show debits/credit rupee balance even after the US Dollars amount stand fully utilized. This loss (debit balance) or gain (credit balance) will on the full utilization of Credits/Loans be got adjusted as loss/gain by exchange by the Ministries/Divisions concerned.
- (IX) The National Bank of Pakistan will provide a monthly statement of accounts to the Project Director, who will claim reimbursement on the basis of this statement plus supporting documentation.
- (X) The Project authority will make payment, from Special Accounts for eligible expenditure, such as overseas training and consultancy, requiring foreign exchange against the consultancy contract already approved by External Finance Wing of Finance Division.

STATE BANK OF PAKISTAN
FOREIGN EXCHANGE DEPARTMENT
CENTRAL DIRECTORATE
KARACHI

**REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF
REVOLVING FUND ACCOUNTS OPENED FOR ADB/IDA/IBRD
CREDITS/LOANS.**

Ministry of Finance, Budget Wing may please refer to their Office Memorandum No. F.2(3)B(S)84-405/93 dated the 20th January, 1993 on the above subject.

2. We have gone through the revised procedure (Annexure II to their letter No. F.2(3)B(S)92-70 dated the 17th January, 1993) and our observations are as under:-

(I) **Item IV**

Before passage of funds disbursed by the lending agencies to the end-users commences, State Bank is required to issue instructions to Chief Manager, State Bank of Pakistan, Karachi/other concerned office of State Bank of Pakistan and National Bank of Pakistan. We can issue the requisite instructions only when utilizing agency apprises us of the name of National Bank of Pakistan branch where it would maintain the account. It usually happens that the utilizing agencies file withdrawal applications with the leading agencies and do not furnish us with the name of the branch of National Bank of Pakistan for channelising the funds and consequently the funds are disbursed and on receipt of intimation about disbursement of funds, we have to contact the Government for instructions as to the disposal of funds while the agencies concerned do not get the funds quickly. It is only after disbursement of the funds by the lending agencies that the utilizing agencies started approaching SBP in the matter. We would therefore, suggest that importing agencies be instructed to obtain SBP's formal approval for opening the Revolving Fund (Assignment Account) before sending first withdrawal application to the lending agencies. To this end following words may be added after the word "Pakistan" appearing in the six line of this item.

"After obtaining approval from Director, Foreign Exchange Department, State Bank of Pakistan, Central Directorate, Karachi".

(II) **Item V**

So long as the funds remain in the Federal Government account, the risk of exchange rate fluctuation is borne by the Federal Government. Once the funds are out from Federal Government account, it will no longer assume this risk. Therefore in cases

when the funds are transferred to the Non-Food Account No.1 of the Provincial Governments, the exchange rate fluctuation risk will also be for the account of the Provincial Governments. Suitable notation in this regard needs to be made in this item. The sentence “The Chief Manager will Dollars”” appearing in lines 9-11, page-3 need to be amended to read as under:

“The Chief Manager will in turn immediately authorize credits into the Revolving Fund Accounts in Dollars in respect of Federal Government Projects”.

(III) **Item X**

The release of foreign exchange for training to Government officials is made at the scales prescribed by the Government. For the period exceeding days, foreign exchange is released at the prescribed monthly rate. Further, the rates of D.A for different countries and the different cities within the same country are different. It will not be possible for National Bank of Pakistan to determine the entitlement correctly and excess amount is likely to be released. This matter cannot, therefore, be left to National Bank of Pakistan and the utilizing agencies. Therefore, release of foreign exchange for training out of Revolving Fund (Assignment) Accounts will be subject to State Bank of Pakistan’s approval as hitherto fore. Further, payments against consultancy contracts- whether direct or through letters of credit – are subject to the relative contract being approved by the Ministry of Finance, External Finance Wing. This condition may be waived.

3. The language of item III(a) is not appropriate. The language of the said item as given in previous draft Annexure I need be used.

Sd/-
(GHULAM MUHAMMAD)
SENIOR DEPUTY DIRECTOR
02-02-1993

Ministry of Finance (Mr. Bashir Ahmed Bhatti – Deputy Secretary Budget),
Government of Pakistan, Islamabad.

S.B.P.,F.E.D.,C.D.,U.O. NOTE NO. 1095/FEP.9 (88) 93 of date.

GOVERNMENT OF SINDH

Finance Department

ANNEXURE II-A.

Existing Procedure.

According to laid down procedure for Assignment Account/Revolving fund account, the State Bank of Pakistan, on receipt of first credit advice from Federal Reserve Bank, New York, advises the Chief Manager, State Bank of Pakistan, Karachi, to credit a rupee equivalent of the foreign currency to the Government Account under relevant head of account.

The Chief Manager in turn immediately authorizes credits into relevant Assignment Account/Revolving Fund Accounts in Dollars. The National Bank of Pakistan will immediately report the receipt in U.S Dollar as well as rupees to the Project Director with copy to Provincial Finance and Planning & Development Department, Economic Affairs and Finance Division, Government of Pakistan, as well as to A.G.P.R.

Views of Auditor General of Pakistan, on revised proposal.

i) The receipt of IDA/IBRD credits/ loans relating to the Provincial Projects may be credited in Pakistan Rupee to the Provincial Government Account No. I under intimation to the concerned Provincial Finance Department/ Accountant General.

ii) The Provincial Government should make budget provisions for such Projects in their annual Budget Demand which may be debited when payment is made out of Special Accounts on mentioning the Demand number and head of account in accordance with Clause-IV of the procedure.

Proposal procedure of Finance Department.

As proposed by Auditor General of Pakistan.

