

**NATIONAL BUDGET**  
**FINANCIAL YEAR 2014-15**



**MINISTRY OF FINANCE**  
**JUNE 2014**

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## INTRODUCTION

The Ministry of Finance presents the Royal Government's budget for the financial year (FY) 2014-15, the second year of the 11<sup>th</sup> FYP and highlights the outcomes of the first financial year under the new Government.

The FY 2013-14 witnessed reforms to reinvigorate economic growth. The implementation of the Gewog Development Grant (GDG) has empowered the 205 gewogs to invest Nu.2 million as per the priorities of the respective Gewogs. The Economic Stimulus Plan (ESP) will enhance access to credit for medium, small and cottage industries to promote domestic productive capacity for robust economic growth.

The budget for the FY 2014-15 has been prepared based on the resource envelope determined by the MFCC within the macro-economic projections for the medium term in close consultation with all the budgetary agencies.

As soon as the Government took helm, constant efforts were made to reassess the economic situation and wherever necessary, corrective measures were taken. Since some of the administrative measures enforced in the past were no more relevant, the Government lifted the ban on import of furniture and alcohol products. The Economic Stimulus Plan with liquidity injection for enhancing access to credit for medium, small and cottage industries, special support schemes and other activities are expected to increase economic activities, generate income and also provide social supports. As in the past, the Government has continued to seek the support and cooperation of our budgetary agencies to curtail expenditure and reduce spending on non-development activities. We continue to look for new avenues where expenditure could be rationalized.

Further, the Government Performance Management System (GPMS) which was recently launched nationwide will encourage the agencies to channel limited resources to the priority areas and ensure that critical objectives are realized through available resources.

However, more comprehensive measures need to be taken to stimulate a sustained growth, ease current account deficit and achieve the envisioned economic self-reliance. In this regard, there is need for objective changes in the overall macroeconomic system to influence the general consumption and investment behaviours in the economy through occasional interventions.

Therefore, as part of the budget for FY 2014-15, the Government has proposed a few fiscal measures. The tax bill is presented under Chapter V of the report. In view of the importance attached to the fiscal measures, the government is confident that the House will bestow its blessing.

The Budget for FY 2014-15 stresses on further rationalizing expenditure and ensuring that the resource gap and fiscal deficit are contained at manageable levels. Nevertheless, the budget supports the broad national aspirations of pursuing GNH by ensuring economic development, while preserving our cultural heritage and protecting the pristine environment and underpinned by good governance.

The Budget for FY 2014-15 is presented in the following order:

*Chapter I: Summary of Annual Financial Statement (AFS) for the FY 2012-13;*

*Chapter II: Past Macroeconomic Performance;*

*Chapter III: Revised Budget Estimates for the FY 2013-14;*

*Chapter IV: Budget Estimates for the FY 2014-15;*

*Chapter V: Tax Measures;*

*Chapter VI: Macroeconomic Outlook in the Medium Term;*

*Chapter VII: Report on State Owned Enterprises and companies with Government's shareholdings;*

*Chapter VIII: Report on Royal Monetary Authority and National Pension and Provident Fund;*

*Chapter IX: Report on Trust Funds;*

# CHAPTER I

## SUMMARY OF ANNUAL FINANCIAL STATEMENT (AFS)

### FY 2012-13

The actual outcome of the Government's budgetary operations for FY 2012-13 is provided in detail in the Annual Financial Statements (AFS) which is published separately along with the National Budget Report for FY 2014-15.

#### 1.1 Overall Financial Position

The FY 2012-13 started with an approved outlay of Nu.33,486.239 million against estimated resources of Nu.31,891.042 million with a fiscal deficit of Nu.1,595.197 million and resource gap of Nu.670.431 million. By the end of the fiscal year, the actual outlay was Nu.34,900.809 million and the resources realized was Nu.30,656.117 million with a fiscal deficit of Nu.4,244.692 million (4% of GDP) and a resource gap of Nu.3,752.386 million (3.6% of GDP).

The statement comparing the approved and revised budget with that of actual outcome and financing of the balances is presented in the table below.

**Table 1.1: Budget Summary and Comparison for FY 2012-13**

	Particulars	Original Budget	Actual Outcomes
<b>A</b>	<b>RESOURCES</b>	<b>31,891.042</b>	<b>30,656.117</b>
	<b>I. Domestic Revenue</b>	<b>21,157.457</b>	<b>21,101.691</b>
	i. Tax	15,282.381	15,403.118
	ii. Non-Tax	5,875.076	5,698.573
	<b>II. Other Receipts (Net)</b>	<b>42.344</b>	<b>(8.210)</b>
	<b>III. Grants</b>	<b>10,691.241</b>	<b>9,562.636</b>
	i. Programme grants	<b>2,075.725</b>	<b>2,618.453</b>
	a. GoI	1,400.000	1,050.000
	b. Other grants	675.725	1,568.453
	ii. Project-tied grants	<b>8,615.516</b>	<b>6,944.183</b>
	a. GoI	6,104.326	3,643.402

	<b>Particulars</b>	<b>Original Budget</b>	<b>Actual Outcomes</b>
	b. Other grants	2,511.190	3,300.781
<b>B</b>	<b>OUTLAY</b>	<b>33,486.239</b>	<b>34,900.809</b>
	<b>I. Total Expenditure</b>	<b>34,515.549</b>	<b>36,527.815</b>
	i. Current	18,262.630	18,096.551
	ii. Capital	16,252.919	18,431.264
	<b>II. Net Lending</b>	<b>(1,029.310)</b>	<b>(738.889)</b>
	<b>III. Advance/Suspense (Net)</b>	<b>-</b>	<b>(887.117)</b>
<b>C</b>	<b>OVERALL BALANCE</b>	<b>(1,595.197)</b>	<b>(4,244.692)</b>
<b>D</b>	<b>FINANCING</b>	<b>1,595.197</b>	<b>4,244.692</b>
	<b>Net Borrowings</b>	<b>924.766</b>	<b>492.306</b>
	i. Borrowings	3,443.781	16,463.456
	ii. Repayments	2,519.015	15,971.150
	<b>RESOURCE GAP</b>	<b>(670.431)</b>	<b>(3,752.386)</b>

Source: Annual Financial Statement FY 2012-13, DPA, Ministry of Finance

## 1.2 Expenditure

The actual expenditure during the FY 2012-13 was Nu.36,527.815 million, constituting about 34.7% of the GDP. The total expenditure increased by 4.8% from that of the previous FY. Of the total expenditure, current expenditure was Nu.18,096.551 million and capital expenditure was Nu.18,431.264 million. The current and capital expenditure for the FY 2012-13 increased by 8.3% and 1.6% respectively as compared to the previous FY. Internal revenue of Nu.21,101.691 million fully covered the current expenditure.

## 1.3 Domestic Revenue

The domestic revenue realised during the FY 2012-13 amounted to Nu. 21,101.691 million, which was an increase of 3.7% over the previous year. The domestic revenue collection also exceeded the current expenditure by about 17%. During the year, the total revenue accounted for 20.2% of GDP while tax to GDP ratio was about 15%.

## 1.4 External Grants

The total external grants received in cash and in-kind during the FY 2012-

13 was Nu.9,562.636 million which is about 9% of the GDP. Of the total grants received, Nu. 4,693.402 million comprised of grants received from the Government of India. The total grants during the FY decreased by 23.5% from the previous year. During FY 2012-13, external grant financed about 50% of the capital expenditure.

## **1.5 Government Debt Position**

The total government debt outstanding as on 30<sup>th</sup> June 2013 was Nu. 101,310.193 million representing about 97% of the GDP. The principal loan repayment during the year amounted to Nu. 3,078.694 million.

### **1.5.1 Domestic Debt**

As on 30<sup>th</sup> June 2013, the outstanding domestic debt of the Government was Nu. 6,342.721 million on account of the Government's equity participation in the purchase of aircraft for Drukair (Nu. 525.907 million) in 2004 and the ways and means advances (WMA) with RMA and overdraft (OD) with BoBL (Nu. 5,816.814 million).

### **1.5.2 External Debt**

The total external debt outstanding as on 30<sup>th</sup> June 2013 stood at Nu. 94,967.473 million (USD 1,598.106 million), constituting 90.9% of GDP. The external debt in convertible currency, excluding the INR was about USD 574.520 million, equivalent to Nu. 34,140.823 million.

As on 30<sup>th</sup> June 2013, the outstanding Rupee loan was Nu. 60,826.650 million which constituted 63.7% of the Government's total outstanding debt. The details of the Rupee loans are in the table 1.2 below.

**Table 1.2: Details of Rupee Loans**

*Nu.in millions*

<b>Sl. No.</b>	<b>Loans</b>	<b>Amount</b>
1	Kurichhu Hydropower Plant	560.000
2	Tala Hydropower Plant	7,384.252
3	Punatshangchhu Hydropower Project-I	21,081.500
4	Punatshangchhu Hydropower Project-II	9,353.400
5	Mangdechhu Hydropower Project	5,474.740
6	Standby Credit Facility I	3,000.000
7	Standby Credit Facility II	3,000.000
8	Standby Credit Facility III	4,000.000
9	Swap Arrangement with RBI	5,409.900
10	Dungsum Cement Project Loan	1,562.858
	<b>Total</b>	<b>60,826.650</b>

## **CHAPTER II**

### **PAST MACROECONOMIC PERFORMANCE**

Despite global recessions and tightening of credit in the country, the economic growth in Bhutan during the entire 10<sup>th</sup> FYP was robust with an average growth of over 7.2%. The economy expanded from Nu.57.98 billion in FY 2008-09 to Nu.104.47 billion in FY 2012-13. The poverty rate was brought down from 23.2% to 12% while unemployment was reduced to 2.1% from a high of 4.2% in 2008.

The following sections provide a snapshot of the macroeconomic performance in FY 2012-13, the last year of the 10<sup>th</sup> FYP.

#### **2.1 Real Sector**

##### **2.1.1 Gross Domestic Product**

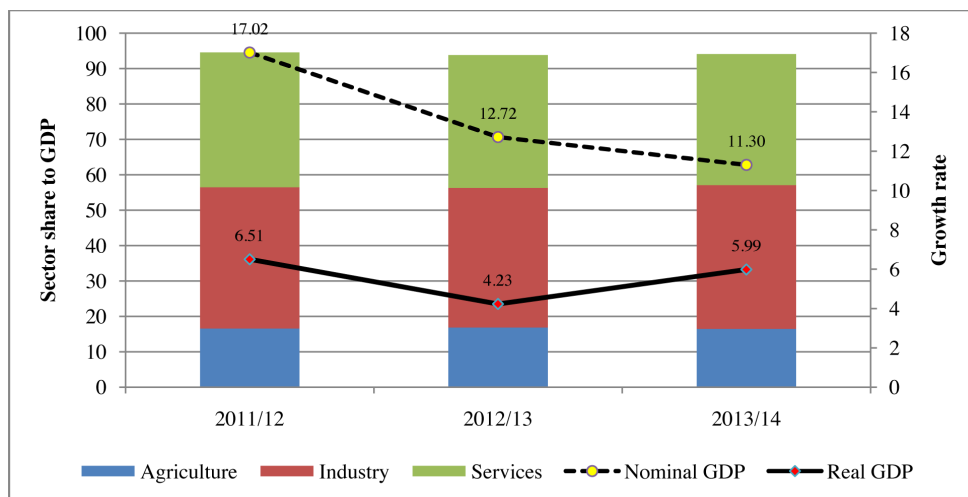
The economy grew by 4.2% in FY 2012-13, compared to the growth of 6.5% in the previous year. The lower growth was attributed by sluggish performance in transportation & storage, finance & insurance sector and community & social services due to restriction of loans for vehicle import and construction. However, personal consumption expenditure continued to grow despite the credit regulations.

In terms of sectoral growth, agriculture sector registered a growth of 2.6%, the industry sector at 4.4% and the service sector at 2.3%. The growth in industry sector was supported by robust growth in the electricity sector while agriculture and service sector performance recorded only a marginal growth during the period.

The figure 2.1 depicts the sector contributions to GDP during the FY 2011-12 to FY 2013-14.



**Figure 2.1: Gross Domestic Product**



In FY 2013-14, the economy is estimated to grow at 5.99% as compared to 4.23% in the previous year. On-going construction activities for hydropower projects and electricity sector mainly contributed to the growth which increased by 8.8% and 15% respectively.

### 2.1.2 Inflation

On average, the inflation in the economy was 8.7% at the end of FY 2012-13 against an average of 10.12% in the FY 2011-12. The inflation was driven by both the food (9.1%) and non-food (8.4%) prices in the country. However, as reported by the National Statistics Bureau, the end of period inflation in 2013 was 11.3 % indicating an inflationary pressure in the economy.

### 2.1.3 Employment

As per the Labour Force Survey, 2012, unemployment rate was reported at 2.1%. More females (2.2%) are unemployed than males (1.9%), while the unemployment is more acute in urban (3.5%) than in rural areas (1.5%). The youth unemployment (7.3%) is a socio-economic challenge for the Government.

## 2.2 Fiscal Sector

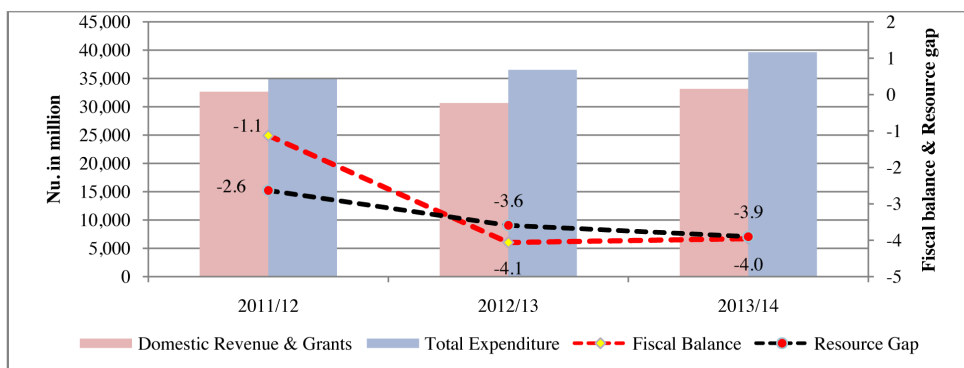
At the end of FY 2012-13, the actual fiscal deficit was 4.1% of GDP as compared to 1.1% in the previous year. The total resources (revenue plus grants) constituted about 29.3% of GDP in the FY 2012-13. The disbursement of grant component was lower by 6.1% as compared to the previous year. The ratio of domestic revenue to external resources was 69:31 as against 62:38 of the previous year, indicating an increase in share of domestic revenue.

The domestic revenue growth slowed to 3.7% in FY 2012-13 as opposed to 16.6% increase in FY 2011-12. The slower growth was induced by fall in sales tax and customs duty. The collections from private business, royalties and excise duty refund (for 2 preceding import years) improved during the year.

The total expenditure grew by 4.8% in the FY 2012-13 compared to the previous year. There was an increase of about 8% and 2% in current expenditure and capital expenditure respectively. Although the growth in the current expenditure was higher than the growth in domestic revenue, the domestic revenue fully financed the current expenditure during the FY 2012-13. However, the total current expenditure coverage during the FY 2012-13 decreased to 117% from 122% in the FY 2011-12.

Figure 2.2 below shows the details of fiscal balance and the resource gap in the fiscal years of FY 2011-12 to FY 2013-14.

**Figure 2.2: Fiscal Balance**



### **2.2.1 Debt and Debt Servicing**

The total government debt outstanding (*internal and external debt*) as on 30<sup>th</sup> June, 2013 was Nu.101,310.193 million (US \$ 1,704.841 million), which is about 97% of GDP. Out of the total debt, external debt accounted for about 94% of the total government debt, while remaining 6% was on account of the internal debt. Of the total external debt, Rupee debt constituted about 64%, majority of which were on account of the hydropower projects (72.1%).

Debt service as a percentage of exports of goods and services was maintained at 13.6%. The total domestic debt as on 30<sup>th</sup> June 2013 was Nu.6,342.721 million. Of the total domestic debt, Nu.5,816.814 million was the outstanding balance accrued on account of availing “Ways and Means Advances” (WMA) from RMA and the overdraft facility from the BoBL. The rest (Nu.525.907 million) was on account of loan availed by the Government to purchase aircraft for Drukair in 2004 and this loan will be liquidated by July, 2015.

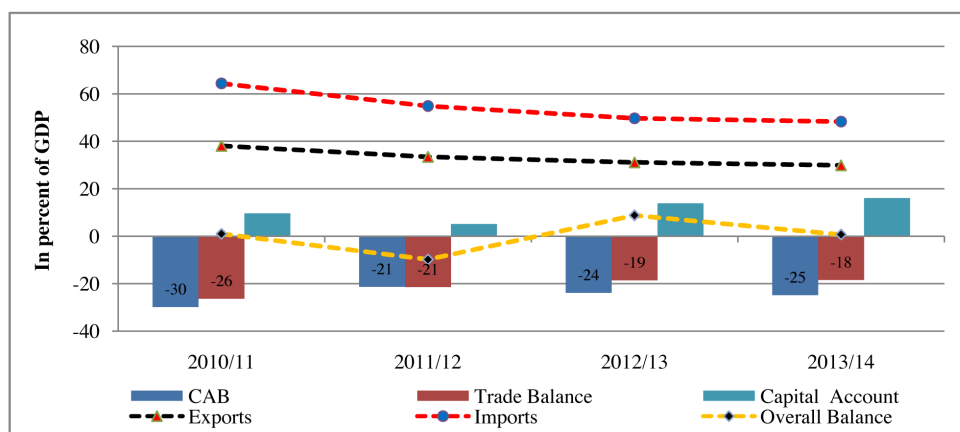
In order to smoothen the cash flows and implementation of projects, series of T-bills were issued which were fully redeemed during the fiscal year.

### **2.3 External Sector**

The current account deficit widened to 25% of GDP from 24% in FY 2011-12. Increased hydropower exports improved the trade deficit from 21% in FY 2011-12 to 19% of GDP.

Due to inflows of budgetary grants and hydropower investments, the capital account improved from 5% of GDP to 14% of GDP during the FY 2012-13. Similar trend is projected to occur in FY 2013-14 as well. Consequently, the FY 2012-13 witnessed a positive overall balance of 9% of GDP in contrast to the overall deficit of 10% in the previous year, as can be seen in the figure 2.3 below. FY 2013-14 is also expected to witness positive overall balance with the same trend in capital inflows and reduced financing requirements during the year.

**Figure 2.3: Balance of Payments**



## 2.4 Foreign Exchange Reserves

The exchange rate between Ngultrum to US Dollar averaged at Nu.59.7 per US\$ at the end of FY 2012-13, representing a depreciation of 8.4% compared to the previous year. The exchange rate is expected to further depreciate in FY 2013-14.

The gross international reserves at the end of June 2013 was US \$ 916.9 million which comprised INR reserve of Rs.11.4 billion and convertible currency reserve of US\$ 674.3 million. The gross international reserve was adequate to cover 12.6 months of merchandise imports or 29.3 months of essential imports, exceeding the Constitutional requirement. Although the economy continued to face INR shortage during the year, by the end of FY 2012-13, positive INR reserve was built up after US\$ 200 million was exchanged for INR.

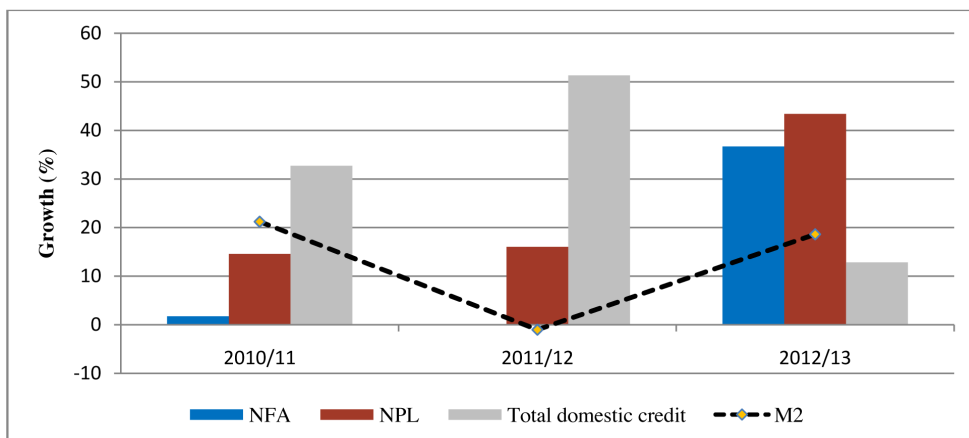
## 2.5 Monetary Sector

The increase in supply of Broad Money (M2) in FY 2012-13 by 18.6% as compared to negative 1% growth in FY 2011-12 was indicative of the monetary sector expansion in the economy. As depicted in the figure 2.4, the

increase in net foreign asset mainly contributed to the expansion of monetary sector. Consequently, the monetary sector's contribution to the GDP increased from 54.9% in the previous year to 58.2% in FY 2012-13. Induced by larger claims on other public sectors, the total domestic credit saw a growth of 12.8% during the year.

In spite of the liquidity shortage in the financial market, credit to private sector grew by 7.1% constituting about 89.3% of the total domestic credit. The ratio of Non Performing Loan (NPL) increased to 9.7% as of June 2013 from 7.8% in June 2012.

**Figure 2.4: Key Monetary Indicators**



## CHAPTER III

### REVISED BUDGET ESTIMATES OF FY 2013-14

As per the requirement of the Public Finance Act, 2007 and the amendments thereto, the revised budget for the FY 2013-14 as of 31<sup>st</sup> March, 2014 and the supplementary appropriation bill for FY 2013-14 is provided in the following sections. The house has already passed the supplementary appropriation bill of Nu.4.2 billion in order to fund the ESP in the last session.

The FY 2013-14 which was the first year of the 11<sup>th</sup> FYP started with an approved budget outlay of Nu.34,215.836 million. The fiscal deficit was estimated at 3.7% and resource gap of 3.8% of GDP. During the year, the budget was revised to Nu.37,773.340 million due to incorporation of the GoI grant for Economic Stimulus Plan (ESP) in addition to some other external fund. With these revisions, estimated fiscal deficit and resource gap as of 31<sup>st</sup> March, 2014 was revised at 3.96% and 3.9% of GDP respectively as table below depicts.

**Table 3.1: Revised Budget Summary for FY 2013-14**

*Nu.in millions*

	Particulars	Approved Budget	Revised 31 <sup>st</sup> March, 2014
<b>A</b>	<b>Total Resources</b>	<b>29,982.834</b>	<b>33,171.752</b>
<b>I</b>	<b>Domestic Revenue</b>	<b>21,860.885</b>	<b>21,860.885</b>
a	Tax	15,324.769	15,353.582
b	Non-Tax	6,536.116	6,507.303
<b>II</b>	<b>Other Receipts</b>	<b>12.436</b>	<b>15.060</b>
<b>III</b>	<b>Adjustment of Prior Year Advances</b>		115.982
<b>IV</b>	<b>Grants</b>	<b>8,109.513</b>	<b>11,179.825</b>
<b>i</b>	<b>Program Grants</b>	<b>1,975.000</b>	<b>1,975.000</b>
a	GoI	1,700.000	1,700.000
b	Others	275.000	275.000
<b>ii</b>	<b>Project-tied Grants</b>	<b>6,134.513</b>	<b>9,204.825</b>
a	GoI	3,632.339	5,825.687
b	Others	2,502.174	3,379.138

*Nu.in millions*

	<b>Particulars</b>	<b>Approved Budget</b>	<b>Revised 31<sup>st</sup> March, 2014</b>
<b>B</b>	<b>Outlay</b>	<b>34,215.836</b>	<b>37,773.340</b>
<b>I</b>	<b>Total Expenditure</b>	<b>36,113.865</b>	<b>39,620.467</b>
a	Current	19,160.114	19,261.323
b	Capital	16,953.751	20,359.144
<b>II</b>	<b>Net Lending</b>	<b>-1,898.029</b>	<b>-1,847.127</b>
<b>C</b>	<b>Overall Balance</b>	<b>-4,233.002</b>	<b>-4,601.588</b>
<b>D</b>	<b>Financing</b>	<b>4,233.002</b>	<b>4,601.588</b>
<b>E</b>	<b>Net Borrowing</b>	<b>-91.514</b>	<b>66.178</b>
i	Borrowing	<b>2,666.588</b>	<b>2,824.280</b>
a	External	2,666.588	2,824.280
ii	Repayment	<b>2,758.102</b>	<b>2,758.102</b>
a	Internal	175.303	175.303
b	External	2,582.799	2,582.799
<b>F</b>	<b>Resource Gap</b>	<b>-4,324.516</b>	<b>-4,535.410</b>
	<b>GDP</b>	<b>113,892.94</b>	<b>116,283.42</b>
	<b>Fiscal balance (% of GDP)</b>	<b>-3.72%</b>	<b>-3.96%</b>
	<b>Resource gap (% of GDP)</b>	<b>3.80%</b>	<b>3.90%</b>
<i>Note:</i>			
1. <i>T-bills issued during the FY 2013-14 amounting Nu.6,651.096 million and redemption of equivalent amount is not reflected in the Budget Summary Statement since this was issued for the cash management purpose and is redeemed in the same year.</i>			
2. <i>Revised GDP estimates as per NSB during 28<sup>th</sup> MFCTC (31<sup>st</sup> March to 2<sup>nd</sup> April, 2014)</i>			

The details of the revised budget are as follows.

