



# FUND RELEASE GUIDELINES

JULY 2020

Department of Public Accounts

Ministry of Finance

Royal Government of Bhutan

## TABLE OF CONTENTS

<b>1. INTRODUCTION</b> .....	<b>1</b>
<b>2. OBJECTIVES</b> .....	<b>1</b>
<b>3. BUDGETARY FUND RELEASE</b> .....	<b>2</b>
3.1 BUDGETARY RELEASE FORECAST (BRF) .....	<b>2</b>
3.1.1 <i>CURRENT BUDGET FORECAST</i> .....	<b>2</b>
3.1.2 <i>CAPITAL BUDGET FORECAST</i> .....	<b>2</b>
3.2 MINIMUM CONDITIONS FOR BRF .....	<b>3</b>
3.3 TYPES OF BUDGETARY FUND RELEASE .....	<b>3</b>
3.3.1 <i>CURRENT RELEASE</i> .....	<b>3</b>
3.3.2 <i>CAPITAL RELEASE</i> .....	<b>4</b>
3.4 AD-HOC RELEASE.....	<b>4</b>
3.5 MINIMUM CONDITIONS FOR BUDGETARY RELEASE .....	<b>4</b>
<b>4. NON-BUDGETARY RELEASES</b> .....	<b>5</b>
4.1 MINIMUM CONDITIONS FOR NON-BUDGETARY RELEASES .....	<b>5</b>
<b>5. TIMELINE FOR FUND RELEASE</b> .....	<b>5</b>
<b>6. MONITORING &amp; EVALUATION</b> .....	<b>5</b>
<b>7. INTERPRETATION &amp; AMENDMENT</b> .....	<b>6</b>
<b>ANNEXURE I: TIMEFRAME FOR RELEASE OF FUND</b> .....	<b>7</b>

## **1. INTRODUCTION**

Fund release constitutes budgetary and non-budgetary fund releases made to the Budgetary Bodies (BBs). It is authorized in the form of Letter of Credit and is issued in favour of the respective Letter of Credit (LC)/Project Letter of Credit (PLC) accounts of the BBs for expenditure. The budgetary fund releases are made based on the approved budget while the non-budgetary fund releases are made based on the deposits made in the Non-Revenue Receipts & Deposits Account and Refundable Deposits Account.

**Article 14(3)** of the Constitution of the Kingdom of Bhutan states that *“Public money shall not be drawn from the Consolidated Account except through appropriation in accordance with the law”*. Accordingly, the Financial Rules and Regulations (FRR) prescribes the procedures for fund releases and the Department of Public Accounts (DPA) is entrusted with the responsibility of making the fund releases to BBs. In view of the recent budgeting reforms, the fund release guidelines have been accordingly revised to facilitate timely execution of the budgeted activities. The budgetary fund release process has been revised in the form of Budgetary Release Forecast (BRF) for timely release of required fund and efficient cash management.

This guideline shall be applicable to all the BBs and shall be effective from 1<sup>st</sup> July 2020.

## **2. OBJECTIVES**

The main objectives are to:

- i. Ensure that the right amount of resources are made available to the BBs at the right time to implement the planned activities;
- ii. Optimize resource utilization through realistic cash flow forecast and prudent borrowing plan;
- iii. Reduce cost of borrowings;
- iv. Facilitate monitoring the implementation of the budgeted activities; and
- v. Use the information for decision making purposes.

### **3. BUDGETARY FUND RELEASE**

The submission of fund requirement and fund release have been simplified through a single window in the form of BRF.

#### **3.1 BUDGETARY RELEASE FORECAST (BRF)**

The BRF is a monthly fund requirement forecast for a set of budgeted activities to be submitted by the BBs for obtaining the required fund release. The BBs are required to submit the realistic BRF for the succeeding month as prescribed in the *BRF User Manual*.

