



**NATIONAL BUDGET**  
**FINANCIAL YEAR 2015-16**

**MINISTRY OF FINANCE**  
**MAY 2015**



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## INTRODUCTION

As mandated under Article 14(8) of the Constitution and section 47 of the Public Finance (Amendment) Act 2012, the Ministry of Finance presents the Annual Budget Report for the Fiscal Year (FY) 2015-16.

The FY 2015-16 is a special year for the Bhutanese people. Firstly, the nation is in the midst of celebrating the joyous occasion of the 60<sup>th</sup> birth anniversary of our beloved Drukgyal Zhipa, His Majesty Jigme Singye Wangchuck. This occasion is providing an excellent opportunity for the Bhutanese people to come together to pay tribute to the selfless deed of our beloved Drukgyal Zhipa and rejoice in the unparalleled peace, prosperity and happiness enjoyed under the reins of our successive Monarchs. Therefore, the budget for FY 2015-16 is especially dedicated to the 60<sup>th</sup> Birth Anniversary to fulfill the sacred aspirations of His Majesty the King and His Majesty the Drukgyal Zhipa in ensuring sustained economic growth, peace and prosperity in the country.

Secondly, being the midyear of the 11<sup>th</sup> FYP, it is the most important period for the Government to intensify the implementation of priority programs and activities to achieve the goals of the 11<sup>th</sup> FYP, i.e. self-reliance, inclusive green socio-economic development. In view of this reason, the Government has allocated maximum share (24%) of the plan outlay (capital) for this FY. As part of this concerted effort, the Government has already launched the implementation of major priority programs, such as, school reforms (Central schools), double laning the Northern East-West Highway and livestock projects, amongst others. Upon completion, these activities will bring substantial socio-economic benefit to the Bhutanese people.

Further, the Government has already started distributing power tillers at the Local Government level to enhance productivity through farm mechanization



and launched Gewog banks for promoting financial inclusion. In this FY, provision has been kept for introducing helicopter services and procurement of utility vehicles for the Gewogs.

The economy has shown signs of recovery with the lifting of the restriction on imports and lending after the Parliament passed the fiscal measures during the last summer session. 2013 witnessed the real GDP growth at a very low of 2.05%. With implementation of the 11<sup>th</sup> FYP programs and the economic stimulus plan (ESP), the economy is well poised towards achieving higher growth in the medium term.

On a somber note, our neighboring country, Nepal, was devastated with an earthquake measuring 7.8 on Richter scale on 25<sup>th</sup> April 2015. The Hon'ble Prime Minister visited Kathmandu to convey His Majesty the King's deep concern and anguish for the people of Nepal and to express solidarity. As per the Royal Command, Bhutan contributed US \$ 1 million and dispatched a self-contained medical team to assist the Government of Nepal in the earthquake affected areas. As Nepal and neighboring Indian states suffer from continued aftershocks, it is a stark reminder of our own vulnerability to such disasters.

The Annual Budget for FY 2015-16 has been formulated as per the Budget Policy and Fiscal Framework Statement (BPFSS) and the resource envelope determined by the Macroeconomic Framework Coordination Committee (MFCC). Within the available resources, attempts have been made to accommodate all the sector priorities proposed by the budgetary bodies to achieve the targets of the Annual Performance Agreements (APA) agreed between the Hon'ble Prime Minister and the respective agencies. The Ministry of Finance, in its APA, has also committed to maintain certain fiscal targets for ensuring macroeconomic soundness and stability.

The Budget for FY 2015-16 stresses on further rationalizing expenditure and ensuring that the resource gap and fiscal deficit are contained at manageable levels.

Since major fiscal measures were considered by the Parliament during the last summer session, there is no tax proposal in this Budget. A separate chapter on the status of the hydropower projects is included in the report with the aim to inform the nation of its importance in the economy and the Government's efforts to harness its potential.

For the first time, the Budget is to be referred to a Finance Committee of the National Assembly. The wisdom of the Committee will provide further opportunities to strengthen the budget process.

As required by the Royal Monetary Authority Act 2010, the RMA has been consulted on the budget for the FY 2015-16, especially with regard to the credit requirement to finance the resource gap.

The Budget for FY 2015-16 is presented as follows:

*Chapter 1: Fiscal performance/operation in FY 2013-14;*

*Chapter 2: Revised budget of FY 2014-15;*

*Chapter 3: Budget estimates for FY 2015-16;*

*Chapter 4: Macroeconomic performance and outlook;*

*Chapter 5: Royal Monetary Authority;*

*Chapter 6: State Owned Enterprises;*

*Chapter 7: Druk Holding and Investments (DHI);*

*Chapter 8: National Pension and Provident Fund (NPPF);*

*Chapter 9: Trust Funds and*

*Chapter 10: Hydropower development in Bhutan.*

# CHAPTER 1: FISCAL PERFORMANCE/OPERATION IN FY 2013-14

## 1.1 Overall financial position

The operational result of the first budget of the new Government is presented in the Annual Financial Statement for FY 2013-14. The budget for the FY 2013-14 provided the basis for aligning the priorities of the 11<sup>th</sup> FYP with the wishes and the aspirations of the Bhutanese people. However, being the first year of the 11<sup>th</sup> FYP, having to mobilize the external resources and minimize impact on the external sector, only 16% of the draft plan outlay was approved for capital allocation in FY 2013-14. With the estimated resources of Nu.29,982.834 million, the fiscal deficit and resource gap was projected at Nu.4,233.002 million and Nu.4,324.516 million, accounting for 3.72% and 3.8% of GDP respectively.

By the close of the FY, actual resources of Nu.37,819.123 million was realized and the actual expenditure was only Nu.34,609.903 million. This has resulted in a surplus of Nu.3,253.978 million. However, after adjusting for the negative balance in the Consolidated Fund, the actual closing balance as of 30<sup>th</sup> June 2014 was negative Nu.2,562.836 million.

The comparative statement of approved budget with that of actual outcomes for the FY 2013-14 is given in the following table.

**Table 1.1: Budget Summary and Comparison for FY 2013-14**

*Nu. in millions*

	Particulars	Approved Budget	Revised Budget	Actual Outcomes
A	<b>RESOURCES</b>	<b>29,982.834</b>	<b>33,171.752</b>	<b>37,819.123</b>
	l. <b>Domestic Revenue</b>	<b>21,860.885</b>	<b>21,860.885</b>	<b>23,244.610</b>
	i. Tax	15,324.769	15,353.582	16,182.774

*Nu. in millions*

	<b>Particulars</b>	<b>Approved Budget</b>	<b>Revised Budget</b>	<b>Actual Outcomes</b>
	ii. Non-Tax	6,536.116	6,507.303	7,061.836
	<b>II. Other Receipts (Net)</b>	<b>12.436</b>	<b>131.042</b>	<b>338.160</b>
	<b>III. Grants</b>	<b>8,109.513</b>	<b>11,179.825</b>	<b>14,236.353</b>
	i. Programme grants	1,975.000	1,975.000	1,749.693
	a) GoI	1,700.000	1,700.000	1,625.000
	b) Other Donors	275.000	275.000	124.693
	ii. Project-tied grants	6,134.513	9,204.825	12,486.660
	a) GoI	3,632.339	5,825.687	9,059.430
	b) Other Donors	2,502.174	3,379.138	3,427.230
<b>B</b>	<b>OUTLAY</b>	<b>34,215.836</b>	<b>36,367.917</b>	<b>33,522.834</b>
	<b>I. Total Expenditure</b>	<b>36,113.865</b>	<b>38,215.044</b>	<b>34,609.903</b>
	i. Current	19,160.114	18,726.091	17,941.151
	ii. Capital	16,953.751	19,488.953	16,668.752
	<b>II. Net Lending</b>	<b>(1,898.029)</b>	<b>(1,847.127)</b>	<b>(1,331.989)</b>
	<b>III. Advance/Suspense (Net)</b>	-	-	<b>244.920</b>
<b>C</b>	<b>FISCAL BALANCE</b>	<b>(4,233.002)</b>	<b>(3,196.165)</b>	<b>4,296.289</b>
<b>D</b>	<b>FINANCING</b>	<b>4,233.002</b>	<b>3,196.165</b>	<b>(4,296.289)</b>
	Net Borrowing	(91.514)	66.178	(1,042.311)
	i. Borrowings	2,666.588	2,824.280	1,534.544
	ii. Repayments	2,758.102	2,758.102	2,576.855
	<b>RESOURCE GAP/SURPLUS</b>	<b>(4,324.516)</b>	<b>(3,129.987)</b>	<b>3,253.978</b>

*Source: Annual Financial Statement, FY 2013-14*

## 1.2 Expenditure

The actual expenditure during the FY 2013-14 amounted to Nu.34,609.903 million accounting 31.4% of the GDP. The overall expenditure was less by 5.3% from the previous FY. This was because FY 2013-14 as the first year of 11<sup>th</sup> FYP, it was a period for mobilizing resources and carrying out preparatory works for capital activities.

The current expenditure was Nu.17,941.151 million and capital expenditure was Nu.16,668.752 million in the FY 2013-14. The current expenditure was fully covered by the domestic revenue of Nu.23,244.610 million. The capital expenditure was financed by loans and grants in addition to revenue surplus of Nu.5,303.459 million.

## **1.3 Resources**

### **1.3.1 Domestic revenue**

The actual domestic revenue for the FY 2013-14 was Nu.23,244.610 million which is about 6.33% higher than the budgeted revenue and 10.2% over the previous year. The coverage of current expenditure by domestic revenue was about 130% fulfilling the constitutional requirement of meeting the recurrent expenditure from the internal resources. Tax to GDP ratio was 14.3% while total revenue accounted for 20.6% of GDP. Major reasons for the actual revenue exceeding the revenue estimates by 6.3% were as follows:

- Nu.770.023 million received on account of good hydrology from the Druk Green Power Corporation (DGPC);
- Nu.450 million on account of Chhukha Hydropower Plant's (CHP) revision of export tariff rates retrospective from January 2013; and
- Nu.57 million received as arrears in respect of excise duty refund from the Government of India (GoI).

### **1.3.2 External grants**

As the commitments from the development partners were not finalized, grant of Nu.8,109.513 million was budgeted. By the end of the year, with the confirmation of commitments, the total external grants received was Nu.14,236.353 million which was 75.5% higher than the budgeted grant and an increase of 48.9% over

the previous year. Of the total grants, Nu.10,684.430 million was received from GoI including the ESP fund.

## **1.4 Government debt position**

The total outstanding public debt (internal and external debt) as on 30<sup>th</sup> June 2014 was Nu.108,370.354 million equivalent to US\$ 1,800.920 million accounting for 98.3% of GDP. The growth in debt stock was about 6.97%, mainly contributed by disbursements for ongoing hydro power projects. The total principal loan repayment during the year amounted to Nu.2,576.855 million.

### **1.4.1 Domestic debt**

The total domestic debt as on 30<sup>th</sup> June 2014 was Nu.2,913.441 million. Of the total, Nu.350.605 million was the outstanding loan availed for the purchase of aircraft for Drukair in 2004 as RGoB's equity participation. The balance Nu.2,562.836 million pertains to short-term borrowings from BoB through overdraft facility for maintaining positive balance in the Consolidated Fund (CF).

### **1.4.2 External debt**

As of 30<sup>th</sup> June 2014, the external debt stock was Nu.105,456.913 million (US\$ 1,752.504 million) accounting for 95.7% of GDP. Of the total, about 37% is convertible currency debt and 63% is Rupee debt. The Indian Rupee debt also includes project loan for the Dungsam Cement Project (Nu.1,274.254 million) and GoI Standby Credit Facility (Nu.10 billion).

The debt service as a percentage of exports of goods and services was maintained at 10.4%.

## **1.5 Conclusion**

As the first year of the 11<sup>th</sup> FYP, the FY 2013-14 has laid a strong foundation for achieving the priorities of 11<sup>th</sup> FYP and fulfilling the wishes and aspirations of the people. During the FY, higher levels of resources have been mobilized contributing towards sustainable fiscal balance. The operational result of the FY 2013-14 has been duly certified by the Royal Audit Authority. A copy of the audited AFS is distributed separately along with the Budget Report for FY 2015-16.

## CHAPTER 2: REVISED BUDGET OF FY 2014-15

The approved budget for FY 2014-15 was Nu.35,406.325 million with the fiscal deficit of 2.7 % and resource gap of 3.7% of GDP. However, with the incorporation of the external assistance of Nu.3,457.943 million and Nu.346.751 million for adjustment of previous year's advances, the revised budget is Nu.39,211.019 million. The total resources also increased from Nu.31,959.263 million to Nu.36,400.136 million due to increase in the domestic revenue and receipt of external grant for Local Government Support Development Programme. This has resulted in improving the fiscal deficit to 2.3% and resource gap to 3.4% of GDP.

During the FY, the Government has undertaken major initiatives such as establishment of central schools, double laning of Northern East West Highway and Livestock Project. The Government also implemented fiscal measures and revision of pay and allowances of public servants as passed by the Parliament. Further, the Government also approved enhancement of student capitation fee to finance the revision of pay and allowances of the employees of the Royal University of Bhutan (RUB) and Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB). This is provided as per the relevant provisions of the RUB Charter 2010 and UMSB Act 2012. Among the SOEs, the Government has approved the financing of 50% of total pay revision implication of Bhutan Broadcasting Service Corporation Ltd.

As per the actual implementation, the revision of pay and allowances of public servants is going to cost Nu.1,764 million against the provision of Nu.1,800 million. However, the enhancement of student capitation fee for RUB (Nu.74 million), KGUMSB (Nu.16 million) and operational subsidy for BBSCCL (Nu.12 million) is estimated about Nu.102 million. The shortfall of Nu.66 million has been managed from the overall revenue growth.



For financing the pay revision of the public servants which was estimated at Nu.1,800 million, additional revenue from Chhukha power tariff revision, PIT from salary increase, tax revenue from change in vehicle quota system and other fiscal measures were identified as per the Pay Revision Report 2014 submitted by the Government. In this regard, Nu.1,525.723 million (PIT from pay revision Nu.251.583 million, Chhukha tariff revision Nu.450 million and other fiscal measures Nu.824.140 million) is estimated to be realized by the end of the FY. The difference has been financed through generation of higher revenue from other sources as compared to the original estimates.

The summary of revised budget for the FY 2014-15 is provided in the following table.

**Table 2.1: Revised Budget Summary for FY 2014-15**

*Nu. in millions*

	<b>Particulars</b>	<b>Original Estimate</b>	<b>Revised Estimate (31<sup>st</sup> March, 2015)</b>
<b>A</b>	<b>Total Resources</b>	<b>31,959.263</b>	<b>36,400.136</b>
<b>I</b>	<b>Domestic Revenue</b>	<b>24,599.032</b>	<b>24,900.117</b>
a.	Tax	17,619.723	18,259.128
b.	Non-tax	6,979.309	6,640.989
<b>II</b>	<b>Other Receipts</b>		<b>346.751</b>
<b>III</b>	<b>Grants</b>	<b>7,360.231</b>	<b>11,153.268</b>
i	Programme Grants	1,700.000	1,752.500
a.	GoI	1,700.000	1,700.000
b.	Others (LGSDP)		52.500
ii	Project-tied Grants	5,660.231	9,400.768
a.	GoI	3,081.403	5,486.202
b.	Others	2,578.828	3,914.566
<b>B</b>	<b>Outlay</b>	<b>35,406.325</b>	<b>39,211.019</b>
<b>I</b>	<b>Total Expenditure</b>	<b>37,098.009</b>	<b>40,881.074</b>

*Nu. in millions*

	<b>Particulars</b>	<b>Original Estimate</b>	<b>Revised Estimate (31<sup>st</sup> March, 2015)</b>
a	Current	21,895.682	22,044.135
b	Capital	15,202.327	18,836.939
<b>II</b>	<b>Net Lending</b>	<b>-1,691.684</b>	<b>-1,670.055</b>
<b>C</b>	<b>Fiscal Balance</b>	<b>-3,447.062</b>	<b>-2,810.883</b>
<b>D</b>	<b>Financing</b>	<b>3,447.062</b>	<b>2,810.883</b>
<b>E</b>	<b>Net Borrowing</b>	<b>-1,358.140</b>	<b>-1,448.734</b>
I	Borrowing	1,558.688	1,468.094
II	Repayment	2,916.828	2,916.828
<b>F</b>	<b>Resource Gap</b>	<b>-4,805.202</b>	<b>-4,259.617</b>
	<i>Fiscal balance (% of GDP)</i>	<i>-2.7%</i>	<i>-2.3%</i>
	<i>Resource gap (% of GDP)</i>	<i>-3.7%</i>	<i>-3.4%</i>

## 2.1 Total resources

The revised total resource stood at Nu.36,400.136 million, which is an increase of about 14% from the original estimates. The contribution to this increase is mainly from the incorporation of external funds which is about 52%.

### 2.1.1 Domestic revenue estimates

The domestic revenue for FY 2014-15 is revised from Nu.24,599.032 million to Nu.24,900.117 million, which is an increase of 1.2% (Nu.301.085 million). Tax revenue accounted for 14.6% of the GDP and non-tax accounted for 5.3%, while total estimated revenue accounted for 19.9% of GDP.

As part of the fiscal measures, new taxes, such as sales tax on telecom services and green tax on fuel were introduced along with revision of sales tax and customs duty on import of vehicles. This is expected to realize additional domestic

revenue of Nu.824.140 million by the end of the FY. The revised estimates also includes Nu.449 million from the arrears of excise duty refund received from GoI and Nu.150 million as additional royalty from tourism due to relaxation of minimum daily package rate introduced for tourists from Thailand in order to celebrate Bhutan-Thailand Friendship.

However, on account of revenue implications due to delay in the commissioning of Dagachhu Hydropower Project, Nu.486.700 million was adjusted from the original revenue estimates. In addition, as Nu.450 million on account of CHP's revision of export tariff rates retrospective from January 2013 was received in the previous FY, it was also adjusted from the original revenue estimates.

The revised domestic revenue covers about 61% of the total expenditure.

**Table 2.2: Revised Revenue Summary for the FY 2014-15**

*Nu. in millions*

Sources		Original	Revised	% change
<b>A</b>	<b>Tax Revenue</b>	<b>17,619.723</b>	<b>18,259.128</b>	<b>3.6</b>
<b>I</b>	<b>Direct Tax</b>	<b>11,793.925</b>	<b>11,822.925</b>	<b>0.2</b>
1	Corporate Income Tax	6,333.855	5,871.368	(7.3)
2	Business Income Tax	2,052.302	2,064.177	0.6
3	Personal Income Tax	1,381.972	1,532.559	10.9
4	Other Direct Tax Revenue	2,025.797	2,354.821	16.2
<b>II</b>	<b>Indirect Tax</b>	<b>5,825.798</b>	<b>6,436.203</b>	<b>10.5</b>
1	Sales Tax	2,935.098	2,903.788	(1.1)
2	Excise Duty	2,425.784	2,644.424	9.0
	2.1 Excise Duty (GoI)	1,827.000	2,205.300	20.7
	2.2 Excise Duty (Domestic)	598.784	439.124	(26.7)
3	Customs Duty	414.243	536.868	29.6
4	Green Tax	30.000	330.45	1001.5
5	Other Indirect Tax Revenue	20.673	20.673	0.0

*Nu. in millions*

Sources		Original	Revised	% change
<b>B</b>	<b>Non -Tax Revenue</b>	<b>6,979.309</b>	<b>6,640.989</b>	<b>(4.8)</b>
1	Admns. Fees & charges	420.782	420.782	0.0
2	Capital Revenue	112.982	112.982	0.0
3	Revenue from Govt. Depts.	435.460	435.460	0.0
4	Dividend	4,127.632	3,789.311	(8.2)
5	Other Non-Tax Revenue	107.111	107.111	0.0
7	Interest on loan from corp.	1,775.343	1,775.343	0.0
	<b>Total Revenue (A+B)</b>	<b>24,599.032</b>	<b>24,900.117</b>	<b>1.2</b>

### 2.1.2 External grants

During the FY, the Government mobilized additional external grant of Nu.3,793.037 million. With this, the total grants has been revised to Nu.11,153.268 million which is about 52% increase from the original estimates. This revision is mainly from the incorporation of Nu.2,404.799 million from GoI, Nu.192 million from Bhutan Health Trust Fund, Nu.1,143.738 million from other development partners and programme grant of Nu.52.500 million for LGSDP.

## 2.2 Expenditure

The total expenditure for the year is expected to increase to Nu.40,881.074 million which is an increase of about 10% from the original estimates. The increase is mainly due to incorporation of external funded activities during the FY.

### 2.2.1 Current expenditure

The current expenditure has been revised from Nu.21,895.682 million to Nu.22,044.135 million, which is an increase of Nu.148.453 million due to incorporation of external fund for Cereal and Vegetable Oil Seed Crop

Intensification Project from GoI (Nu.8 million), operational cost of BoIC (Nu.23.027 million) under ESP fund and Nu.117.426 million from other donors and adjustments of prior year's advances.

The pay and allowances constitute about 46% of the total current expenditure after incorporation of pay revision.

### **2.2.2 Capital expenditure**

In order to ensure efficient utilization of budget and avoid pre-financing, provisions for capital activities funded by external donors were initially kept only for those activities for which donor funds have been committed or disbursed. During the FY, with the finalization of commitments, substantial amount of external funds were received and incorporated in the revised budget.

After incorporation of the activities under external funding, the capital budget is revised from Nu.15,202.327 million to Nu.18,836.939 million, which is an increase of Nu.3,634.612 million (24%). The major incorporations are; Nu.508.636 million for activities under Small Development Program, (SDP), Nu.246.852 million for Economic Stimulus Plan, Nu.1,300 million under Project-tied Assistance from GoI, Nu.127.118 million from ADB for SASEC Information Highway Project, Nu.23.065 million from the Government of Austria as support to Judiciary, Nu.92.654 million from Danish International Development Agency for Capacity Development Support under Local Government Sustainable Development Programme (LGSDP), Nu.39.757 million from World Bank for Sustainable Financing for Biodiversity Conservation and Natural Resources Management Project, Nu.1,296.530 million for various other external funded activities and for prior year's advances adjustments.

The details of the supplementary incorporations and rationalizations made during the FY are **submitted as the Supplementary Budget Appropriation Bill for FY 2014-15.**

### **2.3 Net lending**

The on-lending has been revised from Nu.341 million to Nu.362.629 million with the incorporation of ADB loan of Nu.21.629 million which has been on-lent for rural electrification works. This has resulted in change of net lending from negative Nu.1,691.684 million to negative Nu.1,670.055 million.

### **2.4 Borrowing**

The project-tied borrowing has been reduced by Nu.90.594 million due to delay in implementation of the Urban Development Project under the World Bank financing, among others.

As of 31<sup>st</sup> March, 2015, domestic borrowing of Nu.4,300 million has been raised through the issuance of T-bills for the cash management purpose. This amount will be redeemed by the end of the FY depending on the cash balance in the Consolidated Fund.

#### **2.4.1 Debt and Debt Servicing**

As of 30<sup>th</sup> June, 2015, the total debt stock is estimated at Nu.123,129.248 million which is about 98.5% of estimated GDP. The growth in the debt stock is about 13.6% mainly on account of disbursement of loans for hydropower projects.

The total debt service (i.e. principal plus interest) is estimated at Nu.9,025.729 million of which Nu.5,067.991 million is serviced through the budget. The

balance is from the RMA on account of GoI standby credit facility availed in 2009 and DCCL on account of Indian rupee loan. About 97% of total debt service is on account of external debt service.

The debt service ratio is anticipated to improve from 25.9% in the FY 2013-14 to 16.7% in the FY 2014-15 due to increase in exports estimate.

## CHAPTER 3: BUDGET ESTIMATES FOR FY 2015-16

The FY 2015-16, being the midyear of the 11<sup>th</sup> FYP, is the most important period for the Government to intensify the implementation of priority programs and activities. Recognizing this importance and considering the fiscal path determined by the Macro-economic Framework Coordination Committee (MFCC), the Government has approved allocation of 24% of the 11<sup>th</sup> FYP capital outlay for the FY.

In order to maintain the sustainable fiscal path, the policy of expenditure rationalization will be continued to ensure that priorities of the 11<sup>th</sup> FYP programs and activities are included in the budget to achieve the targets agreed in the Annual Performance Agreements (APA).

The budget for the FY has been prepared in close consultation with the agencies based on the Annual Performance Agreements targets of the agencies agreed with the Hon'ble Prime Minister. The APA also facilitated the Ministry of Finance and agencies to objectively align their expenditure plans to the targets for the FY. Such arrangements will enhance the effectiveness and efficiency in the allocation and utilization of public resources and ensure that the fiscal path is maintained.

Major initiatives of the Government such as establishment of Central Schools for enhancing quality of education and facilities, double laning of Northern East-West Highway (NEWH) and Livestock Projects to attain food self-sufficiency will be continued. In addition, the much anticipated helicopter service will be introduced, especially in light of the natural disasters affecting our region in recent times and also to promote tourism. The Government has already started distributing power tillers at the local government level and launched banking services at the Gewog level. For enhancing mobility at the Gewog level, provision has been made for procurement of utility vehicles.



The budget for the FY will be implemented to achieve the following broad fiscal policies and targets:

1. Maintain fiscal deficit within 3.2% of GDP;
2. Generate surplus domestic revenue to increasingly cover part of capital expenditure;
3. Maintain non-hydro debt below 35% of GDP; and
4. Subsidies provided to agencies with social mandates for capital works and to cover revenue deficit.

The summary of budget estimate for the FY 2015-16 is presented in the following table.

**Table 3.1: Budget Estimate Summary for FY 2015-16**

*Nu. in millions*

<b>Sources of Finance</b>	<b>Estimates</b>
<b>TOTAL RESOURCES</b>	<b>41,017.888</b>
<b>I. DOMESTIC REVENUE</b>	<b>26,145.124</b>
i. Tax	19,197.949
ii. Non-tax	6,947.175
<b>II. GRANTS</b>	<b>14,872.764</b>
i. Programme Grants	2,746.000
a. GoI	1,700.000
b. Others (LGSDP- Nu.80 m and ADB-USD 16.1 m)	1,046.000
ii. Project-tied Grants	12,126.764
a. GoI	9,548.657
b. Others	2,578.107
<b>OUTLAY</b>	<b>45,504.591</b>
<b>I. Total Expenditure</b>	<b>47,348.166</b>
i. Current Expenditure	23,871.321
ii. Capital Expenditure	23,476.845

*Nu. in millions*

<b>Sources of Finance</b>	<b>Estimates</b>
<b>II. Net Lending</b>	<b>-1,843.575</b>
<b>FISCAL BALANCE</b>	<b>-4,486.703</b>
<b>FINANCING</b>	<b>4,486.703</b>
i. Net Borrowings	396.965
a. Borrowings	3,420.506
b. Repayments	3,023,541
iii. Resource Gap	-4,089.738
<b><i>Fiscal balance % of GDP</i></b>	<b>-3.2%</b>
<b><i>Resource gap % of GDP</i></b>	<b>-2.9%</b>

### 3.1 Resources

Total resources for the FY 2015-16 is estimated at Nu.41,017.888 million out of which the domestic revenue comprise of 64% and external grants 36%.

#### 3.1.1 Domestic Revenue

Considering economic growth and better tax compliance, the domestic revenue for the FY 2015-16 is estimated at Nu.26,145.124 million, which is an increase of 5% over the previous year. Of the total revenue, tax revenue is estimated at Nu.19,197.949 million, while non-tax revenue is estimated at Nu.6,947.175 million.