### **3.1 Expenditure**

#### **3.1.1 Current Expenditure**

The current budget was revised from the original estimates of Nu.19,160.114 million to Nu.19,261.323 million which is 0.5% increase. The increase was due to incorporation of ESP's fund of Nu.6 million released to the Business Opportunity and Information Centre (BOIC) and other externally funded activities and adjustment for the previous year's advances.

### 3.1.2 Capital Expenditure

The capital budget has been revised from the original estimates of Nu.16,953.751 million to Nu. 20,359.144 million mainly on account of the incorporation of ESP fund of Nu.2,100 million for liquidity injection and Nu.61.210 million for Pre-employment Support Scheme besides other external funds received during the year. Further, following the approval of the guidelines, the Gewog Development Grant (GDG) of Nu.2 million each to all the Gewogs has been allocated as a part of the individual Gewog's budget. The supplementary incorporation is as per the provisions of the Public Finance Act, 2007 and amendments thereto.

The detail of the supplementary incorporation is submitted in the **Supplementary Budget Appropriation Bill for FY 2013-14**.

### 3.2 Domestic Revenue Estimates

The domestic revenue for FY 2013-14 is maintained at the same level of Nu.21,860.885 million, which is an increase of 3.6% as compared to the actual collection of the previous year. Tax revenue accounted for 13.2% of GDP and 70.2% of the total estimated revenue, while non tax revenue accounted for 5.6% of the GDP.

Tax revenue is likely to be revised downward at the close of the FY due to fall in corporate income tax. However, the projected increase in Business Income Tax and Personal Income Tax based on actual collection trend may offset the projected fall in Corporate Income Tax.

The detailed revised revenue estimates are presented in Table 3.2.

**Table 3.2: Revised Revenue Summary for FY 2013-14**

*Nu.in millions*

Sl. No.	Sources	Original	Revised	% Change
A	<b>Tax Revenue</b>	<b>15,324.769</b>	<b>15,353.582</b>	<b>0.19</b>
I	<b>Direct Tax</b>	<b>10,342.017</b>	<b>10,215.944</b>	<b>-1.22</b>
1	Corporate Income Tax	5,644.271	5,266.049	-6.70



*Nu.in millions*

Sl. No.	Sources	Original	Revised	% Change
2	Business Income Tax	1,609.790	1,893.676	17.63
3	Personal Income Tax	1,160.557	1,237.762	6.65
4	Other Direct Tax Revenue	1,927.399	1,818.456	-5.65
<b>II</b>	<b>Indirect Tax</b>	<b>4,982.752</b>	<b>5,137.638</b>	<b>3.11</b>
1	Sales Tax	2,225.022	2,532.022	13.80
2	Excise Duty	2,322.865	2,276.301	-2.00
	<i>2.1 Excise Duty (GoI)</i>	<i>1,706.319</i>	<i>1,740.000</i>	<i>1.97</i>
	<i>2.2 Excise Duty (Domestic)</i>	<i>616.546</i>	<i>536.301</i>	<i>-13.02</i>
3	Customs Duty	406.671	309.627	-23.86
4	Green Tax	3.691	0.000	-100.00
5	Other Indirect Tax Revenue	24.503	19.689	-19.65
<b>B</b>	<b>Non -Tax Revenue</b>	<b>6,536.116</b>	<b>6,507.303</b>	<b>-0.44</b>
1	Administrative fees & charges	437.789	376.873	-13.91
2	Capital Revenue	137.593	101.192	-26.46
3	Revenue from Government Departments	390.832	390.019	-0.21
4	Dividend	3,117.787	3,112.314	-0.18
5	Other Non-Tax Revenue	56.491	95.934	69.82
6	Interest on loan from Corporations	2,395.625	2,430.971	1.48
	<b>Total Revenue (A+B)</b>	<b>21,860.885</b>	<b>21,860.885</b>	<b>0.00</b>

### 3.3 External Grants

While the program grant remains same as in the approved budget, the projected grants increased by Nu.3,070.294 million from the initial estimate of Nu.6,134.513 million. The increase is due to incorporation of external fund received during the course of the year.

### 3.4 Borrowings

The external borrowings for FY 2013-14 increased from Nu.2,666.588 million to Nu.2,824.280 million. The net increase of Nu.157.692 million is

mainly due to increase in disbursement from the Asian Development Bank (ADB) for Green Power Development Project.

### **3.5 Debt and Debt Servicing**

External debt outstanding by the end of June 2014 is estimated to be Nu.106,006.572 million which is about 91.2% of the estimated GDP. The growth of 12% in debt stock is mainly contributed by disbursement for hydropower projects. Hydropower debt constitutes about 64% of the total external debt while the balance (36%) is on account of loans availed for other socio-economic infrastructure development projects and GoI line of credit.

The domestic debt stock by the end of June 2014 is estimated to be Nu.350.605 million on account of RGoB's equity participation through the purchase of an aircraft for Drukair Corporation in 2004. It will be liquidated by July, 2015.

As of 30<sup>th</sup> June 2014, the total debt service (principal and interest) is estimated to be Nu.11,152.657 million of which more than 96% of total debt service will be on account of the external debt service. However, the external debt service through the budget will be about 42% amounting to Nu.4,517.197 million.

The debt service ratio has increased from 16% in FY 2012-13 to 25.5% in FY 2013-14 due to the settlement of the currency Swap facility availed from RBI to the tune of Rs.5,409.900 million during the year. On the other hand, the debt service ratio through budget is likely to improve from 13.6% in FY 2012-13 to 10.7% in FY 2013-14 due to increase in exports estimate.

### **3.6 Foreign Exchange Reserve**

The total reserves during the FY 2013-14, was estimated at US\$ 895.1 million including the Rupee balance of Rs.8,668.5 million. The reserve is adequate to cover essential imports for about 27 months.

## **CHAPTER IV**

### **BUDGET ESTIMATES FOR THE FY 2014-15**

This chapter provides the budget estimates for the FY 2014-15.

The budget for FY 2014-15 has been formulated based on the resource envelope and priorities of the 11<sup>th</sup> FYP proposed by the respective agencies. During the formulation of the budget, due consideration has been accorded to accommodate the priorities of all the agencies besides ensuring to minimize adverse impact on socio-economic situations, inflation, balance of payments, foreign exchange reserves, etc.

The Government continues to pursue sustainable fiscal path through expenditure rationalization and revenue enhancement measures. Attempts has been made to incorporate the Environment, Climate Change and Poverty (ECP) initiatives in the budget besides making the budget more gender responsive.

In line with the fiscal path determined by the MFCC and for ensuring that the current budget is covered by domestic revenue, budget ceilings were prescribed for all agencies. The capital budget ceiling for the fiscal year was set at 18% of the 11<sup>th</sup> FYP outlay. With respect to external funded projects/activities, budget has been provided only where project agreements have been signed and funds received.

In order to complete on-going works, priority has been accorded for allocating capital budget for the spill-over works such as rural water supply, schools, hospitals, Dzongs, improving existing infrastructures and other similar works. Amongst others, capital budget includes Gewog Development Grant of Nu.410 million and Nu.124.71 million for programs under the Economic Stimulus Plan. The budget could be revised as and when more external resources are mobilized and are available for implementation.

In keeping with the provisions of the Constitution and Public Finance Act, the budget for the FY 2014-15 has been framed within the following broad budget principles:

### **Expenditure rationalization**

- To complete on-going works and continue providing standard facilities to the Gewogs;
- To maintain operating expenditures such as travel, supplies and materials, entertainment budget, etc., at the level of previous year's budget;
- Except for new establishments and schools, minimized budget for non-development capital expenditure such as furniture, computer and office equipment;
- Except for ambulances and utility vehicles in municipalities, no budget to be provided for purchase of vehicles;
- Ex-country travel budget is mainly provided for mandatory meetings, conferences and seminars as per bilateral and multi-lateral agreements;
- Subsidy to be limited to agencies with social mandate for capital works and to cover the revenue deficit;
- No budget for construction of new office buildings;
- Capping the budget for travel expenses at 15% of total wage bill as part of the pay revision;
- Hiring of machineries to implement some of the infrastructure works in the Dzongkhags and Gewogs instead of contracting the works in order to ensure better quality and lesser cost.

### **Sustainable fiscal balance**

- Domestic revenue to finance some portion of the capital expenditure besides covering current expenditure fully;
- Contain fiscal deficit at an average of 3% of GDP during the plan period.

### **Sustainable resource gap**

- Avail external borrowings only for socio-economic development programs and projects;
- Loan money shall not be used for operation and maintenance, purchase of vehicles, trainings, study visits, road shows, etc.;
- Implementation of externally financed projects to commence only upon receipt of funds from the development partners;
- Realistic estimates to be prepared to avoid cost overruns, fund release must be obtained prior to implementation;
- Permit changes in scope of works only after careful technical and financial analysis based on the resources.

The budget estimates for the FY 2014-15 is presented below in Table 4.1

**Table 4.1: Budget Summary for FY 2014-15**

*Nu.in millions*

Sources of Finance	Recommended	Percent
<b>TOTAL RESOURCES</b>	<b>31,959.263</b>	<b>100.0%</b>
<b>I. DOMESTIC REVENUE</b>	<b>24,599.032</b>	<b>77.0%</b>
i. Tax	17,619.723	55.1%
ii. Non-Tax	6,979.309	21.8%
<b>II. GRANTS</b>	<b>7,360.231</b>	<b>23.0%</b>
<b>i. Program Grants</b>	<b>1,700.000</b>	<b>5.3%</b>
a) GoI	1,700.000	5.3%
<b>ii. Project-tied Grants</b>	<b>5,660.231</b>	<b>17.7%</b>
a) GoI	3,081.403	9.6%
b) Others	2,578.828	8.1%
<b>OUTLAY</b>	<b>35,406.325</b>	
<b>I. Total Expenditure</b>	<b>37,098.009</b>	<b>100.0%</b>
i. Current Expenditure	21,895.682	59.0%
ii. Capital Expenditure	15,202.327	41.0%
<b>II. Net Lending</b>	-1,691.684	
<b>OVERALL BALANCE</b>	<b>-3,447.062</b>	
<b>FINANCING</b>	<b>3,447.062</b>	
i. Project-tied Borrowings	1,243.628	
ii. Program Borrowings (ADB \$ 5.251 m @ Nu.60 per USD)	315.060	
Less Repayment	2,741.525	
iii. Internal Borrowing		
Less Repayment	175.303	
iv. Resource Gap	4,805.202	
<b>GDP</b>	<b>129,831.370</b>	
<b>Fiscal balance % of GDP</b>	<b>-2.7%</b>	
<b>Resource gap % of GDP</b>	<b>3.7%</b>	

## 4.1 Resources

The total resource for the FY 2014-15 is estimated at Nu. 31,959.263 million comprising of domestic revenue of Nu. 24,599.032 million and external grants of Nu. 7,360.231 million.

The details are as follows.

#### **4.1.1. Domestic Revenue**

The domestic revenue for the FY 2014-15 is projected to be Nu.24,599.032 million, which is an increase of 12.5% from the previous year. Of the total revenue, tax revenue is estimated at Nu.17,619.723 million while non-tax revenue is estimated at Nu.6,979.309 million.

The revenue estimated for the FY 2014-15 have taken into account the expected revenue from the commissioning of the Dungsam Cement Corporation (DCCL), Dagachhu hydropower project, and revised energy tariff of Chhukha hydropower Plant.

The tax revenue is projected to increase by 14.7% accounting for 13.5% of the estimated GDP.

Anticipated increases under tax revenue are from the following areas:

- Higher collections as a result of export tariff revision;
- Revenue from the commissioning of Dagachhu hydropower;
- Increased corporate tax on account of operation of Dungsam Cement Corporation (DCCL).

The non-tax revenue is projected to increase by 7.2% mainly on account of higher dividend projections. However, interest receipt from corporations is projected to be lower compared to the FY 2013-14, which was higher because it reflects additional amount of Nu 621.856 million due to change in repayment schedule of the interest payment from annual to semi-annual. Effect of the fiscal measures proposal has not been taken into account in the projections. The revenue estimate is shown in the Table 4.2.

**Table 4.2: Domestic Revenue Summary for FY 2014-15**

*Nu.in millions*

Sl. No.	Sources	Amount	% of total
<b>A</b>	<b>Tax Revenue</b>	<b>17,619.723</b>	<b>71.6</b>
<b>I</b>	<b>Direct Tax</b>	<b>11,793.925</b>	<b>47.9</b>
1	Corporate Income Tax	6,333.85	25.7
2	Business Income Tax	2,052.30	8.3
3	Personal Income Tax	1,381.972	5.6
4	Other Direct Tax Revenue	2,025.797	8.2
<b>II</b>	<b>Indirect Tax</b>	<b>5,825.798</b>	<b>23.7</b>
1	Sales Tax	2,935.10	11.9
2	Excise Duty	2,425.78	9.9
	<i>o/w Excise Duty Refund from GoI</i>	<i>1,827.00</i>	<i>7.4</i>
	<i>o/w Domestic Excise Duty</i>	<i>598.784</i>	<i>2.4</i>
3	Customs Duty	414.243	1.7
4	Green Tax	30.000	0.1
5	Other Indirect Tax Revenue	20.673	0.1
<b>B</b>	<b>Non -Tax Revenue</b>	<b>6,979.309</b>	<b>28.4</b>
1	Administrative fees & charges	420.782	1.7
2	Capital Revenue	112.982	0.5
3	Revenue from Government De- partments	435.460	1.8
4	Dividend	4,127.632	16.8
5	Other Non-Tax Revenue	107.111	0.4
6	Interest on loan from Corporations	1,775.343	7.2
	<b>Total Revenue (A+B)</b>	<b>24,599.032</b>	<b>100.0</b>

#### **4.1.2 External Grants**

The total external grant estimated at Nu.7,360.231 million is expected to cover about 48% of the capital expenditure. As admissible by the Public Finance Act, any new grants mobilized and secured in the course of the year will be incorporated in the budget.

The Government of India (GoI) continues to be the largest development



partner providing grants of Nu.4,781.403 million constituting 65% of the total external grants. Additionally, the activities under the project tied assistance (PTA) and Small Development Projects (SDP) will be incorporated as and when they are approved and funds are received. Therefore, the GoI grant is expected to increase during the year. The GoI commitment under PTA in 11<sup>th</sup> FYP is Nu.28,000 million of which Nu.8,052.89 million has been agreed so far and Nu.1,340.16 million has been received. Similarly, of the Nu.8,500 million commitment under SDP, project worth Nu.1,835.367 million have been approved for which 30% of funds have also been received.

The balance external grant of 36% is provided by other bilateral and multilateral development partners like the Government of Austria, European Union, Government of Norway, UNDP, SDF, Swiss Development Cooperation, World Bank, WHO and others.

## **4.2 Expenditure Outlay**

The total outlay for the FY 2014-15 is estimated at Nu.35,406.325 million after adjusting net lending of (-) Nu.1,691.684 million from total expenditure of Nu.37,098.009 million. Of the total expenditure, 59% constitutes current expenditure and 41% is for capital expenditure.

### **4.2.1 Current Expenditure**

The current expenditure is estimated at Nu.21,895.682 million which is 14% increase from the FY 2013-14. The increasing cost of maintenance of the public infrastructure developed in the past, establishment cost of new departments/divisions and new expenses on Internal Transport, Storage and Handling (ITSH) cost of the School Feeding Program are some of the reasons for the increase in current expenditure. Another important factor is the provision of Nu.1,800 million kept for salary revision of public servants. Despite the increase in the current budget, the estimated domestic revenue if realized as projected will adequately cover the current expenditure.

With the expected salary revision, the expenditure on pay and allowances will constitute about 46% of the total current expenditure. The current budget also includes interest payments and subsidies.

**Interest payments** for the fiscal year is estimated at Nu.2,151.163 million. Of the total, Nu.2,031.879 million (94%) is on account of external loans, which includes the GoI hydropower loans (67%). The interest payment for domestic loan is Nu.19.284 million which pertains to the loan availed to buy aircraft for Drukair. For the purpose of smoothening cash flow management and to promote capital market, Nu.100 million has been kept to cover the cost for issuance of T-bills and other securities in the domestic market. The statement of interest payment in the FY 2014-15 is presented below in Table 4.3.

**Table 4.3: Statement of Interest Payments for FY 2014-15**

<i>Nu.in millions</i>		
Sl. No.	Lender	Amount
1	GoI ( <i>THPA Nu. 1243.714 million &amp; KHPC Nu. 201.695 million</i> )	1,445.409
2	Austria (BHPC, DHPC and RE)	237.950
3	JICA (Rural Electrification)	3.002
4	IFAD	19.286
5	World Bank	119.853
6	ADB	206.379
	<b>Total external interest payment</b>	<b>2,031.879</b>
	<b>Total internal interest payment</b>	<b>119.284</b>
	<b>Grant Total</b>	<b>2,151.163</b>

Total **subsidies** for the FY 2014-15 is estimated at Nu.1,364.755 million. The current subsidy is Nu.844.223 million provided to meet the operating expenses of agencies such as University of Medical Sciences, Royal University of Bhutan and Thromdes of Thimphu, Gelephu, and Samdrup Jongkhar. Other agencies receiving current subsidy includes Drukair Corporation, BBSC, BCCI, Bhutan Post and NHDCL. Budget for the payment of premium for rural house insurance scheme managed by the RICBL is also kept under current subsidy.

**Capital subsidy** of Nu.520.532 million is earmarked for the Thromdes to finance improvement works related to urban roads, water supply, sewerage systems, and other activities. Capital subsidy is also provided to NHDCL to renovate and improve Government quarters in the Dzongkhags and to BBSC to purchase transmission equipment and construction of eight new FM and TV stations to increase signal coverage by 10%. Besides the above, Nu.6.548 million is provided for the operation and maintenance of the Bhutan Education City Secretariat.

The detail of subsidies is presented below in the Table 4.4.

**Table 4.4: Details of Subsidies**

*Nu.in millions*

Sl. No	Name of Activity	Current	Capital	Total
1	Thimphu Thromde	40.000	110.000	150.000
2	Phuentsholing Thromde		100.000	100.000
3	Samdrup Jongkhar Thromde	25.000	100.000	125.000
4	Gelephu Thromde	22.000	90.000	112.000
5	Royal University of Bhutan (RUB)	522.228		522.228
6	University of Medical Sciences of Bhutan (UMSB)	39.000		39.000
7	Bhutan Education City (BEC) Secretariat		6.548	6.548
8	Bhutan Broadcasting Service Corporation (BBSC)	80.000	70.000	150.000
9	Bhutan Chamber of Commerce & Industry (BCCI)	10.500		10.500
10	Wood Craft Centre (WCC)	1.800		1.800
11	City Bus Services (Bhutan Post)	16.000		16.000
12	Rural house insurance scheme (RICBL)		20.000	20.000
13	Interest subsidy for second aircraft (Drukair)	11.695		11.695
14	Interest subsidy for new aircraft (Drukair)	23.000		23.000
15	National Sport Federations (BOC)	53.000		53.000
16	Bhutan Indigenous & Sports Associations (BIGSA)		2.800	2.800
17	Renovation of Government quarters (NHD-CL)		21.184	21.184
	<b>TOTAL</b>	<b>844.223</b>	<b>520.532</b>	<b>1,364.755</b>

## 4.2.2 Capital Expenditure

For FY 2014-15, the capital expenditure is estimated at Nu.15,202.327 million which accounts for about 41% of the total expenditure.

As most of the capital expenditures are funded through external grants and borrowings which are incorporated as and when such grants and borrowings are finalized, the capital expenditure outlay may increase during the year. The PTA and SDP funds from the GoI are more likely to materialize in the course of the year.

## 4.2.3 Net-Lending

During the FY, only lending is to BPC which is estimated at Nu.341 million to complete the ongoing rural electrification projects (ADB, Austria and JICA).

The recoveries from the SoEs is estimated at Nu.2,032.684 million, of which 75.23% would be from Tala and Kurichhu hydropower plants. Since on-lending is less than the recoveries, net lending is negative Nu.1,691.684 million as shown in Table 4.5 below.

**Table 4.5: Net Lending Projections for FY 2014-15**

*Nu.in millions*

	Particulars	Sources	Amount
<b>I</b>	<b>On-lending</b>		
1	RREDP- BPC (RE V)	ADB	63.000
2	Rural Electrification – BPC	Austria	30.000
3	Rural Electrification Project (RE- I) BPC	JICA	154.000
4	Rural Electrification Project (RE - II) BPC	JICA	94.000
	<b>Total on-lending (A)</b>		<b>341.000</b>
<b>II</b>	<b>Recoveries – external</b>		
1	Kurichhu Hydropower Plant	GoI	186.667
2	Tala Hydropower Plant	GoI	1,342.591

*Nu.in millions*

	<b>Particulars</b>	<b>Sources</b>	<b>Amount</b>
3	BDFC Loan BHU-934	ADB	1.858
4	BDFC Loan BHU-1566	ADB	11.889
5	RE- I BHU 1375	ADB	8.304
6	RE-II BHU 1712	ADB	18.326
7	RE-III -BHU 2009	ADB	18.228
8	BDFC ADB 0088/0089 BHU (SF) MSME	ADB	13.333
9	Green Power Development Project (2463-BHU OCR)	ADB	28.490
10	BDFC Loan BHU-512	IFAD	1.403
11	Basochhu Hydropower Plant (Upper Stage)	Austria	35.400
12	Basochhu Hydropower Plant (Lower Stage)	Austria	109.925
13	Dagachhu Hydro Power Project	Austria	136.624
14	Rural Telecom – 1674	Denmark	85.836
<b>III</b>	<b>Recoveries – domestic</b>		
1	Purchase of aircraft for Drukair	RGoB	33.811
<b>Total recoveries (external + domestic) (B)</b>			<b>2,032.684</b>
<b>IV</b>	<b>Net lending (A - B)</b>		<b>(-) 1,691.684</b>

## 4.3 Financing

### 4.3.1 External Borrowing

External loan disbursement (program and project-tied) in the FY 2014-15 is estimated at Nu.1,558.688 million, out of which Nu.1,243.628 million is on account of project-tied borrowings and Nu.315.060 million under program borrowings from ADB for South Asia Sub-regional Economic Cooperation (SASEC) Trade Facilitation Program (US\$ 5.251 million).

The details of external borrowing are presented in Table 4.6 below.

**Table 4.6: External Borrowings during FY 2014-15***Nu.in millions*

Sl. No.	Lender	Program borrowing	Project-tied borrowing	Total
1	ADB	315.060	311.650	<b>626.710</b>
2	IFAD		121.545	121.545
3	JICA		248.000	248.000
4	World Bank		532.433	532.433
5	Government of Austria		30.000	30.000
	<b>TOTAL</b>		<b>1,243.628</b>	<b>1,558.688</b>

### 4.3.2 Internal Borrowing

Major internal borrowing will be in the form of issuance of T-bills and Government bonds to promote the development of capital market, for smoothening cash flow in the Government Consolidated Account (GCA) and financing infrastructure development. Since the T-bills are planned for redemption within the same FY, it will not increase the domestic debt stock. However, financing the estimated resource gap of Nu.4,805.202 million through internal borrowing will increase the domestic debt stock.

