

F. No. 3(3) PFMR-II/2022-47

Government of Pakistan

Finance Division


(Budget Wing)

Subject: **GRANT-IN-AID RULES IN 2021**

Please find enclosed herewith draft Grant-in-Aid Rules 2021, developed under sub-section 1 of section 6 of section 42 of the Public Financial Management Act, 2019. Copy of documents are also available for download from the link <https://www.finance.gov.pk/budget wing.html>.

2. It is requested that views/comments on the draft rules may kindly be furnished to this Division within 01 week.

Encl: **As above**


(Fahad Ahmed)
Section Officer (PFMR-II)
22-02-2022

Distribution:

- i. Auditor General of Pakistan
- ii. Deputy Chairman Planning Commission
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- ix. MD PPRA
- x. Controller General of Accounts
- xi. All Provincial AGs
- xii. All Provincial Secretaries Finance Department
- xiii. All AFSs Finance Division
- xiv. Copy alongwith documents to Web master for uploading on website.

GRANT-IN-AID RULES, 2021

1. **Short Title and Commencement:** In exercise of the powers conferred under section 6 and sub-section-1 of section 42 of the Public Financial Management Act, 2019 the Government of Pakistan is pleased to make the following rules:

- (a) These rules may be called Grant-in-Aid Rules, 2021
- (b) They shall come into force at once.

2. **Definitions.** —In this Act, unless there is anything repugnant in the subject or context, —

- (a) "Act" means Public Financial Management Act, 2019.
- (b) "Grant-in-aid" refer to monies given by the Government to various public entities, societies, voluntary organizations, local bodies, clubs, and individuals for fulfillment of a particular purpose.
- (c) "Local bodies" means "Union Councils", or the "Metropolitan Corporation" established under Islamabad Capital Territory Local Government Act, 2015.
- (d) "principal accounting officer" means the secretary of a Division or any official notified as principal accounting officer, responsible for exercising financial propriety in management of public funds and having accountability to Parliament for the economic, efficient and effective use of resources;
- (e) "Public entity" means an entity as defined under section 36 of the Act;
- (f) "societies" means societies established for the promotion of science, literature, or the fine arts, for instruction, the diffusion of useful knowledge, [the diffusion of political education], the foundation or maintenance of libraries or reading rooms for general use among the members or open to the public, or public museums and galleries of painting and other works of art, collections of natural history, mechanical and philosophical inventions, instruments, or designs and registered under the Societies Registration Act, 1860;
- (g) "voluntary organization" means an organization, association or undertaking established by persons of their own free will for the purpose of rendering welfare services in any one or more of the fields mentioned in the Schedule and depending for its resources on public subscriptions, donations or Government aid and

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registered under Voluntary Social Welfare Agencies Registration and Control,
Ordinance, 1961;

3. Grant-in-aid may be sanctioned for:

(a) public entities and local bodies;

(b) Non-political private entities including:

(i) voluntary organizations or Non- Government Organizations carrying out activities which promote the welfare schemes and programmes of the Government should be selected on the basis of departmental regulations regarding financial and other resources, credibility and type of activities undertaken.

(ii) Educational and other institutions by way of scholarships or stipends to the students.

(ii) Societies or clubs set up by Government servants to promote amongst themselves social, cultural and sports activities as recreational avenues.

(c) individual, individuals or a section of a community, enabling them to ameliorate and overcome their hardships beyond their control for which no exchange of goods and service to the Government is required.

4. Grant-in-aid shall be sanctioned by the respective Principal Accounting officer after the budget allocations have been communicated by the Finance Division and approval of the Government is received in case of an entity receiving grant for the first time.

5. In order to ensure that the grant-in-aid to the public entities, societies, etc., are not disbursed to the grantee before they are required by them for expenditure on the object for which they are granted, the instructions given below shall be observed. These instructions do not, however, apply to grants of less than Rs.200,000.00 or to grants which are given for a specific purpose which has been carried out before the time of the payment of the grant.

(i) The sanctioning authority will issue necessary letter of authority to the Accounts Officer, for the payment of the amount required for immediate disbursement.

