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ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



MoF/Budget Call/2013-14/ 1204

January 10, 2013

14

**Subject: Budget Call Notification for Financial Year 2013-14**

The Ministry of Finance hereby announces the **Budget Call** for Fiscal Year 2013-14, which is the **first year of the 11<sup>th</sup> Five Year Plan**. All budgetary agencies (Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs) are required to submit budget proposals as per the budget preparation guidelines provided.

Starting from this year, the Ministry of Finance would like to advise all Budgetary Agencies to provide a **narrative policy statement** highlighting program targets/outputs at the Ministry/Sector level in order to deepen the linkages between the proposed budget and program targets.

The macro-economic scenario provides the basis and input for preparation of realistic annual budgets. The macro-economic assumptions should help the agencies in formulation of Annual Budgets with proper prioritization of programs in carrying out public responsibilities. As envisioned in EDP 2010, the budget shall be geared towards achieving continued economic growth and full employment over the next five years. At the same time, we are also mindful of keeping the deficit to the minimum to avoid the possible adverse impact on the socio-economic front both now and in the future in terms of inflation, BoP, foreign exchange etc. As per the fiscal projections for 11<sup>th</sup> plan, the average percentage of fiscal deficit and resource gap to GDP have been worked out to 2.2% and 3%, respectively. Based on these macro-economic assumptions, the ceilings for respective budgetary agencies have been provided.

While proposing the budget, budgetary agencies must accord due consideration to the **implementation capacity** and **keep proposals within the given ceilings**. In formulating the budget proposal, budgetary agencies shall incorporate gender and ECP (Environment, Climate Change & Poverty) concerns into the respective budgets.

The Ministry of Finance would like to reiterate that budgetary agencies should be mindful of the implementation capacity and other constraints during the formulation of the budget. The

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issue of underutilization is being viewed by the Parliament seriously and the Ministry of Finance has been justifying the high levels of underutilization on behalf of the budgetary agencies. Since Heads of Agencies are responsible for budget execution as per section 29 of PFA, the concerned Agency Heads shall be held accountable for underutilization and this may affect subsequent years' budget allocation. This is to ensure a greater sense of accountability and a 'performance' or 'output' orientation of the budget.

From past trends, it is noted that *current expenditure* is increasing at a rate much higher than that of the *domestic revenue* increase. If this trend continues, it will be difficult to meet the recurrent expenses from the internal resources as required by Article 14, Section 6 of the Constitution. In this regard, the MoF would like to call on all budgetary agencies for collective responsibility in fulfilling this Constitutional mandate by being reasonable in their proposals.

All Budget/Accounts officials of the agencies must ensure that the budget proposals are reviewed, discussed with their respective agencies thoroughly and the proposals must be complete in all respects before submission to the DNB, MoF. They must submit it through the MYRB system available at [www.mof.gov.bt/myrbpems](http://www.mof.gov.bt/myrbpems) along with the justifications and necessary supporting documents to the DNB latest by **15<sup>th</sup> March 2013**. As required by the FRR-2001, a copy of the budget proposals may also be submitted to the GNHC Secretariat. In addition, all Dzongkhags must submit their sector budgets including the Gewogs' sector budgets to the respective sector Ministries.

The Ministry of Finance has prepared detailed guidelines based on the existing policies, rules & regulations. The attached budget preparation guidelines consist of two categories i.e. General and Specific Guidelines for strict adherence by the respective agencies during the preparation of the FY 2013-14 budget proposals. Proposals that are not in line with these guidelines will be returned to the respective agencies.



(Lam Dorji)  
**Finance Secretary**

Copy to:

All Heads of Ministries/Constitutional Bodies/Autonomous Agencies/Dzongkhags/ Gewogs.