Of the total estimated domestic revenue, Corporate Income Tax (CIT) is expected to contribute about 25% followed by 15% from dividend and 11% from sales tax. Domestic revenue is expected to increase by 5%, mainly on account of:

- Estimated CIT and dividend from Dagachhu Hydropower Plant of Nu.470.856 million;
- Estimated additional CIT of Nu.148.559 million from BPC; and

- Expected surplus transfer of Nu.200 million from RMA.

The revenue growth may be affected if Dungsam Cement Corporation Ltd. continues to incur losses as there will be no payment of CIT and dividend. Any change in fiscal measures and exemptions will also impact the revenue growth. The total estimated domestic revenue is 18.8% of GDP and the estimated tax revenue is 13.8% of GDP.

**Table 3.2: Revenue Summary for FY 2015-16**

*Nu. in millions*

Sources		Amount	% to total revenue
<b>A</b>	<b>Tax Revenue</b>	<b>19,197.949</b>	<b>73.4</b>
<b>I</b>	<b>Direct Tax</b>	<b>13,164.390</b>	<b>50.4</b>
1	Corporate Income Tax	6,522.820	24.9
2	Business Income Tax	2,367.562	9.1
3	Personal Income Tax	1,757.808	6.7
4	Other Direct Tax Revenue	2,516.199	9.6
<b>II</b>	<b>Indirect Tax</b>	<b>6,033.559</b>	<b>23.1</b>
1	Sales Tax	2,870.564	11.0
2	Excise Duty	2,292.568	8.8
2.1	Excise Duty (GoI)	1,826.552	7.0
2.2	Excise Duty (Domestic)	466.016	1.8
3	Customs Duty	501.749	1.9
4	Green Tax	346.973	1.3
5	Other Indirect Tax Revenue	21.707	0.1
<b>B</b>	<b>Non-Tax Revenue</b>	<b>6,947.175</b>	<b>26.6</b>
1	Administration fees & charges	446.551	1.7
2	Capital Revenue	462.128	1.8
3	Revenue from Govt. Depts.	119.901	0.5
4	Dividend	3,841.812	14.7
5	Net Surplus Transfer	200.000	0.8
6	Other Non-Tax Revenue	112.467	0.4

*Nu. in millions*

<b>Sources</b>		<b>Amount</b>	<b>% to total revenue</b>
7	Interest on loan from corp.	1,764.317	6.7
<b>Total Revenue (A+B)</b>		<b>26,145.124</b>	<b>100</b>

### **3.1.2 External Grants**

The external grant for the FY 2015-16 is estimated at Nu.14,872.764 million which is about 33% increase from FY 2014-15. The increase is mainly on the account of grants from GoI which is estimated at Nu.11,248.657 million representing about 76% of the total grant. The grants from GoI are mainly for SDP (Nu.2,284.939 million), ESP (Nu.253.441million) and PTA (Nu.6,717.477 million). Some of the major projects under other external funding are ADB's SASEC Road Connectivity Project (Nu.170.830 million) and Road Network Project (Nu.232.893 million), International Fund for Agriculture Development's fund (Nu.24.321 million) for Market Access and Growth Intensification Project, Swiss Development Cooperation's fund (Nu.72.059 million) for support to Judiciary, amongst others.

### **3.2 Total Expenditure**

The total expenditure for the FY is Nu.47,348.166 million, which is about 16% increase from the revised budget of FY 2014-15. However, the outlay is Nu.45,504.591 million after adjusting net lending of Nu.1,843.575 million from the total expenditure.

The details of the expenditure are provided below:

### **3.2.1 Current expenditure**

The current expenditure has been growing over the years and increase in this FY is about 8% from the previous year. This increase is mainly due to the following:

- a. Inclusion of provision for maintenance of GC roads;
- b. Full impact of establishment of 24 central schools and provision for additional 18 central schools from 2016 academic year;
- c. Provision for Local Government elections; and
- d. Purchase of passport booklets.

The estimated current expenditure for the FY is Nu.23,871.321 million which is about 91% of the domestic revenue and about 17% of the GDP.

Out of the total current expenditure, the interest payment for external loans is Nu.1,985.267 million. The statement of interest payments is provided in the Table 3.6.

The current expenditure also comprises of subsidies/transfers to various agencies amounting to Nu.1,285.424 million. The details are as presented in the Table 3.3.

### **3.2.2 Capital expenditure**

The estimated capital expenditure for the FY is Nu.23,476.845 million, which is about 25% increase from the revised budget of FY 2014-15. The increase in the budget reflects the Government's concerted efforts to intensify the implementation of priority programs and activities as it is the mid-year of the 11<sup>th</sup> FYP. This has been made possible due to mobilization of higher external resources.

Capital expenditure also includes subsidies and transfers amounting to Nu.803.633 million. The details are in the Table 3.3.

About 63% of the capital expenditure is financed through external grants, 14.5% from external borrowings and the balance is financed through revenue surplus and domestic borrowings.

### 3.2.3 Subsidies and transfers

The Government provides transfers for carrying out capital activities and subsidies for meeting the revenue deficit to Thromdes, State Owned Enterprises and corporations for delivering social mandates to promote socio-economic growth. For the FY, total transfer and subsidy is estimated to Nu.2,089.057 million which is 35% higher from the previous year mainly on account of revision in student capitation fee for RUB and KGUMBS, incorporating full impact of interest subsidy for Drukair and operational subsidy to BBSCL. The capital transfer also increased mainly due to enhanced allocation for Thromdes to carry out urban infrastructure development works. The details of subsidies and transfers are provided in the following table.

**Table 3.3: Details of Transfer and Subsidies**

*Nu. in millions*

	Name of Activity	Current	Capital	Total
1	Thimphu Thromde	35.083	167.960	203.043
2	Phuentsholing Thromde		152.316	152.316
3	Samdrup Jongkhar Thromde	26.334	155.322	181.656
4	Gelephu Thromde	27.634	127.460	155.094
5	Support to Bhutan Indigenous & Sports Associations		2.800	2.800
6	Minimum Vegetable Support Price		10.000	10.000
7	Bhutan Broadcasting Services Corporation Ltd.	120.550	112.475	233.025

*Nu. in millions*

	Name of Activity	Current	Capital	Total
8	Premium subsidy for Rural House Insurance Scheme (RICBL)		15.000	15.000
9	Support to Community Centre Vendor		1.000	1.000
10	Subsidy for the IT Park		8.000	8.000
11	Telecom Subsidy for Internet Connectivity		8.5000	8.500
12	Depreciation, Operation and Maintenance of National Fibre Optic Network		42.800	42.800
13	Bhutan Chamber of Commerce & Industry (BCCI)	10.500		10.500
14	Interest Subsidy for purchase of third aircraft (Drukair Corporation)	189.413		189.413
15	Support to National Housing Development Corporation Ltd.	15.000		15.000
16	Commission for Sale of Agriculture Inputs in Dzongkhags	10.250		10.250
17	City Bus Services (Bhutan Post)	20.507		20.507
18	Support to National Sports Federations (BOC)	70.000		70.000
19	National Seed Centre, MoAF	14.713		14.713
20	Agency for Promotion of Indigenous Crafts	9.500		9.500
21	Interest Subsidy on loan for purchase of buses for non-profitable routes	0.150		0.150
22	Royal University of Bhutan	681.990		681.990
23	Khesar Gyalpo University of Medical Sciences of Bhutan	53.800		53.800
	<b>Total</b>	<b>1,285.424</b>	<b>803.633</b>	<b>2,089.057</b>

### 3.2.4 Net-Lending

For completing the rural electrification program, the Government has availed concessional financing from bilateral and multilateral development partners which is on-lent to Bhutan Power Corporation Ltd. During the FY, Nu.342 million will be on-lent to BPC to continue the works.

Total recoveries from the corporations during the FY is estimated at Nu.2,185.575 million. Since the recoveries is more than on-lending, the net lending is negative Nu.1,843.575 million.

The details of the on-lending and recoveries are in the following table.

**Table 3.4: Net lending for FY 2015-16**

*Nu.in millions*

<b>I</b>	<b>On-lending</b>	<b>Lender</b>	<b>Amount</b>
1	Rural Electrification V - BPC (RREDP)	ADB	84.000
2	Rural Electrification – BPC	Austria	133.000
3	Rural Electrification (RE - I)	JICA	5.000
4	Rural Electrification (RE - II)	JICA	120.000
	<b>Total on-lending (A)</b>		<b>342.000</b>

<b>II</b>	<b>Recoveries – External</b>	<b>Lender</b>	<b>Amount</b>
1	KHPC	GoI	186.667
2	THPA	GoI	1,342.591
3	BDFC Loan BHU-934/1566/0088-89/512/659	ADB/IFAD/ KFAED	33.214
4	BPC - RE I/II/III (1375/1712/2009)	ADB	44.858
5	Green Power Development Project (2463-BHU OCR)	ADB	35.604
6	Basochhu Hydropower Projects (Upper & Lower Stage)	ADB	145.325
7	Rural Telecommunication - 1674	Denmark	90.454
8	Dagachhu Hydropower Project	Austria	273.051
<b>III</b>	<b>Recoveries – Domestic</b>		
1	Purchase of Aircraft for Drukair	RGoB	33.811
	<b>Total Recoveries (External + Domestic)(B)</b>		<b>2,185.575</b>
	<b>Net Lending (A-B)</b>		<b>(1,843.575)</b>

### 3.3 Financing

During the FY, the estimated fiscal deficit is Nu.4,486.703 million accounting for 3.2% of GDP. To finance the fiscal deficit, the Government will continue to mobilize concessional loans from multilateral development banks. The resource gap which is estimated at Nu.4,089.738 million shall be financed through domestic borrowings.



### 3.3.1 External borrowing

External borrowings, which are highly concessional are availed from bilateral and multilateral development partners. For the FY, Nu.3,420.506 million is estimated to be borrowed from external sources. This comprises program borrowing of Nu.1,200 million from World Bank for Development Policy Credit II and Nu.1,206 million from ADB for Strengthening Economic Management Program II. The project-tied borrowing is estimated at Nu.1,014.506 million of which Nu.133 million is from the Government of Austria and Nu.125 million from JICA for rural electrification projects, Nu.210.350 million from ADB and Nu.473.685 million from World Bank for urban infrastructure development projects and Remote Rural Communities Development Projects and Nu.72.471 million from IFAD for Market Access and Growth Intensification Project. The details of external borrowings are shown in the table below.

**Table 3.5: External borrowings for FY 2015-16**

*Nu.in millions*

	<b>Lender</b>	<b>Program borrowing</b>	<b>Project-tied borrowing</b>	<b>Total</b>
1	ADB	1,206.000	210.350	1,416.350
2	World Bank	1,200.000	473.685	1,673.685
3	IFAD		72.471	72.471
4	JICA		125.000	125.000
5	Government of Austria		133.000	133.000
	<b>TOTAL</b>	<b>2,406.00</b>	<b>1,014.506</b>	<b>3,420.506</b>

### 3.3.2 Internal borrowing

Internal borrowing will be used for maintaining positive Consolidated Fund (CF) balance and to finance the resource gap through the issuance of Treasury bills (T-bills) of various maturities and longer term bonds to promote domestic

debt and capital market. The calendars for regular issuance of T-bills will be developed to smoothen cash flow by raising funds from the market at competitive rates. For financing capital works, long term bonds will be issued.

### **3.4 Public debt stock**

#### **3.4.1 External debt stock**

Based on the planned disbursements for the ongoing projects and anticipated new loans, the external debt stock is estimated to be Nu.150,576.748 million by the end of FY 2015-16. This is about 108.5% of the estimated GDP.

The external debt stock is expected to grow by 22.5% on account of disbursement for ongoing hydropower projects (Puna I, Puna II and Mangdechhu). Further, the disbursement for Nikachhu and Kholongchhu hydropower projects, which will start construction during the FY 2015-16 will also add to the debt stock.

Of the total external debt stock, Nu.114,151.223 million is on account of hydropower projects. Since these are commercially viable, debt service is expected to be fully financed from the export revenues. The non-hydropower loans, which is 26.3% of the estimated GDP, is borrowed from multilateral financial institutions and bilateral countries at highly concessionary terms. Therefore, the current debt stock will not pose any risk of default in debt servicing.

#### **3.4.2 Domestic debt stock**

The domestic debt stock outstanding which is on account of the loan availed by the Government for the purchase of aircraft as RGoB's equity participation in Drukair Corporation Ltd. in 2004 will be liquidated in July this year.

The estimated resource gap for FY is Nu.4,089.738 million will be financed through domestic borrowing to promote domestic capital market. For raising funds from the market at competitive rates for the purpose of cash flow management, T-bills of various maturities will be issued. Any T-bills not redeemed during the FY, will add to the debt stock. Further, any government bonds that may be issued for financing infrastructure projects will also increase the domestic debt stock in future.

### **3.4.3 Debt servicing**

The total debt service comprises of principal repayment and interest payment. For the FY 2015-16, total debt service is estimated to be Nu.6,626.057 million of which debt service through the budget is estimated to be Nu.5,132.592 million.

The principal repayments during the FY is estimated to be Nu.3,023.541 million, of which Nu.2,837.738 million is on account of external loans and Nu.185.803 million is for domestic loan. The principal repayment of Nu.175.303 million is on account of the domestic loan taken for the first new aircraft (Drukair) and Nu.10.500 million for NPPF loan for construction of staff quarter at Phuentsholing General Hospital.

The principal repayment for GoI hydropower loans constitute about 50.7% of the total principal repayment

The total interest payment for FY 2015-16 is estimated at Nu.2,614.976 million where external interest payment accounts about 95%. The interest payment through budget for the FY is estimated at Nu.2,109.051 million. Of which, Nu.1,985.267 million is for external loans which includes interest payments of Nu.1,445.409 million for GoI hydropower loans. Interest payment for domestic loan is estimated at Nu.123.784 million on account of Drukair loan, NPPF loan for Phuentsholing

General Hospital, Ways and Means Advances and redemption of T-bills.

The total debt service ratio for the FY 2015-16 is estimated at 10.9% and is expected to improve over the period at the end of the FY due to expected increase in exports. Similarly, the debt service through budget for the FY is estimated at 8.3%.

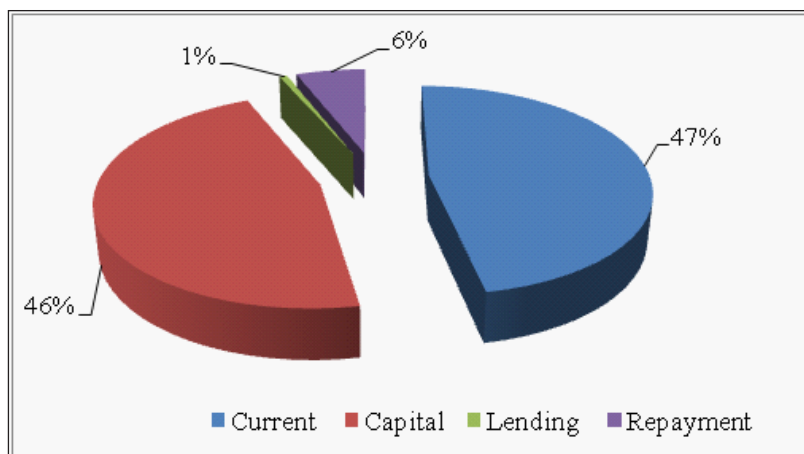
The statement of debt service for the FY 2015-16 is shown in the table 3.6.

**Table 3.6: Statement of debt service (through budget) for the FY 2015-16**

<i>Nu. in millions</i>				
	<b>Lender</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
1	ADB	216.415	488.116	704.531
2	World Bank	119.269	153.463	272.732
3	IFAD	17.914	72.619	90.533
4	Government of Austria	183.407	499.632	683.039
5	Government of Denmark	-	94.650	94.650
6	JICA	2.853	-	2.853
7	Government of India	1,445.409	1,529.258	2,974.667
	<b>External</b>	<b>1,985.267</b>	<b>2,837.738</b>	<b>4,823.005</b>
8	First aircraft for Drukair	19.284	175.303	194.587
9	Phuentsholing General Hospital	4.500	10.500	15.000
10	Interest on Ways and Means Advances and T-Bills	100.000		100.000
	<b>Domestic</b>	<b>123.784</b>	<b>185.803</b>	<b>309.587</b>
	<b>Grand Total (External + Domestic)</b>	<b>2,109.051</b>	<b>3,023.541</b>	<b>5,132.592</b>

The total allocation for the FY including Lending and Repayment is Nu.50,713.707 million, of which the current expenditure is 47% and capital expenditure is 46% as shown in the following chart.

**Chart 3.1: Expenditure Classifications.**



### 3.5 Sector allocation

Sector Allocation for the FY 2015-16 is provided in the table below.

**Table 3.7: Sector allocation for the FY 2015-16**

*Nu. in millions*

Sectors	Current	Capital	Total	Percent
<b>Social Services</b>	<b>9,158.169</b>	<b>4,088.523</b>	<b>13,246.692</b>	<b>26%</b>
Health	2,662.080	1,272.258	3,934.338	8%
Education	6,496.089	2,816.265	9,312.354	18%
<b>Economic and Public Services</b>	<b>4,560.631</b>	<b>13,600.276</b>	<b>18,160.907</b>	<b>36%</b>
RNR	2,407.953	3,339.102	5,747.055	12%
Trade and Industry	425.616	718.876	1,144.492	2%
Roads	460.522	5,256.808	5,717.330	11%
Urban development, housing and public amenities sector	601.890	2,438.399	3,040.289	6%
Communications & Transport	573.078	1,452.995	2,026.073	4%
Energy	91.572	394.096	485.668	1%

*Nu. in millions*

<b>Sectors</b>	<b>Current</b>	<b>Capital</b>	<b>Total</b>	<b>Percent</b>
<b>Cultural Services</b>	755.755	1,396.754	2,152.509	4%
<b>Law and Order Services</b>	1,602.208	608.210	2,210.418	4%
<b>General Public Services</b>	5,685.507	3,783.082	9,468.589	19%
<b>National Debt Services</b>	2,109.051	3,365.541	5,474.592	11%
Repayment	2,109.051	3,023.541	5,132.592	10%
Lending	0.000	342.000	342.000	1%
<b>Total</b>	<b>23,871.321</b>	<b>26,842.386</b>	<b>50,713.707</b>	<b>100%</b>

### **3.5.1 Health sector**

The overall objective of the health sector is to improve the quality of life by providing better health care facilities and services. The Government continues to place importance to health services and to further enhance it, Nu.3,934.338 million has been allocated to achieve the following objectives of the sector's Annual Performance Agreement:

- a. Improve preventive, promotive and rehabilitative health care services;
- b. Strengthen diagnostic, curative and palliative health care services;
- c. Improve access to health facilities and services;
- d. Strengthen traditional medicinal services in a sustainable manner; and
- e. Promote good governance and financially sustainable health care.

For improving health care services, one of the major requirements is to have adequate skilled health personnel of all categories. Therefore, to continue the program on human resource development and capacity building, Nu.171.510 million is allocated for specialization, medical education and workshop/trainings for health professionals. In addition, 37 expatriates are currently recruited to address the shortage of medical professionals. Further, post graduate residency programme has also been introduced in Khesar Gyalpo University of Medical Sciences of Bhutan.

In order to provide round the clock medical services, the Health Help Centre (HHC) was established which is supported by a fleet of 109 ambulances. During the FY, to further strengthen the functioning of HHC, JICA has committed to provide 29 ambulances and four more will be purchased under RGoB funding. In terms of health infrastructure for improving access to health facilities, construction of 40 bedded hospitals in Tsirang and Dewathang and preparation of detailed project report for 150 bedded Gyaltsuen Jetsun Pema Mother & Child Hospital in Thimphu will be initiated during the FY. Provision has been kept for expansion of 150 bedded Central Regional Referral Hospital at Gelephu, 40 bedded Samtse hospital and Public Health Laboratory at Serbithang.

Towards enhancing efficiency in health delivery system, Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) was granted autonomy and authorized to retain the revenue it generates since July 2014. On completion of the Public Health Laboratory at Serbithang during FY, it is expected to enhance the disease surveillance and outbreak investigation. For availing health care services not available in the country, Nu.200 million is allocated to finance the cost of referrals to India.

As traditional medicine provides an alternative choice of health care service to the people, provision has been kept for the construction of Traditional Medicine unit at Mongar Regional Referral Hospital and procurement of critical production equipment for traditional medicine.

In order to enable Bhutan Health Trust Fund (BHTF) to achieve its goal of financing the supply of essential drugs and non-drugs on a sustainable basis, the Government has initiated various measures to mobilize funds such as reviving the annual Health Walk, inviting voluntary contributions from the public and transferred the health contributions to BHTF from July, 2014. Accordingly, for the FY, BHTF will provide Nu.210 million to finance the supply of essential

drugs. In addition, Nu.340 million has been kept for non-drugs and equipment under RGoB.

Non-communicable diseases (NCD) are becoming an emerging health care concern. For strengthening preventive health care services for NCD and mainstreaming such concerns in all policies through awareness and advocacy programmes, Nu.32.032 million is allocated.

Promoting access to safe, clean and convenient drinking water is one of the priorities of the Government. During the FY, a sum of Nu.328.895 million is allocated in various Dzongkhags and Gewogs for construction, rehabilitation/maintenance of RWSS and water source protection. Further, to ensure that this basic service is accessible by all the people, the RWSS status and activities will be closely monitored and evaluated by MoH.

Of the total health Sector allocation, Nu.1,240.099 million is kept with the Dzongkhags and Gewogs for implementing health related programs and activities.

**Table 3.8: Major activities in the Health Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Procurement of medical equipment	140.000
2	Construction of 150 bedded hospital, Gelephu	100.000
3	Construction of 40 bedded district hospital, Tsirang	76.000
4	Construction of Public Health Laboratory, Thimphu	60.000
5	Construction of 40 bedded hospital, Dewathang	50.000
6	Construction of Gyaltsuen Jetsun Pema Mother and Child hospital, Thimphu	50.000
7	Continuation of Long Term HRD Programmes for Doctors, Nurses and Technologists	33.487



*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
8	Construction of 40 bedded hospital, Samtse	30.000
9	Construction of BHU I at Dangdung, Trongsa	21.910
10	Procurement of four ambulances	17.220
11	Construction of office for Vector Borne Disease Control Programme, Gelephu	14.000
12	Construction of BHU II at Kazhi, Wangdue Phodrang	13.200
13	Specialization courses for Doctors, Nurses and Technologists(New)	12.000
14	Spares parts & accessories for medical equipment & devices	11.250
15	Construction of Traditional Medicine Building, Mongar Regional Referral Hospital.	10.000
16	Expansion of BHU at Merak, Trashigang	8.774
17	Up-gradation of ORC to BHU II at Sengor, Mongar	8.044
18	Construction of 6 unit staff quarter for BHU-I at Khaling, Trashigang	7.000
19	Utility vehicles for transportation of medicines/equipment-MSD	6.900
20	Capacity development of community based volunteers on gender based violence - RENEW	6.300
21	Up-gradation of telecommunication and web based equipment for Health Help Centre	5.631
22	Bachelor in Public Health and Nursing Science (continuation)	5.400
23	Awareness programme for rural women on gender, reproductive health and HIV/AIDS - RENEW	5.240
24	Up-gradation of ORC to sub-post at Silambi, Mongar	5.044
25	Development of web-based inventory system for DVED	5.000
26	Construction of sub-post and staff quarter at Gunitsawa, Paro	5.000
27	Relocation of BHU-II and 4 units staff quarter at Umling, Sarpang	5.000
28	Construction of 8 unit staff qtr. at Chuzergang BHU, Sarpang	5.000
29	Up-gradation of ORC to sub-post at Takhambi, Mongar	4.042
30	Procurement of equipment for traditional medicine production	4.000
31	Construction of 10 bedded hospital at Dorokha Dungkhag	4.000

### 3.5.2 Education sector

Providing equitable and inclusive quality education is considered highly critical. Accordingly, the Ministry of Education has prepared the Bhutan Education Blueprint 2014-2024 to guide the education sector reforms. For the FY, Nu.9,312.354 million has been allocated to the education sector to achieve the following objectives of APA:

- a. Improve access to and sustainability of education;
- b. Improve relevance and quality of education;
- c. Enhance adult literacy and lifelong learning; and
- d. Strengthen youth programme and services.

In line with the Bhutan Education Blueprint (rethinking education), for improving equal access to quality education, school reform programme has been initiated with the establishment of 24 central schools starting from the academic year 2015 in 20 Dzongkhags. For up scaling the initiative to fast track the improvement of overall education quality, 18 more central schools will be established from the academic year 2016. A sum of Nu.730.275 million is allocated for operational and Nu.1,048.588 million for developing additional infrastructures and facilities for the central schools.

Scholarships are also provided for students based on merits to pursue various courses both within and outside the country, for which Nu.346.151 million is allocated. It also includes Nu.24.300 million for partial scholarship under Assistance to Privately Enrolled Medical Students (APEMS). In addition, interest free loan for pursuing higher education has also been established under the Special Support Scheme of the Economic Stimulus Plan.

The Government continues to maintain an inclusive approach to improve educational access to meet the special needs of differently-abled students, for which Nu.19.010 million has been allocated. Currently there are six integrated schools and two special education centres catering to 366 children with special needs.

Towards improving adult literacy and lifelong learning, Nu.110.617 million has been allocated for supporting Non-Formal Education (NFE) programme. Today, there are about 8,079 learners in 774 NFE centres with 784 instructors in the country.

Strengthening of youth development programmes and services is another priority for which Nu.98.418 million has been allocated to support participation of youths in sports and scout programmes, construction of scout centre and development of guidelines.

The MoE also initiated Early Childhood Care and Development (ECCD) to prepare young children for the formal learning system, for which a sum of Nu.16.546 million is allocated. As of 2014, there are 210 ECCD Centres with 4,896 children and 435 teachers in the country. In view of the increasing demand for ECCD services, support is being provided to accommodate more children to avail such services.

Given the importance of information and communication technology as an aid to education and life-long learning, Nu.12.056 million is allocated for setting up of computer laboratories and to provide internet connections to schools.

The Royal University of Bhutan is allocated with Nu.1,134.313 million comprising of Nu.681.990 million on account of student capitation fee and Nu.13.287 million to support the ongoing masters programme in Gaeddu College of Business

Studies, College of Natural Resources and Institute of Language and Culture Studies. Further, Nu.13.628 million has been provisioned for supporting the ongoing masters programme in the Royal Institute of Management.

To ensure the quality and independent assessment of the education system, Nu.94.684 million has been allocated for Common Examination Services. As continuous revision and review of curricula is also crucial for quality education and relevance, the Department of Curriculum, Research and Development has been merged with the Royal Education Council and granted autonomy since 2014 for which a provision of Nu.90.737 million has been kept. This is expected to promote innovation, creativity and enterprise in education through research. This sector's allocation includes Nu.4,347.636 million for Dzongkhags and Gewogs.

**Table 3.9: Major activities in the Education Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Construction of additional facilities in 27 schools	614.103
2	Infrastructure development in colleges under RUB	452.323
3	Construction of 11 Central Schools	277.200
4	Up-gradation and construction of additional infrastructure under various schools	382.033
5	Undergraduate scholarship in third countries	185.000
6	Construction of toilets in various schools	33.500
7	Student loan scheme for tertiary education under ESP	30.741
8	Privately enrolled medical student scholarship scheme	24.300
9	Management development training Programme, RIM	16.595
10	Undergraduate scholarship at Royal Thimphu College	15.100
11	Queen's endowment cultural studies scholarship	14.500
12	Twinning arrangement and networking, RIM	12.550

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
13	Establishment of 29 new community early child care development centres	7.376
14	Construction and rehabilitation of water supply to schools	6.600
15	Furnishing of Multipurpose Hall and purchase of equipment, RIM	6.434
16	Winter youth engagement programme	6.100
17	Training of teachers on gender, positive discipline, inclusive education, care givers, etc.	5.700

### **3.5.3 Renewable Natural Resources (RNR) sector**

In pursuit of achieving sustainable natural resources for equitable social and economic wellbeing, the Ministry of Agriculture and Forests (MoAF) has been working towards accelerating RNR growth through commercial farming of agriculture, livestock and forestry enterprises. In line with the overall goal, the sector aims to achieve the following APA objectives with an allocation of Nu.5,747.055 million:

- a. Increase food crop and livestock production for enhancing food security and nutrition;
- b. Promote sustainable management and conservation of natural resources and biodiversity;
- c. Promote agriculture marketing and employment opportunities to increase mean annual income;
- d. Enhance national bio-security and food-safety system, and
- e. Supplement vegetable and livestock product supply to school food basket to enhance nutrition and interest in farming among school youths.

