

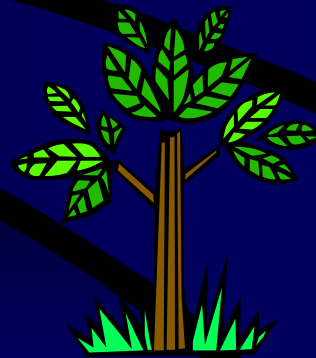
# Fund Release Procedure

Presented by

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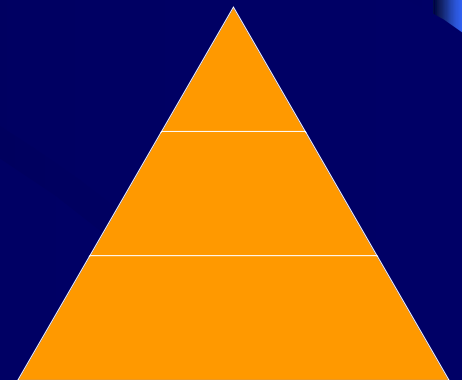
**WEL COME TO MY SESSION**

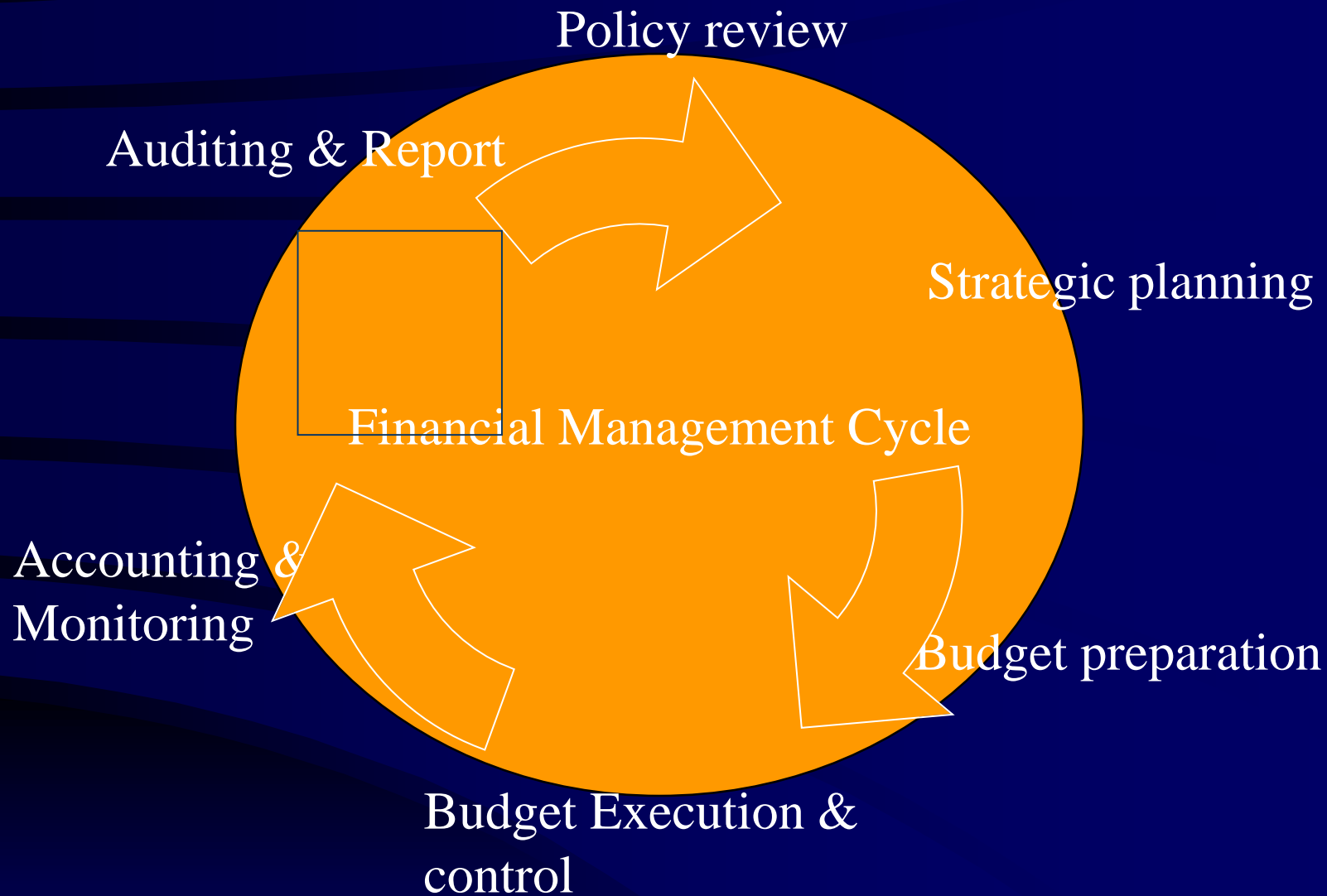
**ON**

**FUND RELEASE PROCEDURE**

# Learning Objective

- At the end of the session,  
You will be able to understand the system of Fund release procedure.