### 4.3.3 Debt Servicing (Principal Repayments)

The total principal repayment is estimated to be Nu.2,916.828 million, of which Nu.2,741.525 million (93.9%) is on account of external loans while the rest amounting to Nu.175.303 million is for domestic loans. The principal repayment for GoI hydropower loans constitutes about 52% of the total principal repayment.

The details of the principal loan repayment by lenders are presented in Table 4.7 below.

**Table 4.7: Statement of Principal Repayments for the FY 2014-15***Nu in millions*

SL. No.	Lender	Amount
1	Asian Development Bank	461.263
2	Austria	429.885
3	Denmark	114.046
4	GoI ( <i>THPA – Nu.1,342.592 m and KHPC – Nu.186.666 m</i> )	1,529.258
5	International Fund for Agriculture Development	48.933
6	World Bank	158.140
	<b>Total external principal repayment</b>	<b>2,741.525</b>
	<b>Total internal principal repayment</b>	<b>175.303</b>
	<b>Grand Total</b>	<b>2,916.828</b>

#### 4.4 Sector Allocations

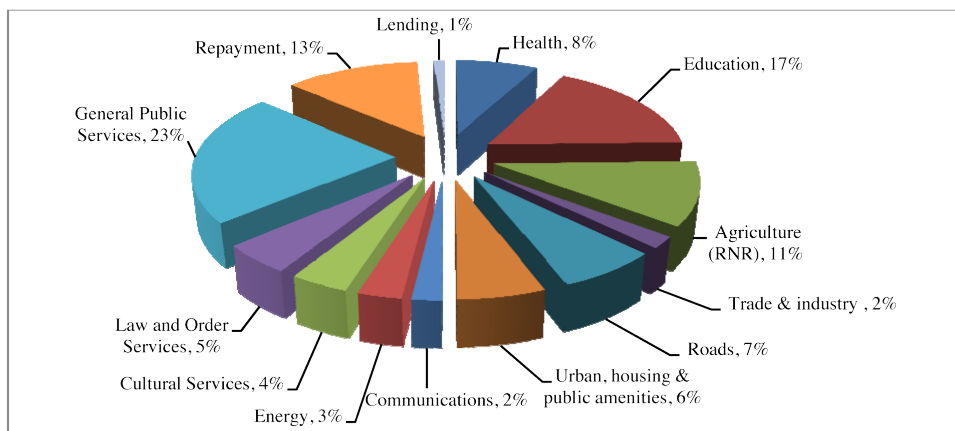
Sector allocation for FY 2014-15 is given in the Table 4.8 below.

**Table 4.8: Sector Allocation for FY 2014-15***Nu.in millions*

Sectors	Current	Capital	Total	Percent
<b>Social Services</b>	<b>7,252.184</b>	<b>2,642.888</b>	<b>9,895.072</b>	<b>25%</b>
Health	2,302.862	903.162	3,206.024	8%
Education	4,949.322	1,739.726	6,689.048	17%
<b>Economic and Public Services</b>	<b>3,768.271</b>	<b>8,406.866</b>	<b>12,175.137</b>	<b>30%</b>
Agriculture	2,071.133	2,243.753	4,314.886	11%
Trade and industry	457.281	408.378	865.659	2%
Roads	325.473	2,594.806	2,920.279	7%
Urban, housing & public amenities	505.184	1,732.525	2,237.709	6%
Communications	334.396	487.495	821.891	2%
Energy	74.804	939.909	1,014.713	3%
<b>Cultural Services</b>	<b>683.884</b>	<b>1,054.310</b>	<b>1,738.194</b>	<b>4%</b>
<b>Law and Order Services</b>	<b>1,636.242</b>	<b>211.343</b>	<b>1,847.585</b>	<b>5%</b>
<b>General Public Services</b>	<b>6,403.938</b>	<b>2,886.920</b>	<b>9,290.858</b>	<b>23%</b>
<b>National Debt Services</b>	<b>2,151.163</b>	<b>3,257.828</b>	<b>5,408.991</b>	<b>13%</b>
Repayment	2,151.163	2,916.828	5,067.991	13%
Lending	0.000	341.000	341.000	1%
<b>Total</b>	<b>21,895.682</b>	<b>18,460.155</b>	<b>40,355.837</b>	<b>100%</b>

The sectoral allocation is also presented in the Figure 4.1 below.

**Figure 4.1: Sector Allocation for FY 2014-15**



#### 4.4.1 Health Sector

In order to achieve universal health coverage with improved and equitable access to quality health care services, the Health Sector is allocated with a budget of Nu.3,206.024 million. This is about 8% of the total budget. Construction of hospitals, rural water supply schemes (RWSS), human resource development, establishment of Traditional Medicine Unit at Mongar Regional Referral Hospital (Nu.8.677 million), Good Manufacturing Practice Facility at Gidakom (Nu.17.2 million) are some of the major activities.

In order to enhance efficiency and effectiveness in the delivery of health services, Nu.514 million is kept for procurement of essential drugs, medical equipment and Nu.221.324 million has been allocated to purchase ambulances, construct 5 hospitals, conduct mobile camps, etc.

In spite of increase in undergraduate medical slots and expatriate doctors, the health sector faces acute shortage of medical doctors, nurses and technicians. In order to address this shortage, a medical university has been established in the country to train Bhutanese nationals. For this, a total capital budget of Nu.106.914 million has been allocated.



### ***Rural Water Supply Schemes (RWSS)***

For enhancing access to safe and clean drinking water especially in rural areas, budget has been kept with various Dzongkhags to construct RWSS infrastructure (Nu.156.074 million), rehabilitate and maintain RWSS (Nu.50.210 million) and to protect water sources (Nu.4.099 million). Ministry of Health is in the process of reviewing the implementation of RWSS with Dzongkhags/ Gewogs.

Further, Nu.12.162 million is allocated to implement water safety plans (WSP) in institutional and rural schemes, build capacity on water safety plans and to procure equipment for WSP. The major activities under the health sector are as shown in Table 4.9.

***Table 4.9: Major Activities in the Health Sector***

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
1	Specialization/Masters degree courses for doctors, nurses and technologists	10.000	RGoB
2	Continuation of long term HRD programs for doctors, nurses and technologists	42.470	RGoB
3	Bachelors degree courses in Public Health at RIHS	4.250	RGoB
4	Up-gradation programme for Basic Health Workers	4.060	RGoB
5	Long term training for medical professionals	24.413	WHO
6	Purchase of ambulances	35.000	RGoB
7	Construction of Traditional Medicine Unit at Mongar Regional Referral Hospital	8.677	RGoB
8	Implementation of Water Safety Plans	5.771	WHO
9	Workshop on sanitation and hygiene in rural areas	6.336	UNICEF
10	Avian and pandemic influenza preparedness and response programme	5.400	CDC,USA
11	Procurement of medical and laboratory equipment	120.000	RGoB

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
12	Procurement of logistic equipment and furniture, Medical supply depot at Phuntsholing	2.635	RGoB
13	Maintenance and procurement of spare parts and accessories for medical equipment	18.480	RGoB
14	Drawing and designing of 40 bedded Thimphu District Hospital	6.500	RGoB
15	Construction of Vector-borne Disease Control Program Office, Gelephu (spillover)	17.000	RGoB
16	Construction of Public Health Laboratory (spillover)	5.000	GoI
17	Construction of 150 Bedded Central Regional Hospital, Gelephu (spillover)	15.000	GoI
18	Construction of 40 Bedded Hospital, Samtse (spillover)	100.000	GoI
19	Construction of Good Manufacturing Practice (GMP) production facility, Gidakom	17.200	GoI
20	Construction of Hospital, Tsirang	15.000	GoI
21	Construction of Hospital, Dewathang	11.000	GoI
22	Construction of UMSB Secretariat Office (spillover)	24.400	GoI
23	Construction of PG Hostel, UMSB (spillover)	22.094	GoI
24	Construction of 4 Units Staffs Quarters at Daga-pela (spillover)	7.061	RGoB
25	Construction of 4 Units Staffs Quarter at Daga BHU I (spillover)	7.779	RGoB
26	Construction of 4 Units Staffs Quarters at Pan-bang BHU I (spillover)	4.700	RGoB
27	Construction of Dangdung BHU I, Trongsa	8.264	MHPA
28	Construction of 3 Unit Staff Quarter at Zangthi BHU II, Samdrup Jongkhar (spillover)	3.550	RGoB
29	Construction of 1 Block 3 Storied Staff Quarter at Trashigang Hospital	5.000	RGoB
30	Construction/maintenance of RWSS in various Dzongkhags.	210.383	RGoB

#### **4.4.2 Education Sector**

In order to continue enhancing access to and sustaining quality education services, the sector will receive the highest share which is 17% of the total budget (Nu.6,689.048 million).

As per the Annual Education Statistics 2013, the Net Primary Enrollment Ratio (NER) has now reached 96%. The successes of the education system can also be attributed to the provision of free food and boarding facilities supported by the World Food Programme (WFP) and the Royal Government of Bhutan (RGoB). As of 2013, there are 53,307 students or 31% of the total enrolment who are benefitting from the school feeding programme.

A budget of Nu.29.925 million is allocated to support Early Childhood Care & Development (ECCD). As of March 2013, there are 82 Government ECCD Centres with 2,088 children and 116 caregivers in the country.

In order to provide nutritious diet in the schools, the Ministry of Education has centralized the procurement and distribution of non-perishable food items. To support this, a budget of Nu.220.233 million has been earmarked.

A budget provision of Nu.329.077 million has been kept to support school autonomy initiative. Under this initiative, the Ministry of Education will devolve certain administrative and financial powers to the schools to allow them to determine their own priorities and exercise control over their resources. Currently, 19 schools are granted autonomy under this initiative.

A sum of Nu.393.014 million is earmarked for undergraduate scholarships to over 1,000 students to pursue various courses in Bhutan and abroad. This includes Nu.22.365 million for partial scholarships under Assistance to Privately Enrolled Medical Students.

To improve educational access and meet the special needs of differently abled students, a budget of Nu.25.759 million has been allocated. A sum of Nu.6.500 million has been allocated to set up computer laboratories and provide internet connectivity to schools. The Non Formal Education (NFE)

programme continues to provide basic literacy and functional skills to the adult learners, particularly in the rural areas. As of 2013, there are 9,628 learners in 855 NFE centers with 875 instructors. Nu.77.954 million (MoE, Dzongkhags and Thromdes) has been allocated for non-formal education services.

*To enhance the quality of education and its relevance, the curricula has to be updated and reviewed periodically. For this, the Department of Curriculum, Research and Development is provided with budget of Nu.37.806 million.*

Nu.726.628 million has been provisioned for Royal University of Bhutan to enhance quality, relevance and access to tertiary education which comprises a subsidy of Nu.522.228 million to meet their operational expenses on per student basis. To impart, promote and improve professional knowledge and skills in management and public administration, Nu.106.531 million is earmarked for the Royal Institute of Management which includes Nu.7.907 million to furnish the new Multipurpose Hall and Nu.13.111 million to support MPA/MM/MBA courses.

To promote academic innovation and creativity in education through research, a budget of Nu.59.359 million is allocated to the Royal Education Council (REC) which includes Nu.15.634 million for Centenary Institute of Education at Yonphula, Trashigang. Further to support the quality of education and assure independent assessment of the education system, a budget of Nu.83.391 million is allocated to Bhutan Council for School Examination and Assessment (BCSEA).

The Government has initiated the process of studying the feasibility of consolidation of schools in order to provide quality education and promote efficiency. If the consolidation is found feasible and implemented, the focus of budget for the education sector is likely to undergo change.

The allocation detail for major capital works in the education sector is given below in table 4.10.

**Table 4.10: Major Activities in the Education Sector**

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
1	Construction of academic & IT building at National Institute of Visually Impaired (NIVI), Khaling	20.000	RGoB
2	Construction of Scout Centre at Paro (spillover)	13.084	RGoB
3	Construction of pour flush toilets in 14 schools	6.944	UNICEF
4	Training of teachers on educating for GNH in remaining 7 Dzongkhags/2 Thromdes	6.100	UNICEF
5	Establishment of 30 community ECCD Centres in remote areas	6.200	UNICEF
6	Accessible structures & specialized facilities for differently abled students	5.700	RGoB
7	Setting up of computer labs and internet in schools	6.500	RGoB
8	Undergraduate Scholarship (Existing/Projected)	393.014	GoI/RGoB
9	In-country training, Human Resource Development - Teachers (M.Ed/PGD/BA/Distance B. Ed)	30.097	RGoB
10	Major renovation of ILCS hostels taken over by RIM, sewerage of RIM hostels and internal road maintenance (spillover)	9.368	RGoB
11	Twinning and networking, MPA/MM & MBA program support, RIM	27.661	AUSAID/RGoB
12	Furnishing of new Multipurpose Hall, RIM	7.907	RGoB
13	Campus Master Plan & Construction Phase I at Centenary Institute of Education (CIE), Yonphula, REC (spillover)	5.000	RGoB
14	Infrastructure development under various Thromdey schools	25.565	GoI/RGoB
15	Infrastructure development under various colleges of RUB	152.175	GoI/RGoB
16	Construction of 2 blocks 64 bedded hostel with toilet at Tendu HSS, Samtse (spillover)	17.000	RGoB
17	Construction of 64 bedded girls dormitory with toilet, matron & warden quarter at Dawakha LSS, Paro (spillover)	13.000	RGoB
18	Construction of 2 block 32 bedded Hostel at Namgay Chholing PS, Samtse (spillover)	10.765	RGoB
19	Construction of 12 unit classroom at Sergithang PS, Tsirang (spillover)	10.500	RGoB

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
20	Construction of MPH hall, Bumdeling LSS, Tashi Yangtse (spillover)	10.000	RGoB
21	Construction of 4 unit staff quarters at Yadi HSS, Mongar (spillover)	9.813	RGoB
22	Construction of 8 units classroom at Tshimalakha LSS, Chhukha (spillover)	9.048	RGoB
23	Construction of 2 block 6 unit classroom at Tashich-holing PS, Samtse (spillover)	8.600	RGoB
24	Const. of MPH Hall at Khangkhu MSS, Paro (spillover)	8.500	RGoB
25	Construction of 12 unit classroom at Wangdue LSS, Wangdue Phodrang (spillover)	8.000	RGoB
26	Construction of 4 unit staff quarter at Phobjikha MSS, Wangdue Phodrang (spillover)	8.000	RGoB
27	Construction of 120 bed hostel with warden/matron's quarters and toilets at Norbuling MSS, Sarpang (spillover)	8.000	RGoB
28	Construction of 8 units classroom at Panbang PS, Zhemgang (spillover)	8.000	RGoB
29	Construction of MPH at Nangkor HSS, Pema Gatshel (spillover)	8.000	RGoB
30	Construction of kitchen/ dining hall/ store at Gunit-sawa PS, Paro (spillover)	7.500	RGoB
31	Construction of 12 unit classroom at Pemathang LSS, Samdrup Jongkhar (spillover)	7.500	RGoB
32	Construction of 12 unit classroom at Phuntshothang MSS, Samdrup Jongkhar (spillover)	7.500	RGoB
33	Construction of 32 bedded hostel at Thragom LSS, Trashigang (spillover)	7.140	RGoB
34	Reconstruction of boy's hostel at Pema Gatshel MSS (spillover)	7.000	RGoB
35	Construction of eight unit classroom at Tshangpo PS, Trashigang (spillover)	7.000	RGoB
36	Construction of eight unit classroom block at Wam-rong LSS, Trashigang (spillover)	7.000	RGoB
37	Construction of 6 unit staff quarter at Barshong PS, Tsirang (spillover)	6.750	RGoB

Nu.in millions

Sl. No.	Activities	Amount	Funding
38	Construction of 8 units classroom and steps in front of MPH at Orong LSS, Samdrup Jongkhar (spillover)	6.436	RGoB
39	Construction of RCC wall at Sherubling HSS, Trongsa	10.000	RGoB

#### 4.4.3 Renewable Natural Resources (RNR)

The RNR sector plays an important role to ensure equitable development and alleviate poverty in the rural areas. The success in RNR sector will largely determine achievement of the 11<sup>th</sup> FYP objective of “*Self-reliance and Inclusive Green Socio-Economic Development*”. Therefore, for the FY 2014-15, Nu.4,314.886 million, representing about 11% of the total budget has been allocated to this sector. Of the total allocation, Nu.1,150.096 million is for programs and activities to be implemented by the Dzongkhags and Gewogs. Through this allocation, the sector will endeavour to increase production for import substitution, and increase domestic production of food and dairy products.

Nu.48.994 million has been allocated to enhance rice production and its commercialization. Under the program, effort will be made to rehabilitate and increase rice and maize production at Phuntshothang (Bhangtar) and commercialization of rice farming in Samdrup Jongkhar, Sarpang, Samtse, Punakha, Wangdue Phodrang and Dagana. Further, a budget of Nu.363.783 million is allocated to support construction and rehabilitation of irrigation channels.

To support the sector to achieve the targeted dairy production level, a budget of Nu.22.900 million has been allocated. A sum of Nu.16.215 million has also been provided to enhance fish stock to reduce its import. To enhance production of pork and chicken, a budget of Nu.32.066 million has been allocated for supply of piglets, parent stocks and structures.

Vegetable production has been considered as one of the potential areas to contain INR outflow from the economy. Therefore, increasing vegetable production is one of the major areas of emphasis under this sector. In the FY 2014-15, Nu.24 million has been allocated to procure and supply high yielding variety of seeds and seedlings to farmers at subsidized rate. In addition, Nu.10 million has been provided for transportation of seeds in order to maintain uniform price across the country. Further, Nu.64.400 million has been kept for farm mechanization. For development and diversification of production and marketing facilities, a budget of Nu.51.296 million has been allocated.

To support the sustainable natural and biodiversity resource management, Nu.33.915 million and Nu.20.069 million have been allocated for National Forest Inventory and Natural Resources Management respectively.

The sector budget also includes Nu.284.488 million for improvement, maintenance, permanent works and construction of spillover farm roads. A provision of Nu.155.464 million is centrally kept for construction of new farm roads in Dzongkhags and Gewogs to be provided upon finalization of construction modality. The Ministry of Agriculture and Forests, Ministry of Works and Human Settlement and Ministry of Home and Cultural Affairs are entrusted to review and recommend the modality. Under the new modality, Dzongkhags and Gewogs will have option to either hire or use Government machineries from Central Machinery Units (CMU) for constructions of farm roads which is a cheaper alternative. The above provision will be either used for the purchase of the machineries or for hiring the machineries from the private sources depending upon the modality. The detail of major capital works in RNR sector is as below:



**Table 4.11: Major Activities in the Agriculture Sector (RNR)***Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
1	Promotion of vegetable commodities	24.200	RGoB
2	National Program for Organic Farm Produce	7.900	RGoB/EU
3	Subsidy for transportation of seeds, seedling and fertilizers to Dzongkhags	10.000	RGoB
4	Subsidy to the National Seed Centre	10.000	RGoB
5	Rice Production and commercialization in Samdrup Jongkhar, Sarpang, Samtse, Punakha, Wangdue and Dagana.	10.600	RGoB/EU
6	Machineries for farm mechanizations	53.750	RGoB/EU
7	Phuentshothang Agriculture Rehabilitation Project	38.394	RGoB
8	Establishment of Farm Machinery Hiring Centers	10.576	RGoB
9	Development of piggery, poultry & fishery products	48.299	GoI
10	Import of parent stocks and hatching eggs	7.000	RGoB
11	Minimum Vegetable Support Program	4.000	RGoB
12	Construction of one stop farmers shops	7.600	IFAD/EU
13	Supply of fruits storage facilities to the farmers	6.000	RGoB
14	Post-harvest management and value addition of fruits	13.833	SDF
15	Development of dairy products	22.900	GoI
16	Establishment of communities and marketing infrastructure.	18.600	IDA
17	Construction of market shed/collection centres	8.256	GoI

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
18	Development and management of forests plan	8.063	EU
19	Natural Resources Management in the highlands for sustainable livelihood and green economy	4.006	BTFEC
20	Development of Strategies for Participatory Forest Management	8.000	SDC
21	Compensatory afforestation along Punatshangchhu valley	2.800	PHPA I
22	Development of Bamboo and Cane Technology	2.250	RGoB
23	Development of National Forestry Inventory	30.945	EU/RGoB
24	Construction and improvement of farm roads (spillover)	284.488	RGoB/MA-GIP
25	Construction and rehabilitation of irrigation channels	363.783	IDA/EU/RGoB/MA-GIP/GoI
26	Construction of Khomshar RNR, Bardo Gewog, Zhemgang (spillover)	7.000	RGoB
27	Construction and development of RNR Center at Korphu Gewog, Trongsa (spillover)	6.800	RGoB
28	Construction of RNR Centre at Patshaling, Tsirang	3.000	RGoB

#### **4.4.4 Trade and Industry Sector**

In FY 2014-15, a budget of Nu.865.659 million has been allocated for this sector. The sector prioritizes in generating employment and improving trade balance of the country.

To support trade facilitation, Nu.12.650 million is provided to develop dry

port at Phuntsholing and to conduct feasibility study for dry port in Gelephu. Another Nu.42.610 million is allocated for development of ancillary facilities for Special Economic Zone (SEZ) at Motanga (Samdrup Jongkhar) for economic expansion and diversification. Further, Nu.2.625 million has been allocated to accelerate import substitution initiatives.

An amount of Nu.20.961 million is allocated for geological mapping, mineral exploration and mineral development in a sustainable and environment friendly manner by the Department of Geology and Mines. It is anticipated to generate revenue and employment.

In order to provide business advocacy workshops to potential entrepreneurs and to develop incentive schemes plans for Cottage, Small and Medium Industry to engage in R&D of innovative and green industry, Nu.1.650 million has been allocated. Further, Nu.8 million has been provided to Agency for Promotion of Indigenous Crafts (APIC) to build economically viable and sustainable craft enterprises. It is anticipated to facilitate promoting tourism in the country and create employment opportunities.

The major activities are presented in Table 4.12 as below.

**Table 4.12: Major Activities in the Trade and Industry Sector**

*Nu.in millions*

Sl. No.	Activity	Amount	Funding
1	Procurement of essential laboratory equipment for POL quality control laboratory	5.000	RGoB
2	Feasibility study of dry port at Gelephu and development of mini-dry port in Phuentsholing	12.650	RGoB
3	Installation of earthquake monitoring stations	4.710	W/Bank
4	Development of geo-database	9.800	W/Bank
5	Ancillary facility at Bjemina Industrial Estate, Thimphu	6.800	RGoB

*Nu.in millions*

Sl. No.	Activity	Amount	Funding
6	Development of SEZ, Motanga under Samdrup Jongkhar	42.610	RGoB
7	Support to import substitution initiatives	2.625	RGoB
8	Cottage and Small Industry Sector development program	1.200	UNDP IPF
9	Agency for Promotion of Indigenous Crafts (APIC)	8.000	RGoB

#### **4.4.5 Tourism**

Tourism industry is one of the important sectors which generate revenue and employment amongst others and earns convertible currency. In the 11<sup>th</sup> FYP, the tourism sector targets to achieve annual arrival of 200,000 tourists. Therefore, a budget of Nu.115.767 million has been allotted to support the activities related to promotion of unique festivals, development of tourism infrastructure and road-side amenities. Budget has been also provided to support training on tourism and hospitality, improve trekking routes, promote marketing and promotional programs such as joint marketing, advertisements, participating in travel fairs and road shows.

The sector has been allocated with Nu.11.460 million in the FY 2014-15 for construction of Hotel and Tourism Management Training Institute (HTMTI).

The major tourism related activities are highlighted in Table 4.13 below.

