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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



F/MoF/Budget Notification/2009-10/ 31

July , 2009

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Budget Notification for the Financial Year (FY) 2009-10

The FY 2009-10 is the second year of the Tenth Five Year Plan (10FYP). As in the past year, the budget aims to achieve the poverty alleviation targets of the 10FYP. All the budget proposals received were scrutinized thoroughly to ensure that they were based on the approved 10FYP programs. The Ministry of Finance (MoF) was also guided by the principles of responsible financial management as laid down in Chapter II, Articles 4 and 7 of Public Finance Act - 2007 (PFA- 2007) as well as the Constitutional requirement of keeping the current expenditures within the availability of domestic revenue.

Total Budget for the FY 2009-10: The total budget approved by the 3rd session of the National Assembly for the FY 2009-10 is Nu. 30,402.336 million, as indicated below:

<u>Expenditure head</u>	<u>Amount in millions</u>	<u>Percentage</u>
a. Current	Nu. 13,594.134	44.72
b. Capital	Nu. 13,827.312	45.48
c. Lending	Nu. 693.667	2.28
d. Repayment	Nu. 2,287.223	7.52

The budget has a fiscal deficit of Nu. 4,805.921 million, accounting for about 6.91 % of GDP. The full budget report is available in the MoF website at www.mof.gov.bt.

The MoF would like to issue guidelines in two parts viz.

- I. General guidelines applicable to all the spending agencies; and
- II. Specific guidelines applicable to Dzongkhags and Gewogs.



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I. General guidelines applicable to all the spending agencies (These guidelines are applicable to Local Governments also).

- 1. Expenditure Ceilings:** The approved budget (for your agency's budget refer **Annexure I**) for the FY 2009-10 specifies the expenditure limits. *The MoF would like to request the spending agencies to remain within the allocated budgets while implementing activities sanctioned in the budget, as it is difficult to process supplementary budget as indicated below.*
- 2. Supplementary Budgets:** As per the Public Finance Act 2007, supplementary budget can be considered only under certain circumstances. According to Section 59 of the Public Finance Act 2007, "...no budgetary body shall make commitments or shall incur expenditure against supplementary budget proposals in anticipation of the approval of the proposal...". Further, as per Article 63, "No budgetary body shall make commitments that have financial implications beyond the limits authorized..."

However, the budget for pay and allowances, travel etc. are kept based on the existing strength. Moreover, at the time of preparing budget it is not known how many officials will be transferred and or go on voluntary resignation. As such, a reserve is maintained for such purposes and the Department of National Budget (DNB) shall transfer the required funds for the following:

- New appointments;
- Transfer grants for transferred employees; and
- Retirement benefits: For the employees whose retirement falls within the FY, budget is already provided under respective agency.



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However, as authorized under Article 60 of the PFA, supplementary budget could be considered “for expenditures that are financed by donors or co-financed jointly with the Government for a development project that has all the required Government approvals.”

3. **Streamlining of Fund Release Systems:** The fund release systems have been simplified. The revised fund release guidelines are available in the MoF website (www.mof.gov.bt) under the Circulars folder. All the spending agencies are requested to kindly note the modified fund release systems and act accordingly.
4. **Formula Based Recurrent Budgeting:** A standard formula has been used to arrive at the budget requirement under each recurrent expenditure head. The standard is agency specific and is based on the need, past expenditure trends, available relevant and updated information. This has helped the DNB to frame a credible and realistic budget. These standards are now included in Multi-Year Rolling Budget (MYRB) computerized system which will be launched soon.
5. **Transportation Budget:** The transportation costs of school stationeries, text books, medicines, hospital equipment etc. are to be **work charged** and hence, no separate provisions for transportation charges have been allocated from the FY 2009-10.
6. **Submission of Work Plan for Budgeted Activities and Progress Reports:** Article 23(h) of the PFA 2007 states that it is the responsibilities of the MoF to monitor the financial performance of budgetary bodies. The responsibility of output monitoring of the budget is entrusted to DNB. In order to carry out the monitoring, all the spending agencies are requested to prepare work plan and submit to the DNB. The work plan will be updated on quarterly basis. Budget Officers and heads of Accounts (where there are no Budget Officers) in the respective agencies will coordinate, compile and submit work



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plans. They will also monitor execution of capital budgets and submit their budget implementation reports to DNB on quarterly basis. In addition, *Articles 35 and 36 of the PFA 2007 stipulates that each budgetary body shall provide the Portfolio Minister and Ministry of Finance with half-yearly financial report.* For this purpose, a format has been designed and is attached as **Annexure II**. Article 72 of PFA also requires the Portfolio Minister to present a half yearly report against the portfolio performance intentions specified in the Budget to the Lhengye Zhungtshog. The work plan and the progress reports will enable the Budget Officers and the heads of Accounts (where there are no Budget Officers) to prepare and present such report to the Lhengye Zhungtshog.

