



**Operational Guidelines for
Endowment Funds
(Revised)**

Ministry of Finance

2017

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Table of Content

1.	Introduction	2
2.	Definition and Scope	2
3.	Endowment Fund's Principal Capital	2
4.	Fund Management	3
4.1	<i>Capital Fund Transfer</i>	3
4.2	<i>Governing Board</i>	3
4.3	<i>Powers and Functions of the Board</i>	3
4.4	<i>Fund Investment</i>	4
5.	Utilization of the Fund	4
6.	Implementation Guidelines	5
7.	Fund mobilization	5
8.	Financial audit and reports	5
9.	Tax Exemption	5
10.	Dissolution	6
11.	Amendment and interpretation authority	6

1. Introduction

In accordance to section 170 of the Public Finance Act, 2007, the Operational Guidelines for Endowment Funds is issued to provide the overall guidelines for the management and operation of Endowment Funds by the concerned agencies.

The Government may, from time to time, establish endowment funds to support the socio-economic and cultural objectives. The Government shall nominate an agency to manage the endowment fund.

2. Definition and Scope

An 'Endowment Fund' is an investment fund established for designated purposes as deemed necessary by the Government to provide funding for certain essential programmes.

The Operational Guidelines will extend to all Endowment Funds established by the Royal Government such as Education Endowment Fund, Cultural Endowment Fund, and Research Endowment Fund.

The Operational Guidelines for Endowment Funds shall not extend to the Funds created through other legislations.

3. Endowment Fund's Principal Capital

Based on need, the Government may provide initial capital for the Endowment Fund to the designated Ministry or an Agency to implement the identified activities. The designated agencies may also resort to raise fund on its own with the prior approval of the Ministry of Finance.

4. Fund Management

The Royal Government shall allocate determined amount of capital for the Endowment Fund.

4.1 *Capital Fund Transfer*

On the approval of the Government, the Ministry of Finance shall authorize opening of a CD account for the operation of the Endowment Fund by the designated Ministry/Agency. The initial capital allocated by the Government shall be transferred to this account.

4.2 *Governing Board*

The Ministry/Agency mandated to manage an Endowment Fund shall institute a Board with a minimum of 5 members with the head of the Ministry/Agency as the Chairperson of the Board.

4.3 *Powers and Functions of the Board*

The Board shall:

1. Be responsible for the overall management, operation, and judicious utilization of fund for the intended purpose,
2. Adopt implementation guidelines in line with the provisions of Operational Guidelines for Endowment Funds,
3. Institute proper fund management mechanism to guide fund disbursement,
4. Approve activities, eligibility criteria and beneficiary groups,
5. Authorize committees or secretariat to disburse funds as per the set criteria and mechanism,
6. Ensure transparency and accountability in the management of the Endowment Fund,
7. Approve annual work plan and annual budget for the Fund,
8. Approve logistics and other expenditures related to the Fund,
9. Approve investment plan and investment mode for the Fund, and

10. Ensure that proper accounts of the Fund are maintained with respect to investments, utilization etc.

4.4 Investment

The Fund may be invested appropriately in secured and safe instruments in money markets to earn reasonable returns to finance identified activities.

On the approval of the Board¹, the Ministry/Agency concerned may invest in publicly traded stocks, mutual funds, and fixed income securities (including fixed deposits, corporate bonds, and money market instruments) and also other products of financial institutions.

The Board shall develop investment guidelines and plans.

5. Utilization of the Fund

The capital of the Fund shall not be expended in entirety. In the initial stage of implementing the Fund, the Ministry/Agency, on the approval of the Board, may utilize up to 30% of the capital fund to implement the planned and approved activity/ project/program for which the Fund is created.

The Ministry/Agency shall ensure that 70% of the initial capital fund is maintained at all times.

The Endowment Fund and income accrued from it shall not be utilized for purposes other than the intended activities for which the Fund was established. The implementation guidelines or the operational modality of the Fund shall clearly identify purposes and objectives of the Fund.

The funds, irrespective of the sources, shall not be utilized for the following purposes:

1. Purchase of properties such as land and vehicles,
2. Ex-country travels,

¹ Board created within the ministry/agency to oversee the management of the Endowment Fund (as per section 4.2 of this Guidelines)

3. Payment of personnel emoluments,-
4. Activities outside the scope of Endowment Fund, and
5. Trainings, both in-country and ex-country.

6. Implementation Guidelines

The Ministry/Agency shall develop Implementation Guidelines or Operational Modality to guide the implementation of the Endowment Fund. The Implementation Guidelines or Operational Modality shall clearly specify the institution of Governing Board, Committees, their composition, authority, and functions.

7. Fund mobilization

With the prior approval of the Ministry of Finance, the Fund may mobilize funds from internal and external sources.

The Ministry/Agency shall utilize the mobilized fund as per section 5 of this operational guideline.

8. Financial audit and reports

The Royal Audit Authority shall conduct the audit of the Endowment Fund. Periodic performance audit shall also be conducted by the Internal Audit of the Ministry/Agency. The Ministry/Agency shall submit annual financial reports to the Ministry of Finance within three months from the end of the financial year and other progress report as and when required.

9. Exemption

In accordance with the law, the Ministry of Finance may exempt Endowment Funds from income and other applicable taxes.

10. Dissolution

In the event of dissolution or termination of the Endowment Fund, the Board through the concerned Ministry/Agency shall transfer all properties (furniture, fixture, equipment) to the Department of National Properties and fund balances to the Budget Fund Account.

The accounts of the Fund shall be audited before its dissolution.

11. Amendment and interpretation authority

The Ministry of Finance in consultation with relevant agencies shall review and revise the Operational Guidelines for Endowment Funds from time and time.

The Ministry of Finance shall be the final authority to interpret any difference or incongruence in the application of the Operational Guidelines.