**Table 4.13: Major Activities in the Tourism Sector***Nu.in millions*

Sl. No.	Activity	Amount	Funding
1	Conduct tourism and hospitality related training	1.350	RGoB
2	Development of Bhutan Tourism Monitor and exit survey	1.950	RGoB
3	Assessment of tourism's economic contribution	1.150	RGoB
4	Development of amenities in partnership with local communities.	4.500	RGoB
5	Development of tourism infrastructure-construction /renovation/ maintenance of trails, campsites, bridges, restrooms.	3.500	RGoB
6	Marketing and promotion of Bhutan as high-end tourism destination	6.721	RGoB
7	Travel fairs/Road shows	15.620	RGoB
8	Targeted source market promotion	6.500	RGoB
9	Construction of HTMTI	11.460	RGoB & ADA

#### 4.4.6 Vocational Training and Employment

This sector focuses on producing required skilled manpower domestically. The sector also tries to inculcate dignity of labour and contribute towards achieving full employment. Many out of school youth are provided skill development programs in various fields which enable them to secure jobs in the market or be self-employed. Towards this, Nu.20.371 million has been allocated for Vocational Technical Training Institutes.

As the vocational training institutes could not absorb all the unemployed youth to undergo formal skills training, employment guaranteed scheme under Economic Stimulus Plan (ESP) aims to train around 600 youths annually. It plans to create a pool of skilled and semi-skilled manpower in the country through attachment programs, and provide employment to the youth. Nu.47.460 million has been allocated for this scheme.

Under the Overseas employment program the Government targets to send around 6,000 Bhutanese annually. A budget of Nu.77.250 million under ESP has been allocated to support youths' training on hair & beauty, spa, construction, tailoring and caregivers. Budgetary support has also been provided for 200 youths who are undergoing training at International Institute of Wellness Studies in Noida, India.

Further, budget has been allocated for targeted interventions, such as, Youth Pre-employment Program (Nu.8 million), University Internship Program (Nu.7.400 million), Nursing Training Program (Nu.21.829 million) and Apprenticeship Training Program (Nu.8.751 million). It is aimed to provide required skills and experiences for the jobseekers.

Major capital activities under the sector are listed below in Table 4.14.

**Table 4.14: Major activities in Vocational Training and Employment Sector**

*Nu.in millions*

Sl. No.	Activities	Amount	Financing
1	Apprenticeship Training Programme	8.751	RGoB
2	GNM training in India (ongoing)	21.829	RGoB
3	Overseas Employment Program	77.250	ESP
4	Entrepreneur and Business management course	7.110	RGoB
5	Employment Guaranteed Program	47.460	ESP
6	University Graduate Internship Programme	7.400	RGoB
7	Pre-employment Engagement Programme	8.000	RGoB

#### 4.4.7 Roads

Recognizing the importance of good network of road and bridges in facilitating smooth delivery of socioeconomic services, priority has been accorded to the road sector. The main priority of the road sector in the 11<sup>th</sup> FYP is to complete the national highway grid using environment friendly technology, construction of Primary National Highway, Secondary National Highway and

up-gradation and improvement of existing roads. In FY 2014-15, a sum of Nu.2,920.279 million which is 7% of the total budget has been allocated to this sector. The major activities are construction of Gyalposhing-Nganglam (Nu.193.856 million), Gomphu-Panbang (Nu.272 million) and Gesarling-Lamoizingkha (Nu.230 million), construction of Samtse-Phuentsholing Highway (Nu.100 million) and Nangar-Ura bypass road (Nu.16 million).

The other activities are improvement of roads (Nu.248.320 million), resurfacing (Nu.202 million), bridges (Nu.193 million) and monsoon restoration works (Nu.130 million).

The budget for black topping of eight Gewog Connectivity (GC) roads of Nu.298.7 million has been sought under SDP from GoI which was approved in principle. However, the budget will be incorporated under Department of Roads and implemented upon the receipt of funds.

The major activities under the sector are presented in Table 4.15 below.

**Table 4.15: Major Activities under the Road Sector**

*Nu.in millions*

Sl. No.	Activities	Amount	Financing
1	<b>Construction of primary national highways</b> (Manitar-Raidak Road, Raidak-Lhamoizingkha Road, Panbhang-Nganglam Road, Samdrup Choling-Samrang Road, Nangar-Ura Road, Gyalposhing-Nganglam Road, Gomphu-Panbhang Road and Samtse-Phuntsholing Road) – spillover	1,330.545	RGoB/GoI/ ADB
2	<b>Construction of secondary national highways</b> (Gesarling - Lhamoizingkha Road, Tsebar-Mikuri-Durungri Road) – spillover	331.590	RGoB/ADB / Netherland
3	Construction of bridges on Gyalposhing - Nganglam Road (Sokporong bridge, bailey bridge over Gongri) – spillover	59.000	GoI
4	Construction of bridges on Gomphu - Panbhang Road (Mangdechhu bridge, Pantang bridge) – spillover	86.000	GoI
5	Construction of Amochhu bridge on Samtse - Phuntsholing road – spillover	40.000	RGoB

*Nu.in millions*

Sl. No.	Activities	Amount	Financing
6	Construction of bailey bridges along Kharungla - Kangpar road (2 nos) – spillover	8.000	RGoB
7	Improvement works on various roads	248.320	RGoB
8	Resurfacing of various roads	202.000	RGoB
9	Monsoon restoration works on various roads	130.000	RGoB

#### **4.4.8 Urban Development, Housing and Public Amenities**

For urban development, a budget of Nu.2,237.709 million has been allocated. To address the pressure on the existing facilities, a number of urban development programs have been initiated in Thromdes under World Bank and ADB funding.

To check unplanned sprawling urban structures, Nu.28.100 million has been allocated for proper urban development in Paro, Trashi Yangtse, Kabisa (Thimphu), Mongar and Lhuentse. Another Nu.104 million is allocated for infrastructure development of Autsho Town (Lhuentse), Denchi and Rinchenthang Town (Pema Gatshel) and Khitsang Town (Trashi Yangtse). The detail of major capital works of the sector is as below:

***Table 4.16: Major Activities under Urban Development, Housing and Public Amenities***

*Nu.in millions*

Sl. No.	Activities	Amount	Financing
1	Langjophakha LAP (Package III)	120.000	World Bank
2	Lower Taba LAP	100.000	World Bank
3	Central water supply scheme, North Thimphu	100.000	World Bank
4	Consultancy services for Urban Infrastructure Project (Thimphu, Phuntsholing and Samdrup Jongkhar Thromdes)	20.000	ADB
5	Construction of waste water treatment plant at Babesa	153.000	RGoB/ADB



*Nu.in millions*

Sl. No.	Activities	Amount	Financing
6	Changbangdu LAP - Package I	125.000	RGoB/ADB
7	Construction of approach road and bridge, Phuntsholing Thromde	35.600	RGoB/ADB
8	Rehabilitation of water supply for Samdrup Jongkhar Throm	9.200	RGoB/ADB
9	Flood Protection Works (Gelephu, Lhamoizingkha, Sarpang, Chamkhar, Lhuentse, Punakha)	110.000	RGoB
10	Relocation of Tanalum check point, re-orientation of Rinchening check point and construction of gate at Phuntsholing	10.000	RGoB
11	Preparation of comprehensive water and sanitation master plan for Denchi, Nganglam, Paro, Tsirang and Sarpang.	10.000	RGoB
12	Piloting of compact and low cost waste water treatment technology for Samtse	10.000	RGoB
13	Research on labour and material coefficient for Bhutan Standards of Rates (consultancy)	8.000	RGoB
14	Development of Master Plan for Paro Town	8.000	RGoB
15	Urban Development Plan (Trashi Yangtse, Kabisa, Mongar, Lhuentse)	20.100	RGoB
16	Autsho Town Development, Lhuentse	10.000	RGoB
17	Denchi Town Development, Pema Gatshel	22.700	RGoB
18	Rinchenthang Town Development, Nganglam	15.500	RGoB
19	Khitsang Town Development, Tashi Yangtse	56.200	RGoB

#### **4.4.9 Communications and Transport**

The sector endeavors to harness the potential of ICT to enhance socio-economic development in the country. A budget of Nu.821.891 million has been allocated to promote culture, tradition and social cohesion through usage of ICT.

To further develop the airports, Nu.10.000 million has been allocated to revamp airport security facilities, Nu.35.918 million for development of Paro airport, Nu.35.050 million for Bumthang airport and Nu.43.190 million for Yonphula airport.

The surface transport system also needs to be enhanced to make mobility faster and convenient for the people. A budget of Nu.9 million has been allocated to construct a new bus terminal in Bajo, Wangdue Phodrang. Budget has also been allocated to subsidize loans availed by individuals to operate public transport facilities in non-profitable routes in the country.

To facilitate affordable access to information in rural and far-flung communities, 185 Community Centers (CC) have been established so far. A budget of Nu.14.160 million from SDF and Nu.13 million from RGoB have been allocated to construct 10 more Community Centers, one each at Sombaykha (Haa), Silambi (Mongar) and Soe, Naro and Lingshi (Thimphu), Bjokha and Bardo (Zhemgang), Lunana and Laya (Gasa) and Getena (Chhukha).

The major activities included in the budget are shown below.

**Table 4.17: Major Activities in the Communications & Transport Sector**

*Nu.in millions*

Sl. No.	Activity	Amount	Funding
1	Perimeter fencing, Paro Airport	10.100	RGoB
2	Shifting of fuel depot, Paro Airport (spillover)	4.430	RGoB
3	Construction of additional car parking, Paro Airport	4.300	RGoB
4	Modification of existing terminal building (spillover)	9.088	RGoB
5	Up gradation and replacement of CCTV system, Paro Airport	8.000	RGoB
6	Up-gradation/improvement and establishment of new security facilities in international and three domestic airports	10.000	RGoB
7	Re-development works at Yonphula Domestic Airport (spillover)	43.550	ADB
8	Construction and development works at Bumthang Domestic Airport (spillover)	35.050	ADB
9	Construction of bus terminal with office building, Bajo town (spillover)	9.000	RGoB
10	Government support to Community Center (CC) vendors	12.369	RGoB

*Nu.in millions*

Sl. No.	Activity	Amount	Funding
11	Construction of Community Centers	27.160	RGoB/SDF
12	Telecom subsidy for IT park	8.500	RGoB
13	Telecom subsidy for internet connectivity (CCs)	8.000	RGoB
14	Implementation of national broadband master plan	14.000	GoI
15	Depreciation and maintenance for national fiber optic network	13.200	RGoB
16	Establishing Druk Research and Education Network (DrukREN)	20.000	ADB
17	Support to media houses	12.000	SDC

#### **4.4.10 Energy**

The energy sector has been allocated with a budget of Nu.1,014.713 million in FY 2014-15.

Major activities under this sector includes preparing DPRs for Kuri Gongri hydropower project, Rotpashong and Chamkharchhu II and IV, pre-feasibility study for Jomori hydropower project and a pilot wind power project. Further, a budget of Nu.42.390 million has been allocated for the construction of 132 KV Motanga – Phuntshothang (20 km) and 132 KV Kanglung – Phuntshothang (58 km) transmission lines.

The major activities under this sector are listed in Table 4.18 below.

***Table 4.18: Major Activities in the Energy Sector***

*Nu.in millions*

Sl. No.	Activity	Amount	Funding
1	Construction of 126 MW Dagachhu Hydroelectric Project	23.218	Austrian
2	Preparation of DPR for Chamkharchhu - I (Digala) Hydroelectric Project (770 MW)	97.917	RGoB & GoI
3	DPR preparation for Kholongchhu Hydroelectric Project (600 MW)	22.025	RGoB & GoI
4	DPR updation of (2560 MW) Sankosh Hydroelectric Project	101.575	RGoB & GoI

*Nu. in millions*

<b>Sl. No.</b>	<b>Activity</b>	<b>Amount</b>	<b>Funding</b>
5	Old DPR/PFR preparation of Kuri Gongri Reservoir Hydroelectric Project (2640 MW)	157.726	RGoB & GoI
6	DPR preparation for (540 MW) Amochhu Reservoir Hydroelectric Project	36.025	RGoB & GoI
7	DPR preparation for (570 MW) Wangchhu Hydroelectric Project	41.542	RGoB & GoI
8	DPR updation for (180 MW) Bunakha Hydroelectric Project	42.944	RGoB & GoI
9	DPR preparation for Kuri-Gongri Hydroelectric Project (2,640 MW)	164.617	RGoB & GoI
10	Institutional Cooperation Project with Norway-Phase IV	29.140	RGoB & Govt. of Norway
11	Prefeasibility studies of Chamkharchhu II & IV (2,882 MW) and Dangchhu(150 MW)	15.000	Govt. of Norway
12	DPR preparation of Rotpashong Hydroelectric Project (1,230 MW)	25.000	Govt. of Norway
13	Prefeasibility study of Jomori Hydroelectric Project	16.876	Govt. of Norway
14	Construction of 132kv Motanga - Phuntshothang (Bangtar) line (20km) along with associated works	16.740	RGoB
15	Construction of 132kv Kanglung-Phuntshothang (Bangtar) line (58km) along with associated works	25.650	RGoB
16	Construction of central regional office at Kurjee, Bumthang	4.000	RGoB
17	Setting up new automatic snow station at Wangchhu	6.000	RGoB
18	Procurement of equipment for Flood Warning Services	6.010	GoI
19	Procurement of Automatic Discharge Measurement Systems for Flood Warning Services	3.000	GoI
20	Construction of site office for Flood Warning Service at Yebesa, Punakha (spillover)	3.580	RGoB
21	Rural electrification of Soe and Lingzhi Gewogs	10.040	Austrian
22	Sustainable Rural Biomass Energy Project	65.091	UNDP IPF
23	Pilot wind power project.	4.616	RGoB

#### 4.4.11 Cultural Services

As one of the most important pillars of GNH, priority is accorded to promote and preserve the nation's unique culture and tradition. The budget of Nu.1,738.194 million has been allocated to support activities that promote and preserve our unique culture.

In the FY 2014-15, Nu.200 million is allocated for re-construction of Wangdue Phodrang Dzong, Nu.100 for construction of Pema Gatshel Dzong, Nu.30 million for Gasa Dzong renovation, Nu.20 million for new Sarpang Dzong and Nu.40 million for renovation of Trashigang Dzong.

Besides, budget has been allocated to construct and renovate significant numbers of lhakhangs and temples such as re-construction of Lhakhang Karpo (Nu.5 million), conservation of Phajoding Lhakhang (Nu.50 million), construction of Hindu Temple (spillover) (Nu.30 million), extension/development of Shivalaya Mandir, Samtse (Nu.11.061 million), rebuilding of Palace of Khikha Rathoed in Choekhor Gewog, Bumthang (Nu.20 million), major renovation of Khawchung Lhakhang, Lhuentse (Nu.10 million), reconstruction of Drametse Dzong, Mongar (Nu.30 million) and reconstruction of Yongla Gonpa, Pema Gatshel (Nu.30 million).

The major activities of cultural services are given in Table 4.19 below.

**Table 4.19: Major Activities of Culture Sector**

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
1	Construction of Wangdue Phodrang Dzong	200.000	GoI
2	Construction of Pema Gatshel Dzong (spillover)	100.000	GoI
3	Preparatory works for construction of new Sarpang Dzong	20.000	GoI
4	Preparation of master plan & execution of conservation work of Gasa Dzong	30.000	GoI
5	Preparation of master plan & execution of conservation work of Trashigang Dzong	40.000	GoI
6	Construction of Hindu Temple (spillover)	30.000	RGoB

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
7	National Conservation Laboratory Construction (spillover)	33.000	GoI
8	Conservation of Phajoding Lhakhang	50.000	GoI
9	Major renovation of Ta-Dzong, Paro	20.000	GoI
10	Reconstruction of Drametse Dzong (Utse, hostels, dinning & kitchen, classrooms)	30.000	RGoB
11	Reconstruction of Yongla Goenpa, Pema Gatshel (spillover)	30.000	RGoB
12	Renovation of Tango Utse, Thimphu (spillover)	20.190	RGoB
13	Rebuilding Palace of Khikha Rathoed, Choekhor Gewog, Bumthang	20.000	RGoB
14	Renovation of Wangditse Dzong, Thimphu (spillover)	19.330	RGoB
15	Construction of Drasha, Gasa (spillover)	12.000	RGoB
16	Development/extension of Shivalay Mandir at Samtse (spillover)	11.061	RGoB
17	Major Renovation of Khawchung Lhakhang, Lhuentse	10.000	RGoB
18	Construction of Lhakhang, Lamai Zimchung, Drasha, Kitchen, toilet, and house for aged people at Dorzhong, Lhuentse (spillover)	10.000	RGoB
19	Re-construction of Jaba Goenpa , Paro (spillover)	7.000	RGoB
20	Construction of Kuenrey at Dratshang, Pemagatshel (spillover)	6.368	RGoB
21	Reconstruction of Kenchosum Lhakhang, Bumthang	6.100	RGoB
22	Renovation of Neypakha Lhakhang, Punakha (spillover)	5.800	RGoB
23	Construction of Shapkhon at Phumithang Dratshang, Zhemgang (spillover)	5.200	RGoB
24	Renovation of Jela Dzong, Paro (spillover)	5.000	RGoB
25	Re-construction of Lhakhang Karpo, Haa (spillover)	5.000	RGoB
26	Construction of Tango Buddhist College (spillover)	30.000	GoI
27	Construction of Kilikhar Nunnery, Mongar (spillover)	10.000	GoI
28	Major renovation of Trongsa Dzong	10.000	MHPA

#### 4.4.12 Law and Order

Nu.1,847.585 million has been allocated for the Judiciary, Royal Bhutan Police, Bureau of Law and Order (MHCA), Office of the Attorney General, Royal Institute of Law and Bhutan National Legal Institute.

##### 4.4.12.1 Judiciary

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

##### 4.4.12.2 Royal Bhutan Police

Royal Bhutan Police has important role to ensure the rule of law and safety of the citizenry in the country. With changing times, the Royal Bhutan Police has to also develop skills and professional capacity of its personnel and officers. The RBP also needs to procure modern equipment to provide better, efficient and swift services to the people in times of emergencies and disasters.

In order to fulfill its mandate, a budget allocation of Nu.1,293.292 million is provisioned for RBP in FY 2014-15.

Major activities in RBP are infrastructure development of Jigmeling Training Centre (Nu.49.982 million), constructions of officers' quarters in various divisions (Nu.39 million) and Human Resource Development (Nu.6 million) amongst others.

The major activities of RBP is given in Table 4.20 below.

**Table 4.20: Major Activities under RBP**

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
1	Human Resource Development and Interpol Services	6.000	RGoB
2	Construction of officer quarters 20 units, Thimphu (spillover)	26.000	RGoB
3	Construction of 4 units officer quarters at Tashigatshel	6.000	RGoB
4	Construction of 18 units NCOs and ORs quarters at Tashigatshel	9.000	RGoB

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
5	Construction of family quarters 12 units at Gakidling, Haa (spillover)	5.000	RGoB
6	Construction of 4 units officer quarters, Jigmiling Training Center	7.000	RGoB
7	Construction of academic block, Jigmiling Training Center	10.000	RGoB
8	Construction of 18 units NCO/ORs quarters, Jigmiling Training Center	9.000	RGoB
9	Construction of compound wall and gate, Jigmiling Training Center.	5.000	RGoB
10	Construction of internal road connectivity, Jigmiling Training Center.	5.842	RGoB
11	Infrastructure development at Youth Development & Rehabilitation Centre.	2.000	RGoB

#### **4.4.13 General Public Service**

The general public sector includes local government (civil sector), finance, audit, foreign, commissions and constitutional bodies. In the FY 2014-15, a budget of Nu.9,290.858 million is provided for this sector. This includes Nu.200 million proposed to be provided to BDBL as additional capital injection in order to enhance their capital base and enable more lending. Some of the major activities under this broad heading are presented below except for the constitutional bodies which are presented in detail in Annexure I of this report separately.

##### **4.4.13.1 Local Government (Civil Sector)**

The civil sector of Dzongkhags and Gewogs under the General Public Service will receive Nu.1,592.096 million which includes Gewog Development Grant of Nu.2 million per Gewog.

The budget for the Local Government is presented in the later part of the chapter.



#### 4.4.13.2 *Land Re-Survey*

The National Cadastral Resurvey Project (NCRP) has been completed and new thrams issued for 8 Dzongkhags (Lhuntse, Bumthang, Trongsa, Mongar, Wangdi Phodrang, Punakha, Haa and Dagana) and 5 Gewogs in Tashigang Dzongkhag. Nu.119.474 million is allocated to carry out NCRP activities in rest of the Dzongkhags.

#### 4.4.13.3 *Rehabilitation Project*

Over the past years, rehabilitation programs have been carried out successfully in Jomotsangkha, Samdrup Jongkhar (31 households); Borangma, Nganglam Dungkhag; Pema Gatshel (51 households); Nye Lhuentse (55 households); Bebji, Haa (67 households) and Khenadrang, Pema Gatshel (44 households). During the FY 2014-15, Nu.57.843 million has been budgeted for the rehabilitation works at Nganglam (Tanzema), Tsirang (Phaladey) and Gelephu (Tareythang).

The major activities of general public service are given in Table 4.21 below.

**Table 4.21: Major Activities in General Public Service**

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
1	Construction of office building for Department of Civil Registration and Census and Department of Immigration. (spillover)	20.000	RGoB
2	Procurement and distribution of search and rescue equipment to 12 Dzongkhags.	6.600	RGoB/ IFRC/ MHPA
3	Construction of office building, RRCO Gelephu (spillover)	54.969	RGoB
4	Reconstruction of staff quarter, RBE, New Delhi, India (spillover)	20.207	RGoB
5	Construction of office building, ECB (spillover)	70.000	GoI
6	Rehabilitation Programme, NLC	57.843	RGoB

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
7	Development of National Spatial Data infrastructure for map production, NLC	12.300	RGoB
8	National Cadastral Re-survey Project, NLC (spillover)	119.474	RGoB

#### **4.4.13.4 General Reserves**

During the FY, Nu.4,145.464 million has been kept under general reserve. This budget will be transferred to the agencies as and when required for new appointments, retirement benefits, monsoon restorations, etc. However, Nu.155.464 million kept in the general reserve for construction of new farm roads has been included in the allocation under RNR Sector.

**Table 4.22: Details of General Reserves Budget**

*Nu.in millions*

<b>Sl. No.</b>	<b>Activities</b>	<b>Amount</b>	<b>Funding</b>
1	New Appointments / Establishment	230.000	RGoB
2	Transfer Benefits, Operation & Maintenance	300.000	RGoB
3	Hospitality & entertainment	40.000	RGoB
4	Retirement Benefits	200.000	RGoB
5	Third country travel	40.000	RGoB
6	National Events	200.000	RGoB
7	Provision for pay revision	1,800.000	RGoB
8	Spillover works	360.000	RGoB
9	Monsoon works/other renovations	225.000	RGoB
10	Acquisition of properties	300.000	RGoB
11	Co-financing for GoI PTA	100.000	RGoB
12	Disaster Relief Budget	175.000	RGoB
13	Provision for by-elections	20.000	RGoB
14	Construction of new farm roads	155.464	RGoB

## 4.5 Human Resource Development (HRD)

A total budget of Nu.926.914 million has been allocated for HRD to enhance professionalism and capacity development of the public servants. Major portion of the HRD budget has been allocated for the Ministry of Education, Ministry of Health, Ministry of Labour and Human Resources, Ministry of Agriculture and Forests, Royal Institute of Management and others. Efforts have been made to meet most of the budget on HRD from external grants. However, where such assistance is not forthcoming, RGoB resources have been allocated especially for important sectors like health and education.

The major HRD provisions for various agencies are presented in Table 4.23 below.