NO. F.2(3)-B(S)/84-1250/03
GOVERNMENT OF PAKISTAN
FINANCE DIVISION
BUDGET (STATISTICS) SECTION
* * * * *

Islamabad, the 23rd October 1993

OFFICE MEMORANDUM

Subject: - **REVISED PROCEDURES FOR THE MAINTENANCE AND OPERATION OF SPECIAL /IMPREST FUND ACCOUNTS OPENED FOR IDA/IBRD/ADB CREDITS/LOANS.**

In partial modifications of existing procedures on the subject issued vide this Division's O.M Numbers F.2(3)-B(S)/84-1338/85, dated 03.-07.1985 and No. F.2(3)-B(S)/84-1370/85, dated 10.07.1985 and No. F.2(3)-B(S)/84-13/92, dated 02.07.1992, the undersigned is directed to enclose a copy of the revised procedures for the maintenance and operation of Special/Imprest Accounts to be opened for International Development Association (IDA)/International Bank for Re-constructions and Development (IBRD) and Asian Development Bank (ADB) Credits/Loans, for information and necessary action where applicable. It is requested that the project executing authorities utilizing the IDA/IBRD/ADB Credits/Loans may kindly be advised to proceed with their cases in accordance with this procedure.

It may be mentioned that the revised procedure applies to donor share of financing. However, the G.O.P share of project financing will continue to be governed by the existing procedure circulated by this Division vide O.M referred in para 1 above.

Sd/-
(GHULAM HUSSAIN)
SECTION OFFICER
TELE: 829346

To,

All Ministries/Divisions, Islamabad / Rawalpindi.

Copy forwarded for information and similar action to:

1. The Secretary, Finance Department, Government of Punjab, Sindh, NWFP, Balochistan, Lahore/ Karachi/ Peshawar/ Quetta.
2. Auditor General of Pakistan, Central Offices Building, Gulberg-III, Lahore, (5 copies) (Registered).
3. Joint Secretary (External Finance), Finance Division, Islamabad.

4. Joint Secretary (Dev), Finance Division, Islamabad.
5. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi/Karachi.
6. Chief (R&S)/Deputy Secretary (DM/WB), Economic Affairs Division, Islamabad (3 copies).
7. Accountant General Pakistan Revenue, (Foreign Aid Section), G.8/4, Islamabad (5 copies) and its Sub-Offices at Lahore/Karachi/Peshawar/Quetta (3 copies each)
8. All Accountant Generals of the Provinces, Lahore, Karachi, Peshawar and Quetta (3 copies each).
9. The Director of Accounts, Economic Affairs Division (Accounts Wing), Sitara Market, G-7/2, Islamabad (15 copies).
10. The director, Accounts Department, State Bank of Pakistan, (Central Directorate), I.I Chundrigar Road, Karachi. (Registered).
11. The Chief Manager, State Bank of Pakistan, I.I Chundrigar Road Karachi, (Regd).
12. Executive Vice President, National Bank of Pakistan, Foreign Exchange & Operations Division (International), Karachi.
13. All Officers of the Finance Division Islamabad/ Karachi.

Sd/-
GHULAM HUSSAIN)
SECTION OFFICER

ANNEX TO FINANCE DIVISION OM. NO. F.2(3)-B(S)/84-1250/93 dated 23.10.1993

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
BUDGET (STATISTICS) SECTION

* * * * *

Subject: **REVISED PROCEDURE FOR THE MAINTENANCE AND OPERATION OF SPECIAL ACCOUNTS (REVOLVING FUND ACCOUNTS) OPENED FOR IDA/ABRD CREDITS/LOANS AND IMPREST ACCOUNTS UNDER ADB PROJECT LOANS.**

- I) Special Accounts / Imprest Accounts under IDA/IBRD/ADB Credits/Loans Agreements shall be opened at National Bank of Pakistan separately for the Banks share of financing and for Government's share of financing. Such accounts shall be in nature of cash accounts for the donors share of financing. The payments from the accounts shall be effected through Cheques/Authorities issued by the persons authorized to sign withdrawal applications. The Special Accounts/Imprest Accounts for the Bank's share of financing shall be in dollars and for Government's share of financing rupees. Both the accounts shall be lapsable. However, the lapsed balance in one year will be protected in the next year's allocation.
- II) Separate Special Accounts/Imprest Accounts shall be opened for each of the Credits or Loans and for each project Director/person authorized to sign withdrawal applications.
- III)
 - a) National Bank of Pakistan shall be the designated bank for handling all transactions out of Special Accounts/Imprest Accounts. The credits into and payments out of Special Accounts in dollars shall be transcribed into rupee at the TT buying rate of exchange prevailing on the date of transfer of Funds by the Lenders or on the date of payments to the payee.
 - b) If the funds from ADB/IDA/IBRD are received in currencies other than US dollar these shall be credited in respective Special/Imprest Accounts with Dollar equivalent at the prevailing rate of the other currencies vis-à-vis the US dollar.
 - c) Special/Imprest Accounts maintained in US dollar will be converted other currencies to pay for eligible expenditures when they occur at the prevailing exchange rates of US dollar vis-à-vis the other currencies.

