



**NATIONAL BUDGET
FINANCIAL YEAR 2012-13**

**MINISTRY OF FINANCE
JUNE 2012**

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INTRODUCTION

The Royal Government's budget for the financial year (FY) 2012-13 is the last budget of the 10th FYP. It coincides with the final year of the first democratically-elected government in our country. As we mark the beginning of the final year, I offer my sincere felicitations to the Honorable Members of Parliament for their exemplary stewardship in guiding the state of affairs of our country.

As I present our last budget, I submit that our budgets have always been prepared fully keeping in mind the resources available and keeping the fiscal deficits within reasonable limits. In terms of actual results, they have been even better. This budget too has been prepared along those sound principles. We have taken more care to ensure that the deficits are in fact even lower than in the past, keeping in mind the shortage of Indian Rupees the economy has been facing.

With regard to the Rupee shortage problem, a separate report has been circulated. I wish to submit that this problem has also offered us opportunities in developing our domestic industries especially in the agricultural sector. In that sector, in spite of heavy investments in the past, we could never really encourage our farmers to increase their output as products could be simply imported. Today with the difficulty in imports, our farmers are encouraged to produce more, and that has many benefits. For one, rural livelihood is set to become more attractive and the rural-urban migration trend now seeing the possibility of slowing down. Rural incomes are set to rise, and thus there are bright prospects of the rural poverty levels being reduced. It is appropriate too now that our rural areas have almost all been provided with the basic infrastructure of roads, electricity and communication.

This past year has not been the best of years. In September, an earthquake measuring 6.9 on the Richter scale destroyed homes, religious monuments, and public infrastructure alike, devastating the lives of many. It was again with the compassionate leadership of His Majesty the King that the people in the affected areas of Paro, Haa, and Samtse began rebuilding their lives confidently.

On the global front, the European economy continues to face crisis, rooted in deep concerns over the fiscal sustainability of some of its member countries. The United States' economy on the other hand, continues a steady growth although slow. Closer to home, growth in Asian economies are doing moderately well. So while the outlook for the global economy is improving, the economic environment remains fragile. The IMF remains cautiously optimistic of the future as there were risks which could affect both advanced and emerging economies.

Notwithstanding the adverse state of the world economy, the year of the Rabbit has been one of immense joy and celebration for the people of Bhutan. Last October, the colours of autumn burned brightly as His Majesty the Druk Gyalpo wed Her Majesty Gyaltsuen Jetsun Pema Wangchuck in a sacred ceremony in Punakha Dzong. I would like to dedicate this budget in prayers for peace, happiness and long life to Their Majesties. I also take this opportunity to pay tribute to His Majesty the Fourth King as the father of our guiding philosophy of Gross National Happiness. As testament to His Majesty's enlightened leadership, the United Nations, upon the proposal of our Prime Minister, Honourable Lyonchhen Jigmi Y. Thinley, unanimously adopted "*Resolution 65/309*" placing '*Happiness*' as a new global development paradigm in July 2011.

Against this background, the various aspects of the Government's Budget Report for FY 2012-13 will be presented in the following order:

- Chapter I: Operational Results of the Budget for the Financial Year 2010-11;*
- Chapter II: Past Macroeconomic Development;*

- Chapter III: Revised Budget Estimates for the FY 2011-12;*
Chapter IV: Budget Estimates for the FY 2012-13;
Chapter V: Tax Measures;
Chapter VI: Macroeconomic Outlook in the Medium Term;
Chapter VII: Report on SOEs and Government's Share-holdings;
Chapter VIII: Report on NPPF and RMA;
Chapter IX: Report on Trust Funds;

CHAPTER I: OPERATIONAL RESULTS OF THE BUDGET FOR THE FINANCIAL YEAR 2010-11

The actual outcome of the Royal Government's budgetary operations for the FY 2010-11 is detailed in the Annual Financial Statement (AFS) report circulated to the Honourable Members. I shall, however, take this opportunity to present the summary of the operational results.

1.1 Overall financial position

The approved budget for the FY was Nu. 31,586.779 m with estimated resources of Nu. 26,774.538 m, projecting a fiscal deficit of Nu. 4,812.241 m and a resource gap of Nu. 3,808.494 m. However, with a total realized resources of Nu. 28,171.759 m against the actual outcome (expenditure) of Nu. 29,842.433 m, the FY ended with a lower fiscal deficit of Nu. 1,670.674 m and a lower resource gap of Nu. 1,376.706 m. The fiscal deficit and resource gap is 2.19% and 1.80% of GDP respectively.

The total current expenditure of Nu. 14,735.058 m was fully covered by the internal revenue of Nu. 17,458.797 m. With the coverage of the current expenditure by internal revenue at 118%, the key fiscal policy objective of the Government and the Constitutional requirement had been achieved.

The Government received a total grant of Nu. 10,497.727 m while the net borrowings amounted to Nu. 293.968 m. These financed about 72.9% of the capital expenditure.

The statement of the comparison of approved budget with that of actual outcome and financing of the balances is presented in *Table 1.1* below.

Table 1.1: COMPARISION OF ORIGINAL BUDGET, ACTUAL OUTCOME AND FINANCING FOR THE FY 2010-2011

Table 1: FINANCING AND VARIANCE FOR THE FY 2010-2011					
	-	Nu. in millions			% VARIANCE
		Original Budget	Revised Budget	Actual Outcomes	Original Vs Actual
A	RESOURCES	26,774.538	30,549.658	28,171.759	5.2%
	I. Domestic Revenue	15,816.334	16,962.551	17,458.797	10.4%
	i. Tax	10,139.976	11,097.886	11,593.486	14.3%
	ii. Non-Tax	5,676.358	5,864.665	5,865.311	3.3%
	II. Other Receipts (Net)	53.066	273.112	215.235	305.6%
	III. Grants	10,905.138	13,313.995	10,497.727	-3.7%
	i. Programme grants	1,905.700	1,883.794	1,781.161	-6.5%
	a) GoI	1,400.000	1,400.000	1,400.000	0.0%
	b) Other Donors	505.700	483.794	381.161	-24.6%
	ii. Project-tied grants	8,999.438	11,430.201	8,716.566	-3.1%
	a) GoI	6,668.180	7,861.469	6,482.768	-2.8%
	c) Other Donors	2,331.258	3,568.732	2,233.798	-4.2%
B	OUTLAY	31,586.779	35,237.088	29,842.433	-5.5%
	I. Total Expenditure	32,427.398	36,113.557	29,521.905	-9.0%
	i. Current	15,158.869	15,632.973	14,735.058	-2.8%
	ii. Capital	17,268.529	20,480.584	14,786.847	-14.4%
	II. Net Lending	(840.619)	(876.469)	(906.605)	7.8%
	III. Advance/Suspense (Net)	-	-	1,227.133	0.0%
C	OVERALL BALANCE	(4,812.241)	(4,687.430)	(1,670.674)	-65.3%
D	FINANCING	4,812.241	4,687.430	1,670.674	-65.3%
	Net Borrowings	1,003.747	758.310	293.968	-70.7%
	i. Borrowings	3,351.806	3,106.369	3,110.010	-7.2%
	ii. Repayments	2,348.059	2,348.059	2,816.042	19.9%
	RESOURCE GAP	(3,808.494)	(3,929.120)	(1,376.706)	-63.9%

GDP Estimates	76,556.767	76,241.260
Overall balance as % of GDP	6.29	2.19
Resource gap as % of GDP	4.97	1.80

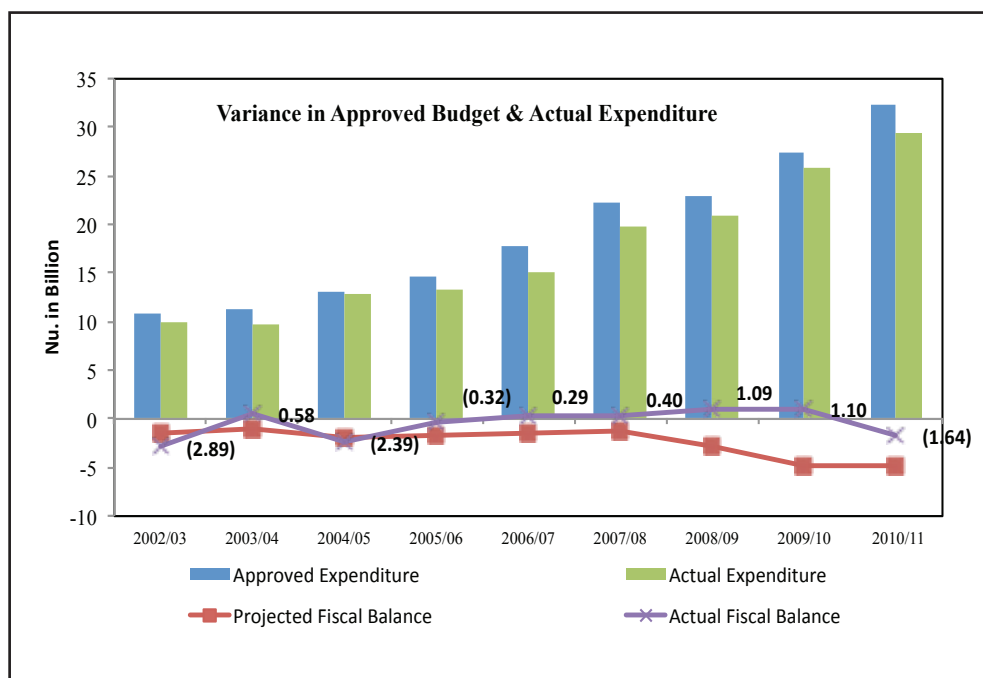
1.2 Actual Budget Outcome

1.2.1 Expenditure

The total expenditure was Nu. 29,521.905 m, registering an increase of 14.3 % over the previous FY and accounted for 38.7% of GDP. The increase is mainly attributed to increase in *pay and allowances and expenditure on structures and professional services* besides reconstruction of infrastructure damaged by Cyclone Aila and September 2009 earthquake.

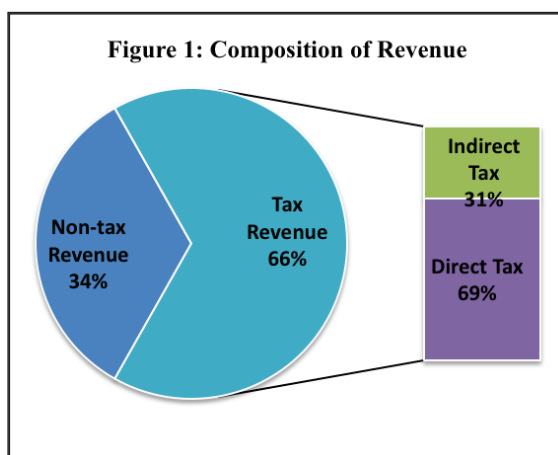
The current expenditure was Nu. 14,735.058 m, an increase by 14.2% over the previous FY. The increase was due to revision of pay and allowances of public servants and related expenditure and travel expenses. The expenditure on salary and wages accounted for 44.1% of the total recurrent expenditure and 37.2% of domestic revenue. The current budget was utilized to the extent of 97.2% and the underutilization was due to expenditure rationalization by the budgetary agencies and delayed local government elections.

The total capital expenditure was Nu. 14,786.847 m recording an increase of 14.4% over the previous FY and accounted for 19.4% of GDP. The increase was mainly due to increase in *expenditure on structure - buildings, bridges and others; plant and equipment – general tools and instruments; and professional services*. However, in comparison to original budget, the actual capital expenditure was lower by Nu. 2,481.682 m or 14.4%. The underutilization was due to the delay/non-receipt of funds from donors; non-execution of works due to non-confirmation of estimates and drawings; delays in completion of works; poor responses from bidders; delays in submission of bills and reports by consultants and contractors and thereby non-adjustment of advances.

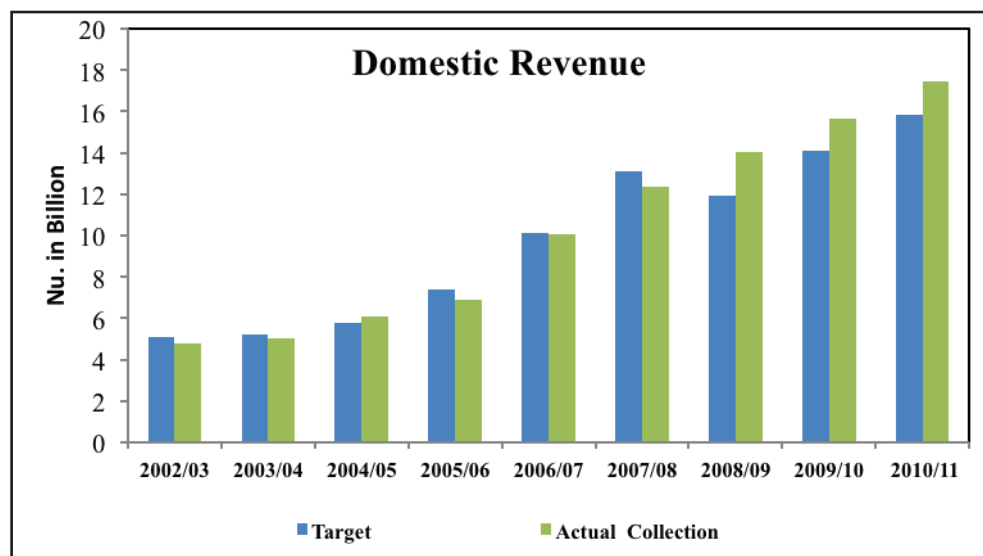


1.2.2 Domestic Revenue

The domestic revenue in the FY 2010-11 was Nu. 17,458.797 m, surpassing the previous year's collection by Nu. 1,820.363 m or an increase of 11.64%. This was consistent with the increasing trend maintained in the past. The tax revenue constitutes 66.40 % of the total revenue with *corporate income tax* being the biggest source under direct tax. The *sales tax* has increased by 37.31% despite the refund of sales tax amounting to Nu. 25.98 m with the verdict of the Supreme Court on the first Constitutional litigation. In terms of exemptions, Nu. 552.003 m was forgone in sales tax under various regulations. Domestic revenue stood at 22.9% of GDP.



In FY 2010-11, the revised revenue target of Nu.16,962.551 m has been achieved and exceeded by 2.93 %. The tax and non-tax revenue for the year stands at Nu. 11,593.486 m and Nu. 5,865.311 m respectively.



1.2.3 Grants

During the FY, the government received a total grant of Nu. 10,497.727 m including assistance in-kind of Nu. 1,596.591 m which translates to 13.7% of GDP. The total grant was lower by about 5.6% in comparison to the previous FY.

Grant from the GoI amounted to Nu. 7,882.768 m, a rise of 7.9% over the previous FY. Grants from other donors included Nu. 89.359 m received as budgetary support from the Government of Denmark, Nu. 13.823 m from the UNDP under *Local Government Support Program* and technical assistance of Nu. 95.685 m from the ADB as direct payments for various projects.

The total grant received constituted about 37.3% of the total resources, and financed 35.6% of total expenditure in the FY.

1.2.4 Debt

The total government debt outstanding (*internal and external debts*) as on 30th June 2011 was Nu. 48,619.178 m representing about 64% of GDP. The total *principal loan repayment* was Nu. 2,816.042 m, of which Nu. 674.677 m was on account of internal borrowing including the redemption of Treasury bills.

Internal debt

The internal debt outstanding at the start of the FY was Nu. 1,051.815 m which was entirely on account of loan availed by the Government to purchase aircraft for Druk Air Corporation. With the repayment of Nu. 175.302 m and redemption of Treasury bills, the internal loan outstanding as on 30th June, 2011 was Nu. 876.513 m. During the FY 2010-11, a total of Nu. 0.656 m was availed as *ways and means advance* and Nu. 500 m was raised through issuance of Treasury bills, which were redeemed in full during the year.

External Debt

The total external debt outstanding as on 30th June 2011 stood at Nu. 47,742.665 m. It constituted 98% of the total debt and about 63% of GDP. The external debt in convertible currency (other than GoI) was about USD 513.682 m, equivalent to Nu. 23,095.125 m, constituting about 48.4% of the total external debt. The Rupee debt from GoI on account of hydro-power projects was Rs. 24,647.540 m which is about 50.7 % of the Government's total outstanding debt.

1.3 Foreign Exchange Implications on Account of Government Budgetary Operations

In concluding this Chapter, I would like to report that the funds mobilized from external sources fully met the foreign currency expenses of the FY and even generated a surplus of around USD 8.266 m.

CHAPTER II: PAST MACROECONOMIC DEVELOPMENTS

2.1 Gross Domestic Product (GDP)

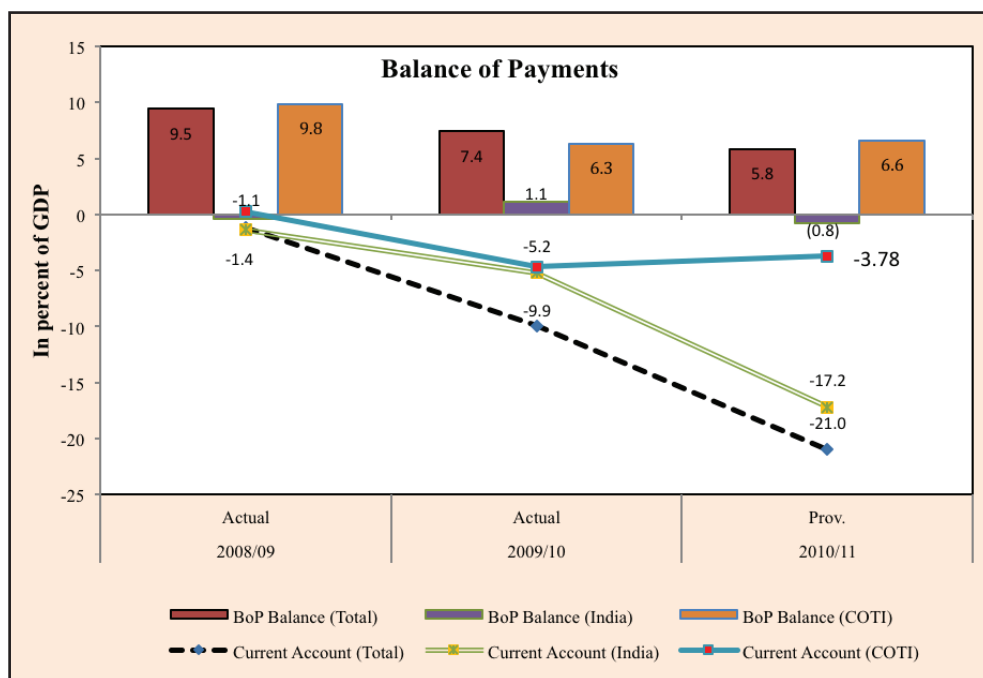
In the FY 2010-11, the GDP is estimated to have grown by 8.4 %. The primary (agriculture, livestock & forestry) sector is estimated to have grown by 1.2 %, secondary (industry) by 7.5 % and tertiary (service) sector by 10.6 %. At a disaggregated level, the construction sector, as usual, had the highest growth at the rate of 19.7%, followed by the manufacturing sector at 15.7%. The growth was largely driven by the construction of hydro-power projects.

2.2 Employment

As per the Labour Force Survey Report 2011, Bhutan's unemployment rate had fallen to 3.1% from 3.3 % in 2010. The Report showed that it was more in the urban areas (5.8%) than in the rural areas (2.1%). In terms of gender, it showed more unemployment among females (4.5%) than males (1.8%).

2.3 Balance of Payments (BoP)

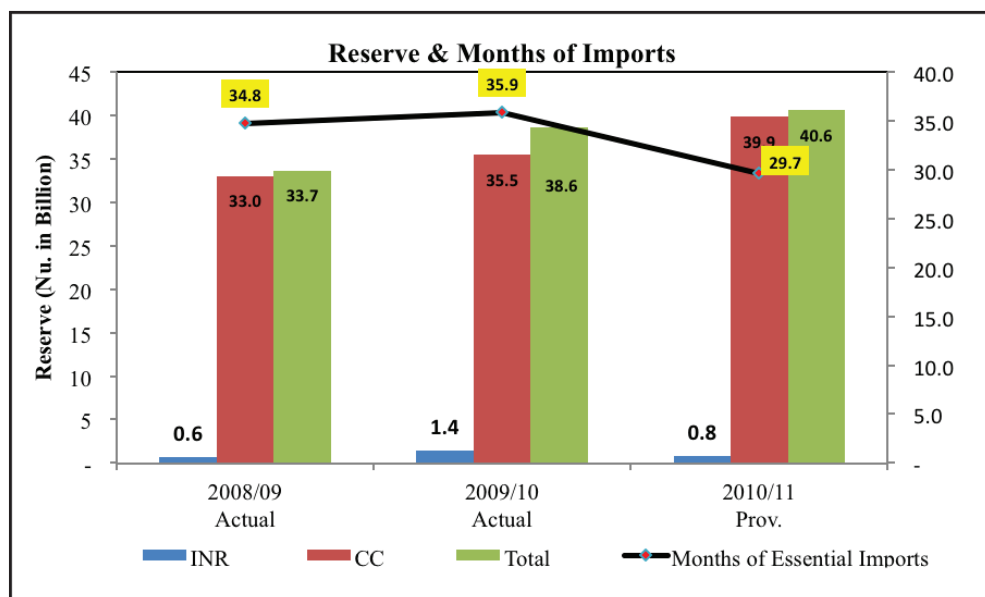
In FY 2010-11, the BoP current account deficit is estimated to have deteriorated to 21 % of GDP as compared to 10% in FY 2009-10. Imports of goods are expected to have grown to Nu. 53,704.99 m from Nu. 39,339.95 m or an increase of 36.5%. On the other hand, exports of goods are expected to have grown to Nu. 30,160.10 m from Nu. 25,401.76 m representing an increase of 18.7%. Thus, the trade deficit is expected to have worsened from Nu. 13,938.19 m to Nu. 23,544.89 m. (See graph below).



The marked rise of the trade deficit in FY 2010-11 is attributed to the implementation of Punatsangchhu I & II, Mangdechhu and Dagachhu hydro-power projects. The start of the hydro-power projects construction activities led to the growth of ancillary industries/units as well, fuelling growth in imports. In particular, there was significant increase in the import of fuel and vehicles.

