



**NATIONAL BUDGET
FINANCIAL YEAR 2019-20**

**MINISTRY OF FINANCE
MAY 2019**



As a developing country, we have limited resources. We must manage our available resources wisely, minimize waste, and ensure that all our resources are directed at improving the well being of the people, and in fulfilling our national vision. The civil service is tasked with the oversight, management, administration, and disbursement of funds for governance. So the responsibility falls squarely on the shoulders of our civil servants to ensure efficiency and effectiveness in utilizing our scarce resources.

- His Majesty The King, 111th National Day Address, 2018.

BUDGET FY 2019-20 HIGHLIGHTS

ECONOMIC OUTLOOK

- The economy is projected to grow at 7.2 percent.
- Trade balance to improve upon commissioning of MHPA in medium-term.
- Current Account Deficit improve from 13.4 to 9.7 percent of GDP.
- Increased government spending to have positive impact on growth.

RESOURCES

- Total resources estimated at Nu. 54,619.197 million.
- MHP expected to boost the domestic revenue by 20 percent.
- Domestic revenue estimated at Nu. 43,299.071 million.
- Grants estimated at Nu.11,320.126 million expected to cover 43 percent of capital expenditure.

EXPENDITURE

- Total expenditure estimated at Nu.61,197.307 million, 31 percent increase from previous year.
- Capital expenditure Nu.26,544.542 million & current expenditure Nu. 34,652.765 million.
- Revision of pay, allowances and benefits of public servants provisioned at Nu. 4,530 million.
- Local Governments (205 Gewogs) grants amounting to Nu. 2,863.131 million
- Dzongkhag Development Grants (Nu. 10 m each) Nu. 200.000 million,
- Day feeding in 115 rural schools Nu. 224.582 million.
- Scholarship for class X passed students Nu. 247.065 million

DEBT SITUATION AND OUTLOOK

- Fiscal Deficit amounts to Nu.6,578.110 million, 3.04 percent of GDP.
- External borrowing of Nu. 4,769.457 million and Domestic borrowing of Nu. 3,020.211 million
- Debt servicing for the FY to be Nu. 5,317.565 million, of which interest payments is Nu. 2,011.232 million
- Public Debt stock for the FY estimated to be Nu. 228,835.852 million of which non-hydro debt stock is estimated to be Nu. 54,547.196 million

KEY BUDGET STATISTICS FY 2019-20

The full set of information can be found in the Report.

Macroeconomic Performance and Outlook				
Percentage change	2018/19	2019/20	2020/21	2021/22
	Estimated	Proj	Projection	
Consumption	7.23	9.22	4.41	7.45
Investment	-6.97	1.21	2.91	-2.82
Exports	20.23	8.74	0.27	0.41
Imports	6.89	-6.95	-4.62	2.17
Real GDP Growth	5.53	7.21	5.91	5.06
CAB (% of GDP)	-13.39	-9.74	-7.2	-5.28
International Reserves	78,377	98,237	110,599	124,430
GDP nominal	192,826	216,655	241,361	267,420

RESOURCE FOR 2019-20	
Resource (Projected)	2019-20
Direct Tax	20,565.61
CIT	10,677.91
BIT	1,824.53
PIT	1,832.53
Other Direct Tax	6,230.52
Indirect Tax	6,211.24
Sales Tax	4,176.67
Excise Duty	652.265
Green Tax	771.456
Customs Duty	591.722
Non-Tax Revenue	16,522.22
External Grants	10,934.31
GoI Grants	6,996.47
Others	3,937.84
Internal Grants	385.819

Summarized Fiscal Framework				
Particulars	2018/19	2019/20	2020/21	2021/22
	Revised	Budget	Projection	
Total Resources	43,949	54,619	57,467	59,341
Total Expenditure	46,725	61,197	69,714	69,190
Fiscal deficit	-3,775	-6,578	-12,247	-9,849
FB % of GDP	-1.96%	-3.04%	-5.07%	-3.68%

Financing and Debt Situation				
Particulars	2018/19	2019/20	2020/21	2021/22
	Revised	Budget	Projection	
Financing	3,775	6,578	12,247	99,849
Net Lending	1,390	2,095	3,781	3,904
Net external borrowing	986	1,475	-(4,425)	-4,727
Net internal borrowing	375	3,008	12,892	10,673
Percent of GDP				
Total Public Debt	108.6	105.6	100.9	95.7
Total External Debt	104.4	100.5	90.6	82.7

Expenditure Performance and Outlook					
Particulars	2017/18	2018/19	2019/20	2020/21	2020/22
	Actual	Revised	Budget	Projection	
Total Expenditure	56,331.36	46,724.59	61,197.31	69,714.64	69,190.80
Current Expenditure	27,494.71	29,105.46	34,652.77	41,845.67	42,483.04
o/w Interest payment	2,162.06	1,899.07	2,011.23	3,042.40	3,023.62
o/w Pay and Allowance	9,677.91	11,795.95	11,797.84	12,031.86	12,272.50
o/w Use of goods and services	6,863.60	7,382.77	6,775.43	7,632.78	8,537.27
Capital Expenditure	28,836.65	17,619.12	26,544.54	27,868.98	26,707.77
o/w Building, land & Structures	19,791.45	10,399.05	16,348.15	17,060.81	16,350.15
o/w Machinery and equipment	4,099.00	2,613.35	4,190.12	4,370.43	4,188.12

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Introduction

The budget for FY 2019-20 is the second budget report presented to the Parliament by the Government in one fiscal year. This demonstrates the importance attached to the budget by the Government as a means to achieve the objectives of the 12FYP and fulfil the aspirations of the people.

During the last seven months, the Government has adopted the 12FYP and reviewed the policies and programs to align them with the overarching goal of '**narrowing the gap**'. The pledges of the Government for the 120 days have been fulfilled and other pledges are at various stages of implementation.

In order to improve quality and inclusiveness of education, the Government has removed cut-off points for class X and approved scholarship for class X passed students starting from academic year 2019. Towards improving health and wellbeing of students, day feeding program for 115 rural schools has been started. The Government has also started the implementation of Flagship programs which is a high priority multi-sectoral interventions to address national issues.

Based on the recommendations of the fourth Pay Commission (4PC), the Government has approved revision of pay, allowances and benefits of the public servants. While considering the revision, Government has been mindful of the commitment to narrow the gap and sought the views of the general public. With the pay revision, the Government aims to raise the morale of the public servants to serve the *Tsa-wa-sum* with renewed vigor and enhanced productivity. The Pay Revision report will be presented to the House for consideration.

The construction of the 720 MW Mangdechhu hydroelectric project has been completed and preparation for the inauguration of the project is underway. With a generous tariff already agreed, export of electricity from MHP will bring substantial revenue to the Government that will go a long way towards ensuring fiscal sustainability. Further, agreement for the implementation of 2,585 MW Sankosh hydroelectric project is expected to be formalized during the FY. To promote bilateral trade and strengthen economic linkages, the Government will implement the Transitional Trade Support facility during the fiscal year.

In order to strengthen Public Financial Management (PFM), Government has initiated major reforms such as introduction of electronic payment system (ePEMS), upscaling of electronic Government Procurement System (e-GP) and revising the Procurement Rules and Regulations, allocating budgets to Gewogs as Annual Grants and improving the budget documentation and reporting. For underpinning the PFM reforms, Finance Committees have been constituted at the agency levels. Implementation of these reforms in FY 2019-20 will transform the PFM that will improve public service delivery, promote financial thrift and contribute towards achieving His Majesty the King's aspirations of "managing the available resources wisely, minimize waste, and ensuring that all our resources are directed at improving the wellbeing of the people."

In addition, to broaden tax base, preparatory works are at an advanced stage for possible introduction of Goods and Service Tax in the near future. The recommendations of the Committee formed to review the mandates and performance of the State Owned Enterprises (SoEs) under the Ministry of Finance will be implemented to ensure that the SoEs do not crowd out private sector development.

Starting from FY 2019-20, the budget for the Gewogs has been allocated as annual grants and the Dzongkhag Development Grant (DDG) has been enhanced. These initiatives are expected to provide flexibility in the use of the budget, besides promoting ownership and accountability. For ensuring proper utilization of the grants, Government has issued guidelines.

As required by the Public Finance (amendment) Act 2012, the Budget for the FY 2019-20 has been formulated based on the Budget Policy and Fiscal Framework Statement and the resource envelope determined by the Macroeconomic Framework Coordination Committee (MFCC).

The main objectives of the Budget is to ensure economic growth and stability. During the FY 2019-20, the economy is estimated to grow at 7.2 percent mainly contributed by the commissioning of the Mangdechhu hydropower project and the implementation of programs under the 12FYP.

The Budget for FY 2019-20 has been formulated in close consultation with the sectors as per the priorities of the 12FYP which is based on the nine domains of GNH. Therefore, implementation of the budget will contribute towards achieving targets of 12FYP, besides narrowing the gap and realization of GNH.

The Budget report for FY 2019-20 has been prepared in keeping with best practices and Government Finance Statistics (GFS) of the International Monetary Fund (IMF). As such, the report presents an overview of the economy in global and domestic context, key fiscal policies and financial performance and outlook. The report also includes updates on the public-sector institutions, SoEs, trust funds, the hydropower sector and foreign direct investments. In addition, the budget report also presents the associated fiscal risks. Accordingly, the Budget report for FY 2019-20 broadly covers the following areas:

- i. Economic Overview;
- ii. Fiscal Policy;
- iii. Resources;
- iv. Expenditure covering the budget for FY 2019-20, revised budget for FY 2018-19 and Annual Financial Statement for FY 2017-18;
- v. Public debt;
- vi. Fiscal risk; and,
- vii. Financial position of public sector institutions and investments

With the above documents, the budget report is expected to provide comprehensive information on macro-fiscal performance and outlook.

The detail budget allocations for FY 2019-20 is presented in Chapter 4. Along with the Budget Report for FY 2019-20, the following documents are submitted to the Parliament for consideration:

- Budget Appropriation Bill for FY 2019-20;
- Supplementary Budget Appropriation Bill for FY 2018-19; and,
- Audited Annual Financial Statements for FY 2017-18.

1

Economic Overview

1.1 Global and regional overview

The global economy in 2018 grew at 3.6 percent, slightly lower than that of 2017. As per World Economic Outlook, April 2019, the slower growth was on account of trade tensions, rising protectionism and macroeconomic stress in emerging economies.

Economic growth of India was 7.1 percent during 2018 mainly contributed by consumption and investment. This had strong impact on the regional and global growth. Lower food and fuel prices contributed to India's inflation of 4 percent in 2018. However, factors such as increase in global oil prices, depreciation of currency and demonetization negatively impacted its growth.

The IMF estimates growth in India to be around 7.3 percent in 2019 and 7.5 percent in 2020. The strong outlook for India is expected to benefit Bhutan and other neighboring economies.

1.2 Domestic growth and outlook

The economy in the 12FYP is projected to grow at 6 percent on an average. In FY 2019-20, the economy is projected to grow at 7.2 percent. The growth will be contributed by strong service sector performance and increased production and export of electricity. On account of better hydrology in the winter months of 2018 and 2019 (figure 1.1) and commissioning of Mangdechhu hydropower project (MHP) in 2019, the electricity sector is projected to grow at 6.9 percent in FY 2018-19. Likewise, the service sector is projected to grow at 9.6 percent in FY 2018-19. The year on year growth forecast in the medium term is given in the table 1.1.

Projected increase in government consumption by 6 percent and private consumption by 10.3 percent in FY 2019-20 are expected to boost growth. In the medium term, government consumption will be driven by increased spending

with the implementation of 12 FYP and private consumption will be driven by credit growth.

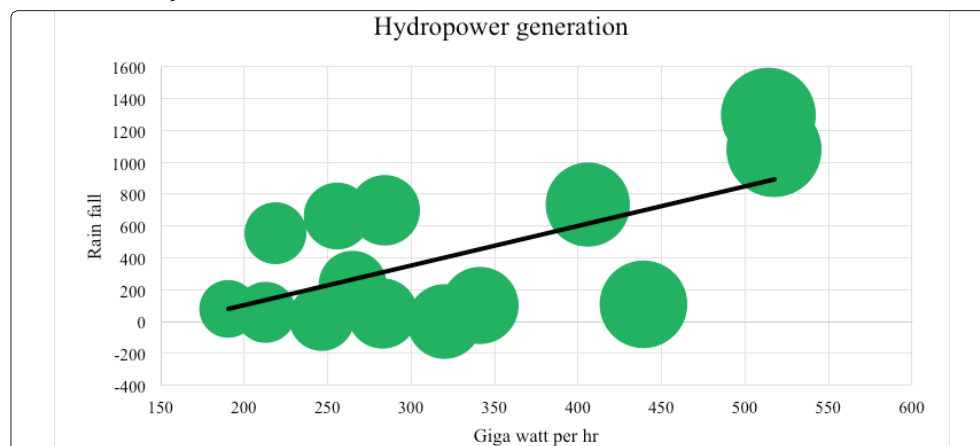
Table 1.1: Macroeconomic performance and projections

Fiscal Year	2017/18	2018/19	2019/20	2020/21	2021/22
Percentage change	Estimate	Estimate	Proj.	Proj.	Proj.
Public Consumption	5.21	6.00	6.00	4.97	4.00
Private Consumption	1.05	7.62	10.23	4.24	8.50
Government Investment	-9.52	-25.77	5.78	14.23	-10.40
Private Investment	-1.91	-1.97	0.27	0.45	-0.95
Exports of Goods and Services	-2.03	20.23	8.74	0.27	0.41
Imports of Goods and Services	-7.09	6.89	-6.95	-4.62	2.17
Real GDP growth	4.60	5.53	7.21	5.91	5.06
GDP nominal	173,365.3	192,826.8	216,655.7	241,361.0	267,420.7

The investment trend remains volatile in the economy. Government investments dropped by 9.5 percent in FY 2017-18 and is estimated to drop further by 25.7 percent during FY 2018-19. Similarly, private investments dropped by 1.9 percent during the same period. This period coincided with the transition of five year plans, lower investment due to change in governments and near completion of the hydropower projects.

From FY 2019-20, government investment is projected to increase by 5.8 percent and by 14.2 percent in FY 2020-21. However, government investment is projected to decline by 10.4 percent in FY 2021-22. The private investments is projected to grow at lower rate during the same period as given in the table 1.1.

Figure 1.1: Relationship between hydropower generation and rain fall from Nov month to May



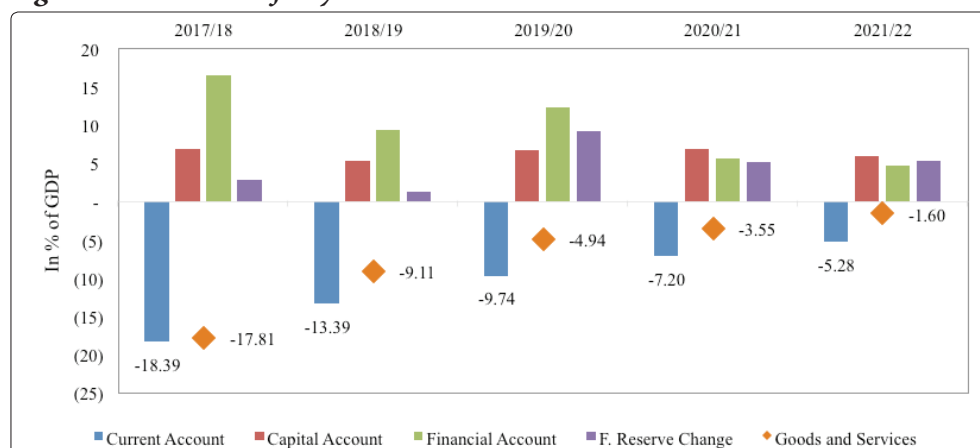
Source: Department of Hydropower services and National Center for Hydrology & Meteorology

1.2.1 Balance of Payments

The Balance of Payments (BOP) has remained positive in the past years owing to higher capital and financial inflows in the form of hydropower disbursement and grants despite the persistent negative Current Account Balance (CAB). The overall balance in FY 2018-19 is projected to be 1.1 percent of GDP.

Both the capital and financial accounts are projected to remain positive at 5.2 percent and 12.3 percent of GDP respectively in FY 2018-19. In the medium term, the capital inflow is projected to remain at the same level while the financial inflow is projected to decline. With the near completion of hydropower projects, the goods and services balance is projected to improve from a deficit of 17.8 percent of GDP in FY 2017-18 to deficit of 9.1 percent in FY 2018-19. As a result, the Current Account Balance is projected to improve from a deficit of 18.4 percent of GDP in FY 2017-18 to a deficit of 13.4 percent in FY 2018-19.

Figure 1.2: Balance of Payments



In the medium term, with the commissioning of MHP and Nikachhu hydropower projects, the trade balance is projected to improve from deficit of 9.1 percent of GDP in FY 2018-19 to deficit of 1.6 percent in FY 2021-22. Therefore, the current account balance is projected to improve. Given this, although the financial inflows is projected to decline, the overall balance is projected to remain positive resulting in accumulation of reserves.

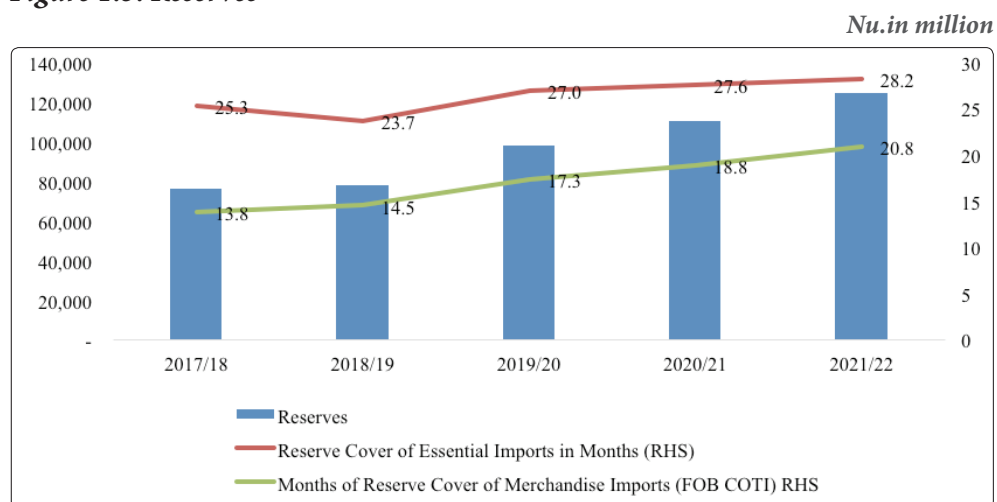
1.2.2 Reserves

With the positive overall balance in FY 2017-18, the reserves stood at USD 1,082.205 million as on 31st March 2019 which was sufficient to cover 13.7

months of merchandise imports or 23.7 months of essential imports fulfilling the Constitutional requirement. However, in FY 2016-17 to FY 2018-19, the accumulation of reserves were lower as inflow of funds through financial and capital accounts were just adequate to match the current account deficit.

In the medium term, the reserves is projected to grow by 13 percent on average and reach Nu. 124,430 million, equivalent to USD 1,800 million by FY 2021-22.

Figure 1.3: Reserves



1.2.3 Monetary and financial market

Net Foreign Asset (NFA) recorded a negative growth of 3.6 percent during FY 2017-18 mainly on account of decline in loan and grant inflows, especially INR denominated. The NFA is expected to improve in FY 2018-19 and FY 2019-20 with the implementation of the 12FYP activities. With lower capital and financial inflows in the medium term, the Net Foreign Asset is projected to fall by 0.6 percent in FY 2020-21 before increasing by 3.5 percent in FY 2021-22.

The Net Domestic Asset (NDA) grew at 32 percent during FY 2017-18 mainly on account of high growth in domestic credit which grew at an average of 22 percent during the last 3 years. The credit to private sector accounts for 91 percent of the domestic credit. Despite a fall in NFA, the credit to private sector continued to grow at 15 percent in the FY 2017-18 and at 14 percent in FY 2018-19. The expansion in credit was largely driven by increase in demand for credit in housing (23.6 percent of the total credit), tourism & service (23.2 percent) and trade and commerce (13.8 percent). During the same period, Non-Performing Loans (NPL)

was Nu. 12.54 billion, an increase of 16.1 percent as compared to the previous year. Highest NPL was recorded in sectors of trade and commerce (21.3 percent), service and tourism (19.3 percent), housing (18 percent) and manufacturing (15.2 percent) during FY 2017-18.

The expansion of credit has contributed to higher private sector consumption over the years and as an import dependent economy, increase in consumption over investment could adversely impact the external balance and the reserves. This can be aggravated by persistent CAB deficit and decline in NFA.

In the medium term, with the implementation of the new monetary framework by the Central Bank, both domestic credit and credit to private sector is expected to moderate.