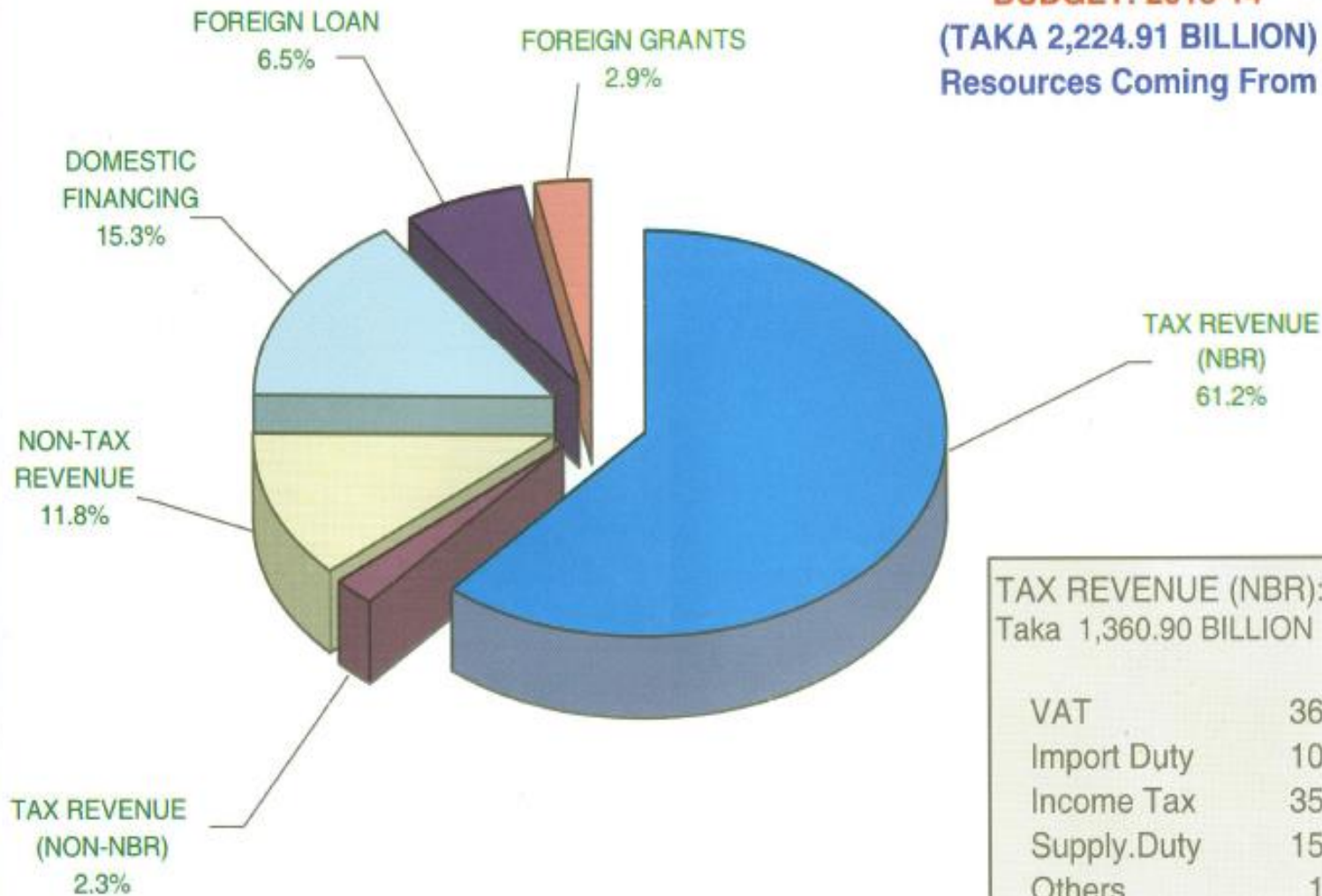


# Budget at a Glance.2016-2017

Crore taka

- |                                |                |
|--------------------------------|----------------|
| • Total Expenditure            | • Taka 340605  |
| • Revenue Receipts :           | • Taka 242752  |
| • Foreign Grants:              | • Taka 5516    |
| • Overall Deficit:             | • Taka 97853   |
| • Financing: Domestic sources: | • Taka 61548   |
| External sources:              | • Taka 36305   |
| • Size of ADP:                 | • Taka 110700  |
| • GDP                          | • Taka 1961017 |

**GRAPH-I**  
**NON-DEVELOPMENT & DEVELOPMENT**  
**BUDGET: 2013-14**  
**(TAKA 2,224.91 BILLION)**  
**Resources Coming From**



**TAX REVENUE (NBR):**  
Taka 1,360.90 BILLION (61.2%)

VAT	36.7%
Import Duty	10.8%
Income Tax	35.5%
Supply Duty	15.3%
Others	1.7%

# Few Questions at the beginning of the Session.

- Which Fund does not require any release?
- Which Fund release on requirement basis?
- What are the difference between release and authorization?
- Which Fund does require authorization?
- Name the Fund which the Administrative Ministry can release only two quarter?

# Need to understand the followings:

- Annual Development plan (ADP) versus Development Budget
- Fund Release versus Authorization
- Reimbursable project aid (RPA) versus Direct project aid (DPA).
- RPA(GOB) versus RPA (Special Accounts)
- Reimbursement versus Replenishment
- Surrender versus Refund.



# Source of Authority.

- General Financial Rules Para 111 to 113 deals with the Fund Release Procedure.
- Release of Fund for the projects and Instructions of Utilization issued vide FM/FD 07.111.031.01.00.061.2012-540 dated 13.11.2012 as amended from time to time.
- Fund Release is needed as per Government Monies & Budget Management Act 2009 vide para13.