2.4 Foreign Exchange Reserves

In FY 2010-11, the total gross international reserves increased by Nu. 4,473.15 m to Nu. 40,637.15 m. It is estimated to have been adequate to meet 29.7 months of essential imports and thus well within constitutional stipulations.



2.5 Debt & Debt Service

The total government debt outstanding (*internal and external debts*) as on 30th June 2011 rose to Nu. 48,619.178 m or US \$ 1,081.388 m, equivalent to 64% of GDP. This was an increase by 32% as compared with Nu. 36,788.483 m (55% of GDP) in the previous fiscal year. As regards other entities' debts, the RMA's debt outstanding was Nu. 3 billion besides overdrafts from banks in India incurred from time to time to meet Rupee shortages. The Dungsum Cement Corporation Project had also availed a loan of Indian Rupees 1.5 billion against its own balance sheet.

As a result, the total debt service ratio was 12 % in FY 2010-11. During the FY, the debt service included the repayment of hydro-power Rupee debt of Nu. 3.1 billion and interest payments for DCCL project loan (Nu. 36.01 m) and the RMA's GoI standby credit line (Nu. 150.82 m).

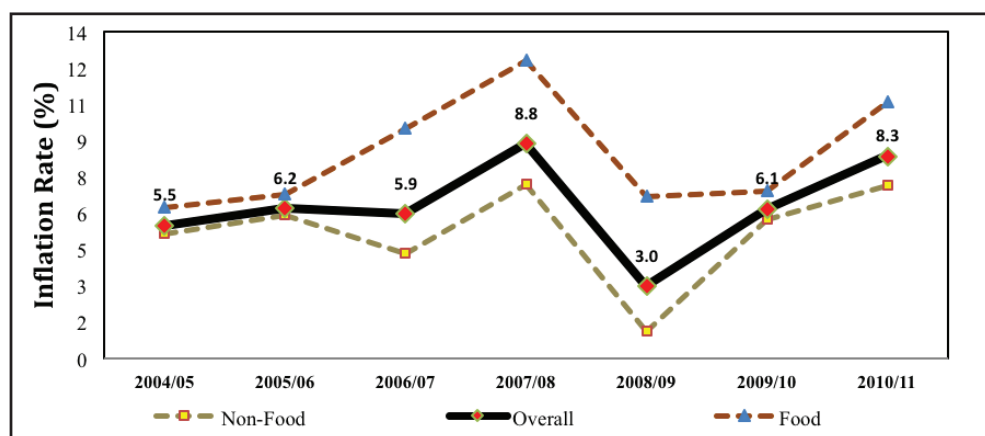
The debt service ratio on account of the Government's loans improved from 13.06% in FY 2009-10 to 11.45% in FY 2010-11.

2.6 Exchange Rate

During FY 2010-11, the Ngultrum appreciated by 2.8 % in nominal terms from the previous fiscal year, and was valued at Nu. 45.33 per US dollar (fiscal year average).

2.7 Prices

The economy recorded an inflation of 8.33% in the last quarter of FY 2010-11, with highs of 9.1 % and 9.64 % in between the quarters, tracking price developments in India.



2.8 Banking and the Financial Sector:

2.8.1 Credit

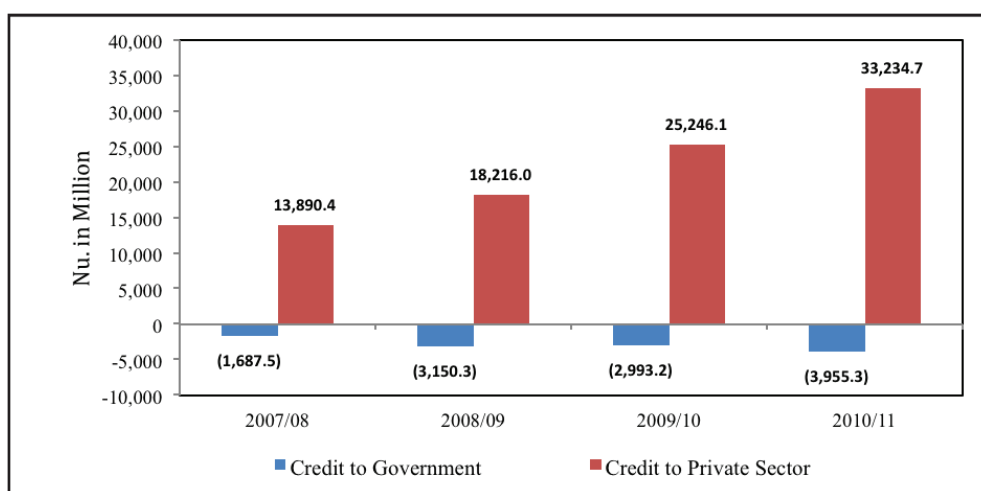
As of June 2011, the financial sector saw a total outstanding credit of 47% of GDP as compared to 35.7% of GDP in June 2010. This is largely attributed to increase in demand for funds in the building and construction sectors, personal loans, manufacturing, and trade and commerce. The credit outstanding was Nu. 33.235 billion as on June 2011 as compared to Nu. 25.246 billion in the previous year, registering a rise of 31.6%. As compared to estimated nominal GDP growth of 14.6%, this has been very excessive. In the previous year

also, it increased by 38.6% whereas the nominal GDP growth was 15.3%. Such high growths of credit to the private sector, (Table 2.2), have contributed to the rapid growth in imports.

Table 2.2 : Money & Credit (Nu. in millions)

	2007/08	2008/09	2009/10	2010/11
Total Domestic Credit	13,362.1	16,259.9	23,136.5	30,620.4
Credit to the Government	(1,687.5)	(3,150.3)	(2,993.2)	(3,955.3)
% change per annum (Govt.)	17.8	86.7	(5.0)	32.1
% share of the total credit (Govt.)	(12.6)	(19.4)	(12.9)	(12.9)
Credit to the Private sector	13,890.4	18,216.0	25,246.1	33,234.7
% change per annum (Private)	37.4	31.1	38.6	31.6
% share of the total credit (Private)	104.0	112.0	109.1	108.5
Credit to the Corporate sector	1159.3	1194.2	883.7	1341.0
% change per annum (Corporate)	-40.9	3.0	-26.0	51.7
% share of the total credit (Corporate)	8.7	7.3	3.8	37.0

Source: Annual Report for 2010-11, Royal Monetary Authority



Housing sector credit, which accounted for Nu. 10.29 billion (25.31%) of overall total loans and advances, continued to lead the sectoral credit concentration, followed by personal loan with Nu. 7.9 billion (19%) and manufacturing (18%) respectively.

2.8.2 Non-performing Loans (NPLs)

The NPL ratio has improved to 8.5% in June 2011 from 10.1% during the same period the previous year. In absolute terms, the NPL increased from Nu. 3 billion to Nu. 3.5 billion in one year period. The trade and commerce sector had the highest NPL ratio at 18.1%, followed by the manufacturing sector at 15.8% and the housing sector at 12.6%. It may be noted that the situation of the housing sector which is often the vulnerable one, has improved its position from 24% in 2010.

CHAPTER III: REVISED BUDGET ESTIMATES OF FY 2011-12

As the Hon'ble Speaker will recall, the FY started with a fiscal deficit projection of 6.37% of GDP and a resource gap of 6.31 % of GDP. During the year, the Government continued to mobilize additional resources and rationalise expenditures to reduce the resource gap. Two new loans agreements amounting to USD 22.120 m (*Urban Infrastructure Project – USD 19.870 m, ADB and Strengthening Regional Co-operation for Wildlife Protection in Asia – USD 2.250 m, World Bank*) were signed and other negotiations for technical assistance have reached advanced stage. Expenditure rationalisation has been carried out particularly given the high level of imports and the consequent impact on the Rupee reserves.

After ascertaining the implementation progress of the activities and the receipt of additional resources from donors and changes in the domestic revenue projections, the budget has been revised. Accordingly, a supplementary budget of Nu. 3,819.897 m consisting of Nu. 3,129.838 m under external funding and Nu. 690.059 m under RGoB-funding was incorporated. Simultaneously, there was a budget reduction of Nu. 3,679.153 m from donor-funded activities and Nu. 268.381 m from RGoB-funded activities after considering the implementation capacity of agencies and the current Rupee situation of the country. Thus, the total outlay decreased by 0.3% to Nu. 42,047.103 m from the original budget of Nu. 42,174.740 m.

The revised budget summary is as shown in *Table 3.1* below.

Table 3.1: Revised Budget Estimate for FY 2011-12

	<i>Original Estimates</i>	<i>Revised Estimates</i>
TOTAL RESOURCES	32,546.035	33,336.981
I. Domestic Revenue	18,606.980	19,154.759
i. Tax	12,857.021	13,446.223
ii. Non-Tax	5,749.959	5,708.536
II. Other Receipts	79.933	87.201

	<i>Original Estimates</i>	<i>Revised Estimates</i>
III. Adjustment of Previous Years' Advances		598.163
IV. Grants	13,859.122	13,496.858
<i>Total GoI</i>	<i>10,294.098</i>	<i>9,678.446</i>
<i>Total Others</i>	<i>3,565.024</i>	<i>3,818.412</i>
i. Program Grants	1,900.740	1,808.740
a) GoI	1,400.000	1,400.000
b) Others	500.740	408.740
ii. Project-tied Grants	11,958.382	11,688.118
a) GoI	8,894.098	8,278.446
b) Others	3,064.284	3,409.672
OUTLAY	37,923.257	37,089.418
I. Total Expenditure	38,020.166	37,892.529
i. Current Expenditure	17,185.309	17,336.340
ii. Capital Expenditure	20,834.857	20,556.189
II. Net Lending	-96.909	-803.111
OVERALL BALANCE	-5,377.222	-3,752.437
FINANCING	5,377.222	3,752.437
a. External Borrowings		
i. <i>Project-tied Borrowings</i>	<i>2,219.196</i>	<i>1,935.218</i>
ii. <i>Program Borrowings (ADB \$ 4 m)</i>	<i>184.000</i>	<i>184.000</i>
<i>Less Repayment</i>	<i>2,178.107</i>	<i>2,178.107</i>
b. Internal Borrowings		
i. <i>Treasury bills</i>		<i>3,207.766</i>
<i>Less Repayment</i>	<i>175.303</i>	<i>3,383.069</i>
c. Resource Gap (Change in Cash Balances)	5,327.436	3,986.629

	<i>Original Estimates</i>	<i>Revised Estimates</i>
<i>GDP</i>	84,399.858	86,828.692
<i>Resource gap % of GDP</i>	6.31%	4.59%
<i>Fiscal balance % of GDP</i>	6.37%	4.32%
<i>Exchange rate (Nu. 47/USD)</i>		

The details of the revised budget are as follows:

3.1 Expenditure estimate

3.1.1 Current expenditure

The current expenditure is projected to increase to Nu. 17,336.340 m from the original estimate of Nu. 17,185.309 m. This represents an increase of Nu. 151.031 m or about 1%. The increase is mainly due to the incorporation of Nu. 92.859 m for the lease-in space at IT Park by the Department of Information Technology and Telecom (DITT) funded by IDA and RGoB counterpart funding of Nu. 2.270 m under MAGIP. The balance of Nu. 55.902 m is due to the budget-line provided for the adjustment of previous years' advances.

3.1.2 Capital expenditure

The capital expenditure is estimated at Nu. 20,556.189 m representing a small decrease of Nu. 278.668 m or 1% from the original estimates. For the externally-funded activities, there was a reduction of Nu.3,679.153 m and a supplementary incorporation of Nu. 2,980.690 m (*including the adjustment of previous year's advances*). With respect to RGoB financing, there was an incorporation of Nu. 87.672 m on account of RGoB contribution to Road Network Project (RNP) funded by ADB, Market Access and Growth Intensification Project (MAGIP) funded by IFAD and Education Development Project (EDP) under IDA funding. Nu. 600.504 m was incorporated for the adjustment of previous year's advances. The budget withdrawal from RGoB-

financed activities was Nu. 268,381 m. The revision (*external and RGoB*) was done based on the Mid-year Budget Review and expenditure rationalization carried out by the agencies. The details of budget incorporations are listed in *Table 3.2* below:

Table 3.2: Activities with Budget Incorporated as of end April 2012 for the FY 2011-12

<i>Nu. in millions</i>			
Sl. No.	Purpose	Amount	Funding
Under External Funding			
1	Procurement of ambulances (In-kind), MoH	94.000	JAPAN
2	Lease-in space to DIT in the IT Park, MIC	92.859	IDA
3	Construction of Minjey MSS, Lhuentse	52.624	GoI
4	Construction of Lhamodzingkha MSS, Dagana	43.550	GoI
5	Construction of Phuentshothang HSS, Samdrup Jongkhar	43.507	GoI
6	Construction of Paro Airport by-pass road, DoR	38.716	GoI
7	OCHA emergency cash grant for 18 th September, 2011 earthquake affected communities, DDM, MHCA	38.009	UNDP
8	Construction of Pasakha LSS, Chhukha	37.880	GoI
9	Establishment of Community Information Centers (CICs), in Gewogs under various Dzongkhags, DITT, MIC	37.544	SDF
10	Construction of Yelchen MSS, Pema Gatshel	37.200	GoI
11	Construction of Sarpang LSS, Sarpang	34.526	GoI
12	Improvement works on Gelephu-Trongsa highway, DoR	31.500	GoI
13	Construction of Tingtibi-Wangdigang by-pass road Phase I, DoR	30.000	ADB
14	Construction of Khosala- Refey by-pass road, DoR	30.000	GoI
15	Construction of Genyekha HSS, Thimphu	25.292	GoI
16	Construction of Jyenkhena LSS, Haa	24.750	GoI
17	DPR for Kholongchhu Hydro-electric Project (486 MW), DoE, MEA	24.266	GoI

Nu. in millions

Sl. No.	Purpose	Amount	Funding
18	Construction of one lecture theatre, CST, RUB	23.000	GoI
19	Expansion of Tango Buddhist College, Thimphu, CRA	22.000	GoI
20	Construction of Kuenzaling MSS, Tashi Yangtse	20.852	GoI
21	Construction of self-catering hostels & 4 unit staff quarter for Jigme Namgyel Polytechnic	20.000	GoI
22	Expansion of Gongthung MSS, Tashigang	19.500	GoI
23	Improvement of Trongsa-Refey road, DoR	18.500	GoI
24	Establishment of CICs, DITT, MIC	18.347	GoI
25	Renovation of Lhuentse Dzong	18.000	GoI
26	Construction of Nunnery Centre, Kilikhar, Mongar	16.000	GoI
27	Construction of Zhirim Lobdra, Gyalpozhang, Mongar	16.000	GoI
28	Implementation of environment safeguard, NEC	15.760	World Bank
29	Installation of GLOF early warning system in the Punakha-W/Phodrang valleys, DoE, MEA	15.190	PHPA
30	Construction of multi-purpose hall, RIM	15.008	GoI
31	Participation in 2 nd Happiness Meeting, New York, MFA	15.000	ADHOC/SDS
32	Construction of Udzorong MSS, Tashigang	15.000	GoI
33	Consultancy services for Dagapela – Lhamodzingkha road	14.491	NETHERLN
34	Construction of Zhirim Lobdra, Phochhu Dumra, Punakha	14.000	GoI
35	Construction of Zilukha LSS, Thimphu	13.626	GoI
36	Resurfacing of Trongsa-Kuenga Rabten Road, DoR	13.612	ADB
37	Strengthening the institutional capacity of DHI	11.626	IDA
38	Twinning arrangement & networking, AUSAID Project, RIM	11.336	AUSAID
39	Construction of Pangserpo PS, Dagana	10.800	GoI
40	Construction of Taba PS, Thimphu	10.530	GoI
41	Savings-led Financial Inclusion Project, BDBL	10.257	UNCDF

Sl. No.	Purpose	Amount	Funding
42	Supervision & monitoring of construction of Royal Institute & Training Hotel, Thimphu, TCB	10.000	AUSTRIAN
43	Furnishing of classrooms and hostel, ILCS	10.000	GoI
44	Human Resource Development, SDS HRD, GNHC	9.800	NET O
45	Expansion of Damphu LSS, Tsirang	9.000	GoI
46	Preparation of National Transmission Grid Master Plan and its integration with Indian Grid, DoE, MEA	8.856	GoI
47	Postgraduate scholarship (GoI), RCSC	8.833	GoI
48	Construction of Thangrong PS, Mongar	8.787	ADB
49	Undergraduate scholarships, MoE	8.693	GoI
50	Training on integration & up-gradation of systems & enhancement of technical competencies, GNHC	8.479	DANIDA
51	Advancing Economic Opportunities of Women & Girls (ADEOWG), NCWC	8.418	ADB
52	Institutional development & capacity building, MAF	7.931	GEF
53	Support to Bhutan Nun Foundation	7.917	UNFPA
54	Enhancing G2C service delivery in rural Bhutan, DLG, MHCA	7.650	UNDP IPF
55	Procurement of dairy equipment & training, DAMC, MAF	7.570	IFAD
56	Construction of Pam CPS, Tashigang	7.272	ADB
57	Training/HRD services (long term & short term), DUDES, MWHS	7.000	NET O
58	Enhancing tiger conservation in greater Manas, RMNP, DoF, MAF	6.553	WWF
59	Establishment of nationwide land use/land cover classification, NLC	6.500	DANIDA
60	Construction of green tea outlet building, CRNRR, MAF	6.448	REPKOREA
61	Dairy plant and equipment, Tashigang	6.380	IFAD

Nu. in millions

Sl. No.	Purpose	Amount	Funding
62	Expansion of Gelephu LSS, Sarpang	6.195	GoI
63	Construction of IT, library & conference block, RIM	6.130	GoI
64	Technology Need Assessment (TNA), NEC	6.000	UNEP
65	Generic Skills Development, RUB	5.936	IDA
66	Construction of 21 units semi-permanent residential houses for RAPA artistes, MHCA	5.822	Denmark
67	Scaling up of zero-energy cold storage, DoA, MAF	5.750	SDF
68	Third Bhutan Living Standard Survey, NSB	5.235	ADB
69	Marketing Development Program, DAMC, MAF	5.160	GoI
70	Food security through improved & sustainable agriculture & natural resource management, DoA, MAF	5.057	UNDP IPF
71	Consultation workshop, in-country training on basic study methodology & PLaMS integration with MYRB & PEMS, GNHC	5.025	UNDP IPF
72	Construction of District Court, Tashigang	5.000	DANIDA
73	Small Development Project (SDP) activities in various agencies	383.742	GoI
74	KR II funded activities	6.899	KR II
75	Support to Department of Culture for Lhakhang Renovation and Cultural Programmes	6.380	TDF
76	Other development activities	681.414	Various Donors
77	Adjustment of prior years' advances	733.348	Various Donors
	Total Budget Incorporation (External)	3,129.838	
Under RGoB Counterpart Funding			
1	Construction of Tingtibi-Wangdigang by-pass road, DoR	48.543	
2	Construction of Autsho - Gumrang feeder road, DoR	0.549	

<i>Nu. in millions</i>			
Sl. No.	Purpose	Amount	Funding
3	Resurfacing of Tongsa - Kuengarabten road, DoR	3.193	
4	Market Access & Growth Intensification Project (MAGIP)	2.270	
5	Education Development Project (EDP), MoE	35.000	
6	Adjustment of prior years' advances	600.504	
	Total Budget Incorporation (RGoB)	690.059	
TOTAL (External + RGoB)		3,819.897	

3.2 Domestic revenue estimate

During the 7th Session of the Parliament, the first Tax Bill was passed which included the revision and rationalization of customs duty and sales tax on selected goods like alcohol, vehicles, spare parts, and precious metals (gold and silver). It is expected that around Nu. 400 m would be collected from these tax measures.

The overall impact of these initiatives has been reflected in the revised revenue projections for the FY 2011-12. The total revenue estimate is revised to Nu. 19,154.759 m, an increase of 2.9% from the original estimate of Nu. 18,606.980 m.

The tax revenue is projected to increase by 5% from the original estimates, mostly expected from BIT under direct tax, and sales tax along with import duty under indirect taxes. The *royalty* estimate from tourist arrivals is revised in line with the tariff-paying tourist growth projection. The total tourist arrivals in the country increased from 40,873 in 2010 to 64,028 in 2011, of which, tariff-paying tourists arrivals increased by 35% i.e. 27,196 (2010) to 36,765 (2011).

Under non-tax category, revenue from profit transfer is revised upward on account of actual receipt from the RMA of Nu. 222.927 m for the FY as against its original estimate of Nu. 200 m and the balance remittance of lottery revenue of Nu. 29.101 m. The estimate for capital revenue is reduced by Nu. 16.824 m or 14% from the original estimate resulting in reduction of the overall non-tax revenue estimate by 0.7 %. The revised revenue estimate is presented in *Table 3.3* below.

Table 3.3 Revised Revenue Summary for FY 2011-12

Nu. in millions

Sources		Original (FY 2011-12)	Revised (FY 2011-12)	% Change
A	Tax Revenue	12,857.021	13,446.223	5%
I	Direct Tax	8,690.769	8,569.154	-1%
1	Corporate Income Tax	5,345.465	4,897.278	-8%
2	Business Income Tax	1,012.798	1,261.916	25%
3	Personal Income Tax	928.398	928.398	0%
4	Other Tax Revenue	1,404.108	1,481.562	6%
II	Indirect Tax	4,166.252	4,877.069	17%
1	Sales Tax	1,338.437	1,836.943	37%
2	Excise Duty	2,573.333	2,710.557	5%
3	Import Duty	237.240	312.327	32%
4	Other Tax Revenue	17.242	17.242	0%
B	Non Tax Revenue	5,749.959	5,708.536	-1%
1	Administration charges	297.599	297.599	0%
2	Capital Revenue	122.924	106.100	-14%
3	Revenue from Government Departments	265.073	269.383	2%
4	Dividend	2,987.738	2,947.095	-1%

Nu. in millions

	Sources	Original (FY 2011-12)	Revised (FY 2011-12)	% Change
5	Transfer of Profits	200.000	252.028	26%
6	Other Non Tax Revenue	40.125	21.234	-47%
7	Interest Receipt from Corporations	1,836.500	1,815.097	-1%
	Total Revenue (A+B)	18,606.980	19,154.759	3%

3.3 External grants

The original external grant was estimated at Nu. 13,859.122 m based on the commitments and agreements signed with the development partners. It is now revised to Nu. 13,496.858 m, which is lower by 3%. The decrease is due to low disbursement expected by about Nu. 270.264 m.