Table 1.2 Monetary aggregates

Items	2017/18	2018/19	2019/20	2020/21	2021/22
% Change (YoY)	Actual	Estimate	Forecast	Forecast	Forecast
Reserve Money (M0)	(2.50)	18.84	12.87	11.38	15.30
Broad Money (M2)	8.65	8.32	17.46	13.28	12.53
Net Foreign Asset	(3.61)	1.93	8.23	(0.58)	3.48
Domestic Credit	20.08	6.58	16.74	16.69	11.70
Credit to Private Sector	15.16	14.11	11.34	10.93	8.88
% of GDP					
Broad Money (M2)	65.25	63.55	66.43	67.56	68.61
Net Foreign Assets	38.07	34.89	33.61	29.99	28.01
Domestic Credit	58.93	56.47	58.67	61.46	61.96
Credit to Private Sector	49.94	51.24	50.77	50.56	49.68
Money Multiplier (M2/M0)	3.38	3.08	3.21	3.26	3.18
GDPn (in million Nu.)	173,365.30	192,826.81	216,655.65	241,361.04	267,420.74

Source: MFCC

1.2.4 Inflation

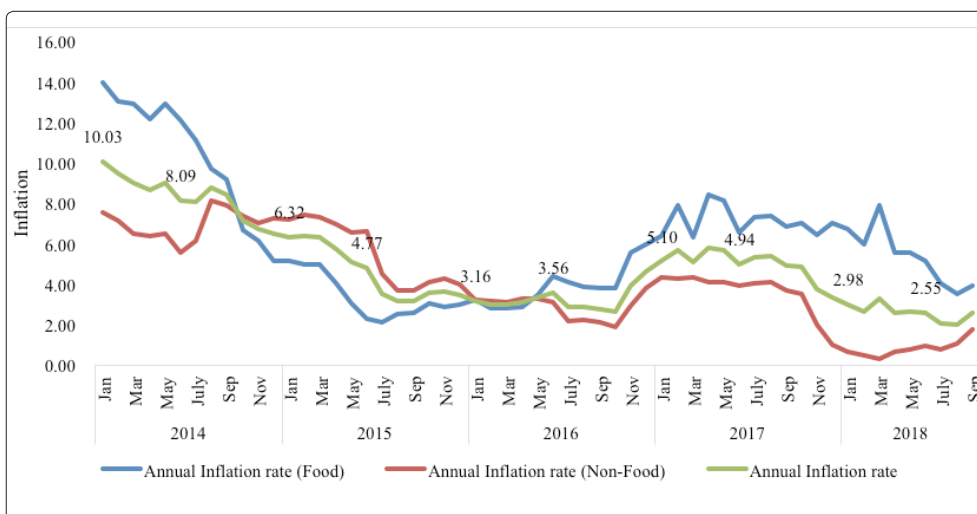
The Consumer Price Index (CPI) in Bhutan was recorded at an all-time low of 2.6 percent in June 2018, lower by 2.3 percentage points compared to June 2017. The lower level of inflation was primarily attributed to the fall in global crude oil prices and its cascading impact on all food and non-food items.

The introduction of Goods and Service Tax (GST) in India since 2017 which significantly reduced the price of non-food items including vehicles in Bhutan and the passing over of reduced fuel price to consumers contributed to low inflation. Further, as large portion of domestic demand (consumption) is met

through imports, 52 percent of the inflation is imported while 48 percent is domestic inflation.

With the free trade and pegged exchange rate regime with India, Bhutan closely tracks Indian inflation as over 80 percent of goods are imported from India alone.

Figure 1.4: CPI inflation in Bhutan

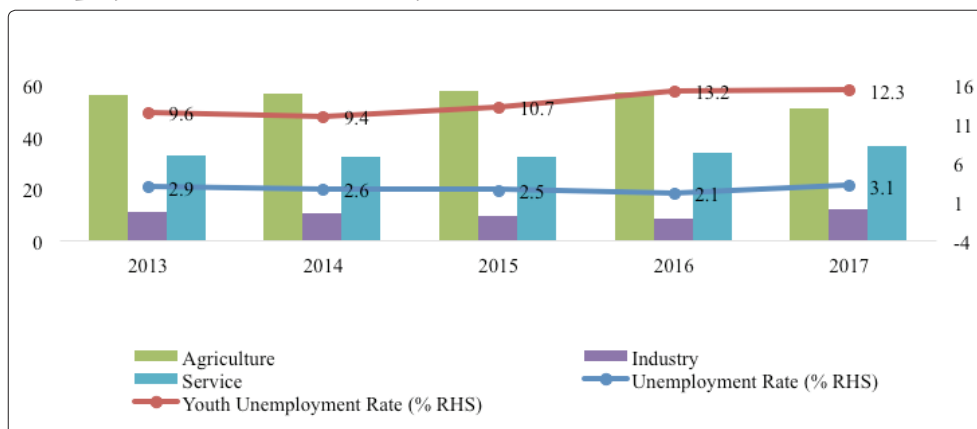


1.2.5 Employment

The overall unemployment rate stood at 3.1 percent and the youth unemployment stood at 12.3 percent while the labor force participation rate increased to 65.7 percent as of Dec 2017. The primary sector employed more than 50 percent of total labor force mostly engaged in subsistence agricultural farming, while service sector employed 37 percent and industry sector only 12 percent.

Despite the high labor participation in agriculture, the labor productivity was lowest in agricultural sector at 0.05 output contribution per labor. Industry has the highest labor productivity with 0.70 output per labor followed by service sector with 0.22 output per labor. This indicates the intensity of capital contribution in various sectors to enhance productivity, whereby the industry sector is highly capital intensive while agriculture has low capital intensity.

Figure 1.5: Employment in Agriculture, Industry and Service sector and unemployment rate (overall and youth)



1.2.6 Per capita Income

Per capita Gross Domestic Product (GDP per capita) reached Nu. 215,924.50, equivalent to USD 3,245 in FY 2016-17. In the last decade, GDP per capita increased by more than double from USD 1,328.00 in FY 2005-06. GDP per capita is expected to increase to USD 4,755 by FY 2021-22. Gross National Income per capita reached USD 2,972 in FY 2016-17 and is expected to increase to USD 4,465 by FY 2021-22. GNI per capita is lower than the GDP per capita as outflow of factor payments and remittances related to hydro power construction exceeds the inflow of remittances.

1.3 Sector Performance

1.3.1 Agriculture, Livestock and Forestry

Agriculture sector in the last few years received substantial support from the Government to boost its production and productivity and to meet the increasing domestic demand and substitute imports. Among others, major interventions included establishment of farm shops, development of road side sheds to sell farm produces, construction of farm roads, supply of power tillers to Gewogs and Chiwogs, supply of improved seeds and breeds and others. In addition, access to credit was enhanced through establishment of REDCL which provided concessional loans for small and cottage industries. In order to commercialize agriculture, livestock and forestry products, SoEs such as FMCL, BLDCL and GBCL were established to address market failures.

Through these interventions, the agriculture sector recorded a growth of 4.1 percent on average during the past three years. In the medium term, the sector is projected to grow at 4.4 percent. Agriculture sector's contribution to GDP is expected to remain at 12 percent during FY 2017-18.

1.3.2 Industry

Industry sector has been the major driver of the economy since the commencement of Chukha hydropower project in the 5FYP. The sector continues to support the structural transformation of the economy especially on account of hydropower.

In FY 2017-18, the hydropower sector (both generation and construction) is expected to contribute about 30 percent of GDP which is likely to remain strong in the medium-term. Given the contribution of industry sector, especially hydropower, to economic growth, exports and Government revenue, initiatives are at advanced stage of formalizing the development of new hydropower project within the Plan period.

Mining & Quarry and Manufacturing's share to GDP has remained low despite Government's concerted effort and interventions to promote the sector. Mining & Quarry is estimated to grow at 10.6 percent during FY 2017-18 and at 12.5 percent on average in the next three years before slowing at 4.9 percent in FY 2021-22. The sector's share to GDP was 3.2 percent in FY 2017-18 and is projected to increase on average of 0.05 percentage points annually for the next 4 years. Manufacturing is estimated to grow at 7.9 percent in FY 2017-18 and is projected to grow by 10.3 percent in the next four years. The sector's share to GDP is estimated at 8.8 percent in FY 2017-18 and is projected to grow at an average of 0.4 percentage points annually for the next 4 years.

1.3.3 Service

Service sector is one of the main drivers of socio-economic development especially driven by the tourism industry. Tourism industry remains strong and has potential for propelling economic growth. The growth in the sector has positive impacts on other sectors such as hotels, finance, transport, wholesale and retail trade creating gainful employment across the sectors.

The service sector's contribution to GDP is estimated at 42 percent during FY 2017-18 which is contributed equally by all the sub-sectors. The wholesale and retail trade, hotel & restaurant, Transport, storage & communications, Finance, insurance & real estate and Community, social and personal services (general

government) contributed 11.3 percent, 11 percent, 8.8 percent and 9.7 percent respectively to GDP during FY 2017-18. The share to GDP for these sectors are expected to slightly increase in the next three years while the overall real value addition and distribution is expected to remain at similar levels for all the 4 sub-sectors. The table 1.3 shows the sector performance of the economy.

Table 1.3 Sector performance

Percentage change	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Forecast	Forecast	Forecast
Agriculture, livestock, and forestry	3.65	4.10	4.42	4.18	4.36
o/w Agriculture proper	6.45	5.64	5.18	5.51	5.81
Industry	4.60	1.13	3.91	7.14	3.81
o/w Electricity, gas and water	-0.58	-3.88	6.86	11.06	2.16
o/w Construction	9.76	0.60	-4.75	-0.91	-0.81
Services	8.20	7.45	9.64	11.09	8.86
o/w Community, social and personal services (govt.)	3.76	-1.47	8.59	18.12	7.24
GDP	6.26	4.60	5.53	7.21	5.91
Share to GDP					
Agriculture, livestock, and forestry	12.09	12.03	11.91	11.57	11.40
o/w Agriculture proper	6.29	6.35	6.33	6.23	6.22
Industry	43.01	41.59	40.95	40.92	40.11
o/w Electricity, gas and water	15.68	14.41	14.59	15.11	14.58
o/w Construction	15.75	15.15	13.67	12.64	11.83
Services	40.15	41.24	42.85	44.40	45.63
o/w Community, social and personal services (govt.)	10.34	9.74	10.03	11.05	11.18

Source- MFCC

2

Fiscal Policy

2.1 Fiscal Policy Statement

The fiscal policy of the Government is to maintain fiscal balance at sustainable levels through effective resource mobilization and prudent expenditure management. The financing needs of the Government shall be met through debt financing only after fully exhausting the possibilities of obtaining the required financing in the form of grants.

In order to achieve these policy objectives, the recurrent expenditure shall be met from the domestic resources while the capital expenditure shall be met from revenue surplus and grants, and any deficit shall be financed through borrowings from concessional windows and domestic market.

The fiscal deficit shall be maintained within 3 percent of GDP over the 12FYP period. In line with the fiscal policy, for FY 2019-20, the MFCC has determined the resource envelope of Nu. 54,619.197 million, of which about 79 percent is domestic revenue, 20 percent is external grants and 1 percent is internal grants. Based on the prioritized proposals received from budgetary bodies, total budget of Nu. 61,197.307 million is provisioned with a fiscal deficit of 3 percent of GDP. In order to accommodate higher demand for capital expenditure, capital to current ratio is maintained at 43:57 during the current FY as compared to 12FYP outlay ratio of 37:63.

The level of spending will stimulate economic growth and contribute towards fulfilling the aspiration of the people and realizing GNH.

2.2 Fiscal Policy targets and its implementation

Based on the projections of the MFCC, the following fiscal targets for the FY 2019-20 has been set to achieve the plan targets adopted for the 12FYP:

1. Fiscal deficit at 3 percent of GDP;
2. Recurrent expenditure to be covered by domestic revenue;

3. Tax to GDP ratio at 12 percent;
4. Budget variance below 3 percent; and,
5. Non-hydro debt below 35 percent of GDP.

For achieving the National Key Result Areas (NKRAs) and Sustainable Development Goals (SDGs), the agencies are required to ensure that gender and climate change considerations are incorporated in the budgeting system.

2.2.1 Fiscal reforms initiatives

For effective implementation of the annual budget, fiscal reforms have been initiated starting from FY 2019-20. All the Gewogs will receive the entire budget as Annual Grants, the amount of DDG has been enhanced and the Finance Committee has been instituted at agency level to ensure proper utilization of budget.

The Government plans to roll out e-payment across the budgetary bodies for timely payment and to strengthen procurement, the Procurement Rules and Regulation (PRR) 2009 has been revised as PRR 2019. In addition, to promote cost effectiveness and transparency in procurement, electronic Government Procurement (e-GP) will be upscaled. Further, efforts will be made to promote financial thrift across the budgetary agencies. These initiatives are expected to improve budget balance and the fiscal marksmanship.

2.2.2 Enhancing domestic resources

In order to meet the rising recurrent cost and increasing capital expenditure, the Government will endeavor to enhance resources from all possible sources. The Government will focus on mobilizing resources through tax measures, new and innovative financing windows, and accessing concessional borrowings from multilateral development banks and promoting Public Private Partnership (PPP).

Tax measures

To broaden the tax base, the Government has initiated major reforms to modernize the existing sales tax with the possible introduction of Goods and Service Tax (GST). Other tax reforms are also under consideration besides strengthening the tax administration for improving compliance and minimizing revenue leakages.

Innovative Financing

The Government will also explore new and innovative financing mechanisms to mobilize additional resources for improving the fiscal position. Till date, the Government implemented Endowment funds, Bhutan for Life (BFL), and Bhutan Economic Stabilization Fund (BESF). Further, operationalization of Bhutan Climate Fund which provides opportunity for Bhutan to monetize the carbon credits will provide substantial revenue. In addition, the Government is also considering the feasibility of issuing green bonds.

One of the major initiatives of the Government to finance the developmental needs through innovative financing is the Public Private Partnership (PPP). The Government has approved the PPP policy and rules and regulations to facilitate implementation of projects under PPP. Under the PPP model, private sector resources will be leveraged for financing public sector infrastructure development. Feasibility study for implementing Thimphu bus terminal under the PPP mode has been completed for which process for inviting potential investors will be initiated during the FY.

2.2.3 Debt Management

Debt management shall be carried out prudently to ensure that the external debt stock remains at sustainable level within the thresholds prescribed in the Public Debt Policy 2016. In collaboration with World Bank (WB) and IMF, Debt Sustainability Analysis (DSA) will be conducted to assess the debt sustainability. Given that the external debt stock is 90.1 percent of GDP, the Government maintains external debt stock under the category of hydro and non-hydro. As per the DSA (April 2018) conducted jointly by WB and IMF, hydro debts are self-liquidating in nature and do not pose risk of debt default. As such, despite a high level of debt stock, Bhutan is rated with moderate risk of debt distress. The Government will continue to ensure that non-hydro borrowings are highly concessional and borrowed only for development expenditure.

2.3 Fiscal Performance

2.3.1 Fiscal Year 2017-18 (Actual)

In FY 2017-18, the actual outlay was Nu. 52,658.670 million against the resources of Nu. 52,113.168 million resulting in fiscal deficit of Nu. 545.502 million and the resource gap of Nu. 647.252 million. The fiscal deficit was 0.3 percent of GDP,

which is less than the original fiscal deficit projection by 2.2 percentage points of GDP and less than revised budget by 1.86 percentage points.

The original total expenditure for FY 2017-18 was Nu 57,915.710 million with resources of Nu. 51,402.893 million. The expenditure was revised to Nu. 62,643.611 million and the resources was revised to Nu. 56,772.785 million. The positive actual outcome of FY 2017-18 was achieved through increased mobilization of resources and rationalized spending.

Table 2.1 Fiscal Performance for the FY 2017-18

Sl. No:	Particulars	Nu. in million			% Variance		
		Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
A	RESOURCES	51,402.893	56,772.785	52,113.168	10.4%	-8.2%	1.4%
1	Domestic Revenue	34,700.355	36,178.374	36,871.372	4.3%	1.9%	6.3%
2	Other Receipts (Net)	-	1,055.272	394.726	-	-62.6%	-
3	Grants	16,702.538	19,539.139	14,847.070	18.9%	-26.3%	-12.4%
B	OUTLAY	55,850.264	60,549.834	52,658.670	8.4%	-13.0%	-5.7%
1	Total Expenditure	57,915.710	62,643.611	56,331.357	8.2%	-10.1%	-2.7%
2	Net Lending	(2,065.446)	(2,093.777)	(2,077.880)	1.4%	-0.8%	0.6%
3	Advance/Suspense (Net)	-	-	(1,594.807)	-	-	-
C	FISCAL BALANCE	(4,447.371)	(3,777.049)	(545.502)	-15.1%	-85.6%	-87.7%
D	FINANCING	4,447.371	3,777.049	545.502	-15.1%	-85.6%	-87.7%
1	Net Borrowing	(348.239)	404.103	(102.023)	-216.0%	-125.2%	-70.7%
2	Resources (Gap)/Surplus	(4,795.610)	(3,372.946)	(647.525)	-29.7%	-80.8%	-86.5%

During the FY, the actual external borrowing was about 10 percent higher than the original estimates and 16 percent less than the revised estimates, while the actual repayment of debt remained same as the estimates. With repayment of Nu. 2,802.356 million and borrowing of Nu. 2,718.332 million, the net borrowings during the FY was negative, implying that there was more external repayment than borrowings.

The positive outcome of the fiscal balance reduced the resource gap, which was significantly lower than the original estimates. The actual resource gap was 87 percent less than the original estimates and less by 81 percent compared to revised estimates. The resource gap of Nu. 647.525 million was financed through the

issuance of Treasury Bills (T-Bills). The principal amount of T-Bills outstanding at the end of the FY was Nu. 7,967.066 million. The Government fund position at the close of the FY stood at negative Nu. 39.776 million.

2.3.2 Fiscal Year 2018-19 (Revised)

The approved total appropriation for FY 2018-19 was Nu. 47,698.129 million with a fiscal deficit of Nu.5,234.324 million which is 2.69 percent of GDP. During the year, the total appropriation has been revised to Nu. 49,325.539 million, which is about 3.4 percent increase from the approved total appropriation. The increase in the appropriation is mainly on account of increased total expenditure due to incorporation of donor-funded projects. The total expenditure has been revised from Nu. 45,128.177 million to Nu. 46,724.585 million.

The increase in donor funded activities has also increased resources from Nu. 39,893.853 million to Nu. 42,949.113 million. The increase in resources is mainly on account of increase in grants and tax revenue.

Table 2.2 Revised Budget summary for FY 2018-19 as of 31st March 2019

				<i>Nu. in million</i>
Sl. No	Particulars	Approved Budget (Jun 2018)	Approved Budget Estimate (Jan 2019)	Revised (31st Mar 2019)
A	RESOURCES	38,600.392	39,893.853	42,949.113
1	Domestic Revenue	35,854.998	33,943.967	34,321.818
2	Other Receipts (Net)	10.000	20.000	40.990
3	Grants	2,411.949	5,606.441	8,262.860
4	Internal Grants	323.445	323.445	323.445
B	Total Expenditure	34,461.329	45,128.177	46,724.585
C	Fiscal Balance	4,139.063	(5,234.324)	(3,775.472)
D	Financing	(4,139.063)	5,234.324	3,775.472
1	Net lending	1,554.413	1,433.162	1,389.678
2	Net External Borrowings	(1,210.837)	961.245	986.304
3	Net domestic borrowings	(4,482.639)	2,839.917	1,399.490
	Fiscal balance % of GDP	2.0%	-2.69%	-1.96%

With these revisions, the fiscal deficit is expected to improve from Nu. 5,234.324 million to Nu. 3,775.472 million, which is about 2 percent of GDP. The improved fiscal deficit will reduce pressure on the financing requirement thereby reducing net borrowings. While the net external borrowing is estimated to increase from Nu. 961.245 million to Nu. 986.304 million, the net domestic borrowing is estimated to reduce significantly from Nu. 2,839.917 million to Nu. 1,399.490 million. The net lending has reduced mainly on account of incorporation of on-

lending of Rural Renewable Energy Development Project for Nu. 31.002 million while the recoveries reduced slightly.

2.4 Fiscal Framework

In FY 2019-20, the total expenditure is estimated at Nu. 61,197.307 million and resources at Nu. 54,619.197 million, targeting fiscal deficit at 3.04 percent of GDP. Compared to the revised budget of the previous FY, the resources is estimated to increase by about 27 percent whilst the expenditure is estimated to increase by 31 percent. As the first full-fledged budget for the 12FYP, the deficit is estimated to widen mainly on account of higher increase in expenditure compared to increase in revenue.

The resources is also estimated to increase as compared to previous year, because of increase in domestic revenue by 26 percent and grants by 32 percent. Compared to the FY 2018-19, the current expenditure is estimated to increase by 19 percent and the capital expenditure by 51 percent.

The targeted fiscal deficit of 3.04 percent of GDP amounting to Nu. 6,578.110 million in FY 2019-20, will be financed mainly through external borrowing of Nu. 4,769.457 million. With estimated repayments for external loans at Nu. 3,294.929 million, the net borrowing to finance the deficit is estimated to be Nu. 1,474.528 million. Much of the repayment of external loans are met through the recoveries from SoEs (including hydropower).

The net lending is estimated at Nu. 2,094.775 million, with recoveries of Nu. 2,417.860 million from SoEs against the estimated on-lending of Nu. 323.085 million. To meet the balance financing needs, Nu. 3,020.211 million shall be mobilized from the domestic market through bonds.

Over the medium-term, the fiscal deficit is projected to widen to 5.07 percent of GDP in FY 2020-21 before declining to 3.68 percent in FY 2021-22. The increase in fiscal deficit would be mainly on account of increase in expenditure from Nu. 61,197.307 million in FY 2019-20 to Nu. 69,714.642 million in FY 2020-21 before falling to Nu. 69,190.802 million in FY 2021-22. Since FY 2020-21 is the mid-year of the 12FYP, wherein implementation of planned activities would be at their peak, budgetary expenditure is projected to spike.

Table 2.3 Medium Term Fiscal Framework

Particulars	Nu. in million				
	2017/18 Actual	2018/19 Revised	2019/20 Budget	2020/21 Projection	2021/22 Projection
Total Resources	52,113.168	42,949.113	54,619.197	57,467.476	59,341.285
1. Domestic Revenue	36,871.372	34,321.818	43,299.071	43,053.476	45,062.285
2. Other Receipts	394.726	40.990	-	-	-
3. GRANTS	14,847.070	8,262.860	10,934.307	14,181.370	14,046.370
4. Internal Grants	-	323.445	385.819	232.629	232.629
Total Expenditure	56,331.357	46,724.585	61,197.307	69,714.642	69,190.802
Current Expenditure	27,494.710	29,105.462	34,652.765	41,845.667	42,483.035
Capital Expenditure	28,836.647	17,619.123	26,544.542	27,868.975	26,707.767
OVERALL BALANCE	(545.502)	(3,775.472)	(6,578.110)	(12,247.167)	(9,849.517)
FINANCING	545.502*	3,775.472*	6,578.110	12,247.167	9,849.517
Net Lending	-	1,389.678	2,094.775	3,780.612	3,903.501
Net external borrowings	(92.149)	986.304	1,474.528	(4,425.207)	(4,727.070)
Net internal borrowings	(9.874)	1,399.490	3,008.807	12,879.493	10,659.945
Resource gap	(647.525)	-	-	-	-
GDP	174,516.004	192,826.815	216,655.653	241,361.041	267,420.739
<i>Fiscal balance % of GDP</i>	-0.31%	-1.96%	-3.04%	-5.07%	-3.68%

*The net lending and advance/suspense that features for computation of fiscal balance in FY 2017/18 & FY 2018/19 has not been reflected here.

