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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



DNB/DIV-I/2014/ 003
10th July 2014

Budget Notification for Financial Year 2014-15

The Ministry of Finance hereby issues the Budget Notification for the Financial Year (FY) 2014-15, the second year of the 11th Five Year Plan (FYP). The budget has been prepared based on the resource envelope determined by the MFCC and the macro-economic projections for the medium term, guided by the principles of public financial management laid down in Sections 4 and 7 of the Public Finance Act, 2007 (PFA). It has also been prepared in line with the programs and activities of the 11th FYP and in close consultation with the budgetary agencies. The total budget appropriation for FY 2014-15 is Nu. 40,355.837 million as presented below:

<u>Expenditure head</u>	<u>Amount in millions</u>	<u>Percentage</u>
Current Expenditure	Nu. 21,895.682	54 %
Capital Expenditure	Nu. 15,202.327	38 %
Lending	Nu. 341.000	1%
Repayment	Nu. 2,916.828	7%

For the FY 2014-15, the estimated fiscal deficit is Nu.3,447.062 million and resource gap is Nu.4,805.202 million, which is 2.7% and 3.7 % of the GDP, respectively.

The budgetary agencies are required to strictly adhere to the following guidelines:

- 1. Expenditure ceilings:** All are required to keep their spending within the expenditure limits set out in the budget appropriation.
- 2. External financing:** Implementation of externally financed projects shall commence only upon receipt of funds. As such, the budget provision for activities



དངུལ་ཅིན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHO DZONG



under external financing shall be incorporated as and when such funds are received.

Reminder: In case of activities under external funding, even if it is included in the budget, no expenditure should be incurred and no tenders initiated until there is confirmation from the Department of National Budget that funds have been received and works can be initiated.

- 3. Under-implementation of budget:** The budget is decided in close consultation with the agencies based on justifications and absorptive capacity. However, every year, some portion of the capital budget remains underutilized. The head of the agencies will be accountable and answerable for such cases of under-utilization.

4. Supplementary budget/scope of capital works:

As per Section 59 of the Public Finance Act 2007(PFA), no budgetary agency shall make expenditure commitments or incur expenditure in anticipation of supplementary budget. Also, as per Sections 62 and 63, budgetary agencies are prohibited from carrying out activities for which there is no provision in the Budget and Appropriation Act or other lawful authority, or committing works that have financial implications beyond the limits authorized by the Budget and Appropriation Act.

These provisions are notified every year through the budget notifications.

Reminder:

- a) No budgetary agency shall deviate from the above provisions of the PFA while implementing the budget;
- b) Spending shall be kept within the commitment or budget appropriations;



དངུལ་ཅིན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



c) *In cases of works where the estimated amount is higher than the approved budget, or that the works cover more than one financial year, **no commitment should be made nor tenders initiated** until funding commitment for the entire work is secured and the scope of the work has been approved by the Government.*

Heads of the budgetary agencies will be held accountable for any consequences for not complying with the provisions of the PFA.

5. Budget for multi-year projects: In cases of multi-year projects/works, budget proposal in the first year of implementation should have total estimated cost of the projects/works and concerned agencies should seek financial commitment for the total estimate and not just the FY's requirement. The budget in the following years of the multi-year projects shall be within the initial estimated costs. Expenditure should not deviate from the original estimated costs/contract amount due to reasons within the agencies' control.

6. Cost cutting measures: In order to contain the recurrent expenditure within the projected domestic revenue, the following cost cutting measures are continued:

- i. *Budget for travel, supplies and materials, entertainment, etc. have been maintained at the level of previous year's budget.*
- ii. *Except for mandatory requirements, no budget provision has been kept for co-ordination meetings and annual ministerial conferences;*
- iii. *Invitations for participation in the training, workshops, seminar, etc. by multi-lateral/bilateral agencies may be accepted and participated only if they are fully funded.*



དངུལ་ཅིན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



- 7. Purchase of vehicles:** Many agencies have proposed budget for procurement of vehicles. However, as the pool vehicle system is under review, no budget has been considered for procurement of vehicle for the FY 2014-15, except for ambulances and utility vehicles in municipalities. In order to secure adequate maintenance budget for the pool vehicles, all the budgetary bodies are required to submit the updated list of pool vehicles as per the format attached before 15th August 2014.
- 8. Procurement of restricted items:** Budgetary bodies shall refrain from procuring restricted items, such as high specification laptops, cameras, specialized equipment, etc. irrespective of sources of funding. However, where it is absolutely necessary for the discharge of highly specialized functions, the heads of agencies after proper scrutiny shall approve the procurement within the available budget without recourse to re-appropriation. The MoF shall not entertain any request for regularization of procurement of restricted items.
- 9. Software development:** Budgetary agencies in collaboration with donors are developing softwares/systems that require the procurement of items such as GSM phones, DDA, Tablet, IPAD, etc. for its operation and maintenance. Since the procurement of such items are restricted, all budgetary bodies are required to seek prior approval of the competent authority with proper justification irrespective of the source of funding.
- 10. Farmers' training:** The budget for farmers' trainings for the RNR sector is kept in the agriculture sector of each Dzongkhag. Dzongkhags shall allocate the provision among the RNR sectors based on priority and conducted in coordination with the Local Government. The budget has been kept at Dzongkhag level for co-ordination, pooling resource persons and prioritization of trainings in critical areas.