**Table 4.23: Human Resource Development Budget**

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
1	Higher Studies in Law (LLM) & MBA, Judiciary	5.250	Govt. of Austria
2	Long term Human Resource Development program (RCSC)	20.000	Govt. of Netherland
3	Postgraduate Scholarship (RCSC)	29.920	GoI
4	Nehru-Wangchuck Scholarship (RCSC)	15.695	GoI
5	Cost sharing HRD Programs for long term studies (RCSC)	50.000	RGoB
6	Institutional Development, ACC	15.900	SDC
7	Environmental Statistical Accounting Capacity Building, National Statistics Bureau	11.790	DANIDA
8	Capacity building of RBP Personnel	6.000	RGoB
9	Strengthening of monitoring and patrolling, national park services, MoAF	20.000	Bhutan Trust Fund
10	Training on Bio-safety and Security, MoAF	11.160	GEF
11	Short term training for institutional strengthening of energy sector, MoEA	18.100	Govt. of Norway
12	Specialization/masters courses for doctors, nurses and technologists	10.000	RGoB

*Nu.in millions*

Sl. No.	Activities	Amount	Funding
13	Continuation of long term HRD programs for doctors, nurses and technologists	42.470	RGoB
14	B.Sc Nursing at RIHS	3.080	RGoB
15	Bachelors degree course in Public Health at RIHS	4.250	RGoB
16	Long term training for medical professionals, MoH	24.413	WHO
17	Human Resource Development for teachers (M.Ed/ PGD/ BA/ Distance B.Ed)	30.097	RGoB
18	Undergraduate Scholarship, MoE	393.014	GoI/RGoB
19	Human Resource Development, REC (ongoing/new)	4.300	RGoB
20	Masters degree courses at RIM	13.111	RGoB

## 4.6 Sports

For the promotion and development of sports at various capacities, a total budget of Nu.119.363 million has been allocated under relevant agencies like Bhutan Olympic Committee (BOC), Department of Youth and Sports, MoE and Education Sector under Dzongkhags.

Major activities include development and improvement of sports facilities and promotion of sporting events at various levels. The budget has also been provided for participation at regional and international sporting events such as Asian Games.

## 4.7 Gender Responsive Budgeting

Although policies are in place to address the issues related to gender and socio-economic equality, the concept of Gender Responsive Planning & Budgeting (GRPB) is quite new. To adopt this concept, high level sensitization programmes and workshops have been conducted and initiatives have been already taken to work towards implementing GRPB. The Budget Call Notification to the agencies this year also urged to make their budget gender responsive.

Bhutan has initiated adopting GRPB process and is yet to be completed with technical assistance from UN. A proper framework to report on GRPB is under progress and therefore, it will be too early to make any assessment on this budget from gender perspective.

In this year, about Nu.225.208 million have been provided to the agencies directly involved in promoting gender equality like National Commission for Women and Children, Women and Child Protection Unit (RBP), Reproductive Health Program (MoH), Special Education Division and Non Formal Education (MoE) and construction of infrastructures under various schools for girl students.

#### **4.8 Local Government (Dzongkhags & Gewogs)**

The total budget allocation to the Dzongkhags and Gewogs in FY 2014-15 is Nu.2,795.357 million of which Nu.782.415 million is for Education sector and Nu.895.817 million for Gewogs. This allocation includes the budget for standard facilities like Gewog connectivity roads (Nu.168.200 million), Nu.3.788 million for reconstruction of Gewog Offices, Nu.16.800 million for construction of four RNR centres, Nu.13.811 million for construction of seven public meeting halls in Gewogs.

The other important activities featuring in the Dzongkhags/ Gewogs budget are the common minimum programmes like Rural Water Supply Schemes (Nu.210.383 million) and irrigation channels (Nu.80.828 million).

Besides, there are also activities like construction of irrigation channels, farm roads, Dzongs, schools, farm machineries, etc. budgeted under central agencies which will be implemented in the Dzongkhags and Gewogs.

#### **4.9 Budget for Legislative, Judiciary and Constitutional Bodies**

The budget for the Legislative, Judiciary and Constitutional bodies are presented separately as below. While the capital budget has been recommended based on the resource envelope for the FY, the budget for operation and

maintenance of the agencies has been provided on actual requirements. A comparison between proposals and recommendations are submitted as in Annexure I.

#### 4.9.1 National Assembly (NA)

Nu.88.297 million is recommended for the National Assembly against the proposed amount of Nu.90.569 million. Apart from operational and management budget for the secretariat, the current budget includes provisions for ten committees (including PAC Secretariat) services (Nu 2.467 million), for maintenance of fire alarm & security system in and around the Parliament House (Nu.0.760 million) and the Parliamentary Exchange Programs (Nu.1.200 million).

The summary is shown below:

<b>National Assembly</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	89.333	87.947
Capital	1.236	0.350
Total	90.569	88.297

#### 4.9.2 National Council (NC)

A budget of Nu.63.151 million is recommended against the proposed budget of Nu.85.969 million. Out of the total recommended budget, Nu.2.300 million is allocated for installation of CCTV and to re-furnish the visiting gallery. However, Nu.10 million for construction of office building is not recommended in view of the Government's decision to keep all the construction of new office buildings on hold.

The summary is shown below:

<b>National Council</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	67.879	58.501
Capital	18.090	4.650
Total	85.969	63.151

### 4.9.3 Anti-Corruption Commission (ACC)

For ACC, Nu.75.398 million is recommended against their proposal of Nu.83.993 million. Some of the major activities in the recommended budget are SDC support for institutional development including mainstreaming and implementation of National Anti-Corruption and Integrity Strategy as envisioned in the 11<sup>th</sup> FYP Document (Nu.29.250 million) and Nu.5.725 million is for implementing e-learning on ethic and integrity with financing from DANIDA.

The summary is shown below:

<b>Anti-Corruption Commission</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	44.400	40.537
Capital	39.593	34.861
Total	83.993	75.398

### 4.9.4 Election Commission (EC)

The recommended budget of Nu.107.904 million for Election Commission of Bhutan includes the spillover construction of office building at Kawajangsa under GoI funding (Nu.70 million), celebration of National Voters Day as per requirement of 4<sup>th</sup> SAARC Election Management Body, 2013 (Nu.2 million), Civic Education Trainings, Electoral Roll Exercises and other awareness workshops to reach at the target of 70% voter turnout for the future elections. Further, Nu.20 million has been kept under the Ministry of Finance for any by-election(s) which will be provided as and when elections are conducted.

Budget proposed for HRD ex-country training (Nu.9.74 million) is not recommended as the scope for funding from RGoB sources is very limited. Also, Nu.3.39 million for the purchase of Electronic Voting Machine (EVM) is not recommended.

The summary is given below:

<b>Election Commission</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	56.869	32.954
Capital	88.680	74.950
<b>Total</b>	<b>145.549</b>	<b>107.904</b>

#### **4.9.5 Judiciary**

The budget provision of Nu.41.482 million has been kept for the on-going court constructions (Pema Gatshel, Zhemgang, Dagana and Tsirang) with financing from DANIDA and Government of Austria. A budget of Nu.12.400 million is also kept for two on-going constructions of Drangpons' residence at Pema Gatshel and Gasa under RGoB financing.

As per the Government's decision to keep all the constructions of new office buildings on hold, the construction of new court buildings at Thimphu & Dorokha (Nu.38 million) proposed are not recommended. Also, the construction of Drangpon's residence in Bumthang (Nu.6.5 million) is not recommended.

The total budget recommended for Judiciary is Nu.280.607 million.

The summary is shown below:

<b>Judiciary</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	240.721	216.025
Capital	154.737	64.582
<b>Total</b>	<b>395.458</b>	<b>280.607</b>

#### **4.9.6 Royal Audit Authority (RAA)**

The total recommended budget for Royal Audit Authority is Nu.119.755 million which includes capacity development of RAA officials with financing from Government of Austria, acquiring international clients such as UN agencies and other professional bodies and strengthening risk based Audits and Nu.4.20 million for travel expenses for mandatory meetings, conference and



seminars like Asian Organization of Supreme Audit Institutions (ASOSAI) and International Organization of Supreme Audit Institutions (INTOSAI) working group, working group on IT audit, etc.

Construction of professional training center at Tsirang (Nu.83.364 million) under GoI will be incorporated upon receipt of fund during the year.

The summary is given below:

	<b>Royal Audit Authority</b>	
	<b>Proposed</b>	<b>Recommended</b>
Current	113.274	108.841
Capital	96.664	10.914
<b>Total</b>	<b>209.938</b>	<b>119.755</b>

#### **4.9.7 Royal Civil Service Commission (RCSC)**

Against the total budget recommended of Nu.172.996 million, 67% (Nu.115.615 million) is provisioned for on-going long term HRD programs with funding from the GoI, Government of the Netherlands and the RGoB.

As required by the Civil Service Act, the RCSC had awarded Civil Service Awards to 13,810 civil servants in FY 2013-14. In the new fiscal year, about 4,000 civil servants are expected to be awarded for which Nu.3 million is recommended. Further, to have a compressive review of the civil service to identify shortcoming and challenges and to further improve efficiency and effectiveness of civil service, a budget of Nu.5 million is recommended for the conduct of Organizational Development (OD) exercise and reform of Position Classification System (PCS).

The budget for construction of new office building (Nu.50 million) is not recommended. The budget proposal of Nu.5 million for review and strengthening performance management system will be incorporated as and when fund from ADB is finalised. Further, the budget proposed for HRD under GoI funding is recommended only for ongoing programs and hence is reduced by Nu.24.975 million from the proposal.

The summary is given below:

<b>Royal Civil Service Commission</b>	<i>Nu.in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	49.021	47.611
Capital	205.460	125.385
Total	254.481	172.996

#### **4.10 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 outflow from the foreign exchange reserves by approximately USD.154.191million.

## **CHAPTER V TAX MEASURES**

The proposed fiscal measures are aimed to correct the persistent current account deficit faced by the economy which is a major cause of concern for the Government. Though the Government has followed prudent fiscal policies, revenue reforms need to be initiated to enhance revenue and to promote savings and business opportunities in the country. Such reforms will help to ameliorate revenue volatility. In view of the above, the Government has included the following tax measures in the budget.

### **5.1 Exempt small and micro businesses in rural areas from Business Income Tax (BIT)**

In order to encourage growth of small and micro-businesses in rural areas, the Government has decided to exempt these businesses from BIT with effect from Income Year 2014. The exemption is expected to achieve the following objectives:

1. Encourage and promote growth of small-scale businesses through self employing economic activities;
2. Alleviate poverty and reduce rural-urban migration;
3. Relieve small and micro businesses of cumbersome administrative procedures and other practical hardships.

Although there will be some revenue loss, this exemption is expected to ensure greater fairness and equity in the system. Currently, the tax burdens borne by the small and micro businesses in the rural areas are relatively high compared to PIT payers. Further, rural businesses are mainly established for self-employment purposes. Approximately 11,122 taxpayers will benefit from this incentive.

## **5.2 Exempt Interest Income from Personal Income Tax (PIT)**

To encourage savings, interest income from fixed deposits under the PIT is proposed to be exempt from income tax. This exemption will also serve as a fiscal tool which will influence improved liquidity in the financial institutions and allow them to increase lending to finance economic activities in the country. However, interest income under BIT and CIT will continue to be taxed. This will entail amendment to the Income Tax Act.

## **5.3 Indirect Tax Measures**

The proposal on Indirect Tax Measures is mainly geared towards reducing imports of certain goods and curbing the outflow of Indian Rupees and Convertible Currencies.

The increasing trade deficit has exerted pressure on both Indian Rupee and convertible currency reserves. Unless adequate measures are put in place, the trade deficit situation will continue and our reserves will deplete further. Therefore, the following measures are proposed:

### **5.3.1 Revision of Sales Tax, Customs Duty and Green Tax on Vehicles**

The number of vehicles has continued to increase over the years contributing to significant outflow of both Indian Rupee and Convertible Currency. In 2011, vehicles constituted about 13% of the total import. The import value of motor vehicle was more than 60% of the export earnings from electricity in 2011. The increasing number of vehicles has a direct impact on the import for fuel. Other adverse impacts from increased number of vehicles are traffic congestion, environmental pollution, and road accidents.

The existing sales tax, customs duty, and green tax on various types of vehicles are proposed to be revised. Details are given as part of the Tax Bill.

### **5.3.2 Introduction of Green Tax on Fuel (Petrol and Diesel)**

Fuel is one of the highest imported items from India that requires continuous supply of Indian Rupee. The import of fuel in the year 2013 was Nu.7.40

billion, out of which Nu.5.65 billion was for diesel (HSD) and Nu.1.75 billion was for petrol (motor spirit). From the import trend it is observed that the demand for fuel is always on the rise. There is also a price disparity in these items between the border towns. Therefore, it is proposed to levy a 5% green tax on fuel.

### **5.3.3 Revision of Customs Duty on medical supplies and aircraft spare parts**

Few items that fall under the broad category of medical supplies and aircraft spare parts currently having duty and tax are proposed to be included under the zero rate considering that they are exempted under the Fiscal Incentives and Tax Act 2011. Including these items under the zero rate categories will help to remove the administrative burden from both the importers and the implementing agencies.

### **5.3.4 Introduction of Sales Tax on Telecom Services**

Since 1999, only two types of domestic services (hotel and restaurant service and entertainment service comprising of cinema and cable TV) are under the sales tax net. Under the goods category, only cement, aerated water and beer are covered. Thus, the tax base on domestic goods and services is narrow.

In order to broaden the tax base, it is proposed to levy a 5% Sales Tax on the telecom service provided by the Telecom operators.

*\*The detailed proposal is presented as Annexure to the Tax Bill 2014.*

## **CHAPTER VI**

### **MACRO-ECONOMIC OUTLOOK IN THE MEDIUM TERM**

This chapter presents the macroeconomic outlook and highlights the key challenges of Bhutanese economy in the medium term based on the macro-fiscal projections of the MFCC. The projections attempt to offer insights into the potential trends in the key drivers of the economy in relation to prevailing regional and global economic situation.

The variables discussed in this section include outlook on real, fiscal, monetary and external sector.

#### **6.1 Real Sector**

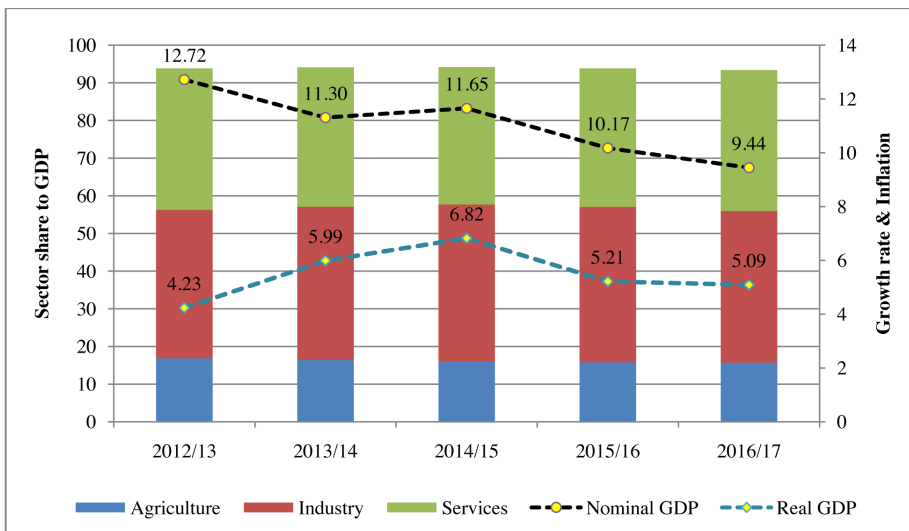
##### **6.1.1 Gross Domestic Product**

In spite of the uncertainty and volatility in the external sector, the MFCC projects an economic growth of 6.8% in FY 2014-15. This growth would be driven by expansion in the industry sector mainly through the ongoing hydropower construction and expected starting of two new hydropower projects (Kholongchhu and Nikachhu hydroelectric projects). The electricity sector is projected to contribute to growth with commissioning of the Dagachhu hydroelectric project. In addition, the liquidity injection in the financial institutions and establishment of cottage, small and medium industries as a part of the economic stimulus package is expected to reinvigorate growth especially in the manufacturing and service sectors.

In the FY 2015-16 and FY 2016-17, the economy is projected to grow at 5.2% and 5.1% respectively, registering a decrease of about 1.6 percentage points as compared to FY 2014-15. The slower growth rate could be attributed mainly to sluggish growth in industry sector where the construction sector growth decline by about 11% and 4% in FY 2015-16 and FY 2016-17 respectively.

During the same period, the service sector is projected to grow at an average of 7% while the agriculture sector is projected to remain at around 2% growth rate. The economic growth & composition is shown in the figure 6.1 below.

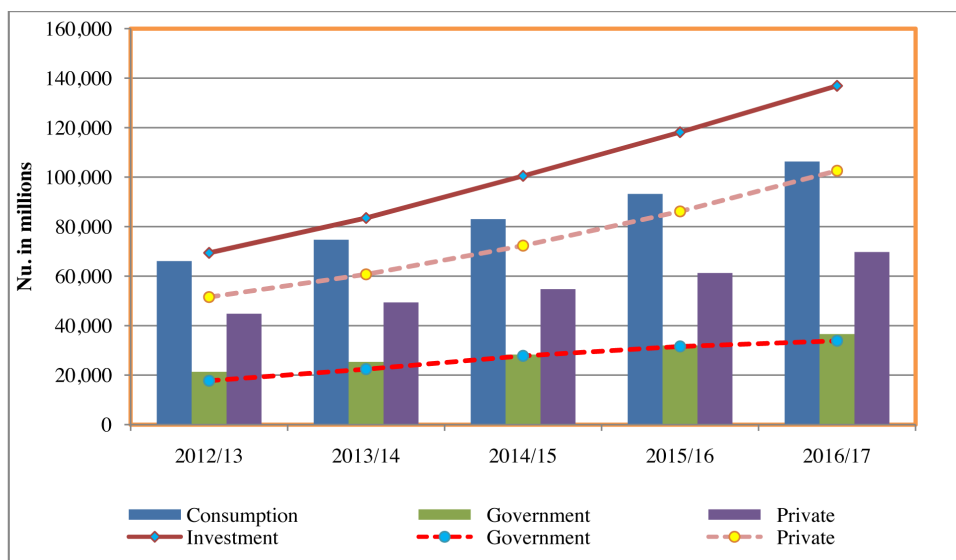
**Figure 6.1: Gross Domestic Product (GDP)**



Source: MEF, NSB

The private consumption, comprising 66% of total consumption, is about two times that of the government consumption. Similarly, the private investment, fueled by hydropower development, is three times higher (*hydropower investments are reflected in private investment in the National Accounts by Convention*) than the Government investment. The investment constitutes more than three-fourth of the GDP during the year. The consumption and investment is projected to grow at 6.9% and 12.1% annually over the medium term. The growth in investment is anticipated to be propelled by the hydropower developments and implementation of Economic Stimulus Plan.

**Figure 6.2; Consumption and Investment**



Source: MEF, NSB

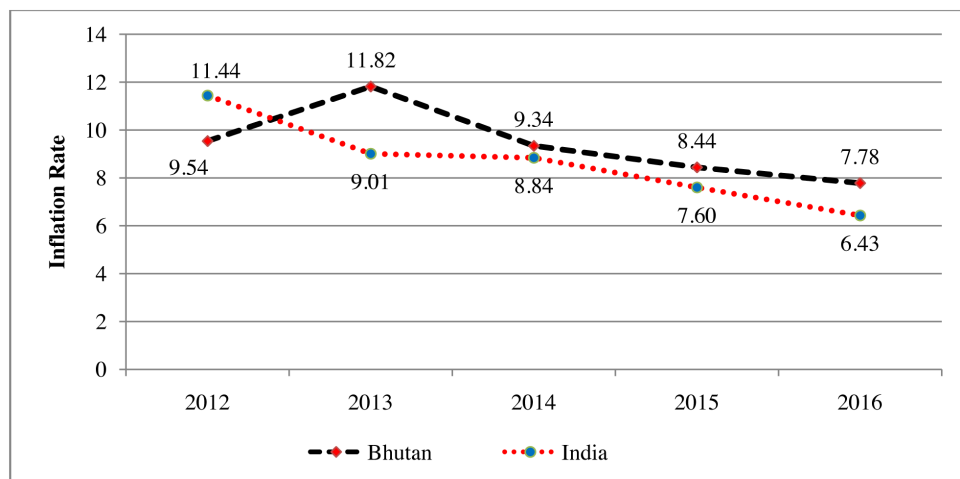
## 6.1.2 Inflation

The annual inflation for the fourth quarter 2013 was 11.3% as compared to 9.5% in 2012, with 14.5% food inflation and 9.3% non-food inflation. The seasonal effects played major role in driving up prices at various times. In general, domestic inflation trend followed the price movements in India as more than 75% of goods and services are imported from India.

As per the world economic outlook, 2013, the inflation for Bhutan is projected at 9.34% in 2014, 8.44% in 2015 and 7.78% in 2016 closely tracing the Indian inflation. The trends are premised on the assumption that the monetary authority will continue with existing monetary policies and stable fuel prices will sustain. With various initiatives of the Government on import substitution and implementation of Economic Stimulus Plan, the inflation is expected to moderate in the medium term. The figure 6.3 compares inflation rates in India and Bhutan from 2012 to 2016 (projection).



**Figure 6.3: Inflation**



Source: MEF, NSB/World Economic Outlook, Oct. 2013

### 6.1.3 Employment

The unemployment rate was 2.1% in 2012 and more females are unemployed than males. The youth unemployment is a major socio-economic challenge to the government's initiative to achieve full employment. However, the Government initiatives such as skills development programs, career guidance, internship and overseas employment programs, and more importantly ESP programs are expected to bring down youth unemployment in the medium term.