3.4 Fiscal deficit & resource gap

With the budget revision, the fiscal deficit amounts to Nu. 3,752.437 m as compared to the original estimate of Nu. 5,377.222 m. It is estimated at 4.32% of GDP as against 6.37% in the original budget. Similarly, the resource gap is expected to decrease to Nu. 3,986.629 m or 4.59% of GDP. The improvement in the fiscal balance is due to enhancement of the domestic revenue and fall in expenditure.

3.5 Borrowings

The disbursements from external borrowings are projected at Nu. 2,119.218 m, 11.8% decrease from the original estimate of Nu. 2,403.196 m. The disbursements include Nu. 184 m from the ADB for the *Road Network Project* (RNP), IFAD loans for the *Market Access and Growth Intensification Project* (MAGIP) and the World Bank loans for *Decentralized Rural Development Project* (DRDP) and *Urban Development Project*.-

As regards internal borrowings, no borrowing was undertaken except for (Nu. 4.817 billion as of date) through a series of short term treasury bills for purposes of cash management. The level of funds raised through treasury bills has increased mainly on account of providing pre-financing for SDP funded activities. The T-bills were redeemed upon receipt of funds from the GoI.

3.6 Debt and debt servicing

External debt outstanding, made up of hydro-power debt and budget-related debt, is estimated to be Nu. 56,575.743 m as of June 2012 which is about 65.16 % of estimated GDP. The growth in debt stock of about 18.5 % is expected mainly due to disbursement for hydro-power projects.

The external debt service (i.e. principal plus interest) is estimated to be Nu. 4,031.68 m, which is about 4.64 % of GDP. The debt service ratio is likely to improve from 11.45% in FY 2010-11 to 10.91 % in FY 2011-12 with increase in exports by 9.12%.

The domestic debt stock by the end of June 2012 is estimated to be Nu.701.209 m, which is the balance of loan availed for the purchase of aircraft in 2005. It will be liquidated in FY 2015-16.

3.7 Foreign Exchange Implications on Account of Government Budgetary Operations

The revised budget is likely to draw on the foreign exchange reserves by an amount of approximately USD 43.798 m. This is with the assumption that the entire revised budget will have been spent.

Supplementary Budget Appropriation Bill

As required by the PFA, a supplementary appropriation Bill has been prepared which has been circulated to the Honourable Members.

CHAPTER IV: BUDGET ESTIMATES FOR THE FY 2012-13

Now I place before the House the budget for FY 2012-13. The FY 2012-13 marks the last year of 10th FYP and all the activities in the year are expected to be completed by the end of December, 2012 and the second half of FY will focus on the consolidation of FYP activities.

The budget is prepared mainly with the objective to complete the 10th FYP ongoing activities and in line with the following fiscal guidelines.

1. Expenditure rationalization measures

- *Priority for completion of on-going works and no new activities that will spill over to 11th FYP;*
- *Budget provision for furniture and computers only for schools under RGoB funding;*
- *No budget for purchase of vehicles, staff quarter construction, fencing, compound wall and gates;*
- *Budget provided for only mandatory participation in regional, multilateral and international meetings;*
- *Hospitality and entertainment budget reduced by 20%;*
- *Budget for office stationeries, telephone, postage, electricity etc. has been capped at FY 2011-12 budget;*
- *Budget for in-country travel reduced by 10% from FY 2011-12 level.*
- *Budget for Advertisements reduced from FY 2011-12 level.*
- *No provisions made for annual conferences.*
- *Agencies budget include provision for new appointments. New appointments to be restricted to budget provision and not as per the approved strength.*

2. Sustainable Fiscal balance

- *Avoid current operating deficit;*
- *Fiscal deficit below 5% of GDP.*

3. Sustainable Resource Gap

- *Ensure that government's internal borrowing does not crowd out private sector;*
- *External borrowings shall only be availed for economically and socially viable projects.*
- *External borrowings shall not be used for purchase of vehicles, capacity building including trainings, study visits, road shows, etc.*

4. Promote sustainable socio-economic development

- *Invest in industries with potential for export, revenue and employment generation.*
- *Promote agriculture production, distribution and marketing.*

The budget estimates for the FY 2012-13 is summarized in Table 4.1 below:

Table 4.1: Budget Summary for the FY 2012-13

	<i>Nu. in millions</i>	
	Estimates	% of Total
RESOURCES	31,891.042	100
I. DOMESTIC REVENUE	21,157.457	66
i. Tax	15,282.381	48
ii. Non-Tax	5,875.076	18
II. OTHER RECEIPTS	42.344	0
III. GRANTS	10,691.241	34
<i>Total GoI</i>	<i>7,504.326</i>	<i>24</i>

	<i>Nu. in millions</i>	
	Estimates	% of Total
<i>Total Others</i>	<i>3,186.915</i>	<i>10</i>
i. Program Grants	2,075.725	7
a) GoI	1,400.000	4
b) Others	675.725	2
ii. Project-tied Grants	8,615.516	27
a) GoI (includes SDP Nu.1,173.280 m)	6,104.326	19
b) Others	2,511.190	8
OUTLAY	33,486.239	100
I. Total Expenditure	34,515.549	100
i. Current Expenditure	18,262.630	53
ii. Capital Expenditure	16,252.919	47
II. Net Lending	-1,029.310	
OVERALL BALANCE	-1,595.197	
FINANCING	1,595.197	
a. External Borrowings		
i. Project-tied Borrowings	1,708.781	
ii. Program Borrowings (W/B DPC \$33m & ADB \$ 1.7m)	1,735.000	
Less Repayment	2,343.712	
b. Internal Borrowings		
Less Repayment	175.303	
c. Resource Gap (Change in Cash Balances)	670.431	
<i>GDP</i>	<i>102,362.733</i>	
<i>Fiscal balance % of GDP</i>	<i>1.56%</i>	
<i>Resource gap % of GDP</i>	<i>0.65%</i>	

4.1 Resources

As shown in *Table 4.1* the total resources for the FY 2012-13 are projected at Nu. 31,891.042 m, comprising of domestic revenue of Nu. 21,157.457 m and external grants of Nu. 10,691.241 m. The details are as follows:

4.1.1 Domestic revenue

The domestic revenue growth in FY 2012-13 is estimated to be around 10%. The ratio of tax to non-tax revenue is projected to improve to 72:28 from 69:31 in the original estimate of FY 2011-12. The estimated domestic revenue of Nu. 21,157.457 m is projected to cover current expenditure fully.

The estimation is based on the broad assumption that the economic activities will continue to perform well, and no major policy changes takes place. The growth in tax revenues (direct and indirect taxes) is estimated at 13.66 % while non-tax revenue is projected to increase by 2.92 %. The increase in revenue is estimated mainly from BIT and PIT under tax revenue along with the increase from sources under non-tax. The estimation from profit transfer is projected to be lower than the revised estimates of FY 2011-12 based on the information provided by the RMA.

The revenue estimate is shown below in *Table 4.2*:

Table 4.2: Domestic Revenue Estimate for the FY 2012-13

Source of Revenue	Amount (Nu. in millions)	% to total revenue
Tax Revenue	15,282.381	72.23
<i>Direct Tax</i>	<i>9,387.262</i>	<i>44.37</i>
Corporate Income Tax	5,089.067	24.05
Business Income Tax	1,489.411	7.04
Personal Income Tax	1,097.839	5.19
Other Tax Revenue	1,710.945	8.09
<i>Indirect Tax</i>	<i>5,895.119</i>	<i>27.86</i>
Sales Tax	2,022.747	9.56
Excise Duty	3,488.060	16.16
Import Duty	363.099	1.72
Other Tax Revenue	21.213	0.10

Source of Revenue	Amount <i>(Nu. in millions)</i>	% to total revenue
Non Tax Revenue	5,875.076	27.77
Administrative Fees and Charges	351.913	1.66
Capital Revenue	125.227	0.59
Revenue from Government Departments.	317.947	1.50
Dividend	3,009.996	14.23
Transfer of Profits	200.000	0.95
Other Non Tax Revenue	25.062	0.12
Interest Receipt from Corporations	1,844.930	8.72
Total Domestic Revenue (A+B)	21,157.457	100.00

4.1.2 Grants

The total grant disbursement in the FY 2012-13 is estimated at Nu. 10,691.241 m which constitutes 34% of the total resources. It is expected to cover 66% of the total capital expenditure. The expected disbursement is based on the agreement signed with the development partners.

In the FY, the total disbursement from our major development partner GoI is expected to be Nu. 7,504.326 m which constitutes about 70% of the total grants. Of the total grant from GoI, Nu. 1,400 m is program grant and Nu. 6,104.326 m is project-tied grants which includes Nu. 1,173.280 m for SDP. From other development partners, the program grant is estimated at Nu. 675.725 m and project-tied at Nu. 2,511.190 m.

4.2 Expenditure outlay

The total expenditure outlay (i.e. total expenditure + net lending) for the FY 2012-13 is estimated at Nu. 33,486.239 m. It is a decrease of 9% from that of the revised expenditure outlay of the FY 2011-12.

4.2.1 Current expenditure

Current expenditure is estimated at Nu. 18,262.630 m, which is about 5% increase over the revised estimate of FY 2011-12. The increase is mainly due to the provisions kept for new appointments and higher maintenance costs of public infrastructure. The current estimate also includes provision for the revised student's stipend.

Salaries and wages account for 43% of the total current expenditure and 37% of the domestic revenue. The salaries and wages also include the provision of increased pay of *Tshogpas* due to the recent salary revision.

The total **interest payment** for the FY 2012-13 is estimated at Nu. 2,041.305 m, out of which Nu. 1,940.592 m (95%) is on account of interest payment for external loans. The interest payment for GoI hydropower loans alone constitutes about 73% of the total interest payment. Interest payment for domestic loan is about Nu. 100.713 m on account of government equity for the purchase of aircraft. The statement of interest payment for the FY 2012-13 is presented below in *Table 4.3*.

Table 4.3: Statement of interest payments for the FY 2012-13

Nu.in millions		
Sl. No.	Lender	Amount
1	GoI (THPA – Nu. 1,295.863 m and KHPC – Nu. 201.694 m)	1,497.557
2	Austria (BHPC, DHPC and RE)	213.371
3	JICA (Rural Electrification)	3.011
4	IFAD	25.207
5	World Bank	58.128
6	ADB	143.318
	Total external interest payment	1,940.592
	Total internal interest payment	100.713
	Grand Total	2,041.305

Subsidy is estimated at Nu. 1,288.321 m. The provision is almost at same level as compared to the previous years' estimate. This subsidy includes Nu. 143.744 m kept for the construction of the ancillary infrastructure (road, telecommunication, water supply and bridge) of the Education City project. The capital subsidy to BBSC is mainly for the installation of transmitters (Nu. 61 m) in those areas where there is no cable TV and also not covered by terrestrial signal for TV and FM radio. This installation will maximize the coverage of both terrestrial TV and FM radio signal in rural areas. Subsidy to Thromdeys includes the budget for the construction and improvement of roads, water supply, development of parks and sewerage works. The list of subsidy recipient agencies is given in *Table 4.4*.

Table 4.4: List of Subsidy Recipient Agencies

<i>Nu.in millions</i>				
Sl. No.	Agencies	Current	Capital	Total
1	Rural House Insurance Scheme (RICBL)		20.000	20.000
2	Bhutan Broadcasting Service	123.000	80.000	203.000
3	BCCI Secretariat	6.000		6.000
4	Wood Craft Centre	1.800		1.800
5	City Bus Service (Bhutan Post)	14.100		14.100
6	Druk Air Corporation	132.678		132.678
7	Thimphu Thromdey	20.000	67.160	87.160
8	Phuentsholing Thromdey		75.600	75.600
9	Samdrup Jongkhar Thromdey	13.500	51.970	65.470
10	Gelegphu Thromdey	24.941	24.940	49.881
11	Royal University of Bhutan	488.888		488.888
12	Education City		143.744	143.744

4.2.2 Capital expenditure

Capital expenditure is estimated at Nu. 16,252.919 m accounting for about 47% of the total expenditure outlay. Given the need to avoid aggravating the demand situation in the economy, the capital expenditure budget has been restricted to a certain extent.

4.2.3 Net lending

During the FY, lending to corporations is estimated at Nu. 1,009.632 m. Of the total, Nu. 986.132 m will be on-lent to BPC for rural electrification projects, and the balance of Nu. 23.500 m for rural credit to BDB.

The total recoveries from corporations are estimated at Nu. 2,038.942 m, of which, the recoveries from GoI hydropower loans (*Tala and Kurichhu*) account for 77.58 %. The recovery from Druk Air amounts to Nu. 33.811 m. Therefore, the Net Lending (*lending – recoveries*) is estimated to be negative Nu. 1,029.310 m.

4.3 Financing

4.3.1 External borrowing

External loan disbursement (project-tied) during the FY 2012-13 is estimated at Nu. 3,443.781 m as presented below in Table 4.5.

Table 4.5: External Borrowing for the FY 2012-13

Nu. in millions				
Sl. No.	Lender	Program Borrowing	Project-tied Borrowing	Total
1	World Bank	1,650.000	247.279	1,897.279
2	ADB	85.000	397.195	482.195
3	JICA		643.356	643.356
4	IFAD		192.575	192.575
5	Government of Austria		228.376	228.376
	Total	1,735.000	1,708.781	3,443.781

4.3.2 Internal borrowing

The Government may resort to internal borrowing of Nu. 670.431 m representing 0.65% of GDP during the FY assuming that all the budgeted activities are implemented fully. However, past trends have shown that actual implementation is lower than budget.

4.3.3 Debt principal repayments

The total principal repayment is estimated to be Nu. 2,519.015 m, of which Nu. 2,343.712 m (93.04%) is on account of external loans and the balance of Nu. 175.303 m is for domestic loan.

The details of the principal loan repayment by lenders are presented in *Table 4.6* below:

Table 4.6: Statement of Principal repayments for the FY 2012-13

<i>Nu.in millions</i>		
Sl. No.	Lender	Amount
1	Asian Development Bank	238.208
2	Austria	321.566
3	Denmark	89.804
4	Government of India	1,581.842
5	International Fund for Agriculture Development	22.524
6	World Bank	89.768
	<i>Total external principal repayment</i>	<i>2,343.712</i>
	<i>Total internal principal repayment</i>	<i>175.303</i>
	Grand Total	2,519.015

4.4 Sector Allocation

Given the commitment of the government towards socio-economic development and poverty alleviation, 25% of the total budget is allocated to the social sector (*Health 7% & Education 18%*) and 35% to Economic and Public Services which includes Agriculture (12%) and Roads (10%). The sector-wise allocation is provided in *Table No. 4.7* below.

Table 4.7: Sector budget for the FY 2012-13

Nu in millions

Sectors	Current	Capital	Total	Percent
Social Services	6,067.367	3,313.036	9,380.403	25%
<i>Health</i>	<i>1,788.858</i>	<i>817.967</i>	<i>2,606.825</i>	<i>7%</i>
<i>Education</i>	<i>4,278.509</i>	<i>2,495.069</i>	<i>6,773.578</i>	<i>18%</i>
Economic and Public Services	3,592.953	9,770.601	13,363.554	34%
<i>Agriculture</i>	<i>1,847.716</i>	<i>2,703.578</i>	<i>4,551.294</i>	<i>12%</i>
<i>Mining & Manufacturing</i>	<i>449.263</i>	<i>437.351</i>	<i>886.614</i>	<i>2%</i>
<i>Roads</i>	<i>330.542</i>	<i>3,391.610</i>	<i>3,722.152</i>	<i>10%</i>
<i>Housing & Community</i>	<i>437.331</i>	<i>1,293.766</i>	<i>1,731.097</i>	<i>4%</i>
<i>Communications</i>	<i>459.577</i>	<i>1,278.850</i>	<i>1,738.427</i>	<i>5%</i>
<i>Energy</i>	<i>68.524</i>	<i>665.446</i>	<i>733.970</i>	<i>2%</i>
Cultural Services	584.690	644.812	1,229.502	3%
Law and Order Services	2,560.608	722.944	3,283.552	9%
General Public Services	3,415.707	1,801.526	5,217.233	14%
National Debt Services	2,041.305	3,528.647	5,569.952	15%
<i>Repayment</i>	<i>2,041.305</i>	<i>2,519.015</i>	<i>4,560.320</i>	<i>12%</i>
<i>Lending</i>	<i>0.000</i>	<i>1,009.632</i>	<i>1,009.632</i>	<i>3%</i>
Total	18,262.630	19,781.566	38,044.196	100%

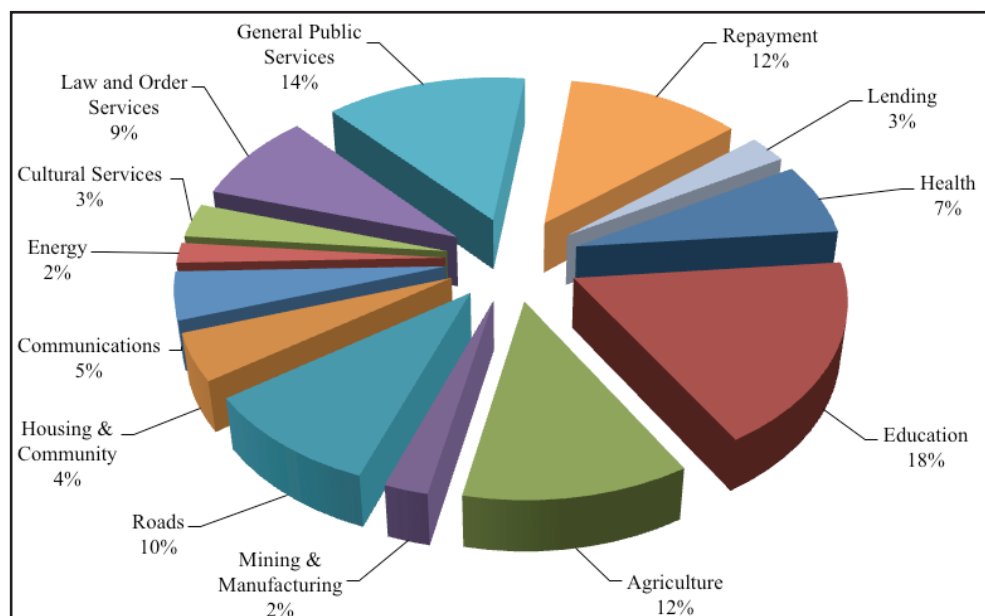


Figure 1: Sector Allocation in FY 2012-13

4.4.1 Health

With major achievements which include 90% of primary health coverage, infant mortality rate at 40.1 per 1000, immunization coverage at over 94.4% and with 88% of the population having access to safe drinking water (*Annual Health Bulletin, 2011*), Bhutan is set to attain most of the health-related MDG targets by 2015. The health care services are provided through 31 hospitals, 15 BHU-I, 163 BHU-II and 36 Indigenous hospitals supported by 3,414 civil servants comprising of 171 doctors, 666 nurses, 468 health workers and clinical officers, 38 DHSOs/ADHSOs, 36 Dungtshos and 54 Menpas, 89 pharmacists/technicians, 463 lab technologists/technicians and 1429 administrative support staff.

The operations and maintenance costs of these services are budgeted at Nu. 1,788.858 m for the new FY. Among them are Nu. 135 m provided for procurement of drugs, Nu. 105 m is for referral treatment in India, Nu. 81.600 m is for procurement and maintenance of hospital equipments.

In the new FY, no budget has been required for the procurements of ambulances. The Government's commitment to provide 2 ambulances in each hospital has been overachieved and for this, I would like to thank the people and the government of Japan and India for their gifts.

Health units and outreach clinics

Nu. 245.685 m is allocated for the on-going constructions of health units and outreach clinics in various Dzongkhags and Gewogs. In the FY, there are constructions of 37 BHUs and 12 ORCs.

HRD

In order to address the shortages of medical personnel in the country, budget continued to be provided for scholarships and training to the medical personnel. This includes Nu.72.883 m under RGoB and WHO funding for various scholarships. There are currently 214 medical personnel undergoing medical courses in and outside Bhutan including 77 nurses who are trained in India.

The works are still continuing towards the establishment of University of Medical Science of Bhutan (UMSB), erstwhile Bhutan Institute of Medical Science (BIMS), which was initiated to address the shortage of medical personnel as well as to enhance the knowledge of the existing medical personnel. In the FY, a sum of Nu. 34.750 m is allocated for the purpose which includes Nu. 20 m for the construction of Medical College under GoI funding.

Rural Water Supply

One of the main priorities is to provide safe, clean and convenient drinking water to the people in the rural areas. For that purpose, a sum total of Nu. 135.830 m is allocated in the FY in various Gewogs. There are constructions of 139 schemes (127 new, 9 spillovers and 3 extensions), renovation of 149 schemes and protection of 42 spring water sources. With this allocation, it

is expected that RWSS coverage will be achieved fully. However, challenges remain, with water sources drying up and often new sources not easily available, making it difficult to achieve 100 % coverage. The different categories of works involved along with the number of water supply schemes and the budget allocations are given in *Table 4.8*.

Table 4.8: RWSS Works for the FY 2012-13

Nu. in millions

Sl. No.	Category of RWSS	Numbers	Amount
1	New	127	58.819
2	Spillover	9	17.135
3	Extension	3	0.800
4	Renovation	149	49.332
5	Spring Water Source Protection	42	9.744
Total		330	135.830

Other Health activities

Among other budget allocations, a sum of Nu. 16.221 m is allocated to the Narcotic Control Agency (BNCA) for activities to prevent drug abuse. The measures include timely education, early detection, treatment, rehabilitation, after-care services and social re-integration of drug users. The major capital works in the health sector are shown in the *Table 4.9*.