Increasing overall cereal and vegetable production for both local consumption and export continues to be the priority. In this regard, Phuentshothang Agriculture Rehabilitation Programme is provided with a sum of Nu.36

million to increase rice production. Similarly, Nu.17 million is allocated for construction and establishment of paddy and milled rice stores at Tsirang, Bajo and Phuentshothang and for commercialization of vegetable production Nu.30.975 million is allocated. In addition, Nu.546.055 million is also earmarked for irrigation channels to be constructed and rehabilitated. To ensure adequate postharvest facilities are in place, a sum of Nu.27.610 million is allocated for construction of cold storage at Lingmethang and Nganglam. Further, a sum of Nu.937.603 million is allocated for farm roads construction and Nu.37 million for farm shop constructions and renovations.

On the livestock front, a sum of Nu.221.200 million is kept for increasing domestic production of livestock products. To strengthen livestock support services, a sum of Nu.32 million is allocated for construction of National Animal Hospital in Thimphu and Nu.32.470 million for veterinary medicines and vaccines for central farms, Dzongkhags and Gewogs.

In order to supplement the nutritional requirement of school children, a strategy of “three eggs per student per week” has been initiated since 2014. For this, Nu.3.600 million is allocated to introduce and establish poultry farming in 13 identified schools.

The sector also aims to achieve the sustainable management of natural resources through concerted effort on afforestation and reforestation. For this, a sum of Nu.41.467 million is allocated for creation of plantations. In order to enhance conservation of wildlife biodiversity, Nu.15 million is allocated for construction of animal and wildlife rescue centre at Taba (Thimphu) and Jigmeling (Sarpang). Further, to meet the needs of the local people living in and around the protected areas, the sector is allocated with Nu.3.300 million and Nu.5.490 million for development of community based eco-tourism in Mongar and Lhuentse. To address the Human Wildlife Conflict through institutionalization of community

based crop and livestock insurance programmes, a sum of Nu.11.500 million is allocated as seed money for 17 newly identified Gewog Environment Conservation Committees (GECC) and additional fund for 15 GECCs. Apart from conservation efforts, a provision of Nu.12.050 million is kept for construction of range office and staff quarters at Nichula and Samdrup Jongkhar divisional office.

To strengthen bio-security and food safety through construction of quarantine and bio-security offices, a sum of Nu.29.400 million is allocated.

Out of the allocation for the sector, Nu.2,155.926 million is for the Dzongkhags and Gewogs.

**Table 3.10: Major Activities in the RNR Sector**

		<i>Nu. in millions</i>
	<b>Activities</b>	<b>Amount</b>
1	Construction and improvement of irrigation schemes	273.800
2	Livestock Project	221.200
3	Remote Rural Community Development Project	149.870
4	Cereal (rice, maize, mustard and wheat) production programme	82.100
5	Spare parts and POL for heavy machineries	40.305
6	Construction and renovation of farm shops	37.000
7	Special Priority Projects, MoAF	35.144
8	Veterinary medicines and vaccines	32.470
9	Construction of National Animal Hospital, Thimphu	32.000
10	Vegetable production programme	30.975
11	Support to Marketing Programme for Chhukha and Samtse	20.416
12	Construction and establishment of cold storage at Nganglam	15.000
13	Commodity support programme for aquaculture development in 12 Dzongkhags	13.500
14	Construction of marketing shed, collection shed and bulking up facilities	13.020
15	Construction of cold storage and food incubation centre at Lingmethang, Mongar	12.610
16	Commodity support programme for piggery development in 16 Dzongkhags	11.500

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
17	Seed money for Gewog Environmental Conservation Committees	11.500
18	Transportation of seeds, seedlings and weedicide	10.000
19	Construction of BAFRA office in Trashigang and Dagana	10.000
20	Construction of Nichula range office and staff quarters, Dagana	9.550
21	Construction of animal rescue rehabilitation centre, Taba	8.000
22	Construction of bio-security office and quarantine station, Phuentsholing, Lhamoizingkha and Nganglam	19.400
23	Construction of wildlife rescue centre at Jigmeling, Sarpang	7.000
24	Re-construction of pesticide central store at Phuentsholing	6.000
25	Development of community based eco-tourism in Lhuentse	5.790
26	Enhance the capacity of farmers and extension agents, VTI and CNR students on operation and maintenance of farm machineries	5.789
27	Construction of 2 storied conference with laboratory, Bhur RNRC	5.000
28	Green Bhutan Project	5.000

### **3.5.4 Trade and industry sector**

This sector comprises of Trade and Industry along with Tourism which are important for socio-economic development. Given its importance, Nu.1,144.492 million is allocated for the FY.

Within the priorities of the 11<sup>th</sup> FYP, the Ministry of Economic Affairs has outlined the following objectives to achieve its trade and industry targets in APA:

- a. Enhance economic expansion and diversification;
- b. Promote export;
- c. Develop Cottage and Small Industry, including the indigenous crafts;  
and
- d. Conduct sustainable geo-scientific investigation and mineral development.



One of the strategies to develop trade and industry is through the development of Special Economic Zones (SEZs). During the FY, Nu.202.470 million is allocated for development of ancillary facilities for SEZs to be established at Jigmeling (Sarpang), Bondeyma (Mongar), Dhamdum (Samtse) and Motanga (Samdrup Jongkhar). Further, to promote trade facilitation, Nu.5.700 million is allocated for development of a mini dry port in Phuentsholing.

For marketing and promotion of exports through “Brand Bhutan”, Nu.3.480 million is allocated. Further, Nu.64.500 million is allocated for construction of business incubator, training of entrepreneurs for cottage and small industries, developing new financial package in collaboration with financial institutions and Nu.3 million for Rural Enterprise Development Scheme. During the FY, Business Opportunity and Information Center (BOIC) will intensify its initiative to promote micro, small and cottage industries for financing from the Revolving Fund established under the ESP to enhance domestic productive capacity and employment generation.

In order to encourage growth in handicrafts, promote tourism and employment, a sum of Nu.64.800 million is allocated to Agency for Promotion of Indigenous Crafts (APIC). This includes development of the Royal Craft Village and expansion of raw material bank for better outreach. Capacity building of artisans and craft dealers mostly focusing on participation by women and youth will also be carried out.

In the area of mineral and mines management, Nu.11.631 million is allocated for detailed study on surface geological exploration.

**Table 3.11: Major Activities in the Trade and Industry Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Development of Dhamdum Industrial Park, Samtse	71.360
2	Promotion and development of indigenous crafts	64.800
3	Promotion and development of cottage and small industries	64.500
4	Development of Jigmeling Industrial Park, Sarpang	62.510
5	Development of Bondeyma Industrial Park, Mongar	59.400
6	Relocation of fuel depot from Dechencholing, Thimphu to Thingchhu Pan-gkha, Paro	50.700
7	Development of Special Economic Zone at Motanga, Samdrup Jongkhar	9.200
8	Procurement of plants and equipment for mineral exploration	8.000
9	Development of geo-database	7.040
10	Development of mini dry port in Phuentsholing	5.700
11	Study on enhancement of productivity in existing industries	3.000

### ***Tourism***

Tourism is one of the main revenue generating sectors besides being a major source of employment and foreign exchange. To improve, upgrade infrastructure and accelerate development of sustainable tourism industry, a sum of Nu.136.876 million is allocated to achieve the following APA objectives:

- a. Improve regional and seasonal spread of tourism;
- b. Promote Brand Bhutan through effective channels;
- c. Develop and improve tourism infrastructure and services; and
- d. Develop human resources in tourism sector.

In order to improve regional and seasonal spread of tourism, a sum of Nu.4.680 million is allocated for carrying out studies in new areas of tourist attractions such as construction of bird watching campsite at Tamala in Zhemgang and

construction of Eco-Lodge at Thangkarmo in Lhuentse. Efforts are also being made to diversify and promote products in international markets and Brand Bhutan for which a sum of Nu.29.650 million is allocated.

To develop tourism services and infrastructures, Nu.17.300 million is allocated for construction of roadside amenities such as rest-rooms, cafeterias and market sheds along the major highways. Also, a sum of Nu.4 million is allocated for development and maintenance of trails, campsites, trail bridges and rest-rooms, and Nu.2.500 million to conduct tourism and hospitality related trainings.

**Table 3.12: Major Activities in the Tourism Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Market promotion	29.650
2	Construction of roadside amenities	17.300
3	Construction, renovation and maintenance of trails, campsites and restrooms	4.000
4	Construction of bird watching campsite, Zhemgang and Eco-Lodge, Lhuentse	3.480
5	Training on tourism & hospitality	2.500
6	Construction of Royal Institute for Tourism & Hospitality	2.000
7	Development of tourism in Dagana and Tsirang	1.200

### ***Vocational training and employment***

The Government has been focusing on improving the quality and relevance of Technical and Vocational Education Training (TVET) to ensure that the graduates from these institutions are gainfully employed for which Nu.383.848 million is allocated to achieve the following key APA objectives:

- a. Achieve full employment;
- b. Improve quality and relevance of Technical and Vocational Education Training (TVET).

One of the major ongoing initiatives of the Government is Guaranteed Employment Programme for which Nu.192.550 million has been allocated to implement overseas employment, direct employment and youth employment schemes. As of date, 718 job seekers have been sent abroad under the Overseas Employment Scheme, 1,222 job seekers are placed in various enterprises under Direct Employment Scheme, and has trained 240 youths under Youth Employment Scheme. Under the Graduate Skills Programme, fresh graduates are provided with self-employment skills. As of date, a total of 69 graduates have completed and 158 are undergoing training.

In order to provide appropriate skills to the job seekers, Nu.75.200 million is allocated for in-country training of youths on critical skills such as business leadership, business growth and diversification, product designing and development, business ethics, e-business for Small and Medium Enterprises (SME) and entrepreneurship.

**Table 3.13: Major activities in Vocational Training and Employment**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Direct employment scheme for youth	79.700
2	Entrepreneurship development programme (pre-service)	53.000
3	Overseas employment programme	45.350
4	Youth employment skills programme	25.000
5	Graduate skills programme	20.000
6	Revolving fund for overseas employment	20.000
7	Stipend for GNM training in India	11.000
8	HRD masterplan (critical skills)	10.000
9	Pre-employment engagement programme	8.000
10	University graduate internship programme	7.400

### 3.5.5 Roads sector

The over arching objective of the road sector is to enhance connectivity, ensure reliability and commuter's safety. During the FY, Nu.5,717.330 million is allocated to achieve the following APA objectives:

- a. Double lane Northern East-West Highway (NEWH);
- b. Develop and maintain national highways, Dzongkhag roads, Hydropower Project roads, GC roads;
- c. Black top Gewog Centre (GC) Roads and
- d. Construct and maintain bridges in the country.

Since road transport is the lifeline of the economy, the Government has initiated the double laning of Northern East-West Highway (NEWH), for which Nu.1,261.485 million has been allocated. Further, Nu.428.384 million has been kept for the construction of Raidak-Lhamoizingkha, Panbang-Nganglam and Phuentsholing-Samtse roads, Nu.634.441 million for the construction and improvement of secondary national highways of Gyalpoishing-Nganglam, Gomphu-Panbang, Tingtibi-Praling, Dalbari-Odalthang (Dagana) and Jenkana-Khamina.

Road sector's mandate also includes construction and maintenance of Gewog Connectivity (GC) roads to ensure its quality and standards. A sum of Nu.1,582.516 million is allocated in the FY to continue construction of 13 GC roads and blacktopping of 48 GC roads.

In addition, Nu.88 million is allocated for resurfacing of primary and secondary national highways and Nu.61.026 million for completion of Tsebar-Mikuri-Durungri road.

For smooth flow of traffic and safety of commuters, Nu.286.027 million is allocated for maintenance of existing roads and Nu.282.606 million for major up gradation of primary and secondary national highways.

**Table 3.14: Major activities in the Road Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Blacktopping of GC roads	1,201.541
2	Construction of GC roads	380.975
3	Up-gradation of Yadi-Lingmethang Primary National Highway (PNH)	350.000
4	Construction of Gyalpoishing-Nganglam Secondary National Highway (SNH)	216.079
5	Up-gradation of Trongsa-Nangar PNH	200.000
6	Up-gradation of Chhuserbu-Trongsa PNH	200.000
7	Up-gradation of Wangdue-Chhuserbu PNH	200.000
8	Up-gradation of Dochula-Wangdue PNH	200.000
9	Construction of Gomphu-Panbang SNH	197.500
10	Construction of Panbang-Nganglam SNH	159.145
11	Construction of Raidak-Lhamoizingkha SNH	155.239
12	Construction of Dalbari-Odalthang (Dagana) SNH	130.862
13	Monsoon restoration works	130.000
14	Up-gradation of Semtokha-Dochula PNH	111.485
15	Construction of Pasakha access road	100.000
16	Construction of Reffe-Khosela bypass road	100.000
17	Up-gradation and black topping of road to Royal Academy Project, Paro	100.000
18	Construction of Mamung-Digala road	100.000
19	Construction of Samtse-Phuentsholing PNH	94.000
20	Construction /Supervision and capacity development under SASEC	70.830
21	Construction of Tsebar-Mikuri-Durungri road	61.026
22	Improvement of Tingtibi-Praling road and Goling bypass road	60.000
23	Improvement of Punakha - Gasa SNH	48.000

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
24	Construction of road to Tongtshana, Punakha	30.372
25	Up-gradation of Jenkana-Khamina SNH	30.000
26	Pavement strengthening of roads from Linzin-Tshenkhari, Nganglam	23.000
27	Construction of Amochhu bridge	20.000
28	Improvement works on Ura-Serpang PNH	18.000
29	Construction of bailey bridge over Gongri, Udзорong	15.000
30	Construction of RCC bridge on Ramtokto road	10.000
31	Pavement strengthening of roads at Thrumshingla area	9.000
32	Construction of Dotey bridge at Paro	9.000

### **3.5.6 Urban development, housing and public amenities sector**

This sector fosters socio-economic development through the provision of sustainable urban amenities such as roads, water supply, sewerage services and housing amongst others. During the FY, Nu.3,040.289 million has been allocated to achieve the following key APA objectives:

- a. Providing effective and efficient engineering services and technical backstopping in all infrastructure development in the country;
- b. Developing and promoting new construction technologies including disaster resilient construction technologies to reduce and mitigate the impact of natural disasters;
- c. Ensuring access to sustainable urban amenities such as water supply & sanitation and infrastructure development in all Thromdes and Dzongkhag Throms in collaboration with Local Governments including donor assisted projects;
- d. Facilitating and preparing urban plans for livable, environmentally sustainable and regionally balanced development.

Under urban development, major activities include Langjophakha Local Area

Plan (LAP), Taba LAP, central water supply scheme, construction of waste water treatment plant at Babesa, urban infrastructure developments of Bumthang, Kanglung, Nganglam, Phuentsholing and Samdrup Jongkhar for which Nu.519.743 million is allocated.

Likewise, Nu.67.500 million is allocated for carrying out geo-database and topographic survey of Punakha, valley development plan for Paro and preparation of urban development plans of Gomtu, Wangdue Phodrang, Punakha and Kabisa (Thimphu).

Further, Nu.203 million is allocated for flood protection works at Sarpang, Gelephu, Haa, Lhamoizingkha, Samdrup Choling, Trashi Yangtse and Trashigang.

**Table 3.15: Major activities in Urban Development, Housing and Public Amenities**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Construction of roads under Langjophakha LAP	44.163
2	Water supply networks under Langjophakha LAP	13.914
3	Roads and water supply for lower Taba LAP	80.000
4	Central water supply scheme, North Thimphu	38.055
5	Flood protection works (Sarpang, Lhamoizingkha, Samdrup Choling, Trashigang, Haa, Bomdeling, Gelephu)	203.000
6	Preparation of comprehensive water and sanitation master plan for Panbang and Bumthang	5.000
7	Urban water supply infrastructure (Tsirang, Paro, Phuentsholing and Mongar)	22.919
8	Urban infrastructure development (Bumthang, Nganglam and Kanglung)	117.931
9	Waste water treatment plant at Babesa	153.000
10	Road networks under Phuentsholing Thromde	35.600
11	Rehabilitation of water supply for Samdrup Jongkhar Thromde	13.250
12	Development of human settlement strategy	24.000



*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
13	Geo-technical study and topographic survey of Punakha	6.000
14	Paro Valley Development	15.000
15	Preparation of urban development plan (Gomtu, Punakha and Wangdue Phodrang)	16.000

### **3.5.7 Communication and transport sector**

Since a well-developed communication network and transport systems is vital for economic development, Nu.2,026.073 million is allocated towards achieving the following key objectives outlined in APA:

- a. Improve access to reliable and affordable ICT services;
- b. Enable effective and efficient public service delivery;
- c. Increase safe, reliable and affordable air transport;
- d. Enhance access to safe, sustainable, green, affordable and inclusive surface transport; and
- e. Improve access to reliable & affordable media services.

To provide access to research facilities and develop learning process, establishment of Druk Research and Education Network and connect to Trans-Eurasia Information Network has been initiated and to continue, Nu.74 million is allocated. Further, to increase the internet connectivity facility, Nu.35 million is allocated to revamp Thimphu Wide Area Network and for extension of facilities to Gewogs and Dungkhangs. Telecommunication connectivity has almost reached all the places and to further enhance connectivity and broad band services, Nu.60 million is allocated.

For promoting affordable and easy access to information in rural communities, 199 Community Centres (CCs) have been established. A provision of Nu.18.800 million is kept for the construction and furnishing of remaining 6 CCs viz. Soe,

Naro and Lingzhi (Thimphu), Laya and Lunana (Gasa) and Bardo (Zhemgang). In order to ensure continued service delivery on a sustainable basis, the operation and maintenance of the CCs have been transferred from Bhutan Post to Bhutan Development Bank Ltd. In addition, Nu.8.500 million is allocated to upgrade internet bandwidth in all the Dzongkhags to support connectivity through Dzongkhag Local Area Networks in all CCs.

For improving the public service delivery, use of G2G, G2B and G2C services will be enhanced through capacity development of local leaders and citizens and also by providing required equipment, for which, Nu.45.700 million is allocated. In order to equip the airports in Paro, Gelephu, Bumthang and Yonphula with required facilities and infrastructure, Nu.291.549 million is allocated. In addition, to improve access to the remote areas, provide service during emergencies and promote tourism, Nu.600 million has been allocated for establishment of helicopter service and procurement of helicopters.

For improving surface transport, allocations of Nu.6 million have been made for the construction of a new bus terminal and office building in Lhuentse and Nu.7.265 million for up-gradation of Mongar base office to regional transport office. Also, the operation of public transport service in non-profitable routes are supported through interest subsidy.

For supporting the professional development of media, media impact study and review of media policy, a sum of Nu.11.270 million is allocated.

**Table 3.16: Major activities in the Communications & Transport Sector**

		<i>Nu. in millions</i>
	<b>Activities</b>	<b>Amount</b>
1	Establishment of helicopter services	600.000
2	Development of Yonphula airport	130.000

3	Expansion of terminal building at Paro airport	93.242
4	Establishment of Druk Research and Education Network and connect to Trans-Eurasia Information Network	74.000
5	Depreciation, operation and maintenance cost of national fibre optic network	42.800
6	Revamp Thimphu Wide Area Network and extend to Gewogs and Dungkhangs	35.000
7	Automate G2G, G2B and G2C services	45.700
8	Establishment of Government data centre	25.500
9	Construction of security quarters, Paro Airport	20.000
10	Construction, furnishing and equipment for 6 community centres	18.800
11	Water supply and drainage for new terminal building, Paro airport	14.000
12	Procurement of rescue van, RSTA	6.000
13	River protection works, Bumthang domestic airport	5.000
14	Construction of new air cargo complex, Paro airport	5.000
15	Voice communication control system for Gelephu domestic airport	5.000

### 3.5.8 Energy sector

As hydropower is one of the main source of revenue, it is crucial to harness its potential. In addition, tapping of alternative source of energy is also important for socio-economic development. As such, Nu.485.668 million is allocated for this sector to achieve the following APA objectives:

- a. Accelerate hydropower development, and promote alternate renewal energy;
- b. Reduce risk associated with Glacier Lake Outburst Flood (GLOF) and geo-hazards.

For developing hydropower projects, Nu.40 million is allocated to carry out detailed project report (DPR) of Dorjilung (Rotpashong) Hydropower Project, Nu.11.850 million for pre-feasibility study of Jomori Hydropower Project, reconnaissance studies of Kholongchhu (Tashi Yangtse), Pachhu and

Pipingchhu Hydropower Projects. In view of the importance, a separate report on hydropower development in Bhutan is presented in Chapter 10.

For construction of 132 KV Motanga-Phuentshothang transmission line (20km) and construction of Kanglung-Phuentshothang transmission line (58 km), Nu.33.500 million and Nu.49.850 million has been kept, respectively.

To diversify energy supply mix using renewable energy resources, a sum of Nu.36.160 million is allocated for Sustainable Rural Biomass Energy Project. Also a sum of Nu.13 million is allocated for procurement and replacement of solar home lightings under the Rural Renewable Energy Development Project.

For enhancing real-time monitoring of weather and water conditions to reduce risks associated with GLOF and geo-hazards, a sum of Nu.128.225 million is allocated to install Automatic Weather Station (AWS) and Automatic Water Level Station (AWLS). Further, a sum of Nu.8.200 million is allocated for construction of Central Regional Office at Kurjee, Bumthang and Nu.14.330 million for installation of GLOF Early Warning Station in Mangdechhu and Chamkhar Valleys.

**Table 3.17: Major activities in the Energy Sector**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Installation of AWS & AWLS	128.225
2	Construction of 132KV Kanglung-Phuentshothang high tension line (58 Km)	49.850
3	DPR preparation of Dorjilung hydroelectric project (1230 MW)	40.000
4	Sustainable rural biomass energy project	36.160
5	Construction of 132KV Motanga-Phuentshothang high tension line (20 km)	33.500
6	Rural electrification (ADB Phase IV)	16.965

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
7	Installation of GLOF early warning system in Mangdechhu and Chamkhar valleys	14.330
8	Rural renewable energy development project off-grid	13.000
9	Pre-feasibility study of Jomori hydroelectric project	9.800
10	Construction of central regional office at Kurjee, Bumthang	8.200
11	Procurement of automatic discharge measurement systems for Flood Warning System	5.000

### **3.5.9 Cultural services**

Recognizing the importance of preserving our cultural heritage and ensuring its continuity by integrating it into all areas of national development, Nu.2,152.509 million has been allocated.

The major activities includes reconstruction of Wangdue Phodrang Dzong, construction of Sarpang Dzong and Pema Gatshel Dzong, and renovation of Trashigang Dzong and Gasa Dzong.

This sector's budget also includes construction and renovation of Lhakhangs and temples. Major activities are conservation of Phajoding Lhakhang, construction of Hindu temple, renovation of Paro Ta-Dzong, Tango Utse and Khawchhu Lhakhang (Lhuentse), re-construction of Yongla Gonpa in Pema Gatshel, Drametse Dzong and Chari monastery and development of infrastructure at Dorzhong Lhakhang in Lhuentse.

**Table 3.18: Major activities in the Cultural Services**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Re-construction of Wangdue Phodrang Dzong	200.000
2	Construction of Pema Gatshel Dzong	150.000

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
3	Preparatory works for construction of Sarpang Dzong	50.000
4	Conservation of Phajoding monastery	50.000
5	Conservation works of Trashigang Dzong	40.000
6	Re-construction of Drametse Dzong	30.042
7	Conservation works of Gasa Dzong	30.000
8	Re-construction of Yongla Gonpa	30.000
9	Construction of Tango Buddhist college	30.000
10	Construction of Lhakhang Karpo, Haa	30.000
11	Construction of Hindu temple, Thimphu	25.000
12	Major renovation of Ta-Dzong, Paro	24.000
13	Construction of Zirim Lobdra in Samtse and Sarpang	20.000
14	Re-construction of Chari monastery	20.000
15	Major renovation of Khawchhu Lhakhang, Lhuentse	20.000
16	Construction of Lhakhang, Lamai Zimchu, Drasha, kitchen, toilet and house for old age people at Dorzhong, Lhuentse	20.000
17	Renovation of Wangditse Dzong	16.490
18	Construction of Dratshang at Nganglam, Pema Gatshel	15.000
19	Construction of Drasha, Gasa	15.000
20	Renovation of Tango Utse	14.790

### **3.5.10 Law and Order**

In the FY, a sum of Nu.2,210.418 million is allocated for law and order. This includes allocation for Judiciary, Royal Bhutan Police, Office of the Attorney General, Bureau of Law and Order, Royal Institute of Law and Bhutan National Legal Institute.

#### ***Judiciary***

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

## ***Royal Bhutan Police***

Royal Bhutan Police (RBP) has the mandate to uphold law and order and safety of the citizenry. In order to ensure safety of the society, professional development and adequate facilities are prerequisites, for which Nu.1,578.439 million is allocated.

**Table 3.19: Major activities in Law and Order**

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Development works at Royal Institute of Law, Paro	105.490
2	Purchase and installation of CCTV in Thimphu	45.000
3	Construction of 20 units officer quarters, Thimphu	32.000
4	Construction of 4 units officer quarters, Jigmeling	23.500
5	Installation of automated finger print identification system	19.817
6	Construction of academic block, Jigmeling	18.000
7	Construction of 18 units non-commissioned officer /other rank's quarters, Jigmeling	18.000
8	Construction of multipurpose hall, Jigmeling	18.000
9	Construction of 4 units officer quarters, Trashy Gatshel	17.842
10	Construction of 18 units non-commissioned officer and other rank's quarters at Trashy Gatshel	15.000
11	Construction of 24 units non-commissioned officer and other rank's family quarters, Jigmeling	14.000
12	Construction of administration block, Jigmeling	10.000

### **3.5.11 General public service**

The general public sector includes local government (civil sector), finance, foreign, constitutional bodies, some autonomous agencies, commissions, immigration and civil registration and census. In the FY, a sum of Nu.9,468.589 million is provided for this service.

Under the Ministry of Finance, to establish tax payer's information call centre and revenue intelligence and surveillance unit, a sum of Nu.6.500 million is allocated. A sum of Nu.5 million is also allocated for developing an electronic Government Procurement system to increase the efficiency of the Government's procurement administration.

Under the Ministry of Foreign Affairs, Nu.52.320 million is allocated for procurement of new passports. In addition, Nu.24.500 million is allocated for construction of staff quarter at Royal Bhutan Embassy (RBE) in New Delhi and preparatory works for the construction of Chancery building for RBE in Bangkok and other infrastructure for RBE in Dhaka.

For immigration, civil registration and census services, Nu.75 million has been allocated to continue construction of office building, construction of integrated check post at Nganglam and Samtse and renovation of Phuentsholing immigration office.

The provision also includes Nu.146.620 million for purchase of utility vehicles for Gewogs.