- IV) After the Agreements containing provision for the opening of Special/Imprest Accounts (in case of ADB Imprest Accounts of copies of exchange of letter providing for such Imprest Accounts) have been concluded, the concerned Ministries/Divisions and the project executing agencies will arrange immediate opening of the Special/Imprest Accounts for National Bank of Pakistan after obtaining approval from Director, Foreign Exchange Department, State Bank of Pakistan, Central Director, Karachi with special instructions for operation of the accounts, if any. The project executing agencies will prepare withdrawal applications requesting the ADB/IDA/IBRD to pay the amount of initial deposits/subsequent funding the Federal Reserve Bank, New York, for credit to National Bank of Pakistan's New York Accounts credit in NBP Special/Imprest Account in dollars at concerned branch of National Bank of Pakistan, for account of project executing agency. The number of the Special/Imprest Accounts will be indicated on the withdrawal applications. The project authority will arrange credit to Special/Imprest Accounts in Rupees for the Government's share.
- V) On receipt of the first credit advice in this respect from the IDA/IBRD/ADB the National Bank of Pakistan, New York, will advise the Head Office National Bank of Pakistan, Karachi to credit US Dollar equivalent of the Foreign Currency at TT buying rate prevailing on the date of credit to the concerned branch of N.B.P and simultaneously advise the rupee equivalent for credit to Government Account under the head "2300000-Public Debt-2330000- Foreign Debt (Permanent)- 2331000 Foreign Debt (Permanent) Direct ADB/IDA/IBRD Credits/Loans No. _____ for _____ project" to the Federal Treasury Office, Karachi. In case of Provincial Projects the National Bank of Pakistan, Head Office, Karachi will advise the Provincial Accountant General through the concerned Provincial Treasury for credit of the rupee equivalent under the head "2300000-Public Debt- 2330000-Foreign Debt(Permanent)- 2332000-Foreign Debt (Permanent)- received from the Federal Government by receiving debit to the Federal Government Account under the head "70000-Debt Servicing Investible Funds and Grants- 73000- Loans and Advances- 73100-To Provinces Subsequent credits to National Bank of Pakistan will be treated in the same manner. The Head Office, National Bank of Pakistan, Karachi will immediately report the receipt in US Dollar as well as Rupee to the Project Director with copies to Provincial Finance and Planning and Development Departments, Economic Affairs Division and the Finance Division of Government of Pakistan as well as to the Accountant General of the Province.
- VI) a) All balances in such Special/Imprest Accounts will be in the nature of Government deposits with the National Bank of Pakistan. The National Bank will intimate to the SBP on a daily basis the balance available in

these Special Accounts as balances of the Government. The SBP in turn will show therein the cash balance reports on at No. 9 in the balance proforma as Provincial Government balances in the Federal Consolidated Fund.

b) When payments are made by NBP against the balancing in the Special/Imprest Accounts they will render daily accounts to the respective Treasury by debiting the function-cum-object and grant number as intimated by the Project Authority separately for Federal and Provincial transactions.

- VII) The NBP will not require permission of the Finance Division (External Finance Wing) for making payment in Foreign Exchange from Special/Imprest Accounts on account of consultancy contracts under the credit/loan. However, for Foreign Training prior approval of the State Bank of Pakistan, Foreign exchange Department will continue to be required.
- VIII) The persons authorized to sign withdrawal applications and operate Special/Imprest Accounts shall furnish copies of the withdrawal application to their Administrative Ministries/Divisions/ Provincial Finance Departments as well as the Economic Affairs Division and the concerned Branch of National Bank of Pakistan.
- IX) The rate of exchange being different of the time of disbursement of funds by the ADB/IDA/IBRD than these obtaining on the dates of withdrawal from the Special Accounts in Dollars the Account may show debit/credit rupee balances even after the US Dollars amount stands fully utilized. This loss (debit balance) or gain (credit balance) will on the full utilization of credits/loans be got adjusted as loss/gain by the Ministries/Division concerned.
- X) The National Bank of Pakistan will provide a monthly statement of accounts to the Project Director, who will claim reimbursement on the basis of this statement plus supporting documentation. The statement will be provided by the end of first week of the succeeding month.

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
BUDGET (STATISTICS)SECTION
* * * * *

No. F.2(3)-B(S)/84-32/97

Islamabad, the 29th January 1997

To,

1. The Deputy Governor,
State Bank of Pakistan,
Karachi.
2. The Secretary,
Finance Department,
Government of Punjab,
Lahore.
3. The Secretary,
Finance Department,
Government of Sindh,
Karachi.
4. The Secretary,
Finance Department,
Government of NWFP,
Peshawar.
5. The Secretary,
Finance Department,
Government of Balochistan,
Quetta.
6. The Vice President (Accounts Department),
National Bank of Pakistan,
I.I Chundrigar Road,
Karachi.

Subject: **REVISED PROCEDURE FOR THE MAINTENANCE AND
OPERATION OF SPECIAL /IMPREST FUND ACCOUNTS
OPENED FOR IDA/IBRD/ADB CREDITS/LOANS.**

Kindly refer to the Finance Division O.M No. 2 (3)-B(S)/84-1250/93, dated 23-10-1993 on the subject noted above. In this regard Auditor General of Pakistan has observed certain loop hole particularly where projects are being funded on

reimbursement basis. The proposal made by the Auditor General for improvement in the existing procedures are enclosed for views / comments. This may kindly be provided to us urgently.

Your obedient servant

(MEHMOOD AKHTAR)
DEPUTY SECRETARY (BR)

**PROPOSED PROCEDURE REGARDING RECOVERY/ADJUSTMENTS OF
ADVANCES DRAWN FROM GOP/PROVINCIAL GOVERNMENT
BY THE PROJECT MANAGERS AS ADVANCE ON ACCOUNT
OF DONOR SHARE (ON REIMBURSABLE BASIS)
AS ENVISAGED UNDER THE LOAN AGREEMENT**

The releases to be issued by Administrative Ministries and endorsed by concerned Financial Adviser should not exceed GOP Share in a Project.

In case the loan agreement stipulates Upfront Financing, Bridge Financing or re-imburement after incurrence of outlays on GOP/Provincial Government account. The following procedure should be adapted to affect recovery/adjustments from the Donor/Lending Agencies.