The resources is projected to grow by 5.2 percent in FY 2020-21 and 3.3 percent in FY 2021-22 which is projected to have positive outlook on the fiscal deficit, with lower pressure on financing.

The fiscal deficit will be financed through concessional external borrowings from multilateral development banks and the balance financing needs would be raised from domestic market through long term bonds. The medium-term outlook of the net external borrowing is negative as more repayments than borrowing is projected, which is mainly because debt servicing for MHP starts while the debt outlook does not include the program borrowings. Therefore, the current outlook for borrowing from the domestic market is high. However, the Government shall explore various means of innovative financing to reduce the level of debt to meet the development financing needs.

3

Resources

3.1 Resource Performance in FY 2017-18

The total resources for FY 2017-18 was Nu. 51,718.389 million, which is an increase of 21 percent from the previous fiscal year. Of the total resources, 71 percent was domestic revenue and the balance 29 percent was grants.

3.1.1 Domestic Revenue

Domestic revenue comprises of direct tax, indirect tax and non-tax revenue. During the FY 2017-18, the total domestic revenue realized was Nu. 36,871.372 million, which is an increase of 24 percent as compared to FY 2016-2017. This accounted for 21.2 percent of GDP and met the entire current expenditure besides financing 30 percent of the capital expenditure.

Tax revenue collection in the FY 2017-18 increased to Nu. 27,107.897 million recording a growth of 24.9 percent as compared to FY 2016-17. It was one of the highest tax revenues, improving tax to GDP ratio to 15.6 percent. The increase was mainly due to higher collection of royalties from hydropower, excise duty refund and increase from income tax and sales tax. Non tax revenue of Nu. 9,763.475 million was collected in the FY 2017-18, an increase of 21.9 percent as compared to FY 2016-17 mainly on account of closure of MoF's revaluation reserve fund.

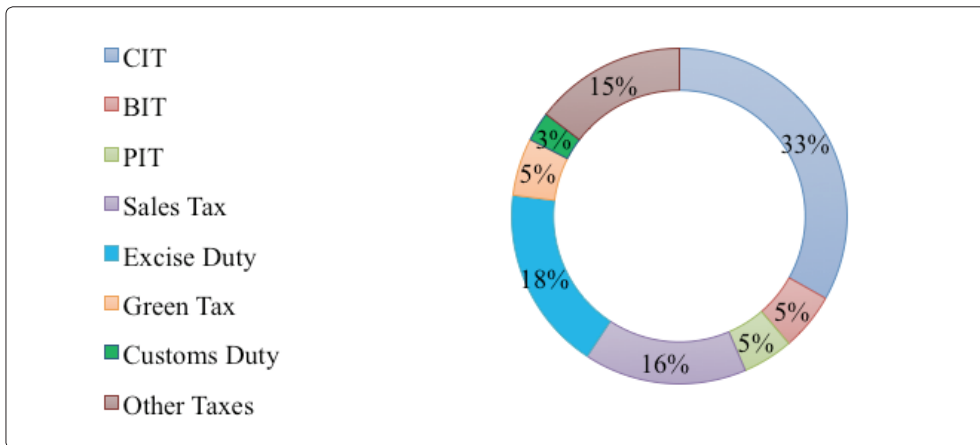
Direct taxes comprise of Corporate Income Tax (CIT), Business Income Tax (BIT) and Personal Income Tax (PIT) which recorded an average growth of 26 percent, 5 percent and 5 percent respectively over past 5 years. Indirect tax such as sales tax increased by 12 percent, excise duty by 11 percent, customs duty by 2 percent and green tax by 3 percent in the past five years.

In FY 2017-18, Nu. 11,871.807 million was income tax (CIT, BIT and PIT) which comprised of 32.2 percent of the total revenue. Total income tax increased by 14.1 percent as compared to FY 2016-17 attributed mainly to higher corporate income tax from improved corporate earnings and increase in number of CIT filers. The overall collection from indirect taxes was Nu.11, 226.9 million mainly from sales

tax and excise duty which accounted for 28.4 percent of the total revenue in the FY 2017-18.

Under other taxes, royalty revenue realized was Nu. 3, 811.557 million in the FY 2017-18 as compared to Nu. 1,901.937 million in the FY 2016-17 recording a growth of 100 percent. The increase is mainly because of change in modality of accounting treatment and transfer of royalty energy revenue to MoF by DGPC with effect from January 2017.

Figure 3.1: Tax Revenue composition



3.1.2 Grants

During the FY 2017-18, the government received external grants of Nu. 14,847.070 million, an increase of 14.3 percent from the preceding fiscal year. External grants continue to form an important part of the budget to finance capital expenditure and accounted for 50 percent of capital spending in FY 2017-18. Major portion of the grants is received from GOI, constituting about 75 percent, and grants financed about 26 percent of the total expenditure. Other major sources of the external grants include the EU, Japan and UN agencies.

Table 3.1 Grants received

PARTICULARS	Nu. in millions		% Change
	2016-17	2017-18	
a) GOI	9,882.572	11,200.831	13.34%
1. Program Grant	2,125.000	1,700.000	-20.00%
2. Project Grant	7,757.572	9,500.831	22.47%
i. Cash	7,757.572	9,500.831	22.47%
ii. Kind	-	-	-
b) Other Donors	3,104.181	3,646.239	17.46%
1. Program Grant	-	-	-
2. Project Grant	3,104.181	3,646.239	17.46%
i. Cash	2,656.948	3,378.166	27.14%
ii. Kind	447.233	268.073	-40.06%
Total	12,986.753	14,847.070	14.32%

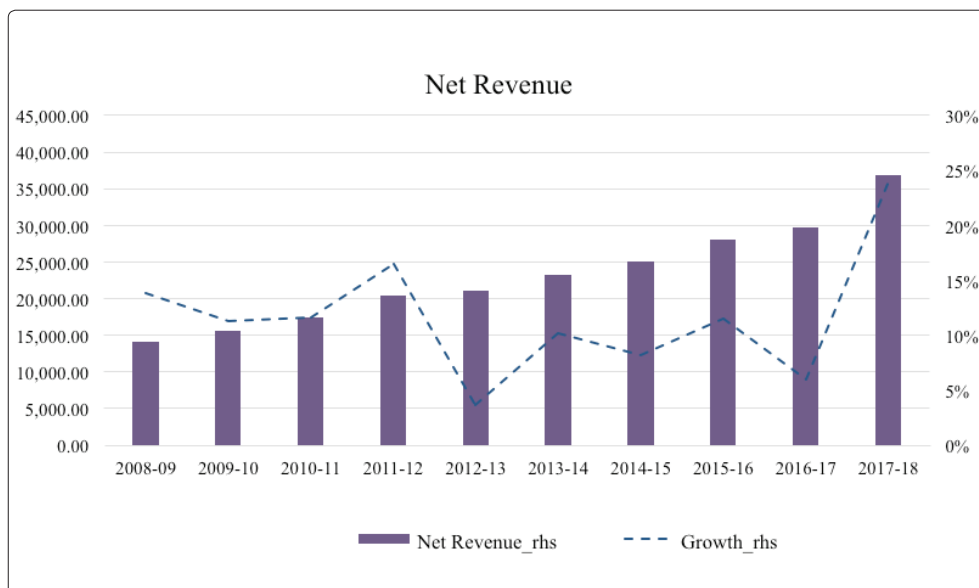
3.2 Trend analysis for Domestic Revenue

The domestic revenue grew on average at 12 percent in the last 10 years, with FY 2017-18 recording one of the highest growths at 24 percent. While the increase in domestic revenues can be attributed to commissioning of the hydropower projects, it is also due to growth in other sectors of the economy. The rate of increase in domestic revenue from FY 2008-09 has been on an upward trend till FY 2011-12.

Major tax heads such as corporate income tax from DHI and DGPC which grew on an average of 35 percent along with significant growth in business income tax on average around 35 percent also supported strong domestic revenue growth. The slowdown in the growth of domestic tax revenue during the FY 2012-13 was due to measures implemented by Government to contain the rupee shortage. This affected the activities in the economy and slowed the growth to 3.6 percent resulting in a substantial drop in corporate income tax by 6 percent followed by decrease in sales tax and customs duty by 9 percent and 30 percent respectively.

With implementation of the 11FYP and removal of administrative measures, FY 2013-14 witnessed major re-bounce on the part of domestic tax revenues. The corporate income tax during this period recorded an increase of 26 percent from a negative growth of 6 percent during the FY 2012-13. Similarly, sales tax and customs duty grew at 1 percent and 2 percent respectively. Starting FY 2013-14, domestic tax revenue followed an increasing trend on an average with growth in almost all of its major tax components.

Figure 3.2: Trend analysis of net revenue growth

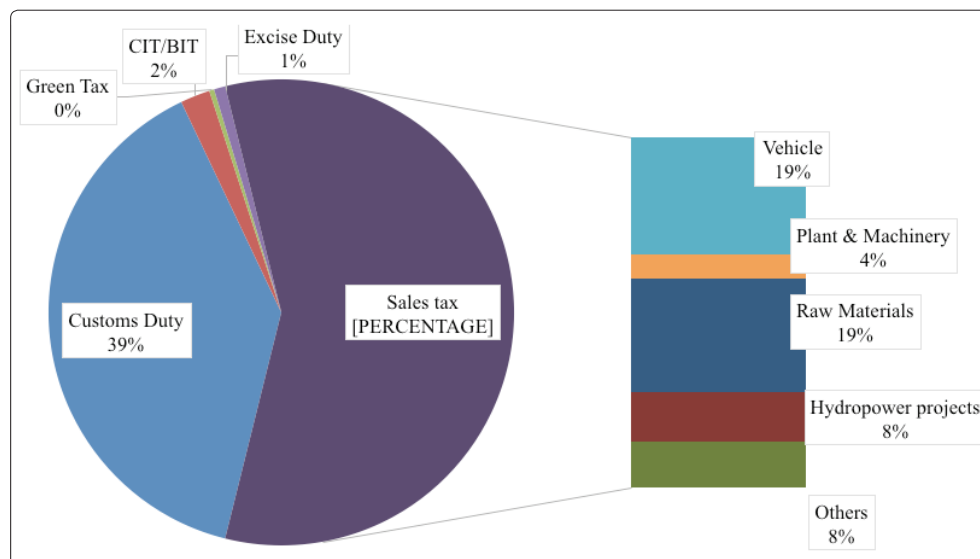


3.3 Tax Forgone

In order to stimulate economic growth, foster private sector development and generate employment, fiscal incentives have been granted under the Fiscal Incentives Act 2017. Fiscal incentives are provided in the form of tax exemptions, tax holidays, reinvestment allowances, tax rebate and expenditure deductions.

The tax forgone in 2017 was estimated at Nu. 4,442.600 million, accounting for 2.7 percent of GDP, which is an increase by 14 percent from the previous year. The customs duty exemption increased by 22 percent followed by sales tax exemption by 16 percent and excise duty exemption by 1.5 percent mainly due to increase in the exemption list as well as increase in the volume of import of raw materials for industrial use. The CIT/BIT and green tax exemptions decreased by 71 percent and 45 percent respectively mainly due to the termination of tax holidays for some of the business units.

Figure 3.3: Tax forgone in 2017



3.4 Revised Resources in FY 2018-19

The total resources for FY 2018-19 has been revised to Nu. 42,949.113 million from Nu. 39,893.853 million, an increase of about 7.7 percent from the approved estimate. The increase is mainly on account of incorporation of donor funded projects of Nu. 1,627.410 million, receipt of GoI program grant of Nu.800.000 million, additional excise duty refund of Nu. 1,731.236 million and surplus transfer from RMA of Nu. 550.243 million.

Table 3.2: Revised Resource Summary for FY 2018-19

Particulars	Nu. in million	
	Approved Budget (Jan 2019)	Revised (31st March 2019)
TOTAL RESOURCES	39,893.853	42,949.113
I. DOMESTIC REVENUE	33,943.967	34,321.818
i. Tax	25,037.460	26,542.925
ii. Non-Tax	8,906.507	7,778.893
II. OTHER RECEIPTS	20.000	40.990
III. GRANTS	5,929.886	8,586.305
i. Program Grants	150.000	950.000
a) GoI	-	800.000
b) others (EU)	150.000	150.000
ii. Project-tied Grants	5,779.886	7,636.305
a) GoI	3,024.114	4,030.405
b) Others	2,755.772	3,605.900

3.4.1 Domestic Revenue

The total domestic revenue for the FY 2018-19 is estimated at Nu. 34,321.818 million of which tax revenue is Nu. 26,542.925 million and non-tax revenue is Nu. 7,778.893 million. The increase of 6 percent in the tax revenue from the approved budget estimate is mainly on account of the excise duty refund from GoI. The downward revision in the non-tax revenue is mainly on account of lower actual dividends received from DHI for the fiscal year which is Nu. 3,350 million, compared to the estimate of Nu. 4,933.840 million, a drop by 32 percent. However, surplus transfer from RMA increased from Nu.1,000 million to Nu. 1,550.243 million, an increase by 55 percent under the non-tax revenue.

3.4.2 Grants

In FY 2018-19, total grants is estimated at Nu. 8,586.305 million, consisting of program grants of Nu. 950 million and project-tied grants of Nu. 7,636.305 million. Of the total grants, Nu. 1,953.682 million was incorporated of which Nu. 1,006.291 million was from GoI, Nu.210.811 million from World Bank, Nu.100.523 million from ADB and balance from other development partners. Besides the incorporation, there was also a rationalization of Nu.326.272 million. The summary of the incorporations made during the year is shown in the Table 3.3.

In FY 2018-19, the Bhutan Health Trust Fund (BHTF) contributed Nu. 270.985 million and Bhutan Trust Fund for Environment Conservation (BT FEC) contributed Nu. 52.460 million as internal grants to carry out activities under health sector and environment preservation.

Table 3.3 Summary of External Fund incorporation*Nu. in million*

Sl.No	Name of Donor	Amount
1	GOVERNMENT OF INDIA	1,006.291
2	W/Bank	210.811
3	ADB	100.523
4	Others	117.136
5	EU	88.985
6	ADHOC	60.137
7	AUSTRALIA	57.733
8	GEF/UNDP	55.059
9	UNICEF	39.932
10	UNDP/UNDP IPF	30.794
11	US	24.335
12	GFATM	22.549
13	WHO	21.461
14	BHUTAN FOUNDATION	18.788
15	EURCO	14.037
16	HELVETAS	10.483
17	ICIMOD	10.262
18	WFP	9.582
19	BTFEC	9.190
20	JAPAN	8.926
21	EIS	7.997
22	WWF	7.786
23	CDC, USA	6.700
24	IFAD	5.431
25	UNFPA	5.016
26	FAO	3.738
	Total	1,953.682
	Less: Rationalized	326.272

3.5 Medium-term Resource Outlook

For the FY 2019-20, the total resources is estimated at Nu. 54,619.197 million, which is an increase by 27 percent compared to previous year mainly contributed by profit transfer after the commissioning of MHP and increase in CIT and other direct taxes and grants. Of the total resources, domestic revenue is projected to contribute about 79 percent, while external and internal grants are projected to contribute about 20 and 1 percent respectively.

Domestic revenue is estimated at Nu. 43,299.071 million, an increase by 26 percent compared to the previous year. External grants and internal grants are projected at Nu. 10,934.307 million and Nu. 385.819 million, an increase by 32 percent and 20 percent respectively as compared to previous year. The estimated grants consist of Nu.1,700 million as GoI program grants and Nu. 9,620.126 million as project-tied grants from GoI and other development partners.

In the medium-term, domestic revenue is projected to grow on an average of 11 percent and tax revenue and non-tax revenue are projected to grow by 7 percent and 35 percent respectively. Revenue from corporate income tax is projected to increase mainly on account of increase in revenues from DHI by 13 percent and from DGPC by 18 percent. Royalty earnings from tourism and hydropower is projected to increase by 7 percent and 29 percent respectively owing to increase in the number of arrivals of international leisure tourists and commissioning of MHP. The non-tax revenue is also projected to grow by 35 percent on an average mainly because of projected increase in dividends from DHI.

Total grants in the medium term (FY 2019-20 to FY 2021-22) is projected at Nu. 40,013.125 million, of which external grant is Nu. 39,162.048 million and internal grant from trust funds is Nu. 851.077 million.

The grants is projected to constitute about 23 percent of the total resources and will cover at least 50 percent of the capital expenditure. Major sources of grants include GoI which forms major portion of the external grants, the EU, Japan and UN agencies.

Table 3.4 Medium-term resource outlook

Nu. in million

	Actuals	Revised	Estimates	Outlook		Average
FY	2017-18	2018-19	2019-20	2020-21	2021-22	Growth
Total Resource	52,113.168*	42,949.113*	54,619.197	57,467.474	59,341.284	12%
Tax & Non-Tax revenue	36,871.319	34,321.818	43,299.071	43,053.475	45,062.285	11%
Direct Tax	15,964.727	17,459.005	20,565.607	24,006.731	25,537.218	14%
<i>CIT</i>	9,033.275	9,921.744	10,677.905	13,253.571	14,155.818	
<i>BIT</i>	1,496.719	1,623.130	1,824.532	2,036.718	2,256.788	
<i>PIT</i>	1,341.814	1,550.797	1,832.532	2,036.718	2,256.788	
<i>Other Direct Tax</i>	4,092.919	4,363.334	6,230.524	6,609.533	6,790.050	
Indirect Tax	10,854.986	9,083.920	6,211.240	6,546.658	6,880.640	-7%
<i>Sales Tax</i>	4,283.030	4,343.742	4,176.673	4,406.313	4,649.648	
<i>Excise Duty</i>	4,834.080	3,250.517	652.265	678.356	705.490	
<i>Green Tax</i>	938.560	882.908	771.456	799.919	829.511	
<i>Customs Duty</i>	773.180	588.541	591.722	641.922	674.909	
Non-Tax Revenue	10,051.606	7,778.893	16,522.224	12,500.087	12,644.428	35%
<i>Dividend</i>	4,060.190	3,350.800	5,136.222	7,207.382	7,350.744	
<i>Transfer Profit</i>	2,648.110	1,550.243	8,043.044	1,000.000	1,000.000	
<i>Other Non-Tax Revenue</i>	94.500	94.500	99.225	104.186	109.396	
<i>Int. Receipt from Corp</i>	1,845.930	1,285.393	1,767.643	2,682.907	2,648.564	
External Grants	14,847.070	8,262.860	10,934.307	14,181.370	14,046.370	20%
Internal Grants		323.445	385.819	232.629	232.629	

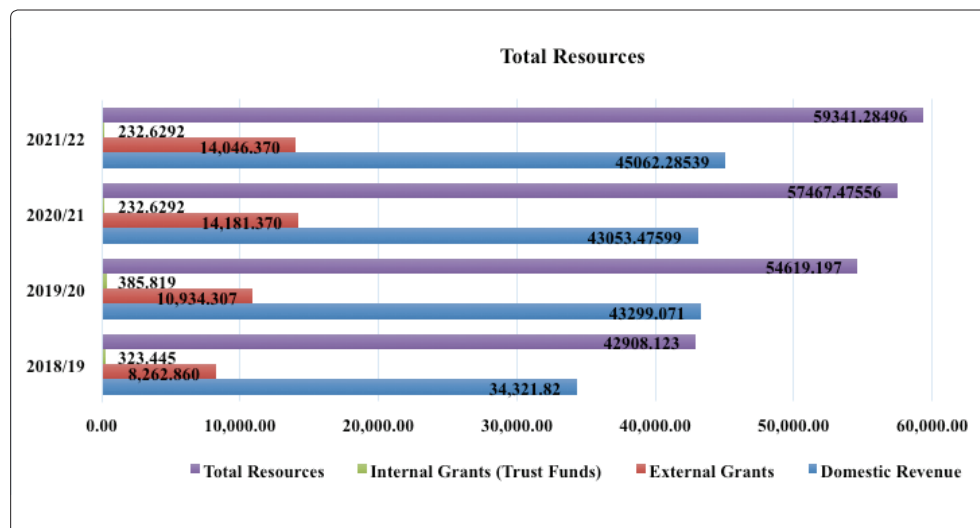
**other receipts included in the total resources*

Source: MFCC

The total resources for a fiscal year is the sum of domestic tax revenue, non-tax revenue, external grants and internal grants which determines the level of expenditure to keep the fiscal deficit at a level determined by MFCC. The composition of total resources in the medium term is shown in the figure.

Figure 3.4: Total Resources

Nu. in million



3.6 Tax Buoyancy for the medium term

Tax buoyancy is an indicator to measure efficiency in revenue mobilization in response to economic growth (GDP). If tax buoyancy is high, it indicates built-in-flexibility in the tax structure. If it is greater than 1, it indicates more than proportionate response of the revenue to rise in GDP and if it is less than 1, it indicates less than proportionate response of the revenue to growth in GDP.