The first two phases of National Cadastral Re-survey Project (NCRP) has been completed and the 3<sup>rd</sup> phase is underway for which Nu.52.580 million is allocated. Further, pre-feasibility studies were conducted for land rehabilitation in Nganglam (Tanzema), Tsirang (Phaladey) and Gelephu (Tareythang) which is expected to benefit a total of 88 households, for which, a sum of Nu.48.374 million is allocated.

Under the Rural Economy Advancement Programme (REAP), Nu.29.837 million is allocated for supply of vegetable seeds, seedlings and agriculture tools, construction materials, etc. to support highly vulnerable and poverty afflicted villages in various Dzongkhags.



**Table 3.20: Major activities in the General Public Services***Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Construction of office building, Department of Civil Registration and Census and Department of Immigration.	40.000
2	Construction of office building, Centre for Bhutan Studies and GNH Research.	20.000
3	Construction of office building, RRCO Gelephu	10.000
4	Re-construction of staff quarter, Royal Bhutan Embassy, New Delhi, India.	20.200
5	Rural Economy Advancement Programme (REAP)	29.837
6	Land rehabilitation programme, NLC	48.374
7	National cadastral re-survey project, NLC	52.580
8	Construction of common check post, Nganglam	15.000
9	Construction of common check post, Samtse.	15.000

**3.5.12 General Reserve**

A provision of Nu.2,585 million has been kept as general reserve for the FY. The allocation will be transferred to the agencies on actual basis subject to fulfilling established criteria and formalities. The reserve also includes Nu.275 million for the Local Government and Thromde elections of 2016.

**Table 3.21: Details of General Reserves***Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	New appointments / establishments	230.000
2	Transfer benefits, operation and maintenance	300.000
3	Government hospitality	40.000
4	Retirement benefits	200.00
5	Third country travel	40.000

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
6	National events	200.000
7	Spill-over & special programme	325.000
8	Monsoon works / other renovations	225.000
9	Acquisition of properties	450.000
10	Farm roads	100.000
11	Disaster relief budget	200.000
12	Local Government election 2016	275.000
	<b>TOTAL</b>	<b>2,585.000</b>

### **3.5.13 Human resource development**

A total of Nu.971.028 million has been allocated for capacity development activities under various agencies. Education sector has the highest share of allocation. Amongst others, RCSC has initiated various training programmes starting from leadership training to development of professionalism in the civil service.

***Table 3.22: Major activities for Human Resource Development***

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
1	Queen's endowment cultural studies scholarship, MoE	14.500
2	Undergraduate scholarship, MoE	285.576
3	Professionalizing Civil Service, RCSC	192.000
4	HRD programmes for doctors, nurses and technologists, MoH	45.487
5	Privately enrolled medical students' scheme, MoE	24.300
6	Nehru-Wangchuck scholarship, RCSC	22.120
7	Training on research and teaching, Royal Institute of Law	16.167
8	Undergraduate scholarships at Royal Thimphu College, MoE	15.100

*Nu. in millions*

	<b>Activities</b>	<b>Amount</b>
9	Institutional and capacity development,ACC	13.000
10	Livestock project management trainings, MoAF	10.750
11	Cost sharing HRD programmes, RCSC	10.574
12	Executive training, RCSC	9.060
13	Training programme for planning, monitoring and coordination, GNHC	8.000
14	Capacity building, RBP	8.000

### **3.5.14 Sports**

For the promotion and development of sports at various levels, Nu.342.158 million has been allocated. Major activities include development and improvement of sports facilities such as construction of multi-sports halls, installation of artificial turf and development of biking trails. A sum of Nu.70 million is allocated for promotion of sporting events at various levels and Nu.5.244 million for participation at regional and international sporting events.

In addition, a provision of Nu.16.800 million is kept for preparation and participation of Bhutan's national football team in the second round of World Cup 2018 qualifiers.

### **3.5.15 Gender Responsive Budgeting**

In order to promote responsiveness of the Government's expenditure towards empowering women, initiatives were undertaken to mainstream gender in the annual budget and provide narrative policy statement. UN Women has been providing technical expertise to develop customized framework to track the Government expenditures and analyze how it impacts women. Gender Responsive Planning and Budgeting (GRP) analysis were conducted in three pilot sectors (Agriculture, Health and Education) which helped building capacity

of sectoral officials on application of GRPB. In this FY, Nu.213.909 million have been allocated to the agencies that will contribute towards promoting gender equality.

### **3.5.16 Local Government**

The total budget allocation to Dzongkhags and Gewogs in FY 2015-16 is Nu.11,563.617 million, of which Nu.9,417.468 million for Dzongkhags and Nu.2,146.149 million for Gewogs. The allocation for the FY 2015-16 is based on the APA targets of the respective Dzongkhags. The most common objectives of the APA of the Dzongkhags are as follows:

- a. Enhance rural household income and food self-sufficiency;
- b. Enhance and strengthen local economy;
- c. Improve health status of the communities;
- d. Enhance adult literacy and school enrolment with better learning outcomes;
- e. Improve quality of urban life;
- f. Enhance sustainable management and utilization of natural resources;
- g. Preserve and promote traditional and cultural heritage of the Dzongkhags; and
- h. Enhance transparency, effectiveness and efficiency in delivering public services.

In order to fulfill the objectives of enhancing agriculture and livestock production for achieving food self-sufficiency, improving health status, enhancing adults literacy and school enrolment, a sum of Nu.2,155.926 million has been allocated under RNR sector, Nu.1,240.099 million for Health sector, and Nu.4,347.636 million for Education sector.

To preserve and promote traditional and cultural heritage, a total allocation of Nu.685.896 million has been provided under religious and cultural services.

For enhancing rural household income, promote food self sufficiency and strengthen local economy, Nu.179.385 million for irrigation channels and Nu.880.603 million for farm roads is allocated. For Rural Water Supply Scheme, Nu.328.895 million is allocated.

Besides the actual allocation, provisions have been kept with the central agencies as the activities are executed centrally on behalf of the Local Government. Such activities also contribute to the achievement of the annual performance targets of the respective Local Governments. During the FY, Nu.1,614.235 million for activities at the Dzongkhag level and Nu.2,240.734 million for activities at the Gewog level are kept with the central agencies for implementing GC roads, hospitals, irrigation channels, renovation and reconstruction of Dzongs etc. Similarly, Nu.1,411.121 million is kept with the Dzongkhags for executing activities meant for Gewogs. Considering the above allocations from central agencies, the LG receives about 33% of the total allocation as against their plan allocation of 24%.

The table below shows the actual allocations of Dzongkhags and Gewogs. This is without the provisions kept for the activities to be executed by the central agencies on behalf of Dzongkhags and Gewogs.

Agency	Current	Capital	Total
Dzongkhag	6,145.990	3,271.478	9,417.468
Gewog	261.909	1,884.240	2,146.149
<b>Total</b>	<b>6,407.899</b>	<b>5,155.718</b>	<b>11,563.617</b>
<i>% against total expenditure for the FY</i>	<i>27%</i>	<i>22%</i>	<i>24%</i>

After the inclusion of the provisions kept in the central agencies, the total allocation for Dzongkhags and Gewogs is shown in the table below.

Agency	Current	Capital	Total
Dzongkhag	6,145.990	3,474.592	9,620.582
Gewog	261.909	5,536.095	5,798.004
<b>Total</b>	<b>6,407.899</b>	<b>9,010.687</b>	<b>15,418.586</b>
<i>% against total expenditure for the FY</i>	27%	38%	33%

The details of capital allocation from central to Dzongkhags are in *Annexure 1* and allocation from Central and Dzongkhags to Gewogs are in *Annexure 2*.

The above allocations at the gewog level does not include provisions for stationery, text books and sports items (Nu.174.049 million) and drugs and non-drugs (Nu.230 million) procured centrally that also benefits Gewogs.

In addition to the above allocations to the Local Government, four Thromdes will receive Nu.729.249 million to implement their planned activities and Nu.653.774 million for schools under Thromdes. With the inclusion of provisions for the Thromdes, the share of LG is about 35% of the total allocations for FY.

### **3.5.17 Legislative, Judiciary and Constitutional Bodies**

A total provision of Nu.1,281.967 million is allocated for Legislative, Judiciary and Constitutional bodies. This allocation is based on the available resources for the year and after consultation with the respective agencies. The construction of new office buildings, residences and procurement of vehicles are not recommended in line with the existing policies. The comparative summary of each agency's proposed and recommended is provided below and the details as *Annexure 3*.

## National Assembly

A provision of Nu.107.975 million is recommended for the National Assembly. The main component of the current expenditure includes Nu.1.760 million for maintenance of fire alarm, hydrant and security system in and around the Parliament House and Nu.2.650 million for in-house printing and communication.

Under the capital budget, out of the total proposal of Nu.6.085 million, only Nu.1.845 million is recommended. In the recommended amount, Nu.0.350 million for procurement of equipment for digitization of verbatim and Nu.0.500 million for Youth Parliamentary programme are included. However, Nu.1.500 million for purchase of equipment for security system and Nu.2 million for the development of Parliament Museum is not recommended.

The summary of the budget is shown below:

<b>National Assembly</b>	<i>Nu. in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	106.074	106.130
Capital	6.085	1.845
<b>Total</b>	<b>112.159</b>	<b>107.975</b>

## National Council

A provision of Nu.75.864 million is recommended for the National Council. The current budget includes Nu.0.650 million for maintenance of x-ray machine and hand held metal detector and Nu.1.800 million for printing of Acts, resolutions, etc.

Out of the total capital proposal of Nu.11.691 million, only Nu.5.091 million

is recommended. The proposal for installation of security system amounting Nu.5.600 million is not recommended since the proposal was above the ceiling provided. The capital budget includes Nu.2.691 million for installation of Danish Interpretation System.

The summary of the budget is shown below:

<b>National Council</b>	<i>Nu. in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	86.720	70.773
Capital	11.691	5.091
<b>Total</b>	<b>98.411</b>	<b>75.864</b>

### Judiciary

For the Judiciary, Nu.348.860 million has been recommended. The capital budget recommended is Nu.76.985 million out of the proposed amount of Nu.118.295 million. The recommended capital budget includes Nu.25 million each for construction of courts in Punakha and Wangdue Phodrang Dzongkhags, Nu.8.499 million for construction of access roads and other infrastructures for Dagana and Zhemgang and Nu.6.384 million for the ongoing construction of Drangpon's residence at Gasa.

Out of Nu.16.038 million proposed for higher studies in law, only Nu.0.320 million is provisioned. Construction of Drangpon's residence at Punakha Dzongkhag and Dorokha Dungkhag amounting Nu.13.360 million is not recommended.

The summary is shown below:

<b>Judiciary</b>	<i>Nu. in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	280.748	271.875
Capital	118.295	76.985
<b>Total</b>	<b>399.043</b>	<b>348.860</b>



## Anti-Corruption Commission

For the Anti-Corruption Commission, Nu.86.351 million is recommended. Major activities includes strengthening Surveillance and Interrogation Unit (Nu.9 million), institutional development (Nu.21.964 million) and mainstreaming and implementation of the National Anti-Corruption and Strategy 2014- 2018 (Nu.4.480 million). The proposal of Nu.40 million for the construction of office building in Phuentsholing is not recommended since it is not in the 11<sup>th</sup> FYP.

The summary is shown below:

<b>Anti-Corruption Commission</b>	<i>Nu. in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	49.287	48.407
Capital	80.944	37.944
<b>Total</b>	<b>130.231</b>	<b>86.351</b>

## Election Commission

For the Election Commission, Nu.95.936 million is recommended. Major activities includes ongoing construction of ECB office at Kawajangsa (Nu.42 million) and furnishing the new office and site development works (Nu.10 million). Proposal for Nu.12.101 million to carry out Voter Information Communication and Education programme is not recommended as their proposal was not within the budgetary ceiling. Further, Nu.14.500 million for replacement of vehicle is not recommended.

In addition, for conducting 2016 Local Government elections, Nu.275 million has been provisioned under the General Reserve maintained with the Ministry of Finance.

The summary is given below:

<b>Election Commission</b>		<i>Nu. in millions</i>
	<b>Proposed</b>	<b>Recommended</b>
Current	294.205	37.838
Capital	164.601	58.098
<b>Total</b>	<b>458.806</b>	<b>95.936</b>

### **Royal Audit Authority**

For the Royal Audit Authority, Nu.217.451 million is recommended. Major activities includes ongoing construction of Professional Training Centre, Tsirang (Nu.56.860 million), capacity development (Nu.2.960 million) and mandatory travels and participation in meetings outside (Nu.4.263 million).

Keeping in line with the existing policies, proposal for procurement of vehicle amounting Nu.4.600 million is not recommended.

The summary is given below:

<b>Royal Audit Authority</b>		<i>Nu. in millions</i>
	<b>Proposed</b>	<b>Recommended</b>
Current	148.300	142.881
Capital	81.370	74.570
<b>Total</b>	<b>229.670</b>	<b>217.451</b>

### **Royal Civil Service Commission**

For Royal Civil Service Commission, Nu.349.530 million is recommended. The proposed amount of Nu.125 million for office construction for RCSC, GNHC and NEC is not recommended. Major activities includes implementation of new reforms (Nu.46.400 million), award of medals to 1,500 public servants (Nu.6 million), professionalizing of civil service (Nu.223.760 million) and hosting 5<sup>th</sup>

SAARC Public and Civil Service Commission meeting (Nu.5.100 million).

The summary is given below:

<b>Royal Civil Service Commission</b>	<i>Nu. in millions</i>	
	<b>Proposed</b>	<b>Recommended</b>
Current	77.025	72.476
Capital	426.952	277.054
<b>Total</b>	<b>503.977</b>	<b>349.530</b>

**The Budget Appropriation Bill for FY 2015-16 is submitted to the Parliament along with this budget report.**

## **CHAPTER 4: MACROECONOMIC PERFORMANCE AND OUTLOOK**

This chapter presents the macroeconomic performance and outlook for the medium term. It focuses on developments in various sectors of the economy in the past one year along with the challenges. It also provides update on the sectoral developments and its contribution to GDP for the FY 2014-15 based on the policy interventions to stimulate economic growth.

The chapter also presents the macroeconomic outlook and highlights the key challenges ahead of the Bhutanese economy based on the macro-fiscal projection of the MFCC. The outlook attempts to offer insights into the potential trends and challenges in the real, fiscal, monetary and external sectors in relation to prevailing regional and global economic situation.

### **4.1 Real Sector**

#### **4.1.1 Gross Domestic Product**

In FY 2013-14, the GDP growth was 4.7% mainly driven by the service sector. In 2014, with the implementation of the fiscal measures, import restrictions were lifted and with the issuance of macro-prudential guidelines by RMA, the freeze on lending for housing and transport was removed. The Government's injection of Nu.2,100 million under the Economic Stimulus Plan (ESP) into the economy through the financial institutions improved the capital adequacy ratio and financial sector liquidity which facilitated lending and the financial sector growth.

During the FY, the agriculture and industry sectors registered a growth of 3% and 6.1% respectively. The growth in industry sector was due to better performance of mining and quarry companies.

The MFCC estimates the economy to grow at 6.8% in the FY 2014-15. The growth is expected to be contributed by service and industry sector which is estimated to grow at 6.9% and 7.6% respectively. The industry sector growth would be on account of construction activities in the hydropower sector. The private constructions also expected to contribute to the growth with the reintroduction of housing loans. Similarly, the growth in manufacturing is also likely to support the growth momentum in the industry sector.

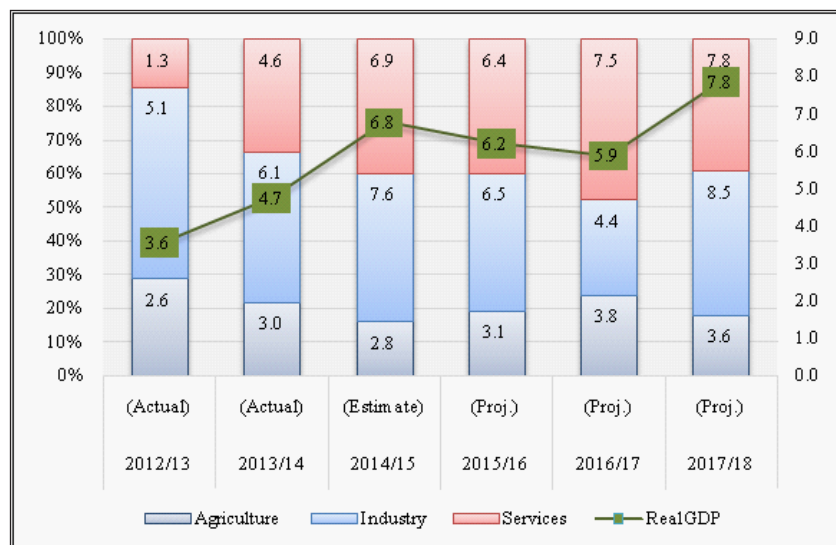
The growth in service sector would be propelled mainly due to increase in developmental activities of the Government and revision of pay and allowances for public servants. The wholesale, retail, hotel and restaurant services along with the tourism sector is also expected to drive the growth of the service sector. With the firm commitment of the Government to develop the country as an attractive tourist destination, tourism related activities also increased during the year. Further, a special promotion package for Thai tourists helped to increase the number of tourist arrivals into the country from Thailand, spurring the growth in hotels and restaurant sectors.

However, the agriculture sector is expected to experience slower growth at 2.8% in FY 2014-15 as compared to the previous FY and its share to GDP is also expected to decline by 0.5% during the year.

In the FY 2015-16, the economy is projected to grow at 6.2% mainly on account of the commissioning of Dagachhu Hydropower Project. During the year, agriculture sector is expected to grow at 3.1%. This is with the increasing initiatives taken by the Government towards food self-sufficiency and import substitution with regard to agricultural products.

The service sector is projected to have a moderate growth of 6.4%. The hotels and restaurants service is projected to grow by 16.9% during the FY. The GDP growth is presented in the following graph.

**Graph 4.1: GDP Growth trend**



In the medium term, the economy is projected to grow at an average of 6.6%. The growth is expected to be underpinned by the construction of hydropower projects and expansion of service sector.

In the FY 2017-18, the economy is projected to grow by 7.8%. This high growth rate is primarily due to partial commissioning of Punatsangchhu-II and Mangdechhu projects.

**Table 4.1: Real GDP growth**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	(Actual)	(Actual)	(Estimate)	(Proj.)	(Proj.)	(Proj.)
<b>Real GDP</b>	<b>3.6</b>	<b>4.7</b>	<b>6.8</b>	<b>6.2</b>	<b>5.9</b>	<b>7.8</b>
Agriculture	2.6	3.0	2.8	3.1	3.8	3.6
Industry	5.1	6.1	7.6	6.5	4.4	8.5
Services	1.3	4.6	6.9	6.4	7.5	7.8

Source: NSB, MEF, March, 2015.

#### **4.1.2 Consumption and Investment**

In FY 2013-14, the gross national savings dropped further to negative 12% from negative 0.17% in the previous year. However, the gross domestic savings during the FY remained at 2.3% which was at the same level of the previous FY.

The investment followed a similar trajectory as national savings. The gross capital formation fell to negative 8.7% in FY 2013-14. While both the private and government investment contracted, the contraction was little sharper for the private sector. The saving-investment gap saw some improvement during the FY 2013-14 as compared to the previous FY, which could have been met through foreign financing. However, the consumption level remained at 6.3% mainly driven by the private consumption.

In FY 2014-15, consumption grew by 6.9% while investment grew by 10.8% which will be driven by both the government and private investment. The national saving is expected to improve to 12% during the FY 2014-15.

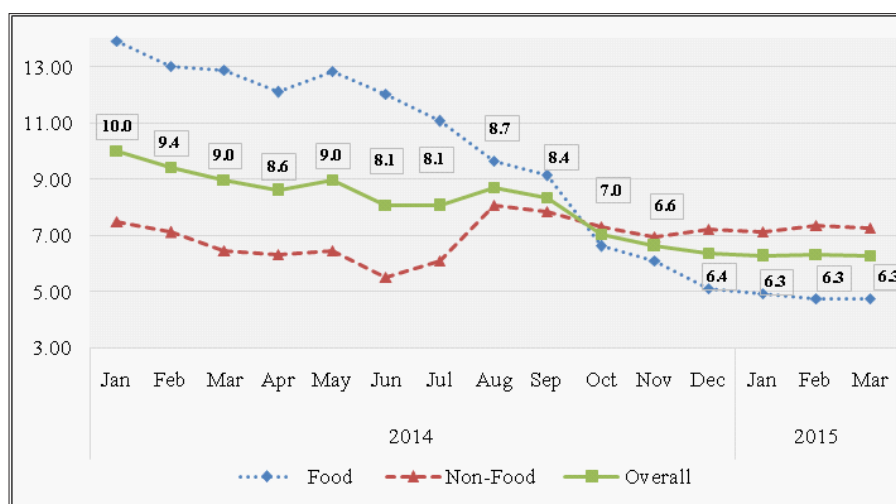
In the medium term, the private consumption comprising more than 70% of total consumption is projected to grow at an annual average of 7.8%. The investment which constitutes about more than three-fourth of the GDP is anticipated to grow at an annual average of 2.4%. It is expected to be fuelled by hydropower development in the medium term and newly established State Mining Corporation. In the medium term, national savings is expected to grow at an average of about 5%.

### 4.1.3 Inflation

Annual inflation has moderated since January 2014, and had reached at 8.1% at the beginning of FY 2014-15. With various measures taken by the Government to enhance the domestic agriculture production, the annual inflation rate for March 2015 dropped to 6.3% as compared to 9.0% in March, 2014. This was mainly due to fall in inflation rate for food items by 8.1 percentage points.

With regard to non-food items, the inflation rate remained steady at an average of 6.9% during the same period.

**Graph 4.2: Year-on-year inflation (national)**



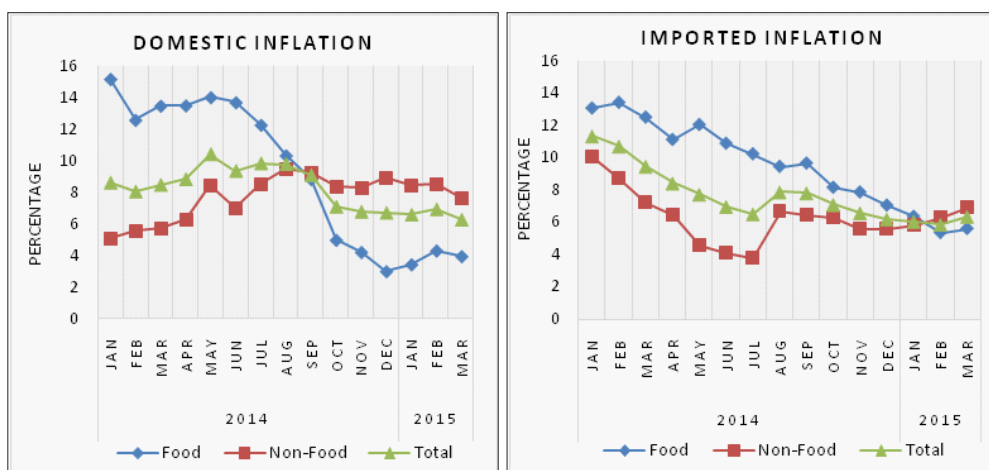
Source: Monthly CPI Bulletin, March, 2015

The overall inflation, in general, closely follows the price development in India since major items in the CPI basket are imported from India. For example, the change in fuel prices in India directly impacts the fuel price in Bhutan among others.



The prices of domestically produced goods increased by 6.3% in March, 2015 as compared to its prices in the same month of the previous year. The prices of imported goods increased by 6.4% during the same period. Within domestic produced goods in the CPI basket, rate of increase in food price was much slower than non-food price. The decreasing trend of annual inflation rate as depicted in the graph below could be attributed to the possible impact of import substitution and export promotion measures initiated by the Government and improved economic situation of India in recent times. In the imported category, food price increased by 5.6% and non-food by 6.9% in March 2015.

**Graph 4.3: Domestic and Imported Inflation**



Source: Monthly CPI Bulletin, March, 2015

The Government's initiatives such as minimum Vegetable Support Price, subsidizing transportation of seeds, seedlings and weedicide and commission for the sale of agricultural inputs is expected to address supply side constraints which is one of the main factors responsible for inflation build up in the economy. The Government also established an Inflation Task Force chaired by the Minister of Economic Affairs to provide recommendations to the Government to contain inflation in the country.

#### 4.1.4 Employment

As per the Labour Survey Report of 2013, unemployment rate in country was reported at 2.9% (9,916) as compared to 2.1% (6,904) in 2012. Female unemployment rate was higher (3.7%) compared to that of males (2.2%). It was also reported that more number of people are unemployed in the urban areas than in rural areas. The major cause of unemployment still remains the mismatch of supply and demand of labour in the labour market (Labour Market Information Bulletin, 2013).

The Labour Force Participation Rate increased to 65.3% in 2013 from 64.4% in 2012. This increase in participation rate was due to male with 72.1% in 2013 as compared to 65.7% in 2012. However, for the women, the rate decreased to 58.9% in 2013 from 63.2% in 2012.

Youth Unemployment Rate was 9.6% in 2013, an increase from 7.3% in 2012. The pattern of high unemployment in the early age groups indicates youths entering into the labour market with certain level of qualification seeking jobs but lacks the required skills needed for immediate employment.

**Graph 4.4: Unemployment trend**



In the medium term, the level of employment in the economy is expected to improve due to opening up of new employment opportunities in tandem with the increased public investment in mining sector, agriculture sector and expansion in private investment in economic activities. The self-employment generated through the financing of Micro, Small and Cottage Industries by BoIC is also expected to improve employment situation in the country.

Unemployment scenario is symptomatic of mismatch of jobs and skills than the lack of jobs in the economy. In view of this, the Government is making concerted efforts to ameliorate the challenges of unemployment through coordinated employment creation initiatives to provide gainful employment. To equip youth with required skills and knowledge while entering into the labour market, various programs such as Pre-employment Program, University Graduate Internship Program and Entrepreneurship Development Program are offered by the Government. Further, Guaranteed Employment Program and Overseas Employment Scheme of the Government would also provide more employment opportunities.

The Government is taking various measures to address the unemployment situation. In this regard, the Government has recently established a special task force led by the Minister of Labour and Human Resources with the mandate to design policy, program interventions and strategies to provide gainful employment to all Bhutanese job seekers.

## **4.2 Fiscal sector**

This section presents the fiscal outlook of the Government over the medium term outlining the priorities of the Government to promote economic growth through prudent fiscal policy measures in tandem with the monetary policy. It projects expenditure trend within the resource envelope determined by the MFCC to ensure a sustainable fiscal path. It also aims to improve fiscal discipline and deepen its linkage to 11<sup>th</sup> FYP priorities.