The BRF will be primarily used for making budgetary fund releases, and monitor fund utilization and execution of the budgeted activities on a monthly basis. Further, the BRF will be used for ascertaining cash requirement and develop borrowing plan to make the fund available to BBs. The BRF shall consist of:

##### **3.1.1 CURRENT BUDGET FORECAST**

Current budget forecast shall include the actual fund required by the BBs for making payments in the following month. Both *Mandatory expenditures* and the *Controllable expenditures* as defined in the Annual Grants Guidelines has to be included in the current budget forecast.

##### **3.1.2 CAPITAL BUDGET FORECAST**

Capital budget forecast shall include the planned activities for which payments are scheduled to be disbursed in the succeeding month. While preparing the capital budget forecast, BBs shall ensure that all the required formalities are duly completed to execute the activities and submit the capital budget forecast for the succeeding month.

### **3.2 MINIMUM CONDITIONS FOR BRF**

The BBs shall prepare the BRF as follows:

- i. The BRF shall be prepared on a monthly basis and submit through the Budgetary Release Forecast module in *e-PEMS*;
- ii. The BRF may be submitted wholly or partially for the activities including donor funded activities for which payments have to be disbursed in the succeeding month. For donor funded activities, fund release shall be based on the availability of fund balance;
- iii. Apportioning of Annual Grants (current grant and capital grant), re-appropriations and supplementary budget incorporation shall be completed prior to preparation and submission of BRF;
- iv. The BRF can be submitted only to the extent of available budget balance against each activity;
- v. Finance personnel in the BBs shall closely collaborate with the respective departments/sectors/projects/programs etc. to obtain information on their fund requirement for preparation of the BRF;
- vi. Finance personnel in the BBs shall periodically review the BRF and implementation status of the activities to improve the forecast in the succeeding months; and
- vii. Once the BRF is submitted, it cannot be modified during the same month. However, it can be revised in the subsequent months.

The detailed BRF process is provided in the *BRF User Manual*.

### **3.3 TYPES OF BUDGETARY FUND RELEASE**

Budgetary fund release consists of the following:

#### **3.3.1 CURRENT RELEASE**

- i. Budgetary releases for current expenditures shall be made on a monthly basis based on the BRF;
- ii. For the month of July, current fund release shall be made up to 20% of the apportioned current budget against each activity. In case of one-time activity that has to be implemented within July, release of fund shall be made on case-by-case basis; and

- iii. All current releases in the subsequent months shall be based on minimum 80% utilization of the fund released (including advances) against each activity in the preceding month.

### **3.3.2 CAPITAL RELEASE**

- i. All capital releases (construction and non-construction) shall be provided as per the BRF;
- ii. For the month of July, capital fund release shall be made up to 30% of the apportioned capital budget under each activity. In case of one-time activity that has to be implemented within July, release of fund shall be made on case-by-case basis; and
- iii. All capital releases in the subsequent months shall be based on minimum 50% utilization of the fund released (including advances) in the preceding month.

### **3.4 AD-HOC RELEASE**

- i. For activities that are incorporated/re-appropriated after the BRF submission deadline and are for the emergencies due to natural calamities, disasters, special priority works etc., the fund release shall be facilitated through ad-hoc release interface directly by the DPA;
- ii. For donor funds received and incorporated after the BRF submission deadline, the fund shall be released on case-by-case basis; and
- iii. Fund release for other normal activities by way of supplementary budget incorporation has to be processed through the BRF.

### **3.5 MINIMUM CONDITIONS FOR BUDGETARY RELEASE**

For timely releases of funds, following minimum conditions are to be fulfilled by the BBs:

- i. Closure of monthly accounts and completion of the Bank Reconciliation Statement (BRS);
- ii. Timely submission of the BRF as provided in *Annexure I*;
- iii. In the event if the budget has to be re-appropriated for which the fund has been released (but not spent), the fund released has to be withdrawn prior to re-appropriation of the budget;

- iv. For donor funded activities, fund release shall be based on the availability of fund balance. Pre-financing shall be provided only to priority plan projects and programs;
- v. The closing cash balance of the previous financial year has to be surrendered to DPA to obtain the fund release in July; and
- vi. Non-fulfillment of minimum conditions as specified under *Sections 3.3.1(iii) & 3.3.2(iii)* shall result in deduction of equivalent amount of unspent release from the BRF and the net amount shall be released.