### 6.2 Fiscal Sector

The fiscal outlook provides a statement of government's commitments on the budget position. It outlines the size of the resource envelope and the annual expenditure ceiling to maintain sustainable fiscal path in the medium term. The fiscal projection for the medium term is presented in the table below:

**Table 6.1: Fiscal Projection (Nu.in millions)**

	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Revised	Budget	Proj.	Proj.
<b>TOTAL RESOURCES</b>	<b>30,656.117</b>	<b>33,171.752</b>	<b>31,959.263</b>	<b>41,303.957</b>	<b>43,572.729</b>
<b>DOMESTIC REVENUE</b>	<b>21,101.691</b>	<b>21,860.885</b>	<b>24,599.032</b>	<b>25,388.713</b>	<b>27,419.503</b>
Tax	15,403.118	15,353.582	17,619.723	18,689.403	20,521.942
Non-Tax	5,698.573	6,507.303	6,979.309	6,699.310	6,897.562
<b>OTHER RECEIPTS (NET)</b>	<b>-8.210</b>	<b>131.042</b>	-	-	-
<b>GRANTS</b>	<b>9,562.636</b>	<b>11,179.825</b>	<b>7,360.231</b>	<b>15,915.244</b>	<b>16,153.226</b>
<b>Program Grants</b>	<b>2,618.453</b>	<b>1,975.000</b>	<b>1,700.000</b>	<b>1,700.000</b>	<b>1,700.000</b>
Gol	1,050.000	1,700.000	1,700.000	1,700.000	1,700.000
Others	1,568.453	275.000	-	-	-
<b>Project-tied Grants</b>	<b>6,944.183</b>	<b>9,204.825</b>	<b>5,660.231</b>	<b>14,215.244</b>	<b>14,453.226</b>
Gol	3,643.402	5,825.687	3,081.403	8,760.000	9,855.000
Others	3,300.781	3,379.138	2,578.828	5,455.244	4,598.226
<b>OUTLAY</b>	<b>34,900.809</b>	<b>37,773.340</b>	<b>35,406.325</b>	<b>41,122.074</b>	<b>42,974.798</b>
<b>TOTAL EXPENDITURE</b>	<b>36,527.815</b>	<b>39,620.467</b>	<b>37,098.009</b>	<b>43,203.279</b>	<b>44,989.412</b>
Current	18,096.551	19,261.323	21,895.682	23,403.280	25,189.413
Capital	18,431.264	20,359.144	15,202.327	19,799.999	19,799.999
<b>NET LENDING</b>	<b>-739.889</b>	<b>-1,847.127</b>	<b>-1,691.684</b>	<b>-2,081.206</b>	<b>-2,014.614</b>
<b>ADVANCE/SUSPENSE (Net)</b>	<b>-887.117</b>	-	-		
<b>PRIMARY BALANCE</b>	<b>-1,602.384</b>	<b>-2,476.729</b>	<b>-1,375.899</b>	<b>2,364.715</b>	<b>2,658.336</b>
<b>OVERALL BALANCE</b>	<b>-4,244.692</b>	<b>-4,601.588</b>	<b>-3,447.062</b>	<b>181.883</b>	<b>597.932</b>
<b>FINANCING</b>	<b>4,244.692</b>	<b>4,601.588</b>	<b>3,447.062</b>	<b>-181.883</b>	<b>-597.932</b>
<b>Net Borrowing</b>	<b>492.306</b>	<b>66.178</b>	<b>-1,358.140</b>	<b>371.608</b>	<b>9.650</b>
Borrowing	16,463.456	2,824.280	1,558.688	3,664.461	3,042.330
Internal	12,892.456	0.000	0.000	0.000	0.000
External	3,571.000	2,824.280	1,558.688	3,664.461	3,042.330
Repayment	15,971.150	2,758.102	2,916.828	3,292.854	3,032.680
Internal	13,067.758	175.303	175.303	175.302	0.000
External	2,903.392	2,582.799	2,741.525	3,117.551	3,032.680
<b>RESOURCE GAP</b>	<b>-3,752.386</b>	<b>-4,535.410</b>	<b>-4,805.202</b>	<b>553.491</b>	<b>607.582</b>
				<i>In percent of GDP (%)</i>	
<b>Revenue &amp; Grants</b>	<b>29.3</b>	<b>31.8</b>	<b>30.6</b>	<b>28.9</b>	<b>27.8</b>
Domestic Revenue	20.2	18.8	18.9	17.7	17.5
Tax Revenue	14.7	13.2	13.6	13.1	13.1
Grants	9.2	9.6	5.7	11.1	10.3
<b>Outlay</b>	<b>33.4</b>	<b>32.5</b>	<b>27.3</b>	<b>28.7</b>	<b>27.5</b>
Total Expenditure	35.0	34.1	28.6	30.2	28.7

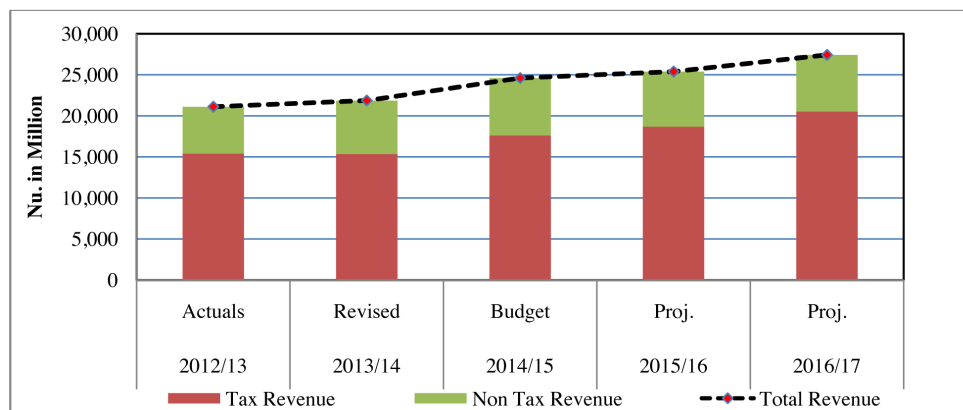
	2012-13	2013-14	2014-15	2015-16	2016-17
	Actual	Revised	Budget	Proj.	Proj.
Current	17.3	16.6	16.9	16.4	16.1
Capital	17.6	17.5	11.7	13.8	12.6
Net lending (NL)	-0.7	-1.6	-1.3	-1.5	-1.3
<b>Primary Balance</b>	<b>-1.5</b>	<b>-2.1</b>	<b>-1.1</b>	<b>1.7</b>	<b>1.7</b>
<b>Fiscal Balance</b>	<b>-4.1</b>	<b>-4.0</b>	<b>-2.7</b>	<b>0.1</b>	<b>0.4</b>
Net Borrowings	0.5	0.1	-1.0	0.3	0.0
Borrowings	15.8	2.4	1.2	2.6	1.9
Repayments	15.3	2.4	2.2	2.3	1.9
<b>Resource Gap</b>	<b>-3.6</b>	<b>-3.9</b>	<b>-3.7</b>	<b>0.4</b>	<b>0.4</b>
<b>nGDP</b>	<b>104,473.003</b>	<b>116,283.415</b>	<b>129,831.370</b>	<b>143,039.915</b>	<b>156,545.421</b>

Source: MEF

### 6.2.1 Resources

Domestic revenue is projected to grow by 12.5% in FY 2014-15 as compared to the growth of 3.6% in FY 2013-14 mainly due to Chhukha power tariff revision and commissioning of Dagachhu hydropower project. The domestic revenue is projected to have surplus over current expenditure in the FY 2014-15 and in the outer FYs. The share of domestic revenue to GDP in FY 2014-15 is about 18.9% as compared to 18.8% in previous FY. In the medium term, share of domestic revenue to GDP is projected to decline to 17% indicating that the tax system is much less buoyant. Meeting the deficit target will require constant effort to rationalize spending and improving tax administration, particularly as non-tax revenue is expected to reduce as a share of GDP. Over the medium term, the tax base needs to be broadened to reduce revenue volatility. The figure 6.4 depicts trend in tax and non-tax revenue in the medium term period.

**Figure 6.4: Trend in Tax and Non-Tax Revenue**



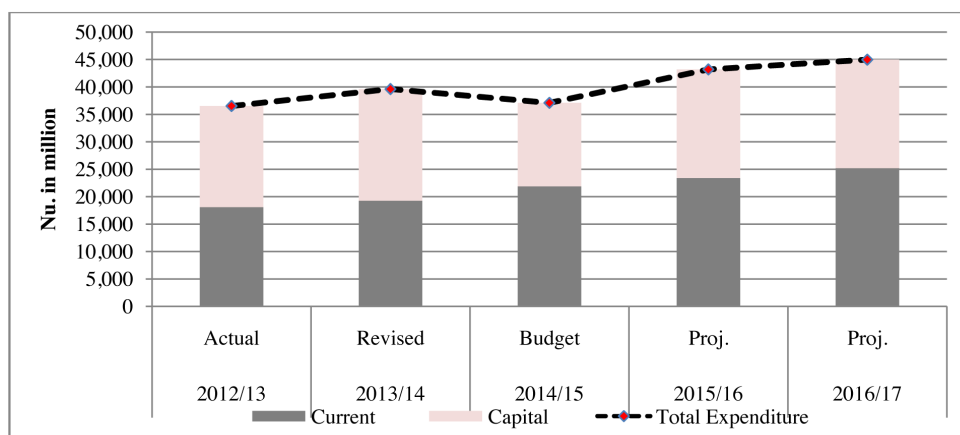
*Source: MEF, DRC, MOF*

The external grant is one of the important sources of resources and would constitute about 23% of total resources in FY 2014-15 and about 48% of the capital expenditure will be financed through grants. The remaining capital budget during the FY will be financed through loans and RGoB funding.

### 6.2.2 Expenditure

As shown in the figure 6.5 below, the total expenditure in FY 2014-15 is estimated at Nu.37.098 billion which is about 29% of GDP. It is 6% lower than the previous FY with 14% increase in current and 25% decrease in capital expenditure. The current expenditure constitutes about 59% of the total expenditure while the remaining 41% constitutes capital expenditure. The pay and allowances (including provision for pay revision) constitutes more than 46% of the current expenditure. In the medium term, government expenditure is estimated at about 30% and 29% of GDP in FY 2015-16 and FY 2016-17 respectively.

**Figure 6.5: Expenditure Trend**

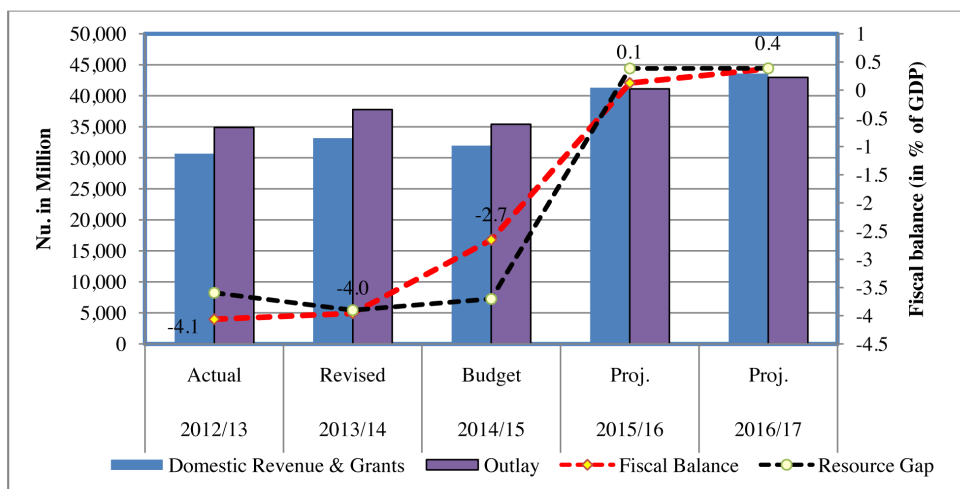


*Source: MEF, MOF*

### 6.2.3 Fiscal Balance

In FY 2014-15, the economy is projected to experience a fiscal deficit of 2.7% of GDP and resource gap of 3.7% of GDP. The domestic revenue is projected to cover about 112% of the current expenditure in FY 2014-15 and the coverage decreases in the medium term to about 109%. The primary deficit is projected to be at 1.1% of GDP during the FY 2014-15 as compared to 2.1% of GDP in the previous FY. A high level of primary deficit will limit the fiscal space unless some measures on taxation and expenditure rationalization are carried out. In the two outer years, the fiscal balance is projected to improve with the anticipated realization of external grants as committed for the 11<sup>th</sup> FYP. The figure 6.6 depicts fiscal scenarios for the period 2012/13 to 2016/17.

**Figure 6.6: Fiscal Scenario**



Source: MEF

### 6.2.4 Debt Stock and Debt Service

The Government has always pursued a policy of caution regarding public debt, particularly external debts. Presently, it resorts to external borrowing only when grants are not available. Further, external borrowings are availed only for activities that have income generating potentials like hydropower and social infrastructure development projects.

The debt stock and debt indicators in the medium term are presented in the table.

**Table 6.2: Debt Stock and Debt Indicators**

*Nu.in millions*

	<b>2012-13 (Actual)</b>	<b>2013-14 (Revised) *</b>	<b>2014-15 (Budget)</b>	<b>2015-16 (Est.)</b>	<b>2016-17 (Proj.)</b>
<b>Total Public Debt</b>	<b>101,310.193</b>	<b>106,357.177</b>	<b>138,206.764</b>	<b>167,838.202</b>	<b>191,703.673</b>
<b>Domestic Debt</b>	<b>6,342.721</b>	<b>350.605</b>	<b>175.302</b>	-	-
<b>External Debt</b>	<b>94,967.473</b>	<b>106,006.572</b>	<b>138,031.462</b>	<b>167,838.202</b>	<b>191,703.673</b>
<u>Rupee Vs. CC Debt</u>					
Indian Rupee debt	60,826.650	68,393.300	90,875.267	114,609.585	132,630.042
Convertible Currency (US\$ millions)	574.521	630.573	727.712	785.239	833.079
<u>Hydro Vs. Non-Hydro Debt</u>					
Hydropower Debt	53,995.196	67,582.704	94,612.615	119,833.399	143,018.105
Non-Hydropower Debt	40,972.277	38,423.868	43,418.846	48,004.803	48,685.567
<b>Total Debt Service</b>	<b>6,670.699</b>	<b>11,152.657</b>	<b>8,984.466</b>	<b>6,263.591</b>	<b>8,879.115</b>
o/w Debt service from budget	5,721.002	4,882.960	4,987.990	5,494.034	5,148.129
<b>Domestic Debt Service *</b>	<b>361.490</b>	<b>365.763</b>	<b>214.586</b>	<b>203.292</b>	<b>55.045</b>
<b>External Debt Service</b>	<b>6,309.209</b>	<b>10,786.894</b>	<b>8,769.880</b>	<b>6,060.299</b>	<b>8,824.070</b>
o/w Hydropower debt service	4,708.824	3,493.197	3,757.003	3,981.299	3,702.618
o/w Rupee debt service	5,217.515	9,454.633	6,932.794	3,744.223	6,317.291
o/w Debt service from budget	5,359.512	4,517.197	4,773.404	5,290.741	5,093.084
<i>In percent of GDP (%)</i>					
<b>Total Public Debt</b>	<b>97.0</b>	<b>91.5</b>	<b>106.5</b>	<b>117.3</b>	<b>122.5</b>
Domestic Debt	6.1	0.3	0.1	-	-
External Debt	90.9	91.2	106.3	117.3	122.5
Hydropower Debt	51.7	58.1	72.9	83.8	91.4
Non-Hydropower Debt	39.2	33.0	33.4	33.6	31.1
External debt as % of Total Public debt	93.7	99.7	99.9	100.0	100.0
Hydropower debt as % of External debt	56.9	63.8	68.5	71.4	74.6
Indian Rupee debt as % of External debt	64.0	64.5	65.8	68.3	69.2

Nu.in millions

	2012-13 (Actual)	2013-14 (Revised) *	2014-15 (Budget)	2015-16 (Est.)	2016-17 (Proj.)
<b>Debt Service Ratio (Total)</b>	<b>16.0</b>	<b>25.5</b>	<b>18.2</b>	<b>11.4</b>	<b>14.9</b>
Debt Service Ratio (Budget)	13.6	10.7	9.9	9.9	8.6
Exchange rate (Nu/USD)	59.43	59.65	64.80	67.79	70.91
* Domestic debt service includes interest payment for WMA/ODF and Treasury Bills (T-Bills) but excludes the redemption of T-Bills. * Revised and projections are as on 31st March 2014; Past figures are based on the published AFS reports					

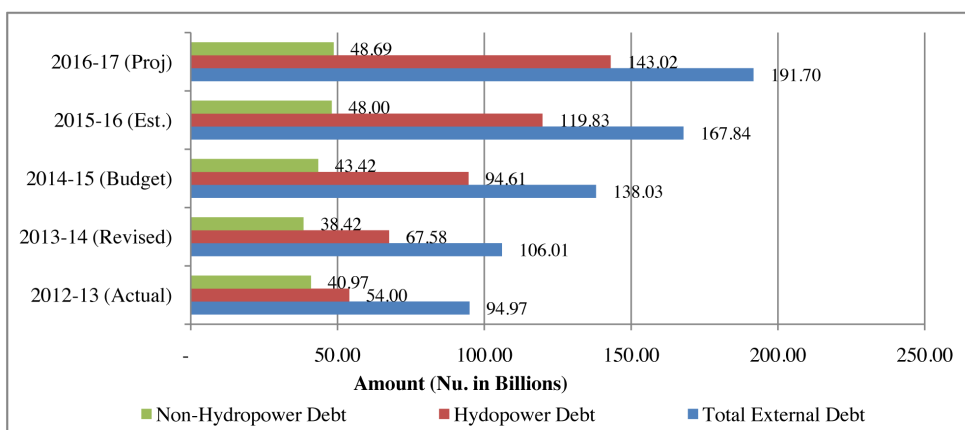
Source: MEF, DPA

### 6.2.4.1 External Debt

Based on the planned disbursements of the on-going and new loans, the external debt outstanding for the FY 2014-15 is projected to be Nu.138.031 billion which is around 106.3% of the estimated GDP.

During the FY 2014-15, the external debt stock is expected to increase by about 30.2% on account of disbursement for Puna I & II and Mangdechhu hydropower projects. Further, the pipeline hydropower projects such as Kholongchhu (JV) and Nikhachhu are also scheduled to start construction in FY 2014-15. Figure 6.7 shows the picture of debt stock for the period 2012/13 to 2016/17.

Figure 6.7: Debt Stock

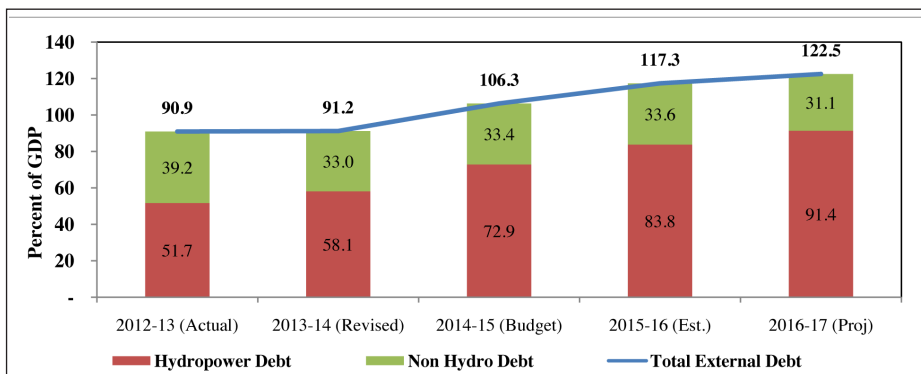


Source: MEF, DPA



Hydropower loan is estimated to be Nu.94.613 billion which accounts for more than 68% of the total external debt. Although the Debt to GDP ratio is increasing over the years as shown in the figure 6.8, the hydro-power, given its commercial viability and ability to self liquidate its debt, does not pose additional long term debt servicing burden to the economy. The non-hydropower loans (33.4% of GDP) accounts for the borrowings from multilateral financial institutions and bilateral countries at concessionary terms. The non-hydropower loans include Nu.10 billion outstanding on account of the GoI Standby Credit line which are due for settlement in 2015, 2017 and 2018.

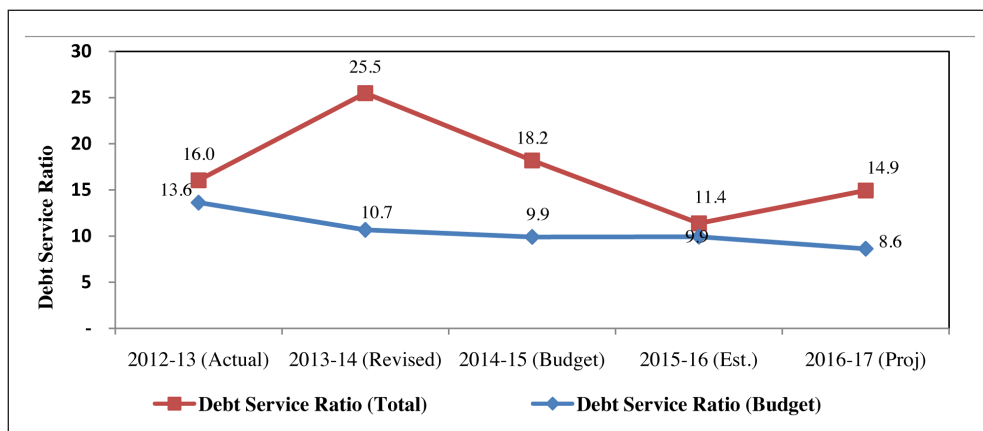
**Figure 6.8: Debt Indicators**



*Source: MEF, DPA*

Debt service ratio (*Total*) for the FY 2014-15 is estimated at about 18.2% which is expected to improve to 11.4% in the FY 2015-16. On the other hand, the Debt Service Ratio through budget for the FY 2014-15 is estimated at 9.9% and is expected to remain at a same level in FY 2015-16 as presented in the figure 6.9 below.

**Figure 6.9: Debt Service Ratio**



Source: MEF, DPA

### 6.2.4.2 Domestic Debt

In FY 2014-15, the estimated domestic debt stock of Nu.175.302 million would be on account of the loan availed for the purchase of aircraft for Drukair (RGoB’s equity) which have to be liquidated by July 2015 (FY 2015-16).

During the FY, the domestic debt stock may also increase if the estimated resource gap is mobilized through internal borrowing. Issuance of treasury bills for cash flow management and development of domestic capital market could also add to the domestic debt until its redemption. Further, domestic borrowing for purchase of new aircraft for Drukair is expected during the year.

## 6.3 Monetary Sector

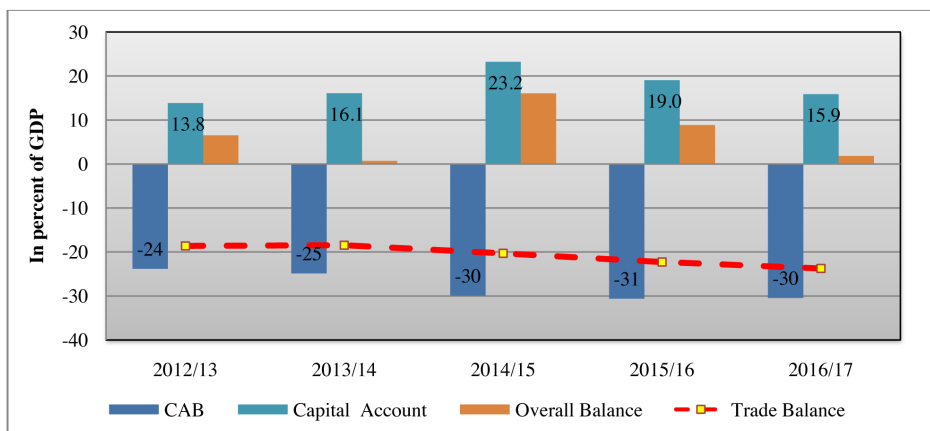
The money supply (M2) has been growing constantly over the years with an average increase of 18.7% except in FY 2011-12 when there was a slight fall due to decrease in Net Foreign Asset (NFA), a key driver of M2. With a 22% annual increase in Net Foreign Asset (NFA), the money supply is expected to grow by 15 - 20% annually in the medium term. The growth may be higher with increase in domestic credit.

## 6.4 External Sector

External sector was a cause of major concern for the Government in the recent years. The balance of payments with India has deteriorated and it is expected to continue to worsen in the short term. The anticipated pace of growth in consumption and investment is further likely to increase the demand for foreign financing which would worsen the balance of payment situation in the country.

During the FY 2014-15, the current account deficit is projected at 30% of GDP and the trade deficit at 20% of GDP. The high current account deficit is anticipated to draw-down on international reserves which will be worsened with the development partners gradually phasing out their assistance to the country. In the medium term, current account is projected to further deteriorate as it corresponds with the peak period of hydropower construction activities. Pressure on the overall balance of payments, however, is expected to remain manageable as associated budgetary grant and loan disbursements from India are also projected to increase. On the other hand, with commissioning of DCCL and DHPA in 2014, the export is projected to grow by 14%. The figure 6.10 below shows the balance of payments situation during the period 2012/13 to 2016/17.

**Figure 6.10: Balance of Payments**

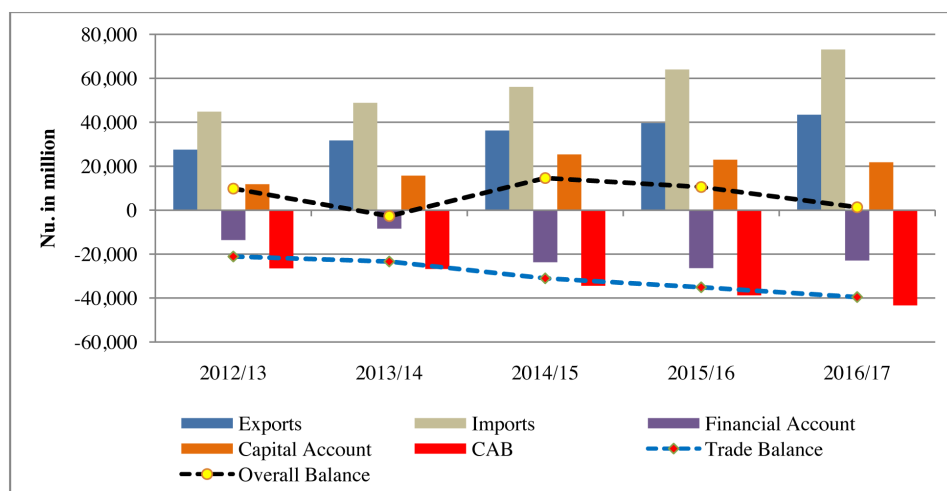


Source: MEF, RMA

### 6.4.1.1 Balance of Payments with India

The trade deficit with India is projected at 20% of GDP in FY 2014-15 and it is projected to widen in the medium term by about 25% on an average. The widening trade deficit is mainly due to expansion in merchandise imports on account of construction of hydro-power projects. As a consequence, the current account deficit with India is projected to increase from 23% in FY 2014-15 to 27.7% of GDP by the end of FY 2016-17. The large current account deficit in turn will exacerbate INR shortage in the economy. A strong demand for rupees as a result of rapid credit growth would lead to higher non-hydro imports, as well as large hydro-related imports. The figure 6.11 displays the balance of payments with India for the period 2012/13 to 2016/17.

