



DTA/TMD/GEN/01/2024-2025/364

DECEMBER 27, 2024

NOTIFICATION

Subject: Implementation of Bill Discounting Facility for Government Contracts (Works)

The Ministry of Finance in collaboration with the financial institutions hereby implements Bill Discounting Facility for the government contracts (Works). This initiative aims to improve liquidity in the construction sector by providing timely access to funds and ensuring smooth business operations by addressing cash flow gaps by converting receivables into immediate cash.

Bill Discounting is a financial instrument wherein a contracting firm can obtain immediate cash from a bank or financial institution by discounting their bill receivables from the government agencies. The Financial institution pays the contracting firm a percentage of the bill's value upfront, and upon the bill's maturity, the institution collects the full amount from the contractors.

This financial instrument will offer significant benefits to businesses by enhancing their liquidity, improving operational efficiency and managing cash flow effectively.

For more details on eligibility criteria, documentation and processes, please refer to the Standard Operating Procedure (SOP) for the Implementation of Bill Discounting available at www.mof.gov.bt.

SECRETARY

Copy to:

1. Personal Secretary to Honourable Prime Minister, PMO, Gyalyongtshokhang;
2. The Hon'ble Finance Minister, Ministry of Finance;
3. The Hon'ble Minister, Ministry of Infrastructure and Transport;
4. The Governor, Royal Monetary Authority;
5. President, Financial Institution Association of Bhutan;
6. President, Construction Association of Bhutan; and
7. Head of all Govt Agencies.

**STANDARD OPERATING PROCEDURE (SOP) FOR IMPLEMENTATION OF
BILL DISCOUNTING FACILITY FOR
THE GOVERNMENT CONTRACTS**

MINISTRY OF FINANCE
Department of Treasury and Accounts
December, 2024

Purpose

This “Standard Operating Procedure (SOP)” outlines the procedures under which the Drawer (contracting firm), financial institutions and the procuring agency would collaborate in the implementation and execution of the Bill Discounting facility for government contracts (works). The facility aims to improve Drawer’s liquidity by providing immediate cash flow by discounting their receivables from procuring agencies through financial institutions. The Bill Discounting Facility shall be piloted in the construction sector and be applied to other sectors (*goods and services*) based on the review at a later date.

Objective

1. The objective of this SOP is to ensure efficient, transparent, and compliant use of Bill Discounting for government contracts and ensure adherence to relevant rules and regulations.

Eligibility

2. A Drawer who participates in any government procurement of works is eligible to avail the Bill Discounting if the following conditions are fulfilled:
 - a. Must be registered in Bhutan and hold valid trade licenses;
 - b. Bill discounting shall be eligible on the net verified final bill receivable;
 - c. Invoice amount of Nu. 1 million or more;
 - d. Bill discounting shall be availed from the same financial institution that has provided the overdraft facilities for the work-awarded;
 - e. Any invoices that are under dispute shall not be eligible for Bill Discounting.



Discount Rate/Interest

3. The financial institution and the Drawer shall agree to and state the discount rate/interest or any other fees and charges in the bill discounting agreement.
4. The interest shall be calculated based on the number of days the bill discounting is availed.

Roles and Responsibilities

Drawer

5. The roles and responsibilities of the Drawer under this SOP shall be to:
 - a. Submit the request for bill discounting to the procuring agency along with complete, accurate and timely submission of invoices/bills and documents;
 - b. Pay discount rate/interest, applicable fees and charges. ;
 - c. Ensure timely settlement of discounted bills. The Drawer shall be responsible for repaying the financial institution with any associated penalty or interest if the bill is not settled on the maturity date;
 - d. Bill discounting must be obtained from the same financial institution that provided the overdraft facilities.

Procuring Agency

6. The procuring agency shall ensure timely verification of the bills and net amount for the bill submitted by the Drawer .



- a. The net verified amount shall be calculated after deduction of advances, applicable taxes, retention money, fines & penalties and
 - b. Any other deductions.
7. The engineer or any authorized person of the procuring agency shall be responsible for:
 - a. Verification of the net final bill receivable amount.
 - b. The net final bill receivable amount shall be endorsed by the head of the engineering unit/division/cluster/department of the agency.
8. The Head of Finance shall serve as the focal person for:
 - a. Forwarding bill discounting requests to financial institutions;
 - b. Managing all matters related to bill discounting;
 - c. Verifying the net final bill receivable amount submitted by the engineering section; and
 - d. Maintaining adequate transaction records.
9. Ensure sufficient funds available to meet the payment obligations, timely verification and settlement of bills.
10. In the event of default of payment by the procuring agency beyond the period specified in the contract agreement, the procuring agency shall be liable for reimbursement of the discount/ interest amount and applicable charges incurred due to delayed payment. However, the liability of reimbursement of the discount/ interest amount and applicable charges shall fall upon the responsible official(s) if the delayed payment is due to their negligence.

Financial Institution

11. The Financial institution shall:
 - a. Ensure timely disbursement;
 - b. Recover the full value of the bill from the Drawer on the due date;
 - c. Comply with all regulatory and legal requirements in handling bill discounting transactions.

Risk Management

12. The Drawer shall provide accurate and complete documentation to avoid any delay and dispute.
13. The procuring agency shall maintain proper documentation and payment schedule to avoid any delay.
14. The financial institution shall validate documents, timely disbursement and perform due diligence.

Monitoring and Reporting

15. The Drawer shall coordinate with the procuring agency with regard to bill verifications to ensure timely payments.
16. The procuring agency shall keep records of the bills discounted and payment thereof.
17. The financial institution shall keep track of discounted bills, their maturity dates and follow-up with concerned parties.
18. The financial institutions shall maintain and share data on discounted bills to MOF annually.

Review and Amendment

19. The Ministry shall, as it may deem necessary, review and update this SoP to reflect any changing environment, policies or regulations.