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**Budget Preparation Guidelines for the FY 2013-14**

**A.General Guidelines:**

- All proposals must be in line with the draft 11<sup>th</sup> FYP.
- As this is the first budget of the 11<sup>th</sup> FYP, the resource situation is yet to be confirmed in full. Hence, budget shall be allowed only where funding has been confirmed, and other proposals will be incorporated as and when funding becomes available during the course of the year.
- Budgetary agencies must ensure that their proposals are comprehensive in all respects. For instance, all activities supported by Trust Funds must be included in the budget proposal.
- In order for the Ministry of Finance to arrive at a reasonable level of budgetary support, all quasi-corporations must submit detailed revenue projections and past year's actual revenue collection statement along with their budget proposals.
- Budget proposals must be prepared keeping in mind the restrictions in the Public Finance Act 2007 and amendment thereof with regard to supplementary budgets. It is important to ensure that there is no budget shortfall at the time of implementing the works. Therefore, focusing on fewer works rather than spreading out into too many activities is advised.
- Budgetary agencies should be mindful of the existing rules on non-permissibility of creation of new activity (ies) and object code(s) of expenditure.
- Budget/Accounts Officers must ensure that multi-year projections for both current and capital budget proposals are filled in at the time of the budget submission in MYRB.

**B.Specific Guidelines:**

**1.Recurrent Budget:**

In keeping with the mandate to meet the recurrent expenditure from domestic resources, the MoF has computed *recurrent budget ceilings* for all agencies. For your Agency, the recurrent budget ceiling inclusive of all funding sources is set at Nu. .... m.



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In submitting the current budget proposals, the budgetary agencies must observe the following:

- a. Provision for *pay & allowances* of regular & temporary employees whose services are directly associated with a project/activity including operations & maintenance cost should be *work-charged* to that project/activity so as to capture the true cost of the project/activity.
- b. “*Provision for new appointments*” (OBC 26.01) and retirement benefits (OBC 25.01) must be proposed based on the likely staff recruitments / superannuation.
- c. There will be no increase in the budget for *office stationeries, telephone, postage, electricity, water, etc.* from the levels of the FY 2012-13 approved budget.
- d. Budget for *mandatory participation* in regional, multilateral and international meetings should be included in the budget proposal of the relevant agencies. Participations in SAARC/BIMSTEC meetings will be proposed by the relevant agencies as per the annual programmes circulated by the Ministry of Foreign Affairs.
- e. Agencies must submit updated *inventories* of all the assets including buildings, equipment, computers, vehicles, etc. for maintenance budget.
- f. The current budget ceiling covers activities which do not form part of the normal running/operational cost. All budgetary agencies must reflect them as separate activities and clearly show the workings of the budget requirement. Such proposals must be supported by clear justifications along with full description of the intended outputs and outcomes and how this will contribute to the overall achievement of the 11<sup>th</sup> FYP objectives of your agency.

**2. Capital Budget:**

The capital ceiling for budgetary agencies is worked out at *16% of capital outlay of the draft 11<sup>th</sup> FYP* irrespective of the funding sources. However, it may be noted that the incorporation of projects and activities will be considered only after confirmation of funds during the budget hearings.

The following guidelines should be adhered to for the preparation of capital budget:

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- i. *New capital activities* irrespective of funding sources must be prioritized for FY 2013-14 as per the draft 11<sup>th</sup> FYP.
- ii. No budget will be considered for major works without *supporting documents*, viz: proper estimates, drawings, designs, and necessary clearances. However, budget for preparatory works only may be considered based on merits. This is to ensure that the agencies are ready to start the works on receipt of the budget.
- iii. In addition to the supporting documents, estimates of total project cost, the proposed budget requirements in each FY in MYRB at the activity level and a separate excel worksheet for sub-activity should be provided.
- iv. All related recurrent expenses of time-bound projects/constructions should be *capitalized* and booked as expenditure to that project/construction. Such expenses may include salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses etc.
- v. Budget for non-developmental capital activities such as furniture, office equipment and computers may be limited to a minimum in order to provide space for developmental activities.
- vi. The capital budget ceilings for Dzongkhags and Gewogs do not cover the works related to the education sector. Therefore, Dzongkhags should prepare the Education sector budget proposals in consultation with the Ministry of Education. They should then be consolidated with the Dzongkhag budget and submitted through the MYRB system.
- vii. There are many centrally-executed programmes and activities that do not form part of the Dzongkhags' and Gewogs' annual budgets. In order to capture such programmes and activities under the respective local governments for reporting to the Parliament, the concerned Budget/Accounts officers are required to carry out necessary tagging at the time of activity creation in the MYRB system.
- viii. Agencies must maintain the same budget line for spillover activities and keep the previous year's budget lines open for the completed activities at least for the next two years for any pending adjustment of advances.

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