1. Government of Pakistan Finance Division or Provincial Finance Department should issue “**Special Sanction**” to concerned Accountant General/Pay master for advance payment to the project as Upfront or Bridge Financing or Payments in Advance on account of “**Donor Share**”.
2. Finance Division/Provincial Finance Department should mention the relevant government “Account Number” with State Bank of Pakistan from which advance is being made and the mode of recovery or adjustment on re-imburement as detailed below.
3. Copy of the sanction should be endorsed invariably to Economic Affairs Division (Accounts Directorate), concerned Director General (Audit), State Bank of Pakistan (Accounts Directorate) and Head Office National Bank of Pakistan, Karachi to watch the recovery.
4. subsequently when the reimbursements are recovered from the Donor/Lending Agencies it should be credited by the Head Office National Bank of Pakistan Karachi to SBP Karachi to refund the advance drawn form GOP/Provincial Government “Account Number” from which it was originally drawn and no further releases be made by Finance Division/Provincial Finance Department to project authorities till the advance made by GOP/Provincial Government has been fully recovered. NBP Head Office Karachi should invariably inform Finance

- Division/Provincial Finance Department in case of Provincial Project, EAD, Administrative Ministry (Department in Province), Project Authorities, Accountant General Pakistan Revenue (AGPR/ concerned Accountant General and Director General Audit of the adjustment of recoveries in Government Account.
5. The procedure should be issued by Ministry of Finance with a copy to EAD, all Admn. Ministries, Auditor General of Pakistan, AGPR, All Provincial Finance Departments, AGs, DGs of Audit and to the Project Managers of all Foreign Assisted Projects (Federal & Provincial).
 6. Reimbursement applications should be moved by Project Manager to Donor/Lending Agencies as usual.
 7. Economic Affairs Division (Accounts Directorate) should watch and monitor the recoveries using the enclosed proforma and inform Finance Division, AGPR/ concerned Accountant General and Director General Audit for the progressive position on quarterly basis.

**PROFORMA TO MONITOR DONORS DISBURSEMENTS/REIMBURSEMENTS
ON FOREIGN ASSISTED PROJECTS OIN PAKISTAN**

NAME OF PROJECT

LOAN NO / CREDIT NO. =

DONORS/LENDERS SHARE (IN US\$) =

GOP SHARE =

TOTAL =

AMOUNT OF UPFRONT FINANCING BY GOP TO DATE	AMOUNT OF BRIDGE FINANCING BY GOP TO DATE	DISBURSEMENTS BY DONORS/LENDERS			
		Mobilization Advance to the Project	Subsequent reimbursement on SOEs	Adjustment against upfront financing by GOP	Adjustment against Bridge Financing

No. 3(8)FA-III/88-IV
GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE AND
ECONOMIC AFFAIRS
(ECONOMIC AFFAIRS DIVISION)

Telegram :ECONOMIC
Telex :ECDIV:05-634
Fax :92-51-9210734

Islamabad, the 24th December, 1997

From: Aftab Ahmed Khan
Secretary,
Tele: 9210629

Dear

Please refer to this Division's O.M of even number dated 24th September, 1996 (copy enclosed) and subsequent reminders regarding accounting of foreign assistance and booking of expenditure with AGPR. Despite that no satisfactory response has been received. PAC is likely to take a serious note of non-compliance of their directions.

2. I shall be grateful if you please look into the matter personally and arrange requisite adjustment of expenditure/reconciliation with AGPR in respect of all foreign aided projects under your administrative control on monthly basis as regular feature. A report in the matter may please be sent to this division every month.

Yours sincerely,

(Aftab Ahmed Khan)

Secretary,

Government of Pakistan,
Islamabad.

Copy to Chief Secretary, Government of Sindh,
For similar action in respect of external assistance passed on to them.

(Aftab Ahmed Khan)

GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE & ECONOMIC AFFAIRS
(ECONOMIC AFFAIRS DIVISION)

No.3(8)FA-III/88

Islamabad, the 24th September, 1996

Subject: **PROCEDURE FOR BUDGETING, ACCOUNTING AND CONTROL OF EXPENDITURE RELATING TO FOREIGN AID (LOANS AND GRANTS).**

The undersigned is directed to say that the Public Accounts Committee while considering the Appropriation Accounts of Planning & Development Division for 1986/87, finally decided in its meeting held on 15/07/1990 to set up an Inter-Ministerial Committee under the Convernernship of Secretary, EAD to sort out the basic issues pertaining to the accounting of foreign aid and its reporting in Appropriation Accounts. The last meeting of the Inter-Ministerial Committee was held under the chairmanship of Secretary, EAD on 28.08.1996 in which, among others, Special Secretary, Finance Division, Accountant General, Pakistan Revenues and Deputy Auditor General also participated. In that meeting it was directed by the Chairman that suitable instruction will be reiterated by the EAD to all the Principal Accounting Officers for following strictly the procedure already circulated by the Finance Division.

2. In pursuance to the aforesaid directions, the existing orders of Finance Division No. F.11B(s)/83-2288 dated 26/12/1983 and with No. F11(1)B(S)/83-51-85 dated 07/01/1985 are reproduced below for strict compliance by the implementation agencies:

- Adjustment in respect of foreign aid disbursed by donors and lenders would be advised to the Accountant General, Pakistan Revenue, directly by the Ministries/Divisions in the case of projects of Federal Ministries/Divisions and by the Finance Department of the Provincial Governments in the case of Provincial Projects and Autonomous Bodies under the control of Provincial Governments. A copy of the Adjustments advices with accounts of foreign aid was also required to be furnished to Economic Affairs Division to enable it to maintain the accounts of receipts of aid centrally.

- Ministries/Divisions while conducting monthly reconciliation with AGPR should bifurcate the actuals between Expenditure from Government of Pakistan Resources and Expenditure against Foreign Aid.
- A copy of Reconciliation statement signed by the AGPR and Departmental representatives should be furnished to Accounts Wing of Economic Affairs Division.

Non-observance of the above instructions by the executing agencies resulted in non-accountal of expenditure of foreign aid in the books of AGPR.

