

June 12, 1955

## AGREEMENT BETWEEN PAKISTAN AND INDIA ON CERTAIN OUTSTANDING FINANCIAL ISSUES

Karachi

RECORD OF DISCUSSIONS AT THE INDO-PAKISTAN FINANCIAL CONFERENCE AT SECRETARIAT LEVEL HELD AT KARACHI ON JUNE 10 AND 11, 1955

PRESENT	
INDIA	PAKISTAN
1. Mr. M.V. Rangachari, Secretary Ministry of Finance, (Department of Revenue and Expenditure), Government of India	1. Mr. Mumtaz Hasan, Secretary, Ministry of Finance, Government of Pakistan.
2. Mr. H.S. Negi, Joint Secretary, Ministry of Finance, (Department of Economic Affairs), Government of India	2. Mr. M.A. Mozaffar, Joint Secretary, Ministry of Finance, Government of Pakistan.
3. Mr. S. Than,	3. Mr. Nasirud Din,

Commercial Secretary,  
Indian High Commission,  
Karachi.

Deputy Secretary,  
Ministry of Finance,  
Government of Pakistan.

4. Mr. R. Saran,  
Under-Secretary,  
Partition Secretariat,  
Government of India

4. Mr. B. Zaman,  
Assistant Secretary,  
Ministry of Finance,  
Government of Pakistan.

## ITEMS ON PAKITAN LIST

1. Division of the assets of the Canteen Stores Department There was no disagreement in regard to the amounts to be allocated between the two countries from the surplus assets of the Canteen Stores Department. The only disagreement was on the limited question of how the share of Pakistan in the sum allocated to the Government of India to cover the expenditure incurred before the Partition should be paid. It was agreed on behalf of India that the liquidators will pay direct to the Government of Pakistan her share as in the past.
2. Division of Prize Money It was agreed that the one third amount should be divided in the ratio of  $8\frac{1}{2} : 17\frac{1}{2}$  for India and Pakistan.
3. Division of U.P. Gift for the National War Academy It was agreed that Pakistan's share should be credited to her through the debt settlement.
4. Transfer of Defence Welfare Funds There was no disagreement about the sums due to the respective Governments in the welfare funds. The actual transfer of the balances and/or securities would be effected in the same way as the transfer of any balances held outside Government accounts in either country in respect of regimental funds. It was agreed that the details of the latter should be exchanged at an early date (within a period of 2 months) and thereafter the cash or securities should be transferred simultaneously between the two countries.
5. Payment of pension to Mrs. Annie Sims out of the Securities of the Biddulph Military Trust Fund It was agreed to divide the assets of the Biddulph Military Trust Fund in the ratio 3 : 1 between India and Pakistan. India would pay the pension initially and recover Pakistan's share currently in the same ratio.
6. Allocation lapportionment of Central Charitable Endowments between India and Pakistan It was agreed to divide the assets of the Birdwood Sword of Honour Fund in the ratio of 2 : 1 and the Indian People's Famine Trust Fund in the ratio of  $8\frac{1}{2} : 17\frac{1}{2}$  for India and Pakistan. Pakistan agreed to drop its claim regarding the division of the assets of the Indian Institute of Science. 29. Allocation and settlement between (a) the Central Government and Provinces, and (b) one Province and another, of partliability in respect of divisible pensions for service rendered by Government servants before partition It was agreed that the proposals made by the Government of Pakistan in their letter No. 7586-B/50 of 19-9-50 should be further examined and reply expedited.
7. Transfer and monetary settlement of the Provident Fund balances of ex-secretary of State's officers and other officers who were borne on the Provincial cadres but were transferred from one country to the other as a result of their option at the time of partition It was agreed that, subject to the exceptions mentioned below, the country for which the officer concerned had

opted should assume the liability for the balances in his Provident Fund Account as on the date of partition, the adjustment, if any, between a Central Government and its Provinces/States being left to them. The necessary adjustment between the two Central Governments would be made through the debt settlement. The exceptions were (a) Officers of the former Provinces of the Punjab and Bengal would not be covered by this agreement; and (b) If any balances had already been transferred and monetary settlement effected, these cases would not be re-opened. The two Governments would exchange within a period of 3 months a statement giving the names of officers and the balances in their Provident Fund Account as on the date of partition, which would be settled in this manner.

8. Settlement of liability of Provinces in respect of service under them by Government servants now serving in the other country

AND

9. Allocation and adjustment of the liabilities on account of Provident Fund, Pension, Leave etc. of Provincial Government servants who were on deputation with the Central Government at the time of partition and opted for either country. In view of the practical difficulties in allocating leave and pension liabilities of serving officers, it was suggested that the two Governments should consider if on the analogy followed in the case of separation of Burma, leave and pensionary liabilities should not be taken over without any financial adjustment by the Government for whom the Government servants had opted or by whom they had been re-employed. The liability for unpaid Provident Fund balances would be settled as suggested against item No. 30 above.
10. Financial adjustment in respect of prepartition pensions paid in British colonies on behalf of India and Pakistan It was stated that as consequent on the agreement between India and the U.K. under which the liability for all Sterling pensions payable by the Central and State Governments in India, including those paid in British colonies, had been transferred to the United Kingdom Government with effect from 1st April, 1955, any sums recoverable from States in India by the Government of Pakistan on account of Sterling pensions initially paid by them would be reimbursed to them by the U.K. Government. The representatives of Pakistan Government noted the position.
11. Settlement of accounts with the oil companies for supply of P.O.L. received by Defence Services and Civil authorities since the outbreak of the last World War It was stated on behalf of the Government of India that the accounts with the oil companies had not been finally settled. Only some payments had been received and the amount so far recovered would be intimated to the Government of Pakistan.
12. Settlement of accounts relating to prepartition sale of arms and warlike equipment to Afghanistan and Tibet. It was stated that no amount was outstanding from Tibet in respect of arms and warlike equipment. It was also understood that no supplies had been made after partition under the orders of the Joint Defence Council, but this was subject to verification. No recoveries had been made from Afghanistan in respect of the amount outstanding at the time of partition.
13. Recovery from the Reserve Bank of India of the loss of Rs. 35,500 incurred as a result of fraudulent payments at the Imperial Bank of India, Karachi, due to the negligence of the Bank's staff

Pakistan's representatives agreed to drop this claim.