The fiscal projection for the medium term is presented in the table below:

**Table 4.2: Fiscal Framework Projection**

*Nu.in millions*

Particulars	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Revised	Budget	Proj.	Proj.
<b>Resources</b>	<b>37,819.123</b>	<b>36,400.136</b>	<b>41,017.888</b>	<b>43,780.653</b>	<b>46,557.020</b>
<b>Domestic Revenue</b>	<b>23,244.610</b>	<b>24,900.117</b>	<b>26,145.124</b>	<b>27,042.578</b>	<b>29,434.208</b>
Tax	16,182.774	18,259.128	19,197.949	20,037.995	22,081.746
Non-tax	7,061.836	6,640.989	6,947.175	7,004.583	7,352.462
<b>Grants</b>	<b>14,236.353</b>	<b>11,153.268</b>	<b>14,872.764</b>	<b>16,738.076</b>	<b>17,122.813</b>
India	10,684.430	7,186.202	11,248.657	10,402.856	10,477.856
Others	3,551.923	3,967.066	3,624.107	6,335.220	6,644.957
<b>Project-tied Grants</b>	<b>12,486.660</b>	<b>9,400.768</b>	<b>12,126.764</b>	<b>15,038.076</b>	<b>15,347.813</b>
India	9,059.430	5,486.202	9,548.657	8,702.856	8,702.856
Others	3,427.230	3,914.566	2,578.107	6,335.220	6,644.957
<b>Program Grants</b>	<b>1,749.693</b>	<b>1,752.500</b>	<b>2,746.000</b>	<b>1,700.000</b>	<b>1,775.000</b>
India	1,625.000	1,700.000	1,700.000	1,700.000	1,775.000
Others	124.693	52.500	1,046.000	0.000	0.000
<b>Other receipts</b>	<b>338.160</b>	<b>346.751</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Outlay</b>	<b>33,522.834</b>	<b>39,211.019</b>	<b>45,504.591</b>	<b>44,831.903</b>	<b>41,902.972</b>
<b>Total Expenditure</b>	<b>34,609.903</b>	<b>40,881.074</b>	<b>47,348.166</b>	<b>46,846.517</b>	<b>43,995.973</b>
Current	17,941.151	22,044.135	23,871.321	25,506.517	27,318.509
Capital	16,668.752	18,836.939	23,476.845	21,340.000	16,677.464
<b>Net lending (NL)</b>	<b>-1,331.989</b>	<b>-1,670.055</b>	<b>-1,843.575</b>	<b>-2,014.614</b>	<b>-2,093.001</b>
<b>Advance/Suspense (Net)</b>	<b>244.920</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Primary Balance</b>	<b>6,386.678</b>	<b>-659.720</b>	<b>-2,377.652</b>	<b>892.300</b>	<b>6,678.175</b>
<b>Fiscal Balance</b>	<b>4,296.289</b>	<b>-2,810.883</b>	<b>-4,486.703</b>	<b>-1,051.249</b>	<b>4,654.049</b>
<b>Net Borrowings</b>	<b>-1,042.316</b>	<b>-1,448.734</b>	<b>396.965</b>	<b>875.370</b>	<b>158.876</b>
Borrowings	1,534.540	1,468.094	3,420.506	3,529.440	2,923.492
Repayments	2,576.856	2,916.828	3,023.541	2,654.070	2,764.615
<b>Resource Gap</b>	<b>3,253.973</b>	<b>-4,259.617</b>	<b>-4,089.738</b>	<b>-175.880</b>	<b>4,812.925</b>
<b><i>In percent of GDP</i></b>					
Revenue & Grants	33.9	29.1	29.6	28.6	26.8
Domestic Revenue	20.9	19.9	18.8	17.6	17.0
Grants	12.8	8.9	10.7	10.9	9.9
Outlay	30.1	31.4	32.8	29.2	24.1

Particulars	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Revised	Budget	Proj.	Proj.
Total Expenditure	31.1	32.7	34.1	30.6	25.3
Current	16.1	17.6	17.2	16.6	15.7
Capital	15.0	15.1	16.9	13.9	9.6
Net lending (NL)	-1.2	-1.3	-1.3	-1.3	-1.2
Primary Balance	5.7	-0.5	-1.7	0.6	3.8
<b>Fiscal Balance</b>	<b>3.9</b>	<b>-2.2</b>	<b>-3.2</b>	<b>-0.7</b>	<b>2.7</b>
Net Borrowings	-0.9	-1.2	0.3	0.6	0.1
Borrowings	1.4	1.2	2.5	2.3	1.7
Repayments	2.3	2.3	2.2	1.7	1.6
<b>Resource Gap</b>	<b>2.9</b>	<b>-3.4</b>	<b>-2.9</b>	<b>-0.1</b>	<b>2.8</b>
<b>Nominal GDP (Estimate)</b>	<b>111,400.419</b>	<b>125,064.117</b>	<b>138,741.773</b>	<b>153,340.933</b>	<b>173,591.639</b>

Source: MEF, MoF, March 2015

#### 4.2.1 Public expenditure

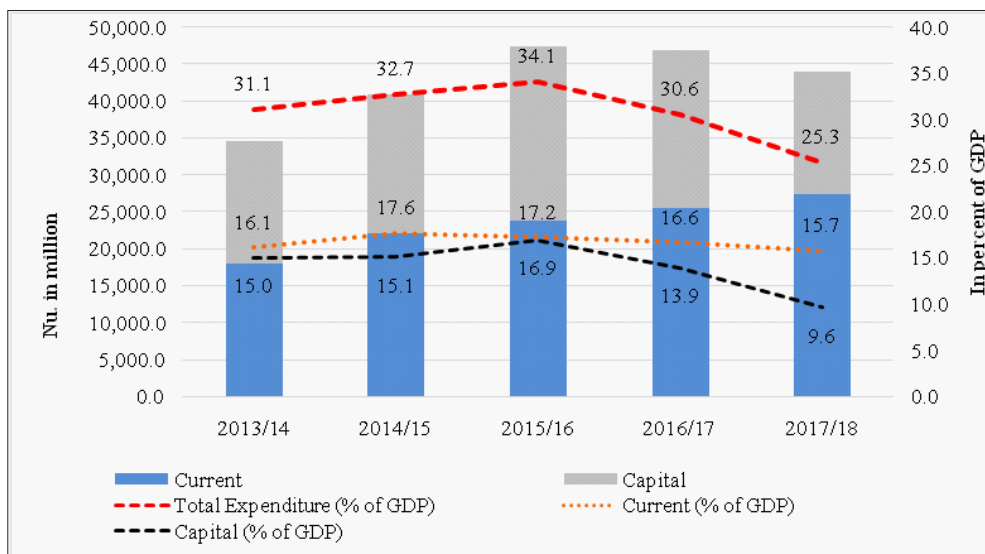
Efficient expenditure management is a key economic tool for poverty reduction strategies as it creates adequate fiscal space to reinforce the budget provision for public services like health, education and basic infrastructure.

Current expenditure is projected to increase at an average of 6.9% in the outer years, which is about 16.2% of GDP. Pay and allowances accounts for 39% of the current expenditure followed by current grants and transfers to agencies at 13.2%. Travel and utilities forms 10.7% of the annual current expenditure.

On the other hand, capital expenditure is projected to decline as most of the activities will be completed. The capital expenditure accounts 13.9% and 9.6% of GDP in FY 2016-17 and FY 2017-18 respectively.

The expenditure trend is shown below.

**Graph 4.5: Expenditure trend**



## 4.2.2 Resources

Total resources comprises of domestic revenue raised through taxes, fees, charges and grants received from external sources. In the medium term, the total resources is projected to grow at an average of 6.5%.

### 4.2.2.1 Domestic revenue

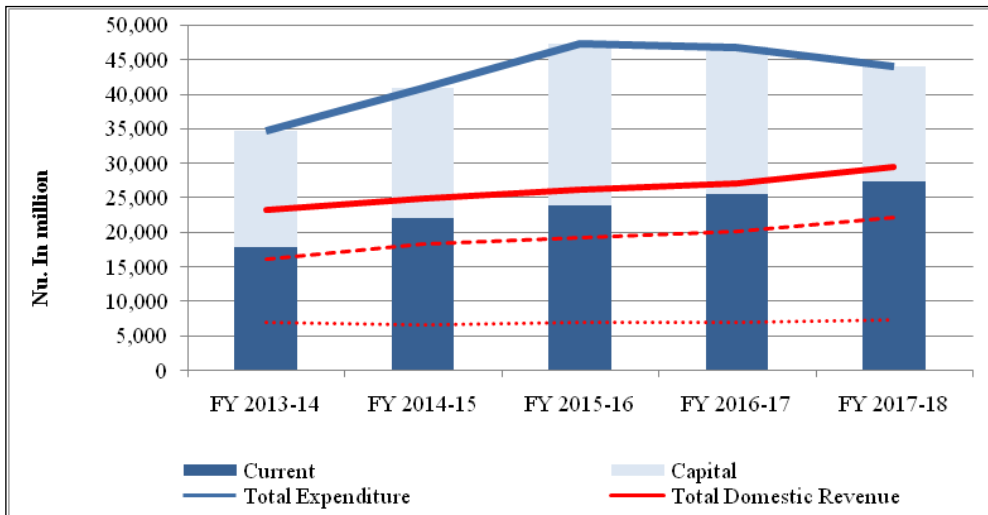
The domestic revenue is projected to grow at an annual average of 7% in the 11<sup>th</sup> FYP with major increase taking place in the last year of plan with the expected commissioning of new hydropower projects. The realization of revenue projection for the 11<sup>th</sup> FYP will be dependent on the timely construction of the three ongoing mega hydropower projects.

In the medium term, the domestic revenue is projected to cover not only

the current expenditure, but will also finance some portion of the capital expenditure. Commissioning of Mangdechhu hydropower project scheduled in 2018 and better growth prospects coupled with automated tax administration is anticipated to enhance domestic revenue performance in the medium term.

By FY 2017-18, domestic revenue is expected to reach Nu.29,434.208 million, which is Nu.3,289.084 million higher than in FY 2015-16. Domestic revenue as a percentage to nominal GDP is projected to be 18.8% for FY 2015-16 as compared to 19.9% in the previous FY.

**Graph 4.6: Domestic financing trend**



#### 4.2.2.2 Fiscal Incentives and exemptions

As part of the Economic Development Policy (EDP), Acts and bilateral agreements, the Government has approved various forms of fiscal incentives and tax exemptions to promote private sector development and employment generation.

For the income year 2014, taxes foregone in the form of fiscal incentives and exemptions is estimated at about Nu.2,688.476 million. This represents about 12% of the domestic revenue of FY 2013-14.

The bulk of the fiscal incentives provided are through indirect taxes as shown in the table below.

**Table 4.3: Fiscal incentives**

<i>Nu. in millions</i>	
<b>Type</b>	<b>Amount</b>
Projects (Hydro)	817.797
Raw Materials	718.873
Plant & Machineries	238.282
Vehicles	184.336
Corporate Income Tax/Business Income Tax	167.484
Duty Free	167.246
Hotels	96.881
Cement	59.410
Green tax	11.087
Aircraft Spare parts	0.406
Electric Vehicle Spare parts	0.192
Others	226.482
<b>Total Revenue</b>	<b>2,688.476</b>

In addition to above, the Government also granted business income tax exemptions to micro and small businesses operating in rural areas with the objective to generate self-employment and improve livelihood in the rural areas. This exemption amounted to Nu.14.315 million as of April, 2015. During the year, 10,254 small and micro business units have been exempted from the business income tax.

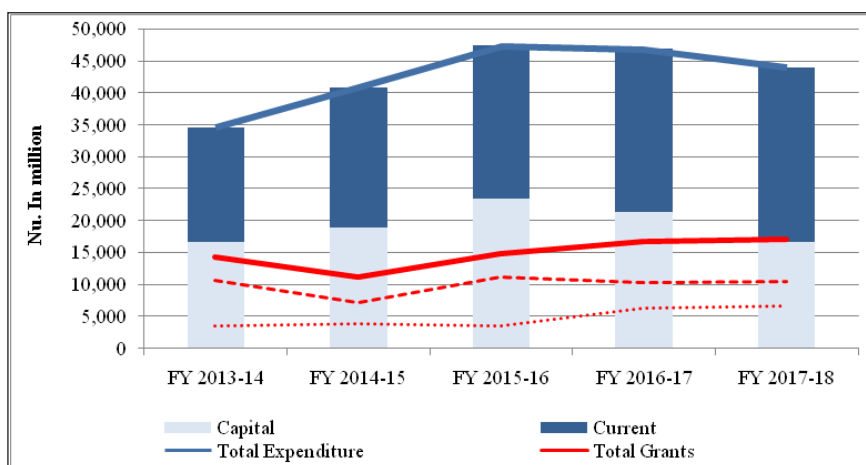


Despite the need to enhance domestic revenue to meet the increasing recurrent expenditure, such fiscal incentives and tax exemptions are provided by the Government recognizing the important role of the private sector as the engine of growth.

### 4.2.2.3 External grants

The external grant is aligned with the objectives of sustainable and inclusive green growth, building skills and human development. It is an important source of financing for the Government developmental activities. It constitutes about 36% of the total resources in the 11<sup>th</sup> FYP and is expected to cover about 76% of the capital expenditure. As Bhutan is on the threshold of graduating from Least Developed Country status, development partners have decided to gradually phase out from Bhutan which will impact the level of grant assistance in the medium term. In view of the importance attached to grant assistance to finance our capital budget, the Government is making every effort to enhance the annual commitments of the existing development partners and explore new funding windows. The year-on-year growth of grant assistance is estimated to average at 7.4% per annum in the medium term.

**Graph 4.7: External grants**



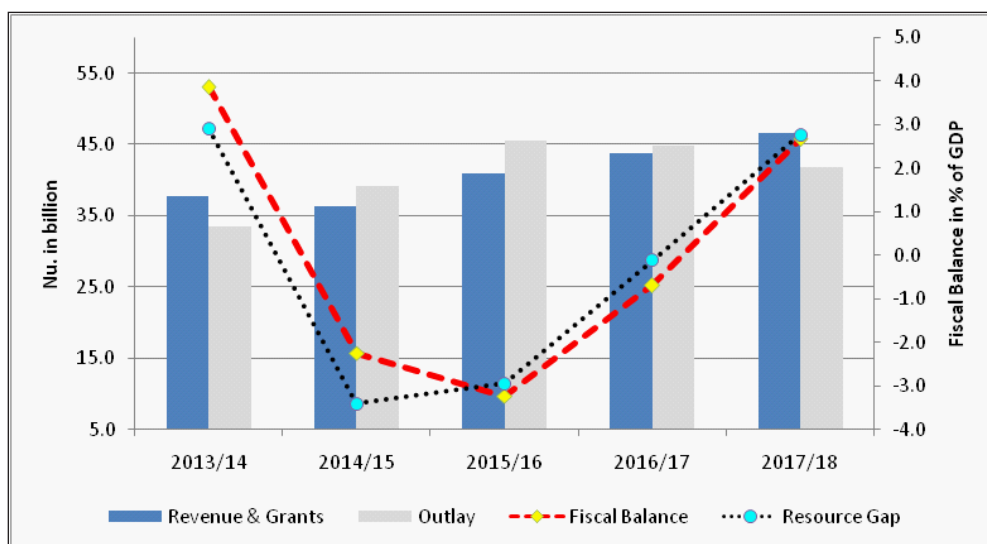
Source: MEF, MOF

### 4.2.3 Fiscal balance

The Government is committed to contain the fiscal deficit at an average of 3% of GDP in the 11<sup>th</sup> FYP. With efficient expenditure management and resource mobilization strategy, the fiscal position is expected to improve in the medium term. In FY 2016-17, the fiscal deficit is estimated to improve at 0.7% of GDP from 3.2% of GDP in FY 2015-16. The trend is expected to continue in FY 2017-18 with a fiscal surplus of 2.7% of GDP.

A positive fiscal path hinges on the commissioning of hydropower projects and economic growth as projected. The domestic revenue is estimated to cover the current expenditure. However, the target of the 11<sup>th</sup> FYP to finance 85% of the total expenditure by domestic revenue, at the end of 11<sup>th</sup> FYP period, looks challenging in view of the changes in the date of commissioning of the hydropower projects.

**Graph 4.8: Fiscal scenario**



Source: MEF, March 2015

As per the macro fiscal projection for the medium term, the primary balance is projected to be at surplus of 1.4% and 3.4% of GDP in FY 2016-17 and FY 2017-18 respectively. This indicates fiscal sustainability as interest payment is fully covered by domestic revenue.

#### 4.2.4 Debt stock and debt service

Since it is important to manage public debt effectively to finance its developmental activities and promote economic growth without placing undue burden to future generations, the Government has been very cautious in contracting public debt. In the medium term, major borrowings will be only on account of hydropower projects mainly to achieve the target of 10,000 MW. For financing socioeconomic development activities other than hydropower, the Government has committed to maintain debt (non-hydro) below 35% of GDP.

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

**Table 4.4: Debt Stock and Debt Indicators**

Particulars	<i>Nu.in millions</i>				
	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
<b>Total Public Debt</b>	<b>108,370.354</b>	<b>123,129.249</b>	<b>150,576.748</b>	<b>174,672.908</b>	<b>193,072.600</b>
Domestic Debt	2,913.441	175.302	0.000	0.000	0.000
External Debt	105,456.913	122,953.946	150,576.748	174,672.908	193,072.600
Indian Rupee debt	67,870.155	87,214.504	108,801.314	128,140.870	142,015.097
Convertible Currency (US\$ millions)	624.624	585.605	663.494	724.399	779.103
Hydropower Debt	68,722.496	90,596.530	114,151.223	137,869.900	157,489.467
Non-Hydropower Debt	36,734.418	32,357.416	36,425.525	36,803.008	35,583.133
<b>Total Debt Service</b>	<b>11,139.616</b>	<b>9,025.729</b>	<b>6,626.056</b>	<b>8,035.846</b>	<b>9,203.229</b>
o/w Debt service from Budget	4,667.245	5,067.991	5,132.592	4,597.620	4,788.742
<b>Domestic Debt Service *</b>	<b>328.579</b>	<b>294.586</b>	<b>309.586</b>	<b>115.000</b>	<b>115.000</b>

Particulars	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18
<b>External Debt Service</b>	<b>10,811.037</b>	<b>8,731.143</b>	<b>6,316.470</b>	<b>7,920.846</b>	<b>9,088.229</b>
o/w Hydropower debt service	3,515.138	3,647.436	3,766.601	3,504.304	3,708.591
o/w Rupee debt service	9,436.533	6,932.404	4,468.130	6,024.531	7,000.792
o/w Debt service from Budget	4,338.665	4,773.404	4,823.005	4,482.620	4,673.742
<i>In percent of GDP (%)</i>					
<b>Total Public Debt</b>	<b>97.3</b>	<b>98.5</b>	<b>108.5</b>	<b>113.9</b>	<b>111.2</b>
Domestic Debt	2.6	0.1	0.0	0.0	0.0
External Debt	94.7	98.3	108.5	113.9	111.2
Hydropower Debt	61.7	72.4	82.3	89.9	90.7
Non-Hydropower Debt	33.0	25.9	26.3	24.0	20.5
External debt as a % of Total Public debt	97.3	99.9	100.0	100.0	100.0
Hydropower debt as a % of External debt	65.2	73.7	75.8	78.9	81.6
Indian Rupee debt as a % of External debt	64.4	70.9	72.3	73.4	73.6
Debt Service Ratio (External)	25.9	16.7	10.9	12.4	12.0
Debt Service Ratio (Budget)	10.4	9.1	8.3	7.0	6.2
Exchange rate (Nu/USD)	61.0	61.0	63.0	64.2	65.5
* 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 2015; Past figures are based on the published AFS reports					

*Source: MEF, DPA, March 2015*

#### 4.2.5 External debt

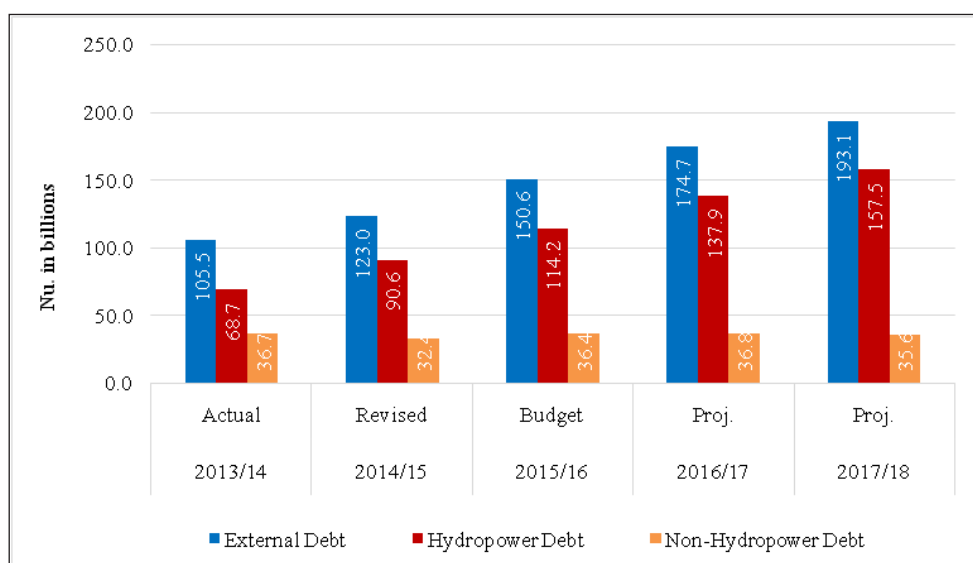
External debt is estimated to increase by around 20% in the medium term. This is on account of higher disbursements mainly for hydropower projects. Flows projected from new pipeline projects such as Kholongchhu and Nikachhu in FY 2015-16, Chamkharchhu in FY 2016-17, and Bunakha and Wangchhu disbursements in FY 2017-18 will also contribute to the growth in external debt stock.

External debt outstanding is projected to reach Nu.174,672.908 million in FY 2016-17, and Nu.193,072.600 million in FY 2017-18. At the end of 11<sup>th</sup>FYP, debt to GDP ratio is projected to be at 111.2%.

In the outer two years, hydropower loan comprises of 78.9% (FY 2016-17) and 81.6% (FY 2017-18) of the total external debt. In terms of GDP, it constitutes 89.9% and 90.7% respectively. Since the hydropower loans are in Indian rupee and will generate sufficient revenue through export proceeds to service the debt, there is no risk of exchange rate fluctuation and pressure on the government revenue.

Graph 4.9 depicts the debt stock position in the 11<sup>th</sup>FYP.

**Graph 4.9: Debt Stock**

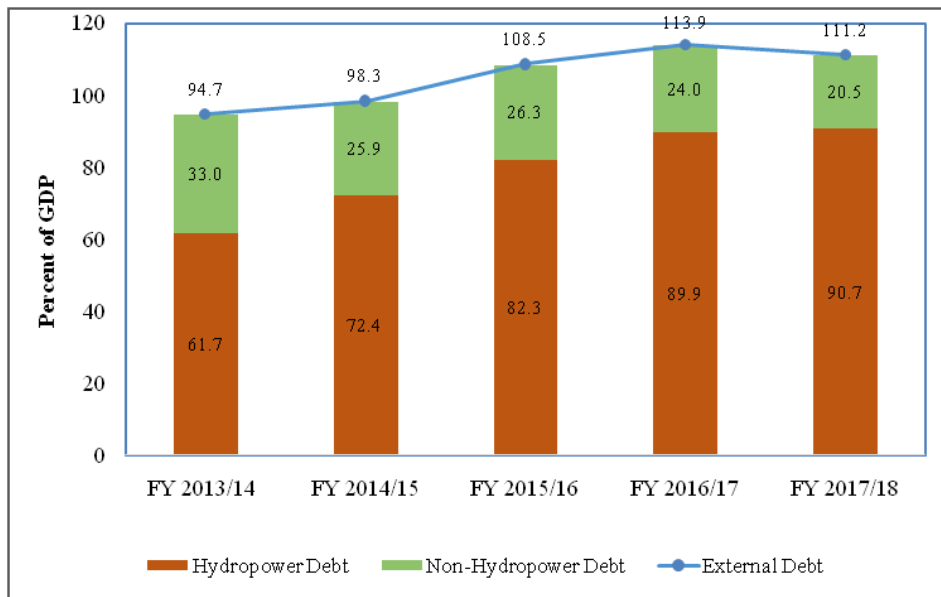


Source: MEF, DPA, March 2015

Non-hydro loans are borrowed from multilateral financial institutions and bilateral countries at highly concessionary terms. It includes Nu.7 billion outstanding GoI Standby Credit facility (SCF) which are due for settlement in 2017 and 2018. On 24<sup>th</sup> March 2015, Nu.3 billion of GoI SCF was repaid. By the end of the 11<sup>th</sup> FYP, debt stock on account of non-hydro activities is estimated to be about 18.4% of the total public debt and 20.5% of estimated GDP.

Despite the high level of debt stock, as per the Joint World Bank – IMF Debt Sustainability Analysis Report 2014, Bhutan is categorized under the moderate risk of debt distress.

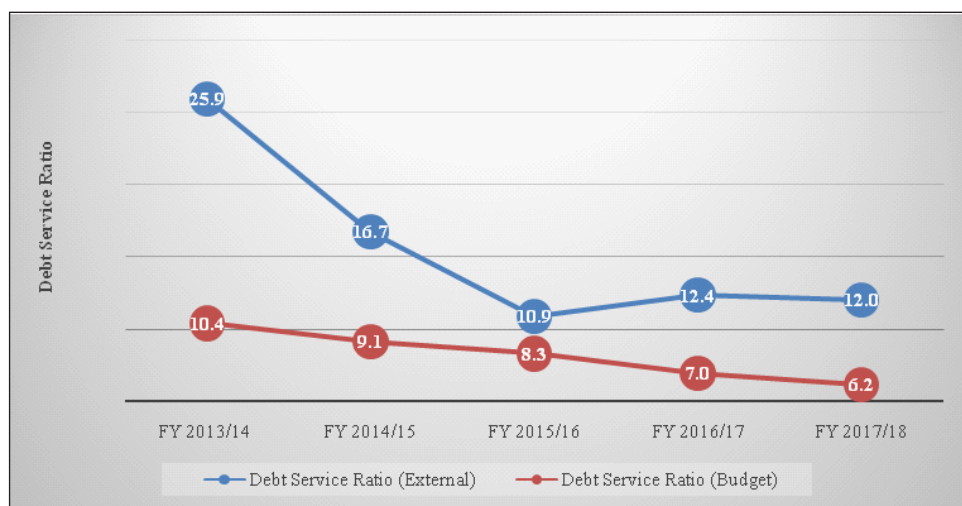
**Graph 4.10: Debt Indicators**



Source: MEF, DPA, March 2015

Debt service ratio indicates a country's capacity to pay off its debt obligations from its export earnings. An indicative benchmark as per the international standard is within 0% to 22% and lower the ratio better is the financial health of the country. In the medium term, the total debt service ratio is projected to remain at 12%.

**Graph 4.11: Debt Service Ratio**



Source: MEF, DPA, March 2015

#### **4.2.6 Domestic debt**

The domestic debt stock is expected to be minimum as the outstanding debt stock will be liquidated during the FY 2015-16. In the medium term, the domestic debt stock build-up will be mainly on account of financing the resource gap. Further, for cash management purposes, funds will be raised from the market through the issuance of T-bills of various maturities and any T-bills not redeemed during the FY will add to the debt stock. The Government may also consider issuing longer term bonds for financing infrastructure works which may also add to the domestic debt stock. However, it will be important to ensure that domestic borrowing will not crowd out credit to the private sector.

#### **4.3 External sector**

In FY 2013-14, current account deficit slightly widened to 25.3% of GDP from 25% in previous year as the export growth was not able to keep pace with imports-particularly consumption and service related imports from India.

However, the overall balance of payments remained in surplus due to sizable grants and concessional loan disbursements. The capital account increased by 16.9% from the previous year to Nu.16,901.739 million mainly on account of increase in budgetary grants for investment and ESP. The financial account balance improved as there was no new equity injections in non-hydro FDIs and no new loans were availed such as GoI Line of Credit and Currency Swap.

As of June 2014, gross international reserves stood at US \$1,012.183 million, sufficient to cover essential imports for 24.6 months. Of this amount, convertible currency reserves amounted to US\$ 829.260 million, while Indian rupee reserves amounted to Nu.10,134.684 million (US\$168.658 million).