3. The principal accounting officers are, therefore, requested to kindly ensure strict compliance of these orders as well as instructions issued by the Finance Division from time to time. In addition, information on the enclosed prescribed proforma may also be furnished to Director Accounts, Economic Affairs Division regularly.

Sd/-
(FAIZULLAH KHAN NIAZI)
Deputy Secretary (DM)
Tel: 9203815

All Ministries/Divisions of Federal Government/
Finance Departments of the Provincial Governments

**STATEMENT SHOWING ADJUSTMENT OF AID RECEIVED FROM ____ FOR
THE PERIOD FORM _____ TO _____ ADJUSTMENTS FOR THE YEAR**

- i. Name of the Project:
 ii. Loan/Credit/Grant No. & Amount:
 iii. Demand No. _____

S. No.	Nature of Aid Disbursed i.e. Advance/ Reimbursable/ Direct	Total Amount Disbursed		Amount already adjusted Rs.	Amount now to be adjusted Rs.	Head of account adjusted Rs.	Head of account Credited/ Debited	Remarks
		Foreign currency	Pak Rupee					
1	2	3	4	5	6	7	8	9

Signature of the
Principal Accounting Officer
Project Director



No. P&D/FA/Proc:-1/2004
GOVERNMENT OF SINDH
PLANNING &
DEVELOPMENT
DEPARTMENT
(FOREIGN AID SECTION)

Karachi, 13th April, 2004

- The Additional Chief Secretary,
Local Government, KA &S. Dev. Department,
Government of Sindh,
Karachi.
The Secretary to
Government of Sindh,
Karachi.
- Health Department
- Education Department
- Works & Services Department
- Agriculture Department
- Irrigation & Power Department
- Planning & Cooperation Department

SUBJECT: NEW PROCEDURE FOR THE MAINTAINING AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA, IBRD AND ADB CREDITS AND LOANS

I am directed to state that the Finance Division, Government of Pakistan, vide Office Memorandum dated 25th November 2002 had revised the procedure for maintaining the account for foreign donor share in the project. This new procedure was circulated by the finance and Cooperation Department, Government of Sindh vide letter # FD(RES-III)2(125)-2000 dated 27th September 2003 to all the administrative Secretaries for compliance.

Para (I) of the above mentioned new procedure is reproduced below for perusal:

Revolving Fund Accounts under IDA, IBRD, and ADB Credits/Loans Agreements shall be opened at National Bank of Pakistan separately for the donor's share of the financing and for Government's share of financing. Such Accounts shall be in the nature of Assignment Accounts. The Payments from the accounts shall be effected through Cheques/Authorities issued by the person authorized to sign the Withdrawal Applications. The assignment accounts (Revolving Fund Accounts) for Donor's share of financing shall be in dollars and for Governments share of financing in rupees. Both the accounts shall lapsable. However, the lapsed balances in one year will be protected in the next year's allocation.

The above mentioned clause also remained included in the revised procedure for the operation of special account for foreign funded projects circulated in 1993 by Finance Division, Government of Pakistan.

The legal documents signed with donor agencies for aided projects includes that any action required or permitted to be taken, and any documents required or permitted to be executed under the project on behalf of the province may be executed by the Additional Chief Secretary (Dev) Sindh or other person(s) so designated and notified in writing to the donor(s), for which province shall furnish sufficient evidence of the authority together with the authenticated specimen signatures of such person.

Based on the above mentioned legal clause in the loan documents, ACD(Dev) authorizes the officers from the concerned project and authenticate their signatures for jointly signing the withdrawal applications and withdrawal & operation from the Imprest account (Special Account) which now has been called as **Assignment (Revolving Fund) Account for donor assistance.**

The instances have come to the notice of P&D where the Project Director was transferred and the new project Director, without getting him/her self authorized from the ACS(Dev) and without getting the specimen signatures authenticated by the ACS(Dev), has started withdrawals from the Assignment Account for donor funding. **This is a serious irregularity and donor can declare this expenditure/withdrawal of money from the donor's account as an ineligible expenditure.** This will cause provincial exchequer to ultimately bear the burden of that irregular withdrawal(s).

The matter is of prime importance and as such, it is requested that the administrative departments of the foreign funded projects may kindly ensure strict compliance of the procedures set for operation and maintenance of the Assignment Account for donor funds and direct the concern Project Director(s) for Foreign Aided Project(s) under their control not to withdraw funds from the Assignment Account of donor funds until specimen Signatures are authorized by the ACS(Dev) for such purpose and sent to the donor(s) through Economic Affairs Division, GOP. The copies of this correspondence is being sent to the State Bank of Pakistan, National Bank of Pakistan, Finance Division, EAD and Finance Department GOS, so that the procedures set by the Finance Division Government of Pakistan for the donor funded accounts could be followed/complied with properly.

This issues with the approval of Additional Chief Secretary (Dev).

Sd/-
(HASSAN ALI DIN MUHAMMAD)
ASSISTANT CHIEF (FOREIGN AID)

Copy forwarded for similar action to:

- The Provincial Coordinator, NDP, Clifton, Karachi.
- The Provincial Coordinator, DERA, Clifton, Karachi.

ASSISTANT CHIEF (FOREIGN AID)

C.C for the information & necessary action to:

- The Secretary to Government of Pakistan, Economic Affairs Division, Islamabad.
- The Secretary to Government of Pakistan, Finance Division, Islamabad.
- The Accountant General Sindh, near Civic Centre, Karachi.
- The Director Accounts Department, State Bank of Pakistan, Karachi.
- The Executive President, National Bank of Pakistan, Head Office Karachi.
- The Director General Audit Sindh, State Life Building, Dr. Ziauddin Road, Karachi.