Table 4.9: Major capital works in health sector

Nu. in millions

Sl. No.	Activity	Amount	Funding
1	Procurement of hospital equipments & instruments, MoH	70.000	RGoB
2	Construction of therapy unit at ITMS	20.000	RGoB
3	Construction of Central Regional Referral Hospital, Gelephu	22.670	GoI
4	Construction of Medical College, UMSB	20.000	GoI

			<i>Nu. in millions</i>
Sl. No.	Activity	Amount	Funding
5	Construction of Medical Supply Depot at Phuentsholing	19.825	RGoB
6	Long term HRD training through WHO support, MoH	14.065	WHO
7	Specialization/master courses for doctors, nurses and technologists, MoH	29.479	RGoB
8	Maintenance and procurement of spare parts and accessories for medical equipment, MoH	11.600	RGoB
9	Continuation of medical education for nurses, MoH	10.620	RGoB
10	Construction of Public Health Laboratory, MoH	9.970	GoI
11	Construction of 8 unit staff quarter at Lhuentse Hospital	10.000	RGoB
12	Construction of BHU I, Khatekha, Chhukha	5.000	GoI (SDP)
13	Construction of BHU I, Eusa, W/Phodrang	19.000	RGOB
14	Up-gradation of ORC to BHU II, Muhung, Mongar	7.000	GoI (SDP)
15	Up-gradation of ORC to BHU II, Sengor, Mongar	7.000	GoI (SDP)
16	Construction of BHU II, Dungna, Chhukha	15.000	RGOB
17	Construction of BHU I, Zhemgang	15.000	GoI (SDP)
18	Reconstruction of Narang BHU, Mongar	14.550	RGOB
19	Construction of BHU, Thangrong, Mongar	13.420	RGOB
20	Construction of Bartsham BHU I, Tashigang	10.300	RGoB
21	Construction of BHU II, Thimyl (Chadak), Gangzur Gewog, Lhuentse	5.000	RGoB
22	Relocation of Martshala BHU II, S/Jongkhar	8.909	RGOB
23	Up-gradation of Dangling ORC to BHU II, Menbi Gewog, Lhuentse	5.000	RGoB
24	Construction of BHU, Thinleygang, Punakha	4.000	GoI (SDP)
25	Construction of BHU II, Serphu (Gangla), Khoma Gewog, Lhuentse	5.000	RGoB
26	Construction of BHU-II & staff quarters, Barshong, Thimphu	6.562	RGOB

4.4.2 Education

Education sector has made commendable achievements in 10th FYP. These are reflected by various indicators such as the *gross primary enrolment ratio* which

is 120% against the MDG target of 100% and *net primary enrolment ratio* of 95%. To fully achieve the targets, the sector has been allocated Nu. 6,773.578 m in the FY which is the highest share of budget at 18% of the total outlay.

Significant among the budget items is the training of teachers. A budget of Nu. 26.322 m has been allocated in the FY 2012-13 for the training of teachers during the winter vacation in the colleges at Paro and Samtse. For the students to have an all-round development (wholesome education), a budget of Nu. 21.519 m is provided to all the schools under *school enrichment programme*. In order to fulfill the Ministry of Education's policy of providing school bus to boarding schools with more than 200 students and day schools with more than 800 students, a budget of Nu. 30 m is kept for the procurement of school buses for 28 schools.

In addition, a budget of Nu. 307.956 m is earmarked for various *scholarships* including *Queen's Endowment for Cultural Studies* (Nu. 2.076 m) which was initiated during the Royal Wedding Celebrations in the year 2011. The remaining scholarship budget is of Nu. 305.443 m for *undergraduate courses* offered to students studying in India, Australia, Canada etc. under GoI and RGoB funding.

The government has recently approved an increase in the monthly stipend for students in boarding schools. The earlier stipend of Nu. 700 has been revised to Nu. 1,000 per student.

The sector's budget includes Nu. 347.500 m for major on-going *capital works* like the construction and expansion of two HSS, nine MSS, eleven LSS and three PS in various Dzongkhags under Education Development Project (EDP) funded by GoI.

The sector's budget also includes the budget for Royal Education Council (REC), Royal Institute of Management (RIM) and the Dzongkha Development Commission (DDC). Nu. 53.271 m is allocated to REC to address issues related to the quality of education. A budget of Nu. 120.668 m is allocated to

the RIM which includes the construction of *student's resource center* (Nu. 30 m) and IT and library (Nu. 14.410 m) under GoI funding. In order to promote our national language Dzongkha, a sum of Nu. 19.049 m is allocated to DDC.

For the development of *tertiary education* in the country, a budget of Nu. 913.790 m is allocated to Royal University of Bhutan (RUB) which includes subsidy of Nu. 488.888 m based on the number of students.

The number of NFE centres has increased remarkably from 6 with 300 learners in 1992 to 740 with 12,968 learners and 834 instructors in 2011. This programme is contributing towards the *adult literacy* target of 70% by 2013 (adult literacy rate of 53% was reported in 2005 when Population and Housing Census was conducted). From FY 2012-13, Nu.73.894 m is allocated for non-formal education. The major capital works in the Education sector are given in *Table 4.10*.

Table 4.10: Major capital works in education sector.

Nu. in millions			
Sl. No.	Activity	Amount	Funding
1	Construction of Minjey MSS, Lhuentse	50.000	GoI
2	Undergraduate scholarships (existing/projected)	305.443	RGOB/GoI
3	Construction of Kuenzangling MSS, Tashi Yangtse	30.000	GoI
4	Construction of Yelchen MSS, Pema Gatshel	30.000	GoI
5	Construction of Genyekha HSS, Thimphu	30.000	GoI
6	Construction of Udzorong MSS, Tashigang	30.000	GoI
7	Construction of Thimshing MSS, Tashigang	30.000	GoI
8	Construction of Phuentshothang HSS, S/Jongkhar	30.000	GoI
9	Construction of Dashiding MSS, Punakha	30.000	GoI
10	Construction of kitchen and store at three primary schools, SAFED	20.000	WFP
11	Construction of Narang CPS, Mongar (reconstruction)	31.336	UPSIDE/ADB
12	Teachers training on roll out in the cluster on educating for GNH by ToT in 18 districts	25.800	UNICEF

Nu. in millions

Sl. No.	Activity	Amount	Funding
13	Computers and Printers for school	10.000	RGOB
14	Construction of Pasakha LSS, Chhukha	18.000	GoI
15	Construction of Jenkana LSS, Haa	16.000	GoI
16	Construction of Pangserpo PS, Dagana	15.000	GoI
17	Construction of academic block at NIVI	13.000	RGOB
18	Construction of Pam CPS, Tashigang	11.152	UPSIDE/ADB
19	Distance B.Ed. primary general at Samtse College of Education	8.549	RGOB
20	Construction of Sarpang LSS, Sarpang	7.000	GoI
21	Training - HRD, Teacher Education Institute Project	11.860	RGoB
22	Professional Services, Teacher Education Institute Project	7.000	RGoB
23	Construction of Jungzhina PS, Thimphu	8.124	RGoB
24	Construction of MPH, Dechhenchheoling MSS, Thimphu	8.780	RGoB
25	Construction of student's resource centre, RIM	30.000	GoI
26	Construction of IT & library block, RIM	14.410	GoI
27	Twinning and networking, MPA/MM/MBA program support, RIM	11.650	AusAID
28	Construction of administrative block/classroom & toilet at Phuentsholing PS, Chhukha	5.000	GoI
29	Up-gradation and expansion of Kamji LSS, Chhukha	12.700	GoI
30	Up-gradation of Bitekha LSS, Paro	15.000	GoI
31	Construction of MPH hall at Tshangkha LSS, Dagana	8.020	GoI
32	Construction of 64 bedded hostel at Tshangkha LSS, Dagana	7.760	GoI
33	Construction of MPH at Geserling LSS, Dagana	7.537	GoI
34	Construction of science lab at Gesarling LSS, Dagana	6.020	GoI
35	Construction of hostel for boys and girls at Gesarling LSS, Dagana	8.200	RGoB
36	Construction of MPH at Kabesa LSS, Punakha	5.800	RGoB
37	Construction of MPH at Nobding LSS, W/Phodang	7.599	RGoB
38	Construction of Chheokhorling LSS, Sarpang	7.125	RGoB
39	Construction of hostels for boys & girls with warden/matron's quarter & toilet, Samchheoling LSS, Tongsa	20.800	GoI

Sl. No.	Activity	Amount	Funding
40	Construction of MPH at Tshangkha LSS, Tongsa	7.800	RGoB
41	Construction of MPH at Ramjer LSS, Tashi Yangtse	6.000	RGoB
42	Up-gradation of Peljorling MSS, Paro	21.250	GoI
43	Up-gradation of Gumtoe MSS, Samtse	36.650	GoI
44	Construction of classrooms at Tashigang MSS, Tashigang	8.000	RGoB
45	Construction of MPH at Radi MSS, Tashigang	10.250	RGoB
46	Extension of football ground at Sherabling HSS, Tongsa	8.000	RGoB
47	Procurement of school buses, MoH	30.000	RGoB

4.4.3 Renewable Natural Resources (RNR) sector

As an agrarian country, RNR sector plays a vital role in achieving self sufficiency in the economy. The RNR activities are focused in rural areas and it has direct implications on poverty reduction through rural livelihood enhancement for more than 69% of the country's population. The total budget allocated to this sector is Nu. 4,551.294 m which is about 12% of the total outlay. The key initiatives in this sector are as follows:

Farm Roads

A sum total of Nu. 656.245 m is provided to complete constructions of 184 farm roads and to improve 77 of them during the FY. With the completion of these roads, people will benefit through market access, increased economic activities, increased income and better living conditions thereby reducing poverty.

With regard to Gewog centre connectivity, a total of 166 Gewog centres will be connected by road by the end of FY 2011-12. During the FY 2012-13, Nu. 611.030 m is allocated for the on-going constructions and improvements of Gewog centre roads. These will bring the total Gewog center connectivity to 193, bringing the total coverage to 94% including Merak Gewog where the road may not go right upto the Gewog centre. From the remaining 12 Gewogs,

7 Gewogs (Naro, Sagteng, Lauri, Sombaykha, Gakidling, Laya, Getana) will be connected from the road constructions that will spill over to the 11 FYP. Two Gewogs i.e. Soe and Lingzhi, will be partially connected by the Shana-Misizam road, while the Nichula and Geling Gewogs have no take-off points. For Lunana Gewog, construction of 85 km of mule track along the Phochhu river is taken up in place of motorable road. With this, the Government's commitment to have all Gewogs connected by motorable roads will have been virtually achieved.

RNR Centres (RNRCs), Co-operatives & Irrigation Channel

In the FY 2012-13, Nu.67.789 m has been allocated for the on-going constructions of 29 RNR centres. Currently, there are 167 RNRCs and by the end of FY 2012-13, 196 RNRCs will be completed, representing 96% achievement. With the recent drive to increase in-country vegetables and fruits production, an additional budget of Nu. 26.979 m has been allocated for the construction of green houses (Nu. 13.954 m), collection sheds, supply of seeds and farming equipment. A budget of Nu. 23 m is also kept for farmers' trainings which will further facilitate the production of vegetables and fruits.

For improvement of rice productivity in five Dzongkhags (Sarpang, Samtse, S/Jongkhar, W/Phodrang and Punakha), a budget of Nu. 33.550 m is allocated under EU financing.

There are also a number of co-operatives and farmers group organized for efficient agriculture production through proper supply chain mechanism and economies of scale. For the promotion of Co-operatives and Farmers Group, a budget of Nu. 61.409 m is allocated to the Department of Agriculture Marketing and Co-operatives (DAMC). The budget includes Nu. 10.2 m for capacity development, supply of equipment, construction of one-stop farmers shop etc.

For rehabilitation and construction of *Irrigation Channels* in various Dzongkhags, Nu. 214.180 m is allocated. The detailed activities of RNR sector is provided in *Table 4.11*.

Table 4.11: The major capital works in RNR Sector.

Nu. in millions

Sl. No.	Activity	Amount	Funding
1	Construction of irrigation channels in various Gewogs	214.180	GoI
2	Improvement of farm roads in various Gewogs and Dzongkhags	155.315	GoI/JFPR
3	Construction of City Veterinary Hospital, Thimphu.	68.000	GoI
4	EU RNR SSP Financing for Rice production, (Sarpang, Samtse, S/Jongkhar, W/Phodrang, Punakha valley),	33.550	EU
5	Construction of City Veterinary Hospital, Phuentsholing	20.000	GoI
6	HRD Training, MAF	18.400	World Bank
7	Construction of bio-security laboratory at NCAH, Serbithang	18.000	GoI
8	Construction of staff quarter at UWICF	15.000	Mac Author
9	Scaling up of zero energy cold storage, SLMP, DoA	13.700	World Bank
10	Feed & fodder development - (hay bailing machine & medium feed plant for 6 Dzongkhags), DoL	11.500	IFAD
11	Implementation of bio safety framework implemented by BAFRA	10.628	UNEP/GEF
12	Development of Sustainable Soil Management Plan, DoA	9.700	World Bank
13	Support to farmers through DRDP project, DoA	9.238	World Bank
14	Institutional Development & Capacity Building, DoA	8.250	World Bank
15	Strengthening Regional Cooperation for Wildlife Protection in Asia Project, DoFPS	7.397	WWF
16	Subsidy to the National Seed Centre, Paro	7.000	RGoB
17	Establishment of Langjophakha Greenery Park	7.000	BTEFC
18	Hiring of consultant for development of bio-safety frameworks, DoFPS	6.768	UNEP/GEF
19	Sustainable Forest Management Program, DoFPS	6.283	EU
20	Support to Farmers Association, DAMS	6.116	IFAD
21	Rice Productivity Improvement Program, ABSD, DoA	6.000	RGoB

Nu. in millions

Sl. No.	Activity	Amount	Funding
22	Procurement of veterinary equipments to be distributed throughout the dzongkhags, DoL	6.000	RGoB
23	Conflict management, gender and regional training on CF Management Planning., DoFPS	5.800	PFMP
24	Procurement of agricultural machineries, DoA	5.720	World Bank
25	RNR SSP Project Monitoring and Evaluation, DoA	5.610	EU
26	Construction of Park office at Wangchuck Centennial Park	5.090	WWF
27	For establishment of 7 demo sites for drip & sprinkler irrigation channel, DoA	9.500	World Bank
28	Rice and Organic Production Program, DoA	5.000	EU
29	For dairy/ poultry/ piggery & fishery subsidy support, DoL	5.000	EU
30	Procurement of parent stock of poultry, DoL	5.000	RGoB
31	Construction of RNR centers in Dzongkhags and Gewogs	67.789	RGoB/GoI
32	Construction of farm roads in various Dzongkhags and Gewogs	1,111.960	RGoB/GoI
33	Farmer's training in Dzongkhags and Gewogs, MAF	23.000	RGoB

4.4.4 Vocational training and employment

In order to provide gainful employment to the youth entering the job market and to reduce unemployment, emphasis continues to be placed on vocational skills training. During the FY 2012-13, budget is provided for initiatives such as Youth Pre-employment Engagement Program (Nu. 5.6 m), Apprenticeship Training Program (Nu. 8.860 m) and Nursing Training (Nu. 25 m) among others. Completion of Dolongang VTI in Sarpang (Nu. 78 m) is expected to provide additional capacity for vocational training that will contribute towards reducing unemployment.

Some of the major capital activities under this sector are given in the *Table 4.12*.

Table 4.12: Major Activities of Vocational Training and Employment Sector

Nu. in millions

Sl. No.	Activity	Amount	Funding
1	Establishment of Dolongang VTI, Sarpang	78.000	GoI
2	Social Sector Program Support (SSPS)	33.470	DANIDA
3	GNM training for the Health Sector (ABSD)	25.000	RGoB
4	Apprenticeship training program	8.860	GoI
5	Special training programme for school leavers	8.100	GoI
6	Training for hospitality, arts & crafts and construction (ABSD)	7.700	GoI
7	Development of assessment resources, training of assessors and assessment	6.769	DANIDA
8	HRD for private sector	6.700	GoI
9	Development and implementation of publicity tools	5.900	DANIDA
10	Youth pre-employment engagement program	5.600	RGoB
11	Occupational health and safety program	4.800	GoI
12	National Graduates Orientation Program	4.050	RGoB

4.4.5 Roads

Every financial year, this sector is provided with substantial amounts of budget given the importance of roads. During the FY 2012-13, a budget of Nu. 3,722.152 m is allocated, of which, Nu. 1,102.528 m is for the construction and improvement of primary national highways, Nu. 472.470 m is for construction of secondary national highways, Nu. 319.310 m for Dzongkhag roads and Nu. 366.880 m for bridges. The road sector budget also includes Nu. 384.825 m for the improvement, resurfacing and monsoon restoration works on roads.

Major road constructions that will continue during the FY include construction of Manitar-Raidak Road (Nu. 77.016 m) and construction of Raidak-Lamoidzingkha Road (Nu. 103.862 m) which forms a part of South East–West Highway. The construction of Gyalpoizhing–Nganglam Highway (Nu. 450 m), Gomphu–Panbang Highway (Nu. 210 m) and realignment of

Hilay Check Post-Sarpang town Road (Nu. 24 m) will also continue. The construction of Nangar-Ura Road (Nu. 120 m) and Samtse-Phuentsholing Highway (Nu. 117.650 m) will be completed by FY 2012-13.

Some of the major capital activities under this sector are given in *Table 4.13*.

Table 4.13: Major capital works under Road Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
Construction of Primary National Highways			
1	Construction of Manitar-Raidak Road	77.016	RGoB/ADB
2	Construction of Raidak-Lhamoidzingkha Road	103.862	RGoB/ADB
3	Construction of Nangar-Ura road	120.000	RGoB
4	Construction of Gyalpoizhing-Nganglam Highways	450.000	GoI
5	Construction of Gomphu-Panbang Highway	210.000	GoI
6	Realignment of road from Hiley check post to Sarpang town	24.000	GoI
7	Construction of Samtse-Phuntsholing Highway	117.650	RGoB
Construction of Secondary National Highways			
1	Construction of Panbang-Nganglam RNP-II	190.470	RGoB/ADB
2	Construction of Damji-Gasa Road	10.000	RGoB
3	Construction of Gesarling-Lhamoidzingkha Road (ORIO)	122.000	RGoB/Netherlands
4	Construction of Tingtibi-Praling Road	150.000	GoI
Construction of Dzongkhag Roads			
1	Construction of Samdubchheoling-Samrang Road	64.388	RGoB/ADB
2	Construction of Tsebar-Mikuri-Durungri Road	79.922	RGoB/ADB
3	Construction of Chamkhar-Dekiling bypass road	10.000	RGoB
4	Construction of Refey-Khosala Bypass Road	130.000	GoI
5	Construction of Halhalay-Dorokha Road	35.000	RGoB
6	Construction of bridges on Gyalpoizhing-Nganglam Highway		
	Construction of Sangpori bridge	2.600	GoI
	Construction of Sokporong bridge	61.470	GoI
	Construction of Bongri/Matsheri bridge	8.870	GoI

Nu. in millions

Sl. No.	Activity	Amount	Funding
	Construction of Desumvey bridge	1.580	GoI
	Construction of bailey bridge over Gongri	7.000	GoI
	Construction of Zimzorong bridge	8.800	GoI
	Construction of Khakhari bridge	3.160	GoI
	Construction of Sumari bridge	1.400	GoI
7	Construction of bridges on Gomphu - Panbang Highway		
	Construction of Nishoka Bridge (1500 ft span)	2.000	GoI
	Construction of Mangdechhu Bridge	90.000	GoI
	Construction of Redigang Bridge	50.000	GoI
	Construction of Pantang Bridge	130.000	GoI
8	Construction of Amochhu Bridge on Samtse-Phuntsholing Highway	90.000	RGoB
9	Construction of Meragamari bridge on Kharungla-Kangpara road	10.000	RGoB
10	Improvement works on roads	144.780	RGoB/GoI
11	Resurfacing of roads	138.045	RGoB
12	Monsoon restoration works on roads	102.000	RGoB

4.4.6 Urban development, housing and public amenities

Urban Development

With the urban areas experiencing growing population primarily due to migration from the rural areas, the Government started projects to upgrade the basic amenities include housing, water supply and sanitation, roads, schools, hospitals, children's parks etc. For the FY, a budget of Nu. 1,731.097 m is allocated. The Thromdeys' budgets are included under this sector.

The outlay for this sector includes the various capital works in Thimphu City such as on-going infrastructure development under Local Area Plan Project (LAP) in Semtokha, Babesa, Dechhenchheoling, Chang Bangdu and Langjophakha which has a total allocation of Nu. 425.400 m. Works are also

going on to construct reservoir (Nu. 27.034 m), water treatment plant (Nu. 55.196 m) and water supply pipelines (Nu. 19.264 m) in Thimphu city to provide adequate water supply. In addition to the above, ADB financing has been secured for augmenting the sewerage treatment plant in Thimphu with state of the art technology.

Housing

In order to solve the housing shortages for the low-income public servants, the National Housing Development Corporation (NHDC) has started construction of housing complexes in various Dzongkhags. In this regard, the Government has approved an interest-free loan of Nu. 250 m to NHDC. In the FY 2012-13, a budget of Nu. 17.5 m is allocated to NHDC as interest subsidy.

Some of the major capital activities are highlighted in *Table 4.14*.

Table 4.14: Major Capital Works under Urban Development, Housing and Public Amenities Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Urban Infrastructure Development of Semtokha LAP	38.346	RGoB/ADB
2	Chang Bangdu LAP-Package I	95.574	RGoB/ADB
3	Water supply intake, main transmission lines	19.264	RGoB/ADB
4	Construction of water reservoirs	27.034	RGoB/ADB
5	Babesa LAP	121.480	RGoB/ADB
6	Construction of water treatment plant	55.196	RGoB/ADB
7	Urban Infrastructure Development Project (Phuentsholing Thromdey)	38.004	RGoB/ADB
8	Urban Infrastructure Development Project (Dagana town)	44.480	RGoB/ADB
9	Dechhenchheoling LAP-Package I	120.000	World Bank
10	Dechhenchheoling LAP-Package II	30.000	World Bank
11	Langjophakha LAP-Package III	20.000	World Bank

Sl. No.	Activity	Amount	Funding
12	Digital dataset for Paro Valley Development Plan	8.000	RGoB
13	Bumthang Valley Development Plan	10.000	RGoB
14	Development Plan for Samdrup Jongkhar	8.000	RGoB

4.4.7 Communications and transport

In order to promote Bhutan as an ICT destination in the region and to achieve the target of tourist arrival of 100,000 by 2013, investment in this sector is high. In the new FY, a budget of Nu. 1,738.427 m is allocated.

ICT

To improve internet connectivity, a budget of Nu. 160.041 m is provided for laying optical ground wire and cables as part of National Fibre Optic Network. In addition, a budget of Nu. 146 m is kept under GoI funding for the implementation of Broadband Master Plan.