# SOURCE OF FUND

- GOB Fund including Internal Loan & FOREIGN AID
- Types of Foreign AID > Grant > Loan
- Categories of Aid> Project aid> Food aid>Commodity aid.
- Source of Aid: Bilateral>Multilateral



# External Resource

Types

**Loan**

**Grants**

Technical Assistance

Sources

Bilateral

Multilateral

Commercial

Purpose

Food Aid

Commodity Aid

Project Aid

Programme Aid

Budget Support

# Annual Development Plan.

- National Development Strategies and Sector wise broad plan are placed in NSAPR/ Five/Three Year rolling Plan.
- ADP is Year wise phasing of NSAPR/ five/three year plan showing **Sector wise(17)** allocation prepared by Planning Commission and approved by ECNEC.

# DEVELOPMENT BUDGET

- Sector wise ADP allocation is converted into ministry wise Dev. Budget by Finance Division to become **a legal document** approved by the Parliament.
- Development Budget(**112526**) includes the expenditures on development projects that shows in the ADP (**110700**) & Non ADP projects & FFW (in kind & Cash) .

# Continued

- Development Budget is concerned with asset & infrastructure building which bring long term benefit providing additional facilities for production of goods & services,
- It is financed from a combination of local & foreign resources.

# FUND RELEASE/AUTHORIZATION

- Fund Release means an authorization and approval of the Administrative Ministry for **making fund available** for execution of project activities/revenue activities from the allocation of the budget.
- G.O from the competent authority showing the break up of fund is required prior to release of that fund.
- Authorization is one kind of release of Fund. MOF gives instruction to the concerned Commercial Bank that how much amount can be sent from the special account of the project in a specific year through authorization.

