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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG

MoF/Budget Call-Notification /2011-12/ 1874
January 11, 2011

Budget Call Notification for Financial Year 2011-12

This is to notify all Ministries, Autonomous Agencies, Dzongkhags and Gewogs to submit the budget proposals for the Financial Year (FY) 2011-12 of the Tenth Five-Year Plan (10FYP). As per fiscal projections, it is estimated that domestic revenue of Nu. 18,148.140 m will be available for appropriation for the FY 2011-12 out of which Nu. 17,736.156 m is earmarked for current expenditure. The Constitution mandates that the re-current expenditure should be met from the internal resources. However, from the earlier trend it is noted that the domestic revenue has been increasing at the rate much lesser than that of current expenditure. If this trend of current expenditure increase over domestic revenue continues, it will be difficult to meet the Constitutional requirement. Therefore, in the interest of maintaining fiscal sustainability, it is very important for the spending agencies to revisit and review the need for programs and activities that are not delivering their intended outcomes.

All spending agencies are requested to follow the general guidelines given as under:

- i. The budget proposals must be prepared online through the Multi-Year Rolling Budget (MYRB) system available at www.mof.gov.bt/myrbpems within the given budget ceilings;
- ii. The budget proposals shall be as per the approved programmes of the 10FYP, including the revisions emanating from the MTR;
- iii. The budget proposals for Accelerated Bhutan's Socio-economic Development (ABSD) initiatives of the Government where performance compacts have been signed shall be supported only if they are included in the 10FYP;
- iv. The budget proposals shall be prepared taking into consideration the provisions of the Public Finance Act 2007, Section 58, where supplementary budget is restricted. 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 is advised.
- v. As per existing rules, creation of new activity or activities and object of expenditure code (s) is not permitted. It is critical for the spending agencies to ensure that all priority *activities including spillover activities are included in the budget proposals.*
- vi. All capital budget proposals shall be submitted along with estimates, drawings, designs, and necessary clearances. This is to ensure that the agencies are ready to immediately start the execution of the budgeted works.



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- vii. Budget/accounts officers are to fill in the multi-year projections for both current and capital budgets at the time of activity creation. For the existing activities, the multi-year projection should be updated accordingly.

In addition to the above general guidelines, the following specific budget preparation guidelines are to be strictly observed:

1. Recurrent Budget Ceiling:

In keeping with Article 14, Section 6 of the Constitution and the Government's fiscal policy of meeting the recurrent expenditure from domestic revenue, the MoF has worked out a recurrent expenditure ceiling. For your Ministry/Agency/Dzongkhag/Gewog, the recurrent budget ceiling including both RGoB and external financing is set at Nu.....m.

- i. The current budget ceiling also includes the activities which do not form part of the normal running/operational cost. All the spending agencies are requested to reflect them as separate activities and clearly show the workings of the budget requirement. Such proposals shall be supported by clear justifications with full description of the intended outputs and outcomes which should contribute to the overall achievement of 10FYP objectives of your agency;
- ii. The spending agencies must submit the updated inventories of all the assets including buildings, equipment, computers and vehicles for maintenance budget;
- iii. The spending agencies shall include retirement benefits provision of the civil servants who are due for superannuation during FY 2011-12.
- iv. There will be no increase on the budget for office stationeries from FY 2010-11 levels.
- v. Budget for mandatory participation in regional, multilateral and international meetings shall be included in the budget proposal of the relevant agencies. The participation in SAARC/BIMSTEC meetings will be proposed by the relevant agencies as per the annual programs circulated by the Ministry of Foreign Affairs.

2. Capital Budget

For your Ministry/Agency/Dzongkhag/Gewog, the capital budget ceiling including both RGoB and external financing, is set at Nu.....m. The capital budget must be proposed based on *the implementation and absorptive capacity and the given budget ceiling*.

The following guidelines shall be observed for the preparation of capital budget:

- i. The ongoing activities that will not be completed within the current FY should be given priority over new activities and proposed as spillover works. Such activities have to be clearly indicated as spillover works in Budget Form III;



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- ii. All externally funded projects/activities with secured funding sources must be reflected in the budget proposal. Any additional budget incorporation within the FY shall not be accepted especially for those activities which are intentionally left out of the budget proposal;
- iii. From the FY 2011-12, all related recurrent expenses of time bound projects/constructions shall be capitalized and booked as expenditure to that project/construction. Such expenses shall include; salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses.
- iv. It is assumed that all the agencies have adequate furniture, office equipment and computers. Therefore, no budget shall be provided in the FY 2011-12 for procurement of furniture, office equipments and computers except for new appointees and new establishments. No budget shall be provided for new appointees on replacements;
- v. The capital budget ceilings for Dzongkhags and Gewogs do not apply to the Education Sector related works. Therefore, the Dzongkhags should prepare the Education budget proposals in consultation with the Ministry of Education and then consolidate with the Dzongkhag budget and submit in MYRB system ;
- vi. There are some Gewogs which are not connected by road access, without Gewog Office and RNR Centres. This has been factored in the respective Gewog ceiling;
- vii. In case of the construction of farm roads, the budget proposal must be submitted in the attached format given as Annexure I;
- viii. There are certain activities where the funds are kept in the Dzongkhags as well as in the concerned Ministries. Such activities includes farmers' training and study tours, supply of computer, supply of seeds and seedlings, extension kits, tools and equipments etc. These activities may be supported through externally funded projects from the concerned ministries. Therefore, the concerned Ministries are requested to ensure that there is no double budgeting for the same activity(ies) in the Dzongkhags.
- ix. There are many centrally executed programs and activities that do not form part of the Dzongkhags' and Gewogs' annual budgets. In order to capture such programs and activities under the respective local governments for reporting to the National Assembly, the concerned budget/accounts Officers are required to do necessary tagging at the time of activity creation in the MYRB system.

3. Trust Fund Supported Activities & Quasi-Corporations

In order to have a comprehensive budgeting and expenditure recording of the government funds, all Trust Funds' supported activities must be routed through the normal budgetary process and therefore must be included in the budget proposal.



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Quasi-corporations that receive subsidy from the government are requested to submit expected revenue statements together with their projected expenditure. Both revenue and expenditure projections are subject to scrutiny by the Ministry of Finance.

4. Budget Submission Date and Other Requirements

All the spending agencies shall submit the budget proposals for the FY 2011-12 through MYRB system both in soft and justifications along with supporting documents in hard copies to the DNB latest by Tuesday the **15th February, 2011**.

As required under FRR-2001, a copy each of the budget proposals shall also be submitted to the GNH Commission Secretariat. In addition, all Dzongkhags are requested to submit the sectoral budgets including the Gewogs sectoral budgets to the respective sector Ministries.

All are requested to comply with the above budget preparation guidelines. The budget preparation guidelines and additional forms are available and can be downloaded from the Ministry of Finance website <http://www.mof.gov.bt/dnb/notification.php>.

Should any spending agencies encounter any problems associated with MYRB systems, Phuntsho Wangdi, SBO may be contacted at pwangdi@mof.gov.bt or at Tel# 334995. For any technical related problems Younten Jamtsho, ITO may be contacted at yjamtsho@mof.gov.bt or Tel# 326771 at Ext 119.

Thank you all for your continued support and cooperation.


(Lam Dorji)
Secretary

Copy to:

1. Hon'ble Ministers for kind information and support.
2. All Ministries/Autonomous Bodies/Dzongkhags/Gewogs.