Under the Chipen Rigphel Project, 100 Community Information Centres (CIC) have been established so far which has enhanced IT literacy, connectivity and efficient service delivery. Further, a budget of Nu. 409.912 m is allocated for establishing ICT laboratories in schools and CICs across the country. Currently, ICT laboratories are established in 168 schools.

Under the ABSD initiative to give equal opportunity to stake-holders in the IT sector, Nu. 8.500 m is kept for subsidy to entities providing data centre services and business process services.

Civil Aviation

Enhancing air transport connectivity has become very critical for economic development and in facilitating the movement of tourists in the country.

Accordingly, domestic airports have been developed in Yonphula, Bumthang and Gelegphu. While Yonphula and Bumthang are operational, Gelegphu airport is at an advanced stage of construction. For Paro Airport, a budget has been provided for terminal building expansion (Nu. 101.600 m) and construction of security quarters (Nu 91 m). A grant of USD 6.92 m has been secured from the ADB to complete the development of Gelegphu airport and upgrade facilities in Yonphula and Bumthang airports. In addition, financing options are being considered for the procurement of a new aircraft for Druk Air.

Telecommunications

The telecommunications services have taken a step ahead with the achievement of 100% mobile network connectivity in all the Gewog centres. To further expand the coverage in remote villages, a budget of Nu. 134 m (Universal Service Fund) is allocated in the FY for Rural Telecommunication Project.

Bus Transport Service

With the increase in number of vehicles causing traffic congestion and pollution, the need for upgrading the existing bus service of Thimphu city has become a priority. Towards this, the fleet of buses will increase to 33 from 19. For the FY 2012-13, a sum of Nu. 14.1 m is provided to Bhutan Post for operating the city bus services. In addition, private sectors are also participating in the provision of urban transport service. In the mean time, an *eco-friendly mass public transport system* for Thimphu City and Phuentsholing City is being designed with the help of the IFC and the system is to be based on Public Private Partnership model.

Public bus transport services in Dzongkhags are operated by private operators for which tax and duty exemptions are provided to ensure that fares are maintained at affordable rates. For the non-profitable routes, bus operators are supported by way of interest subsidy on loans availed for purchase of buses. To facilitate easy transit for commuters, a bus terminal

construction in Tashigang will be completed during the FY for which a budget of Nu. 7.5 m is kept. The major capital activities of this sector are shown in *Table 4.15*.

Table 4.15: Major capital works in Communication and Transport Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of additional water supply pipe line for Paro airport	3.970	RGoB
2	Construction of security quarters at Paro airport	91.000	GoI
3	Expansion of Paro airport terminal building	101.600	GoI
4	Calibration of distance measuring equipments	5.000	RGoB
5	Purchase and installation of DVOR (Doppler VHF Omni-Directional Radio) for Paro airport	39.460	GoI
6	Construction of fire station at Paro airport	12.400	GoI
7	Awareness campaign on road safety, RSTA	3.400	RGoB
8	Construction of bus terminal at Tashigang	7.500	RGoB
9	Support to CC vendors on operation cost difference, DIT	7.000	RGoB
10	Construction of retaining wall at IT Park	4.075	RGoB
11	Implementation of broadband master plan	146.000	GoI
12	Telecom subsidy (ABSD)	8.500	RGoB
13	Depreciation and O&M for National Fibre Optic Network	55.354	RGoB
14	Compensation for Nationalization of Fibre Optic	104.687	RGoB
15	Chiphen Rigphel Project (Total Solution)	409.912	GoI
16	Empowering rural communities-reaching the unreached	3.481	SDF
17	Establishment of community centers in gewogs in various Dzongkhags	34.585	SDF

4.4.8 Trade, industry and private sector development

The budgetary support to this sector is mainly for the government agencies that are responsible for creating enabling environment for private sector participation in the economic development of the country. The key activities

during the FY include the development of industrial estates and hydro-power projects besides promoting exports and import substitution.

For the development of micro, small and medium enterprises (MSME), a budget of Nu. 44.360 m is allocated. A total of Nu. 17.319 m is kept as a budgetary support for the promotion of indigenous crafts (APIC) established under the ABSD initiatives.

Other major activities include the preparation of master plan for Bongdeyma Industrial Estate in Mongar (Nu. 1.950 m) and Construction of Solid Waste Disposal Site at Pasakha industrial estate (Nu. 17.8 m). The major capital activities under this sector are presented in the *Table 4.16*.

Table 4.16: Major capital activities in trade and industry sector.

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of regional office at Samtse, DGM	9.064	RGoB
2	Construction of solid waste disposal site at PIE, DoI	17.800	RGoB/GoI
3	Subsidy to APIC, DCSI	10.300	RGoB
4	MSME Development Policy and Support of CSF management, DCSI	44.360	RGoB/ADB
5	Construction of annex office building, Hydromet	6.287	RGoB
6	Procurement of plant and equipment for Flood Warning Stations, Hydromet	6.695	GoI
7	Bondeyma Industrial Estate master-plan designing	1.950	RGoB
8	Micro, Small and Medium Enterprises	2.250	UNDP

4.4.9 Tourism sector

Tourism sector is one of the main sources of convertible currency besides generating employment and revenue. It is projected that more than 100,000 tourists will arrive during FY 2012-13. To diversify products and improve

public amenities such as wildlife tours, trails, trek routes, campsites, road side amenities, etc. a budget of Nu. 54.296 m is allotted. To promote our products in international markets, a budget of Nu. 10 m is kept for travel fairs and road shows. For the development of tourism-related activities in Dzongkhags, a budget of Nu. 5 m is kept.

For improving the quality of services in the hospitality industry through training at the Royal Institute for Tourism and Hospitality (RITH), a budget provision of Nu. 15.750 m is made available. The construction of HTMTI training hotel will be completed during the FY with a budget of Nu. 41.343 m.

The capital works in the sector are highlighted in *Table 4.17*.

Table 4.17: Capital works in Tourism Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Development of wildlife tours (Manas)	2.046	RGoB
2	Development of tourism in the Dzongkhags	5.000	RGoB
3	Development of road-side amenities	5.000	RGoB
4	Travel fairs/road shows	10.000	RGoB
5	Public Relations Representation	4.000	RGoB
6	Supervision & monitoring of construction of Royal Institute & Training hotel, RITH	13.000	Austria
7	Construction of HTMTI training hotel	41.343	RGoB/ACB

4.4.10 Energy

A total of Nu. 733.970 m is allocated to this sector in FY 2012-13.

Rural Electrification (RE)

To achieve the target of “*electricity for all*” by the year 2013, the Government has given utmost priority to the rural electrification program. As of now,

71,215 households have been connected through on-grid and off-grid means. For the remaining 17,427 households, a budget of Nu. 1,204.335 m has been kept for on-grid electrification and Nu. 14.508 m for connecting through solar energy during the FY. With this budget, one of the major socio-economic development targets of the government will be achieved. There will be “*electricity for all*” by June 2013.

As an alternate source of energy, use of biogas is promoted in the villages. In addition, the possibility of energy generation by wind is being piloted under an ADB project for which Nu. 1.541 m is kept.

Electricity Production

The hydro-power development policy to achieve 10,000 MW by 2020 is being vigorously pursued. The Punatsangchhu-I, Punatsangchhu-II, Dagachhu and Mangdechhu projects are at various stages of construction. To carry out Detailed Project Reports (DPR) for - Kholongchhu (600 MW), Sunkosh (2,560 MW), Kuri-Gongri (under PFR, 1,800 MW), Amochhu (540 MW), Wangchhu (600 MW), Bunakha (180 MW), Chamkharchhu (770 MW) and Khomachhu, a budget of Nu. 252.197 m is kept. Works are undertaken to set up micro-hydels at locations (Lingzhi and Soe) where there is no likelihood of reaching national grid for which a budget of Nu. 40.834 m is allocated in the FY.

In order to prevent natural disaster like flooding due to glacial lake outburst, various measures are put in place. Works are continuing for the installation of GLOF early-warning system in Punakha – W/Phodrang valley for which Nu. 4.299 m is kept, and Nu. 6.695 m under GoI funding is also kept for procurement of plants and equipments for flood warning stations. Nu. 6.287 m is set aside for the construction of office building for Hydro-meteorology office. The major activities under this sector are highlighted in the *Table 4.18*.

Table 4.18: Major Activities in Energy Sector

Nu. in millions

Sl. No.	Activity	Amount	Funding
1	Construction of Dagachhu Hydro-electric Project	53.920	AUSTRIAN
2	DPR of 770 MW Chamkharchhu - I (Digala) Hydro-electric Project	24.292	RGoB/GoI
3	DPR preparation for 600 MW Kholongchhu HP	24.291	RGoB/GoI
4	DPR updation of (2,560 MW) Sunkosh HP	25.273	RGoB/GoI
5	PFR/DPR preparation of Kuri-Gongri (1,800 MW) HP	100.123	RGoB/GoI
6	DPR preparation for (540 MW) Amochhu HP	26.497	RGoB/GoI
7	DPR preparation for (600 MW) Wangchhu HP	22.908	RGoB/GoI
8	DPR preparation for (180 MW) Bunakha HP	13.813	RGoB/GoI
9	Institutional Co-operation Project with Norway-Phase IV	29.292	RGoB/NORAD
10	Prefeasibility studies of three Hydropower Projects	28.000	NORAD
11	DPR study of Khomachhu HP	15.000	NORAD
12	Construction of annex office building, Hydromet	6.287	RGoB
13	Procurement of plants and equipment for Flood Warning Stations, Hydromet	6.695	GoI
14	Installation of GLOF Early-Warning System in the Punakha-W/Phodang valley	4.299	PHPA
15	Rural electrification under JICA (JBIC) project (Phase I)	70.000	RGoB
16	Rural electrification under GoA project, Phobjikha (Phase VI)	10.680	ACB
17	Rural electrification under ADB project (Phase V)	55.603	RGoB
18	Rural electrification under ARE project (ACO-LAYA)	11.920	RGoB
19	Rural electrification under JICA (JBIC) project (phase II)	70.000	RGoB
20	Pilot Wind Project	1.541	RGoB
21	Operation and maintenance of Solar PV systems under ADB/JFPR funding	14.508	RGoB/ADB
22	Development of Micro Hydropower Plant in Lingzhi	23.179	Austria
23	Development of Micro Hydropower Plant in Soe	17.172	Austria

4.4.11 Cultural services

Towards the conservation and promotion of our religious and cultural traditions, a total of Nu. 1,229.502 m is allocated in FY 2012-13. The major works include Construction of Pema Gatshel Dzong (Nu. 10 m), and the renovations of W/Phodrang Dzong (Nu. 30.576 m), Paro Rinpung Dzong (Nu. 26.539 m), Lhuentse Dzong (Nu. 10.573 m) and Daga Tashi Yangtse Dzong (Nu. 26.356 m) under GoI and RGoB funding. In addition, budget for construction and renovation of Lhakhangs are provided in the budget of Dzongkhags.

During the FY, expansion of Tango Buddhist College (Nu. 50 m), construction of nunnery center at Kilikhar (Nu. 20 m), Zhirim Lobda at Phochhu Dumra (Nu. 18 m) and Gyalpoizhing (Nu. 16 m) and Hindu temple in Thimphu (Nu.10 m) will be carried out. The major capital works under this sector are given in *Table 4.19*.

Table 4.19: Major Capital Works under Cultural Services Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Reconstruction of Lhakhang Karpo, Ha	20.000	RGoB
2	Construction of approach road to Kila Goenpa, Paro	4.000	RGoB
3	Construction of Dashag at Talo Sheda, Punakha	7.000	RGoB
4	Construction of Shabkor at Kurjey Lhakhang, Bumthang	10.000	RGoB
5	Construction of Kuenrey at Datshang, Pema Gatshel	10.000	RGoB
6	Reconstruction of Yongla Goenpa, Pema Gatshel	20.000	RGoB
7	Construction of crematorium at Hongtsho and Pungshi, Thimphu	10.000	GoI
8	Renovation of Tango Utsey, Thimphu	6.000	RGoB
9	Construction of Dashag at Gomkora, Tashi Yangste	5.500	RGoB
10	Expansion of Tango Buddhist College	50.000	GoI
11	Construction of nunnery centre at Kilikhar, Mongar	20.000	GoI
12	Construction of Zhirim Lobda at Phochu Dumra, Punakha	18.000	GoI
13	Construction of Zhirim Lobda at Gyalpoizhing, Mongar	16.000	GoI
14	Procurement of religious items, CRA	11.500	RGoB
15	Procurement of Zungs, CRA	10.000	RGoB
16	Construction of Dechkog Ku at Semtokha	8.000	RGoB

Nu. in millions

Sl. No.	Activity	Amount	Funding
17	Construction of dining hall for Punakha Dzong	7.980	RGoB
18	Construction of Lungta Phodang at Dechhenchheoling	6.800	RGoB
19	Construction of Dechhog Ku in Dukhang	5.000	RGoB
20	Renovation of W/Phodrang Dzong	30.576	RGOB/GoI
21	Renovation of Paro Rinpung Dzong	26.539	RGOB/GoI
22	Renovation of Daga Tashi Yangtse Dzong	26.356	RGOB/GoI
23	Construction of Pema Gatshel Dzong	10.000	GoI
24	Renovation of Lhuentse Dzong	10.573	RGOB/GoI
25	Construction of National Conservation Laboratory	10.000	GoI
26	Construction of Hindu temple, Thimphu	10.000	RGoB

4.4.12 Law and order

This sector comprises of the Judiciary and the Police Services for which a budget of Nu. 3,283.552 m is allocated during the FY 2012-13, representing 9% of the total outlay.

Police

For the RBP, a capital budget of Nu. 108.525 m is kept, mainly for completing the on-going constructions. Other major activities include HRD training of police personnel (Nu. 9.400 m).-The list of major activities under RBP is presented in *Table 4.20*

Table 4.20: Major Activities under RBP

Nu. in millions

Sl. No	Activity	Amount	Funding
1	HRD-Training	9.400	RGoB
2	Procurement of telecommunications equipment.	5.000	RGoB
3	Construction of officers' quarters at Thimphu	18.600	RGoB
5	Construction of lock up/detention and fencing at Paro	4.000	RGoB
6	Construction of semi-permanent family quarters at Gasu	3.000	RGoB
7	Construction of officer quarters at Chamgang central jail	12.500	RGoB
8	Construction of family quarters at Chamgang central jail	40.000	RGoB

Judiciary

The budget for Judiciary is presented separately in the later part of this chapter.

4.4.13 General public service

This sector includes the functions of agencies like the Local Government, Administration and Finance, Audit, Foreign Services, National Land Commission Secretariat (NLCS), GNHC, NEC and others.

Local Governance

For efficient and effective functioning of the local governments, 192 Gewog offices have been provided proper office building. During the FY, a budget of Nu. 19.050 m is provided for the construction and re-constructions of 12 Gewog offices. With this, all the Gewog centers will have proper office, thus achieving the target of facilitating the improvement of service at the lowest level of governance. For Nichula Gewog, permanent office will be provided as and when feasible.

Public Service Delivery System

To enhance the public service delivery under the *Government to Citizen (G2C) project*, 110 services from all the government agencies including Dzongkhags will be made available online. To complete this important initiative, a budget of Nu. 17.800 m is kept during the FY.

Other notable provisions in this sector are the RGoB's contribution to SDF (Nu. 156 m), Local Government Support Program (LGSP) in MHCA (Nu. 9.660 m), construction of the Office of Attorney General (Nu. 30 m) and construction of RRCO regional office at Gelephu (Nu. 20 m)

Land Resurvey

For the FY 2012-13, a budget of Nu. 197.368 m is provided to complete the on-going National Cadastral Re-survey Project (NCRP) in three Dzongkhags (Tsirang, Samdrup Jongkhar and Dagana) and two remaining Dzongkhags (Zhemgang and Sarpang). As of date, the surveys of 15 Dzongkhags have been completed.

For the National Rehabilitation Program, a budget of Nu. 38.675 m is kept. This will be used for continuing the rehabilitation works in Zobel Gewog (44 households) in Pema Gatshel, Bebji (83 households) under Sombeykha Gewog in Haa and in Ney under Gangzur Gewog in Lhuentse.

Other major activities under General Public Services are the installation of heating and cooling system in National Assembly hall, DNP (Nu. 6.1 m) and integration of planning, budgeting and accounting system, GNHC (Nu. 10 m).

Major capital activities under this sector are given in the *Table 4.21*.

Table 4.21: Major Capital Activities under General Public Services

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of border check post & maintenance of border security wall, MHCA	7.000	RGoB
2	Online system development of 110 services - G2C, MHCA	17.800	GOI
3	Integration of biometric feature into existing system, MHCA	10.000	RGoB
4	Construction of Regional Immigration Office, Samtse	8.993	RGoB
5	Advocacy & sensitization workshop on LDPM, ECP mainstreaming guidelines & ECP strategies, MHCA	14.210	JSP
6	Local Government Support Program, MHCA	9.660	DANIDA
7	Contribution to SDF, MoF	156.000	RGoB
8	HRD Training, DRC, MoF	3.500	RGoB
9	Construction of Regional Office at RRCO, Gelephu	20.000	RGoB
10	Installation of heating and cooling system in National Assembly Hall, DNP, MoF	6.100	RGoB
11	Construction of labour shed, DNP, MoF	12.000	RGoB
12	Professional Services (AASBB), DPA, MoF	3.000	RGoB
13	Construction of office of the Attorney General	30.000	GOI
14	Integration of Planning Budgeting Accounting system under TSP (PFU GNHC)	10.000	DANIDA
15	HRD for GNHC	3.000	Netherland

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
16	Support to Developing Research Capacity under TSP (RED GNHC)	5.258	DANIDA
17	Joint Support Program, GNHC	3.300	UNEP
18	Build capacity of PPD officials, sectors and LG officials on ECPM by Environment Mainstreaming Reference Group, NEC	5.200	UNDP/GEF
19	Rehabilitation Project, NLC	31.308	RGoB
20	National Cadastral Re-survey Program, NLC	39.910	RGoB

General Reserves

A total of Nu. 1,945.00 m is kept under General Reserve during the FY. This will be provided to agencies based on actual requirements. This includes Nu. 500 m for the Parliamentary Elections in 2013.

The details of the General Reserves are shown in *Table 4.22*.

Table 4.22: Details of General Reserves

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Remarks
1	New Appointments / Establishment	160.000	To be provided on actual appointments made over and above the provisions existing in the agencies' respective budgets.
2	General	205.000	For RLIS, transfer grants, etc.
3	Government hospitality	25.000	Reimbursement based on actual expenditure
4	Retirement Benefits	150.000	Provisions for voluntary resignations
5	Third-country Travel	30.000	
6	Ad-hoc & Spillover works	255.000	To be provided to agencies based on the actual requirement.
7	Monsoon damages	150.000	
8	Acquisition of immovable properties	300.000	To be provided to agencies once the acquisitions formalities are completed.
9	His Majesty's Relief Fund	20.000	
10	Disaster Relief Fund	150.000	
11	General Elections	500.000	To be provided to ECB on actual basis.

4.5 Budget for Legislative, Judiciary and Constitutional bodies

As mandated by the Constitution, adequate budget provisions were made to the constitutional bodies. The budget provisions are recommended as per the agreement reached with the constitutional bodies based on affordability. The proposals of these bodies and the recommendation of the government are submitted as in *Annexure I*.

4.5.1 National Assembly (NA)

A budget of Nu. 126.262 m is recommended for the National Assembly against the proposed amount of Nu. 165.199 m. The current expenditure budget includes the retirement benefits (Nu. 22.637 m) of the Hon'ble members. However, the joining benefits have not been recommended as it will take place in FY 2013-14. It also includes the budget for Parliamentary Exchange Programme (Nu. 0.800 m) and Nu. 1.680 m for PAC Secretariat.

The capital budget includes Nu. 3.800 m for the maintenance of security system in the Parliament building, Nu. 1.340 m for purchase of fire protection equipment and purchase of equipment (Nu.2.000 m).

The summary is shown below:

National Assembly	Nu. in millions	
	Proposed	Recommended
Current	124.128	114.122
Capital	41.071	12.140
Total	165.199	126.262

4.5.2 National Council (NC)

A budget of Nu. 77.030 m is recommended against the proposed budget of Nu. 116.011 m. The proposed amount includes a budget of Nu. 2.500 m for replacement of Secretary General's vehicle and Nu. 5.024 m for purchase of new vehicles for National Council Services which was not recommended. A total of Nu. 15.618 m is kept for the retirement benefits of the Hon'ble members.

The summary is shown below:

National Council		<i>Nu. in millions</i>
	Proposed	Recommended
Current	83.835	74.180
Capital	32.176	2.850
Total	116.011	77.030

4.5.3 Anti-Corruption Commission

The major capital budget is for the institutional development funded by SDC (Nu. 49.264 m) which includes Nu. 27.664 m for the purchase of surveillance equipment and Nu. 12 m for HRD.

The summary is shown below:

Anti-Corruption Commission		<i>Nu. in millions</i>
	Proposed	Recommended
Current	34.154	33.199
Capital	54.743	50.364
Total	88.897	83.563

4.5.4 Election Commission (EC)

For the Parliamentary elections in 2013, a total budget of Nu. 500 m has been reserved against the EC's proposal of Nu. 683.698 m. This budget will be made available to ECB as and when required. The current expenditure budget includes Nu.0.945 m for Electoral Roll Exercise. The capital budget includes Nu. 2.590 m for Voter's Education and Training, Nu. 2.200 m for the Training on Postal Ballot and Nu. 1.790 m for the purchase of colour printer to print the VPICs.

The summary is given below:

	Election Commission		<i>Nu. in millions</i>
	Proposed	Recommended	
Current	639.761	32.003	
Capital	129.229	6.880	
Total	768.990	38.883	

4.5.5 Judiciary

An amount of Nu. 457.250 m was recommended against the proposed budget of Nu. 772.943 m for the Judiciary. The budget covers the on-going constructions of the Supreme Court (Nu. 150 m) and of the Dzongkhag Court buildings at Bumthang, Trongsa, Pema Gatshel and Lhuntse (Nu. 66.854 m). The proposal for the construction of Drangpons' residences, Court buildings and procurement of vehicles have not been included in the new year's budget due to the resource limitations.

The budget also includes the provision of Nu. 40.240 m for various HRD and other trainings including exchange programs funded by SDC and the Government of Austria. A sum of Nu. 5.926 m is kept for the establishment of Royal Institute of Law, including consultancy fee of Nu. 5 m for the Project. A budget of Nu. 6.622 m is allocated to the Bhutan National Legal Institute.