ASSISTANT CHIEF (FOREIGN AID)

C.C for information to:

- The Chairman, Chief Minister's Inspection & Inquiry Team, Karachi.
- P.S to Chief Secretary Sindh, Karachi.
- P.S to ACS(Dev)
- P.S to Chief Economist P&D

ASSISTANT CHIEF (FOREIGN AID)

NO.F.2(4)-B.S/2000-1146

**GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET STATISTICS SECTION)**

Islamabad, November 25,2002

OFFICE MEMORANDUM

Subject: **NEW PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA, IBRD AND ADB CREDITS/LOANS**

The undersigned is directed to refer to this Division's O.M. No.F.2(3)-B.S/84-1250/93, dated 23-10-1993 and to say that a new foreign aid Accounting Procedure for donors share of financing have been devised (copy enclosed). The new Procedure would be applicable to the project account opened after 1st December 2002.

2. The Executive Agencies for the ongoing projects shall be responsible to submit monthly classified account of expenditure (function and object-wise) to the concerned A.G./AGPR by the 10th of the following month with advice to adjust the same against their Budget Demand.

**Sd/-
(Talib Hussain Baloch)
Deputy Secretary (BR)**

To,

All Ministries/Divisions, Islamabad /Rawalpindi.

Copy forwarded for information and similar action to:-

1. The Secretary Finance Department, Government of the Punjab, Sindh, NWFP, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
2. The Secretary, Planning & Development Department, Government of the Punjab, Sindh, NWFP, Balochistan (Lahore, Karachi, Peshawar, Quetta).
3. Auditor General of Pakistan, Constitution Avenue, Sector G-5/I, Islamabad.

4. Controller General of Account (CGA), Federal Bank for Cooperative Building, Behind state Bank of Pakistan, Sector G-5/2, Islamabad.
5. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi.
6. Accountant General Pakistan Revenues, (Foreign Aid Section), G-8/4 Islamabad.
7. All Accountant Generals of the Provinces, Punjab, Sindh, NWFP, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
8. The Director, Accounts Department, State Bank of Pakistan, (Central Directorate), I.I. Chundrigar Road, Karachi (Registered).
9. The Chief Manager, State Bank of Pakistan, I.I. Chundrigar Road, Karachi (Registered).
10. Executive Vice President, National Bank of Pakistan, I.I. Chundrigar Road, Head Office, P.O. Box 4937, Karachi.
11. Director of Accounts, Economics Affairs Division (Account Wing), "C" Block, Pak: Secretariat, Islamabad.
12. Deputy Chief(R&S), Economic Affairs Division, Islamabad.
13. Deputy Secretary (World Bank), Economic Affairs Division, Islamabad.
14. Deputy Secretary (Asian Development Bank), Economic Affairs Division, Islamabad.
15. Deputy Secretary (DM), Economic Affairs Division, Islamabad.
16. All Joint Secretary of the Finance Division, Islamabad.

Sd/-
(Muhammad Younas)
Asstt: Economics Adviser (B.S)

ANNEX TO FINANCE DIVISION O.M NO.F.2(4)-B.S./2000-1146, DATED 25-11-2002**GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET STATISTICS SECTION)**

SUBJECT: NEW PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA, IBRD AND ADB CREDITS/LOANS.

- (I) Revolving Fund Accounts under IDA, IBRD and ADB Credits/Loans Agreements shall be opened at National Bank of Pakistan separately for the donor's share of financing and for Government's share of financing. Such Account shall be in the nature of Assignment Accounts. The payments from the accounts shall be effected through Cheques /Authorities issued by the persons authorized to sign Withdrawal Applications. The Assignment Accounts (revolving Fund Accounts) for Donor's share of financing shall be in dollars and for Government's share of financing in rupees. Both the Accounts shall be lapsable. However,, the lapsed balances in one year will be protected in the next year's allocation.
- (II) Separate Revolving Fund Accounts shall be opened for each of the Credits or loans and for each Project Director/person authorized to sign Withdrawal Applications.
- (III) National Bank of Pakistan shall be the designated Bank for handling all transaction out of revolving Fund Accounts. The credits into and payments out of revolving Fund Accounts in Dollars shall be transcribed into Rupees at the SBP weighted average buying rate of exchange prevailing on the date of transfer of funds by the Lenders or on the date of payment to the payees.
- (IV) If the funds from IDA, IBRD and ADB are received in currencies other than US Dollars, these shall be credited in respective Revolving Fund Accounts with Dollar equivalent at the prevailing rate of the other currencies vis-à-vis the US Dollar.
- (V) Revolving Fund Accounts maintained in US Dollar will be converted into other currencies to pay for eligible expenditure when they occur at the prevailing exchange rate of US Dollar vis-à-vis the other currencies.

- (VI) After the Agreement containing provision for the opening of revolving Fund Accounts have been concluded, the concerned Ministries/Division and the project executing agencies will arrange immediate opening of the Assignment Accounts at National Bank of Pakistan with special instruction for operation of the Accounts, if any, and prepare Withdrawal Applications requesting the IDA, IBRD and ADB to pay the amount of initial deposit/subsequent funding to the Federal reserve Bank New York for credit to State Bank of Pakistan's account and simultaneous credit to Revolving Fund Account in Dollars at concerned branch of National Bank of Pakistan. The number of the Revolving Fund Accounts will be indicated on the Withdrawal Applications. They will also arrange credit to Revolving Fund Accounts in Rupees for the Government's share.
- (VII) a) On receipt of the first credit advice in this respect from the Federal reserve Bank, New York, the state Bank of Pakistan's Accounts Department will advise the Chief Manager state Bank of Pakistan, banking Services Corporation (Bank), Karachi to credit Rupee equivalent of the foreign currency to the Government Account under the head "2300000-Public Debt-2330000-foreign Debt (Permanent –IDA, IBRD and ADB Loans/Credit No._____ for _____Project" by debiting the State Bank Deposits, subsequent credits to Sate Bank of Pakistan's account with the Federal reserve Bank, New York will also be advise to the Chief Manager, State Bank of Pakistan, Banking Services Corporation(Bank) Karachi in the Same manner. The Chief Manager will in turn next day authorized credits into the relevant Revolving Fund Accounts in Dollars by making the following entries in the Government Accounts under intimation to NBP Head Office Karachi/concerned Branch of the NBP:-

Debt	:	“Head of Account and Demand No., as indicated in the copy of Withdrawal Application
Credit	:	“3905006-Assignment Account (for Revolving Fund under IDA/IBRD and 3905007-Assignment Account for ADB Credit/Loan No.....for Project.....)”.