# Drawing of Funds

## Conditions to be observed:

- Budget allocation,
- **Fund Release- / Authorization,**
- Sanction order of appropriate authority as per delegation of financial power,
- Compliance of rules / regulations and compliance of Donor conditionality.



# Types of Fund Release.

- No release required,
- Release on quarterly basis,
- Release on requirement basis,
- Release at a time,
- Release on authorization basis.

# Release of Fund, Philosophy

- To ensure effective budget execution the **authority to spend** must be given to agencies **on time**,
- For cash management, the release of appropriations **must be regulated**,
- In order **to establish proper balance** between Govt. receipts and expenditure for the sake of sound Financial Management— a budget implementation plan and cash plan should be in place.

# Release of Fund, **philosophy**.

- The plan should be developed in such way that the total expenditure is **spread over** all the quarters **proportionately**, and
- Disproportionate expenditure and the **crowding of bills** in the last quarter are avoided.

# Ultimate Objectives.

- To reduce the pressure on Treasury;
- To reduce the debt burden of Government;
- Timely inevitable payment; (No release required).
- Proper and time bound utilization of Government fund;
- Balance between cash receipts and cash payments;

# Fund Release-Why in installment/quarterly?

- To review of progress and performance,
- To ensure proper and time bound utilization of fund,
- To stop transfer of cash fund unnecessarily from the treasury( CDVAT& Autonomous bodies)

# Release of Fund- Non Development.

- Action to be taken:-
- Govt. Department/ office having detailed allocation **do not require any release order** from Finance Division,
- The Administrative Ministry/Head of Department will issue **fund placement order** authorising the spending unit to spend,

# Fund Release -Non Dev.

- The allocation of **Lump sum** require the approval of Finance Division to issue the break up order by Administrative Ministry,
- Fund allocated for Autonomous bodies/ local bodies as grant in aid and special programmes from non development budget are released in 2/4 quarterly instalment with approval from Finance Division.

# Fund Release-Development Budget.

- Finance Division from time to time issues order/instructions on fund release procedures from development budget allocation,
- These instructions **very depending on the funding mechanism** used for financing project expenditure.



# Dev. Budget consists of:

- **GOB+ Internal Loan**
- **PROJECT AID:**
  - RPA& DPA
  - RPA through GOB
  - RPA through Special Accounts. (**SAFE, Imprest, CONTASA, DOSA.FOREX**)



# Development Budget: Release Type

- **GOB Fund**: Release on quarterly basis;(It affects the cash receipts and payments of the Treasury)
- **DPA**: No release require; ;(It does not affects the cash receipts and payments)
- **RPA through GOB**: Release on quarterly basis; (It affects the cash receipts and payments)
- **RPA through Special Account**: Release on Authorization basis; ;(It does not affects the cash receipts and payments)
- **CD VAT**: Release on requirement basis ;(It affects the cash receipts and payments)