#### **4. NON-BUDGETARY RELEASES**

Non-Budgetary fund release refers to the release of fund on account of:

- i. Non-Revenue Receipts & Deposits Account: and
- ii. Refundable Deposits Account.

#### **4.1 MINIMUM CONDITIONS FOR NON-BUDGETARY RELEASES**

Following minimum conditions are to be fulfilled by the BBs:

- i. Non-budgetary releases shall be made based on actual deposits made in the bank; and
- ii. The BBs shall provide the Invoice Number Non-Revenue (*iNR*) and Invoice Number Refundable Deposits (*iRD*) while submitting the request for deposits made prior to July 2018 along with the bank statement.

#### **5. TIMELINE FOR FUND RELEASE**

In accordance with Section 114 of the Public Finance Act 2007 (as amended in 2012), the timeframe for release of fund is provided in *Annexure I*.

Further, to facilitate BBs for timely closure of the financial year, both budgetary and non-budgetary fund releases shall be completed by 15<sup>th</sup> of June of every financial year.

#### **6. MONITORING & EVALUATION**

The utilization of fund released shall be monitored by DPA periodically through financial and/or physical verification in collaboration with the relevant agencies. Any instances of under-

utilization shall be reviewed and subsequent fund release shall be adjusted accordingly.

## **7. INTERPRETATION & AMENDMENT**

The Ministry of Finance shall be the final authority for interpretation and clarification of the provisions under this guidelines. The guideline shall be amended from time to time and shall supersede the earlier Budget Utilization Plan (BUP) / Fund Release guidelines.

\*\*\*



**ANNEXURE I: TIMEFRAME FOR RELEASE OF FUND**

<b>SL. No.</b>	<b>TYPES OF BRF</b>	<b>DEADLINE FOR BRF SUBMISSION</b>	<b>DOCUMENTS REQUIRED</b>	<b>TIMEFRAME FOR FUND RELEASE</b>
<b>I</b>	<b>BUDGETARY RELEASE FORECAST</b>			
1	Current Release	For the months of July and August, BRF has to be submitted on or before 25 <sup>th</sup> of July.  BRF for the subsequent months has to be submitted on or before 25 <sup>th</sup> of every month.	No documents required. However, the current release of fund shall be based on the BRF and subject to fulfillment of the conditions set under <b>Section 3.3.1 &amp; 3.5</b>	For the month of July, the current release shall be completed within one week from the date of submission of BRF.  Subsequent current release shall be completed within first week of every month.
2	Capital Release	For the months of July and August, BRF has to be submitted on or before 25 <sup>th</sup> of July.  BRF for the subsequent months has to be submitted on or before 25 <sup>th</sup> of every month.	No documents required. However, the capital release of fund shall be based on the BRF and subject to fulfillment of the conditions set under <b>Section 3.3.1 &amp; 3.5</b>	For the month of July, the capital release shall be completed within one week from the date of submission of BRF.  Subsequent capital release shall be completed within first week of every month
<b>II</b>	<b>NON-BUDGETARY RELEASES</b>			
1	Non-Revenue Release	N/A	On-line release request has to be submitted indicating the <i>iNR</i> number as outlined under <b>Section 4.1</b>	Within 2 working days from the date of receipt of online release request.
2	Refundable Release	N/A	On-line release request has to be submitted indicating the <i>iRD</i> number as outlined under <b>Section 4.1</b>	Within 2 working days from the date of receipt of online release request.