



# FUND RELEASE GUIDELINES 2022

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ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
DEPARTMENT OF PUBLIC ACCOUNTS

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## 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 favor 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"*. Further, the Public Finance Act 2007, Chapter VI, Section 112 states that *"No release of public money from Government Accounts shall be made except with the authorization of the Minister of Finance."* 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 funds and efficient cash management.

This guideline shall be applicable to all the BBs and shall be effective from 1<sup>st</sup> March 2022.

## 2. OBJECTIVES

The main objectives are to:

- a. Ensure that the right amount of resources are made available to the BBs at the right time to implement the planned activities;
- b. Optimize resource utilization through realistic cash flow forecast and prudent borrowing plan;





- c. Reduce cost of borrowings;
- d. Facilitate implementation and monitoring of budgeted activities: and
- e. Use the information for decision making purposes.

### 3. BUDGETARY FUND RELEASE

The submission of fund requirements 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 ascertaining cash requirements and developing borrowing plans to make the fund available to BBs. Further, the BRF will be used for monitoring fund utilization and execution of the budgeted activities on a monthly basis. The BRF shall consist of:

##### 3.1.1 Current Budgetary Release Forecast

The BRF for the current budget 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 BRF.

##### 3.1.2 Capital Budgetary Release Forecast

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



### 3.1 Prerequisites for BRF preparation

The BBs shall prepare the BRF as follows:

- i. BRF shall be prepared on a monthly basis and submit through the Budgetary Release Forecast module in e-PEMS;
- ii. BB's that have been allocated the budget as Annual Grants and Block grants, apportioning of grant (current grant and capital grant), re-appropriations and supplementary budget incorporation shall be completed prior to preparation and submission of BRF;
- iii. The BRF can be submitted for all budgeted activities or for a single activity for which payments have to be disbursed in the succeeding month.
- 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 and budget requirement for preparation of the BRF;
- vi. Finance personnel in the BBs shall exercise due diligence to review the BRF and implementation status of the activities periodically, to improve the forecast in the succeeding months; and
- vii. Once the BRF is submitted, it cannot be modified during the same month.

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

### 3.2 Types of Budgetary Fund Release

Budgetary fund release consists of fund releases that have the following funding sources:

3.3.1 Royal Government of Bhutan (RGoB)

3.3.2 External Funding

#### 3.3.1 RGoB funded budgetary fund release





- i. Budgetary releases for both current and capital expenditures shall be made on a monthly basis based on the BRF submitted.
- ii. All current and capital budgetary releases in the subsequent months shall be based on minimum 80% utilization of the total cumulative RGOB fund released (including advances).

### **3.3.2 Externally funded budgetary fund release**

- i. Budgetary releases for both current and capital expenditures funded by external source mainly Grant and Loan shall be made on a monthly basis based on the BRF submitted.
- ii. All current and capital budgetary releases in the subsequent months shall be based on the fulfillment of the following conditions:
  - a. Minimum 80% utilization of the total cumulative fund released (including advances) against each activity.
  - b. In case of unavailability or delay of fund from the donor agencies, pre-financing shall be facilitated only to priority plan projects and programs as per the Standard Operating Procedure (SOP) for pre-financing issued by the Ministry of Finance.

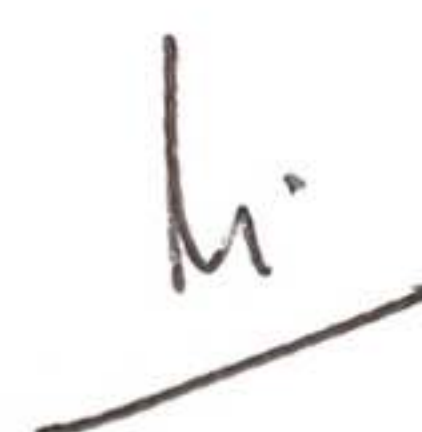
### **3.4 Release provision for Special Priority Activity**

- i. For activities that are of the emergencies due to natural calamities, disasters, special priority works the fund release shall be facilitated through ad-hoc release interface;
- ii. 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 conditions are to be fulfilled by the BBs:

- i. Fulfillment of minimum conditions as specified under *Sections 3.3.1(ii) &*





*3.3.2(ii a, ii b).*

- ii. Timely submission of the BRF as provided in *Annexure I*;
- iii. Closure of monthly accounts;
- iv. In the event 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;
- v. In the event of non-fulfillment of *Section 3.3.1 (ii) & 3.3.2 (ii a, ii b)*, the release shall be withheld until the required percentage of expenditure is booked and shall remain pending till the next BRF due date. The pending BRF after the due date shall be treated null and void and will be cleared from the system.