The summary is shown below:

	Judiciary		<i>Nu. in millions</i>
	Proposed	Recommended	
Current	211.223	192.066	
Capital	561.720	265.184	
Total	772.943	457.250	

4.5.6 Royal Audit Authority (RAA)

The major component in the capital budget of the RAA is the construction of Training Centre at Tsirang for which a budget of Nu. 58 m is allocated. Further, a sum of Nu. 1.777 m is set aside for the capacity building of RAA under joint-funding from RGoB and UNDP.

The summary is given below:

Royal Audit Authority		<i>Nu. in millions</i>
	Proposed	Recommended
Current	107.775	103.410
Capital	63.457	61.327
Total	171.232	164.737

4.5.7 Royal Civil Service Commission

The current expenditure budget of RCSC includes Nu. 2.931 m for the Bhutan Civil Service Examinations. The capital budget includes HRD budget of Nu. 60 m funded by the Government of the Netherlands, post-graduate scholarships under GoI funding of Nu. 74.330 m and Nehru – Wangchuck Scholarship of Nu. 20.690 m.

The summary is given below:

Royal Civil Service Commission		<i>Nu. in millions</i>
	Proposed	Recommended
Current	32.588	31.701
Capital	162.970	156.342
Total	195.558	188.043

4.6 Foreign Currency Implications on Account of Government Budgetary Operations

With respect to the proposed budget's implication on the foreign exchange reserves, it is estimated that there would be a net inflow into the foreign exchange reserves by approximately USD 52.985 m.

CHAPTER V: TAX MEASURES

As regards the tax measures, it is being submitted separately as a Tax Bill. I will submit it after the completion of the Budget presentation.

CHAPTER VI: MACRO-ECONOMIC OUTLOOK IN THE MEDIUM TERM

In considering the macro-economic implications of the budget and the outlook for the economy in the medium term, the various projections made by the different agencies are synchronised and compiled into one whole by the Macro-economic Framework Co-ordination Committee (MFCC), which is multi-sectoral. The electricity sector's projections are made by the Department of Hydro-power and Power Systems, the projections of the Balance of payments and Reserves including Trade are made by the RMA, the GDP projections are made by the National Statistics Bureau, Grant Assistance estimates by the GNHC Secretariat, and the fiscal and debt projections by the Ministry of Finance.

6.1 Economic Growth

GDP growth in the FY ending this month is estimated to be 7.6 %, which is lower by 0.7 percentage points as compared to the FY 2010-11. This can be attributed mainly to the electricity sector, (which accounts for almost 20% of GDP), which declined by over 5.3% as a result of low rainfall in the last monsoon season.

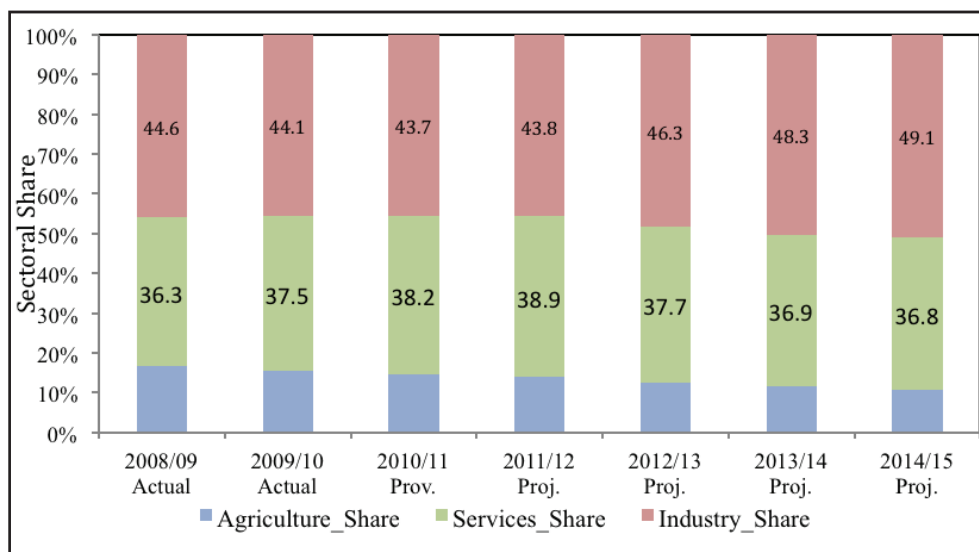
For the FY 2012-13, the economy is projected to grow by 12.5 %. This is expected to be driven by the electricity sector, which is projected to grow by 9.9 % in the FY, with the completion of the Dagachhu HP project. The manufacturing sector is expected to grow by 12.53 % largely due to the commissioning of the Dungam Cement project. The construction sector's growth is projected to rise by over 34 % as the construction activities of the on-going HP projects will peak. During the FY, works are likely to start on six new HP projects namely Kholongchhu, Amochhu, Chamkharchhu I, Sunkosh, Bunakha and Wangchhu.

Gross Domestic Products-Key Sectors

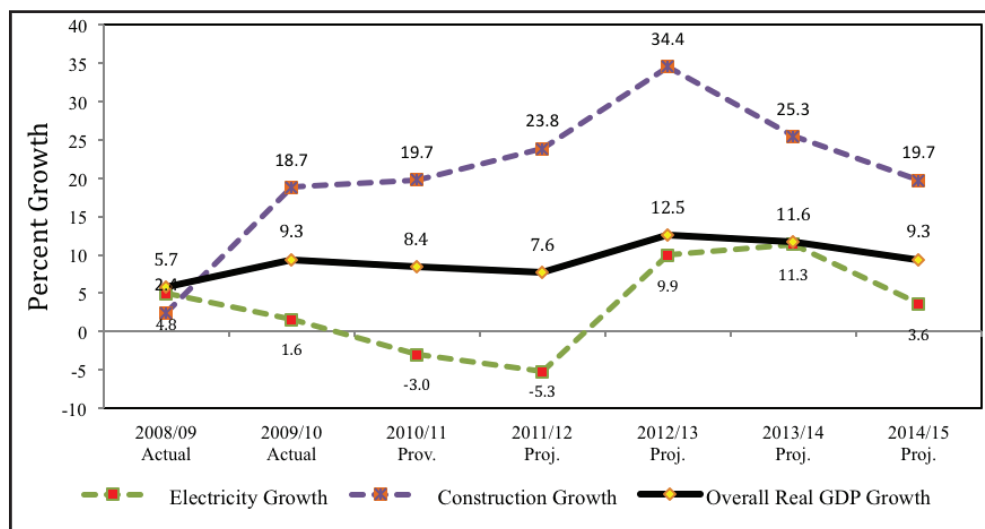
	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Prov.	2011/12 Proj.	2012/13 Proj.	2013/14 Proj.	2014/15 Proj.
Growth Rate (%)								
Real GDP at 2000 Prices	10.8	5.7	9.3	8.4	7.6	12.5	11.6	9.3
Agriculture	0.8	1.7	1.5	1.2	2.0	2.0	2.0	2.0
Industry	20.4	4.8	8.2	7.5	7.9	18.9	16.3	11.2
Electricity	38.8	4.8	1.6	-3.0	-5.3	9.9	11.3	3.6
Construction	-2.7	2.4	18.7	19.7	23.8	34.4	25.3	19.7
Services	5.3	9.1	12.7	10.6	9.4	9.3	9.1	9.1
Sectoral Share to GDP (%)								
Agriculture	16.8	16.2	15.0	14.0	13.3	12.0	11.0	10.3
Industry	45.0	44.6	44.1	43.7	43.8	46.3	48.3	49.1
Electricity	23.1	22.9	21.2	19.0	16.7	16.3	16.3	15.4
Construction	11.4	11.0	12.0	13.2	15.2	18.2	20.4	22.3
Services	35.2	36.3	37.5	38.2	38.9	37.7	36.9	36.8

Source: National Statistics Bureau

In respect to the five years of 10th FYP, this would mean an average GDP growth rate of around 8.71% which is close to 9% target set in the beginning of the 10th FYP.



The growth projection for the FY 2013-14 is 11.6 %. This is expected to be contributed again by the electricity sector which is projected to grow at 11.3 % as the Dagachhu's production will largely occur in the second half of 2013. The other contributing sector is the construction sector which is estimated to grow by over 25% mainly due to the commencement of Nikachhu HP project.



In the FY 2014-15, the economy is projected to grow by over 9%. The contributing sectors are again the electricity and more so the construction sector which is projected to grow at over 19 % mainly due to the commencement of the Kuri-Gongri HP project.

6.2 Inflation

The economy witnessed a high inflation of 8.33 % by the end of FY 2010-11. With import of more than 75% of commodities from India, the domestic price fluctuation was almost in tandem with price movements in India. In the medium term too, the same trend is anticipated. High inflation in India means higher costs for most of Bhutan's essential imports, and the consequent pressure on the Indian Rupee reserves.

6.3 Employment

The decline in the unemployment rate from 3.3% in 2010 to 3.1% in 2011 shows a positive trend. Given all the employment programmes and the surge in economic growth, the prospect for increasing employment is positive in the medium term.

Numerous initiatives undertaken to generate employment and providing the necessary skills to the youth such as up-scaling of the VTIs, start of nursing course, training in hospitality services, and several other development programmes, and the implementation of many hydro-power projects will ensure these positive developments. The target of achieving 100,000 tourist arrivals a year, and providing enabling environment to small scale and cottage industries is also expected to generate employment. Moreover, the provision of vehicular roads, communications facilities and electricity to almost all the villages will help engage more of our people in agriculture. The programme for up-scaling domestic production of agricultural commodities, especially vegetables, as import substitution will facilitate more employment.

6.4 Fiscal Outlook

The fiscal projections for the medium term are as indicated in Table 6.1 below.

Table 6.1: Fiscal Projections

Financial Years	2010/11	2011/12	2012/13	2013/14	2014/15
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Projection</i>	<i>Projection</i>
Total Resources	28,171.759	33,336.981	31,891.042	27,723.442	34,026.031
Domestic Revenue	17,458.797	19,154.759	21,157.547	21,121.467	23,265.037
Tax Revenue	11,593.486	13,446.222	15,282.381	14,932.804	16,529.903
Non-tax revenue	5,865.311	5,708.537	5,875.076	6,188.663	6,735.135
Grants	10,497.727	13,496.858	10,691.241	6,601.975	10,760.994
Project-tied Grants	8,716.566	11,688.118	8,615.516	4,985.990	9,149.551

Financial Years	2010/11	2011/12	2012/13	2013/14	2014/15
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Projection</i>	<i>Projection</i>
India	6,482.768	8,278.446	6,104.326	2,994.879	5,906.388
Others	2,233.798	3,409.672	2,511.190	1,991.111	3,243.163
Program Grants	1,781.161	1,808.740	2,075.725	1,615.985	1,611.443
India	1,400.000	1,400.000	1,400.000	1,400.000	1,400.000
Others	381.161	408.740	675.725	215.985	211.443
Other receipts (Net)	215.235	685.364	42.344	0.000	0.000
Outlay	29,842.433	37,089.418	33,486.239	31,556.305	34,472.991
Total Expenditure	29,521.905	37,892.529	34,515.549	32,985.709	36,545.689
Current expenditure	14,735.058	17,336.340	18,262.630	19,735.909	21,823.689
Capital expenditure	14,786.847	20,556.189	16,252.919	13,249.800	14,722.000
Net lending (NL)	-906.605	-803.111	-1,029.310	-1,429.404	-2,072.698
Advance/Suspense (Net)	1,227.133	0.000	0.000	0.000	0.000
Fiscal Balance	-1,670.674	-3,752.437	-1,595.197	-3,832.863	-446.960
Financing	1,670.674	3,752.437	1,595.197	3,832.863	446.960
Net Borrowings	293.968	-234.192	924.766	776.117	351.381
Borrowings	3,110.010	6,913.649	3,443.781	3,497.635	3,196.802
Internal	499.375	4,794.431	0.00	0.000	0.000
External	2,610.635	2,119.218	3,443.781	3,497.635	3,196.802
Repayments	2,816.042	7,147.841	2,519.015	2,721.518	2,845.420
Internal	674.677	4,969.734	175.302	175.302	175.302
External	2,141.365	2,178.107	2,343.712	2,546.216	2,670.118
Resource gap	-1,376.706	-3,986.629	-670.431	-3,056.746	-95.578
(As a Percentage of Nominal GDP)					
Financial Years	2010/11	2011/12	2012/13	2013/14	2014/15
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Projection</i>	<i>Projection</i>
Total Resources	36.78	38.39	31.15	23.24	24.94
Outlay	38.92	42.72	32.71	26.45	25.27
Total Expenditure	38.54	43.64	33.72	27.65	26.79
Fiscal Balance	-2.18	-4.32	-1.56	-3.21	-0.33
Financing	2.14	4.32	1.56	3.21	0.33
Resource gap	-1.80	-4.59	-0.65	-2.56	-0.07

Financial Years	2010/11	2011/12	2012/13	2013/14	2014/15
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Projection</i>	<i>Projection</i>
Memorandum Items:					
Financial Years	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Revised	Budget	Projection	Projection
Total Debt	48,619.19	57,276.95	79,729.99	113,327.57	152,343.55
% of GDP	63.48	65.97	77.89	95.01	111.67
Domestic Debt	876.51	701.21	525.91	350.60	175.30
External Debt	47,742.68	56,575.74	79,204.08	112,976.97	152,168.25
% of total Debt	98.20	98.78	99.34	99.69	99.88
% of GDP	62.33	65.16	77.38	94.71	111.55
% (y-o-y) change	32.16	17.81	39.20	42.14	34.43
Of which hydropower debt	31,393.47	38,240.05	57,553.49	87,750.17	123,782.35
% of external debt	65.76	67.59	72.66	77.67	81.35
% of GDP	40.99	44.04	56.23	73.56	90.74
Exports (GNFS)	33,867.81	36,956.65	40,776.66	44,461.30	48,184.40
Total Debt Service*	4,610.09	4,195.14	4,456.90	4,692.54	5,090.57
<i>o/w external debt service</i>	3,876.21	3,971.63	4,243.03	4,488.31	4,901.83
Debt Service Ratio**	11.45	10.75	10.41	10.09	10.17
Nominal GDP (Nu. in millions)	76,595.32	86,828.69	102,362.73	119,284.23	136,418.42
Real GDP Growth Rate	8.39	7.62	12.51	11.61	9.32
Inflation (CPI)-FY Average	8.55	9.07	7.58	7.60	7.61

*As on March 31st, 2012;

** Debt Service = Interest Payment + Principle (Repayment)

6.4.1 Domestic Revenue and External Grant Assistance

During the 10th FYP, the internal revenue is projected to grow by an annual average of 11.4% (*three years actual figure & two years projections*) as

compared to the 6% growth target set in the start of the Plan period. The hydro-power projects are projected to contribute 25% of the total revenue in the plan period.

For the projection period, revenue is not expected to grow (0.17%) in FY 2013/14 due to projection of one import year's excise duty refund from the GoI as compared to two import years' refund in previous years. In the subsequent year, however, it is expected to grow at a high rate of over 10.15% primarily due to the commissioning of the Dungsum Cement project and the Dagachhu HP project.

It is also projected that internal revenue will cover all recurrent expenditures during this period.

In terms of grant aid, it is estimated at Nu. 10,691.241 m for the FY 2012-13 as per the commitments of the development partners. For the two outer years, the projections are based on past trend.

6.4.2 Expenditure

As presented earlier, in the FY 2012-13, the total expenditure is estimated at Nu. 34,515.549 m, which is lower by 8.9% in nominal terms from the revised budget of FY 2011-12. The current expenditure may increase slightly mainly on account of expenses for the national elections scheduled for 2013.

The total expenditure for the FY 2013-14 is projected to be lower by 4.43 % in comparison with the FY 2012-13, as it is the first year of 11th FYP. This is as per the trend in the first year of a Plan due to time taken in mobilising resources and in preparatory works. Total expenditure in the subsequent year is projected to increase by 10.79%, mainly on account of increasing current expenditure arising largely out of the maintenance of the new infrastructure developed during the 10th Plan.

6.4.3 Fiscal Balance

The fiscal deficit of 4.3% and 1.56 % of GDP is estimated in the revised budget of FY 2011-12 and in FY 2012-13 budget respectively. On an average, a fiscal deficit of only 0.9 % of GDP has been estimated for the 10th FYP.

In the two outer fiscal years, the deficit is expected to drop to 3.21% of GDP in FY 2013/14 and 0.33% in FY 2014/15.

6.5 Debt Stock and Debt Service

(a) External Debt

(i) Hydro-power debt:

The external debt stock on account of hydro-power projects for the period ending FY 2012-13 is estimated at Nu. 57,553.494 m based on the planned disbursements of the on-going and new loans. It constitutes 72.66 % of the total external debt and around 56.23% of the estimated GDP. The disbursements for the FY is estimated at Nu. 20, 825.78 m due to the greater momentum of the activities of the on-going projects namely Punatsangchhu I & II, Dagachhu and the Mangdechhu. Some amount is also expected to be disbursed for the Sunkosh and Amochhu projects during the year. In the medium term, hydro-power debt is projected to be Nu. 87,750.167 m in 2013-14 and Nu. 123,782.350 m in 2014-15, with 10 projects on-going. The hydro-power projects loans are self-liquidating as the projects are commercially viable.

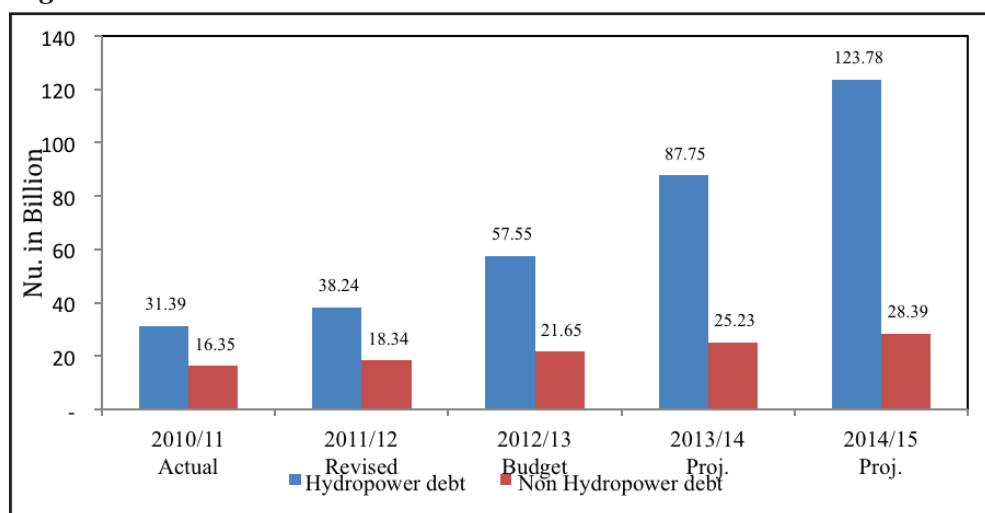
(ii) Non-hydropower debt

This external debt is estimated at Nu. 21,650.590 m at the end of the FY 2012-13, or 21.15 % of the estimated GDP. It would constitute 27.3 % of the total external debt. The non-hydropower loans are borrowed from multi-lateral development financial institutions at highly concessionary terms, and therefore, such debts are at a sustainable level. In the medium term, this is expected to be at Nu. 25,226.803 m in FY 2013-14 and Nu. 28,385.895 m in FY 2014-15.

Table 6.2: External Debt Stock and Debt Indicators*Amount in millions*

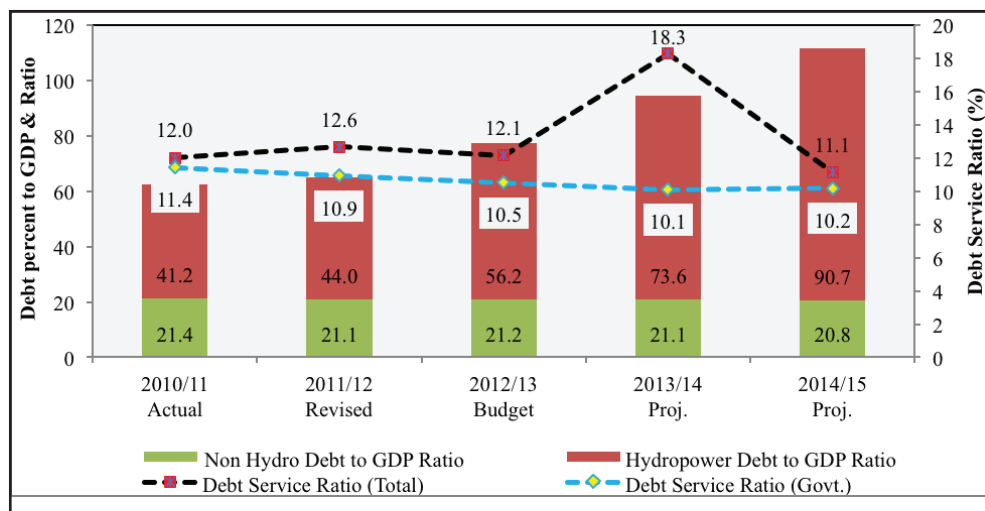
	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Revised*	Budget	Projection	Projection
External Govt. Debt	47,742.665	56,575.743	79,204.084	112,976.970	152,168.245
Indian Rupee	24,647.540	29,875.197	48,619.207	76,800.593	111,266.395
Convertible Currency(US\$)	513.682	558.909	612.513	705.080	779.302
Hydro-power Debt	31,393.472	38,240.048	57,553.494	87,750.167	123,782.350
% of GDP	41.18	44.04	56.23	73.56	90.74
Debt Service Ratio	32.97	34.64	35.05	35.44	38.22
Non-hydropower Debt	16,349.209	18,335.694	21,650.590	25,226.803	28,385.895
% of GDP	21.44	21.12	21.15	21.15	20.81
Debt Service Ratio - Govt. (%)	11.45	10.91	10.51	10.09	10.17
Debt Service Ratio - Total (%)	12.0	12.6	12.1	18.3	11.1
Total Debt Service as % of GDP	5.30	5.38	4.83	6.81	3.92

* Revised and projections are as on 31st March 2012

Figure 1: External Debt Stock

As regards to other external credits, the RMA has an outstanding credit of Rs. 3 billion availed in 2009 for balance of payments support from the Government of India. Further, it also avails overdrafts from Indian banks from time to time for the management of Indian Rupee reserves. Dungsum Cement Project has also availed a loan of Rs. 1,500.00 m from the Indian market as project loan against its own balance sheet.