Table 3.5 Tax Revenue and Buoyancy

Tax Heads	2017-18	2018-19	2019-20	2020-21	2021-22
Domestic Revenue	36,871.372	34,321.818	43,299.071	43,053.475	45,062.285
Total Domestic Revenue growth	24%	-6.9%	26.2%	-1.0%	4.6%
<i>Buoyancy</i>	1.04	-0.06	0.23	-0.01	0.04
Direct Tax Revenue	15,964.727	17,459.005	20,565.607	24,006.731	25,537.218
DTR growth	28%	9%	18%	17%	6%
<i>Buoyancy</i>	1.21	0.08	0.16	0.15	0.06
Indirect Tax Revenue	10,854.986	9,083.920	6,211.240	6,546.658	6,880.640
Indirect Tax growth	24%	-16%	-32%	5%	5%
<i>Buoyancy</i>	1.01	-0.15	-0.28	0.05	0.05

As evident from the table, in FY 2019-20, the buoyancy for domestic revenue is projected to improve to 0.23 largely due to higher economic growth projection at 7.2 percent and positive economic outlook.

In terms of tax buoyancy at individual tax head, the direct tax revenue is projected to respond positively. Although tax buoyancy for indirect tax for FY 2019-20 is estimated to be less than 1, the buoyancy for indirect tax after FY 2020-21, will positively improve although less than 1. The implementation of GST is expected to further improve the tax buoyancy.

4

Expenditure

4.1 Expenditure Performance for FY 2017-18

The original outlay for the FY 2017-18 was Nu. 55,850.264 million which was revised to Nu. 60,549.834 million, an increase by 8.4 percent. However, the actual outcome was Nu. 52,658.670 million, less by 13 percent of the revised outlay. Similarly, the actual expenditure was Nu. 56,331.357 million, which is 10 percent less than the revised expenditure.

Table 4.1 Budget variance

Particulars	In million of Nu.			% Variance		
	Original	Revised	Actual	Original vs Revised	Revised vs Actual	Original vs Actual
OUTLAY	55,850.264	60,549.834	52,658.670	8.4%	-13.0%	-5.7%
Total Expenditure	57,915.710	62,643.611	56,331.357	8.2%	-10.1%	-2.7%
Current expenditure	28,569.671	28,551.257	27,494.710	-0.1%	-3.7%	-3.8%
Capital expenditure	29,346.039	34,092.354	28,836.647	16.2%	-15.4%	-1.7%

The total expenditure for the FY 2017-18 increased by 12.7 percent from the previous fiscal year. The total current expenditure for the FY 2017-18 was Nu. 27,494.710 million, an increase by 13.9 percent from the previous fiscal year and accounted for 15.8 percent of GDP. The actual outcome of current expenditure was 3.8 percent and 3.7 percent less than the original and revised budgeted respectively. As required by the Constitution, the current expenditure was fully financed by the domestic revenue.

The capital expenditure for the FY 2017-18 was Nu. 28,836.647 million, which accounted for 16.5 percent of the GDP and increased by 11.6 percent as compared to the previous FY. The capital budget variance between actual and revised was 15.4 percent as compared to 20.9 percent in FY 2016-17.

Table 4.2 Summary of Expenditure

Particulars	(Nu. in million)		% Change	% of GDP
	2016-17	2017-18		
EXPENDITURE	49,966.611	56,331.357	12.74%	32.28%
Current Expenditure	24,129.587	27,494.710	13.95%	15.75%
Capital Expenditure	25,837.024	28,836.647	11.61%	16.52%
Repayments	2,703.336	2,820.356	4.33%	1.62%
Internal	9.194	9.874	7.40%	0.01%
External	2,694.142	2,810.482	4.32%	1.61%
On Lending	42.115	49.379	17.25%	0.03%
GRAND TOTAL	52,712.062	59,201.092	12.31%	33.92%

4.1.2 Outcome of Budget FY 2017-18

As per the annual financial statement, duly certified by the Royal Audit Authority, the Budget utilization for the FY 2017-18 was 87 percent. Of the total budget, current budget utilization was 96 percent and capital budget utilization was 85 percent.

The fiscal outcomes and operational result of the FY 2017-18 has been audited by the Royal Audit Authority. A copy of the audited *Annual Financial Statement* for FY 2017-18 is distributed along with this report for consideration by the House.

Most of the capital budget variance pertains to donor funds which has been revitalized in the subsequent fiscal year. As per the performance assessment by GPMD, most of the budgetary bodies have achieved their targets set for FY 2017-18.

4.2 Revised Budget for FY 2018-19

The total approved appropriation for FY 2018-19 was Nu.47,698.129 million with a fiscal deficit of Nu.5,234.324 million accounting to 2.69 percent of GDP. During the year, the total appropriation has been revised to Nu. 49,325.539 million which is about 3.4 percent increase from the original budget.

Table 4.3: Summary of appropriations as of March 31st 2019*(Nu. in million)*

Particulars	Approved Budget estimates (Jan 2019)	Revised Appropriation (Mar 31 2019)
EXPENDITURE	45,128.177	46,724.585
Current Expenditure	29,075.167	29,105.462
Capital Expenditure	16,053.010	17,619.123
Repayments	2,474.924	2,474.924
Internal	10.615	10.615
External	2,464.309	2,464.309
On Lending	95.028	126.030
GRAND TOTAL	47,698.129	49,325.539

With the incorporation of donor funded projects, the total budget appropriation has been revised by Nu.1,627.410 million, of which Nu.30.295 million is current, Nu.1,566.113 million is capital expenditure and Nu. 31.002 million is for lending.

4.2.1 Current expenditure

The revised current expenditure for FY 2018-19 is Nu. 29,105.462 million. The increase of Nu. 30.295 million is due to incorporation of donor-funds for various projects and programs.

4.2.2 Capital expenditure

The capital expenditure for FY 2018-19 has been revised from Nu.16,053.010 million to Nu. 17,619.123 million. The increase in capital expenditure by 9.8 percent is mainly on account of incorporation of donor funded activities and technical adjustments within the approved budget. These incorporations and revisions were made in keeping with section 60 of the Public Finance (amendment) Act of Bhutan 2012.

Table 4.4: Revised expenditure for FY 2018-19

Particulars	Approved Budget Estimate (January 2019)	Revised (31st March 2019)
Total Expenditure	45,128.177	46,724.585
Current expenditure	29,075.167	29,105.462
Capital expenditure	16,053.010	17,619.123

4.3 Supplementary Budget Appropriations

Based on incorporations during the FY, the total budget appropriation for FY 2018-19 is revised from Nu. 47,698.129 million to Nu.49,325.539 million. Therefore, **Supplementary Budget Appropriation Bill** for FY 2018-19 amounting to Nu. 1,627.410 million is submitted to the House for consideration.

4.4 Budget Estimates for FY 2019-20

The budget for FY 2019-20 has been prepared based on the resource envelope determined by the MFCC with capital budget ceiling of 20 percent of the capital outlay of the 12 FYP. The Budget is also based on the fiscal policy of maintaining a sustainable fiscal balance and the fiscal targets to be achieved during FY 2019-20. Budget allocation is based on the priority programs and activities of the 12FYP after considering the implementing capacity of the agencies.

To deepen fiscal decentralization, the budget for Gewogs shall be provided as Annual Grants starting from FY 2019-20. Further, the Dzongkhag Development Grant (DDG) has been enhanced from Nu.7 million to Nu.10 million. In order to ensure proper utilization of grants, the Government has issued guidelines for Annual Grants for Gewogs and the DDG.

One of the major features of the FY 2019-20 is the initiation of flagship programs, which are high priority multi-sector interventions to address national issues.

In keeping with the Government's objective of "**Narrowing the Gap**", major reforms in the education sector is being initiated to promote GNH based society. Some of the reforms included in the budget are scholarships for class 11 and 12 and the day feeding program for rural schools. The budget provision has also been kept for implementing the pay revisions for public servants.

To ensure optimal utilization of the budget, the budgetary agencies shall ensure that APA targets are aligned with the approved budget. In addition, gender and climate change considerations are incorporated in the budget for contributing towards achieving the NKRA and SDGs.

4.4.1 Total Budget Appropriation FY 2019-20

The total budget appropriation for FY 2019-20 is estimated at Nu. 64,826.725 million of which Nu. 34,652.765 million is for current expenditure and Nu.26,544.542 million for capital expenditure. Of the total budget appropriation, 53.5 percent is for current, 40.9 percent for capital and the balance is for repayment and on-lending. The total budget appropriation includes Nu.3,306.333 million for principal repayment and Nu.323.085 million for on-lending.

Table 4.5 Budget Appropriation for FY 2019-20

Particulars	Budget estimates
	Fiscal Year 2019-20 (Nu. in million)
EXPENDITURE	61,197.307
Current Expenditure	34,652.765
Capital Expenditure	26,544.542
Repayments	3,306.333
Internal	11.404
External	3,294.929
On Lending	323.085
GRAND TOTAL	64,826.725

4.4.2 Expenditure for FY 2019-20

The total estimated expenditure for the FY 2019-20 is Nu.61,197.307 million which is about 31 percent increase from the revised budget of FY 2018-19. Of the total, current expenditure is about 57 percent while capital expenditure is 43 percent of the total expenditure.

Table 4.6: Expenditure estimates for FY 2019-20

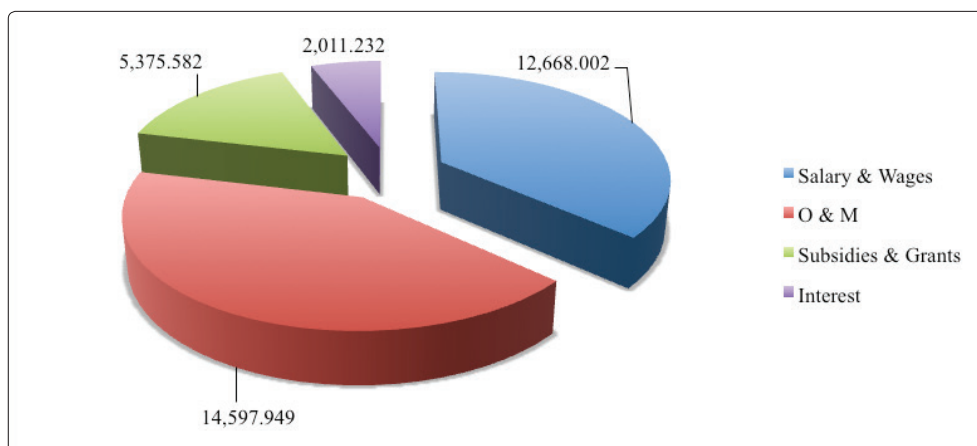
Particulars	Budget estimates
	Fiscal Year 2019-20 (Nu. in million)
EXPENDITURE	61,197.307
Current Expenditure	34,652.765
o/w. Interest payment	2,011.232
Capital Expenditure	26,544.542

4.4.2.1 Current expenditure

The estimated current expenditure for FY 2019-20 is Nu. 34,652.765 million which is an increase of about 19 percent from the revised budget of FY 2018-19. The increase is mainly on account of provision for pay revisions, scholarships for class 10 passed students, day feeding program in 115 rural schools and WFP phasing out. The estimated current expenditure accounts for about 80 percent of the domestic revenue.

The major components of current expenditure are salary and wages, and operation and maintenance. Current expenditure also includes interest payment of Nu. 2,011.232 million (out of which Nu. 1,758.461 million is for external loans) and Nu. 5,375.582 million for subsidies and grants. The components of current expenditure is given in the figure.

Figure 4.1: components of current expenditure



4.4.2.2 Capital expenditure

The capital expenditure for FY 2019-20 is estimated at Nu. 26,544.542 million, which is about 43.4 percent of the total expenditure. Of the total capital expenditure, 62.3 percent (Nu. 16,534.799 million) is from domestic revenue and internal borrowings, 34.7 percent (Nu. 9,082.871 million) is from grants and 3.4 percent (Nu. 926.872 million) is from external borrowings.

4.4.2.3 Lending

For the FY 2019-20, Nu.323.085 million is provisioned for on-lending to BPC for rural electrification and DHI for Phuentsholing Township Development under JICA and ADB financing.

4.4.2.4 Repayment

In FY 2019-20, Nu. 3,306.333 million has been provisioned for repayments, of which Nu. 3,294.929 million is for external borrowings and Nu. 11.404 million for domestic borrowings.

4.4.2.5 Transfers: Grants and subsidies

In FY 2019-20, Nu. 8,364.973 million has been allocated as transfers to SoEs, autonomous agencies, Gewogs, Thromdes and universities (RUB and KGUMSB). Of the total, Nu.5,759.519 million is provided as grants and Nu. 2,605.454 million as subsidies.

The total transfer includes annual grants of Nu. 2,863.131 million to Gewogs, Nu.889.013 million to four Thromdes and Nu.1,001.750 million to DHI for Phuentsholing Township Development under ADB funding. The allocation for subsidies include Nu. 95.460 million to City Bus Services for procurement of 37 buses. Further, with the establishment of Bhutan Economic Stabilization Fund (BESF) since FY 2017-18, Nu.200 million has been earmarked to be transferred to the fund for continuity and build-up in FY 2019-20.

4.4.2.6 Equities

In FY 2019-20, Nu.330 million is provisioned for equity injection, of which Nu.15 million is for Food Corporation of Bhutan Ltd.(FCBL), Nu.15 million for Farm Machinery Corporation Ltd.(FMCL) and Nu.300 million as equity injection to Rural Enterprise Development Corporation Ltd (REDCL) which shall be upgraded to a Cottage and Small Industries Bank (CSI Bank).

Table 4.7 Details of the transfers and equities during FY 2019-20

Nu. in million

Sl.#	Name of Agency /Purpose	Current	Capital	Total
A Transfers (Grants)				
1	Druk Gyalpo Relief Fund	-	20.000	20.000
2	Bhutan Economic Stabilization Fund	-	200.000	200.000
3	Endowment Fund for Crop and Livestock Conservation	-	20.000	20.000
4	Royal University of Bhutan (RUB)	645.452	-	645.452
5	Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB)	70.632	-	70.632
6	ADB Support to Druk Holding and Investment for Phuentsholing Township Development Project.	-	1,001.750	1,001.750
7	Agency for Promotion of Indigenous Crafts (APIC)	5.946	34.000	39.946
8	Support to Bhutan Red Cross Society	3.356	-	3.356
9	Support to Bhutan Alternative Dispute Resolution Center (ADRC)	4.353	0.850	5.203
10	Support to Bar Council	1.036	-	1.036
11	Annual Grant for Gewogs (205 Gewogs)	463.129	2,400.002	2,863.131
12	Thimphu Thromde	-	367.265	367.265
13	Phuentsholing Thromde	-	199.276	199.276
14	Gelephu Thromde	19.221	115.725	134.946
15	Samdrupjongkhar Thromde	24.780	162.746	187.526
Total Transfers (A)		1,237.905	4,521.614	5,759.519
B Transfers (subsidy)				
1	Bhutan Broadcasting Service Corporation Limited	126.266	22.794	149.060
2	City Bus Services-Bhutan Post	48.130	95.460	143.590
3	Rural House Insurance Scheme-RICBL	-	16.500	16.500
4	Rural Life Insurance -RICBL	69.000	-	69.000
5	Interest subsidy for third aircraft-Drukair	109.712	-	109.712
6	Interest subsidy for purchase of ATR-42-600-Drukair	38.862	-	38.862
7	Maintenance of government quarters in Dzongkhags -NHDCL	10.000	-	10.000
8	Subsidy for loan availed from NPPF for construction Phuentsholing Housing Complex-NHDCL	33.979	22.206	56.185
9	Interest subsidy for loan availed for establishment of integrated agro processing plant at Lingmithang-BAIL	11.620	-	11.620
10	100 units of free electricity for rural households -BPC	1,828.990	-	1,828.990
11	Hiring of farm machinery -FMCL	49.885	-	49.885
12	Interest subsidy on OD facility to facilitate timely payment to farmers-FCBL	15.750	-	15.750
13	Bhutan Chambers and Commerce Industries (BCCI)	10.500	-	10.500

Sl.#	Name of Agency /Purpose	Current	Capital	Total
15	Bhutan Indigenous Games and Sports Association (BIGSA)	2.800	-	2.800
16	National Sports Federation	78.000	-	78.000
17	National Seeds Center	15.000	-	15.000
Total Subsidies (B)		2,448.494	156.960	2,605.454
C Equity				-
1	Equity Injection: FCBL	-	15.000	15.000
2	Equity Injection : FMCL	-	15.000	15.000
3	Equity Injection : REDCL (Revolving Fund under ESP)	-	300.000	300.000
Total Equity (C)		-	330.000	330.000
Grand Total (A+B+C)		3,686.399	5,008.574	8,694.973

4.5 Sector allocation

Summary of sector allocation for FY 2019-20 is presented below:

Table 4.8 Sector allocation for FY 2019-20

Sector	Nu. in million			
	Current	Capital	Total	Percent
Social Services	11,589.315	4,678.619	16,267.934	25%
Health	3,641.243	2,089.017	5,730.260	9%
Education	7,948.072	2,589.602	10,537.674	16%
Economic and Public Services	4,792.157	11,718.572	16,510.729	26%
Agri., Livestock, Forests & Environment	2,474.676	3,844.871	6,319.547	10%
Mining & Manufacturing	407.465	1,369.266	1,776.731	3%
Roads	527.927	1,743.931	2,271.858	4%
Housing & Community	550.483	3,429.109	3,979.592	6%
Communications	702.507	1,167.230	1,869.737	3%
Energy	129.099	164.165	293.264	1%
Cultural Services	832.196	1,193.278	2,025.474	3%
Law and Order Services	2,077.478	594.604	2,672.082	4%
General Public Services	13,350.387	8,359.469	21,709.856	33%
Debt Services	2,011.232	3,629.418	5,640.650	9%
Repayment	2,011.232	3,306.333	5,317.565	8%
Lending	-	323.085	323.085	1%
Total	34,652.765	30,173.960	64,826.725	100%

Major activities under each of the sector is provided in the annexure 4.2.

4.5.1 Health sector

Towards ensuring a “Healthier Nation”, the health sector’s priorities in the 12FYP include providing access to equitable quality healthcare, reducing incidence of non-communicable diseases (NCDs) and ensuring sustainability of healthcare.

In order to achieve the objectives of the 12FYP, the health sector is allocated a total of Nu.5,730.260 million in FY 2019-20. Of the total allocation, Nu. 2,304.784 million is provisioned under the Ministry of Health. The Ministry’s allocation includes Nu. 420 million for on-going construction of 150 bedded Gyaltsuen Jetsun Pema Mother and Child Hospital and 40 bedded hospital in Dewathang. In addition, Nu. 350.110 million is allocated in the Dzongkhags for infrastructure development (construction/renovation of BHUs and expansion of health facilities) and Nu. 212.541 million for construction and maintenance of Rural Water Supply Scheme (RWSS). A provision of Nu. 60 million has also been made for construction of additional wing at JDWNRH.

Further, to combat the emerging challenges with increasing healthcare costs associated to communicable and non-communicable diseases, Nu.75.510 million has been allocated mainly to pursue health promotion and disease prevention programmes.

As the sector continues to improve efficiency and effectiveness in the delivery of healthcare services, Nu.135 million and Nu. 63.500 million are allocated to Ministry and JDWNRH respectively for procurement of medical equipment and spare parts, Nu.19.200 million for 2 ambulances and 3 service vehicles, Nu.56.843 million for HRD programs, Nu.13.504 million for continued medical education and Nu. 9.704 million for promotion of traditional medicines.

During the FY, the Government will also initiate the implementation of Flagship program in Health sector, for which Nu. 130 million has been provisioned under the General Reserves.

4.5.2 Education sector

Towards promoting GNH based society, the education sector will focus on progressive education in keeping with the need of the hour through addressing

the quality and inclusiveness of education, improving the health and well-being of children, enhancing equitable and quality tertiary education, enhancing the professional development of teachers, strengthening vocational education in schools and enhancing adult literacy and lifelong learning.

In order to achieve these objectives, Nu.10,537.674 million has been allocated in FY 2019-20. Of the total, Nu.224.582 million is provisioned in the respective Dzongkhags and Ministry of Education for day feeding program in 115 rural schools. Further, to improve quality and inclusiveness of education, Nu.247.065 million has been provisioned for providing scholarship to class X passed students starting academic year 2019. Besides, Nu. 416.088 million is allocated for enhancing equitable and quality tertiary education through regular undergraduate scholarships program. There is also an allocation of Nu.150 million for professional development of teachers.

In addition, the sector will also continue strengthening the existing school infrastructure. Some of the major infrastructure development activities include Nu.100 million for Chundu Public Armed Force School, Nu.82.688 million for infrastructure development and additional facilities at various central schools (Thrimshing, Nangkor, Orong, Minjiwoong, Gomdar, Martshala, Ranjung Central Schools) and Gelephu MSS. Besides, Nu. 33.100 million is also provisioned for establishment and rehabilitation of 30 Community ECCD Centres with Wash Facilities including Supply of Learning Materials & Orientation.

4.5.3 Renewable Natural Resource (RNR) sector

With the RNR sector continuing to enhance food and nutrition security, conserve and manage natural forest resources and biodiversity, its priorities in the 12FYP are increasing agricultural productivity, transforming subsistence farming to commercial farming and sustainable utilization of forestry resources.

Towards achieving these objectives, the sector has been allocated Nu. 6,319.547 million in FY 2019-20. Of the total, the Ministry of Agriculture and Forests has been allocated a sum of Nu. 3,244.944 million. This allocation includes Nu.107.200 million for establishment of three agriculture enterprises for promotion of commercial farming and to support small-scale RNR products business proposals. In addition, Nu. 6 million is also allocated to continue

the initiative of commercial farming at Phuntshothang, Nichula and Kana in collaboration with FMCL. Further, to reduce farm drudgery and address the issue of labour shortages through farm mechanization, Nu. 49.885 million is provisioned for hiring of farm machinery by FMCL. Such targeted intervention is expected to encourage youth to take up farming business and create job opportunities in the market.

Similarly, for enhancement of sustainable rural income and livelihood, Nu.1,625.108 million and Nu.178.508 million has been allocated in Dzongkhags for construction/improvement of farm roads and irrigation channels respectively. In addition, to ensure adequate and timely water supply for improved crop productivity and production, Nu. 33 million has been allocated to the Ministry for promotion of climate resilient irrigation infrastructure, procurement and installation of solar/electric pump and maintenance of irrigation structures. Further, Nu.52 million has been allocated for establishment of dairy plant with processing facilities for Ultra-High Temperature in Dewathang to be implemented in collaboration with DHI.