## 4. NON-BUDGETARY RELEASE

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

- a. Non-Revenue Receipts & Deposits Account: and
- b. Refundable Deposits Account.

### 4.1 Minimum conditions for Non-budgetary Release

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

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

The following aspects of fund release shall be monitored:

1. Fund release utilization in the budgetary bodies as specified under *Sections 3.3.1(ii) & 3.3.2(ii a, ii b)*.
2. The DPA as vested by the provisions of Public Finance Act 2007, shall monitor the idle cash balance with the budgetary bodies, to avoid the cost of borrowings on T-bills and other such issuance of public securities.
3. The DPA shall conduct physical verification in collaboration with relevant agencies if deemed necessary.

## 7. RESPONSIBILITY & ACCOUNTABILITY

The overall responsibility to carry out the smooth flow of fund from the Consolidated Fund Account to the LC/PLCs of budgetary bodies and then to expense for the developmental activities shall remain with the finance personnel of the respective agencies and DPA. While carrying out the task, concern department, division, and or section officials shall be consulted and informed of the input or the outcome of the task. Therefore, the finance personnel shall exercise prudence and due diligence in holding responsibility and accountability as follows;

### 7.1 Head of Finance of BBs

- i. Head of Finance in the budgetary bodies shall be responsible for optimal utilization of releases received and must ensure that release limits are not left unused.
- ii. Head of Finance in the budgetary bodies shall be held accountable for:
  - a. Substantial amount of the total fund releases left idle at the end of every month;





- b. Non-utilization of the release of a substantial portion of the activity.
- iii. Monthly BRF submission to the Department of Public Accounts is the sole responsibility of the Head of Finance and shall be accountable, in case of failure to meet the deadline as prescribed in this guideline.

## **7.2 Accountants/Accounts Personnel of BBs**

- i. Monthly BRF preparation and submission to their approving authority shall be the responsibility of the concerned accountants in close consultation with the department, division, and or sector officials in the budgetary bodies.
- ii. The concerned accountant shall be accountable for the failure to submit the monthly BRF for approval.

## **7.3 Head of the Fiscal Transfer & Monitoring Division (FTMD) at DPA**

- i. Head of the FTMD in DPA shall be responsible for exercising the provisions of this rule and shall be held accountable for any delays in the fund release due to the non-execution of the provisions herein.
- ii. Head of the FTMD in DPA shall be responsible for timely approval of the releases verified and submitted by the Focal release officials.

## **7.4 Focal Release Official at DPA**

- i. Focal release officials in DPA shall be responsible to make timely release of the BRF as per the timeframe prescribed in this guideline. Any delays due to negligence shall be held accountable to concern official.
- ii. Focal release officials shall strictly monitor the released fund utilization in the BBs and shall be responsible to minimize any enormous balance with the BBs at the end of the month.

## **8. INTERPRETATION & AMENDMENT**

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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) and Fund Release guidelines.

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## ANNEXURE I: TIMEFRAME FOR RELEASE OF FUND

Sl. No.	TYPES OF BRF	DEADLINE FOR BRF SUBMISSION	DOCUMENTS REQUIRED	TIMEFRAME FOR FUND RELEASE
I	BUDGETARY RELEASE FORECAST			
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 the 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 <i>Section 3.3.1, 3.3.2 &amp; 3.5</i>	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 <i>Section 3.3.1, 3.3.2 &amp; 3.5</i>	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
II	NON-BUDGETARY RELEASES			
1	Non-Revenue Release	N/A	On-line release request has to be submitted indicating the <i>iNR</i> number as outlined under <i>Section 4.1</i>	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 <i>Section 4.1</i>	Within 2 working days from the date of receipt of online release request.