Figure 2: Debt Indicators



The total public debt service as a percentage of exports of goods and services for the FY 2012-13 is estimated at about 12.1%. It is projected to increase during the FY 2013-14 as presented in Figure 2 above. This is due to the GoI Standby credit facility availed in 2009, which is scheduled for repayment during FY 2013-14. The total debt service for the FY 2012-13 is estimated at 4.83 % of the estimated GDP.

(b) Domestic Debt

The only domestic debt remaining in the FY 2012-13 is the one for the purchase of aircraft for Druk Air Corporation. That will be reduced to Nu. 525.91 m and gradually be repaid by FY 2015-16. However, depending on the movement of the Resources Gap, the domestic debt stock may increase accordingly. Further,

it may also increase if the purchase of the new aircraft for Druk Air Corporation, with an estimated cost of Nu. 2.2 billion is financed locally.


6.6 Balance of Payments (BoP) and Foreign Exchange Reserves

One of the major challenges in projecting the BoP is in estimating the balance of trade due to various factors. While the RMA attempts to make it as accurately as possible, due to the lack of correct and timely data, there are usually large errors and omissions. The current account deficits are projected to widen in the FY 2012/13 to FY 2014/15. They are anticipated due to rapid growth in imports as the period corresponds with the peak period of construction activities of the hydro-power projects. During the period, there will be ten HP projects ongoing.

The overall BoP is also projected to be in deficit for FY 2011/12 and FY 2012/13, but expected to be back in surplus in the subsequent years. The projections are summarised in Table 6.3.

Table 6.3: Overall Balance of Payments

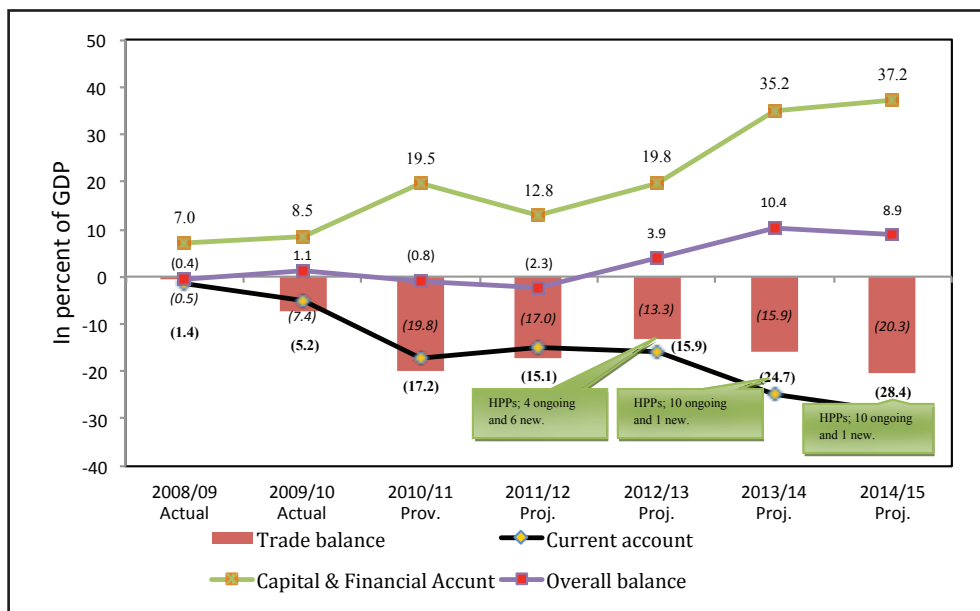
Nu. in millions

Table 6.3: Overall Balance of Payments					
 Fiscal Year Particulars	2010/11 Prov.	2011/12 Proj.	2012/13 Proj.	2013/14 Proj.	2014/15 Proj.
Current account	(16,088.9)	(18,664.2)	(23,713.6)	(38,041.2)	(47,165.8)
Goods balance (trade balance)	(23,544.9)	(24,043.6)	(24,266.3)	(31,092.5)	(41,789.1)
Service balance	(1,587.9)	(2,278.6)	(3,552.2)	(4,368.2)	(5,431.7)
Income balance	(3,663.3)	(4,370.9)	(5,389.9)	(6,994.3)	(8,563.2)
Current transfers	12,844.9	12,028.8	9,494.7	4,413.8	8,618.3
Capital and financial account	21,082.3	15,409.6	26,609.1	47,438.0	55,643.9
Capital transfers	3,652.0	5,016.7	7,923.0	14,069.9	16,620.1
Foreign direct investment	743.6	580.4	580.3	580.0	580.0
Other investment	16,686.7	9,812.5	18,105.8	32,788.1	38,443.7

Overall balance	4,473.2	(3,254.6)	2,895.5	9,396.8	8,478.1
Total reserves (in USD)	906.0	782.5	806.6	968.2	1,108.0
(In months of Essential Imports)	26.6	23.7	21.5	24.1	25.7
Exchange rate (Nu/USD)	44.9	47.8	49.9	51.3	52.5
<i>In percent of GDP</i>					
Current account	(21.0)	(21.5)	(23.2)	(31.9)	(34.6)
Trade balance	(30.7)	(27.7)	(23.7)	(26.1)	(30.6)
Capital and financial account	27.5	17.7	26.0	39.8	40.8
Overall balance	5.8	(3.7)	2.8	7.9	6.2

Balance of Payments with India: In terms of balance of payments with India, the trade deficit is projected at 17% of GDP in FY 2011/12 and 13.3% of GDP in FY 2012/13. In the following year, it is projected to further deteriorate to 20.3% of GDP mainly due to an expansion in merchandise imports on account of the construction of hydro-power projects. With the widening of the trade deficit, the current account deficit with India is projected also to grow from 14.4% of GDP in FY 2011/12 to about 28.4% of GDP at the end of FY 2014/15.

Figure No. 3: Balance of Payment with India



Under the circumstances, demand management and domestic supply enhancement measures have to continue. To manage the present shortfall in Rupees, the RMA has controlled the supply of Rupees, and is also accessing the SAARC currency swap facility recently announced. In support to the RMA's initiatives, the Government of India has kindly agreed to enhance the line of credit to INR 10 billion, of which INR 3 billion was received this month.

Foreign Exchange Reserves:

As per the projections of the RMA, the gross international reserves will be US \$ 782.51 million in FY 2011-12 and US \$ 806.63 million in FY 2012-13. Those would be adequate to meet 23.7 months of essential imports in FY 2011-12 and 21.5 months of essential imports in the FY 2012-13. It is estimated that in the FY 2012-13, the likely net usage from the reserves will be about 3.7 % of the reserves. In the outer two FYs, they are likely to be 10.9 % and 6.1 % respectively.

CHAPTER VII: REPORT ON STATE-OWNED ENTERPRISES AND COMPANIES WITH GOVERNMENT SHAREHOLDINGS

State Owned Enterprises (SOE) have been the engine of growth and play a strategic role in the socio economic progress of the country. They have been the major source of revenue to the Government, employment generation and wealth creation. SOEs have been contributing about 44% of the total domestic revenue¹ and about 10% of GDP in 2011. Total asset value of companies with Government shareholdings has grown from Nu. 71,770.36 million in 2007 to Nu. 164,170.69 million at the end of 2011. In terms of employment generation, SOEs are currently one of the largest providers of employment with more than 10,000 employees currently.

7.1 Government Portfolio in the SOEs and Linked Companies

There are now 27 companies with Government shareholdings, of which 17 are wholly-owned, 4 are majority-owned, and in 6 companies the Government holds less than 50%. DHI Infra, Dungsam Cement Corporation (DCC), Dungsam Polymers, NHDC and Thimphu Tech Park are the new additions to the portfolio of companies with Government shareholdings. However, for reporting purpose, NHDC, DCC, Dungsam Polymers and Thimphu Tech Park are excluded pending finalization of their books of accounts. In terms of the total value of equity, the Government's ownership in companies amounts to Nu. 45,204.00 million.

7.2 Financial Overview of SOEs and Linked Enterprises

In 2011, the combined annual revenue increased by about 5% whereas the overall profit (pre-tax) of state-owned and linked companies decreased by about 2% mainly due to fall in revenue earnings of larger companies like DGPC, PCAL, BFAL, BBPL and NRDC coupled with mounting operating expenses.

DGPC which is the largest revenue earner and contributor to the exchequer experienced a fall in revenue earnings on account of lower generation and decrease in energy export. Consequently, the overall dividend from companies also fell from Nu. 3,000.71 million in 2010 to Nu. 2,944.37 million.

Table 7.1: Overall financial overview

Financial Facts:			Nu. in millions	
	2011	2010	2009	2008
Gross turnover	37,047.83	35,129.45	28,811.93	20,874.96
Profit before tax	15,667.00	15,966.23	12,900.44	8,632.95
Net profit	10,962.70	11,160.25	9,152.90	6,077.92
Total net worth	70,772.72	64,646.58	59,931.77	28,466.50
Total asset	164,170.69	163,757.93	149,525.65	82,594.44
Govt.'s share of net worth in the companies	64,947.94	60,661.02	56,397.73	25,274.18
Average return on equity	13%	15%	14%	15%
Total Revenue to the Govt.	7,647.15	7,806.60	7,520.63	6,645.22

DGPC continues to be the highest dividend-paying SOE, followed by BoB, Bhutan Telecom and BPC. In terms of asset growth, total assets of SOEs and linked companies have grown by more than 128% in last five years compared to Nu. 71,770.36 million in 2007 to Nu. 164,170.69 million. The growth was mainly attributable to the amalgamation of THP's asset with DGPC and asset expansion of the financial institutions which grew by more than 89% in the last four years.

7.2.1 Earnings & Profitability

SOEs and linked companies in 2011 experienced a subdued revenue earnings and profitability. Combined annual revenue earnings of companies grew by just over 5% from Nu. 35,129.45 million to Nu. 37,047.83 million and posted a lower profit-before-tax of Nu. 15,667.00 million, resulting in lower returns on equity. On average, companies achieved 13% returns on equity as against 15% in 2010.

Decline in revenues of larger companies like DGPC, NRDC, BFAL, BBPL and

PCA have contributed towards lower profitability and returns on shareholder's fund. Lower power generation, increase in overhead cost due to salary revision and new recruitments, regulation of timber prices¹, rising raw materials and O&M costs, competitions both within and outside the country, etc, were some of the reasons for lower earnings and profitability of the above companies.

On the upside, during the year, AWP, DAC, BDB, BoB, Kuensel, STCB, RICB and BNB have posted stronger revenue growth and profitability. AWP achieved 58% increase in sales revenue compared to the previous year on account of higher production and sales which grew by more than 59%. During the year, DAC's revenue grew by 33% from Nu. 1,704.361 million in 2010 to Nu. 2,261.288 million largely due to capacity enhancement (22%) after the induction of new aircraft ATR 42-500 resulting into higher traffic revenue and earnings from cargo and consignments.

Financial institutions like RICB, BDB, BoB and BNB also achieved sharp growth in revenue and profits attributing to strong earnings from their investments. They posted record profit during the year with BoB declaring Nu. 644.389 million, BNB: Nu. 510.057 million, RICB: Nu. 300.087 million and BDB: Nu. 205.119 million. Similarly, higher earnings from circulation, printing, advertisements and sale of stationeries helped the revenue of Kuensel Corporation grow by 28%. During the year, Bhutan Telecom achieved higher earnings from its mobile and internet services because of which its annual revenue grew by 17% and pre-tax profit by 27%. Bhutan Post achieved 12% revenue growth (*from Nu. 99.861 million in 2010 to Nu. 111.470 million* mainly because of increase in revenue from the postal services and sale of philatelic items during the local government election and royal wedding in 2011. In terms of returns to shareholder funds, AWP posted the highest returns on equity with 38% followed by STCB with 28%, PCA 27%, RICB 25% and BoB 23%.

¹ NRDC had to sell at Govt. approved rate which was much lower than the auction rate it used to earn

In case of CDC, STCB, BAIL and BPC, despite achieving higher turnover growth, their profitability fell during the year. Pre-tax profit of BAIL decreased by 67%, CDC by 27%, BPC by 11%, and STCB's pre-tax profit diminished by 6%. Increase in overhead cost due to salary revision and additional recruitments, increasing raw materials and O&M costs were some of the reasons for lower profitability of these companies.

BBS meanwhile earned Nu. 36.10 million (*excluding grants and subsidies*) as revenue from its operations but incurred operating expenditure of Nu. 256.992 million. The company received subsidies and grants to the extent of Nu. 237.694 million during the year of which Nu. 158.645 million was from the Royal Government.

Table 7.2: Turnovers and returns:

SOEs	Gross Revenue			PBT			Tax			NRQF millions	
	2011	2010	Var	2011	2010	Var	2011	2010	Var	2011	2010
AWP	749.85	475.70	58%	257.82	130.79	97%	75.11	47.72	57%	50%	28%
BAIL	90.50	80.33	13%	2.70	8.20	-67%	0.75	1.94	-61%	1%	9%
BBPL	332.08	349.35	-5%	30.42	48.00	-37%	9.13	14.40	-37%	9%	14%
BBS	273.80	216.04	27%	16.28	-0.04	0%	-	-	-	2%	0%
BDB	548.57	416.64	32%	205.12	177.84	15%	-	-	-	14%	14%
BFAL	1858.59	1975.30	-6%	217.76	375.75	-42%	86.84	130.82	-34%	17%	33%
Bhutan Post	111.47	99.86	12%	10.14	8.76	16%	3.48	2.67	31%	5%	5%
BNB	2032.40	1584.15	28%	729.00	361.08	102%	218.95	110.26	99%	15%	16%
BoB	1757.70	1467.31	20%	921.32	735.99	25%	276.93	225.21	23%	23%	22%
BPC	3545.15	3366.15	5%	1209.01	1353.20	-11%	322.48	354.77	-9%	6%	8%
BT	1833.67	1563.49	17%	681.21	534.65	27%	249.00	198.11	26%	16%	14%
CDC	400.34	274.44	46%	7.85	5.46	44%	2.12	1.64	29%	1%	1%
DGPC	10948.33	11811.46	-7%	5638.24	6486.74	-13%	1705.15	1998.14	-15%	10%	12%
DHI	4359.98	4468.69	-2%	4307.96	4,423.42	-3%	1292.39	1327.04	-3%	7%	7%
DHI Infra	3.55	-	-	-0.43	-	-	-	-	-	-0.2%	-
Druk Air	2261.29	1704.36	33%	370.73	185.68	100%	114.97	60.20	91%	11%	6%
FCB	637.00	647.52	-2%	14.02	45.10	-69%	5.44	13.895	-61%	3%	11%
Kuensel	184.21	149.29	23%	31.74	22.68	40%	9.56	6.80	41%	14%	11%
NRDC	346.13	382.33	-9%	30.59	103.55	-70%	9.80	30.53	-68%	4%	15%
PCA	1892.05	1984.96	-5%	429.77	548.49	-22%	138.40	169.75	-18%	27%	33%
RICB	486.94	332.23	47%	450.93	300.19	50%	150.85	90.06	67%	25%	22%
STCB	2335.20	1723.09	36%	103.27	110.25	-6%	30.98	21.77	42%	28%	44%
WCC	59.05	56.76	4%	1.56	0.47	233%	0.47	0.19	151%	1%	0.3%
TOTAL	37,047.83	35,129.45	5%	15,667.00	15,966.23	-2%	4702.78	4805.89	-2%	13%	15%

7.2.2 Assets & net worth

The combined net-worth of SOEs has grown by more than 9% from Nu. 64,646.58 million to Nu. 70,772.72 million. Among the SOEs, DGPC is the largest with total asset worth of Nu. 61,183.83 million (*37.3% of the combined assets of SOEs*) and net worth of Nu. 37,897.51 million. The total value of the asset of the companies with Government shareholdings grew from Nu. 163,757.93 million in 2010 to Nu. 164,170.69 million in 2011. On the whole, the Royal Government's ownership in various corporations on net worth basis grew by 7% up from Nu. 60,661.98 million in 2010 to Nu. 64,947.94 million. The growth in net-worth was driven mainly by increase in paid-up capital of BNB through rights issue as well as increase in reserves of AWP, BBS, BPC, BoB, BNB, STCB and RICB on account of retained earnings.

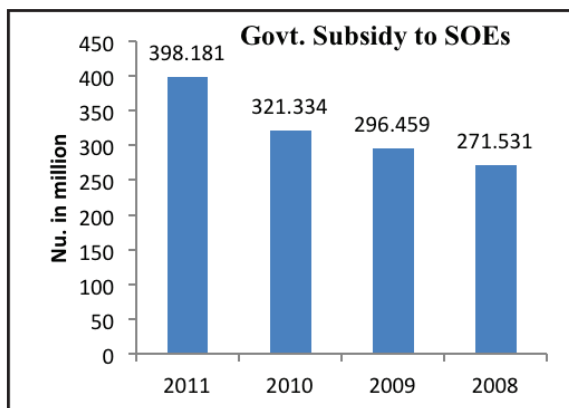
Table 7.3: Financial Positions of companies with Govt. shareholdings

Nu. in millions

SOEs	Govt. Holdg	Assets			Reserves			Net Worth		
		2010	2011	change	2010	2011	change	2010	2011	change
AWP	100%	511.41	604.27	18%	266.94	340.03	27%	291.94	365.03	25%
BAIL	100%	75.07	70.86	-6%	36.09	32.19	-11%	65.15	61.25	-6%
BBSC	100%	537.71	769.01	43%	397.12	593.29	49%	498.09	724.12	45%
B. Post	100%	194.03	198.58	2%	91.27	97.92	7%	114.86	121.51	6%
B. Telecom	100%	3,467.27	3,732.40	8%	1,632.68	1,816.49	11%	2,486.77	2,670.57	7%
BPC	100%	18,180.94	21,031.24	16%	4,435.68	6,380.19	44%	11,751.35	13,695.86	17%
BDB	93.50%	4,242.53	5,211.32	23%	1,094.48	1,294.19	18%	1,294.48	1,494.19	15%
BoBL	80%	30185.77	26,959.60	-11%	1,879.99	2,426.80	29%	2,279.99	2,826.80	24%
BNBL	13.61%	26,637.92	25,754.38	-3%	1,247.58	2,708.34	117%	1,603.10	3,384.18	111%
BBPL	47.74%	302.87	338.62	12%	96.27	100.76	5%	236.27	240.76	2%
BEAL	25.73%	1,605.32	1,497.54	-7%	581.85	615.27	6%	731.85	765.27	5%
CDCL	100%	525.81	696.95	33%	429.76	34.37	-92%	429.76	435.76	1%
DHI	100%	50,971.28	51,133.90	0.3%	985.99	1,062.29	8%	45,254.24	45,390.41	0.30%
DHI Infra	100%		210.90	-		-	-		199.57	-
Druk Air	100%	4,581.81	4,959.87	8%	-	52.80		2,072.45	2,278.01	10%
DGPC	100%	62,961.97	61,183.83	-3%	6,934.36	7,389.22	7%	37,442.65	37,897.51	1%
FCB	100%	357.01	370.95	4%	219.29	228.69	4%	289.14	297.31	3%
NRDC	100%	627.08	589.28	-6%	465.18	463.73	0%	495.18	493.73	0%
Kuensel Corp.	51%	221.93	248.66	12%	100.82	110.87	10%	150.82	160.87	7%
STCBL	51%	578.68	915.51	58%	141.04	201.32	43%	201.04	261.32	30%
PCA	44.74%	1,827.23	1,743.13	-5%	798.48	749.85	-6%	1,138.48	1,089.85	-4%
RICBL	39.25%	6,024.02	6,960.84	16%	734.42	970.52	32%	974.42	1,210.52	24%
WCC	100%	111.56	122.95	10%	-	25.43	-	98.82	98.74	1%

7.2.3 Government's revenue from SOEs

Overall, revenue from SOEs and linked companies in terms of tax and dividend reduced by 2%, which was Nu. 159.45 million less compared to 2010. These companies contributed Nu. 7,647.15 million in the form of dividends and taxes to the Government compared to



Nu. 7,806.60 million in 2010. The decrease was mainly on account of the fall in profitability of DGPC whose contribution constitutes about 29% of the total domestic revenue. During the year, the revenue contribution from DGPC was Nu. 5,140.79 million of which THP contributed Nu. 3.043 billion (90% of PAT plus CIT). On the whole, revenue contribution from SOEs and linked companies constituted about 44% of the total domestic revenue² and about 10% of the GDP.

7.2.4 Subsidy and Grants

During the year, the Government provided Nu. 398.181 million in the form of subsidy and grants to SOEs, which was Nu. 76.847 million higher than the amount provided in 2010 (Nu. 321.33 million). BBS was the highest recipient of subsidy with Nu. 158.65 million as operating grants followed by Druk Air with Nu. 157.224 million as interest subsidy on its Bonds. BDB was given tax exemption to the extent of Nu. 61.54 million.

² DRC: Domestic revenue in 2009-10 was Nu. 15,638.434 million

7.3 Report on financial and operational performance of Druk Holdings & Investments

In 2011, DHI experienced a drop in its earnings and profitability because of the fall in dividend payouts out from larger companies like DGPC, BoB, BFAL and NRDC. DHI's total dividends received from its companies were lower by 4% from Nu. 4,599.20 million in 2010 to Nu. 4,423.968 million, and hence, DHI's gross revenue in 2011 fell by 3%. More than 80% of DHI's total revenue comes from DGPC, therefore any variation in the dividend from DGPC would directly influence the revenue of the company.

The DHI's operating cost increased by 15% from Nu. 45.276 million to Nu. 52.01 million on account of increase in employee and other administrative costs. As a result, the pre-tax profit of the company declined from Nu. 4,423.415 million in 2010 to Nu. 4,307.963 million. This consequently led to a fall in return-on-equity to about 6% which is comparatively lower than other SOEs.

Remittance from DHI in terms of corporate tax fell from Nu. 1,327.035 million to Nu. 1,292.389 million and contributed Nu. 2,939.272 million as dividend (*including Nu. 1,439.27 million profit transfer from THP*).