To ensure availability of safe and adequate food at all times, the Ministry will continue the establishment of National Food Security Reserve, for which Nu.25 million is earmarked in FY 2019-20. In addition, the Department of Agriculture will lead the implementation of promoting organic agriculture under the Flagship program with an allocation of Nu.189.895 million.

4.5.4 Mining and Manufacturing Industry

Recognizing the importance of economic diversification through strengthening of exports and creating conducive business environment, the sector's focus is on expanding the manufacturing industry to broaden export baskets while also continuing hydropower development initiatives alongside.

For achieving these objectives, the sector has been allocated Nu.1,776.731 million in FY 2019-20. Of the total, Nu. 286.011 million is provisioned for continuing the works on establishment of four industrial parks (Bondeyma, Dhamdum, Motanga and Jigmeling). In addition, Nu.8.269 million and Nu.15.176 million are allocated for improvement and expansion of infrastructure at Bjemina and Pasakha industrial estates respectively.

Further, to promote innovation, competitiveness and diversification, Cottage and Small Industries (CSI) along with start-ups and business development services is being pursued as one of the flagship programs. The total allocation for this flagship program in FY 2019-20 is Nu.235.698 million including Nu. 69 million for startup programs. In addition to trade infrastructure development, trade facilitation and automation system and support to private sector for trade promotion are being implemented under the Transitional Trade Support Facility.

4.5.4.1 Tourism

Considering the importance of tourism sector in achieving socio-economic development, sustainable tourism development has been identified as a flagship program during the 12 FYP. Through this program, Bhutan will be promoted as an exclusive and year-round tourist destination for which a total allocation of Nu. 200 million is provisioned in FY 2019-20.

Of the total allocation, Nu. 75 million is provisioned for accelerated program for branding and promotion of tourism products and Nu. 37 million for project based areas identified for tourism promotion. Further, Nu.11 million each is allocated to four focused Dzongkhags (Zhemgang, Lhuentse, Dagana and Gasa) for specific interventions to develop tourism. Another Nu. 14 million has been earmarked for capacity building and development of management plans and operational standards in these Dzongkhags.

4.5.4.2 Vocational training and employment

While youth unemployment continues to remain as a significant challenge, prioritizing and allocating adequate investment in employment generation and livelihood programs have become crucial in addressing the unemployment issues. Towards achieving the objective of sustainable development through gainful and productive employment and transforming technical and vocational education, Nu.1,118.496 million has been allocated to the Ministry of Labour and Human Resources in FY 2019-20.

Of the total allocation, Nu.129.278 million is allocated for Youth Engagement and Livelihood Program (YELP) which is expected to engage youth in meaningful livelihood projects. In addition, Nu. 98 million is allocated for critical skills training.

Further, Nu.252.614 million is provisioned for upgrading the existing National Graduate Orientation Program to National Service Program for the university graduates. The program is designed to instill volunteerism and enable young graduates to understand national issues, experience ground realities and learn about the government machineries.

With the growing requirement of skilled workers in the country, enhancing Technical and Vocational Education and Training (TVET) is considered a priority by the Government. Therefore, to strengthen TVET system through specific initiatives to improve access, quality and relevance through infrastructural expansion, capacity building of faculties, Nu.523.604 million is provisioned in FY 2019-20.

In addition, the Ministry will also initiate startups to inculcate innovation and entrepreneurship culture to create new employment opportunities through CSI and Startup flagship program for which Nu. 69 million is allocated in the FY.

4.5.5 Roads sector

As roads sector play an important role in the socio-economic development, the Government has accorded top priority to the development of road networks. For FY 2019-20, Nu. 2,271.858 million has been allocated for the sector.

To continue the on-going works, Nu.270 million has been allocated for on-going widening of North East West Highway (NEWH), Nu.200 million for improvement of Dalbari-Degapala road and Nu. 80 million for construction of Jenkana-Khemena road.

Further, to address the perennial road block at Ossey. Nu. 100 million has been allocated for construction of 4.22 km bypass road. In addition, Nu.219.998 million is allocated to initiate the construction of Phuentsholing-Chamkuna road and Nu.174.101 million for completing the Northern by-pass road. In order to improve the condition of highways, Nu. 148.500 million has been kept for resurfacing and Nu.133.700 million for blacktopping.

4.5.6 Urban development, housing and public amenities sector

In order to foster socio-economic development through provision of sustainable urban amenities such as roads, sewerage services, water supply,

street lightings, storm water drainage, housing and others, the sector is allocated a total of Nu.3,979.592 million.

Some of the major activities for urban development in the FY include Nu.185.713 million for construction of water treatment plant at Babesa, Nu.97 million for water supply at Sarpang, Nu.25 million for construction of sewerage network at Zilukha, Motithang and YHS, Nu.15 million for storm water drainage within Thimphu Thromde, Nu.30 million for construction of water treatment plant at Ngabirongchu and Nu.15 million for construction of new water distribution network at Samtenling LAP.

For improvement and resurfacing of urban roads/footpaths/bridges in Thimphu, Gelephu, Phuentsholing and Samdrup Jongkhar, LAP development at Shechemthang and Urban Infrastructure Project at Samdrup Jongkhar, a total of Nu.578.059 million is provisioned in the FY. In addition, Nu.14.400 million is allocated for construction of bus stops within Thimphu Thromde, Nu.110 million for on-going construction of integrated check post at Rinchending and Bumpagang, Nu.15 million for construction of three overhead bridges at Olakha, Changjiji and hospital junction in Thimphu, Nu.5 million for preparatory works for reconstruction of Lungtenzampa bridge and Nu.10 million for improvement of landfill site at Memaylakha.

4.5.7 Communication sector

The communication sector with a well-developed transportation system is considered an integral part of the socio-economic development. The sector is allocated with Nu.1,869.737 million in the FY.

In order to improve public transport system, ease traffic congestion and minimize air pollution within Thimphu, Nu. 95.460 million is provisioned to procure 37 city buses and Nu.102.640 million for promoting green and inclusive public transport by supporting taxi operators to replace existing taxis with electric vehicles.

The allocation also includes Nu.183.270 million for re-surfacing of runway at Paro International Airport (PIA), Nu.74.176 million to complete the relocation of Air Force Element in PIA, Nu.30 million for construction of terminal building at Bumthang domestic airport and Nu.20 million for establishment of second remote station for PIA.

Further, to enhance digital transformation and innovation in the use of ICT and media, Nu.15 million is allocated for operation and maintenance of DrukREN, Nu.8 million for Government Data Centre, Nu.5 million for designing Satellite Control Centre.

In addition to the regular programs, the Ministry through a flagship program “Digital Drukyul” will strive to capitalize the opportunities provided by ICT through collaborations, reuse and sharing of common data. For this program, Nu.453.190 million is provisioned under the Department of Information Technology and Telecom (DITT).

4.5.8 Energy sector

The energy sector continues to enhance sustainable hydropower generation and expand transmission system. In FY 2019-20, the sector has been allocated Nu.293.264 million. To ensure the DPR of Kuri Gongri HPP is complete and ready for implementation by the end of the 12 FYP, Nu.59.843 million has been allocated in FY 2019-20. Further, towards the goal of achieving electricity for all, Nu.10 million is allocated for on-grid electrification and Nu.7 million for DPR of power supply to Lunana community.

In addition, Nu.17.753 million is provisioned for various activities contributing towards diversification of energy mix, efforts to tap renewable energy resources like solar, wind, biomass, and other emerging modern fuels for energy generation.

4.5.9 Religion and Cultural services

Considering the importance of preservation of traditional and cultural heritage and to continue reinforcement of identity and sovereignty of our vibrant culture, the sector is allocated Nu. 2,025.474 million in FY 2019-20.

Of the total, Nu.175 million is for re-construction of Wangduephodrang Dzong, Nu.44.280 million for construction of Pema Gatshel Dzong, Nu.80 million for construction of Sarpang Dzong, Nu.70 million for construction of Lhakhang at Rajgir, Nu.62.290 million for conservation of Drugyel Dzong, and Nu.130 million for restoration of Wangduechholing Palace. The total provision also includes Nu.30 million for the Kanjur project (gold scripts) and Nu.35.800 million for construction and renovation of various lhakhangs, goenpas and tshamkhangs.

4.5.10 Law and Order

During the FY 2019-20, Nu.2,672.082 million is kept for law and order services. This includes allocation for Judiciary, Royal Bhutan Police, Office of the Attorney General, Department of Law and Order, Jigme Singye Wangchuck School of Law and Bhutan National Legal Institute.

Of the total allocation, Royal Bhutan Police (RBP) is provisioned a sum of Nu.1,921.936 million. Some of the major activities for RBP are construction of family and officers' quarters at various divisions, procurement of firefighting equipment, communications and security equipment and HRD for police personnel among others. The sector allocation also includes Nu.29.500 million for construction of check posts at Gelephu and construction of boundary walls in Sarpang and Phuntsholing.

4.5.11 General Public Service

General Public Services include Local Governments (civil sector), Finance, Foreign Service, Constitutional Bodies, Immigration, Civil Registration and Census, some autonomous agencies and commissions.

The sector's total allocation for the FY 2019-20 is Nu. 21,709.856 million. This includes current budget of Nu. 463.129 million and capital budget of Nu.2,400.002 million allocated to Gewogs as annual grants.

In order to enhance efficiency and effectiveness of public service delivery, Nu. 7.250 million has been allocated for up-scaling the implementation of electronic Government procurement (e-GP) system and Nu. 4.041 million for introducing e-payment. Further, to draft legislations and develop automation system for modernizing the sales tax into Goods and Service Tax (GST), Nu. 247.054 million has been provisioned.

Under the Ministry of Foreign Affairs, Nu.78.073 million and Nu. 30 million is kept for construction of chancery building at Royal Bhutan Embassy (RBE), Bangkok and Dhaka respectively. In addition, a sum of Nu. 20 million is allocated for major renovation of Kutshab Residence at RBE, New Delhi.

The allocation also includes Nu. 7 million under National Land Commission for development and enhancement of eSakor land dashboard, rural and urban

eSakor, rolling out of myNLCS in Dzongkha and user training and advocacy on Bhutan online Land Tax System (BoLTS) to the Dzongkhags.

4.5.12 Flagship Programs

One of the major components of 12FYP is the Flagship Programs which is a high priority multi-sector intervention to address national issues in a concerted and holistic manner. The flagship programs approved by the Government for implementation in FY 2019-20 are Water, CSI & Startup programs, Digital Drukyul, Organic Program and Tourism. These programs are expected to contribute towards economic diversification and employment generation besides strengthening sector coordination. During the FY 2019-20, Nu. 1,578.783 million has been provisioned under various lead agencies. Further, Nu. 130 million each has been provisioned for Health and Waste Management under the General Reserves.

Table 4.9 Summary of Flagship Programs in FY 2019-20

			<i>Nu. in million</i>
Sl. No	Lead Agency	Flagship Program	Amount
1	National Environment Commission Secretariat	Water	500.000
2	Tourism Council of Bhutan	Tourism	200.000
3	Ministry of Agriculture and Forests	National Organic Flagship Program	189.895
4	Ministry of Economic Affairs	CSI Development Flagship Program	235.698
5	Ministry of Information and Communications	Digital Drukyul	453.190
Total			1,578.783

4.5.13 General Reserves

Under the General Reserve, budget is provisioned for activities which are common across budgetary bodies, but implemented only upon fulfillment of established criteria and formalities. For promoting transparency in the use of the General Reserves, a simple guideline has been developed to guide the transfer of budget to agencies.

For FY 2019-20, a total of Nu. 7,953.528 million has been provisioned under the General Reserves. Of the total, Nu.4,530 million is for revision of pay, allowances and benefits of public servants and Nu. 200 million for purchase of vehicles for replacements/new to those eligible for dedicated vehicles as per

relevant laws. In addition, Nu. 208 million has been provisioned for supporting capitation fees, stipend and others.

Table 4.10 Details of General Reserves

Sl. No	Activity	Nu. in million		
		Current	Capital	Total
1	New Appointments / Establishment	200.000	30.000	230.000
2	Transfer Benefits, Operation & Maintenance	379.528	-	379.528
3	Hospitality & Entertainment	16.000	-	16.000
4	Retirement Benefits	250.000	-	250.000
5	Third Country Travel	40.000	-	40.000
6	National Events	100.000	-	100.000
7	Provision for revision of Pay & Allowances and benefits for Civil Servants	4,530.000	-	4,530.000
8	Provision for revision of capitation fees, stipend and others	208.000	-	208.000
9	Helicopter Services	85.000	-	85.000
10	Ad-hoc Works	-	500.000	500.000
11	Monsoon Restoration Works	25.000	200.000	225.000
12	Acquisition of Properties- Land	0.000	615.000	615.000
13	Rehabilitation Programme	-	70.000	70.000
14	Acquisition of Properties - Vehicles	-	200.000	200.000
15	Disaster Contingency	50.000	175.000	225.000
16	By-Election	20.000		20.000
17	Health Flagship		130.000	130.000
18	Waste Management Flagship		130.000	130.000
Grand Total		5,903.528	2,050.000	7,953.528

4.5.14 Human Resource Development

Considering the importance of human resource in overall economic development, a total of Nu. 1,288.487 million has been allocated for capacity development of public servants under various agencies. The education sector is allocated the highest share consisting of Nu.632.021 million including Nu.60.063 million for professional development of teachers provisioned under the Dzongkhags.

In view of the limited domestic resources, efforts have been made to meet most of the HRD requirement from external grants. However, RGoB funding has also been allocated for mandatory trainings in those sectors where external grant is not available. Out of the total allocation, 57 percent is provisioned from external grants and the balance from RGoB financing.

4.5.15 Sports

A sum of Nu.199.830 million is allocated to the Bhutan Olympic Committee (BOC), Ministry of Education and Dzongkhags to support development and promotion of sports in the country. It includes development of sports infrastructure, youth programs, participation in the international events and trainings.

Of the total allocation, Nu. 64.296 million is for BOC, Nu.78 million for National Sports Federations and Nu.2.800 million to support Bhutan Indigenous Games and Sports Association.

4.5.16 Local Governments

Since the beginning of decentralization process, the Local Governments (LG) have been always on the forefront of development process as they are closest to the communities. In recognition of the important roles and to deepen LG's role in socio-economic development of the respective Dzongkhags and Gewogs, the Government has substantially increased the share of resource allocation in the 12 FYP and approved the Annual Grants for Gewogs (AGG) starting from FY 2019-20.

Accordingly, the Gewogs will receive current budget of Nu.463.129 million and capital budget of Nu 2,400.002 million as annual grants. In addition to annual grants, Nu.1,521.737 million is provisioned for Gewogs under respective Dzongkhags for Common Minimum Infrastructure (CMI). The primary objective of CMI allocation is to reduce difference in per capita endowment of basic infrastructure and facilities between Dzongkhags, Gewogs, Thromdes.

The total capital allocation of Nu.5,628.407 million to Dzongkhags include Nu.200 million as Dzongkhag Development Grant (DDG) for 20 Dzongkhags and Nu.129.650 million as CMI. In addition, Nu.1,625.108 million is for blacktopping of GC roads and construction/improvement of farm roads, Nu. 212.541 million for rural water supply and Nu. 178.508 million for irrigation channels.

The annual grants to Gewogs and enhancement of DDG to Dzongkhags are expected to empower LGs in prioritizing the development activities with flexibility, besides promoting transparency, accountability and ownership.

Such initiatives of the Government will go a long way in deepening the decentralization process and fulfilling wishes and aspiration of the people.

Table 4.11 Allocation for the LGs in FY 2019-20

Sl #	Category	Nu. in million		
		Current	Capital	Total
1	Dzongkhags	8,335.236	5,628.407	13,963.643
2	Gewogs	463.129	2,400.002	2,863.131
3	Thromdes (including Thromde schools)	890.857	965.788	1,856.645
Total		9,689.222	8,994.197	18,683.419

4.5.17 Legislative, Judiciary and Constitutional Bodies

In order to meet the constitutional requirement of allocating adequate financial provision for the independent administration of constitutional bodies, the budget for operation and maintenance has been recommended based on the actual requirement, while the capital budget has been reviewed, consulted and recommended based on the resource envelope for the FY. The detailed budget recommendation against the proposal for such bodies are presented separately in Annexure 4.1.

National Assembly

A budget provision of Nu.178.606 million is recommended for the National Assembly. The current expenditure includes Nu.3 million for research program services, Nu.3.050 million for hosting of Asian Regional Association of Public Accounts Committee, Nu. 5.400 million for Parliamentary Exchange Programme and Nu.1.500 million each for Hon'ble Speaker and Hon'ble Opposition Leader's in-country travel and official visits. Under the capital budget, Nu.50 million is for installation of heating and cooling system and Nu.2.940 million for e-Parliament initiatives.

National Assembly	Nu. in million	
	Proposed	Recommended
Current	132.433	123.221
Capital	63.603	55.385
Total	196.036	178.606

National Council

A provision of Nu. 87.863 million is recommended for the National Council. The current budget includes Nu.1.200 million for printing of Acts and resolutions, Nu. 2.711 million for session services, Nu. 2.256 million for research program services and Nu.1.500 million for Hon'ble Chairperson's in-country travel and official visits.

A sum of Nu. 4.705 million is recommended for capital activities. This capital budget includes Nu.0.500 million for the up-gradation and subscription of firewall and Nu.0.500 million for Committee Research Services. The summary is given below:

National Council	Proposed	<i>Nu.in million</i>
		Recommended
Current	100.784	83.158
Capital	8.905	4.705
Total	109.689	87.863

Judiciary

The Judiciary will continue to improve accessibility of judicial services for all under the rule of law by strengthening its institutions and capacity of judicial service providers. For FY 2019-20, a sum of Nu 385.014 million has been allocated to Judiciary, of which Nu. 40 million has been allocated for initiating the construction of courts at Gasa Dzongkhag, Weringla and Sombaykha Dungkhag and Nu 18.131 million to complete the ongoing construction of Drangpon's residences at Wangdiphodrang Dzongkhag, Phuentsholing and Dorokha Dungkhag.

Similarly, to assist the Judiciary in building capacity of legal professionals and ensure uniform application of laws, a sum of Nu 3.100 million has been allocated to Bhutan National Legal Institute for providing trainings and orientations on updated laws and legislations and Nu. 3.500 million for providing alternate dispute resolution and mediation trainings to strengthen the informal justice system. In addition, Nu 1.800 million has been kept for HR capacity building. The summary is given below:

	<i>Nu.in million</i>	
Judiciary	Proposed	Recommended
Current	326.340	309.680
Capital	158.030	75.334
Total	484.370	385.014

Anti-Corruption Commission

A budget of Nu.142.122 million has been recommended for Anti-Corruption Commission for the FY 2019-20. The ongoing construction of ACC office building at Phuentsholing is expected to be completed by December 2019 for which Nu.18.856 million has been allocated and Nu 6.715 million for furnishing it. The allocation also includes Nu. 9 million for mandatory training of new recruits of ACC, Nu 3.360 million for conduct of National Integrity Assessment Survey, National Corruption Barometer Survey and research in policy making process amongst others. The summary is as given below:

	<i>Nu.in million</i>	
Anti-Corruption Commission	Proposed	Recommended
Current	99.285	91.016
Capital	65.909	51.106
Total	165.194	142.122

Election Commission of Bhutan

A budget of Nu. 93.549 million has been recommended for the Election Commission of Bhutan. Some of the important activities include Nu.30 million for procurement of electronic voting machines, Nu.3.208 million for citizen education to youth, and Nu. 6.691 million to host 10th FEMBOSA meeting (Forum for Election Management Bodies of South Asia).

	<i>Nu. in million</i>	
Election Commission	Proposed	Recommended
Current	65.656	50.464
Capital	42.692	43.085
Total	108.348	93.549

Royal Audit Authority

A budget of Nu. 219.970 million is recommended for Royal Audit Authority. The allocation includes Nu.8 million for Austrian support for capacity building and Nu.6.796 million for professional development. In addition, recurrent budget of Nu.182.902 million is recommended for operation and management services of head office, four regional offices including the training center and to attend mandatory meetings and workshops.

	<i>Nu. in million</i>	
Royal Audit Authority	Proposed	Recommended
Current	196.522	182.902
Capital	69.792	37.068
Total	266.314	219.970

Royal Civil Service Commission

A budget of Nu.358.516 million is recommended for RCSC. It includes Nu.216.724 million for human resource development and management services, professionalizing civil service, Nehru-Wangchuck scholarships, Young Professional Leadership Program, Foundational Leadership Program, Bhutan Executive Services Training and other cost sharing HRD programs. Further, Nu.35.500 million is kept for Royal Kubar badge to be given to all civil servants. The allocation also includes Nu.14.570 million for conducting Bhutan Civil Service Examination, Nu.3.350 million for civil service awards, Nu.5 million for action learning workshop- coaching skills for managers and Nu.12 million for development of role competency framework.

	<i>Nu. in million</i>	
Royal Civil Service Commission	Proposed	Recommended
Current	68.582	68.546
Capital	178.425	289.970
Total	247.007	358.516

4.6 Gender Responsive Budgeting

While promotion of gender equality and empowering of women and girls is one of the 17 National Key Result Areas (NKRAs) in the 12 FYP, efforts have been made since 10FYP to mainstream gender into development plans and policies. The Government continues to ensure that the adequate allocations

are made for gender equality initiatives and strengthen the ongoing efforts to reduce gender gaps in Bhutan.

Over the years, progress has been made on Gender Responsive Planning and Budgeting improving some of the key performance indicators. The toll free helpline has been established since October 2018 to provide counseling and referral services and legal information/assistance to those women and children in need of care and protection. There is also a significant reduction on prevalence of physical/sexual partner violence from 13 percent in 2012 to 6.1 percent in 2017. The women representation in the parliament has increased from 8.3 percent in 2013 to 15.2 percent in 2018. Further, there has been increase in number of workplaces with functional childcare (crèche) centers. Currently, there are crèche facilities in 15 government agencies.