**Figure 6.11: Balance of Payments with India**



## 6.5 Foreign Exchange Reserves

As per the MEF projection, the gross international reserves will increase from US \$ 895 million in FY 2013-14 to US \$ 1,176 million in FY 2014-15. The convertible currency reserves are broadly adequate to cover 26 months of essential imports, and remain well above the constitutional requirement of 12 months.

## **CHAPTER VII**

### **REPORT ON STATE-OWNED ENTERPRISES AND COMPANIES WITH GOVERNMENT SHAREHOLDINGS**

The State Owned Enterprises (SoEs) is a very important sector in socio-economic development. The role of SoEs in the socio-economic development of our country dates back to 1968 when the first ever commercial bank (Bank of Bhutan) was established. Since then SoEs have grown and continue to play a major part in the country's development. SoEs now operate in key strategic areas of the economy, including banking, manufacturing, energy, telecommunications and infrastructure. Besides contributing to national revenue, SoEs are actively involved in the execution of Government plans and policies and has become a significant provider of employment.

#### **7.1 Performance Highlights**

SoEs continued to perform satisfactorily in 2013. Despite the fact that the economy was going through a difficult phase, these companies posted 8% average revenue growth and profit before tax of 9%. The improved performance therefore contributed towards higher tax revenue and dividend remittances to the Government.

The financial sector has grown and presently comprises of four commercial banks, one development bank, one pension fund and two insurance companies. Access to financial services has improved with 110 bank branches and extensions (BOBL-42, BNBL-26, BDBL-33, T Bank-4, Druk PNB-5) established all over the country. BDBL's mobile banking has also taken the financial services outreach beyond Dzongkhags to the Gewog level.

In the energy sector, Druk Green Power Corporation (DGPC) generated 7,531.45 MU of electricity of which 5,648.23 MU was exported to India. This was an increase of 14.2% from the power export of 4,945.79 MU in 2012. Through Rural Electrification, more than 37,654 households now have access

to electricity. This increased the coverage to almost 94% of the total target of 40,257 households in 10<sup>th</sup> FYP.

Similarly, in the field of IT and communication, Bhutan Telecom Limited (BTL) mobile service coverage has now reached all the Gewogs (100% coverage).

### **Government Portfolios in State Owned Enterprises and Linked Companies**

There are 29 SoEs and linked companies with Government shareholdings including 17 wholly owned, 5 majority owned (more than 50%) and 7 minority owned companies. The total value of Government's direct shareholdings in DHI and other SoEs was Nu.48,032.40 million, of which Nu.44,328.11 million pertains to Government's equity holding in DHI alone. DHI on the other hand, holds shares in 18 owned and linked companies.

**Table 7.1: Government Equity Holdings**

Sl. No	Direct Shareholdings in SOEs	Shareholding as on 31/12/2013	
	Corporations	Value (Nu.in millions)	% Holding
1	Army Welfare Project (AWP)	25.00	100%
2	Bhutan Agro Industries Limited (BAIL)	29.06	100%
3	Construction Development Corp. (CDC)	421.38	100%
4	Wood Craft Centre Limited (WCCL)	98.82	100%
5	Kuensel Corporation Limited	25.50	51%
6	Druk Holding & Investments Ltd (DHI)	44,328.11	100%
7	Food Corporation of Bhutan (FCB)	15.00	100%
8	Bhutan Postal Corporation (Bhutan Post)	23.60	100%
9	Bhutan Broadcasting Service Limited (BBSC)	130.84	100%
10	Bhutan Development Bank Limited (BDBL)	287.00	95.67%
11	National Housing Development Corporation Limited	2,648.09	100%

Sl. No	DHI's Shareholdings in other SOEs	Shareholding as on 31/12/2013	
	Corporations	Value (Nu.in millions)	% Holding
1	Bhutan Telecom Limited (BTL)	854.08	100%
2	Bhutan Power Corporation Limited (BPCL)	8,190.19	100%
3	DHI Infra	200.00	100%
4	Druk Green Power Corporation (DGPC)	30,508.29	100%
5	Drukair Corporation (DAC)	2,225.21	100%
6	DHI Hospitality Ltd.	17.04	100%
7	Natural Resource Development Corp. Ltd. (NRDCL)	30.00	100%
8	Dungsam Cement Corporation Limited (DCCL)	5,073.95	100%
9	Bank of Bhutan Limited (BoBL)	1,200.00	80%
10	Dungsam Polymers Limited (DPL)	42.19	51%
11	State Trading Corporation of Bhutan Limited (STCBL)	91.76	51%
12	Bhutan Board Products Limited (BBPL)	66.83	47.74%
13	Penden Cement Authority Limited (PCAL)	152.11	44.74%
14	Royal Insurance Corporation of Bhutan Ltd (RICBL)	94.20	39.25%
15	Thimphu TechPark (TTPL)	19.54	31%
16	Bhutan Ferro Alloys Limited (BFAL)	38.59	25.73%
17	Koufuku International Pvt. Ltd	15.00	30%
18	Bhutan National Bank Limited (BNBL)	291.57	11.50%

## 7.2 Performance of the SoEs and linked companies

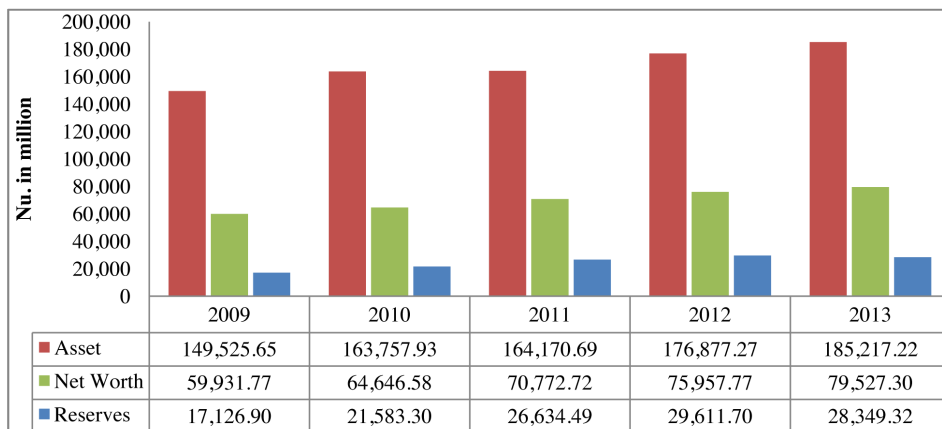
### 7.2.1 Assets and Net Worth

Total assets of SoEs and linked companies combined (excluding DHI) have grown by 4.72% in 2013 to Nu.185,217.22 million compared to Nu.176,877.27

million in 2012. The growth was fueled mainly by asset expansion of BPC, BDBL, RICBL and AWP.

Concurrently, combined value of net worth of companies increased from Nu.75,957.77 million to Nu.79,527.30 million in 2013 that was 5% increase. AWP recorded the highest rate of growth in net worth with 112% followed by BBPL, RICBL and BDBL with 18%, 17% and 16% respectively.

**Figure 7.1: Assets, Net Worth and Reserves of SoEs**



DHI recorded a marginal asset growth of less than 1% from Nu.51,778.36 million to Nu.52,059.70 million with net worth of Nu.48,263.67 million at the end of 2013. The company posted total reserves of Nu.3,935.554 million (General Reserves: Nu.935.568 million and Retained Earnings of Nu.2,999.986 million).

### 7.2.2 Turnover and Profitability

In 2013, the total revenue earnings of SoEs (excluding DHI) increased by 8% to Nu.39,681.92 million from Nu.36,911.93 million in 2012. DGPC generated the highest amount of revenue with Nu.13,051.66 million which constituted around 29% of the combined earnings of all the SoEs. Higher power generation which increased by 10.57% on account of good hydrology

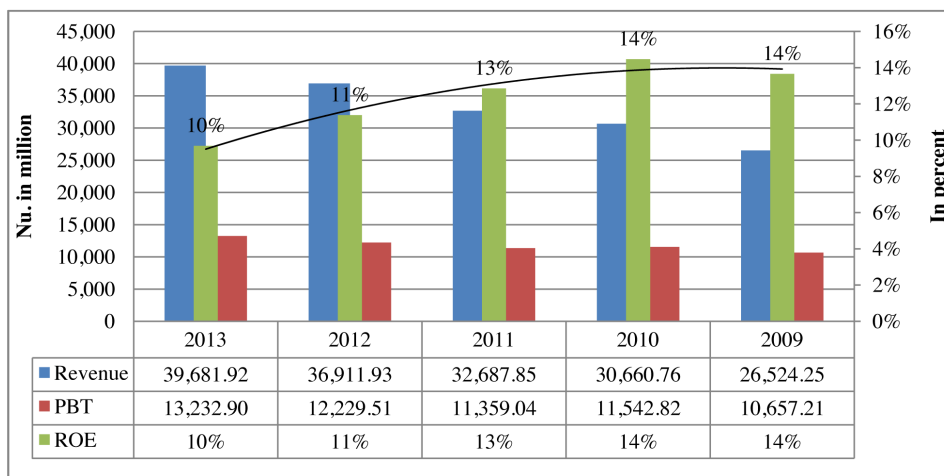


has contributed towards higher operating revenue of the company. BPCL recorded Nu.6,420.29 million as operating revenue followed by Drukair Corporation Limited with total earnings of Nu.2,985.46 million.

The overall profit (pre-tax) of the companies also increased by 8% which resulted in increased revenue contribution to the Government (in the form of tax and dividend). Profit before tax of SoEs combined (excluding DHI) was Nu.13,232.90 million, an increase of 8% from Nu.12,229.51 million of 2012.

Similarly, operating cost of SoEs and linked companies are also on the rise. Average operating expenses increased by 6.40% which was the reason for a lower profit in 2013.

**Figure 7.2: Overview of financial performance**



While there has been steady growth in gross earnings of the companies, overall profitability in terms of Returns on Equity (ROE) has been falling gradually over the years. The average rate of return on equity has declined from 14% in 2010 to 10% in 2013. This decline in returns was mainly contributed by lower profitability and start-up losses of new companies such as Dungsam Polymers and Thimphu Tech Park. BBS also registered negative returns of -0.42% in 2013 on account of fall in revenue and profit.

In 2013, PCAL, RICBL, AWP, BAIL and BBPL recorded higher profitability of over 15% returns on equity followed by BDBL, BFAL, Bhutan Telecom and DGPC who achieved around 13% return on equity.

DHI's gross turnover was Nu.4,756.156 million of which almost 99% came from dividend receipts from its owned and linked companies. DHI also generated Nu.20.548 million as revenue from other sources such as consultancy, interest on term deposits and interest on lending to DCCL.

DHI posted 7% return on equity which was lower than the average profitability of SoEs combined. The company incurred Nu.218.088 million as operating cost, an increase from Nu.131.942 million (65% increase) in 2012. The increase was mainly on account of increase in employee costs, installation of System, Application and Products (SAP) system and cost of borrowings.

### 7.2.3 Revenue Contribution from SoEs

SoEs are the major source of revenue for the Government contributing 42.52% in 2013 of the total domestic revenue of Nu.21,101.69 million. SoEs contributed Nu.8,973.37 million in 2013 of which Nu.5,453.47 million was in the form of CIT and Nu.3,519.90 million as dividend payouts. This was a 10% increase in revenue over the contributions of Nu.8,130.04 million in 2012.

**Table 7.2: Revenue from SoEs**

Year	2013	2012	2011	2010	2009
Tax Revenue	5,453.47	4,994.27	4,702.78	4,805.89	3,772.38
Dividend	3,519.90	3,135.78	2,944.37	3,000.71	3,748.25
Total Revenue from SoEs	8,973.37	8,130.04	7,647.15	7,806.60	7,520.63
Total National revenue (year ending June)	21,101.69	20,354.46	17,458.80	15,638.43	14,049.04
% of National Revenue	42.52%	39.94%	43.80%	49.92%	53.53%

DGPC continues to be the highest revenue earner and also the single most important contributor towards the government revenue. The company paid Nu.2,348.27 million as tax and Nu.4,674.65 million as dividend making it

33% of the total domestic revenue. Revenue contribution from DGPC also constitutes 90% of PAT and tax from THP amounting to Nu.1,369.347 million.

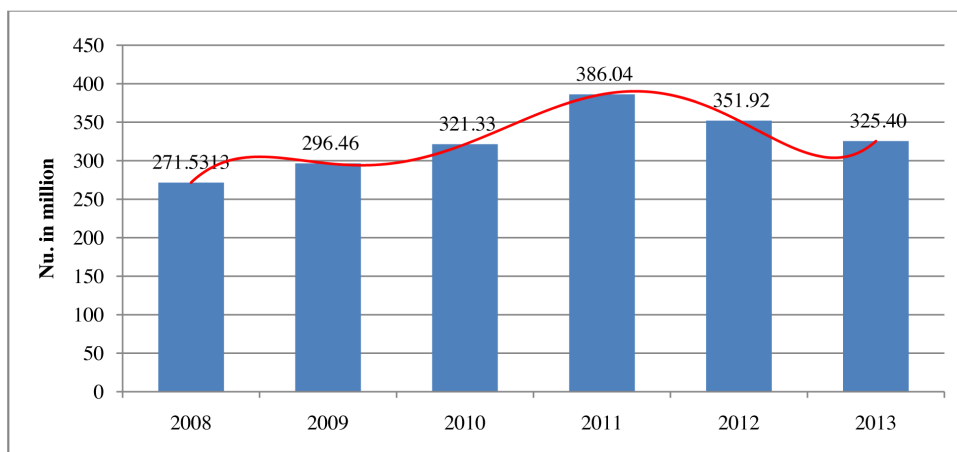
Other larger contributors were BOBL, PCAL, BPCL, Bhutan Telecom Limited and BNBL whose combined contribution in terms of tax and dividend remittance to DHI was Nu.1,953.26 million (BoB-Nu.624.05 million, Bhutan Telecom-Nu.254.28 million, PCA-Nu.421.42 million, BPC-Nu.409.18 million and BNB-Nu.244.33 million).

### 7.2.4 Government Grant & Subsidy

Government grants and subsidies are provided to SoEs to compensate the cost incurred or revenue foregone while executing social obligations mandated by the Government.

Subsidies to the SoEs have been declining gradually. In 2013, the Government provided Nu.325.40 million as subsidy and grants to SoEs which was 7.5% lower compared to Nu.351.917 million in 2012. A budgetary grant of Nu.102.50 million was provided to BBS to meet its operational costs and Nu.115.60 million was provided to Drukair Corporation in terms of interest subsidy for Drukair Bond issued for the purchase of aircrafts. BDBL received corporate tax exemption amounting to Nu.83.78 million in 2013.

**Figure 7.3: Grant and subsidy**



### **7.3 Adoption of Bhutan Accounting Standard (BAS)**

To provide more transparency, clarity and consistency in the reporting of the financial statements of companies, Bhutan Accounting Standards (BAS) was adopted with effect from 1<sup>st</sup> January 2013. To this effect, SoEs are now required to prepare and report their financial statements for the year ending 2013 as per the new accounting standards.

### **7.4 Financial Statements of SoEs**

The annual report on SoEs and linked companies was based on the statutory audit reports of the companies for the year 2013. The purpose of the report is to provide an overview of the financial and operational performance of the companies and review the overall health of the SoEs in terms of operational risks and going concern issues.

In case of BNBL, huge mismatch between assets and liabilities was reported and its Credit Deposit ratio at the end of 2013 stood at more than 93.75%. However, no audit qualification was issued with reference to the associated risks to the bank because of the high Credit Deposit ratio. Overall, as per the Audit reports submitted, no material losses and irregular expenditure were reported which would have significant risks on the going concern of the SoEs.

### **7.5 Ongoing Projects and Investments**

#### **7.5.1 Dagachhu Hydroelectric Project**

In spite of challenges, the project has made good progress during the year. As of December 31, 2013 the equity partners have injected Nu.4,132 million and the total value of the company stands at Nu.11,614.155 million. While the poor geology continued to affect the progress of the project activities with varying degree at various stages of construction, the physical progress of civil works of the project is on track and is expected to be completed by the end of June 2014.

### **7.5.2 Bhutan Hydropower Services Limited (BHSL)**

BHSL is a joint venture between DGPC and ALSTOM Hydro Holdings, France, formed in 2012 to setup a state-of-art Hydropower Service Centre at Jigmeling, Gelephu. The project is scheduled to be completed by September 2014 and the total cost of the project is Nu.1,094 million.

### **7.5.3 Tsibjalumchhu Diversion Scheme (TDS)**

Feasibility study for the Tsibjalumchhu Diversion Scheme was conducted by DGPC. The project cost is estimated at Nu.256.66 million and is scheduled to be completed by the latter half of 2014. On completion, it is projected to augment the generation of 1,020 MW Tala Hydropower Plant by 93 MU.

### **7.5.4 Nikachhu Hydropower Project**

The project which is estimated to cost Nu.12 billion will be developed as a joint venture undertaking with 51-49% shareholdings by DGPC. Some of the activities like geological mapping and survey works, award of the contract for Nu.330 million exploratory drift tunnel to the de-silting chamber, and the award of contract for in-situ tests for rock in the exploratory tunnels were already carried out during the year.

The project structuring and financial packaging is being supported by ADB which has committed to provide a majority of the debt financing.

### **7.5.5 Other Hydropower Projects**

DGPC has completed the topography survey and mapping and socio-economic survey for Gamri Hydropower Project (I & II). The company expects to complete the Pre-Feasibility Report (PFR) by July 2014 upon completion of geological and geo-technical investigation and design and engineering works.

With regard to Nyera Amari Hydropower Project, hydrological and power potential studies, and survey and mapping were completed. The geological and geotechnical investigations are scheduled to be completed in March 2014 and the project PFR is expected to be completed by July 2014.

## **7.6 Special Economic Zones (SEZs)**

DHI-INFRA is currently undertaking preparatory works through consultations and engagements with partners and stakeholders to implement 145.52 acres Motanga SEZ in Samdrup Jongkhar, 733 acres Jigmeling SEZ in Sarpang and 245 acres Dhamdum SEZ in Samtse. In the coming year, DHI-INFRA expects to complete developing concept plan, master plan, business models and a list of potential tenants by the 2<sup>nd</sup> quarter of 2015.

## **CHAPTER VIII**

### **REPORT ON THE**

# **ROYAL MONETARY AUTHORITY AND THE NATIONAL PENSION AND PROVIDENT FUND**

### **8.1 Royal Monetary Authority (RMA)**

As per the Income and Expenditure Account for the year ended 30<sup>th</sup> June, 2013, RMA's total operating income for FY 2012-13 was Nu.1,169 million representing an increase of 27% from the previous year's income of Nu.921 million. This is mainly on account of increase in the interest earnings which forms about 88% of the total operating income. The interest earnings from foreign investment increased to Nu.1,026 million from Nu.806.12 million in previous year. The income from the gain on sale of foreign currencies also increased from Nu.19.835 million to Nu.82.217 million.

The total operating expenses of RMA for the FY 2012-13 was Nu.250.977 million which was about 4% increase from Nu.241.126 million in FY 2011-12. The expenditure was mainly on the account of salaries and allowances (28.3%) and security printing and minting (27.7%).

In FY 2012-13, RMA's surplus was Nu.917.884 million which was an increase of 35% from Nu.679.829 million in FY 2011-12. However, with Nu.1,221.461 million to fund the cost of monetary policy tools, the RMA ran into deficit of Nu.321.027 million. The cost on monetary policy tools was on account of debt service repayments incurred on the GoI Standby Credit Facility, Overdraft Facility from SBI and PNB and the RBI SWAP arrangement.

As per the Balance Sheet of RMA as on 30<sup>th</sup> June, 2013, the total assets and liabilities of RMA was Nu.60.694 billion as compared to Nu.45.895 billion in previous year.

### **8.2 The National Pension & Provident Fund (NPPF)**

As of March 2014, NPPF registered a growth of 1.26% in its membership from 48,385 in 2013 to 48,993. The growth was mainly due to the inclusion of

Bhutan Hydropower Services and DHI Hospitality along with recruitments in the civil service and corporations. The total number of pensioners increased to 4,207 from 3,833 with a total pension pay out of Nu.142.23 million from June 2013 to March 2014. As a result, the dependency ratio, which represents the number of pensioners against active members, has increased to 8.59% as compared to 7.92% in the previous year.

### **Financial and Investment Performance**

Despite various constraints, the NPPF performed well during the year by declaring a return of 6.6% per annum. The total investment portfolio increased to Nu.12,852.350 million as of 31<sup>st</sup> March 2014 compared to Nu.12,044 million in the previous year.

The total contribution collection increased by 5.91% with a total amount of Nu.1,162.14 million collected during the period from June, 2013 to March, 2014. As a result, NPPF achieved growth in its fund size from Nu.15,064.02 million in the previous year to Nu.16,802.25 million.

Some of the major investment activities include subscription to RICB Corporate Bond at the coupon rate of 9.5% per annum, Dungsum Cement Bond at 10% per annum, Tashi Air Bond and Drukair Bond at 9% per annum. These investments are expected to improve the rate of returns on the NPPF fund.

### **Future Plans and Activities**

With technical assistance from ADB, NPPF is in the process of reviewing its governance structure and carrying out actuarial valuation of pension schemes to ensure sustainability of the Fund.

Towards enhancing returns on its investments, investment avenues are being explored mainly in Nikachu Hydropower project and other upcoming hydropower projects.



## **CHAPTER IX**

### **REPORT ON TRUST FUNDS**

There are five trust funds supporting to promote activities in the area of preservation and promotion of cultural heritage, protection and conservation of environment, enhancing access to rural telecommunication, sustainability of primary health services, and quality education through research. The status of the trust funds is as follows:

#### **9.1 Cultural Trust Fund**

The fund balance of Cultural Trust Fund as on 31<sup>st</sup> March 2014 stood at Nu.52.710 million compared to Nu.48.698 million in June 2013. This is about 8% increase over the previous balance. This increase of Nu.4.012 million includes interest income of Nu.3.407 million from the fixed deposit with the Bhutan National Bank Ltd and *nyendhar* offerings of Nu.0.605 million received for “The Dragon Gifts” (sacred relic exhibition in 2011) during the period.

With the maturity of the fixed deposits in October 2014 at interest rate of 7% per annum, the total fund balance is expected to be Nu.56.357 million.

#### **9.2 Bhutan Trust Fund for Environmental Conservation (BT FEC)**

The BT FEC’s fund position stood at US \$ 43.730 million as on 31<sup>st</sup> March 2014 as opposed to US \$ 42.399 million in June 2013, representing an increase of 3%. During the period, US \$ 2.490 million was earned mainly from capital gains of US \$ 2.178 million on account of equity sales within local portfolio and sale of equity mutual funds from the offshore portfolio. The Fund’s offshore and domestic investments earned an interest income of US \$ 33,945, dividend income of US \$ 0.252 million and grant from Global Environment Fund (GEF) of US \$ 27,131. On the other hand, the total expenditure was US

\$ 1.159 million, of which US \$ 1.039 million was spent on program activities and US \$ 0.121 million on the operational expenses of the Secretariat.

The Fund invested approximately 85% of the total portfolio in mutual funds in the US stock market. The remaining 15% was invested in shares and bonds in the domestic market.

### **9.3 Universal Service Fund for ICT**

The fund position of Universal Service Fund (USF) as on 31<sup>st</sup> March 2014 stood at Nu.193.310 million, representing 16% increase from the previous year. The total expenditure during the year was Nu.26.974 million. The USF spent Nu.23.840 million as payment to B-Mobile and Tashi Cell for rural mobile connectivity, Nu.2.558 million as Earnest Money Deposits refund and board fees of Authority Board. In addition, Nu.0.576 million was spent as security deposits for international and local films.

The income of Nu.53.690 million was earned on account of license fee from Tashi Cell & B-mobile for USF and local & international film producers for Media Development Fund (MDF).