Table 7.4: Financial overview of DHI:

Nu. in millions

Particulars	2011	2010	Change %
Share Capital	44268.25	44268.25	0.00%
Reserve and Surplus	1040.69	985.99	5.55%
Debt if any	-	-	
Total Assets (Book Value)	51060.62	50971.27	0.18%
Net Worth	45308.93	45254.24	0.12%
Gross Turnover	4344.38	4468.69	-2.78%
Expenditure	52.01	45.28	14.88%
Profit Before Tax	4292.37	4423.42	-2.96%
Corporate Income Tax	1287.71	1327.04	-2.96%
Profit After Tax	3004.66	3096.38	-2.96%
Dividend	2949.96	2989.37	-1.32%
Return on Equity (<i>after tax</i>)	6.6%	7%	0.00%

7.3.1 DHI's Assets and Equity

The paid-up capital of DHI grew by Nu. 59.866 million from Nu. 44,268.25 million to Nu. 44,328.114 million largely due to the increase in equity investment in BNB. As a result, reserves and surplus grew by 8% with marginal growth in net worth (0.3%). Total value of reserves and surpluses of the company was Nu. 1,062.291 million compared to Nu. 985.989 million in 2010. Similarly, DHI's asset value grew by less than a percent (0.3%) from Nu. 50,971.27 million to Nu. 51,133.895 million in 2011. Almost 88% of the total assets constitute DHI's equity investments in SOEs and the linked companies which amounted to Nu. 44,784.428 million as of December 2011.

7.3.2 Investments

The ongoing investments undertaken by DHI, DGPC and DHI Infra include Thimphu Tech Park, 126 MW Dagachhu Hydropower Project (DHP), Dungsam Cement Project, Dungsam Polymers, Education City Project and Amochhu Land Reclamation Project. DHP which is 59% owned by DGPC is expected to be completed by 2013 and DCC will be operational by the end of 2012. The Dungsam Polymers Limited established for the production of polypropylene (PP) bags has started commercial production in March 2012.

DHI Infra, a wholly-owned subsidiary of DHI is implementing the Education City Project, Special Economic Zones (*SEZ*) and Amochhu Land Reclamation Project. The works for the first phase of the Education City project has been already awarded to a consortium from India (*ILFS & IIPL*).

Other projects in the pipeline and which are under consideration are; dairy plant in Chenary, Tashigang a collaboration with Shin Nippon Biomedical Laboratories Ltd (SNBL), Japan, to manufacture yogurts and other dairy and related products, Bhutan bottled water, magnesium metal production, Thimphu international convention centre and wellness centre.

CHAPTER VIII: REPORT ON THE NATIONAL PENSION AND PROVIDENT FUND AND THE ROYAL MONETARY AUTHORITY

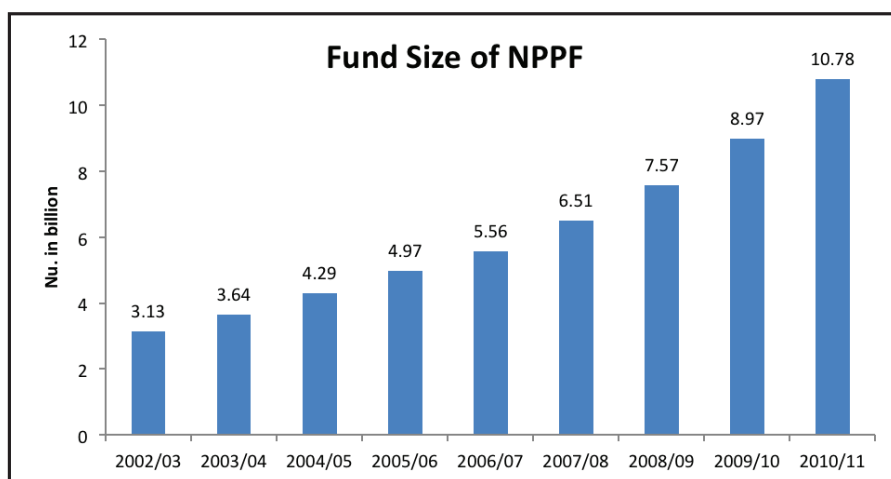
8.1 National Pension and Provident Fund (NPPF)

NPPF registered a growth of 5.30% in its membership from 43,025 members to 46,026 in 2011. On average, it grew by 4.01% over the past five consecutive years on account of the inclusion of employees of Puna-I and II, Dagachu, Mangdech, Dungsum Polymer, Dungsum, Army Welfare Project and Army School Project.

The total number of pensioners increased from 2,897 during the last financial year to 3,061 as of December 2011 with a pension payout of Nu. 431.67 million.

Financial and operational achievements

NPPF has achieved commendable performance during FY 2010-11. Its fund size has grown from Nu.8.973.22 million to Nu 10,781.59 million recording a growth of 20.18 percent during the year mainly attributed to growth on return on investments, increase in membership and contributions from the members. It has generated gross revenue of Nu 689.64 million as compared to Nu.587.73 million in FY 2009-10 indicating a 17.34 percent growth. Major portion of revenue was earned from its investments.



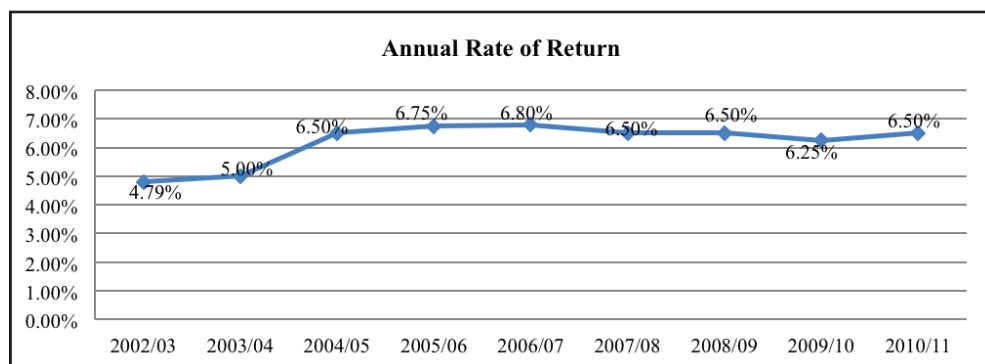
Investments and their performance

Total investments consisting of institutional loans, loans to members, equity investments in large projects like DHP, bonds, real estates, term deposits, etc have grown to Nu. 11,852.242 million as of June 2011. To foster a public-private partnership, NPPF is also financing Yangphel Real Estate Developers. This project will help the NPPF to promote homeownership to its members and if successful, shall be replicated in other Dzongkhags throughout the country.

The NPPF's investments as on 31st December 2011:

Sl. No.	Investment types	Amount (in million Nu.)	Average return p.a.
A	Loans		
A.1	Loans to Government	436.550	5.5%
A.2	Loans to Institutions and Companies	3,745.514	8.9%
A.3	Loans to members		
	Housing	1,950.928	10%
	Education	1,965.481	9%
	Student	6.556	8.79%
B	Bonds		
B.1	Government	638.127	7.5%
B.2	Corporate	589.893	6.85%
C	Real Estate	332.842	3.12%
D	Equities	942.496	5.17%
E	Deposits with Banks	1,243.853	5.6%
	Total	11,852.242	

Over the past eight years of its operation, the NPPF has consistently declared returns of more than 6% per annum:



New initiatives and schemes

NPPF at present have four branches at, Phuentsholing, Gelephu, Samdrupjongkhar, and Mongar and all its branches are interconnected with the Virtual Private Network for the real time exchange of information and faster delivery of services to the members. In October 2011, NPPF launched a Student Loan Scheme with the objective of providing financial support to the needy students for pursuing higher education. By 31st December 2011, there were 39 students studying under the Student Loan Scheme.

NPPF has always accorded top priority in improving service delivery for the benefit of the members. Towards achieving this goal, the NPPF has taken advantage of the G2C Project to make its services easily available at the grass root level. In order to provide wider choices in pension delivery system, pensioners can now avail the ATM services of the banks.

NPPF is also in the process of introducing new retirement savings schemes in an effort to ensure greater income security for all the salaried employees in Bhutan.

8.2 Royal Monetary Authority (RMA)

In accordance with the Royal Monetary Authority Act of Bhutan 2010, the annual audit of the RMA's accounts for the period ending June 30, 2011 was carried out by external auditors. As per the accounts report, the RMA's total operating income grew by 15% from Nu. 643 million to Nu.740 million in 2011 with interest earnings forming 94% of the total operating income. The interest earnings grew by 10% from Nu. 632 million to Nu.693 million in 2011. On the expenditure front, the total operating expenses increased by 7% of which, the expenditure on security printing and minting accounted for 22% followed by 20% incurred on interest expenses at 20%. After making adjustments towards special reserve account and on cost of monetary policy, there was a net surplus of Nu.230 million, a growth of 20% as compared to Nu.192 million in 2010.

The Royal Monetary Authority's primary mandate is to conduct monetary policy to help promote financial system stability, price stability, and adequacy of foreign exchange reserves. Through monetary policy, the central bank influences the availability of money and credit. The monetary policy instruments include cash reserve ratio (CRR), statutory liquidity ratio (SLR), open market operations and prudential guidelines. When there is inadequate credit or excessive credit build-up in the economy, the central bank has to regulate them through those instruments.

The RMA has recently been fully seized with monetary policy actions to regulate excessive credit growth which has led to high imports and depletion of Indian Rupees. It has implemented a series of monetary measures and other measures such as streamlining rupee and convertible currency management.

CHAPTER IX: REPORT ON TRUST FUNDS

9.1 Trust Funds

The status the Trust Funds are as below.

9.1.1 Bhutan Trust Fund for Environmental Conservation (BT FEC)

The BT FEC's initial capital of US \$ 21.673 m has reached US \$ 42.300 m as of June 2011. During the year, the Fund had earned an income of USD \$ 2.278 m from investments in Bhutan and abroad and spent USD \$ 1.117 m on conservation grants and operation of the Fund's office.

9.1.2 Bhutan Health Trust Fund (BHTF)

During the year, the Fund earned an income of Nu. 26.866 m by way of interest from fixed deposits, loans and bonds while Nu. 2.164 m was contributed towards co-financing the procurement of drugs (pentavalent vaccines - Diphtheria, Pertussis, Tetanus, Hepatitis B and Hib) with GAVI. As of March 2012, the Fund's balance was Nu. 1,130 m.

9.1.3 Cultural Trust Fund

The Fund's balance as of March 2012 was Nu. 47.279 m as against the initial capital of Nu. 31.267 m in 1999. The increase was from interest earnings from the term deposit.

9.1.4 Universal Service Fund for ICT

With an income of Nu. 77.70 m during the year and Nu. 80.97 m contributed for the Rural Communication Project, the Fund has a balance of Nu. 116.56 m as of March 2012. The Rural Communication project to which the contribution was made, aims to provide mobile cellular connectivity to the

rural communities in the shadow areas. The fund also contributed in providing broadband connection to the high schools, and Dzongkhag Administration Offices such as Gasa and Dagana.

Table 9.1: Fund position of Trust Funds

Amount in millions

Trust Fund	Initial Fund (Year)			
		Revenue	Expenditure	Fund Balance
Bhutan Trust Fund for Environment Conservation	US \$ 21.673 (1991)	US \$ 2.278	US \$ 1.117	US \$ 42.300
Health Trust Fund	US \$ 1.000 (1998)	Nu 26.866	Nu 2.164	Nu 1,130
Cultural Trust Fund	Nu. 31.267 (1999)	Nu. 1.421	-	Nu. 47.279
Universal Trust Fund for ICT	Nu. 194.240 (2007)	Nu. 77.700	Nu. 80.970	Nu. 116.562

CONCLUSION

This concludes my presentation of the budget for the final year of our term. We have tried to meet the requirements of all agencies against the backdrop of our need to control Government expenditures. The budget deficit has been accordingly brought down to 1.56 % of GDP. We sincerely hope that the agencies can complete the programmes and activities within the budget limits set.

With the proper execution of the budget, we will be set on a higher platform of development. In the 11th Plan, development activities can be carried out with much greater efficiency as almost all our communities are provided with the basic infrastructure. Thus, we are truly enabled to improve our own lot through industry and initiative. These will enable us to move ever closer towards the goal of Gross National Happiness.

I take this opportunity to thank the Honourable Members of the National Assembly for the kind support granted to me for the budgets that I presented. On my part, I submit that I have done the utmost within my capacity to provide a fair and just budget given the limited resources. I also wish to thank the Honourable Prime Minister and my colleagues in the Lhengye Zhungtshog for their kind support and guidance. I end by paying tribute to His Majesty the Druk Gyalpo, under whose guidance this first democratic government has been able to serve the people and set the right standards. May the guardian deities of the glorious Palden Drukpa forever protect and guide the Bhutanese nation and people for peace, prosperity and happiness.

I now commend the budget to the House and submit that the **Supplementary Budget Appropriation Bill for the FY 2011-12, Budget Appropriation Bill for the Financial Year 2012-13 and Tax 2012 Bill** be kindly passed.

Thank you.

ANNEXURES

ANNEXURE – I

Budget Statement for the Legislature, the Judiciary & the Constitutional Bodies for the FY 2012-13

Nu. in millions

NATIONAL ASSEMBLY							
Activities/sub-activity	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment costs, Secretariat	19.272	0.250	19.522	17.893		17.893	
Establishment costs for Parliamentary Services	89.284	31.446	120.730	60.857	5.000	65.857	
Zhungkha Promotion		0.150	0.150	-	-	-	
Maintenance of security system in Parliament house	1.290	5.800	7.090	1.290	3.800	5.090	
Maintenance of fire alarm & hydrant system in Parliament house	0.200	1.340	1.540	0.200	1.340	1.540	
In-house printing of Acts	2.120	2.000	4.120	1.880	2.000	3.880	
Parliamentary exchange programmes	1.200		1.200	0.800	-	0.800	
Broadband connections	0.432		0.432	0.432		0.432	
PAC Secretariat costs	2.178	0.085	2.263	1.680		1.680	
Reserve for new appointments	0.808		0.808	0.808		0.808	
Digital IR Based Interpretation system	0.100		0.100	0.100		0.100	
Retirement benefits				22.637		22.637	
Assembly session services	4.185		4.185	3.800		3.800	
Committee services	3.059		3.059	1.745		1.745	
Total	124.128	41.071	165.199	114.122	12.140	126.262	

NATIONAL COUNCIL							Nu. in millions
Activities/sub-activity	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment costs, Secretariat	13.893	4.000	17.893	12.163	0.750	12.913	
Establishment costs for Parliamentary Services	62.571	28.176	90.747	43.747	2.100	45.847	
Printing of Acts, resolutions etc.	2.619		2.619	2.000		2.000	
Parliamentary exchange programmes	1.200		1.200				
Reserve for new appointments	0.252		0.252	0.252		0.252	
Consultative meeting with local government	2.500		2.500			0.000	
Retirement of NC members				15.618		15.618	
Committee services	0.800		0.800	0.400		0.400	
Total	83.835	32.176	116.011	74.180	2.850	77.030	

Nu. in millions

ANTI CORRUPTION COMMISSION							Nu. in millions
Activities/sub-activities	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Cost	30.225	4.379	34.604	29.270	-	29.270	
General Provision for new appointments	1.000	-	1.000	1.000	-	1.000	
Institutional Development	2.929	49.264	52.193	2.929	49.264	52.193	
Ethics & Integrity Management Programme	-	0.100	0.100	-	0.100	0.100	
Construction of office building	-	1.000	1.000	-	1.000	1.000	
Total	34.154	54.743	88.897	33.199	50.364	83.563	

Nu. in millions

ELECTION COMMISSION						
Activities/sub-activities	Proposed		Recommended		Remarks	
	Current	Capital	Total	Current	Capital	Total
Establishment Cost	36.499	13.358	49.857	29.297	-	29.297
Research & Publication	0.518	0.500	1.018	0.481	0.300	0.781
Consultative meeting & workshops with public and other stakeholders	0.680	-	0.680	0.680	-	0.680
Civic & Voter Education	-	14.200	14.200	-	2.590	2.590
Zhungkha Development	0.052	0.465	0.517	-	-	-
Procurement of vehicles for Dzongkhag Election services	-	7.000	7.000	-	-	-
Electoral Roll Exercises	5.920	3.500	9.420	0.945	3.990	4.935
General provision for new appointments	0.600	-	0.600	0.600	-	0.600
Construction of Dzongkhag Election building	-	2.000	2.000	-	-	-
Total	639.761	129.229	768.990	32.003	6.880	38.883

Nu. in millions

ROYAL AUDIT AUTHORITY						
Activities/sub-activities	Proposed		Recommended		Remarks	
	Current	Capital	Total	Current	Capital	Total
Establishment costs: HQ, Samdrup Jongkhar, Bumthang, Tsirang & Phuentsholing	104.087	3.180	107.267	98.821	1.050	99.871
Production and printing of Annual Audit Reports	1.290	-	1.290	1.441	-	1.441
Visit of Controller & Auditor General of India to Bhutan	0.698	-	0.698	0.698	-	0.698
Audit awareness program for Gewog leaders	-	-	-	0.750	-	0.750
HR capacity building	-	1.777	1.777	-	1.777	1.777
Construction of training centre	-	58.000	58.000	-	58.000	58.000
Renovation of office building, Samdrup Jongkhar	-	0.500	0.500	-	0.500	0.500
General provision for new appointment	1.700	-	1.700	1.700	-	1.700
Total	107.775	63.457	171.232	103.410	61.327	164.737

ROYAL CIVIL SERVICES COMMISSION							
Activities/sub-activities	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Costs	26.762	3.500	30.262	27.247	-	27.247	
Royal Civil Service Commission Meeting	0.325	-	0.325	0.200	-	0.200	
Bhutan Civil Service Exam Services	3.112	-	3.112	2.931	-	2.931	
Human Resource Development and Training Services	0.497	-	0.497	-	-	-	
Revision of BCSR - BCRS 2012	0.540	0.350	0.890	0.540	0.350	0.890	
Improvement of Web Based Services	0.802	1.500	2.302	-	0.972	0.972	
Annual HR Conference	0.550	-	0.550	-	-	-	
Zhungkha Promotion	-	0.100	0.100	-	-	-	
General provision for new appointment	-	-	-	0.783	-	0.783	
Preparatory works for new RCSC Secretariat building construction	-	2.500	2.500				
HRD	-	60.000	60.000	-	60.000	60.000	SDS
Postgraduate Services	-	74.330	74.330	-	74.330	74.330	GoI
Nehru-Wangchuck Scholarship	-	20.690	20.690	-	20.690	20.690	GoI
Total	32.588	162.970	195.558	31.701	156.342	188.043	

JUDICIARY							
Activity	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Supreme Court Establishment cost	29,660	-	29,660	26,828	-	26,828	
High Court Establishment Cost	18,325	0.557	18,882	17,202	0.450	17,652	
20 Dzongkhag Establishment Cost	108,104	5,647	113,751	97,000		97,000	
15 Dungkhag Establishment Cost	40,532	13,840	54,372	34,903	0.100	35,003	
Bhutan National Legal Institute	7,400	3,080	10,480	6,622		6,622	
Royal Institute of Law Project	1,086	5,200	6,286	0,926	5,000	5,926	
Enactment of Laws	0,225		0,225	0,100		0,100	
Research and publication	0,220		0,220	0,220		0,220	
Judicial Service Council Meeting	0,222		0,222	0,201		0,201	
National Judicial Commission Meeting	0,263		0,263	0,231		0,231	
Zhungkha Development		0,300	0,300				
Legal Aid to Indigent Accused	0,400		0,400	0,400		0,400	
Short Term Training		9,000	9,000	-	8,500	8,500	
Higher Studies in Law (LLM)		7,643	7,643		7,643	7,643	
Higher Studies in ICT		2,100	2,100	-	2,100	2,100	
Peer exchange Out-going		3,000	3,000	-	3,000	3,000	
Peer exchange in-coming		2,797	2,797	-	2,797	2,797	SDC
Development of Training Academy		5,000	5,000	-	5,000	5,000	
Training of Trainer		4,000	4,000	-	4,000	4,000	
Course & Diploma Development		7,200	7,200	-	7,200	7,200	

JUDICIARY						
Activity	Proposed			Recommended		
	Current	Capital	Total	Current	Capital	Total
Meeting & workshops with District/ Dungkha stakeholders	0.355		0.355	0.355	-	0.355
Purchase of books for Law Library	0.540		0.540	0.540	-	0.540
Exchange program and establishment of Institutional Linkage	0.991		0.991	0.701	-	0.701
Legal dissemination and awareness programme	1.400		1.400	0.750	-	0.750
Training of women & child friendly procedure for Judges, Lawyers & Attorneys		0.500	0.500	-	0.500	0.500
Publication of journals/ law magazine	0.500	-	0.500	0.500	-	0.500
Construction of Supreme Court	-	339.470	339.470	-	150.000	150.000
Construction of Bumthang District Court	-	13.000	13.000	-	13.000	13.000
Construction of Trongsa District Court	-	20.000	20.000	-	20.000	20.000
Construction of Pema Gatsel District Court	-	19.421	19.421	-	19.421	19.421
Construction of Lhuentse District Court	-	15.460	15.460	-	14.433	14.433
Construction of Punakha District Court	-	37.811	37.811	-	-	-
Construction of Trashig Yangtse District Court	-	30.726	30.726	-	-	-
Construction of Drangpon's residence. Gasa	-	8.609	8.609	-	-	-
Construction of Drangpon's residence, Lhamoizangkha Dungkha	-	4.574	4.574	-	-	-
Site development of new Court, Bumthang	-	0.845	0.845	-	-	-
Inauguration of Supreme Court	1.000	-	1.000	-	-	-

JUDICIARY						
Activity	Proposed			Recommended		
	Current	Capital	Total	Current	Capital	Total
Renovation of security guard's room, Sarpang District Court	-	0.100	0.100	-	0.100	0.100
Renovation of Drangpon's residence, Chhukha	-	0.700	0.700	-	0.500	0.500
Renovation of Drangpon's residence, Haa	-	0.250	0.250	-	0.250	0.250
Renovation of Drangpon's residence, Trongsa	-	0.700	0.700	-	0.500	0.500
Maintenance of Drangpon's residence, Dagana	-	0.190	0.190	-	0.190	0.190
General reserve for new appointment	-	-	-	4.587	-	4.587
Construction of Drangpon's residence, Thrimshing					0.500	0.500
Total	211.223	561.720	772.943	192.066	265.184	457.250
						Spillover