6. The letter of authority will contain instructions as to the mode of disbursement. Each Ministry/ Division sanctioning the grants-in-aid shall certify by 30th November each year that:

- (i) the grant sanctioned in the previous year has been utilized for the object for which it was given.
- (ii) the grant was spent within the prescribed time limit or where no time limit was prescribed within a reasonable time; and
- (iii) any portion of the amount which was not ultimately required for expenditure on the specified object was duly surrendered to the Government.
- (iv) If any Division/Ministry fails to give the aforesaid certificate by the stipulated date, the Accounts Office shall bring the case of default to the notice of the Finance Division by the 31st of December each year.
- (v) Grant-in-aid to the public entities established by Government shall be governed, besides the above instructions where applicable, by the following principles:
- (vii) The sanction order shall clearly indicate the purpose of the grant, and physical milestones likely to be attained against the grant and the general and special conditions, if any, attached to the grant.
- (viii) Grant-in-aid to meet administrative expenditure to any public entity may not ordinarily be sanctioned.
- (ix) The grantee public entity shall be required to submit performance report soon after the end of the financial year to the Government.

7. (i) All public entities should maintain database relating to grants, income, expenditure, investments/ assets and employee strength.

(ii) Every public entity should at least designate an officer at appropriate level to render financial advice whose concurrence should be obtained for sanction and incurring of expenditure. The financial limits up to which such concurrence is mandatory may be drawn up by each organisation. The Chief Executive Officer of the public entity will be responsible for overall financial management.

(iii) **Review of Autonomous Bodies:** Ministry/ Division shall put in place a system of external or internal review of public entities every three or five years depending on the size

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and nature of activity. Such a review should be the responsibility of the concerned administrative division of the Ministry/Division and should focus, inter alia, on;

(a) the objective for which the public entity was set up and whether these objectives have been or are being achieved;

(b) whether the activities should be continued at all, either because they are no longer relevant or have been completed or if there has been a substantial failure in achievement of objectives.

(c) whether the nature of the activities is such that these need to be performed only by a public entity.

(d) whether similar functions are also being undertaken by other organizations, be it in the Federal Government, Provincial Government and the Private Sector, and if so, whether there is scope for merging or winding up the organisations under review.

(e) whether the total staff particularly at the support level, is kept at a minimum: whether the enormous strides in information technology and communication facilities as also facilities for outsourcing of work on a contract basis, have been taken into account in determining staff strength.

(f) the scope for maximizing internal resources generation in the organization so that the dependence upon Government budgetary support is minimized.

(g) whether user charges including overhead/ institutional charges / management fee in respect of sponsored projects, wherever the output or benefit of services are utilized by others, are levied at appropriate rates.

(iv) Findings of the review should be examined and put up for appropriate decision to the Secretary of the division. Further releases of Grant (after three or five years, as the case may be), should be made conditional on conduct and decisions on the findings of such review.

8. Public entities as also others with a budgetary support of more than fifty million Rupees per annum, should be required to enter into a Memorandum of Understanding with the Ministry or Division, spelling out clearly performance parameters, output targets in terms of details of programme of work and qualitative improvement in output, along with commensurate input requirements. The output targets, given in measurable units of performance, should form the basis of budgetary support extended to these organisations. The roadmap for improved performance with clear milestones should form part of the MoU.

Procedure for award of Grant-in-aid.

9. (1) Any public entity seeking Grant-in-aid from Government will be required to submit an application which includes all relevant information such as Articles of Association, byelaws, audited statement of accounts, sources and pattern of income and expenditure etc. enabling the approving authority to assess the suitability of the Institution or Organization seeking grant. The application should clearly spell out the need for seeking grant. A Public entity seeking Grant-in-aid should also certify that it has not obtained or applied for grants for the same purpose or activity from any other Ministry or Division of the Federal Government or Provincial Government.