In FY 2014-15, the current account deficit is estimated at 26.3% of GDP due to higher import of goods and services from India. Major imports are for hydropower projects which alone constituted about 34% of the total imports. Lifting of the administrative measures on the import of vehicles and removing the freeze on housing and vehicle loans in 2014 further contributed in the increase of imports. Exports increased by 10.6% from the previous year and electricity remained the major export which alone constituted about 30% of the total exports. Commissioning of Dagachhu Hydropower Project is also expected to contribute to growth in exports.

The overall balance of payments in FY 2014-15 is estimated to be positive Nu.9,242.6 million (7.4% of GDP) as the net surplus in the capital and financial account of Nu.42,118.3 million will be adequate to finance the current account deficit of Nu.32,875.7 million.

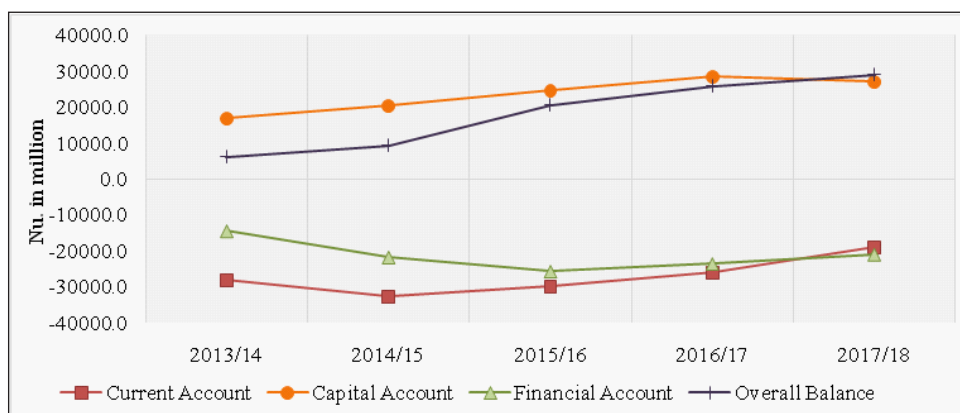
The capital account balance is estimated to be positive Nu.20,273.370 million in FY 2014-15 due to the increasing inflow of grants for hydropower development in the country. The financial account balance is estimated negative Nu.21,844.9



million indicating the net borrower status of the country. This was 50% increase from FY 2013-14. This negative financial account is due to the loan liabilities pertaining to Indian Rupee loan for hydropower and other loans of the Government.

The gross international reserve in terms of US Dollar is estimated to be US\$ 1,132.309 million as of June, 2015 as compared to US\$ 1,012.183 million in June 2014. Of the total gross reserve, US\$ 912.134 million is in convertible currency and the balance is in Indian Rupee worth INR 13,623.887 million. The estimated reserve as of June 2015 will be adequate to cover about 25 months of essential imports.

**Graph 4.12: Balance of Payment**



Source: BOP, MEF, March 2015.

In FY 2015-16, the current account deficit is projected to improve by 8.8% from the previous FY. The trade deficit is also projected to improve by 8.2% due to the higher growth in the exports which is 9.7% against 3.3% growth in the imports. The higher growth in the exports is attributed to commissioning of Dagachhu Hydropower Project.

The capital account is projected to improve in FY 2015-16 due to higher inflow of budgetary grants as 24% of the capital outlay of the 11<sup>th</sup> FYP has been allocated for the FY. The financial account is projected to be negative Nu.25,763.7 million largely due to hydropower loan liabilities and Nu.160 million new equity injection for Kholongchhu Hydropower Project.

In outer years, the current account deficit is projected to improve to 17.1% of GDP in FY 2016-17 and 11% of GDP in FY 2017-18 mainly with the expected commissioning of Puna II and Mangdechhu Hydropower projects.

The overall balance of payment in the medium term is projected to be in surplus at an average of 16.2% of GDP as the capital account is projected to improve by 22% in FY 2016-17 and by 15.3% in FY 2017-18. The financial account is also expected to improve in the two outer years due to decrease in hydropower loan disbursement for the three mega hydropower projects as they near completion and also due to liquidation of GoI line of credit.

The gross international reserve is estimated to be US\$1,434.8 million in FY 2015-16, US \$ 1,810.2 million in FY 2016-17 and US \$ 2,216.7 million FY 2017-18. The reserve build-up is due to projection of higher inflow of grants and loans towards the end of the plan period. The reserve position will be sufficient to meet the minimal essential items imports requirement.

The implication of proposed budget on the foreign exchange reserve is estimated about US \$ 169.571 million in FY 2015-16, which has been vetted by the RMA.

### ***Balance of payments with India***

Since India is the major trading partner of Bhutan, balance of payments position with India determines the overall balance of payments situation. The balance of

payments with India in FY 2013-14 was negative Nu.1,234.507 million mainly contributed by increasing capital flows.

In FY 2014-15, the balance of payments with India is estimated to be positive at Nu.3,489.2 million due to favorable position of capital and financial account. However, current account deficit is expected to widen to 19.2% from previous FY mainly due to increase in import of services related to hydropower projects.

In the medium term, the balance of payments with India is projected to improve due to improvement in both the current account deficit and the capital account balance.

The current account deficit with India is projected to improve on an average of 9.6% in the next three years of the plan period. During the period, trade balance with India is expected to improve with higher export growth at an average of 12.4% compared to imports growth of 4.3%. The increase in export is from hydropower as well as non-hydropower. Further increase in export is anticipated due to partial commissioning of Punatsangchhu II and Mangdechhu Hydropower projects in the FY 2017-18.

#### **4.4 Monetary Sector**

Monetary aggregates continued to expand during the FY 2013-14 although the growth was not as high as that of the previous FY. Narrow money (M1) rose 27% as at end of December 2014 as compared to 2% in the FY 2012-13. This higher growth in M1 was supported by higher growth in transferable deposits which grew at 31% as compared to 2% in previous year. This resulted in higher growth of 26% in broad money (M2). M2 growth was also affected by growth in net foreign assets and domestic credit.

Domestic credit grew by 7% at the end of December 2014 as compared to 5.8% in previous year. This was mainly driven by growth in private sector credit. In terms of the percentage share of the overall credit composition, the housing sector received the highest as of December 2014 at 26% followed by personal loan (18%).

With regard to development in interest rates in the financial sector, the saving rates ranged from 5.0% to 5.5% in 2014. Deposit rates ranged from 4.5% to 8.75% depending on the maturity of the deposits from three months and less to more than three years. With regard to lending rates, the highest is for the personal loan with 15% to 16% and the lowest is 10% to 13% for agriculture and livestock sector.

The ratio of non-performing loan (NPL) ending June 2014 increased to 12% compared to 10.1% in 2013. This increase in NPL was due to its increase in trade and commerce, housing and personal loans. For the period ending December, 2014, NPL ratio was 6.3%.

The RMA's continued vigilance of the financial sector, reviewing and amending macro-prudential provisions in line with underlining economic conditions and market trends is expected to help in the monetary sector performance in the medium term.

## CHAPTER 5: ROYAL MONETARY AUTHORITY

The Royal Monetary Authority (RMA) as a central bank continued its vigilance of the financial sector, reviewing and amending macro-prudential provisions in line with underlying economic conditions and market trends with the objective to mitigate potential risks that may emanate from the financial sector. The RMA through its monetary policy, in consonance with fiscal policy pursued towards creating a conducive environment to support macro-economic objective of Self-reliance and Inclusive Green Socioeconomic development of the Government.

A system of base rates was implemented in September 2012 to strengthen monetary policy management. During the year, the RMA conducted the second Base Rate Review Meeting with the commercial banks.

For FY 2013-14, the base rate for the commercial banks ranged in between 10.32% to 11.43%, while it stood at 12% for the non-bank financial institutions. On the operational front, the total operating income of RMA for the FY 2013-14, was Nu.1,154.54 million, which was a decrease of 1.2% from Nu.1,168.86 million in FY 2012-13. The improved Indian rupee reserve position during the year resulted in a much higher interest income from rupee investments, increasing from Nu.4.29 million in the previous year to Nu.390.33 million in FY 2012-13. However, the interest income on convertible currency investments decreased from Nu.1,026.07 million to Nu.690.03 million, while the net gains from the sale of foreign currencies also declined by Nu.63.42 million from the previous year, since lesser amount was sold during the year.

On the expenditure front, the total operating expenses of the RMA increased by 10.6% from Nu.250.98 million in FY 2012-13 to Nu.277.51 million in FY 2013-14. As in the past, salaries and allowances of staff and security printing and minting accounted for the major share of the expenses for the year. Staff costs increased by

8.1% to Nu.76.89 million while expenses related to security printing and minting increased by 10.6% to Nu.76.75 million. Interest payments on foreign deposits increased marginally due to unfavorable exchange rate at the time of payment.

The surplus for the year was Nu.877.03 million. However, the RMA paid Nu.565.49 million as the interest on the Standby Credit Facility from the Government of India that had been availed for balance of payments support. As a result, the net surplus for the year to be transferred to the general reserves was Nu.311.54 million.

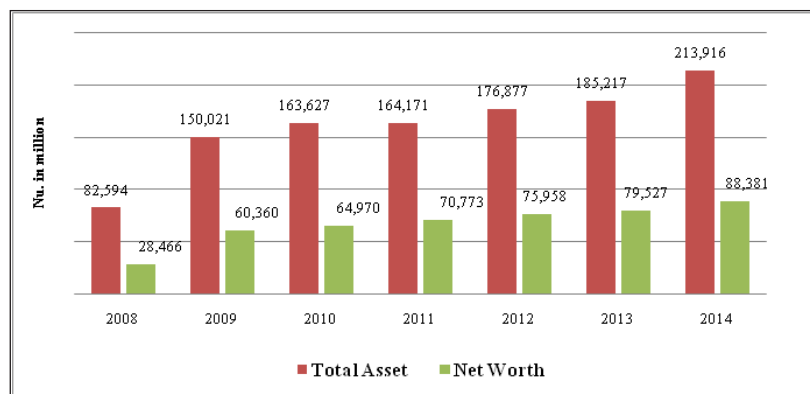
The total assets of the RMA for the year ending 30<sup>th</sup> June 2014 was Nu.61.80 billion, up from Nu.60.69 billion as of 30<sup>th</sup> June 2013.

## CHAPTER 6: STATE OWNED ENTERPRISES

State Owned Enterprises (SOEs) operate in key strategic areas of the economy, including energy, banking, manufacturing, transport, telecommunications and infrastructure. Besides contributing to the national revenue, the SOEs are actively involved in the implementation of Government's strategic plans and policies. There are presently 28 companies with Government share holdings with total equity investments of Nu.48,017.800 million of which Nu.44,333.514 million pertains to Government's equity holdings in Druk Holding and Investments (DHI) (*Annexure 4*). During the year, Construction Development Corporation Limited (CDCL) and Wood Craft Centre Limited (WCCL) were transferred to DHI to enhance productivity and efficiency in construction and wood manufacturing. A State Mining Corporation (SMC) was also established under DHI with a mandate to promote better management of minerals and increase mining sector's contribution to the economy by engaging in mineral prospecting and mining among others.

During the income year 2014, the total assets of SOEs reached Nu.213,916.025 million (192% of GDP) driven mainly by growth in banks' assets and inclusion of DCCL's asset. SOEs also recorded combined total net worth of Nu.88,381.260 million and reserves of Nu.32,391.248 million.

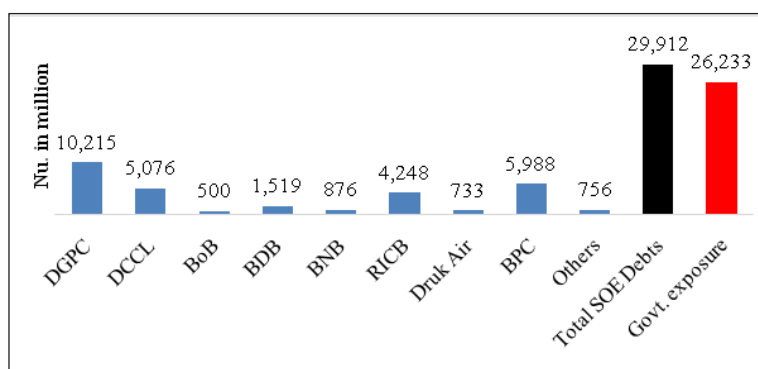
**Graph 6.1: Assets and net worth of SOEs**



For the first time, Bhutan Agro Industries Ltd. and Bhutan Postal Corporation declared dividends during 2014 since their incorporation. SOEs in financial sector also experienced improved liquidity and assets growth, resulting in higher liquidity in the market and expansion of credit by 10.98% from Nu.5,627 million to Nu.6,245 million. Credits to agriculture sector experienced the highest growth of 48.63% from Nu.1,670 million to Nu.2,480 million during 2014. Further to promote financial inclusion, Bhutan Development Bank has launched banking services which will be expanded during FY 2015-16.

Meanwhile, liabilities and debt exposure of SOEs have also gone up with total long-term borrowings reaching Nu.29,912.498 million in 2014 compared to Nu.25,759.205 million in 2013. The increase was mainly due to inclusion of DCCL debt and subordinated debts of financial institutions. Overall, combined long-term debt of SOEs constituted 27% of GDP and 28% of the total public debt.

**Graph 6.2: SOEs debt**



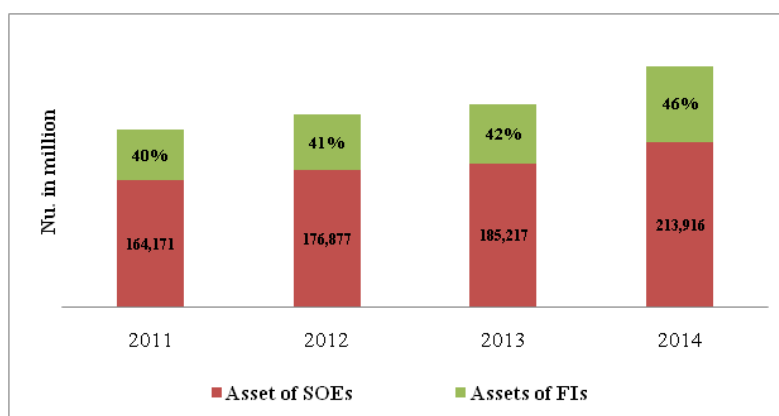
In terms of exposure, 34% (Nu.10,215.298 million) pertains to hydropower debt i.e. DGPC, followed by BPC: Nu.5,988.263 million and DCCL: Nu.5,076.150 million. The Government's exposure to SOE debts amounted to Nu.26,232.700 million and another Nu.475.410 million on account of the sovereign guarantees provided for borrowings by SOEs (*Annexure 5*).



### *Assets, Net Worth and Reserves of SOEs*

Assets of SOEs and linked companies combined have grown by 16% from Nu.185,217.218 million in 2013 to Nu.213,916.025 million in 2014. The growth was contributed mainly on account of increase in asset of Financial Institutions (FIs) with BDBL recording the highest rate of growth of 58.86% followed by RICBL and BOBL with 32.67% and 30.20% respectively. Net worth of SOEs also grew from Nu.79,527.299 million in 2013 to Nu.88,381.260 million (*Annexure 6*).

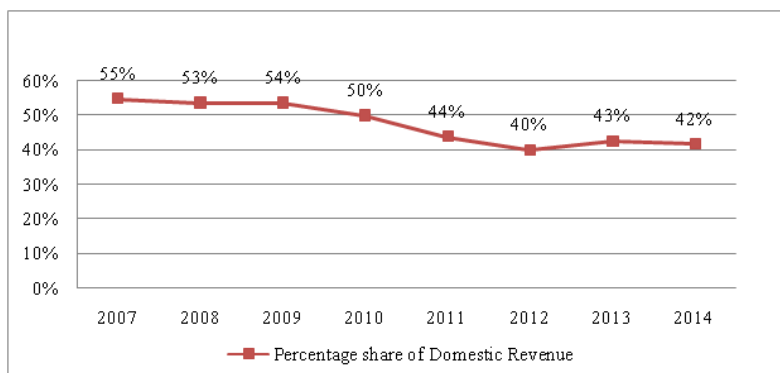
**Graph 6.3: Assets of SOEs and FIs**



### *Financial Performance of SOEs*

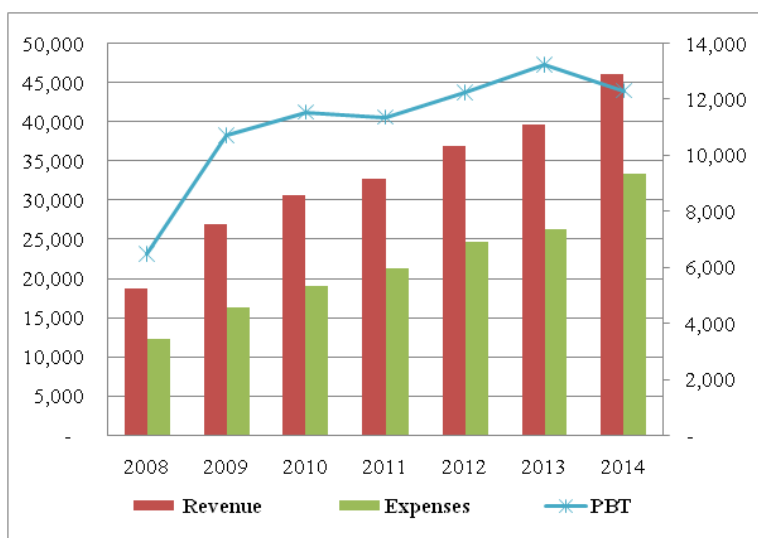
SOEs achieved 16% revenue growth, posting gross turnover of Nu.46,125.423 million in 2014 as compared to Nu.39,681.924 million in 2013. However, average operating expenses increased at a higher rate of 26% resulting in lower profit during the year.

**Graph 6.4: Share of SOEs' contribution to domestic revenue**



Aggregate profit before tax (PBT) fell by 7% from Nu.13,214.768 million in 2013 to Nu.12,304.995 million in 2014, resulting in lower return on Government's investments in SOEs due to lower profitability of SOEs in general and loss posted by Dungsam Cement Corporation Limited (DCCL), Dungsam Polymers Ltd, Drukair Corporation and BBSC in particular. DCCL alone reported a loss of Nu.1,129.794 million in 2014, due to lower demand, leading to lower capacity utilization (*Annexure 7*).

**Graph 6.5: Overview of financial performance**



DGPC continues to be the highest revenue earner posting gross turnover of Nu.13,905.772 million followed by BPCL with Nu.7,275.058 million. In terms of revenue contribution, SOEs in 2014 contributed Nu.9,681.160 million as taxes and dividend, an increase of 8% compared to Nu.8,973.368 million in 2013. The increase was mainly from tariff revision of Chhukha Hydropower Plant.

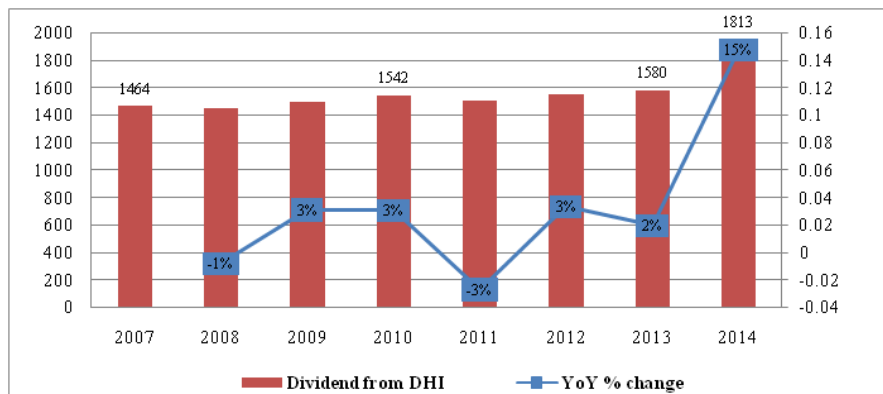
Contributions from SOEs constitute the major source of revenue for the Government. However, over the years, share of SOE contributions to the national revenue are on the decline because of the increase in revenue from other sectors due to diversification of the economy. In 2014, SOEs contributed more than 41% of the total domestic revenue.

## CHAPTER 7: DRUK HOLDING AND INVESTMENTS (DHI)

The Government's equity holdings in DHI amounts to Nu.44,333.514 million, which constituted 92% of the total equity investments in SOEs. DHI recorded total assets of Nu.51,071.099 million with net worth of Nu.48,400.429 million at the end of 2014. DHI also achieved total accumulated reserves of Nu.4,066.913 million.

DHI's revenue is mostly from dividend receipts from its owned and linked companies. During the year, the revenue of DHI increased by 21% from Nu.4,756.156 million to Nu.5,744.669 million and earned a profit before tax of Nu.5,552.856 million. Improved profitability in 2014 was on account of increase in dividend contributions from the subsidiary company mainly from DGPC.

**Graph 7.1: Dividend from DHI**



In 2014, total dividend from DHI increased by 15% mainly due to revision of export power tariff of Chhukha Hydropower Plant. Total dividend from DHI increased by Nu.233 million from Nu.1,580 million in 2013 to Nu.1,813 million of which Nu.180 million was on account of tariff revision.

During the year, DHI incorporated State Mining Corporation and took over the CDCL and WCCL from MoF, while three companies namely DHI Hospitality limited, Bhutan International Convention Centre and Menjong Wellness Resort were liquidated as the undertakings were found not feasible.

### ***General***

As per the statutory Audit Reports of SOEs for the year ended on 31<sup>st</sup> December, 2014, no significant material loss, unauthorized expenditure, irregular expenditure and fruitless and wasteful expenditure were reported for the year.

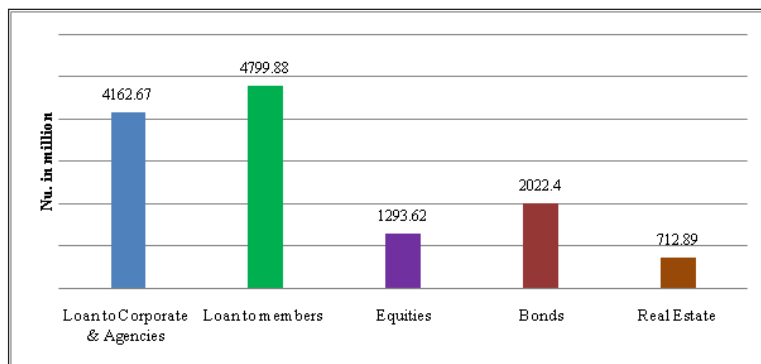
## CHAPTER 8: NATIONAL PENSION AND PROVIDENT FUND (NPPF)

National Pension and Provident Fund (NPPF), since its establishment as a social security organization, has been fulfilling an important social mandate of providing post retirement financial security to the members. NPPF has also been a major share of capital and investments in the economy and also plays vital role in deepening the domestic capital market. Recently, the Fund has invested huge amount in the domestic corporate bonds of Drukair amounting to Nu.246.87 million, Tashi Air's Bond: Nu.125 million and Nu.500 million in RICBL's Bond.

In 2014, NPPF achieved 18% growth in its investment portfolios which has help the Fund's revenue to grow by 12% from Nu.1,142.64 million in 2012-13 to Nu.1,279.84 million. The Fund posted operating surplus of Nu.1,072.1 million an increase of 19% compared to Nu.903.77 million in 2013. The Fund achieved more than 7% return on member's fund. Total assets of the Fund increased by 16% from Nu.15,064.016 million to Nu.17,498.791 million in 2014 with total fund size (gross contribution from members) reaching Nu.15,348.36 million.

As of June 2014, NPPF has invested total amount of Nu.3,316.02 million in equity and bonds of which 61% consist of investment in bonds and 39% in equity.

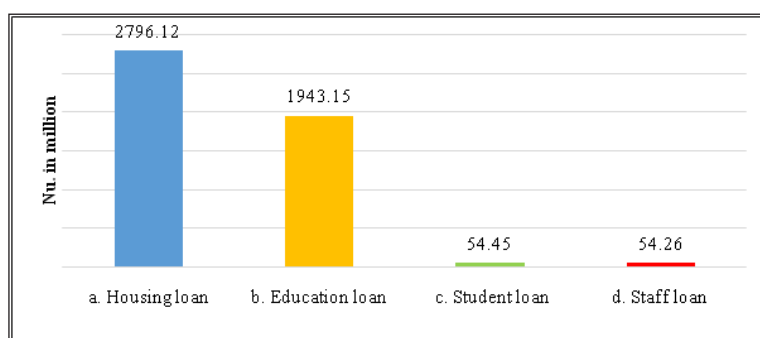
**Graph 8.1: Credit/investment portfolios of NPPF**



With the economy projected to grow, investment opportunities for NPPF look promising mainly in projects like Nikachu Hydropower Project and other upcoming hydropower projects.

Besides investments in bonds and equity market, NPPF's investment also includes credit to entities and its members. Total loan portfolio of the Fund amounted to Nu.8,962.55 million of which Nu.4,799.88 million was loan to the members.

**Graph 8.2: Loan portfolio of NPPF**



**Table 8.1: Credit/investment portfolios of NPPF**

Investment Portfolio	Amount
<i>Nu. in millions</i>	
<b>1. Loan to entities</b>	<b>4162.67</b>
a. Manufacturing and Industries	2164.57
b. Services and Tourism	926.82
c. Financial Institutions and RGoB	1071.28
<b>2. Loan to members</b>	<b>4799.88</b>
a. Housing loan	2748.02
b. Education loan	1943.15
c. Student loan	54.45
d. Staff housing loan	48.10
e. Staff vehicle loan	6.16
<b>3) Equities</b>	<b>1293.62</b>
a. Manufacturing and Industries	634.75

*Nu. in millions*

<b>Investment Portfolio</b>	<b>Amount</b>
b. Service and Tourism	3.68
c. Financial institutions	655.19
<b>4) Bonds</b>	<b>2022.40</b>
a. Manufacturing and Industries	500.00
b. Service and Tourism	450.30
c. Financial Institutions	1072.11
<b>5) Real Estate</b>	<b>712.89</b>



## CHAPTER 9: TRUST FUNDS

The Trust Funds are established by the Government for specific purposes to ensure sustainable funding. Such Trust Funds are governed by a board and functions as per their respective Charters.

Currently, there are five trust funds 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 Heritage Trust Fund

The Trust Fund was established in December, 2001 with an initial fund of Nu.32.650 million managed by the Department of Culture, Ministry of Home and Cultural Affairs. The fund balance of Cultural Heritage Trust Fund as on 31<sup>st</sup> March, 2015 stood at Nu.55.753 million compared to Nu.52.710 million in the previous year, which is an increase of 5.8%. The fund is currently invested in fixed deposit with the Bhutan National Bank Limited at an interest rate of 6% per annum. As per the Royal Charter on the Trust Fund, no expenditure will be made out of the Trust Fund till the initial fund reaches USD 1.00 million.

### 9.2 Bhutan Trust Fund for Environment Conservation (BTFEC)

The BTFEC was established in 1992 with an initial fund of USD 21.67 million. The fund balance as of March 31, 2015 stood at USD 46.434 million, which is 5.8% increase over the previous year. During the year, USD 2.327 million was earned from interest income and capital gains comprising of USD 66,450.33 as interest income, USD 0.196 million as dividend income and USD 1.624 million

as capital gain. During the year, the trust fund also received a grant of USD 0.439 million from the Global Environment Fund (GEF).

The trust fund dispersed about USD 1.129 million during the period, USD 0.956 million for programs and activities and USD 0.172 million for operating expenses of the Secretariat.

Currently, 85% of the fund is invested in mutual funds in the United States and remaining 15% is invested in shares and bonds in the domestic market.

