

**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
BANGLADESH
MINISTRY OF FINANCE
Finance Division
Development Wing**

No. MF/FD/DRS/25/92(P-1)141(200)

Dated: 25-4-1993

From: Mr. Md. Shareef Ullah
Joint Secretary (Dev)

To: The Secretary/Addl. Secretary-in-Charge of
.....Ministries/Divisions

**Subject: Operational procedure for enhanced Imprest Account Facility under
ADB Loans**

1. The undersigned is directed to say that the Government of Bangladesh and the Asian Development Bank (ADB), have agreed to enhance the use of existing Imprest Account facility to a more comprehensive facility, similar to the World Bank's SAFE. Such Imprest Account will cover all loan categories (except for unallocated and service charge during construction), both foreign and local expenditures. In principle, all new ADB loans will adopt the Imprest Account Procedures, if executing agency's accounting and administrative capability is satisfactory to ADB. ADB's Statements of Expenditure (SOE) procedures should be combined with Imprest Accounts to facilitate replenishment/liquidation. Detailed Procedures of Imprest Accounts of Expenditure will be included in ADB's disbursement letter which will be sent to the concerned parties after signing of Loan Agreements.
2. **Opening of Imprest Accounts:**
Executing Agency (EA) through their Administrative Ministry/Division, will apply to the Finance Division, Ministry of Finance for permission to open an Imprest Account under new procedure. Finance Division will issue permission and instruct Bangladesh Bank (BB) to open an Imprest Account with (BB). The MOF will designate a Commercial Bank, on the basis of the recommendation of the Administrative Ministry, where a corresponding account to the Imprest Account (Second Stage Imprest Account in local currency) would be opened. Such account in the Commercial Bank will be interest bearing and the interests so earned, will be deposited on the 1 of July every year to the Government Account under the head 24-interest-24-Kha-Foreign Loan Interest Imprest Account. Government departments and agencies having power to issue checks on Government Accounts are not required to open Second Stage Imprest Accounts with Commercial Banks.
3. **Government's Budget Allocations.**
FD, MOF will issue, at the beginning of each financial year, an advice to BB informing Annual Development Program (ADP) allocation for all ADP-Financed approved project which have Imprest Accounts and will authorize BB to release funds from Imprest Accounts to the Executing Agencies. Thus BB gets an umbrella authorization for approved projects from FD to release fund and does not have to get FD's clearance as they are within the limit of current year's ADP allocation. EA's have to ensure they do not submit to ADB Withdrawal Applications for advance exceeding current year's ADP allocations.

4. Ceiling of Imprest Fund should, whenever possible, be stated in the loan agreement or in the Minutes of the Loan Negotiations. Otherwise, the amount of the initial advance (3 to 6 months requirement) establishes a requirement. Executing Agencies will submit a Withdrawal application and an Estimate of Expenditure Sheet for initial advance to ADP Headquarters through ADB Bangladesh Resident Office. ADB's Controller's Department in Dhaka possesses the transfer and will advise Executing Agencies accordingly.
5. **Payments of Expenditure:**
 Executing Agencies will make
 (i) all local payments from the Imprest Accounts, and
 (ii) Foreign Exchange payments (limit US\$ 50,000 equivalent per payment from imprest fund held at the Commercial Ban. Imprest fund can be utilized for all kinds of payments and transactions including small letter of credit (L/C) amounting US\$ 50,000 or less. Such small L/C transactions can be made between the shipper and the buyer without going through commitment letter procedures. \$ 50,000 limit will be reviewed by the Government and the ADB periodically. Procedures for opening/settlement of small L/C and for direct payments in Foreign Exchange will be circulated by Bangladesh Bank.
6. **Liquidation & Replenishment:**
 For replenishment, Executing Agencies accumulate payment of documents and then submit withdrawal applications to Bangladesh Resident Office of ADB, in principle on a monthly basis. Withdrawal applications must be supported by the standard documentation as required under ADB procedures along with the Bank statements of Imprest Account. Bangladesh Resident Office of ADB reviews the applications and sends them to ADB's Controller Departments for replenishment. This process will continue till, (i) amount one year before loan closing date or (ii) the time when the undisbursed balance of the loan becomes twice the amount of the prevailing ceiling of the Imprest fund, whichever come first; after-which, withdrawal applications received will be treated as liquidation against outstanding Imprest Fund.
7. **Programme Loans:**
 For Programme Loans, above stated procedures will generally apply.
8. **Audit:**
 Imprest Accounts and Statements of Expenditure should be annually audited by the Comptroller and Auditor General (C&AG). Audit of Imprest Accounts and Statements of Expenditure may be carried out as part of the regular annual report of Executing Agency's general accounts and financial statements, but the opinion of that part of the examination relating to Imprest Accounts and statements of Expenditure should be separately set out in the auditor's report.

Sd/-

Joint Secretary (Development)
Finance Division
Ministry of Finance

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