In FY 2019-20, Nu.531.164 million has been allocated for activities specifically responding to gender needs.

Table 4.13 Gender related allocation during FY 2019-20

		<i>Nu. in million</i>
Sl.#	Agency/Activities/Objective	Amount
1	Construction 150 bedded Gyaltsuen Jetsuen Pema Mother and Child Hospital in Thimphu under MoH	400.000
2	Gender Equality in Tertiary Education (Construction of Hostel in GCBS)	15.000
3	Construction of girl's hostel and toilets in various schools.	54.800
4	Non-Formal Education services	8.352
5	Construction of Creches and Breast feeding chambers at workplaces.	7.847
6	RENEW Secretariat under MoH	3.504
7	Establishment of Anim Zherim Tewa at Toenche Goenpa, Punakha under Council for Religious Affairs, Dratshang Lhengtshog	5.000
8	National Commission for Women and Children (NCWC)	34.871
9	Conduct entrepreneurial training for women under Punakha	0.150
10	Awareness on Gender Based Violence and Women's Empowerment	1.640
Total		531.164

4.7 Medium Term Expenditure Outlook

The expenditure in the medium term is projected to grow at an average of 15 percent which will be contributed by increase in current and capital expenditure by 8 and 7 percentage points respectively as presented in table 4.13.

The current expenditure is projected to grow at about 14 percent on average within the medium term. Much of the growth is attributable to general provisions. While pay and allowance, and use of goods and services form major portion of current expenditure, their contribution to the growth of current expenditure is insignificant.

The capital expenditure is projected to grow at 17 percent on an average in the medium term. Growth will be contributed by acquisition of building, land and structure which would contribute about 11 percentage points of the growth rate. Other major contributor is acquisition of machinery and equipment which would contribute about 3 percentage points of the growth rate.

Table 4.13 Medium Term Expenditure Outlook

Particulars	Nu. in million				
	2017/18 Actual	2018/19 Revised	2019/20 Projection	2020/21 Projection	2020/22 Projection
Total Expenditure	56,331.357	46,724.585	61,197.307	68,147.126	67,211.099
Current Expenditure	27,494.710	29,105.462	34,652.765	41,845.667	42,483.035
o/w Interest payment	2,162.062	1,899.071	2,011.231	3,042.395	3,023.622
o/w Pay and Allowance	9,677.909	11,795.945	11,797.839	11,031.864	12,272.501
o/w Use of goods and services	6,863.595	7,382.772	6,775.425	7,473.332	7,975.050
Capital Expenditure	28,836.647	17,619.123	26,544.542	27,868.975	26,707.767
o/w Building, land & Structures	19,791.450	10,399.049	16,348.154	17,060.813	16,350.154
o/w Machinery and equipment	4,098.997	2,613.348	4,190.119	4,370.429	4,188.119

4.8 Budget Appropriation Bill

In order to implement the priorities for 12FYP, the Budget Appropriation of Nu. 64,826.725 million is submitted as **Budget Appropriation Bill** for FY 2019-20 for consideration by the House.

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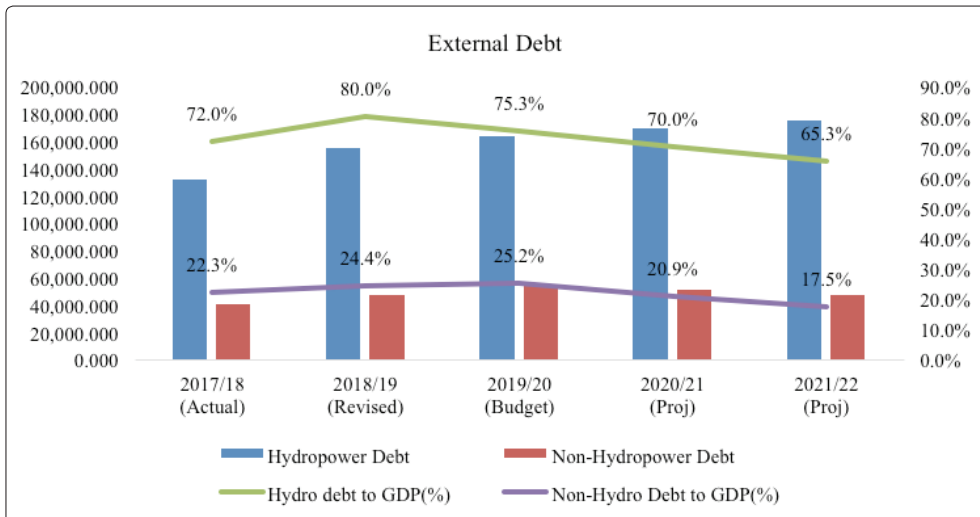
Public Debt

5.1 Public Debt Situation

Public debt stock as on 31st March 2019 was Nu. 182,236.250 million, accounting for about 94 percent of GDP. Of the total public debt, the external debt was Nu. 174,627.530 million, constituting about 95.8 percent of the total public debt and 90.1 percent of GDP. The domestic debt at Nu. 7,608.720 million accounted for 3.9 percent of the total public debt and 4.2 percent of GDP. The domestic debt is mainly on account of the T-bill outstanding, issued for financing resource gap and cash flow management.

As on 31st March 2019, hydropower debt accounted for 77 percent of the external debt and non-hydro debt accounted for 23 percent. The external debt projection, disaggregated into hydro and non-hydro debt, is presented in the figure below.

Figure 5.1: Hydro and non-hydro external debt



The hydropower debt stock increased from Nu. 131,670.820 million in FY 2017-18 to Nu. 154,315.847 million in FY 2018-19 which is an increase of 17 percent mainly on account of capitalization of accrued interest during construction (IDC) for MHP and the disbursements for on-going hydropower projects. The total accumulated IDC for MHP estimated at Nu. 12,256.669 million has been added to the hydro debt stock, thus significantly increasing the hydro debt stock. The non-hydropower debt stock increased from Nu. 40,730.710 million in FY 2017-18 to Nu. 46,967.276 million in FY 2018-19, which is an increase of 15 percent mainly on account of disbursement for program borrowings for budget support and on-going projects. By 30th June 2019, the total external debt is estimated to be Nu. 201,283.123 million which is about 104.4 percent of GDP as shown in the table 5.1A. In the medium term, the external non-hydro debt to GDP is projected to reduce to 20.9 percent in FY 2020-21 and further drop to 17.5 percent in FY 2021-22. The non-hydro debt is projected to remain below the threshold of 35 percent of GDP set by the Public Debt Policy 2016.

Table 5.1 A Public Debt Stock

	2017/18 (Actual)	2018/19 (Revised)	2019/20 (Budget)
Total Public Debt	180,561.170	209,319.983	228,835.852
External	172,401.530	201,283.123	217,790.185
o/w Hydro Debt Stock	131,670.82	154,315.85	163,242.99
o/w Non-Hydro Debt Stock	40,730.71	46,967.28	54,547.20

5.1.1 Cost and risk indicators

The selective key cost and risk indicators of the external public debt as on 31st March 2019 and the past two fiscal years are presented in the table 5.1.

Table 5.1 B Cost and risk indicators of external debt

Cost & Risk Indicators	2016-17 (Actual)	2017-18 (Actual)	2018-19 (31 March 2019) (Actual)
Weighted Average Interest Rate	7.6%	7.6%	7.6%
Fixed Rate Debt	97.3%	96.8%	96.4%
Share of CC Debt in Total Public Debt	25.7%	25.4%	25.9%
Debt Maturing in 1 Year	5.7%	1.4%	1.4%
Average Time to Maturity (Years)	10.40	10.50	11.20

The weighted average interest rate for external debt as of 31st March 2019 was 7.6 percent, equal to the weighted average interest rate in FY 2016-17 and FY 2017-18. Although the majority of the external debts are on concessional terms with interest rates ranging from 0 to 1.75 percent, the weighted average interest rate of the total external debt is higher because of larger proportion of hydro debt in the external debt portfolio, which has interest rates ranging from 9 to 10 percent.

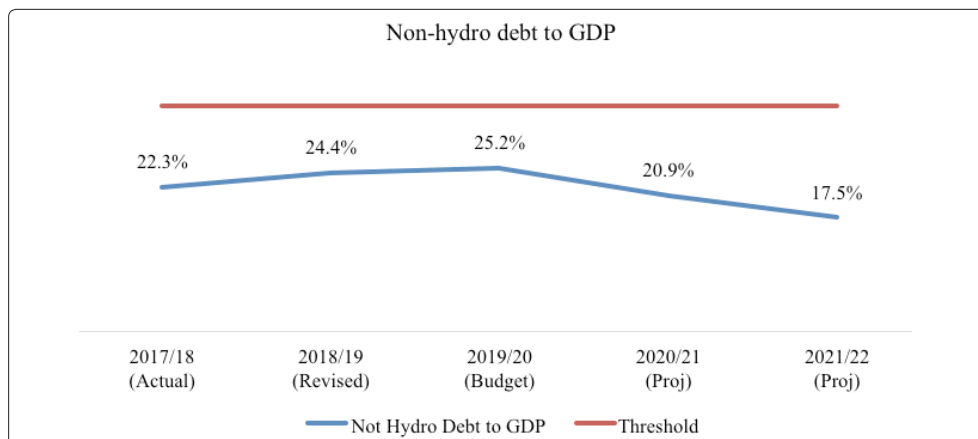
About 96.4 percent of the total public debt was fixed-rate debt, which marginally dropped from 97.7 percent in FY 2016-17 and 96.8 percent in FY 2017-18. The higher proportion of fixed interest debt indicates that the interest rate risk is low and the increase in market interest would not have much impact on debt service obligations. Additionally, the longer Average Time to Maturity at 11.6 years implies low rollover or refinancing risk.

The convertible currency (CC) debt accounted for 25 percent of the total public debt in FY 2016-17 and FY 2017-18. The CC debts are mostly concessional loans from multilateral financial institutions with low interest rates and long repayment periods ranging from 24 to 40 years. The higher the proportion of CC debt, greater the exchange rate risks. If Ngultrum depreciates against the foreign currencies, the debt service costs and debt stock for CC denominated debts in terms of Ngultrum will increase proportionately. However, since the CC debt accounts for only a quarter of total external debt, the exchange rate risk is deemed manageable.

5.1.2 External debt indicators

The Public Debt Policy 2016 sets thresholds on key external debt indicators. The policy limits non-hydro external debt to 35 percent of GDP over the five -year period. The non-hydro debt to GDP was maintained within the threshold since the policy was launched in 2016, and it is projected to remain within the threshold in the medium-term as illustrated in figure 5.2.

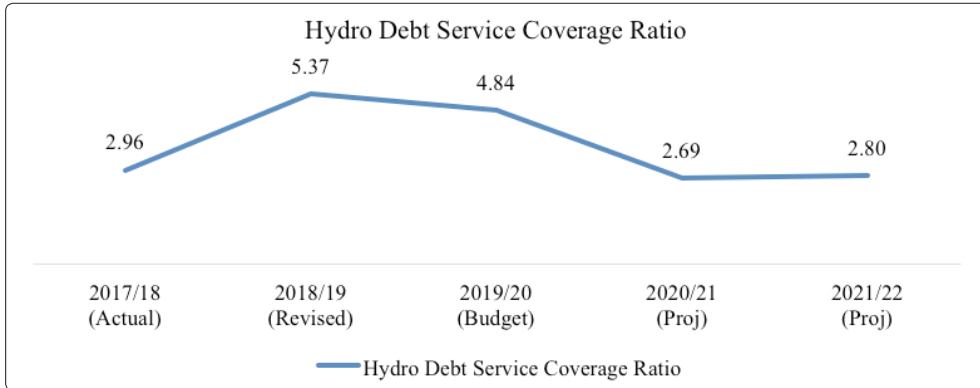
Figure 5.2: Non hydro debt indicator



The hydro debt service coverage ratio measures the ability of the hydropower projects to meet hydro debt service obligations from their annual operating income. The Public Debt Policy prescribes that the ratio be at least 1.2 which

means the operating income of hydropower projects must be at least 1.2 times their annual debt service obligations. The hydro debt service coverage ratio has remained above the minimum threshold of 1.2 over the past years and is projected to remain above 2 over the medium term.

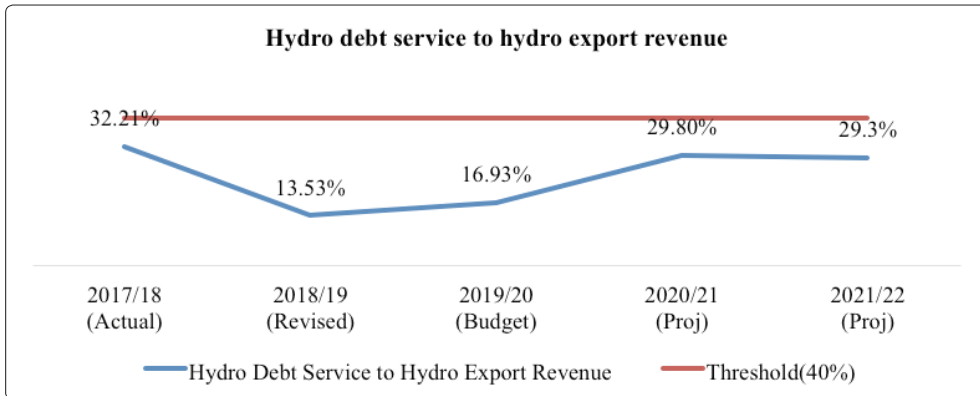
Figure 5.3: Hydro debt service coverage ratio



The hydro debt service coverage ratio is estimated to improve from 2.96 in FY 2017-18 to 5.37 in FY 2018-19 because of liquidation of THPA loan in December 2018 and anticipated increase in hydro export revenue after commissioning of MHP.

The hydro debt service to hydro export revenue assesses the adequacy of export revenue and foreign currency reserve (mostly INR) to meet hydro debt obligations. The threshold for hydro debt service is 40 percent of the hydro export revenue. The ratio was within the threshold in FY 2017-18 and is expected to remain same in the medium term.

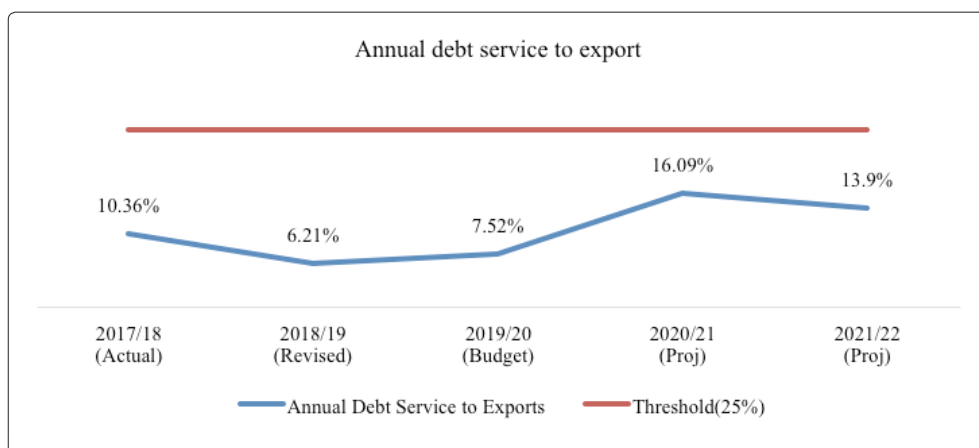
Figure 5.4: Hydro debt service to hydro export revenue



The hydro debt service ratio is estimated to drop from 32.2 percent in FY 2017-18 to 13.5 percent in FY 2018-19 due to liquidation of THPA loan and the anticipated increase in hydro export revenue. Starting FY 2020-21, the ratio is projected to increase significantly because of the start of debt servicing for MHP. However, the ratio is expected to remain within the policy threshold of 40 percent in the medium to long term.

In FY 2017-18 and FY 2018-19, the debt service to exports ratio remained within 10 percent. The ratio is estimated to drop to 6.2 percent in FY 2018-19 and is projected to increase drastically from 6.2 percent in FY 2018-19 to 16.1 percent in FY 2020-21.

Figure 5.5: External debt service to exports ratio



5.2 Financing for FY 2019-20

For financing the fiscal deficit, the Government resorts to external and domestic borrowings. In addition, Government borrows for on-lending to SoEs to carry out socially beneficial projects and other priority programs.

For the FY 2019-20, the estimated fiscal deficit of Nu. 6,578.110 million will be financed through borrowings from multilateral financial institutions at highly concessionary terms and the balance will be raised from the domestic markets through issuance of Treasury Bills and Government bonds. Further, Government will on-lend ADB and JICA financing to BPC for rural electrification and to DHI for Phuentsholing Township Development project. The financing statement for the FY 2019-20 is presented in the table 5.2.

Table 5.2: Financing for FY 2019-20

	<i>Nu. in million</i>
FINANCING	6,578.110
a. Net Lending	2,094.775
i. Principle recoveries	2,417.860
Less lending	323.085
b. Net external borrowings	1,474.528
i. Project-tied Borrowings	1,249.957
ii. Program Borrowings	3,519.500
Less repayment	3,294.929
c. Net internal borrowings	3,008.807
i. Internal borrowings	3,020.211
Less repayment	11.404

5.2.1 Borrowings

External borrowings

The Government's budgetary borrowings are all concessional borrowings from Multilateral Development Banks (MDBs) and bilateral sources. These borrowings are with minimal interest rates and long repayment periods enabling the Government to invest in socially beneficial projects or programs at very low cost of financing.

The external budgetary borrowing for FY 2019-20 is estimated at Nu. 4,769.457 million, of which Nu. 1,249.957 million is project-tied borrowing and Nu. 3,519.500 million is program borrowings.

Table 5.3 External budgetary borrowings for FY 2019-20

	<i>Nu. in million</i>		
Lender	Program borrowing	Project-tied borrowing	Total
World Bank	2,111.700	0.200	2,111.900
ADB	1,407.800	722.943	2,130.743
IFAD	-	272.814	272.814
JICA	-	254.000	254.000
Total	3,519.500	1,249.957	4,769.457

Of the total external budgetary borrowings, 44.7 percent of external budgetary borrowings will be from ADB, followed by 44.3 percent from World Bank, 5.7 percent from IFAD and 5.3 percent from JICA.

Internal borrowings

For FY 2019-20, domestic borrowings is estimated at Nu. 3,020.211 million for financing the residual fiscal deficit and meeting the internal repayment obligation of Nu. 11.404 million. In addition, T-Bills will be issued for redeeming and rolling over of the outstanding T-Bills. Further, Government will consider issuing long term Government bonds for meeting long-term financing requirements and converting the outstanding T- Bills into bonds based on liquidity situation in the market.

5.2.2 Debt Servicing

The debt servicing for the FY 2019-20 is estimated at Nu. 5,317.565 million, of which Nu. 5,053.390 million is for external debts and Nu. 264.175 million is for internal debts.

In FY 2019-20, the total external debt servicing (interest plus principal) through budget is estimated at Nu. 5,053.390 million. The creditor-wise debt servicing is presented in table 5.4

Table 5.4 External debt servicing in FY 2019-20

	<i>Nu. in million</i>		
Creditors	Interest	Principal	Total Debt Service
ADB	350.038	711.741	1,061.779
IDA, WB	264.358	368.471	632.829
JICA	4.803	111.620	116.423
IFAD	25.339	83.553	108.892
GoA	147.621	614.564	762.185
GOI(Mangdechhu)	966.302	1,404.980	2,371.281
Total	1,758.461	3,294.929	5,053.390

Of the total debt service in FY 2019-20, Nu. 2,371.281 (46.9 percent) is debt servicing (first installment) for MHP.

5.2.3 Net Lending

For implementing socially mandated activities and programs by SoEs, Government provides financing through on-lending and grants. On the other hand, Government receives recoveries from SoEs for on-lending upon completion of the projects. The difference between the amount on-lent and the amount recovered from SoEs during the year is called “net lending”.

For the FY 2019-20, Nu. 323.085 million will be on-lent to BPC and DHI and recoveries is estimated at Nu. 2,417.860 million, resulting in negative net lending of Nu. 2,094.775 million. With respect to the recoveries, except from Drukair, all other recoveries will be used for repayments to the primary lenders.

Table 5.5 Net lending in FY 2019-20

	<i>Nu. in million</i>
Lending to:	
DHI- for Phunthsoling Township development	69.085
BPC- for Rural Electrification	254.000
A. Total on-lending	323.085
Recoveries from:	
BDFC	29.513
BPC	219.304
Dagachu	584.928
Basochu	145.325
MHPA	1,404.980
Druk Air	33.811
B. Total Repayment/Recoveries	2,417.860
Net Lending(A-B)	(2,094.775)

5.3 Medium-term Financing Outlook

The financing outlook for the medium term is presented in the table below

Table 5.6 Medium term financing outlook

	<i>Nu. in million</i>				
	2017/18	2018/19	2019/20	2020/21	2021/22
	(Actual)	(Revised)	(Budget)	(Proj)	(Proj)
FINANCING	545.502	3,775.472	6,578.110	12,247.167	9,849.517
a. Net Lending		1,389.678	2,094.775	3,780.612	3,903.501
i. Principle recoveries		1,515.708	2,417.860	3,849.697	3,972.586
Less lending		126.030	323.085	69.085	69.085
b. Net external borrowings	-92.149	986.304	1,474.528	-4,425.207	-4,727.070
i. Project-tied Borrowings	763.207	1,329.913	1,249.957	426.273	392.469
ii. Program Borrowings	1,955.125	2,120.700	3,519.500	0.000	0.000
Less repayment	2,810.481	2,464.309	3,294.929	4,851.480	5,119.539
c. Net internal borrowings	-9.874	1,399.490	3,008.807	12,891.762	10,673.087
i. Internal borrowings		1,410.105	3,020.211	12,904.031	10,686.229
Less repayment	9.874	10.615	11.404	12.269	13.142
Resource gap	-647.525				
Total Public Debt (% of GDP)	104.2	108.6	105.6	100.9	95.7
External Debt (% of GDP)	99.4	104.4	100.5	90.9	82.7

The external borrowings for the FY 2020-21 and FY 2021-22 is projected to be Nu. 426.273 million and Nu. 392.47 million respectively. The projected borrowings in the medium-term is significantly lower compared to the estimated external borrowing in FY 2019-20 as the program borrowings have not been included in the projections. The external borrowings could increase in the future as and when the Government contracts new program borrowings or project-tied borrowings.