The National Bank of Pakistan will immediately report the receipt in US Dollars as well as Rupees to the project director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division, government of Pakistan as well as to Accountant General of Pakistan Revenues.

- b) In case of receipts on account of Projects under the control of Provincial Government, or Local Government, Financial and non-Financial Institutions under the administrative control of the Provincial Governments, the State Bank

- after crediting Federal Government Account No. I (Non-Food) under head 2331000 –Foreign Debt (Permanent), will simultaneously credit the concerned Provincial Government Account No. I (Non-Food) under the head 2332000- Foreign Debt (Permanent) received from Federal Government by Debit to the Federal Government budget Demand External Development Loans & Advance under the head 73100 –Loans & Advances to Provinces.
- c) The provincial Government shall make necessary budget provision in their budget estimates project-wise and communicated the same to each project director for recording the budget Demand and Classification in withdrawal Applications as per provision of Para (VII)(b).
- (VIII) a) The persons authorized to sign Withdrawal Applications and operate ‘Revolving Fund Account’ simultaneously shall furnish copies of the Withdrawal Application to their Administrative Ministries / Divisions, as well as to the economic Affairs Division, National Bank of Pakistan, Head Office, Karachi and State Bank of Pakistan, (Accounts Department), Karachi. The endorsements of withdrawal Application shall indicated the Demand No. and head of account under which the rupee equivalent of the amounts authorized for credits into Revolving Fund Accounts in Dollars is to be debited.
- b) The person authorized to sign the withdrawal application and operation of Revolving Fund Account relating to the Provincial Projects, shall Furnish copies of the Withdrawal application to his administrative Department as well as to the Provincial finance, Planning & Development Department and State Bank of Pakistan, (Account Department), Karachi. The endorsement of withdrawal application will indicate the (Provincial) budget Demand No. and head of Account to which the rupee equivalent of the amount authorized for credit to Revolving Fund Accounts in dollars, is to be debited.
- (IX) Revolving Fund Accounts in Dollars’ opened and maintained at the National Bank of Pakistan or its Branches shall show debits and credits in Dollars and their rupee equivalent calculated in the manner indicated in Para (III) above. For the purpose of funding to the project executing agencies, US Dollars amounts held in these accounts shall be taken into account.
- (X) The rate of exchange being different at the time of disbursement of funds by the IDA, IBRD and ADB than those obtaining on the dates of Withdrawals from the ‘Revolving Fund Accounts in Dollars the account may show debit/credit rupee balances even after the US Dollars amount stands full utilized. This loss (debit balance) or gain (credit balance) will on the full utilization of credit/loans be got adjusted as loss/gain due to exchange rate differential by the Ministries/Division concerned.

- (XI) (a) The National Bank of Pakistan will provide a monthly statement of account by the end of first week of the Succeeding month to the Project Director. The Project director will claim reimbursement from the donor agencies on the basis of this statement plus other supporting documents.
- (b) The Project Director shall verify expenditure reported by the National Bank with his record and prepared a function- cum-objective wise statement of expenditure and submit to the concerned A.G alongwith vouchers by 21st of the following month. The A.G will get the expenditure agreed and reconciled with the figures reported by the Sate Bank. In case any variation is found, the Project Director will be asked by the A.G to reconcile and remove the said variation.
- (c) The A.G shall also carry out necessary post audit of the paid vouchers. The observations, if any, shall be communicated to the Project Director with copies to Federal/Provincial Finance/Planning and Development Division/Department. After post audit, the A.G will return the vouchers to the Project Director for external audit purpose by the Auditor General of Pakistan.
- (XII) The Project Director shall be personally responsible for the adjustment of disbursement made direct by the donors/lenders in Government Accounts. On receipt of intimation of payments from donors / Lenders duly supported with necessary document, the Project Director will advise the AGPR and concerned A.G of the Provincial Governments to adjust the expenditure against his Budget Demand by credit to Account-I of the respective Government under head “2331000-Foreign Debt (Permanent)”.
- (XIII) (a) The National Bank of Pakistan will not require permission of the Finance Division (External Finance Wing) for making payments in Foreign Exchange from Revolving Fund Accounts on account of consultancy contracts under the credit/loan. However, in case of Foreign Training prior approval of concerned Ministries/Division will be required.
- (b) The Consultancy charges payable by the donors shall be paid after verification of services renders by the Consultant, by the concerned Project Director/Ministries/ Divisions or by the Provincial Governments.
- (XIV) The advance payments made by the National Bank of Pakistan to the Project authorities shall be reimbursed within two days by SBP to the Provincial Headquarters of the National Bank of Pakistan by debiting the head “Assignment Account”.

(XV) The controlling Ministries/Divisions shall reconcile expenditure on account of Foreign aid with AGPR, EAD and SBP on monthly basis. The controlling departments of the Provincial Government will similarly reconcile the expenditure on foreign aided projects with the AG/Provincial Finance Department.

In case of non-reconciliation by 21st of the following month, AGRP/Provincial A.Gs to advise the donor through the EAD to take appropriate action as per the donor's "Financial Management Guidelines".