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

The Universal Service Fund was established in 2007 to promote rural telecommunication services mainly focusing on mobile and internet connectivity. The fund is managed by Bhutan Information Communication Media Authority (BICMA). The fund balance as of 31<sup>st</sup> March, 2015 stood at Nu.293.669 million, an increase of 34.2% over the previous year. The fund received about Nu.87.413 million over the period through license fee collections from B-mobile and T-cell and permit fees from international film producers filming in the country. These permit fees are deposited into the Media Development Fund (MDF) which is a part of Universal Service Fund.

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

The Bhutan Health Trust Fund was launched on 12<sup>th</sup> May, 1998 at the WHO Headquarters with an initial fund of USD 1.923 million. The fund is managed by the BHTF Secretariat under the Ministry of Health.

The fund balance as of March 31, 2015 stood at Nu.1,231.624 million which is a decrease of 8.3% over the previous year. The decrease is due to utilization

of Nu.69 million for financing the procurement of essential drugs during the period. The co-financing for the pentavalent vaccines for the year 2015 was worth USD 0.093 million or equivalent of Nu.5.855 million. A sum of Nu.0.030 million was also spent for operational expenses.

The Move for Health in October 10, 2014 mobilized Nu.5.888 million. The Government transferred the health contributions to the Health Trust Fund from 1<sup>st</sup> July, 2014. This arrangement is expected to help BHTF achieve its objectives of financing the supply of essential drugs on a sustainable basis.

### **9.5 Bhutan Education Endowment Fund**

The Bhutan Education Endowment Fund was established in June, 2014 with an initial fund of Nu.10 million. The fund is management by the Ministry of Education. The main objective of the fund is to improve quality of education and supports schools and institutions to undertake educational researches, enhancing and integrating ICT in education and other educational programs. The fund has earned an interest income of Nu.0.107 million till date through investment in fixed deposit. The fund balance as of March, 2015 is Nu.10.107 million.

No activities are carried out under the fund as the Ministry of Education is in the process of establishment of Fund Management Board and formulation of byelaws and guidelines.

**Table 9.1: Position of Trust Funds**

	Name of the Fund	Opening Balance as of June, 2014	FY 2014-15			
			Actual Income	Actual Expenditure	Fund Balance (31 <sup>st</sup> March, 2015)	% Change
1	Cultural Heritage Fund (Nu.in millions)	52.710		Nil	55.753	5.8
2	Bhutan Trust Fund for Environmental Conservation (USD in millions)	43.730	1.129	2.327	46.435	5.8
3	Universal Service Fund for ICT (Nu.in millions)	206.256	87.413	Nil	293.669	34.2
4	Bhutan Health Trust Fund (Nu.in millions)	1,396.870	5.888	171.134	1,231.624	-8.3
5	Bhutan Education Endowment Fund (Nu. in millions)	10.000	0.107	Nil	10.107	1.05

## CHAPTER 10: HYDROPOWER DEVELOPMENT IN BHUTAN

### 10.1 Background

According to the 2003-2022 Power System Master Plan (PSMP), Bhutan has a total hydropower potential of about 30,000MW. Of the total potential, techno-economically feasible potential is about 23,765MW which can be harnessed from 64 run-of-the-river and 6 storage projects, considering projects above 10MW capacity.

The 360 KW Jungshina Mini Hydel in Thimphu was the first hydropower plant to be built in 1967 to supply electricity to the capital city. The total hydropower capacity developed till date is 1,606 MW (excluding small, mini and micro hydro capacity of 8 MW) which is about 6.75% of the techno-economic potential or 5.35% of the total theoretical potential. Hydropower is considered as the main backbone and driver of the nation's economy. It has become one of the major source of Government revenue and transformed the economy since the commissioning of Chhukha hydropower project in 1986-88, besides meeting the energy security of the nation. Realizing the opportunities from the hydropower development, numerous other projects, viz., 60 MW Kurichhu, 64 MW Basochhu-I & II and 1,020 MW Tala were constructed and commissioned in 2001, 2002-05 and 2006-07 with the bilateral assistance of the Governments of India and Austria. The national peak demand of electricity is growing at an annual average rate of 12.2% for the past ten years (2005-2014) and at this trend the demand will double in about six years. Likewise, the average annual energy consumption is also growing at 14.17% during the same period which is expected to double in five years at the current growth rate. The peak demand recorded for 2014 was 333.41 MW as against the available firm power capacity of 293 MW from then existing projects, thereby necessitating the construction of hydropower projects to meet the overall domestic energy security, especially for the winter months. The development and

growth of electricity sector is broadly in keeping with the Bhutan Electricity Act 2001 and the Bhutan Sustainable Hydropower Development Policy 2008.

Given the huge hydropower potential, its comparative advantage and dependence of the other economic sectors on electricity, Bhutan has embarked on an accelerated hydropower development in 2006-08 through which a commitment to develop 10,000 MW by 2020 was initiated with the GoI. To support the Government's initiative to accelerate hydropower development, the GoI has agreed to finance the projects and purchase all surplus electricity at a mutually agreed tariff.

Revenues generated from the hydropower plants have enabled Bhutan to slowly but gradually enhance its domestic revenue to finance its recurrent expenditure and some portion of the capital expenditure. Since the hydropower sector is one of the major sources of revenue and foreign exchange, the realization of the goal of self-reliance will mainly depend on the harnessing of the full hydropower potential.

## **10.2 Hydropower Benefits**

Since the commissioning of Chhukha Hydropower Plant, besides meeting the power requirements and enabling the growth of industries, the domestic revenue from the hydropower has steadily increased. The hydropower exports account for about 36% of the total exports of the country (2008 to 2014). In FY 2014-15, the hydropower sector is projected to generate estimated gross revenue of Nu.12.5 billion from the five hydropower plants of Chhukha, Tala, Kurichhu, Basochhu and the newly commissioned Dagachhu hydropower plants with combined installed capacity of 1,606 MW.

Our economy has been facing numerous balance of payments challenges in recent years in the form of acute shortage of Indian rupee. As most of our hydropower projects are financed in Indian rupee, its inflows are adequate to finance the merchandize imports related to hydropower. As such, the impact of hydropower projects on macroeconomic imbalance is minimum during the construction phase. After the projects are commissioned, the sale of surplus electricity generates Indian rupee which contributes to the build-up of Indian rupee reserve that is critically needed in the economy for financing imports from India. Besides debt servicing, hydropower plants contribute substantial revenue in the form of CIT and dividends. Loan for the Chhukha hydropower plant was liquidated in January 2007, while loan for Kurichhu and Tala will be fully repaid by FY 2015-16 and FY 2018-19 respectively.

### **10.3 Ongoing projects and future hydropower plans**

In order to implement the 10,000MW initiative, the Governments of Bhutan and India as per the Agreement of 28<sup>th</sup> July, 2006 and its Protocol of 16<sup>th</sup> March, 2009, through the Empowered Joint Group (EJG), had identified six projects to be developed through the Inter-Governmental (IG) arrangement and another four projects under the Joint Venture modality. Currently, three projects are under construction while the balances are being planned for construction in the near future. The ongoing 1,200 MW Punatsangchhu-I hydropower project, with 73.2% of the works complete as of April 2015, is scheduled to be commissioned in July 2019. The 720 MW Mangdechhu and 1,020 MW Punatsangchhu-II hydropower projects, which are also under construction, are scheduled to be commissioned by May and June 2018, respectively. In terms of implementation progress, 62% of the works has been completed for Mangdechhu hydropower project and 61% for Punatsangchhu-II hydropower projects as of April 2015.

The other hydropower projects are at different stages of construction and planning. Construction works on the 600 MW Kholongchhu hydropower and 118 MW Nikachu projects have already begun. Detailed Project Reports for 700 MW Chamkharchhu, 570 MW Wangchhu and 180 MW Bunakha projects have been completed. Further, Sankosh, Amochhu and 2,640 MW Kuri Gongri projects are at various stages of discussions. The financing modalities for these projects will be through joint ventures (JV), public private partnership (PPP) and the inter-governmental (IG) arrangement.

In addition to the above, as part of the 11<sup>th</sup> FYP, the Department of Hydropower & Power Systems (DHPS), MoEA is in the process of carrying out reconnaissance studies, pre-feasibility studies and detailed project reports of the following:

- a. **Reconnaissance Studies** of 7 Projects; 747MW Amochhu-I, 500MW Amochhu-II, 73MW Jhomori (Dhansiri), 94MW Kholongchhu (Yangtse), 71MW Samchhu, 77MW Pachhu and 55MW Pipingchhu;
- b. **Pre-Feasibility Studies (PFS)** of 8 Projects; 168 MW Dangchhu, 568 MW Chamkharchhu-II, 382 MW Chamkharchhu-IV, 463 MW Nyera Amari-I & II (integrated), 45 MW Gamri-I & 100 MW Gamri-II, 107MW Shongarchhu, 140MW Dagachhu-II and 1,800 MW Manas Reservoir. Of the eight projects, two projects of Nyera Amari (integrated) and Gamri-I & II (Integrated) have been allocated to DGPC for taking up the PFS studies.
- c. **Detailed Project Reports (DPR)** of 1,230MW Rotpashong, and two balance projects from the projects whose PFS are completed will be selected for preparation of DPRs through various funding sources. The DPR preparation of 1,230 MW Rotpashong HEP has been allocated to DGPC for which the studies are under advanced progress.



## 10.4 Hydropower financing modality

Given the size of investments for hydropower projects, special financing arrangements are made and the corresponding budgets are not included in the Government's budgetary system. In view of its relatively huge investment size as compared to the regular budget allocations, the hydropower budget is not included in the FYP outlay and in the annual budget as it will disproportionately increase the FYP outlay and distort the fiscal parameters. As such, the hydropower projects are implemented outside the FYP. However, the loan disbursements for hydropower project is recorded in the total debt stock and reported in the Annual Financial Statement which is audited by the Royal Audit Authority on annual basis.

The financing modality for the IG and JV projects are defined in the bilateral agreements. The bilateral agreement empowers the respective project authorities for implementing the project and disbursing the funds as per the work progress. As such funds are directly disbursed to the project by the GoI. As per the bilateral agreement, the hydropower projects are handed over to the RGoB by the project authority within two years of completion of the projects.

In view of the importance attached to the hydropower sector as the main driver of the economic growth and main source of Government revenue, the Government will continue to invest in the hydropower projects to realize its full potential. For achieving the objective of self-reliance, development of hydropower sector will be critical. Nevertheless, given the size of investment and magnitude of construction activities taking place at the same time, the Government will be cautious in ensuring the adverse impact on the economy during the construction period. Since hydropower generates clean energy that is affordable and sustainable, it will go a long way in improving the livelihood of the Bhutanese people and in realizing GNH.

## CONCLUSION

The Budget for FY 2015-16 has been prepared in close consultation with the budgetary agencies and a lot of care and diligence have been put to formulate the budget. Every efforts has been made to accommodate the requirements of the agencies to ensure that priority programmes and activities of the 11<sup>th</sup> FYP received adequate allocations for its implementation.

For the first time, the Budget for FY 2015-16 has been prepared based on the Annual Performance Agreements (APA) targets of the agencies agreed with the Hon'ble Prime Minister. The APA facilitated the Ministry of Finance and agencies to objectively align their expenditure plans to the targets and intended outcome for the FY. It has also served as a basis to minimize allocation for non-priority activities and reduce wasteful expenditure.

The report on the macroeconomic performance and outlook provides the economic prospects and challenges and will serve as a guide to the likely direction of the economy in the medium term. However, the projections are based on various assumptions and any change in the underlining assumptions may impact the economic outlook.

The Budget for FY 2015-16 is yet another milestone in the country's journey towards participatory democracy as it will be reviewed by the newly established Finance Committee. Such scrutiny shall ensure that the allocation of resources is aligned to the priorities of the 11<sup>th</sup> FYP for fulfilling the wishes and aspirations of the Bhutanese people.

As the entire nation is in the midst of celebrating the 60<sup>th</sup> Birth Anniversary of His Majesty the Drukgyal Zhipa and paying tribute for the peace and security enjoyed by the Bhutanese people, this budget report is especially dedicated to the

60<sup>th</sup> Birth Anniversary to fulfill the sacred aspirations of His Majesty the King and His Majesty the Drukgyal Zhipa in ensuring sustained economic growth, peace and prosperity in the country and achieving Gross National Happiness.

The Government and the people of Bhutan would like to express sincere gratitude and appreciation to all our development partners, particularly the Government of India, for their continued support.

The Government joins the Nation in paying sincere tributes to His Majesty the King and His Majesty the Drukgyal Zhipa for their continued guidance and care for the country and Bhutanese people. The Government also offers its prayers for good health and long life of their Majesties and His Holiness the Je Khenpo. May the guardian deities of the glorious Palden Drukpa forever protect and guide the Bhutanese people and Drukyul.

## ANNEXURES

### Annexure 1: Annual capital budget of Dzongkhags including activities implemented by central agencies for the Dzongkhags - FY 2015-16.

*Nu. in millions*

Dzongkhags	Total Dzongkhag	From Central Agencies	Total
Chhukha	172.872	11.560	184.432
Haa	106.588	4.952	111.540
Paro	110.980	62.717	173.697
Samtse	194.677	221.410	416.087
Tsirang	92.943	49.617	142.560
Dagana	117.596	11.169	128.765
Punakha	128.405	73.810	202.215
Wangdue Phodrang	151.416	235.489	386.905
Bumthang	157.084	22.277	179.361
Sarpang	186.634	161.034	347.668
Zhemgang	154.582	12.390	166.972
Tongsa	184.134	4.879	189.013
Lhuentse	206.388	68.150	274.538
Mongar	219.794	108.996	328.790
Pema Gatshel	244.556	219.486	464.042
Samdrup Jongkhar	161.224	178.150	339.374
Tashigang	269.845	64.073	333.918
Thimphu	116.800	52.856	169.656
Gasa	108.823	37.320	146.143
Tashi Yangtse	186.137	13.900	200.037
<b>Total Amount</b>	<b>3,271.478</b>	<b>1,614.235</b>	<b>4,885.713</b>
<p><i>Note: From total capital allocation of Nu.3,271.478 million, Nu.1,411.121 million represents activities to be implemented in the Gewogs.</i></p>			

## Annexure 2: Gewog wise capital budget for FY 2015-16 with activities implemented by central agencies & Dzongkhags

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
1	Sampheling, Chhukha	13.552	1.132	1.410	16.094
2	Bongo, Chhukha	15.099	3.150	9.059	27.308
3	Chapchha, Chhukha	8.241	-	22.678	30.919
4	Dungna, Chhukha	6.117	33.950	18.000	58.067
5	Geling, Chhukha	8.054	5.840	20.450	34.344
6	Darla, Chhukha	19.558	1.700	2.000	23.258
7	Getana, Chhukha	6.537	65.883	0.750	73.170
8	Bjachho, Chhukha	7.892	-	11.870	19.762
9	Lokchina, Chhukha	16.515	9.147	6.350	32.012
10	Metakha, Chhukha	5.837	-	8.510	14.347
11	Phuentsholing, Chhukha	16.504	45.924	1.510	63.938
12	Bji, Haa	9.688	2.950	2.055	14.693
13	Sombey, Haa	9.967	26.679	7.100	43.746
14	Katsho, Haa	4.835	0.100	4.550	9.485
15	Sama, Haa	7.373	1.500	1.500	10.373
16	Iusu, Haa	7.002	-	33.600	40.602
17	Gakidling, Haa	10.009	36.481	2.250	48.740
18	Dobshari, Paro	8.265	-	-	8.265
19	Dogar, Paro	7.565	-	0.300	7.865
20	Doteng, Paro	6.269	0.100	2.800	9.169
21	Hungrel, Paro	5.354	-	-	5.354
22	Lango, Paro	8.510	-	-	8.510
23	Lungnyi, Paro	7.337	0.100	8.000	15.437
24	Naja, Paro	11.935	-	1.051	12.986
25	Shaba, Paro	10.152	-	4.075	14.227
26	Tsento, Paro	13.017	16.307	5.000	34.324

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
27	Wangchang,Paro	13.097	-	2.600	15.697
28	Bara,Samtse	17.150	54.094	14.556	85.800
29	Biru,Samtse	14.192	14.024	-	28.216
30	Chargharey,Samtse	13.767	0.130	4.000	17.897
31	Chengmari,Samtse	16.417	0.330	-	16.747
32	Denchukha,Samtse	13.987	42.186	1.250	57.423
33	Dorokha,Samtse	20.010	26.924	12.169	59.103
34	Dumteod,Samtse	9.257	9.224	2.250	20.731
35	Yoedseltsey,Samtse	17.919	17.500	7.900	43.319
36	Namgaychheoling,Samtse	13.863	4.314	-	18.177
37	Ugyentsey,Samtse	8.933	0.130	-	9.063
38	Pugli,Samtse	16.075	0.500	5.100	21.675
39	Samtse,Samtse	14.932	3.640	0.800	19.372
40	Sibsu,Samtse	11.765	1.830	14.166	27.761
41	Tading, Samtse	18.157	10.474		28.631
42	Tendu,Samtse	18.505	4.200	6.311	29.016
43	Beteni,Tsirang	5.987	0.300	4.191	10.478
44	Dunglagang,Tsirang	5.334	0.150	2.141	7.625
45	Barshong,Tsirang	4.409	0.150	0.441	5.000
46	Goseling,Tsirang	6.655	0.150	0.841	7.646
47	Rangthangling,Tsirang	5.699	0.300	2.541	8.540
48	Kilkhorthang,Tsirang	7.111		5.591	12.702
49	Mendelgang,Tsirang	6.385	1.500	1.791	9.676
50	Pataley,Tsirang	6.130	30.300	7.191	43.621
51	Phuentenchhu,Tsirang	5.508	15.500	0.041	21.049
52	Shemjong,Tsirang	5.852	0.150	4.231	10.233
53	Tsholingkhar,Tsirang	5.811	-	4.603	10.414
54	Tsirangteod,Tsirang	5.334	74.720	-	80.054

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzong-khags</b>	<b>Grand Total</b>
55	Dorona,Dagana	5.771	36.571	-	42.342
56	Dujeyang,Dagana	7.949	26.300	5.000	39.249
57	Gesarling,Dagana	7.164	2.100	-	9.264
58	Goshi,Dagana	7.770	-	2.550	10.320
59	Kana,Dagana	8.411	14.312	0.440	23.163
60	Khebisa,Dagana	6.508	-	4.330	10.838
61	Lajab,Dagana	5.977	3.959	4.700	14.636
62	Trashiding,Dagana	7.607	0.150	2.000	9.757
63	Tsendagang,Dagana	7.209	4.510	3.070	14.789
64	Tsangkha,Dagana	6.770	3.920	12.651	23.341
65	Tseza,Dagana	6.970	-	45.342	52.312
66	Karmaling (Deorali),Dagana	8.821	1.900	0.980	11.701
67	Lhamoizingkha,Dagana	7.029	8.880	9.500	25.409
68	Nichula,Dagana	4.900	10.810	4.000	19.710
69	Chhubu,Punakha	9.454	49.873	7.877	67.204
70	Goenshari,Punakha	4.875	1.113	6.028	12.016
71	Guma,Punakha	9.079	-	9.043	18.122
72	Kabjisa,Punakha	8.829	0.100	7.302	16.231
73	Lingbukha,Punakha	4.255	-	0.643	4.898
74	Shengana,Punakha	6.149	-	3.199	9.348
75	Talo,Punakha	6.384	22.500	5.384	34.268
76	Teowang,Punakha	8.051	0.885	1.079	10.015
77	Dzoma,Punakha	6.576	-	4.043	10.619
78	Baap,Punakha	7.964	-	0.043	8.007
79	Toebesa,Punakha	7.450	-	5.895	13.345
80	Bjena,Wangdue Phodrang	7.697	0.200	8.479	16.376
81	Dangchhu,Wangdue Phodrang	10.935	30.200	2.397	43.532

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
82	Daga, Wangdue Phodrang	7.125	0.300	0.948	8.373
83	Gangteod, Wangdue Phodrang	7.170	-	2.725	9.895
84	Gasetshogongm, Wangdue Phodrang	8.554	28.379	2.800	39.733
85	Gasetshowogm, Wangdue Phodrang	5.004	3.480	2.975	11.459
86	Kazhi, Wangdue Phodrang	8.599	1.221	15.200	25.020
87	Nahi, Wangdue Phodrang	5.737	-	3.200	8.937
88	Nyisho, Wangdue Phodrang	8.100	-	2.200	10.300
89	Phangyue, Wangdue Phodrang	7.795	-	4.962	12.757
90	Phobji, Wangdue Phodrang	8.485	18.364	17.634	44.483
91	Rubesa, Wangdue Phodrang	7.260	1.100	1.050	9.410
92	Sephu, Wangdue Phodrang	11.535	-	0.125	11.660
93	Athang, Wangdue Phodrang	10.929	2.543	9.596	23.068
94	Theedtsho, Wangdue Phodrang	6.720	9.900	28.275	44.895
95	Chhoechor, Bumthang	15.055	-	49.608	64.663
96	Chhumey, Bumthang	10.202	0.500	8.687	19.389
97	Tang, Bumthang	9.049	12.000	9.859	30.908
98	Ura, Bumthang	7.917	-	2.898	10.815
99	Samteyling, Sarpang	7.164	9.655	-	16.819
100	Chuzargang, Sarpang	7.833	-	-	7.833
101	Dekidng, Sarpang	10.428	0.500	-	10.928
102	Chhuzom, Sarpang	11.493	51.500	-	62.993
103	Gelegphu, Sarpang	8.341	17.750	-	26.091
104	Gakidling, Sarpang	10.546	-	-	10.546



*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
105	Jigmedchheoling,Sarpang	13.971	64.010	-	77.981
106	Shompangkha,Sarpang	6.587	1.711	-	8.298
107	Sershong,Sarpang	7.337	0.150	-	7.487
108	Singye,Sarpang	6.647	0.630	-	7.277
109	Umling,Sarpang	5.851	-	-	5.851
110	Tareythang,Sarpang	4.195	1.321	-	5.516
111	Bardo,Zhemgang	11.376	7.780	0.500	19.656
112	Bjoka,Zhemgang	7.764	33.035	9.300	50.099
113	Nangkor,Zhemgang	12.587	-	2.211	14.798
114	Ngangla,Zhemgang	13.221	0.722	4.715	18.658
115	Phangkhar,Zhemgang	10.085	13.825	0.485	24.395
116	Shingkar,Zhemgang	10.182	24.800	5.441	40.423
117	Tong,Zhemgang	12.277	30.200	22.204	64.681
118	Goshing,Zhemgang	9.118	0.650	0.500	10.268
119	Dagteng,Tongsa	7.869	11.700	13.290	32.859
120	Korphu,Tongsa	6.781	42.800	10.177	59.758
121	Langthel,Tongsa	10.129	14.069	28.282	52.480
122	Nubi,Tongsa	11.140	0.807	21.053	33.000
123	Tangsibji,Tongsa	7.514	-	5.940	13.454
124	Gangzur,Lhuentse	13.781	15.072	17.280	46.133
125	Jarey,Lhuentse	9.216	1.579	2.925	13.720
126	Khoma,Lhuentse	10.731	1.561	11.475	23.767
127	Kurteod,Lhuentse	9.631	30.558	22.875	63.064
128	Minjay,Lhuentse	8.316	11.707	1.375	21.398
129	Menbi,Lhuentse	9.721	0.067	25.613	35.401
130	Metsho,Lhuentse	7.982	26.578	0.875	35.435
131	Tsenkhar,Lhuentse	9.963	16.385	31.113	57.461
132	Balam,Mongar	7.064	-	1.700	8.764

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzong-khags</b>	<b>Grand Total</b>
133	Chhali,Mongar	8.078	0.150	-	8.228
134	Chaskhar,Mongar	11.222	38.100	4.000	53.322
135	Dametse,Mongar	10.745	25.631	32.700	69.076
136	Daypung,Mongar	7.512	20.000	-	27.512
137	Gongdue,Mongar	9.772	-	6.000	15.772
138	Jurmey,Mongar	11.765	-	14.700	26.465
139	Kengkhar,Mongar	11.638	0.350	2.500	14.488
140	Mongar,Mongar	12.321	0.100	20.000	32.421
141	Ngatshang,Mongar	7.945	30.000	3.700	41.645
142	Saleng,Mongar	12.154	0.630	8.000	20.784
143	Sherimuhung,Mongar	13.668	-	9.532	23.200
144	Silambi,Mongar	9.198	46.286	6.200	61.684
145	Thangrong,Mongar	9.649	19.053	4.279	32.981
146	Tsakaling,Mongar	7.780	0.431	8.000	16.211
147	Tsamang,Mongar	10.952	0.266	4.000	15.218
148	Narang,Mongar	9.078	-	-	9.078
149	Chongshing,Pema Gatshel	5.629	-	1.334	6.963
150	Chhimung,Pema Gatshel	4.887	0.300	15.204	20.391
151	Dungmin,Pema Gatshel	7.347	-	10.624	17.971
152	Khar,Pema Gatshel	7.722	46.750	10.628	65.100
153	Shumar,Pema Gatshel	10.980	-	49.297	60.277
154	Yurung,Pema Gatshel	5.277	6.000	1.449	12.726
155	Zobel,Pema Gatshel	6.872	-	40.251	47.123
156	Dechhenling,Pema Gatshel	7.913	49.548	10.598	68.059
157	Norbugang,Pema Gatshel	7.752	19.078	26.831	53.661
158	Nanong,Pema Gatshel	8.421	67.700	16.473	92.594
159	Choekhorling,Pema Gatshel	10.906	23.384	6.462	40.752

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
160	Phuentshothang,Samdup Jongkhar	12.930	41.797	-	54.727
161	Pemathang,Samdup Jongkhar	8.243	13.630	-	21.873
162	Gomdar,Samdup Jongkhar	22.778	29.604	-	52.382
163	Langchenphu,Samdup Jongkhar	8.314	0.330	-	8.644
164	Lauri,Samdup Jongkhar	14.515	29.280	-	43.795
165	Martshala,Samdup Jongkhar	13.540	0.130	-	13.670
166	Orong,Samdup Jongkhar	11.763	32.511	-	44.274
167	Samrang,Samdup Jongkhar	3.455	0.130	-	3.585
168	Serthi,Samdup Jongkhar	10.648	51.427	-	62.075
169	Dewathang,Samdup Jongkhar	11.350	-	-	11.350
170	Wangphu,Samdup Jongkhar	9.874	28.950	-	38.824
171	Bartsham,Tashigang	7.258	34.510	1.898	43.666
172	Bidung,Tashigang	7.380	20.600	5.575	33.555
173	Kanglung,Tashigang	13.368	-	3.008	16.376
174	Kangpara,Tashigang	10.695	30.000	8.718	49.413
175	Khaling,Tashigang	10.573	-	13.053	23.626
176	Lumang,Tashigang	15.414	1.800	20.940	38.154
177	Merag,Tashigang	10.742	5.458	9.774	25.974
178	Phongmey,Tashigang	9.707	21.222	4.317	35.246
179	Radi,Tashigang	10.353	23.200	3.494	37.047
180	Sagteng,Tashigang	10.642	-	5.539	16.181
181	Samkhar,Tashigang	8.908	-	5.792	14.700
182	Shongphu,Tashigang	11.239	5.250	2.204	18.693
183	Thimshing,Tashigang	8.501	20.600	9.557	38.658