7. **Mid-Year Budget Review:** As usual, the DNB will carry out a mid-year budget review from December 2009 onwards. The purpose of this exercise is to ascertain the status of budget implementation. *It may please be noted that the budgets for the succeeding year shall hence forth be provided based on the implementation capacity and the progress of the preceding year.*
8. **Activities Supported by Trust Funds:** Spending agencies are hereby informed that any activity funded through the Trust Funds should be routed through the budgetary process. This will ensure comprehensive budgeting and expenditure recording of the government funds.
9. **Assistance “In-kind”:** The Royal Government receives substantial amount of assistance in the form of goods and services. All such assistances are to be captured in both budget and accounts as “In-kind assistance”. Non-reporting of such receipts results in under-reporting the assistance actually received. Spending agencies are advised to get the assistance incorporated in the budget before processing for IMPORT LICENSE and reflect corresponding expenditure in the accounts during the financial year.



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10. Cost Cutting Measures: With the increasing developmental activities and expansion of infrastructure development, the operation and maintenance costs are increasing every year. In order to cut expenditure on operation and maintenance, which are mostly avoidable, the spending agencies shall frame and implement appropriate measures to minimize cost and avoid wasteful expenditures. For the same purpose, the MoF issued notification Vide No. MoF/R-Circular/2009/4568 dated April 9, 2009 and all are requested to strictly adhere to the notification.

Further, huge expenses are incurred in conducting annual conferences, numerous workshops and seminars. As part of the cost cutting measure, the agencies may consider reducing the frequency of annual conferences to once every two years. It is also noticed that workshops, seminars etc. are held even at the departmental and divisional levels. Henceforth, such workshops and seminars may be held only at the ministerial levels. As notified earlier, only simple working lunch may be provided during conferences, seminars and workshops. Elaborate opening and closing sessions may be avoided and no bags and stationeries are to be provided to the participants.

II. Specific guidelines applicable to Local Governments i.e. Dzongkhags and Gewogs

Farm Roads: The Government has accorded high priority to the construction of farm roads, and emphasis is particularly given to provide road access to the Gewog centres. As such, the MoF has considered all the proposals for farm road constructions received from the Dzongkhags and Gewogs. In some cases, the budget allocation may seem less compared to the target to be achieved. This is no way intended to curtail the scope of the activity. Therefore, while the budget for farm road construction proposed by Dzongkhags and Gewogs is kept with them, a *pool provision of Nu.200 million* has been approved for



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construction of farm roads and is kept as reserve with the DNB. The pool budget will be transferred from DNB to Dzongkhags and Gewogs upon their request depending on their capacity and readiness, to supplement the approved budget for completing ongoing works or taking up new farm road constructions. However, an important condition is that the proposed farm road should be included in the approved 10FYP.

Out Reach Clinics (ORCs): For the FY 2009-10, a total of 55 ORC constructions has been approved out of which budget for 34 ORCs has been provided under respective Gewogs. The budget for the remaining 21 ORCs is kept under DNB and shall be provided through technical adjustments as and when the requests are made by the Gewogs.



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The MoF has taken great care to frame a realistic budget within the given limited resources. Therefore, all Ministries, Autonomous Agencies, and Dzongkhags/Gewogs are requested to abide by this notification in the implementation of the budgeted activities. While implementing the approved budgets, all spending agencies are to strictly adhere to the provisions of PFA 2007, Financial Rules and Regulations 2001 (FRR-2001), Procurement Manuals and any other financial guidelines issued through Circulars, Notifications etc. It shall be the responsibility of the Budget Officers and heads of Accounts (where there are no budget officers) to guide and to ensure smooth and timely implementation of the budgets.

The MoF would also like to take the opportunity to inform all budget agencies that during the presentation of the FY 2009-10 budget to the National Assembly, Hon'ble Members expressed deep concern over the continued situation of actual expenditures falling far short of the budget figures. In the FY 2007-08, actual expenditure was around 20% less than the budget. A review in January 2009 of the FY 2008-09 budget revealed substantial budget surrenders. The House was of the view that the concerned heads of the Ministry/Autonomous Body/Dzongkhag/Gewog should be held accountable and responsible for the poor planning and under-performance in their budget implementation. The MoF requests all agency heads to bear this concern in mind and ensure that the budget is implemented fully.

This notification along with the annexures is available in the MoF website www.mof.gov.bt.


(Lam Dorji)
Finance Secretary

Copy to:

1. Secretaries of all Ministries
2. Heads of Autonomous Agencies
3. Dzongdags (and Gups)
4. Heads of Departments.