

No.F.2(4)-B.S/2000-1146  
GOVERNMENT OF PAKISTAN  
FINANCE DIVISION  
(BUDGET STATISTICS SECTION)  
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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/84-93, 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 projects accounts opened after 1<sup>st</sup> December 2002. 2000-1146, dated 25-11-2002 on the subject noted above. It has been observed

2. The Executing 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 10<sup>th</sup> of the following month with advice to adjust the same against their Budget Demand.

(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-5/1, Islamabad
4. Controller General of Accounts (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, 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.

(Muhammad Younas)  
Asstt: Economic Adviser (B.S)

Government of Pakistan  
Finance Division  
(Budget Statistics Section)

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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 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 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 allocations.
- (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 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 SBP weighted average buying rate of exchange prevailing on the date of transfer of funds by the Lenders or on the date of payments 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-a-vis the US Dollar.
- (V) Revolving Fund Accounts maintained in US Dollar will be converted into other currencies to pay for eligible expenditures when they occur at the prevailing exchange rate of US Dollar vis-a-vis the other currencies.

- (VI) 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 and ADB 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 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/ 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: : "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 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.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 & Advances under head 73100 – Loans & Advances to Provinces.
  - c) The provincial Government shall make necessary budget provision in their budget estimates project-wise and communicate the same to each project director for recording the budget Demand and Classification in withdrawal Application as per provision of Para (VII) (b).
- (VIII) a) The persons authorized to sign Withdrawal Applications and operate 'Revolving Fund Accounts' simultaneously shall furnish copies of the Withdrawal Applications 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 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 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 Departments and State Bank of Pakistan, (Accounts Department), Karachi. The endorsements of withdrawal application will indicate the (Provincial) budget Demand No. and head of Account to which the rupee equivalent of the amounts 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 fully utilized. This loss (debit balance) or gain (credit balance) will on the full utilization of credits/loans be got adjusted as loss/gain due to exchange rate differential by the Ministries/Divisions concerned.
- (XI)
  - (a) The National Bank of Pakistan will provide a monthly statement of accounts 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 the expenditure reported by the National Bank with his record and prepare a function- cum-objective wise statement of expenditure and submit it to the concerned A.G alongwith vouchers by 21<sup>st</sup> of the following month. The A.G will get the expenditure agreed and reconciled with the figures reported by the State 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 disbursements 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 "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/Divisions will be required.
- (b) The consultancy charges payable by the donors shall be paid after verification of services rendered 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 Governments will similarly reconcile the expenditure on foreign aided projects with the AG/Provincial Finance Department. In case of non-reconciliation by 21<sup>st</sup> of the following month, AGPR/Provincial A.Gs to advise the donor through the EAD to take appropriate action as per the donor's "Financial Management Guidelines".