



Finance Circular No. 39/ 1383
Dated 19 March 2004 (29 Hoot, 1383)

Subject: Development Budget Imprest Bank Accounts

Purpose

To advise revised bank account operations for implementing agencies of development budget expenditures.

Policy Change

In order to improve security over cash advances provided to implementing agencies for development budget expenditures; to meet the expressed wishes of some Donors; and to improve execution of multi-year projects, it has been decided to grant agencies implementing development budget projects utilizing core budget funds access to commercial bank accounts in certain circumstances.

This revised policy is being implemented to bring treatment of government agencies into line with commercial bodies who are implementing projects; and also recognizes the developments in recent times in the commercial banking sector, as well as the increase in Donor funded activity in Afghanistan.

Requirements

Implementing agencies are required to apply in writing to the Ministry of Finance for an account. The letter needs to identify the grant or loan activity being supported and provide justification for the commercial bank account in terms of commentary on operational effectiveness. The letter also needs to contain bid offers from a minimum of three commercial banks, identifying the proposed fees and charges structure for the proposed account, and the funds on deposit interest rate offered.

Bank accounts which are approved will be opened in the name of the Ministry of Finance and operated by the implementing agency – the Special Disbursement Unit of the Treasury, MOF, will manage the opening of accounts activity.

The bank accounts will be opened under the following conditions:

- Approval for an imprest arrangement is provided for in the grant or loan agreement
- Agreement of donor for the bank account is required
- The account ownership will be in the name of the Ministry of Finance
- The implementing agency needs to demonstrate a history of large volume/low value transactions

The following rules will apply:

- Imprest reimbursements will be required monthly
- Bank fees and charges are to be included in the running costs of the project and identified in the monthly statement of expenditure (SOE) accompanying the imprest reimbursement
- Monthly reporting requirements include provision of a Statement of Expenditure and a Bank Account Statement and Reconciliation (Form T8)
- Monthly reports are required 5 days after the end of the month
- Imprest amounts will be limited to 150% of anticipated monthly expenditure
- Imprest must be held in a commercial bank, located on the territory of Afghanistan (not offshore), and the bank must have a current license from DAB
- No revenue is to be collected on the account, except replenishment of the account authorized by SDU, and interest receipts
- Interest received on the account will be treated in accordance with the grant/loan agreement. In the absence of such specific guidance, interest received will accrue to the grant/loan and be available for disbursement.

Bank accounts are not approved for:

- Payments to contractors' accounts opened in foreign banks – these must be transacted through SDU of Treasury

Ministry of Finance may order closing imprest account if:

- Implementing agency fails to meet the reporting requirements, including the required monthly submission of T8 account reconciliation report
- Implementing agency breaks the rules and agreements for the agreed operation of the account

Operational Requirements

- An advance acquittal reports will be submitted on a monthly basis, even if there were no transactions on the account.
- The advance acquittal report is required no later than 5 days after the end of each month.
- The advance acquittal report must be accompanied by a bank statement, and T8 reconciliation.

Further Information

Further details are available from Mujeebullah Sulaimankhail, Director-general of Treasury, Ministry of Finance.

Signed

Deputy Minister (Finance)