The total debt servicing is estimated to drop slightly in FY 2018-19 because of liquidation of THPA loan in December 2018. However, the debt servicing is projected to increase significantly in FY 2019-20 due to start of debt servicing (first installment) for the MHP, and is projected to increase in FY 2020-21 and FY 2021-22 as full debt servicing (two installments) for MHP starts.

On-lending to DHI for Phuentsholing Township Development Project is projected at Nu. 69.085 million in FY 2020-21 and FY 2021- 22. The recoveries will be mainly from MHP for repayments of external hydro loans.

In the medium term, the internal borrowings is expected to increase significantly because of projected increase in fiscal deficit and decline in external borrowings. However, the projected internal borrowings could decrease if the fiscal balance improves and the Government avails more concessional external borrowings.

5.4 Financing Strategy

The Government will meet its financing needs through a mix of external concessional borrowings and domestic borrowings. In addition, the Government will also explore other innovative financing such as public-private partnership and green financing.

As per the Public Debt Policy 2016, the Government will prioritize external concessional borrowings over other financing options to minimize borrowing costs. The concessional borrowings from multilateral financial institutions, such as ADB, World Bank, and IFAD come at low interest rates and long repayment periods, enabling the Government to invest in socially beneficial projects and programs at minimal cost and risks.

For the domestic financing, which was raised primarily through issuance of short-term T-Bills, it will be raised through the issuance of long-term bonds in the domestic market. The key objective of issuing long-term bond is to help develop domestic capital market in the country besides raising financing at market rates. The issuance of long-term bond is also expected to mitigate refinancing risks that T-Bills were exposed to in the recent months due to low liquidity in the market.

The issuance of long-term bonds in the domestic market would be costlier compared to external concessional borrowings because of higher expected return on Government bonds. However, the regular issuance of government bonds in the domestic market will reduce borrowing costs in the long run as the domestic debt market becomes more efficient.

6

Fiscal Risks

Fiscal risks are associated with exogenous or endogenous factors and are important to be considered for the purpose of planning and budgeting. Such risks arise from liabilities which are classified as direct or contingent and explicit or implicit.

6.1 Fiscal Risk Assessment Matrix

The fiscal risk assessment matrix is a tool used to identify and assess fiscal risk of the Government. In the matrix, liabilities are categorized into direct liabilities and contingent liabilities which are further classified as explicit or implicit liabilities.

The direct liabilities are those liabilities that the Government is obligated to bear in any events while contingent liabilities are obligation that will be borne on the occurrence of a particular event. Direct liabilities are easier to identify and value, while contingent liabilities are difficult to anticipate in terms of their time, value, coverage and volume.

Explicit liabilities are specific obligations created by law or contract that Government must settle. Implicit liabilities represent moral obligations or burdens that are likely to be borne by Government because of public expectations, although not legally binding. The table below presents the assessment of the risks.

Table 6.1 Fiscal risk assessment matrix for FY 2019-20

Liabilities	Direct liabilities		Contingent Liabilities	
	Particulars	Amount	Particulars	Amount
Explicit Government liabilities as recognized by a law or contract	Budgetary expenditure	Nu. 34,653 m	Govt. guarantees	Nu. 1,414 m
	External Debt servicing (interest in budgetary expenditure)	Nu. 3,295 m	Subsidy to SOEs (including insurance and rural electricity)	Nu. 2,499 m
Implicit A moral obligation of government that reflects public and interest-group pressures	Pension payout	Nu. 30,735 m	Guarantees by SoEs (DHI)	Nu. 6,081m
	Estimated increase in future recurrent expenditure on account of present capital expenditure (2 years' time lag @ 0.32%)	Nu. 92 m increase in current expenditure	Bailouts from market failure Natural Disaster Climate change impact	NA Nu. 225 m Nu. 20 m

6.1.1 Direct Liability

The direct liability in FY 2019-20 is assessed at Nu. 69,037 million which is about 32 percent of GDP. Of the total direct liability, explicit direct liabilities amount to Nu. 38,210 million and implicit direct liabilities amount to Nu. 30,827 million.

The explicit liabilities are on account of budgetary expenditure and debt servicing while the implicit direct liabilities are on account of pension payout and present capital expenditure's impact on future recurrent expenditure for the FY. The direct liabilities are provisioned in the budget appropriations.

6.1.2 Contingent liability

In total, the contingent liability is assessed at minimum of Nu. 10,239 million in the FY 2019-20 which is about 5 percent of GDP. Of the total contingent liabilities, explicit contingent liability amounts to Nu. 3,913 million and the implicit contingent liability amounts to Nu. 6,326 million. The explicit contingent liabilities are on account of government guarantees issued to SoEs and subsidies for SoEs, while the implicit contingent liabilities are the guarantees issues by SoEs to its subsidiary, natural disaster and climate change impact during the FY. While the bailouts from market failure are also recognized under the implicit contingent liability, it is difficult to ascertain the value and volume of such events.

Government keeps provisions under General Reserves for disasters and monsoon restoration. In order to cover for risk associated with human lives and rural houses, Government subsidizes insurance premiums. Further, for the risk associated with crops and livestock, Government has initiated establishment of endowment fund for conservation of crops and livestock.

6.2 Assumptions

The outlooks have been projected considering the current policy parameters and economic conditions. Any change in the internal and external factors may change macroeconomic outlook that would ultimately impact the fiscal position that has been projected. Some of the assumptions considered for projecting the macro-fiscal outlook are as follows:

1. Mandguchhu and Nikachhu Hydropower Projects to be commissioned on time;
2. New hydropower project not included in the projection;
3. Moderate inflation with low unemployment rate;

4. Fair and stable exchange rate;
5. Line ministries spend budget using proper spread in investment timeline;
6. No realization of contingent liabilities;
7. SoEs' contribution and tax revenue remain consistent with the projection;
8. Debt accounts for all public-sector debt and remains at the projected level;
9. The global financial outlook remains positive; and,
10. Strong regional economic growth.

All the assumptions are considered as fiscal risks as materializing one or all the assumptions will result in upside or downside risk to the fiscal outlook depending on the circumstances.

7

Financial Position of Public-Sector Institutions and Investments

7.1 State Owned Enterprises

State Owned Enterprises (SoEs) are companies with government shareholding that are established to play important roles in supporting socio-economic development and redistributing publicly owned resources.

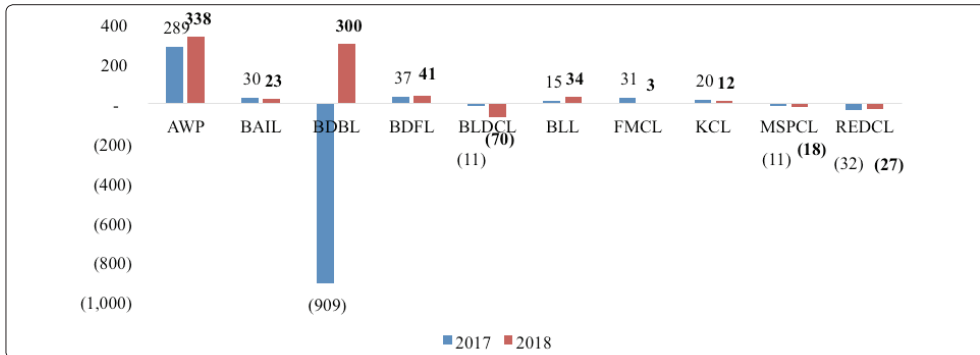
Currently, the Government portfolio of SoEs consists of 38 companies, of which 19 are held by Ministry of Finance (MoF) including Druk Holding Investments (DHI) and the other 19 are under the DHI.

7.1.1 SoEs under Ministry of Finance

Of 19 SoEs under the Ministry of Finance, 17 are wholly owned and 2 with majority shareholdings.

In 2018, SoEs under MoF (excluding DHI), posted a net profit of Nu. 696.177 million and contributed Nu. 297.430 million in the form of tax and dividends. Dividend contribution increased from Nu. 37.540 million in 2017 to Nu. 58.170 million in 2018 and CIT increased from Nu. 207.280 million to Nu. 239.260 million during the same period.

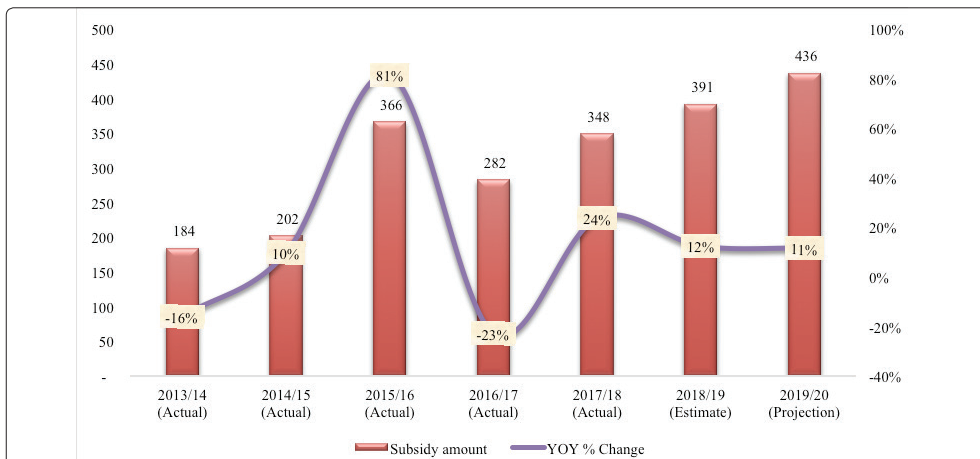
Figure 7.1: Profit/loss after tax (Companies with largest effect on earnings excluding DHI)



The combined net asset value of SoEs grew by 10 percent from Nu. 9,839 million in 2017 to Nu. 10,791 million in 2018 mainly on account of equity injection in REDCL (Nu.395.540 million), BDBL (Nu.93 million), BAIL (Nu.48 million) and BLL (Nu.4 million) and asset transfers to BLDCL (Nu.422.310 million) and MSPCL (Nu.132.430 million).

The Government provided subsidies to SoEs, particularly those with social mandates, to compensate and help them finance their operations and capital investments. Total subsidies transferred during FY 2017-18 amounted to Nu.348.313 million which was 24 percent increase from the previous year. The increase in subsidy was mainly on account of increase in interest subsidy to NHDCL (Nu.63 million) and BAIL (Nu.30.650 million), operational subsidy to Bhutan Postal Corporation Limited for City Bus Services (Nu.31 million) and subsidies for hiring farm machineries by farmers from FMCL (Nu.44 million).

Figure 7.2: Summary of subsidy



7.1.2 SoEs under the Druk Holding and Investment (DHI)

Druk Holding and Investments (DHI) is a fully-owned Government holding company. It is the commercial arm of the Government with a mandate “to hold and manage the existing and future investments of the Government for long-term benefit of the people of Bhutan”.

DHI currently holds shares in 19 companies operating in various sectors of manufacturing, energy, natural resources, financial, communication, aviation, trading and real estates. Of the 19 portfolio companies, 9 are fully owned, 5 are controlled with more than 51 percent shareholding and 5 are linked companies with less than 51 percent shareholdings.

7.1.2.1 DHI Performance

In 2018, DHI posted 11 percent growth in revenue from Nu.7,922.970 million in 2017 to Nu. 8,778.690 million. The growth was mainly on account of increase in dividend income from subsidiaries by 11.3 percent as detailed below:

Table 7.1 Dividend income from subsidiaries

Particulars	31-Dec-18	31-Dec-17
Dividend income from Subsidiaries -		
State Trading Corporation of Bhutan Ltd.	18.352	16.516
Bank of Bhutan Ltd.	275.766	240.000
Bhutan Telecom Ltd.	843.900	685.381
Druk Green Power Corporation Ltd.	4,905.354	4,993.351
Druk Air Corporation Ltd.	108.000	-
State Mining Corporation Limited	26.838	-
Bhutan Power Corporation Ltd.	2,044.741	1,449.029
Penden Cement Authority Ltd.	95.975	95.975
Sub- total	8,318.929	7,480.254
Dividend income from Associates and Portfolios -		
Bhutan Ferro Alloys Ltd.	38.594	3.859
Bhutan National Bank Ltd.	66.740	54.698
Royal Insurance Corporation of Bhutan Ltd.	27.842	55.243
Sub- total	133.178	113.801
Total	8,452.107	7,594.056

DGPC continues to be the highest dividend contributor to DHI contributing Nu. 4,905.350 million in 2018 followed by BPC (Nu. 2,044.704 million) and BTL (Nu. 843.900 million).

DHI incurred Nu.113.140 million as operating expenditure and posted profit after tax (PAT) of Nu. 6,061.270 million in 2018, an increase of more than 11 percent from Nu. 5,440.970 million in 2017.

In 2018, DHI contributed total revenue of Nu. 5,954 million in the form of taxes (Nu. 2,604 million) and dividends (Nu.3,350 million) which was 18 percent of total domestic revenue. While the tax contribution increased by Nu. 278.210 million due to higher dividend income from subsidiaries, dividend to the Government which was based on the consolidated profit of DHI decreased by Nu. 671 million from Nu. 4,021 million in 2017 to Nu. 3,350 million. The decrease in dividend was mainly due to lower earnings of DGPC, BPC and DHPC because of the poor hydrology during the year. DGPC's revenue fell by 4.8 percent, BPC by 16.1 percent and DHPC by 20.6 percent.

Table 7.2 Tax and Dividend Payout of DHI (Nu.in million)

Particulars	2014	2015	2016	2017	2018
Corporate Income Tax (CIT)	1,666	1,856	2,179	2,326	2,604
Dividend Payout	3,857	3,782	4,038	4,021	3,350
% Change in dividend payment	-1.06%	-1.95%	6.77%	-0.43%	-16.69%
Total DHI revenue	5,523	5,638	6,217	6,347	5,954
Total National revenue	23,245	25,141	28,034	29,714	33,943
% share to Domestic Revenue	24%	22%	22%	21%	18%

Total assets size of DHI grew by 5.37 percent to Nu. 60,861.15 million in 2018 from Nu.57,728.92 million in 2017 on account of allotment of DGPC's shares worth Nu. 230.52 million in Kholongchhu Hydro Energy Limited (KHEL) and market capitalization of RICBL and BNB by Nu. 287.270 million and Nu. 183.690 million respectively. DHI also injected additional equities in SMCL (Nu.50 million), TTPL (Nu. 92.310 million), DPL (Nu.35.700 million) and to DCCL (Nu. 1,275.600 million).

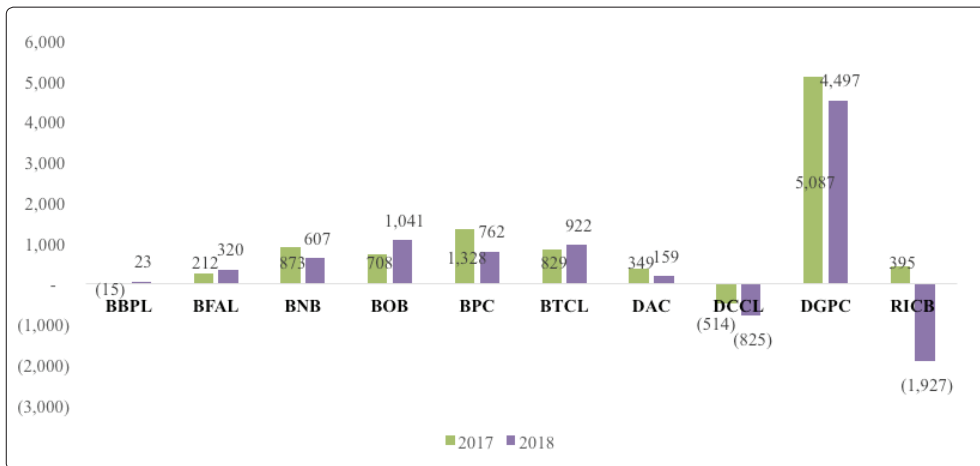
Table 7.3 Balance sheet of DHI Stand alone

Particulars	31-Dec-17	31-Dec-18
Non-current Assets	51,205.89	53,861.15
Current Assets	6,523.03	6,967.06
Total Assets	57,728.92	60,861.15
Equity	55,836.70	58,445.07
Non-current liabilities	639.81	965.89
Current liabilities	1,252.41	1,417.25
Total Equities & Liabilities	57,728.92	60,861.15

7.1.2.2 Performance of subsidiary companies

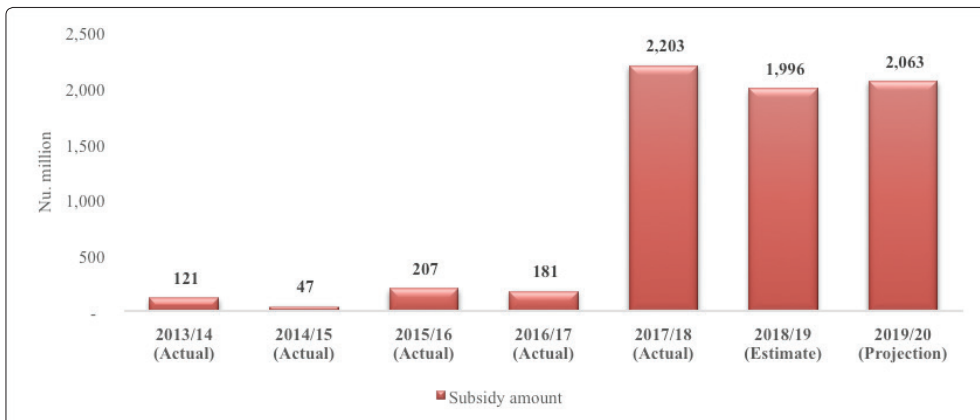
In 2018, DHI subsidiaries earned combined gross revenue of Nu.46,718.900 million which was a decrease of 6 percent from Nu. 49,301.140 million in 2017 due to lower earnings by energy sector i.e. DGPC, BPC and DHPC because of poor hydrology during the year. Because of huge impairment account, RICBL incurred net loss of Nu. 1,927 million in 2018.

Figure 7.3 Profit-loss after tax (DHI Companies with largest effects on earnings)



The total subsidy transferred to the DHI companies for the FY 2017-18 amounted to Nu. 2,203.098 million, of which Nu. 275.598 million is for interest subsidy to Drukair Corporation. Subsidy includes 100 units free electricity to rural household provided to BPC and premium subsidy for life and rural housing schemes managed by RICBL.

Figure 7.4 Subsidy to DHI Subsidiaries



7.1.3 State Owned Enterprises' Debts

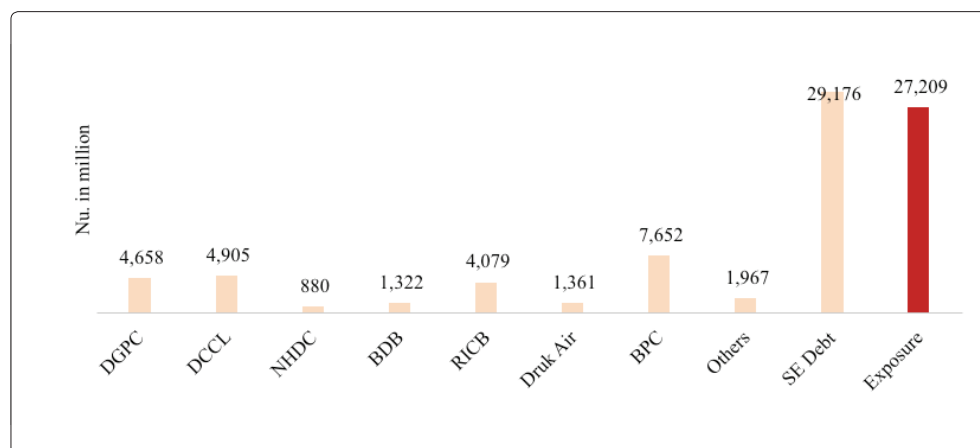
The overall long-term borrowings of SoEs and linked companies increased by 6 percent from Nu. 25,086.625 million in 2017 to Nu. 26,667.850 million in 2018. The increase was due to increase in long term borrowings of DGPC by Nu. 1,043.150 million for Tangsibji Hydropower and Nu. 2,191.825 million by BPC for rural electrification and transmission works. The total SoE debts constitutes about 16 percent of the total public debt.

Table 7.4: Summary of SoE Debt in 2018

Domestic Loan (gross)	25,842
Short-term	2,499
Long-term	23,343
Foreign Loan (gross)	3,334
Long-term	3,334
Total	29,176
Percentage of Total	
Domestic loans	89%
External loans	11%
Total Public Debt	178,810
Percent to Total Public Debt	
Total SOE Debt	16%
Domestic loans	14%
External loans	2%

In terms of exposure, based on the shareholding pattern as shown in figure 7.5, Government's share of total debt was 93 percent of the total SoE debts amounting to Nu. 27,209 million (including short-term debts)

Figure 7.5 SoEs' Debt and Government Exposure



In order to meet the need for financing of the companies from external (DHI companies) and internal sources, substantial share of the debt was guaranteed by the Government to enable them to obtain funds at cheaper rates to finance priority sectors like hydropower, rural electrification, affordable housing, agro-based industry and others. As of 31st December, 2018, a total of Nu.1,414 million has been guaranteed by the Government, while Nu.6,081 million was guaranteed by DHI.