*Nu. in millions*

	<b>Gewogs</b>	<b>Gewog Total</b>	<b>From Central Agencies</b>	<b>From Dzongkhags</b>	<b>Grand Total</b>
184	Udzorong, Tashigang	11.523	37.200	0.932	49.655
185	Yangnyer, Tashigang	9.496	24.736	1.035	35.267
186	Chang, Thimphu	7.315	-	10.500	17.815
187	Dagala, Thimphu	5.774	-	-	5.774
188	Ganyey, Thimphu	4.547	-	4.000	8.547
189	Kawang, Thimphu	7.390	-	30.500	37.890
190	Lingzhi, Thimphu	5.276	5.130	-	10.406
191	Mewang, Thimphu	11.278	-	4.500	15.778
192	Naro, Thimphu	4.492	18.130	4.000	26.622
193	Soe, Thimphu	4.058	3.130	-	7.188
194	Geonkhamed, Gasa	5.005	0.700	11.253	16.958
195	Geonkhateod, Gasa	4.621	0.200	7.757	12.578
196	Laya, Gasa	8.046	3.630	15.390	27.066
197	Lunana, Gasa	11.579	3.130	-	14.709
198	Bumdeling, Tashi Yangtse	10.699	-	29.517	40.216
199	Jamkhar, Tashi Yangtse	5.148	-	11.227	16.375
200	Khamdang, Tashi Yangtse	8.629	1.057	2.882	12.568
201	Ramjer, Tashi Yangtse	5.448	17.850	4.355	27.653
202	Teodtsho, Tashi Yangtse	6.596	17.700	8.117	32.413
203	Tongmizhangtsha, Tashi Yangtse	6.856	23.950	11.497	42.303
204	Yalang, Tashi Yangtse	6.117	7.650	0.927	14.694
205	Yangtse, Trashi Yangtse	6.918	1.500	8.482	16.900
	<b>Total Amount</b>	<b>1,884.240</b>	<b>2,240.734</b>	<b>1,411.121</b>	<b>5,536.095</b>

## Annexure 3: Proposed and Recommended budget of Legislative, Judiciary and Constitutional Bodies

### JUDICIARY

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment cost, Supreme Court	40.657	0.140	40.797	41.251	0.140	41.391	
2	Establishment cost, High court	23.572	0.400	23.972	21.799	-	21.799	
3	Establishment cost, 20 Dzongkhag Courts	149.549	8.050	157.599	145.299	1.330	146.629	
4	Establishment cost, 15 Dzongkhag Courts	59.166	1.435	60.601	56.182	0.535	56.717	
5	General provision for new appointments	3.500	-	3.500	3.500	-	3.500	
6	SAARC and other mandatory travels	0.660	-	0.660	0.500	-	0.500	
7	SAARC LAW Conference	0.990	-	0.990	0.990	-	0.990	
8	Judicial Council and Commission meetings	0.254	-	0.254	0.254	-	0.254	
9	Cost sharing training programme	-	0.500	0.500	-	0.500	0.500	
10	Thematic training / workshop	-	2.123	2.123	-	1.564	1.564	SDC Grant
11	Study visits of Judicial delegates	-	3.733	3.733	-	1.976	1.976	SDC Grant
12	Higher Studies in Law ( LLM )	-	16.038	16.038	-	0.320	0.320	SDC Grant
13	Set up Library and Archiving System at Supreme Court	-	0.993	0.993	-	0.403	0.403	SDC Grant
14	Update Electronic Case Information System	-	1.897	1.897	-	1.274	1.274	SDC Grant

## JUDICIARY

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
15	Upgrade Judiciary's website to web-based database	-	0.500	0.500	-	0.500	0.500	
16	Legal aid to indigent accused	0.300	-	0.300	0.100	-	0.100	
17	Procurement of card reader	-	0.500	0.500	-	0.150	0.150	
18	Procurement of library books	2.100	-	2.100	2.000	-	2.000	
19	Construction of Punakha Dzongkhag Court	-	25.000	25.000	-	25.000	25.000	SDC Grant
20	Construction of Wangdi Phodrang Dzongkhag Court	-	25.000	25.000	-	25.000	25.000	SDC Grant
21	Renovation works of High Court, Paro and Thimphu Dzongkhag Court	-	1.300	1.300	-	1.300	1.300	
22	Construction of approach road and other infrastructures for Zhemgang Dzongkhag Court	-	2.400	2.400	-	4.079	4.079	Approach road, drains, toilet and networking
23	Construction of approach road and other infrastructures for Dagana Dzongkhag Court	-	2.400	2.400	-	4.420	4.420	Approach road, drains, toilet and networking
24	Construction of Drangpon's residence at Gasa	-	0.420	0.420	-	6.384	6.384	spillover
25	Renovation of Dungkhag Courts	-	1.950	1.950	-	1.800	1.800	Phuentsholing, Lhingzhi and Samdrup Choling (Samdrup Jongkhar)

## JUDICIARY

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
26	Renovation of street light for Sarpang Dzongkhag Court	-	0.160	0.160	-	0.160	0.160	
27	Purchase of furniture for Drangpon's residence, Pema Gatshel	-	0.150	0.150	-	0.150	0.150	
28	E-litigation trainings	-	1.000	1.000	-	-	-	
29	Construct Drangpon's residence at Punakha	-	8.306	8.306	-	-	-	
30	Construction of public parking for Pema Gatshel Dzongkhag Court	-	1.500	1.500	-	-	-	
31	Construction of public toilet for Tashigang and Mongar Dzongkhag Court	-	0.300	0.300	-	-	-	
32	Construction of metal railing for Trongsa Dzongkhag Court	-	0.100	0.100	-	-	-	
33	Construction of retaining wall for Thrimshing Dungkhag Court	-	1.000	1.000	-	-	-	
34	Site development works for Dorokha Court	-	5.000	5.000	-	-	-	
35	Construction of Drangpon's residence at Dorokha Dungkhag	-	6.000	6.000	-	-	-	
	<b>Total</b>	<b>280.748</b>	<b>118.295</b>	<b>399.043</b>	<b>271.875</b>	<b>76.985</b>	<b>348.860</b>	

**ANTI-CORRUPTION COMMISSION**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment cost	39.764	-	39.764	39.684	-	39.684	
2	General provisions for new appointments	1.000	-	1.000	1.000	-	1.000	
3	Investigation services	4.443	-	4.443	4.143	-	4.143	
4	Basic investigation skills training on code of ethics and conflict of interest.	-	1.500	1.500	-	1.500	1.500	
5	Implementation of provision of UNAC (Convention against Corruption)	1.000	-	1.000	1.000	-	1.000	
6	Commission meetings	0.700	-	0.700	0.200	-	0.200	
7	Purchase of office equipment	-	9.000	9.000	-	9.000	9.000	For surveillance, interrogation & intelligence unit
9	Institutional strengthening and capacity development	0.780	21.964	22.744	0.780	21.964	22.744	SDC
10	Mainstreaming and implementation of National Anti Corruption and strategy 2014-2018	1.000	4.480	5.480	1.000	4.480	5.480	SDC
11	Strengthening integrity systems in civil society	0.600	1.000	1.600	0.600	1.000	1.600	SDC
12	Construction ACC office building in Phuenthsoling	-	40.000	40.000	-	-	-	Not in Plan
13	Purchase of Vehicle	-	3.000	3.000	-	-	-	
	<b>Total</b>	<b>49.287</b>	<b>80.944</b>	<b>130.231</b>	<b>48.407</b>	<b>37.944</b>	<b>86.351</b>	



**ELECTION COMMISSION OF BHUTAN**

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment cost	33.964	0.688	34.652	32.234	0.288	32.522	
2	General provision for new appointments	0.600	-	0.600	0.600	-	0.600	
3	Research & Publication	1.000	0.800	1.800	1.000	0.800	1.800	
4	Dzongkha development program	-	0.100	0.100	-	0.100	0.100	
5	Commission meetings	0.200	-	0.200	0.200	-	0.200	
6	Civic education for Training Institutes, Colleges, Schools and other Educational Institutes	-	0.330	0.330	-	0.330	0.330	
7	Procurement of library books	0.300	-	0.300	0.300	-	0.300	
8	Furnishing of ECB office building & site development works	-	17.128	17.128	-	10.000	10.000	
9	Construction of ECB Office Building	-	60.000	60.000	-	42.000	42.000	GoI (PTA)
10	Conduct training / workshops on gender, election module, civic education and voter information	-	1.000	1.000	-	1.000	1.000	
11	Procurement and store management training	-	0.580	0.580	-	0.580	0.580	
12	Consultation workshop on review of civic education curriculum	1.004	-	1.004	1.004	-	1.004	
13	National voter's day observance	2.051	-	2.051	0.500	-	0.500	
14	Human Resource Development programs		10.950	10.950	-	2.000	2.000	Recommended only for cost sharing
15	Bhutan Democracy Dialogue (BDD)	2.000	1.000	3.000	2.000	1.000	3.000	RGoB & DANIDA

**ELECTION COMMISSION OF BHUTAN**

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
16	LG and Thromde elections 2016	248.224	27.503	275.727	-	-	-	Nu.275 million kept under MoF.
17	Monitoring and evaluation of LG electoral process	0.500	-	0.500	-	-	-	
18	Voter Information Communication and Education (VOICE)	-	12.101	12.101	-	-	-	
19	E-learning pilot module development and implementation	-	1.230	1.230	-	-	-	
20	Fencing and preparation of prototype drawings for Election Offices in 20 Dzongkhags	-	3.500	3.500	-	-	-	Not in plan.
21	Bhutan Children's Parliament Session,	0.800	0.698	1.498	-	-	-	
22	Training on Democracy Club Coordinators	-	2.700	2.700	-	-	-	
23	Electoral experience sharing and collaboration network	0.180	1.393	1.573	-	-	-	
24	Training for political parties, functionaries and members	-	1.100	1.100	-	-	-	
25	Learning from experience programme from Local government Election	-	5.000	5.000	-	-	-	To be conducted in FY 2016-17
26	Conduct review of electoral process and procedures	1.520	0.800	2.320	-	-	-	
27	Meetings and workshops	1.362	-	1.362	-	-	-	
28	Develop Personal Information Management System (PIMS)	-	1.000	1.000	-	-	-	

**ELECTION COMMISSION OF BHUTAN**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
29	Review of accounts and monitoring of activities of political parties	0.500	-	0.500	-	-	-	
30	Replacement of vehicle	-	14.500	14.500	-	-	-	
31	Review and print various electoral rules, regulations, guidelines manuals and other important documents	-	0.500	0.500	-	-	-	
	<b>Total</b>	<b>294.205</b>	<b>164.601</b>	<b>458.806</b>	<b>37.838</b>	<b>58.098</b>	<b>95.936</b>	

**NATIONAL ASSEMBLY OF BHUTAN**
*Nu. in millions*

	Activity	Proposed			Recommended			Re- marks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment cost (Secretariat Services)	24.892	0.120	25.012	24.908	0.080	24.988	
2	Establishment Cost (Parliamentary Services)	70.654	0.250	70.904	70.144	0.250	70.394	
3	Dzongkha development programmes	-	0.150	0.150	-	0.150	0.150	
4	Maintenance of fire alarm, hydrant and security system in and around the Parliament House	1.760	1.500	3.260	1.760	-	1.760	
5	In-house printings and communications	2.100	1.215	3.315	2.650	0.515	3.165	
6	Parliamentary exchange programme	1.200	-	1.200	1.200	-	1.200	
7	Digitization of verbatim records	-	0.350	0.350	-	0.350	0.350	
8	Public Accounts Committee (PAC) Secretariat	0.884	-	0.884	0.884	-	0.884	
9	Youth parliamentary programme	-	0.500	0.500	-	0.500	0.500	
10	Assembly Session-Services	3.080	-	3.080	3.080	-	3.080	
11	Committee services	1.504	-	1.504	1.504	-	1.504	
12	Development of Parliamentary Museum	-	2.000	2.000	-	-	-	
	<b>Total</b>	<b>106.074</b>	<b>6.085</b>	<b>112.159</b>	<b>106.130</b>	<b>1.845</b>	<b>107.975</b>	

**NATIONAL COUNCIL OF BHUTAN**

*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Cur- rent	Capital	Total	Cur- rent	Capital	Total	
1	Establishment cost (Secretariat Services)	20.023	1.400	21.423	17.154	0.800	17.954	
2	Establishment cost (Council Services)	60.603	1.550	62.153	47.569	1.250	48.819	
3	General provision for new appointments	0.400	-	0.400	0.400	-	0.400	
4	Dzongkha development program	-	0.250	0.250	-	0.150	0.150	
5	Procurement of chadri items	-	0.200	0.200	-	0.200	0.200	
6	Printing of Acts, Resolutions, Q & A etc.	1.800	-	1.800	1.800	-	1.800	
7	Committee Services	0.944	-	0.944	0.900	-	0.900	
8	National Council Session Services	1.800	-	1.800	1.800	-	1.800	
9	Maintenance of X-Ray machine and hand held metal detector	0.650	-	0.650	0.650	-	0.650	
10	Installation of Danish Interpretation System (DIS) sets in National Council Hall	-	2.691	2.691	-	2.691	2.691	
11	Painting of National Council Hall with Bhutanese designs	0.500	-	0.500	0.500	-	0.500	
12	Installation of Security System	-	5.600	5.600	-	-	-	Boom Barrier, Sniper detection system kit
	<b>Total</b>	<b>86.720</b>	<b>11.691</b>	<b>98.411</b>	<b>70.773</b>	<b>5.091</b>	<b>75.864</b>	

**ROYAL AUDIT AUTHORITY**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment cost	82.772	1.450	84.222	80.760	1.450	82.210	
2	Establishment cost (4 Regional Offices)	55.766	0.200	55.966	54.798	0.100	54.898	
3	General provision for new appointments	1.500	-	1.500	1.500	-	1.500	
4	Printing of annual audit reports	1.335	-	1.335	1.335	-	1.335	
5	Dzongkha development program	-	0.200	0.200	-	0.100	0.100	
6	Printing and publication of RAA Strategic Plan 2015 - 2020	0.225	-	0.225	0.225	-	0.225	
7	Strengthening of transparency, efficiency, effectiveness, participation & accountability in Good Governance	-	1.600	1.600	-	1.600	1.600	UNDP
8	Strengthening capacity development of RAA	-	2.960	2.960	-	2.960	2.960	Govt. of Austria
9	Mandatory meeting / conference / seminars	6.177	-	6.177	4.263	-	4.263	
10	Continuing professional development program	-	1.000	1.000	-	1.000	1.000	
11	Development of Audit Resource Management System	-	3.000	3.000	-	3.000	3.000	
12	Participate in Trans-Regional Audits	-	2.000	2.000	-	2.000	2.000	

**ROYAL AUDIT AUTHORITY**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
13	Capacity Building in terms of meeting standards and requirement towards acquiring international clients.	-	1.500	1.500	-	0.500	0.500	
14	Carry out Audit Impact Assessment Study	-	1.000	1.000	-	1.000	1.000	
15	Conduct Client Satisfaction Survey	-	1.000	1.000	-	1.000	1.000	
16	Review of outcome of implementation of risk based pilot audit by external and internal auditors	-	1.000	1.000	-	1.000	1.000	
17	Workshop on development of modalities and study on implication of implementing international standards	-	2.000	2.000	-	2.000	2.000	
18	Construction of Professional Development Centre at Tsirang	-	56.860	56.860	-	56.860	56.860	GoI (PTA)
19	Carry out advocacy and awareness program on issues related to RAA	0.525	-	0.525	-	-	-	
20	Training and sensitization workshop on Accounting Standards	-	1.000	1.000	-	-	-	
21	Procurement of vehicle	-	4.600	4.600	-	-	-	
	<b>Total</b>	<b>148.300</b>	<b>81.370</b>	<b>229.670</b>	<b>142.881</b>	<b>74.570</b>	<b>217.451</b>	

**ROYAL CIVIL SERVICE COMMISSION**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
1	Establishment Cost	48.262	-	48.262	46.199	-	46.199	
2	General Provision for new appointment	0.800	-	0.800	0.800	-	0.800	
3	Construction of three rows office (RCSC, NEC & RCSC)	-	125.000	125.000	-	-	-	GoI
4	Human Resource Development Project	-	8.000	8.000	-	3.100	3.100	Govt. of Netherlands (SHRD-II)
5	Professionalizing the Civil Service	-	192.000	192.000	-	192.000	192.000	GoI
6	Nehru-Wangchuck scholarship	-	22.120	22.120	-	22.120	22.120	GoI
7	Cost Sharing HRD Program	-	10.574	10.574	-	10.574	10.574	
8	PH.D Program (Economics)	-	11.000	11.000	-	5.966	5.966	2 slots
9	Civil Service well-being	0.727	4.300	5.027	0.952	2.530	3.482	
10	Organizational Development (OD) exercise	1.602	-	1.602	1.602	-	1.602	
11	Civil Service Award	-	6.000	6.000	-	6.000	6.000	about 1,500 awards
12	HR Conference	0.954	-	0.954	0.954	-	0.954	
13	5th SAARC Public/ Civil Service Commission meeting	5.100	-	5.100	5.100	-	5.100	
14	Bhutan Civil Service Exam services	11.573	0.250	11.823	11.573	-	11.573	
15	International Volunteers / Memorandum of Understanding	0.263	-	0.263	0.263	-	0.263	
16	Improvement of web based services	0.239	2.750	2.989	0.239	2.750	2.989	



**ROYAL CIVIL SERVICE COMMISSION**
*Nu. in millions*

	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
17	Bhutan Civil Service System (BCSS) reforms	1.152	-	1.152	1.152	-	1.152	
18	Executive Forum	2.750	-	2.750	1.573	-	1.573	Govt. of Austria & RGoB
19	Performance Management System (PMS)	0.677	14.154	14.831	0.677	8.630	9.307	Govt. of Austria & RGoB
20	Bhutan Executive Services Training (BEST)	-	14.224	14.224	-	14.224	14.224	Govt. of Austria & RGoB
21	Ex-country executive training	-	11.328	11.328	-	9.060	9.060	Govt. of Austria & RGoB
22	Consultative meeting on BCSR 2016	2.017	-	2.017	1.192	-	1.192	
23	Dzongkha development services	-	0.100	0.100	-	0.100	0.100	
24	Commission meetings	0.432	-	0.432	0.200	-	0.200	
25	11thFYP staffing plan	0.477	-	0.477	-	-	-	
26	HRD program for Kidu Officers	-	3.152	3.152	-	-	-	
27	HRD program for RCSC Secretariat	-	2.000	2.000	-	-	-	
	<b>Total</b>	<b>77.025</b>	<b>426.952</b>	<b>503.977</b>	<b>72.476</b>	<b>277.054</b>	<b>349.530</b>	

## Annexure 4: Government Equity Holdings

	Corporations	Shareholding as on 31/12/2014		
		No. of shares	Value (Nu. in millions)	% Holding
	Direct Shareholding			
1	Army Welfare Project	25,000	25.00	100%
2	Bhutan Agro Industries Limited	290,636	29.06	100%
3	Construction Development Corp.	4,213,830	401.38	100%
4	National Housing Development Corp	2,648,092	2,648.09	100%
5	Wood Craft Centre Limited		98.82	100%
6	Kuensel Corporation	255,000	25.50	51%
7	Druk Holding & Investments Ltd	443,335,142	44,333.51	100%
8	Food Corporation of Bhutan	15,000	15.00	100%
9	Bhutan Postal Corporation	235,952	23.5952	100%
10	Bhutan Broadcasting Service Limited	1,308,351	130.835	100%
11	Bhutan Development Bank	287,000	287.00	95.67%
<b>Shareholdings through DHI</b>				
	Corporations	Shareholding as on 31/12/2014		
		No. of shares	Value (Nu. in millions)	% Holding
1	Penden Cement Authority Limited	1,521,074	152.107	44.74%
2	Bhutan Board Products Limited	668,334	66.83	47.74%
3	Bhutan Ferro Alloys Limited	385,946	38.59	25.73%
4	Natural Resource Development Corp.	300,000	30.00	100%
5	Dungsam Cement Corporation	50,739,479	5,073.95	100%
6	Dungsam Polymers	421,890	42.19	51%
7	DHI Infra	2,000,000	200.00	100%
8	Druk Green Power Corporation	30,508,291	30,508.29	100%
9	Koufuku International Pvt. Ltd	150,000	15.00	30%
10	State Trading Corporation of Bhutan	917,605	91.76	51.00%
11	Druk Air Corporation	22,252,111	2,225.21	100.00%

12	Bhutan Telecom Corporation	854,082	854.082	100.00%
13	Bhutan Power Corporation	8,190,191	8,190.19	100.00%
14	Thimphu TechPark	960,761	96.08	51.00%
15	Bhutan National Bank	14,578,552	145.786	11.50%
16	Bank of Bhutan	1,200,000	1,200.00	80.00%
17	Royal Insurance Corporation of Bhutan Ltd	1,883,900	18.84	39.25%

## Annexure 5: Details of SOE Debts and Sovereign Guarantees issued by RGoB

**Table 1: SOE Borrowings**

*Nu. in millions*

SOE	SOE Borrowings	Share of Govt. exposure to SOE Debts
DHI	350	350
DGPC	10,215	10,215
BFAL	72	19
Dungsam Cement Corporation	5,076	5,076
Dungsam Polymers Ltd	113	58
NRDC	35	35
WCCL	9	9
Bhutan Telecom	244	244
Thimphu Tech Park	29	15
NHDC	250	250
BoBL	500	400
BDBL	1,519	1,420
BNBL	876	101
RICBL	4,248	1,667
Kuensel Corporation	3	1
Drukair Corporation	733	733
BPC	5,988	5,988
<b>Total SOE Debts</b>	<b>29,912</b>	<b>26,233</b>

**Table 2: Sovereign Guarantees for SOE Borrowings***Nu. in millions*

<b>Name of the beneficiary</b>	<b>Date of issue</b>	<b>Issued to</b>	<b>Term</b>	<b>Purpose of Issue</b>	<b>Original Guaranteed Amount</b>	<b>Balance</b>
Bhutan Ferro Alloys Limited	11/12/2004	EKSPORTFI-NANS, Norway	10 years	Import of furnace	424.235	71.09
Bhutan Development Bank Ltd.	22/11/2005	Bank of Bhutan	10 years	Credit Expansion	500.00	100.00
Dharma Industries	30th July 2007	Bhutan National Bank Limited	10 years	Working capital for establishment of industry to manufacture statues	15.00	4.32
Bhutan Development Bank Ltd.	2nd April 2008	National Pension and Provident Fund	10 years	Rural Credit including SME	400.00	300.00
<b>Total</b>					<b>1,339.24</b>	<b>475.41</b>

## Annexure 6: Assets, reserves and net worth of SOEs

*Nu. in millions*

SOEs	Assets		Reserves		Net Worth		Govt. share of net worth	
	2013	2014	2013	2014	2013	2014	2013	2014
AWP	1,188.77	1,305.53	952.25	1,051.90	977.25	1,076.90	977.25	1,076.90
BAIL	80.93	95.43	38.24	47.07	67.30	76.13	67.30	76.13
BBSC	761.24	724.77	21.14	34.27	701.16	662.51	701.16	662.51
B. Postal	249.94	252.57	66.17	79.47	140.98	143.75	140.98	143.75
CDCL	794.80	718.46	54.24	45.12	475.62	466.50	475.62	466.50
FCBL	463.55	453.08	129.98	156.53	376.09	329.61	376.09	329.61
WCCL	143.44	131.98	30.60	37.41	103.92	110.73	103.92	110.73
BTL	4,243.93	4,291.25	878.55	1,218.85	3,277.16	3,535.06	3,277.16	3,535.06
BPC	27,851.59	25,056.44	6.89	5.77	12,273.70	13,035.62	12,273.70	13,035.62
Drukair	4,104.15	4,047.90	29.18	29.18	2,624.33	2,488.40	2,624.33	2,488.40
DGPC	59,724.17	59,231.06	8,489.80	8,826.88	38,998.09	39,335.18	38,998.09	39,335.18
DHI Infra	358.07	315.89	34.37	54.30	209.42	213.46	209.42	213.46
DCCL	-	11,128.72	-	(1,129.79)	-	3,944.15	-	3,944.15
DPL	253.31	198.20	759.74	798.48	64.97	36.85	33.14	18.79
NRDC	778.31	712.16	378.36	402.73	573.81	546.36	573.81	546.36
NHDC	2,945.51	3,042.00	-	-	2,735.50	2,744.87	2,735.50	2,744.87
BDBL	10,426.65	16,563.30	574.77	643.52	2,119.59	2,463.81	1,981.81	2,303.66
BoBL	30,563.38	39,793.61	1,160.32	1,248.20	3,552.38	4,305.88	2,841.91	3,444.71
Kuensel	225.54	242.23	89.28	97.02	154.13	161.75	78.61	82.49
STCBL	440.11	581.22	50.50	54.73	274.95	282.92	140.23	144.29
BBPL	344.19	317.57	62.66	67.25	302.88	294.22	144.59	140.46
PCAL	1,720.57	1,554.05	787.77	729.54	1,101.80	1,275.81	492.95	570.80
RICBL	9,306.65	12,347.31	349.06	435.54	1,764.56	2,793.91	692.59	1,096.61
TTPL	264.44	302.68	-	-	33.63	155.60	10.43	48.24
BFAL	1,318.19	1,415.37	297.99	494.00	884.06	988.91	227.47	254.45
BNBL	26,665.82	29,093.25	705.58	902.71	5,740.03	6,912.36	781.22	940.77

## Annexure 7: Year-to-Year comparison of revenue, expenses and profitability of SOEs

*Nu. in millions*

SOEs	Gross Revenue			PBT			ROE (%)	
	2014	2013	Variance (%)	2014	2013	Variance (%)	2014	2013
AWP	1177.66	926.71	0.27	254.67	208.59	0.22	0.16	0.15
BAIL	144.81	122.41	0.18	17.89	15.21	0.18	0.16	0.15
BBPL	329.94	331.17	-0.004	8.89	55.89	-0.84	0.02	0.15
BBS	290.01	291.22	-0.004	-3.40	-2.94	0.16	-0.01	0.00
BDB	1374.53	1021.27	0.35	281.96	279.27	0.01	0.11	0.13
BFAL	2025.09	2298.54	-0.12	285.76	164.47	0.74	0.19	0.13
Bhutan Post	115.40	125.53	-0.08	8.32	21.72	-0.62	0.03	0.11
BNB	2344.24	2216.91	0.06	1056.84	704.73	0.50	0.11	0.08
BoB	2430.41	2176.40	0.12	1180.67	957.27	0.23	0.20	0.19
BPC	7275.06	6420.29	0.13	1593.09	1372.46	0.16	0.08	0.08
BT	2401.47	2328.43	0.03	697.03	675.25	0.03	0.13	0.13
CDC	477.38	526.19	-0.09	0.67	2.79	-0.76	0.00	0.00
DGPC	13905.77	13051.66	0.07	7219.51	7526.47	-0.04	0.13	0.13
DCCL	1598.43	0.00	0.00	-1129.73	0.00		-0.29	0.00
Drukair	2895.64	2985.46	-0.03	-102.81	217.30	-1.47	-0.05	0.05
DHI Infra	84.09	27.49	2.06	5.11	10.56	-0.52	0.02	0.04
DPL	105.35	81.45	0.29	-28.08	-24.99	0.12	-0.76	-0.38
FCB	996.16	955.52	0.04	5.21	52.43	-0.90	0.01	0.10
Kuensel	199.94	184.32	0.08	25.69	6.21	3.13	0.11	0.04
NRDC	396.60	409.08	-0.03	9.38	42.85	-0.78	0.01	0.05
NHDC	106.39	74.33	0.43	6.52	12.71	-0.49	0.002	0.005
PCA	1747.24	1937.54	-0.10	308.88	421.46	-0.27	0.16	0.25
RICB	2894.23	562.17	4.15	570.88	521.66	0.09	0.14	0.21
STCB	716.19	550.68	0.30	11.28	8.91	0.27	0.03	0.02
TTPL	13.00	5.04	1.58	11.26	-42.68	-1.26	0.07	-1.27
WCC	80.41	72.13	0.11	9.54	7.17	0.33	0.06	0.04