No.F.2(4)-B.S/2000-660
GOVERNMENT OF PAKISTAN
FINANCE DIVISION
(BUDGET STATISTICS SECTION)

Islamabad, April 15, 2005

OFFICE MEMORANDUM

Subject: **NEW PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA, IBRD AND ADB CREDITS/LOANS.**

The undersigned is directed to refer to this Division's O.M. No. F.2(4)-B.S/2000-1146, dated November 25, 2002 on the subject noted above.

2. A New Chart of Classification has been introduced by the Government of Pakistan. Accordingly, the previous Head of Accounts mentioned in para VII (a), (b) and XII in the above mentioned O.M have been replaced with new Head of Accounts (in the enclosed annex-I) for information and necessary action.

Sd/-
(Muhammad Younas)
Asst: Economic Adviser (B.S)
Tel: # 9209346

To

All Ministries/Divisions, Islamabad/Rawalpindi.

Copy forwarded for information and similar action to:-

1. The Secretary Finance Department, Government of Punjab, Sindh, NWFP, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
2. The Secretary, Planning & Development Department, Government of the Punjab, Sindh, NWFP, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
3. Auditor General of Pakistan, Constitution Avenue, Sector G-5/1, Islamabad.
4. Controller General of Accounts (CGA), Federal Bank for Cooperative Building, behind State Bank of Pakistan, G-5/2, Islamabad.

5. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi.
6. Accountant General Pakistan Revenues, (Foreign Aid Section), G-8/4, Islamabad.
7. All Accountant Generals of the Provinces, Punjab, Sindh, NWFP, Balochistan, (Lahore, Karachi, Peshawar, Quetta).
8. The Director, Accounts Department, State Bank of Pakistan, (Central Directorate), I.I Chundrigar Road, (Registered).
9. The Chief Manager, State Bank of Pakistan, I.I. Chundrigar Road Karachi (Registered).
10. Executive Vice President, National Bank of Pakistan, I.I. Chundrigar Road, Head Office, P.O. Box 4937, Karachi.
11. Director of Accounts, Economic Affairs Division (Accounts Wing), "C" Block, Pak: Secretariat Islamabad.
12. Deputy Chief (R&S), Economic Affairs Division, Islamabad.
13. Deputy Secretary(World Bank), Economic Affairs Division, Islamabad.
14. Deputy Secretary (Asian Development Bank), Economic Affairs Division, Islamabad.
15. Deputy Secretary (DM), Economic Affairs Division, Islamabad.
16. All Joint Secretaries of the Finance Division, Islamabad.

Sd/-

(Muhammad Younas)

Asst: Economic Adviser (B.S)

**ANNE TO FINANCE DIVISION O.M.No. F.2(4)-B.S/2000-660
DATED 15-04-2005**

Annex-I

Government of Pakistan
Finance Division
Budget (Statistics) Section

Subject: **NEW PROCEDURE FOR THE MAINTENANCE AND OPERATION OF REVOLVING FUND ACCOUNTS OPENED FOR IDA, IBRD, AND ADB CREDITS/LOANS.**

The undersigned is directed to refer to the above-mentioned procedure issued vide Finance Division O.M No.F.2 (4)-B.S/2000-1146, dated 25-11-2002 (copy enclosed). It is pointed out that a new Chart of Classification has been introduced by the Federal Government. The Head of Account in para VII (a), (b) and XII of the said procedure have been amended in the light of New Chart of Classification. Office of the Controller General of Account (CGA) is requested to please certify the New Head of Account as given below:-

- (VIII) a) On receipt of the first credit advice in this respect from the Federal Reserve Bank, New York, The State Bank of Pakistan's Accounts Department will advise the Chief Manager State Bank of Pakistan, Banking Services Corporation (Bank), Karachi to credit Rupee equivalent of the foreign currency to the Government Account under the head "E03-Debt E033-F Debt-Permanent-IDA, IBRD & ADB Loans/ Credits No. for Project" by debiting the State Bank Deposits, subsequent credits to State Bank of Pakistan's account with the Federal Reserve Bank, New York will also be advised to the Chief Manager, State Bank of Pakistan, Banking Services Corporation (Bank) Karachi in the same manner. The chief Manager will in turn next day authorize credits into the relevant Revolving Fund Accounts in Dollars by making the following entries in the Government Accounts under intimation to NBP Head Office Karachi/concerned Branch of the NBP:-

Debit : “Head of Account and Demand No., as indicated in the copy of Withdrawal Application”.

Credit : “G11263-Assignment Account (for Revolving Fund under IDA/IBRD and G11264-Assignment Account for ADB Credit/Loan No..... for Project)”.

The National Bank of Pakistan will immediately report the receipt in US Dollars as well as Rupees to the project director with copy to Provincial Finance and Development Departments, Economic Affairs Division and Finance Division, Government of Pakistan as well as to Accountant General of Pakistan Revenues.

- c) In case of receipts on account of Projects under the control of Provincial Governments, or Local Governments, Financial and Non-Financial Institutions under the administrative control of the Provincial Governments, the State Bank after crediting Federal Government Account No.1 (Non-Food) under head E03301 – Foreign Debt (Permanent), will simultaneously credit the concerned Provincial Government Account No.1 (Non - Food) under the head E03302 – Foreign Debt (Permanent) received from Federal Government by Debit to the Federal Government budget Demand External Development Loans & Advance under head 014101 – Loans & Advances to Provinces.

(XII) The Project Director shall be personally responsible for the adjustment of disbursement made direct by the donors/lenders in Government Accounts. On receipt of intimation of payments from donors/lenders duly supported with necessary documents, the Project Director will advise the AGPR and concerned A.G of the Provincial Governments to adjust the expenditure against his Budget Demand by credit to Account-I of the respective Government under head “E03301-Foreign Debt (Permanent)”