དངུལ་ཅིན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



- 11. Dzongkha development:** The budget for Dzongkha development program is decentralized and kept under various agencies. However, the implementation of the program should be coordinated with the DDC.
- 12. Centralized procurement and distribution of non-perishable food items under School Feeding Program:** To enhance nutritional level of food in schools through effective procurement, storage, handling, transportation and delivery of quality food supplies, 60% of the total stipend budget with cost of transportation has been centralized under the Ministry of Education (MoE) for direct procurement and distribution of nine non-perishable food items from the Food Corporation of Bhutan. The balance 40 % of the budget is kept under various schools for procurement of perishable items. The concerned schools should note the changes and spend accordingly.
- 13. School autonomy:** To empower schools to determine their own priorities and exercise control over the available resources with greater autonomy and flexibility for improving the quality of educational practices, nineteen schools (11 HSS, 4 MSS, 2 LSS, and 2 PS) will become autonomous from the FY 2014-15. The current budget for the nineteen autonomous schools is kept under the MoE and the MoE shall release the fund to CD accounts of these schools on a quarterly/based on actual requirement.
- 14. Construction of new farm roads from RGoB funding.** A new modality for construction and maintenance of farm roads is being developed jointly by the MoAF, MoHCA and GNHC. As the budget will be considered only upon finalisation of the construction modalities and approved by the Government, no budget for new construction of farm roads has been kept with the Dzongkhags and Gewogs.



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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



15. Gewog development grant (GDG): A budget of Nu. 2 million is kept for GDG under each Gewog. The Gewogs shall *strictly follow the GDG guidelines* while implementing the GDG activities.

16. Restriction on the use of loan funds: No budget has been considered for operation and maintenance, procurement of vehicle, conducting training, study visits, road shows, etc. under loan funding and this should be strictly implemented.

17. Budget for revised pay and allowances: Additional budget requirement due to the revision of pay and allowances may be requested to the Department of National Budget through the MYRB system after a separate notification is issued by the MoF.

18. Budget for revised TA/DA:

The implementation of revised TA/DA rates for the public servants from July 2014 shall be contained within the approved travel budget as no additional budget shall be provided. With the enhanced rates, it will be very important for all travels irrespective of sources of funding to be scrutinized for their purpose and necessity. As such, agencies are required to strictly monitor and authorize travels within the approved budget limit.

19. Monitoring of performance: To enable the Department of National Budget (DNB) to monitor the budgetary performance of the agencies, Budget/Accounts Officers are required to submit work plans and progress reports in consultation with the head of budgetary bodies as per the timeline provided below:

a. Submission of work plan for capital budgets: The work plan should reach the DNB by 15th August 2014.



དངུལ་ཅིན་ཕྱོད་ཁག་།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



- b. Submission of progress report for capital budget:** For FY 2014-15, agencies shall send half-yearly progress reports. The report should reach DNB by 31st January 2015. Thereafter, the quarterly progress report should reach DNB within one month after the closure of the quarter.
- c. Submission of financial report:** Each budgetary body shall provide the Portfolio Minister and the Ministry of Finance with half-yearly financial report (stipulated in Sections 35 and 36 of the PFA). The report may be submitted as per the format given in the website (www.mof.gov.bt).
- d. Submission of physical performance report:** The Portfolio Minister shall present a half yearly report against the portfolio performance intentions specified in the budget to the Lhengye Zhungtshog (stipulated in Section 72 of PFA).
- e. Mid-year budget review:** The DNB will carry out a mid-year budget review to ascertain the status of budget implementation, based on which the budgets will be re-aligned to finance emerging new priorities by way of technical adjustment. The budgetary agencies are required to attend to this exercise seriously. If the budget provided is not required or the budgeted activity cannot be carried out, agencies must immediately intimate the DNB, without waiting for the mid-year budget review.

20. Budget utilization plan: For ensuring timely release of funds for activities budgeted under RGoB funding and to enable the Ministry of Finance to maintain adequate fund balance in the Government Consolidated Account (GCA), all budgetary agencies are required to submit their quarterly budget utilization plan (liquidity plan) to the Department of Public Accounts (DPA) within one month from the date of receipt of budget approval. The budget utilization plans are to be submitted bank account wise through PEMS.



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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



21. Fund releases: Fund releases by DPA shall be through the on-line system based on the fund release request and budget utilization plan received from the budgetary agencies. As such, the budgetary agencies are required to update the budget utilization plan and submit to DPA on a quarterly basis. The guidelines for preparation of budget utilization plan have been uploaded under the Notice Module in PEMS.

The budget for the FY has been finalised after thorough discussion and taking into consideration the resource situation as well as the spending capacity of each agency. While implementing the budgets, spending agencies are required to strictly adhere to the provisions of the PFA, Financial Rules and Regulations 2001 (FRR-2001), Procurement Manuals and other Circulars and Notifications issued from time to time.

(NamgayDorji)
Finance Minister

Copy to:

1. All Ministers for kind information
2. Heads of Constitutional Bodies
3. Secretaries of all Ministries
4. Heads of Autonomous Agencies
5. Dzongdags and Gups
6. Budget/Accounts Officers.

Information on the Pool Vehicles of Government Agencies

Sl.No	Agency	Department/Division/Sector	Location	Make	Type	Model Year	Registration Number	Purchase price (In. Nu.)	Source of Funding	Amount spent on major repairs in the past three financial years	Dedicated/Designated/Common Pool	Name of the Officer	Designation	Condition Running /Off road
1														
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I hereby Certify that the information provided above are true and accurate.

Note:

- a. Dedicated: Vehicle allotted to Ministries, Constitutional post holders, Government Secretaries and Joint Secretaries, Dzongdags and Drangpons
- b. Designated: Vehicles allotted to an officer for performing specific task
- c. The information should cover all pool vehicles including two wheelers, buses, ambulances and utility vehicles under your agency.

Signature

Name

Head of Agency

Date