(2) In order to obviate duplication in Grant-in-aid, each Ministry or Division should maintain a list of institutions or organisations along with details of amount and purpose of Grants given to them. These details should also be made available on the website of the Division/Ministry

(3) Award of Grant-in-aid should be considered only on the basis of viable and specific schemes drawn up in sufficient detail by the institution or organisation. The budget for such schemes should disclose, inter alia, the specific quantitative and qualitative targets likely to be attained against the outlay. In the cases of the schemes where Grants are given as part of the expenditure on reimbursement basis (i.e., the expenditure has already been incurred on approved project/scheme and reimbursement from the Government in the form of Grant/Subsidy etc. is due) the same will be treated as Utilization Certificate and no separate certificate shall be required.

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(4) Recurring Grant is defined as one which is released periodically to the same organization for the same purpose. Non- recurring Grant is one-time release to an organization for a special purpose (which could be released in instalments). Every order sanctioning a Grant shall indicate whether it is recurring or non-recurring and specify clearly the object for which it is being given and the general and special conditions, if any, attached to the Grant. In the case of non-recurring Grants for specified object, the order shall also specify the time limit within which the Grant or each instalment of it, is to be spent.

(5) The Grant sanctioning authorities should not only take into account the internally generated resources while regulating the award of Grant but should consider laying down targets for internal resources generation by the Grantee Institutions or Organisations every financial year, particularly where Grants are given on recurring basis every year.

(6) When recurring Grant-in-aid are sanctioned to the same Institution or Organisation for the same purpose, the unspent balance of the previous Grant and bank balance should be taken into account in sanctioning the subsequent Grant.

(7) Interest or other earnings against Grant-in- aid (other than reimbursement) released to any grantee institution should be remitted to the Federal Consolidated Fund.

(8) In making Grant-in-aid to Public Sector Entities, local bodies Non-Government Institutions or Organizations, a condition should be laid down that asset acquired wholly or substantially out of Government Grants, except those declared as obsolete and unserviceable or condemned in accordance with the procedure laid down in the General Financial Rules, shall not be disposed of without obtaining the prior approval of the authority which sanctioned the Grant-in-aid.

(9) The sanctioning authority may prescribe conditions regarding quantum and periodicity for release of Grant-in- aid in instalments. However, the release of the last instalment of the Annual Grant must be conditional upon the Grantee Institutions providing reasonable evidence of proper utilization of instalments released earlier.

(10) In, order to finalize the Budgetary Estimates of Grant-in-aid to the Grantee Institutions, the Ministry or Division should ensure that institutions desiring Grants from Government

submit their requirement with supporting details by the end of December in the year preceding the year for which the Grant-in-aid is sought. The Ministry or Department should finalize their examination of the requests with the utmost expedition and make the necessary budget provision where it is decided to sanction Grants. The Institution or Organization should be informed of the result of their requests by July of the succeeding year.

(10) The sanctioning authority, while laying down the pattern of assistance, may decide whether the ownership of buildings constructed with Grant-in-aid may vest with Government or the Grantee Institution or Organisation. Where the ownership is vested in the Government, the Grantee Institution or Organisation may be allowed to occupy the building as a lessee. In such cases suitable record of details of location, cost, name of lessee and terms and conditions of lease must be maintained in the records of the granting Ministry or Division. In all cases of buildings constructed with Grant-in-aid, responsibility of maintenance of such buildings shall be of the Grantee Institution or Organization.

10. (i) All Organizations which receive more than fifty percent. of their recurring expenditure in the form of grant-in- aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Federal Government. In exceptional cases relaxation may be made in consultation with the Finance Division.

(ii) Grantee Institutions or organizations should be encouraged to take advantage of the pension or gratuity schemes or Group Insurance Schemes or house buildings loans or vehicle loans schemes etc. available in the market for employees instead of undertaking liability on their own or Government account.

11. Any other special terms and conditions or procedures for transaction of business as Government may desire to be followed by the Grantee public sector entities, shall be got incorporated in the Articles of Association or byelaws of the public sector entity concerned before release of Grant-in-aid.

Grant-in-aid to "Voluntary Organizations"

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12. (1) Subject to the following terms and conditions, Grant-in-aid towards administrative expenditure may be sanctioned to voluntary organizations to ensure a certain minimum staff structure and qualified personnel to improve their effectiveness and expand their activities under the following conditions: -

(i) The Grant-in-aid should not exceed twenty-five per cent of approved administrative expenditure on pay and allowances of the personnel of the voluntary organisation concerned.