# Project Fund Release Procedure

## Depends on :-

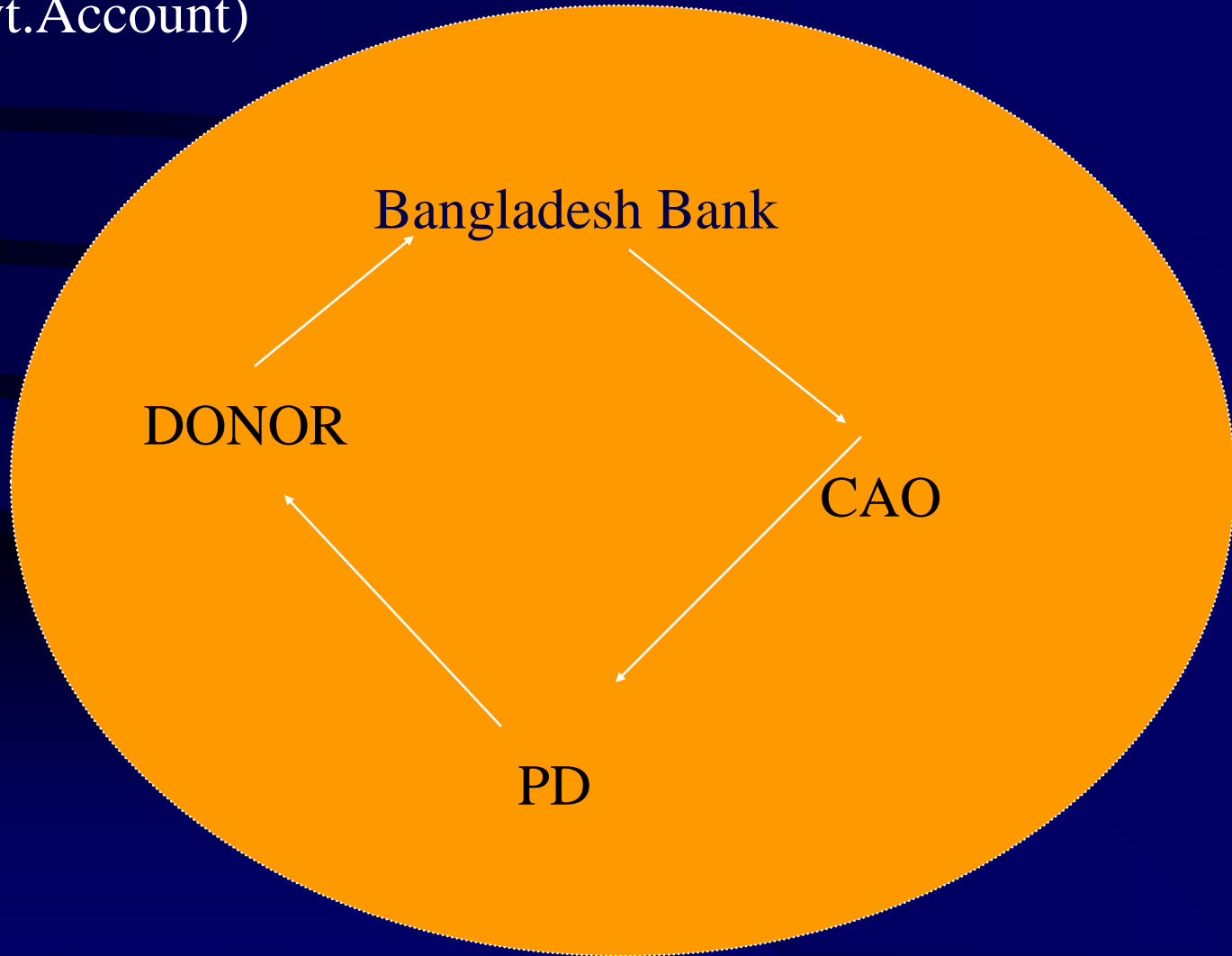
1. Nature of Financing/Source of Fund;
2. Approval status of the project; &
3. Status of implementing agencies.