14. Payment due from India on account of minting charges and metallic value of retired India coins taken over by the Reserve Bank of India up to 30-6-1951. It was agreed that the claim for outstanding minting charges (estimated at about Rs. 4.5 lakhs) should be waived and the Government of India would request the Reserve Bank to pay the charges incurred on the remittance of those coins. The remittance charges were stated to be about Rs. 95,000 and an audit certificate of the actual amount spent would be furnished by the State Bank of Pakistan.
15. Financial adjustment for transfers of Postal Certificates between India and Pakistan With reference to the Indo-Pakistan Agreement of April, 1949, it was agreed that for determining the liability of each country in respect of Post Office Certificates transferred on or before the 31st March, 1948, the date of application for transfer should be treated as the date of transfer.
16. Realization of arrears of taxes on income due from evacuee assesseees The matter was discussed, but no decision was taken.
17. Allocation of liability for refund of revenue and return of deposits relating to the prepartition period

AND

18. Incidence of liability for outstanding deposits relating to prepartition Central contracts. It was agreed that the two Governments should examine whether each Government should not initially pay the dues of claimants in its area and adjust such payments through the debt settlement.
19. Audit of the Punjab Government Suspense Account

AND

20. Test Audit of Joint Account (Central). It was agreed that the Auditor General of the two countries should be requested to evolve a suitable procedure for the test audit of these transactions and accounts. It was felt that if an arrangement could be made by which each Auditor General conducted an independent test audit of these accounts and transactions in his country and gave a certificate of audit to the other Auditor General, such a certificate should be accepted for the purposes of settlements arising out of partition.
21. Extra Pakistan remittances : reimbursement to the State Bank of Pakistan by the Reserve Bank of India in respect of the drawing made under the Reserve Bank of India Remittance Facilities Scheme up to the 30th June, 1948, and paid by the State Bank of Pakistan and its agencies after that date It was agreed that the two Central Banks should be invited to examine the matter again with a view to fixing the responsibility for any delay that might have occurred in making a claim or in making a reimbursement and take appropriate action under intimation to the two Governments.
22. Reimbursement by the Reserve Bank of India to the State Bank of Pakistan on account of remittance charges from Pakistan to India of Reserve Bank's chest balances of the 30th June, 1948 It was agreed by India that the Reserve Bank of India would be advised to reimburse the cost of moving the chest balances from the mo/assil chests to headquarters in Pakistan. It was stated by Pakistan that this amount was estimated to be Rs. 65,000.
23. Transfer of service records of certain workmen of the Calcutta Mint who opted for Pakistan It was agreed that the records of service of the workmen of Lahore, Alipore and Bombay Mints and of

those of the India Security Press, Nasik, which had not yet been exchanged, should be expeditiously collected and exchanged within a period of two months.

24. Adjustment through Debt Settlement of the miscellaneous receipts realized by either of the successor Government after 31.3.48 but relating to the prepartition period. The item was dropped.
25. Transfer of pensions, provident fund accounts and insurance policies of optees and others applied for before the formation of Central Claims Organisation It was found that there was a large disparity between the figures collected by either side of outstanding Provident Fund accounts, insurance policies and pension cases awaiting transfer. It was agreed to prepare and exchange lists of outstanding cases within a period of two months, if necessary, liaison officers should be sent thereafter to expedite the transfers.

#### ITEMS ON THE INDIAN LIST

26. Remittances from India to Pakistan and vice versa on private account for current and capital transactions This item was generally discussed and it was agreed that individual cases of hardship should be brought to the notice of the State Bank of Pakistan who promised to enquire into them and take appropriate action. A reply to the Government of India letter No. 551-SF/55, dated 22.3.1955 addressed to the Government of Pakistan on this subject would be sent shortly. In regard to the money orders, it was explained that the Pakistan Government had no system of money orders with foreign countries and they were not yet ready to introduce a money order system between the two countries.
27. Allocation of liability between India and Pakistan for the return of lend-lease silver to U.S.A. This item was discussed and it was agreed that it should be left for a decision at ministers' level in view of the fact that two connected matters viz. items 3500 and (iii) had been classified under category "B".
28. Claim against Pakistan arising out of Pakistan coinage work done by Bombay and Calcutta mints and supplies made by India Security Press It was agreed that the cost of minting charges of Pakistan coins minted at the Indian mints on or after the 15th August, 1947, should be calculated on the basis of charges made in accordance with the rules in force on the date of partition for coinage executed at Indian mints for foreign Governments, subject to the condition that no element of profit should be added to these charges. The actual minting charges to be claimed from Pakistan would be supported by an audit certificate.

#### GENERAL

The above agreement would be subject to ratification by the two Governments.

(Signed) M.V. RANGACHARI Secretary to the Government of India, Ministry of Finance 12-6-55

(Signed) MUMTAZ HASAN Secretary to the Government of Pakistan, Ministry of Finance 12-6-55