(ii) Grant-in-aid to meet administrative expenditure to any private institutions other than the voluntary organizations should not ordinarily be sanctioned. In exceptional cases such Grants can be considered for sanction in consultation with the Finance Division.

(2) Before a Grant is released, the members of the Governing Board of the Grantee should be asked to Execute Bonds binding themselves jointly and severally to: -

(i) abide by the conditions of the Grant- in-aid by the target dates, if any, specified therein; and

(ii) not to divert the Grants or entrust execution of the scheme or work concerned to another Institution(s) or Organization(s); and

(iii) abide by any other conditions specified in the agreement governing the Grant-in-aid.

(iv) In the event of the Grantee failing to comply with the conditions or committing breach of the conditions of the Bond, the signatories to the Bond shall be jointly and severally liable to refund the whole or a part amount of the Grant with interest or the sum specified under the Bond.

(v) Condition of Execution of Bond will not apply to public entities.

Accounts of Grantee Institutions.

13. Institutions or Organisations receiving Grant should, irrespective of the amount involved, be required to maintain subsidiary accounts of the Government grant and furnish to the Finance Division through the concerned Division a set of audited statement of accounts. These audited statements of accounts should be required to be furnished after utilization of the Grant-in-aid or whenever called for.

Audit of Accounts.

14. The accounts of all Grantee Institutions or Organisations shall be open to inspection by the sanctioning authority and audit, both by the Auditor General of Pakistan under the provision of The Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001) and internal audit by the Finance Division or Principal Accounting Officer's office, whenever the Institution or Organisation is called upon to do so and a provision to this effect should invariably be incorporated in all orders sanctioning Grant-in-aid.

Utilization Certificates.

15. (1) In respect of non-recurring Grants to an Institution or Organisation, a certificate of actual utilization of the Grants received for the purpose for which it was sanctioned should be insisted upon in the order sanctioning the Grant-in-aid. The Utilization Certificate should also disclose whether the specified, quantitative and qualitative targets that should have been reached against the amount utilised, were in fact reached, and if not, the reasons there for. They should contain an output-based performance assessment instead of input-based performance assessment. The Utilization Certificate should be submitted within twelve months of the closure of the financial year by the Institution or Organisation concerned. Receipt of such certificate shall be scrutinized by the Ministry or Division concerned.

(2) in respect of recurring Grants, Ministry or Division concerned should release any amount sanctioned for the subsequent financial year only after Utilization Certificate in respect of Grants of preceding financial year is submitted. Release of Grant-in-aid more than seventy-five per cent of the total amount sanctioned for the subsequent financial year shall be done only after utilization certificate and the annual audited statement relating to Grant-

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in-aid released in the preceding year are submitted to the satisfaction of the Ministry/Division concerned. Reports submitted by the Internal Audit parties of the Ministry or Division and Inspection Reports received from Audit and Accounts Department and the performance reports if any received for the third and fourth quarter in the year should also be looked into while sanctioning further Grants.

(3) In the case of Private and Voluntary Organizations receiving recurring Grant- in-aid, all the Ministries or Divisions of Government of Pakistan should include in their Annual Report a statement showing the quantum of funds provided to each of those organizations and the purpose for which they were utilized, for the information of Parliament.

(4) In the case of organizations receiving one-time assistance or non-recurring Grants as Grant-in-aid, all Ministries or Divisions should include in their Annual Reports, statements showing the quantum of funds provided to each of these organizations and the purpose for which the funds were utilized, for the information of Parliament. The Annual Reports and Audited Accounts of Private and Voluntary Organizations or societies registered under the Registration of Societies Act, 1860, receiving one-time assistance/non-recurring Grants should also be laid on the Table of the House, within nine months of the close of the succeeding financial year of the grantee Organisations.

Discretionary Grants.

16. When an allotment for Discretionary Grants is placed at the disposal of a particular authority, the expenditure from such Grants shall be regulated by general or special orders of the competent authority specifying the object for which the Grants can be made and any other condition(s) that shall apply to them. Such Discretionary Grants must be non-recurring and not involve any future commitment.