# Difficulties Faced

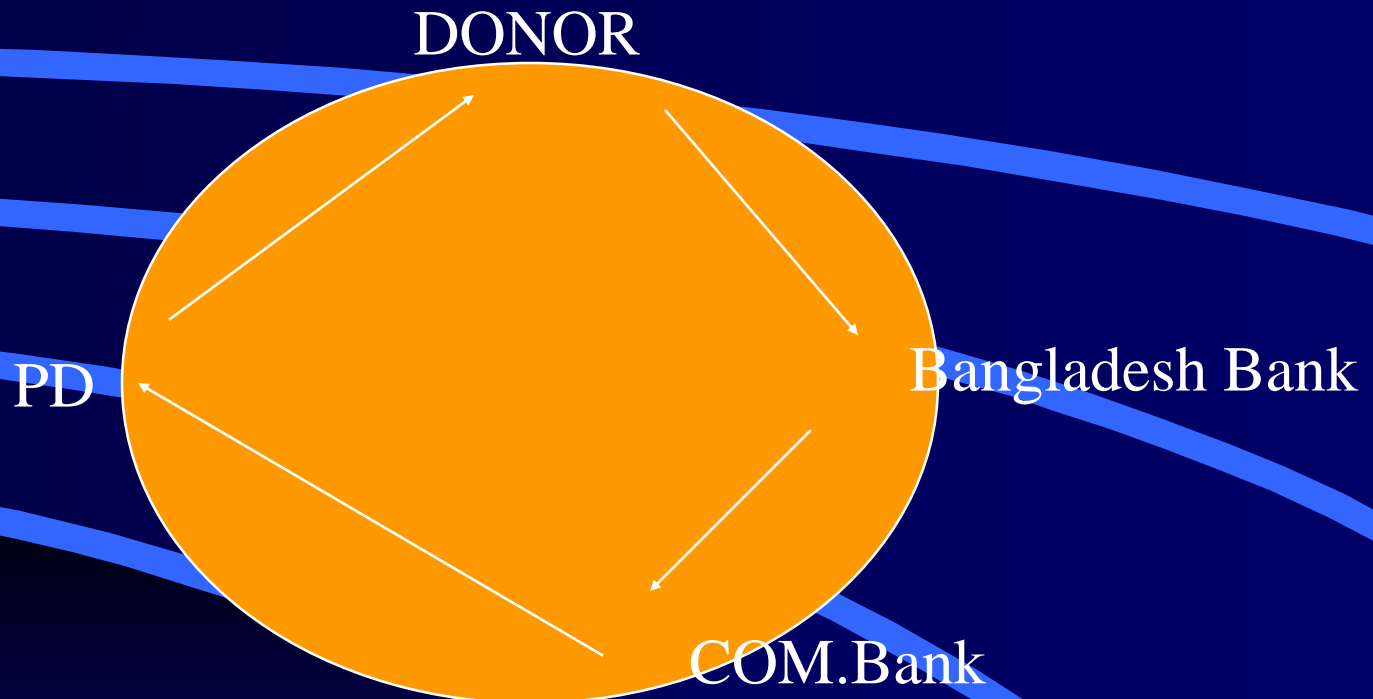
- Format of our Budget is not self explanatory, i.e. it is not possible to identify which portion of budget is RPA through GOB, Which portion is from RPA through Special Accounts and which portion is from DPA. We have to depends on ADP book.
- It is also not possible from our budget how much amount is CD VAT and how much amount is Foreign exchange. **But release procedure is different from each other.**

# FUND FLOW CYCLE

- RPA Through GOB.(Reimburse to BB Govt.Account)



# Fund Flow CYCLE- RPA Through Special Accounts (Donor recoups fund to Bangladesh Bank/Commercial bank)



# Fund Flow Cycle-Cont.

- IMPREST<> DONOR>.BB>COM. BANK  
Project Account>PD>DONOR.
- CONTASA<>DONOR>COM. BANK  
Project Account>PD>DONOR.
- DOSA<>DONOR>BB>PD>DONOR.
- FOREX -  
DONOR>BB>GOB>CAO>BB>DONOR

# Fund Release-General Conditions

- GO showing break up of fund by Admn. Ministry prior to release of fund,
- Statement of allocation by economic classification,
- Release-Utilization-Reimbursement position,
- Expenditure along with reimbursement position be submitted to CAO, FD, IMED.



# General Conditions-Cont.

- All orders to be issued by Admn. Ministry be as per proforma annexed in Fund Release Procedure,
- Separate Bank Account for each project,
- Monthly Account be submitted to CAO, FD, PC ,
- Unspent fund be surrendered or refunded to Treasury at the end of FY,

# Information attached with Fund Release/Authorization proposal to be sent to FD

- Approval stage of the project,
- Total allocation in Dev.Budget & ADP
- Amount of DSL,Unspent fund, if any,
- All updated statements as per instruction of Fund Release Procedure,
- Certificate of CAO regarding timely submission of monthly accounts of SA by PD.
- Documents related to arrival of food items in respect of food aided projects.

# Release of Local Fund (GOB)

For approved project of Government Department:

- Up to 3<sup>rd</sup> quarter Admn. Ministry before finalization of RADP during July-March
- 4<sup>th</sup> quarter –Administrative Ministry after finalization of RADP.
- 4<sup>th</sup> Quarter before finalization of RADP, with the approval of PC &FD,
- Release at a time, with the approval of PC & FD is required.

# Release of Local Fund, GOB

- For Autonomous Bodies:
- Upto 3<sup>rd</sup> Qrt.Admin. Ministry subject to payment of DSL, without DSL prior approval of FD is required.
- 4<sup>th</sup> Qrt. with the approval of FD,
- 4<sup>th</sup> Qrt. before RADP, PC & FD s approval is required.
- For unapproved project, PC & FD s concurrence is required for releasing of any quarter.