### **9.4 Bhutan Health Trust Fund (BHTF)**

The BHTF's fund as on 31<sup>st</sup> March 2014 stood at Nu.1,343.761 million as against its position of Nu.1,276 million in June 2013. Bhutan Health Trust Fund earned an income of Nu.72.324 million, of which Nu.63.130 million was the interest from fixed deposits in BDBL, Druk PNB, BNBL; bonds of Drukair, Druk PNB and RICBL. The funds were invested at interest rates ranging from 5.5% to 8.75%. The Move for Health Walk in 2013 also raised Nu.9.194 million.

The Fund spent Nu.4.533 million on program activities such as co-financing of Global Alliance for Vaccines and Immunizations (GAVI) for the procurement of pentavalent vaccines, AD syringes and safety boxes. A sum of Nu.0.030 million was also spent for operational expenses.

## 9.5 Endowment Funds

To promote and encourage interested individuals or groups who lack institutional and financial support, the Government plans to create three endowment funds namely Art & Culture, Education and Research. Accordingly, Nu.30 million has been provisioned as seed money for these endowment funds in FY 2013-14. Of which Nu.10 million has been transferred to Ministry of Education as seed money for Education Endowment Fund to improve access and quality of education. It has been deposited as a short term fixed deposits with Druk PNB. The Fund will support schools in undertaking educational researches, enhancing and integrating ICT in Education and other educational programs.

Since there is already a Cultural Trust Fund, it may not be necessary to set up separate endowment fund for culture. Nu.20 million has been budgeted in FY 2014-15 to operationalise the Endowment Funds.

The summary status of Trust Funds is provided as below.

**Table 8.1: Position of Trust Funds**

Sl. No.	Name of Fund	Opening Balance as on June 2013	FY 2013-14			
			Actual Income	Actual Expenditure	Fund Balance (31 <sup>st</sup> March 2014)	% increase
1	Cultural Trust Fund (Nu.in millions)	48.698	4.012	-	52.710	8.24
2	Bhutan Trust Fund for Environmental Conservation (USD in millions)	42.399	2.490	1.159	43.730	3.14
3	Universal Service Fund for ICT (Nu.in millions)	166.594	53.690	26.974	193.310	16.04
4	Health Trust Fund (Nu.in millions)	1,276.000	72.324	4.563	1,343.761	5.31

## CONCLUSION

The budget for FY 2014-15 has been formulated based on the resource envelop. As the budget is one of the main instruments to fulfill the hopes and aspirations of the people, a lot of care and diligence have been put to formulate the Budget. Within the available resources, efforts have been made to accommodate all the requirements of the agencies. It is hoped that the budgeted programmes and activities will be successfully implemented. The budget for FY 2014-15 is yet another step towards fulfilling our national goal of Gross National Happiness and economic self reliance. Although due diligence has been accorded to minimize overall expenditure, the budget conforms to the requirements of the law of the nation and ensures that all the priorities of the nation are adequately attended.

It is also hoped that the review of economic developments, and the macroeconomic projections contained in this report would serve as a useful guide to policy makers, researchers, investors and the general public on the likely direction of the Bhutanese economy in the medium term. However, the growth projections are based on assumption of events expected to happen in the future and are thus subject to certain risks that make it harder to evaluate and quantify its impact.

The Government pays its tribute to His Majesty the Druk Gyalpo and His Majesty the Druk Gyalzhipa for their continued guidance and care for the country. May the guardian deities of the glorious Palden Drukpa forever protect and guide the Bhutanese nation and people for peace, prosperity and happiness.

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# ANNEXURES

## NATIONAL ASSEMBLY

*Nu. in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Current	Capital		Total
1	Establishment cost, Secretariat Services	18.701	-	18.701	-	18.343	
2	Establishment cost for Parliamentary Services	60.823	1.021	61.844	0.200	60.325	Provision kept with Foreign Ministry for international sub-scriptions to Inter Parliamentary Union.
3	Dzongkha Development Program	-	0.215	0.215	0.150	0.150	
4	Maintenance of Fire Alarm & Security System in and around the Parliament House	0.960	-	0.960	-	0.760	
5	In-house printing and communications	2.050	-	2.050	-	2.050	
6	Parliamentary Exchange Programme	1.200	-	1.200	-	1.200	
7	PAC Secretariat	1.016	-	1.016	-	1.016	
8	Assembly Session Services	3.132	-	3.132	-	3.002	
9	Committee Services	1.451	-	1.451	-	1.451	
	<b>TOTAL</b>	<b>89.333</b>	<b>1.236</b>	<b>90.569</b>	<b>0.350</b>	<b>88.297</b>	

**NATIONAL COUNCIL**

*Nu. in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks		
		Current	Capital	Current	Capital		Total	
1	Establishment Cost, Secretariat Services	16.102	4.140	20.242	14.300	1.100	15.400	Nu.0.7 m for server (proposed Nu.3.740 m) and Nu.0.4 m for procurement of computer and furniture.
2	Establishment cost for Parliamentary Services	47.394	1.200	48.594	41.201	1.150	42.351	
3	General Provision for New Appointments	0.383	-	0.383	0.400	-	0.400	
4	Dzongkha Development Program	-	0.250	0.250	-	0.100	0.100	
5	Printing of Acts, Resolution, Q &A etc.	3.200	-	3.200	1.800	-	1.800	Recommended at level of FY 2013-14
6	Committee Services	0.800	-	0.800	0.800	-	0.800	
7	Installation of Security system (CCTV)	-	2.000	2.000	-	2.000	2.000	
8	Refurnishing of Visiting Gallery	-	0.500	0.500	-	0.300	0.300	
9	Construction of office building	-	10.000	10.000	-	-	-	
	<b>TOTAL</b>	<b>67.879</b>	<b>18.090</b>	<b>85,969</b>	<b>58,501</b>	<b>4,650</b>	<b>63,151</b>	

## ANTI CORRUPTION COMMISSION

Sl. No.	Activity	Proposed		Recommended		Remarks		
		Current	Capital	Total	Current		Capital	Total
1	Establishment Cost	32.383	-	32.383	32.005	-	32.005	
2	General Provisions for New Appointments	1.000	-	1.000	0.600	-	0.600	
3	Investigation Services	2.747	-	2.747	1.932	-	1.932	Travel in-country budget recommended at last FY level.
4	Printing of Public Service Model Code of Conduct (PSMCC)	1.000	-	1.000	1.000	-	1.000	
5	Printing of United Nations Convention against Corruption (UNCAC) Self-Assessment Report & implementation matrix	1.000	-	1.000	1.000	-	1.000	
6	ACC Commission Meeting	0.200	-	0.200	0.200	-	0.200	
7	Purchase of pool vehicles & Bikes	-	2.000	2.000	-	-	-	
8	Purchase of furniture	-	2.842	2.842	-	2.800	2.800	Furnishing new office building
9	Purchase of equipment	-	0.886	0.886	-	0.886	0.886	For new office building
10	Purchase of computers & server	-	2.690	2.690	-	-	-	Provided in FY 2013-14
11	Implementing E-Learning on Ethic and Integrity	-	5.725	5.725	-	5.725	5.725	DANIDA
12	Institutional Development	2.720	15.900	18.620	1.800	15.900	17.700	SDC
13	Mainstreaming and Implementing National Anti-Corruption & Integrity Strategy 2013-14	2.600	8.800	11.400	1.500	8.800	10.300	SDC
14	Strengthening Integrity Systems in Civil Society	0.750	0.750	1.500	0.500	0.750	1.250	SDC
	<b>TOTAL</b>	<b>44.400</b>	<b>39.593</b>	<b>83.993</b>	<b>40.537</b>	<b>34.861</b>	<b>75.398</b>	

## ELECTION COMMISSION OF BHUTAN

Sl. No.	Activity	Proposed		Recommended		Remarks		
		Current	Capital	Current	Capital		Total	
1	Establishment Cost	27.605	1.180	28.785	25.193	0.580	25.773	Procurement of computers provided in FY 2013-14
2	Printing of Rules & Regulations, Guidelines, Interpretations etc.	0.325	-	0.325	0.325	-	0.325	
3	Human Resource Development	-	9.740	9.740	-	-	-	38 HRD Training outside Bhutan not recommended
4	Research & Publication	0.405	0.500	0.905	0.405	0.500	0.905	
5	Election Commission Annual General Meeting	1.283	-	1.283	1.200	-	1.200	
6	Civic Education Trainings	2.350	2.770	5.120	-	2.770	2.770	Kept at FY 2013-14 level for training election processes and others in institutions, schools and Dzongkhags
7	Dzongkha Development Services	-	0.100	0.100	-	0.100	0.100	
8	Electoral Roll exercises	3.230	1.000	4.230	3.230	1.000	4.230	Updating 18+ population and delimitation of 16 Thromdes
9	General Provision for New Appointments	0.600	-	0.600	0.600	-	0.600	



**ELECTION COMMISSION OF BHUTAN**

*Nu.in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Current	Capital		Total
10	Celebration of National Voters Day	2.001	-	2.001	2.001	2.001	15 <sup>th</sup> September 2014 (as per the resolution of the 4th SAARC Election Management Body)
11	Construction of Office Building	-	70.000	70.000	70.000	70.000	GoI (PTA)
12	Provisions for by-elections	19.070	-	19.070	-	-	Provision kept with MoF
13	Procurement of EVM	-	3.390	3.390	-	-	
	<b>TOTAL</b>	<b>56.869</b>	<b>88.680</b>	<b>145.549</b>	<b>32.954</b>	<b>74.950</b>	<b>107.904</b>

**JUDICIARY**

*Nu.in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks		
		Current	Capital	Current	Capital		Total	
1	Supreme Court Establishment Cost	32.075	0.200	32.275	32.205	-	32.205	Purchase of computer and furniture approved in FY 2013-14
2	High Court Establishment Cost	18.828	-	18.828	18.866	-	18.866	Purchase of air conditioner at Sarpang Court and renovation at Paro Court.
3	20 Dzongkhag Courts Establishment Cost	120.392	8.347	128.739	113.557	0.500	114.057	

**JUDICIARY**

*Nu. in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks		
		Current	Capital	Current	Capital		Total	
4	15 Dungkhang Courts Establishment Cost	48.450	1.990	50.440	44.072	0.300	44.372	Equipment, furniture and computers are provided in FY 2013-14
5	SAARC and other mandatory travels	1.725	-	1.725	1.725	-	1.725	
6	Judicial Council and Commission Meetings	0.406	-	0.406	0.200	-	0.200	
7	Legal aid to indigent accused	0.500	-	0.500	0.300	-	0.300	
8	General provision for New Appointments	5.000	-	5.000	5.000	-	5.000	
9	Cost sharing training program	-	0.500	0.500	-	0.500	0.500	
10	Printing of Law Books	0.100	-	0.100	0.100	-	0.100	
11	Long term HRD Training (LLM, Project Mgt. and MBA)	-	5.250	5.250	-	5.250	5.250	GoA
12	Procurement of equipment for internet protocol (IP) / Virtual Private Network (VPN)	-	10.400	10.400	-	3.000	3.000	Out of 24 courts, recommended only for 3 courts.
13	Construction of District Court, Pema Gatshel	-	9.200	9.200	-	9.200	9.200	DANIDA (spillover)
14	Construction of District Court, Tsirang	-	2.000	2.000	-	2.000	2.000	GoA (spillover)
15	Construction of District Court, Zhemgang	-	15.000	15.000	-	15.000	15.000	GoA (spillover)
16	Construction of District Court, Dagana	-	17.000	17.000	-	13.000	13.000	GoA (spillover)
17	Construction of Drangpon's residence, Punakha	-	8.000	8.000	-	1.000	1.000	For preparatory works only
18	Construction of retaining wall at Drangpons Residence, Lhuntse	-	2.282	2.282	-	2.282	2.282	RGoB (spillover)

**JUDICIARY**
*Nu. in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Current	Capital		Total
19	Construction of Drangpon's residence, Pema Gatsel	-	7.902	-	6.900	6.900	RGoB (spillover)
20	Construction of Drangpon's residence, Gasa	-	6.116	-	5.500	5.500	RGoB (spillover)
21	Renovation of Drangpon's residence, Phuntsholing	-	0.150	-	0.150	0.150	
22	Procurement of Library Books	1.000	-	-	-	-	Nu.20 m provided in FY 2012-13
23	Joint meeting between District Court and RBP	0.110	-	-	-	-	
24	Construction of District Court, Lhuntse	-	6.000	-	-	-	
25	Procurement of vehicle for Drangpon, Bumthang	-	4.500	-	-	-	
26	Construction of Drangpon's residence, Bumthang	-	6.500	-	-	-	
27	Construction of High Court / Thimphu District Court	-	25.000	-	-	-	
28	Construction of Dungkhang Court, Dorokha	-	13.000	-	-	-	
29	Black topping of approach road, Samdrupcholing	-	1.000	-	-	-	
30	Bhutan National Legal Institute (BNLI)	12.135	4.400	-	-	-	Budgeted under different Administrative Unit (AU)
	<b>Total</b>	<b>240.721</b>	<b>154.737</b>	<b>216.025</b>	<b>64.582</b>	<b>280.607</b>	

**ROYAL AUDIT AUTHORITY**

*Nu. in millions*

Sl. No.	Activity	Proposed		Total		Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total		
1	Establishment Cost	62.843	1.000	63.843	61.419	0.850	62.269		
2	Establishment costs (4 Regional Offices)	42.071	1.700	43.771	40.532	0.220	40.752	Recommended only for replacement of old computers and equipment	
3	Printing of Annual Audit Reports	1.406	-	1.406	1.190	-	1.190		
4	General Provision for new appointments	1.300	-	1.300	1.000	-	1.000		
5	UN-Support for Strengthening of Transparency, Efficiency, Effectiveness, Participation and Accountability in Governance	-	0.868	0.868	-	0.868	0.868	UNDP	
6	Strengthening the Capacity Development of RAA	-	6.076	6.076	-	6.076	6.076	GoA	
7	Mandatory Meetings/Conferences/Seminars/ Workshops outside Bhutan	4.654	-	4.654	4.200	-	4.200	For ASOSAI and INTOSAI meetings and travels	
8	Continuing Professional Development Program	-	0.756	0.756	-	0.500	0.500		
9	Strengthen Risk-Based Audit	-	1.000	1.000	-	1.000	1.000		
10	Review Monitoring & Evaluation System, Internal Controls, Quality Assurance Systems and Rules & Regulations of selected agencies	-	0.500	0.500	-	0.500	0.500		

**ROYAL AUDIT AUTHORITY**

*Nu. in millions*

Sl. No.	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Total	Current		Capital
11	Participate in Trans-Regional Audits and acquiring international clients	-	0.800	0.800	-	0.800	Acquiring international clients such as UN agencies and other professional bodies
12	Dzongkhag Development Program	-	0.100	0.100	-	0.100	
13	Conduct advocacy and awareness programmes with various stakeholders	0.500	-	0.500	0.500	0.500	
14	Construction of Professional Training Centre, Tsirang	-	83.364	83.364	-	-	
15	Deliver Training and Sensitization Workshop to Private and Public Sectors on Bhutanese Accounting Standards	-	0.500	0.500	-	-	Budget under DPA (AASBB Secretariat)
16	Conduct client satisfaction survey	0.500	-	0.500	-	-	
	<b>TOTAL</b>	<b>113.274</b>	<b>96.664</b>	<b>209.938</b>	<b>108.841</b>	<b>10.914</b>	<b>119.755</b>

Nu. in millions

**ROYAL CIVIL SERVICE COMMISSION**

Sl. No.	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Current	Capital		Total
1	Establishment Cost	35.431	-	34.353	-	34.353	
2	Royal Civil Service Commission Meeting	0.272	-	0.272	-	0.200	Weekly commission meeting (5 members)
3	Bhutan Civil Service Exam Services	9.608	-	9.608	-	9.608	Projected 20% from 2013 (3567 students)
4	International Volunteers Services	0.640	-	0.640	-	0.500	Currently there are 96 volunteers from Australia, Thailand, Singapore, Japan and Canada
5	Familiarization / consultative meeting on BCSR for the new Commission Members	2.070	1.500	3.570	-	1.500	Nu. 1.5 m for translation of BCSR approved in FY 2013-14
6	Improvement of web based services	-	1.750	1.750	-	1.150	Consultancy services and procurement of a backup server
7	HR Audit Services	0.650	-	0.650	-	0.500	
8	Dzongkha Development Service	-	0.100	0.100	-	0.100	
9	Workshop on Civil Service Information System (CSIS)	-	0.520	0.520	-	0.520	

10	General Provision for New Appointments	-	-	-	-	0.600	-	0.600	0.600	
11	Stakeholders meetings for 11 <sup>th</sup> FYP staffing	0.350	-	0.350	0.350	0.350	-	0.350	0.350	
12	Sustainable Human Resource Development Project	-	20.000	20.000	20.000	20.000	20.000	-	20.000	Govt. of Netherlands (36 Masters & 11 PhD)
13	GoI Supported Postgraduate Scholarship	-	51.000	51.000	51.000	29.920	29.920	-	29.920	GoI (26 UG, 78 Masters)
14	Nehru-Wangchuck Scholarship	-	19.590	19.590	19.590	15.695	15.695	-	15.695	GoI (2 UG, 19 Masters & 8 PhD)
15	Cost sharing HRD Program	-	50.000	50.000	50.000	50.000	50.000	-	50.000	RGoB (30 Masters)
16	Organizational Development (OD) Exercise and PCS Revision	-	3.000	3.000	3.000	5.000	5.000	-	5.000	
17	Civil Service Award	-	3.000	3.000	3.000	3.000	3.000	-	3.000	Provisioned for 4,000 awards
18	Construction of office building	-	50.000	50.000	50.000	-	-	-	-	
19	Review and Strengthen Performance Management System	-	5.000	5.000	5.000	-	-	-	-	Fund secured from ADB
	<b>TOTAL</b>	<b>49.021</b>	<b>205.460</b>	<b>254.481</b>	<b>47.611</b>	<b>125.385</b>	<b>172.996</b>			

# Assets & Net Worth

Nu. in millions

Sl. No.	Company	Assets			Reserves			Net Worth		
		2012	2013	% change	2012	2013	% change	2012	2013	% change
1	AWP	855.10	1,188.77	39%	435.62	952.25	119%	460.62	977.25	112%
2	BAIL	74.38	80.93	9%	32.30	38.24	18%	61.36	67.30	10%
3	BBSC	778.55	761.24	-2%	596.58	570.33	-4%	727.42	701.16	-4%
4	Bhutan Postal	211.78	249.94	18%	101.64	117.39	15%	125.24	140.98	13%
5	CDCL	737.63	794.80	8%	54.30	54.24	0%	455.69	475.62	4%
6	FCB	423.17	463.55	10%	268.78	308.03	15%	333.86	376.09	13%
7	WCC	130.17	143.44	10%	26.39	30.60	16%	99.22	103.92	5%
8	Bhutan Telecom	4,027.09	4,243.93	5%	2,191.60	2,423.08	11%	3,045.68	3,277.16	8%
9	BPC	24,084.86	27,851.59	16%	7,622.82	4,083.51	-46%	11,624.42	12,273.70	6%
10	Drukair	5,230.68	4,104.15	-22%	212.69	399.12	88%	2,437.90	2,624.33	8%
11	DGPC	59,800.02	59,724.17	0%	7,911.55	8,489.80	7%	38,419.85	38,998.09	2%
12	DHI Infra	235.78	358.07	52%	1.55	9.42	506%	201.55	209.42	4%
13	DPL	162.92	253.31	55%	-	-	0%	22.95	64.97	183%
14	NRDC	669.71	778.31	16%	515.41	543.81	6%	545.41	573.81	5%
15	NHDC	2,743.93	2,945.51	7%	27.96	87.40	213%	2,676.05	2,735.49	2%
16	BDBL	7,694.18	10,426.65	36%	1,322.44	1,601.71	21%	1,829.24	2,119.59	16%
17	BoBL	28,816.53	30,563.38	6%	2,204.92	2,052.38	-7%	3,204.92	3,552.38	11%
18	Kuensel Corp	256.51	225.54	-12%	123.34	104.13	-16%	172.05	154.13	-10%
19	STCBL	486.35	440.11	-10%	180.36	94.95	-47%	270.36	274.95	2%
20	BBPL	305.14	344.19	13%	117.17	162.88	39%	257.17	302.88	18%
21	PCA	1,792.77	1,720.57	-4%	761.76	761.80	0%	1,101.76	1,101.80	0%
22	RICBL	7,958.09	9,306.65	17%	1,267.06	1,524.56	20%	1,507.06	1,764.56	17%
23	TTP	274.31	264.44	-4%	-	-	-	58.18	33.63	-42%
24	BFAL	1,419.33	1,318.19	-7%	708.27	734.06	4%	858.27	884.06	3%
25	BNBL	27,708.30	26,665.82	-4%	2,927.19	3,205.65	10%	5,461.57	5,740.03	5%
	<b>TOTAL</b>	<b>176,877.27</b>	<b>185,217.22</b>	<b>4.72%</b>	<b>29,611.70</b>	<b>28,349.32</b>	<b>-4%</b>	<b>75,957.77</b>	<b>79,527.30</b>	<b>5%</b>



# Turnovers & Returns

Nu. in millions

Sl. No	Company	Gross Revenue			Variance	PBT			Var	ROE		
		2013	2012	2011		2013	2012	2011		2013	2012	2011
1	AWP	926.71	838.03	749.85	11%	208.59	331.66	257.82	-37%	15%	50.3%	50%
2	BAIL	122.41	103.40	90.50	18%	15.21	8.01	2.70	90%	15%	8%	1%
3	BBPL	331.17	297.01	332.08	12%	55.89	26.05	30.42	115%	15%	6%	9%
4	BBS	391.22	299.80	273.80	-3%	-2.94	4.90	16.28	-160%	-0.42%	1%	2%
5	BDB	1021.27	724.79	548.57	41%	279.27	238.64	205.12	17%	13%	13%	14%
6	BEAL	2298.54	2119.07	1858.59	8%	164.47	132.49	217.76	24%	13%	11%	17%
7	Bhutan Post	125.53	102.19	111.47	23%	21.72	5.59	10.14	289%	11%	3%	5%
8	BNB	2216.91	2175.01	2032.40	2%	704.73	995.84	729.00	-29%	8%	13%	15%
9	BoB	2176.40	2136.11	1757.70	2%	957.27	950.39	921.32	1%	19%	21%	23%
10	BPC	6420.29	6284.09	3545.15	2%	1372.46	1265.12	1209.01	8%	8%	8%	6%
11	BT	2328.43	2209.34	1833.67	5%	675.25	863.20	681.21	-22%	13%	19%	16%
12	CDC	526.19	589.21	400.34	-11%	2.79	29.10	7.85	-90%	0%	4%	1%
13	DGPC	13051.66	11140.80	10948.33	17%	7526.47	5997.40	5638.24	25%	13%	11%	10%
14	Drukair	2985.46	2486.94	2261.29	20%	217.30	251.45	370.73	-14%	5%	7%	11%
15	DHI Infra	27.49	13.83	3.55	99%	10.56	2.93	-0.43	260%	4%	1%	0%
16	DPL	81.45	27.41	NA	197%	-24.99	-19.24	NA	30%	-38%	-84%	NA
17	FCB	955.52	982.96	637.00	-3%	52.43	52.55	14.02	0%	10%	11%	3%
18	Kuensel	184.32	176.97	184.21	4%	6.21	17.80	31.74	-65%	4%	7%	14%
19	NRDC	409.08	438.45	346.13	-7%	42.85	76.08	30.59	-44%	5%	10%	4%
20	NHDC	74.33	63.75	NA	17%	12.71	-15.18	NA	-184%	0%	-1%	NA
21	PCA	1937.54	2079.66	1892.05	-7%	421.46	502.74	429.77	-16%	25%	32%	27%
22	RICB	562.17	542.09	486.94	4%	521.66	501.07	450.93	4%	21%	23%	25%
23	STCB	550.68	1009.72	2335.20	-45%	8.91	14.58	103.27	-39%	2%	3%	28%
24	TTPJ	5.04	1.72	NA	194%	-24.55	-5.02	NA	389%	-73.0%	-8.6%	NA
25	WCC	72.13	69.60	59.05	4%	7.17	1.38	1.56	421%	4%	1%	1%