# Release of RPA through GOB

- For approved & unapproved Project:
- **Upto 3<sup>rd</sup> Qrt.** Before RADP finalization ,by Admin. Ministry within March,
- 4<sup>th</sup> Qrt. After RADP finalization by Admin. Ministry,
- Release at a time, PC & FDs approval is required,
- Before RADP finalization, PC & FD s approval is required for releasing 4<sup>th</sup> Qrt.
- Same for Autonomous Bodies,
- Unapproved project, with PC & FD s concurrence

# Release of CD/VAT

- **For approved projects:**

- >Admn. Ministry may release fund **as per requirement basis** before 31March .

- >In case of release in April-June consent of FD is not required.

- **For unapproved project :**

- >FD concurrence requires for any release.

- Payment made direct to A/C current opened at Custom House as per article 34 of custom act 1969.

- Local VAT , IT can be paid from **Supply & Services code if allocation is there,**

- Payment of CD/VAT/IT is not payable from donor fund.

# Authorization of RPA through Special Accounts: **SAFE:**

- SAFE operation system vide FDs date 5.8.93
- On the basis of budget allocation and CAOs certificate regarding timely submission of monthly account by PD, FD issue authorization letter,
- BB transfer fund to the project a/c in 4 installment
- Adjustment of fund transferred is necessary, otherwise no fund be transferred,
- **For unapproved project:** Plan. Commission concurrence is required for authorization.
- Same system for Autonomous bodies.

# CONTASA for IDA aided Projects

- Operation system vide FDs date 8.5.92.
- No separate account is kept in Bangladesh Bank.
- As per DCA, project authority open CONTASA a/c with Commercial bank with concurrence of FD
- At the beginning of the FY, FD issue authorization on the basis of budget allocation
- The project authority draw money from CONTASA a/c on the basis of said authorization



# DOSA

For IDA aided TA project

- Operation procedure vide FDs date 5.1.93
- As per DCA, DOSA a/c with BB opened with concurrence of FD,
- At the beginning of FY, FD issue authorization on the basis of budget,
- On the basis of said authorization fund can be drawn from DOSA a/c kept in BB.

# IMPREST ACCOUNT

- For ADB aided projects,
- Operation procedure vide FDs date 25.4.94&24.10.96,
- As per CA, project authority open Imprest a/c with BB/ Commercial Bank with approval of FD.
- At the beginning of the FY, FD issue authorization on the basis of budget allocation,
- On the basis of said authorization, PD draws money from the Imprest a/c and recoup money monthly.

# Fund release of Food aided project & Counterpart Fund.

- Similar to that of Local currency (GOB) release procedure.

# Release of fund from **OTHER** column.(Column no.18 of ADP)

- Prior consent of FD is required to release any installment from **OTHER** column,
- Recommendation of selection committee headed by Governor BB is required for opening of LC of more than **\$ 5 million**.
- FDs consent is required for **expenditure in foreign exchange from column 18**.

# Release of Lump amount

(as dev.assistance for City corps. etc)

- Admn. ministry may release lump amount for dev. assistance to city corp.etc on quarterly basis with prior consent of FD.
- Admn. ministry need to ensure that 80% of earlier released fund has been utilized ,
- At the end of the FY, unspent amount is to be deposited into Treasury & report it to FD by 15th July next year.
- Separate Bank a/c is to be opened for this fund.

# Release of fund for cheque issuing departments.

- Cheque issuing department can issue cheque up to 3rd installment. For 4<sup>th</sup> installment, FD's consent is required.
- Has to certify on the reverse side of each cheque that the expenditure is within budget
- No expenditure for unapproved project without consent of FD & Plan. Com.

# Creation and Retention of Post under Dev. Project.

- Admn. ministry will issue GO for creation & retention of approved post with copy to FD.
- Creation and Retention of post will be year to year basis.
- All kinds of manpower to be appointed be on consolidated pay WEF 1.7.97.

Question or Comment?







THANK YOU

THANK YOU &

GOOD BYE.