Table 7.5 Summary of Sovereign Guarantee as of 31st December, 2018

Name of the beneficiary	Date of issue	Issued to	Nu.in million		
			Guaranteed	Validity (Years)	Outstanding
Guaranteed by Government					
National Housing Development Corp. Ltd.	11-Sep-17	NPPF	890	20	880
Bhutan Agro Industries Ltd.	5-Jun-17	BOBL	166	20	82
Bhutan Development Bank Ltd.	9-Mar-18	NPPF	521	5	452
Sub-total			1,577		1,414
Guaranteed by DHI					
Dungsam Cement Corp. Ltd. (Bond Series-I)	30-Apr-14	RSEBL	1,260	10	1,260
Dungsam Cement Corp. Ltd. (Bond Series-II)	7-Nov-14	RSEBL	700	10	700
Dungsam Cement Corp. Ltd. (Bond Series-III)	27-Jun-14	RSEBL	1,500	7	1,500
Bhutan Power Corporation Ltd.	30-Mar-18	NPPF	1,500	12	1,500
Bhutan Power Corporation Ltd.	5-Jun-18	NPPF	500	12	500
Thimphu Techpark Ltd.	21-Dec-18	NPPF	31	12	31
State Mining Corporation Ltd.	6-May-14	NPPF	40	5	40
State Mining Corporation Ltd.	1-Oct-18	NPPF	40	5	40
State Trading Corporation Ltd.	24-Jul-18	DPNB	170	1	170
State Trading Corporation Ltd.	25-Oct-18	NPPF	40	7	40
State Trading Corporation Ltd.	25-Oct-18	BNBL	200	0.5	200
Construction Development Corporation Ltd.		NPPF	100	10	100
Sub-total			6,081		6,081
Grand Total			7,658		7,495

7.1.4 Medium Term Outlook of SoEs

In the medium-term, corporate income tax (CIT) and dividend transfers from the SoEs show increasing trends. The industry sector is projected to be the highest CIT contributor with an average growth of 10 percent with commissioning of

MHP. Further, consistent with general assumptions, the dividend transfer is also expected to increase at an average growth of 15 percent in the medium-term.

Table 7.6 Medium Term CIT and Dividend transfer outlook

Shareholdings/Sectors	2017-18 Actual	2018-19 Revised est	2019-20 Budgeted	2020-21 Projection	2021-22 Projection
Corporate Income Tax (CIT)					
Direct Shareholdings	2,534.74	2,742.14	2,820.19	3,687.16	3,793.49
<i>Agriculture</i>	0.40	0.40	0.41	0.41	0.42
<i>Industry</i>	146.98	148.45	149.94	151.43	152.95
<i>Services</i>	61.30	61.91	62.53	63.15	63.80
<i>Holding</i>	2,326.06	2,531.37	2,607.31	3,472.16	3,576.32
Shareholdings through DHI	4,619.86	4,767.82	4,860.72	6,012.35	6,141.56
<i>Agriculture</i>	10.87	10.98	11.09	11.20	11.32
<i>Industry</i>	2,522.84	2,649.84	2,721.55	3,851.79	3,959.39
<i>Services</i>	2,086.14	2,107.01	2,128.08	2,149.36	2,170.85
Total CIT	7,154.59	7,509.96	7,680.90	9,699.51	9,935.05
	Dividend Transfer				63.80
	4,058.54	4,972.63	5,136.22	7,207.38	7,350.74
<i>Agriculture</i>	-	-	-	-	-
<i>Industry</i>	4.34	4.34	4.34	4.34	4.34
<i>Services</i>	33.20	34.45	35.75	37.11	38.53
<i>Holding</i>	4,021.00	4,933.84	5,096.13	7,165.93	7,307.87

7.2. National Pension and Provident Fund

7.2.1 Operational Highlights

In FY 2017-18, there were 55,102 NPPF members compared to 53,998 in the previous year recording a 2.04 percent increase in total membership. The growth was mainly because of inclusion of local government officials from the 205 Gewogs under the provident fund scheme. Further, the membership is expected to increase with the recommendation to extend PF to ESP and GSP by the 4PC. Members represent about 8.08 percent of the total population of the country.

The number of pensioners grew from 5,861 in FY 2016-17 to 6,498 in FY 2017-18. The dependency ratio of pensioners to contributing members reached 11.79 percent during the year. In FY 2017-18, Nu. 2,447.490 million was received as monthly contribution toward the pension and provident funds and Nu. 1,220.120 million was paid out as monthly pension payment, refund of provident fund and pension contributions.

7.2.2 Financial Highlights

In FY 2017-18, the NPPF realized revenue of Nu. 2,566.220 million compared with Nu. 2,828.350 million in the previous year. The decrease in revenue was mainly due to the impact of fair value of equity shares as per Bhutanese Accounting Standards. The total operating expenditure increased to Nu. 186.220 million, by 39.1 percent as compared to the previous year. The increase in expenditure was mainly due to provisioning of Nu. 58.400 million as per the Prudential Regulations.

The NPPF invested more than Nu. 6,552.198 million in the economy in FY 2017-18 in the form of loans to government and corporate sectors. NPPF also invested in right shares of Druk PNB worth Nu. 33.150 million and participated in commercial paper floated by STCBL worth Nu. 28.600 million.

Over the past three years before FY 2017-18, NPPF has achieved an average return of 8 percent on investments as compared to an average of 7 percent over the last 10 years. Similarly, during FY 2017-18, NPPF declared and distributed 8.3 percent as Rate of Return to all the members.

Table 7.7 NPPF's Financial Statement summary

<i>Particulars/Year</i>	<i>Nu. in million</i>		
	<i>2016</i>	<i>2017</i>	<i>2018</i>
<i>Income statement, Nu. m</i>			
<i>Revenue</i>	1,877.22	2,828.35	2,566.22
<i>Operating Expense</i>	2.94	133.84	186.22
<i>Net profit</i>	1,874.27	2,694.50	2,379.99
<i>Balance sheet, Nu. m</i>			
<i>Total assets</i>	24,442.04	28,708.30	32,518.14
<i>Total liabilities</i>	23,487.64	27,031.80	30,735.38
<i>Key indicators</i>			
<i>Operating margin, %</i>	99.84%	95.27%	92.74%
<i>Return on operating capital, %</i>	34.71%	51.76%	38.81%

Currently, NPPF owns 50 acres of land and 93 buildings across the country and provides 904 residential flats, offices and commercial units. The total rental income generated in FY 2017-18 was Nu 58.310 million.

Table 7.8 Assets classification and quality

<i>Particulars/Year</i>	<i>Nu. in million</i>		
	<i>30-Jun-16</i>	<i>30-Jun-17</i>	<i>30-Jun-18</i>
<i>Loans</i>			
<i>Manufacturing & Industries sector</i>	2,166.16	1,960.51	2,165.68
<i>Service & Tourism sector</i>	837.86	698.46	3,000.40
<i>Financial Institutions</i>	727.85	1,074.52	990.71
<i>Housing</i>	296.89	284.96	938.35
<i>Members</i>	4,987.41	4,712.19	5,318.13
Total	9,016.17	8,730.65	12,413.26
<i>Investments</i>			
<i>Bonds & Commercial papers</i>	4,790.20	4,958.62	4,406.82
<i>Equity Shares</i>	2,402.01	3,096.82	3,216.10
<i>Property</i>	471.36	519.19	568.04
Total	7,663.57	8,575	8,190.96

7.2.3 Governance and challenges

NPPF was established on 1st July, 2002 as an autonomous public organization with perpetual succession and a common seal, through the issuance of Executive Order by the then Lhengye Zhuntshog. In the absence of a clear legal framework within which NPPF functions, NPPF is regulated like a SoE under the Ministry of Finance (MoF). Further, Royal Monetary Authority (RMA) also plays as a quasi-regulatory role since NPPF is categorized as a financial institution.

Some of the challenges faced by the NPPF are the absence of long term investment avenues to match liability profile, demographic changes in the society and small membership base.

7.3. Hydropower

7.3.1 Overview

Hydropower is the main driver of the economy constituting about 30 percent of the GDP. Acknowledging the contribution of hydropower to the socio-economic development since the Chuchkha hydropower project in the 5FYP, the Government continues to explore the possibilities of harnessing the hydropower potential of the country. Bhutan has an estimated hydropower potential of 30,000 MW of which 23,760 MW is techno-economically feasible.

Currently, the country has tapped total hydroelectric generation capacity of 1,614 MW through Chhukha (336MW), Kurichhu (60MW), Basochhu I and II

(64MW), Tala (1,020MW), Dagachhu (126MW) and some mini/micro (8MW) hydropower Plants, which accounts for about 5.38 percent of the total estimated potential.

The projects that are under construction and in the pipeline will harness another 6,243 MW of hydropower, which is about 20.81 percent of the estimated potential, when they are fully commissioned, as shown in the table 7.9.

Table 7.9 Construction periods of the hydropower projects under construction & in the pipeline.

Sl. #	Project	MW	Year of start of construction	Year of completion
1	Punatsangchhu-I	1,200	2008	2024/25
2	Punatsangchhu-II	1,020	2010	2022
3	Mangdechhu	720	2010	2019
4	Kholongchhu	600	2015	2023/24
5	Nikachhu	118	2015	2021
6	Sankosh	2,585	2019/20	2027/28
Total		6,243		

While recognizing the importance of the hydropower projects, other emerging issues have to be taken into account and necessary changes have been made in the earlier plans. The construction start dates and completion dates have been revised considering the actual progress of the on-going projects including the implementation of Sankosh project.

7.3.2 Financing modality

The hydropower projects involve huge investments and are implemented outside Five Year Plans and annual budgets. However, loan disbursements for hydropower projects are recorded in the total debt stock and reported to the Parliament through the audited Annual Financial Statements.

The financing modality for the Inter-Governmental (IG) and Joint Venture (JV) projects are defined in the bilateral agreements between the implementing governments, which empowers the project authorities to implement and disburse funds directly to the projects as per the work progress.

As per the bilateral agreement, projects developed under the IG mode are to be handed over to the RGoB by the project authority within two years of commissioning of the projects. The projects on JV mode are to be developed on a concessionary basis to be operated by the JV company for 30 year period from the commercial operation date after which the plants are to be reverted to RGoB in

good running condition at no cost. Other modes of development of hydropower are also being initiated by diversifying the financing sources, e.g. Nikachhu.

The existing projects being implemented are financed through Inter-Governmental (IG) arrangement and Joint Ventures as given in the table below:

Table 7.10 Funding modality of the hydropower projects.

Sl.	Project	MW	Funding Modality
1	Punatsangchhu-I	1,200	40% Grant and 60% Loan from GoI
2	Punatsangchhu-II	1,020	30% Grant and 70% Loan from GoI
3	Mangdechhu	720	30% Grant and 70% Loan from GoI
4	Kholongchhu	600	30% Equity and 70% Loan (JV between DGPC and SJVNL, DGPC's equity share given as grant by GoI)
5	Nikachhu	118	35% Equity and 65% Loan from ADB
6	Sankosh *	2585	30% Grant and 70% Loan (IG mode of development)

**Project implementation under discussion with GoI.*

7.3.3 Financial Progress of on-going projects

A brief on the financial progress of the on-going projects are as follows:

a. Punatsangchhu - I hydroelectric project

Punatsangchhu-I hydroelectric project (1,200MW) started in Nov. 2008 and is scheduled to be commissioned in the FY 2024-25.

The cost estimate for the project has been revised at Nu. 93,756.00 million mainly due to geological issues. As of March, 2019, Nu. 76,271.00 million has been disbursed and 85.42 percent of the works have been completed.

b. Punatsangchhu - II hydroelectric project

Punatsangchhu - II hydroelectric project (1,020MW) started in Dec. 2010 and is scheduled to be commissioned in 2022. The cost estimate for the project has been revised to Nu. 72,906.20 million in July 2016.

As of March, 2019, total of Nu. 57,783.00 million has been disbursed and 82.54 percent of the works of the project has been completed. With the two project being delayed due to geological challenges, the RGoB is constantly pursuing with GOI to expedite on the finalization and implementation of the remedial measures.

c. Mangdechhu hydroelectric project

Mangdechhu hydroelectric Project (720 MW) started in Aug. 2010. The cost estimate is revised to Nu. 50,126.30 million (December 2017 PL). As of March, 2019, total of Nu. 47,707 million has been disbursed.

The export tariff for the Project has been finalized at Nu. 4.12 per unit and protocol for export of power has been signed with GoI. As the construction is completed, preparation for commissioning and inauguration is underway by June 2019.

d. Kholongchhu hydroelectric project

Kholongchhu Hydroelectric Project (600MW) is the first joint venture between DGPC and a public-sector undertaking (PSU) of India. The total cost of the project is estimated at Nu. 31,436.39 million (March, 2011 PL). As of March 2019, the project has spent Nu. 2,574.733 million, out of which GoI has released RGoB's equity component of Nu. 1,267.917 million for DGPC and Nu. 1,372.917 million was released by SJVNL.

Major pre-construction activities such as access roads and bridges have been completed and construction of integrated project office and residential complex with Doksum Township are under way.

The award of main civil works is kept on hold due to delay in signing of the Concession Agreement with RGoB which has been made contingent on resolving the GoI's Guidelines on Cross Border Trade of Electricity issues. Issue is being taken up with GoI and the Concession Agreement is expected to be signed within 2019.

e. Nikachhu hydroelectric project

The Nikachhu hydroelectric project (118 MW) is being implemented by Tangsibji Hydro Energy Limited (THyE), a 100 percent subsidiary company of Druk Green Power Corporation Limited (DGPC), which was incorporated on 25th April 2014 as a special purpose vehicle. The project is scheduled to be completed in April 2021. The project cost is estimated to be Nu. 11,964.587 million with 35 percent equity and 65 percent loan arrangement from the ADB.

The EPC contract for the civil works was awarded to M/s HCC, India at cost of Nu. 4,288.93 million and Euro 3.827 million in April, 2016 and electro-mechanical works have been awarded to M/s Voith Hydro at USD 23.77 million in December, 2015.

As of March, 2019, the project has spent Nu.3,928.78 million and has achieved a physical progress of 39.33 percent.

7.3.4 Up-coming hydroelectric projects

The Government is in the process of exploring and developing more hydropower projects for which various studies have been initiated as follows:

- i. The DPR studies for Nyera Amari-I& II (442 MW) (integrated) is scheduled to be completed by FY 2019-20;
- ii. The DPR for Dorjilung Hydroelectric Project (1,125 MW) has been completed and is being reviewed for by RGoB for implementation decision.
- iii. The DPR study of Kuri-Gongri Hydroelectric Project which was suspended in 2014 has been reinstated by GoI and the DPR works have been resumed from June, 2016 and is expected to be completed by December, 2019.
- iv. The DPR study of Sankosh Hydroelectric Project has been approved by Central Electricity Authority, GoI in August 2017 at estimated cost Nu. 157,095.90 million (April 2016 PL), which includes interests during construction & the financing charges. The Government is pursuing with GoI on implementation of Sankosh project on priority.

Further, the Government has engaged CDCL in the construction of drifts/adits/tunnels of Nyera Ameri and Nikachhu projects to build national capacity. A part of HRT construction in Kholongchhu will also be awarded to CDCL.

In keeping with EDP 2016, bid conditions for mandatory engagement of national contractors through joint venture route and / or 20 percent off-loading to the nationals in the main civil and electro-mechanical packages of Kholongchhu has been provided for.

Considering the size of hydropower investments with respect to the size of Bhutanese economy and its macroeconomic implications, the Government continues to be mindful of the adverse impacts of hydropower development and investments on the economy.

7.4 Royal Monetary Authority

The primary mandate of the RMA is to formulate and implement monetary policy with a view to achieving and maintaining price stability in the economy. RMA continues to conduct monetary policy to support the peg exchange rate regime.

In line with the RMA's medium to longer term objectives, following are some of the operational highlights and financial highlights.

7.4.1 Financial Highlights

On the operational front, the total assets and liabilities of the RMA for the year 2018 was Nu. 77.76 billion, which increased by 4.8 percent from Nu. 74.18 billion in 2017. The total operating income of the RMA in 2018 was Nu.2.10 billion, which improved by 7.3 percent from Nu.1.95 billion in 2017. The contributing factor for this improvement was the higher interest on foreign investment, interest of ways and means advance from RGOB, commission and fees, income from other sources and other income.

The surplus generated during the year was Nu. 1,763.35 million, recording growth of 12.5 percent. After accounting for the cost of monetary policy operation of Nu. 519.71 million, there was a net surplus of Nu. 1,585.24 million.

7.5 Trust Funds

Trust funds are part of the innovative financing mechanism that the government implemented since 1992. The Trust Funds are established as per Royal Charters and provisions of related laws such as the Public Finance Act 2007 and amendments thereof. There are currently four Trust Funds, four Endowment Funds and a Stabilization Fund.

As required by the Public Finance Act, brief status of each of Trust Fund is provided in the sections below.

7.5.1 Trust Funds

7.5.1.1 Cultural Heritage Trust Fund

The Cultural Heritage Trust Fund managed by the Department of Culture is for projects related to culture. The Trust Fund was established in 1999 with an initial fund of Nu.31.267 million. As per the Royal Charter, no expenditure is to be incurred from the Trust Fund till the initial fund size reaches USD 5.00 million. Therefore, there has been no expenditure from the Fund till date.

The fund is currently deposited with the Bhutan National Bank Limited with fund position of Nu. 68.356 million as of 31st March, 2019.

7.5.1.2 *Bhutan Trust Fund for Environment Conservation (BT FEC)*

The Bhutan Trust Fund for Environment Conservation was established in 1992 with an initial fund of USD 21 million. The BT FEC aims to promote social welfare through conservation of forests, flora, fauna, and ecosystems of Bhutan. The Fund invests 93 percent of the total portfolio in mutual funds in the United States and remaining 7 percent is invested in shares and bonds in the domestic market. The fund balance as of 31st March, 2019 is USD 54.932 million which is an increase of 5 percent over the previous year.

During the year, the Fund earned an income of USD 3.537 million and spent about USD 0.898 million as expenditure. Of the total income, USD 143,698 was interest income, USD 532,565 was dividend, USD 2,788,026 as capital gains, money market income of USD 1,309 and miscellaneous income of USD 4,583. The Global Environment Facility contributed USD 67,103 during the period. Of the total expenditure, the Fund spent USD 433,042 as program expenses, USD 455,454 as operating expenses of the secretariat and USD 9,777 as investment expenses.

7.5.1.3 *Universal Service Fund and Media Development Fund*

The Universal Service Fund was established in March 2007 with an initial fund of Nu.194.25 million to promote rural mobile and internet connectivity. The fund balance as of 31th March, 2019 was Nu. 257.2864 million, a decline by 12 percent mainly on account of payment made for implementation of Rural Communication Program Phase V and Thimphu-Phuentsholing highway mobile network coverage. The fund for the year also includes Nu. 87.412 million from Bhutan Telecom Ltd and Tashi InfoComm Ltd as annual license fee payment.

The Media Development Fund (MDF) is a sub-fund of Universal Service Fund, which is primarily used for development of media in the country. The fund balance as of 31st March, 2019 is Nu. 25.499 million, a decline by 1.9 percent. The decline in fund was on account of the expenditure during the year on account of development of capacity of the authority, refund of security deposit and expenses on review of national films.

The Fund received an income of Nu.3.083 million from international and national film producers as filming permit fee (including the refundable security deposit). Both the funds are managed by Bhutan Information Communication Media Authority (BICMA).

7.5.1.4 Bhutan Health Trust Fund (BHTF)

The Bhutan Health Trust Fund was launched on 12th May, 1998 at the World Health Organizations' Headquarters in Geneva and the Secretariat was established in April, 2000 in Thimphu with an initial fund of USD 1.923 million. The balance as of 31st March, 2019 is Nu. 2,458.750 million, a decline by 0.8 percent.

During the year, the expenditure exceeded the income by about 10 percent leading to reduction in fund closing balance. This was caused by decrease in income by more than 200 percent and increase in expenditure by more than 17 percent as compared to the previous year. Decrease in income was mainly on account of reduction in the donation while increase in expenditure was on account of increased spending on essential drugs and vaccines compared to previous year. Further, most of the investments are made in domestic market.

7.5.2 Endowment Funds

In order to promote research and support cultural preservation, various endowment funds were established. The endowment funds are implemented by relevant agencies based on the Operational Guidelines approved by the Government.

7.5.2.1 Sherig Endowment Fund

The Sherig Endowment Fund (SEF), earlier referred to as the Bhutan Education Endowment Fund, was established with a seed money of Nu. 10 million on 2nd December 2013. The Fund's primary objective is to promote action research among schools to address challenges related to quality of teaching and learning, school management and emerging youth issues.

In FY 2018/2019, the Fund has spent Nu.0.840 million on the research projects and received an interest income of Nu.0.600 million. The Fund balance as of March, 2019 is Nu.9.316 million, which is a decline by 2.5 percent.

7.5.2.2 Art and Culture Endowment Fund

The Art Endowment Fund's seed money of Nu.10.00 million is currently deposited in the Bank of Bhutan and the earnings are used to support local film producers and the Bhutan Film Association.

7.5.2.3 National Research Endowment Fund

The Fund was established for research initiatives based in Bhutan for which a seed fund of Nu.10 million was allocated in the FY 2017-18. The Royal University of Bhutan is entrusted to implement the Fund to promote researches. A Governing Board for the Fund has been established under the Royal University of Bhutan.

Out of Nu. 10 million, 90 percent has been invested into banking sector within the country and 10 percent is being utilized as per the operational guidelines for endowment funds.

7.5.2.4 Endowment Fund for Crop and Livestock Conservation

The Endowment Fund for Crop and Livestock Conservation was established in 2017. As of March 2019, the fund balance is Nu. 30,413,273.21. As of date, no money has been utilized from the Fund.

The funds generated through fees from Takin Reserve in Thimphu and Royal Botanical Park in Lamperi are also deposited into the Fund. To help build the Fund, Nu. 20 million was allocated through the budget for FY 2018-19.

7.5.3 The Bhutan Economic Stabilization Fund

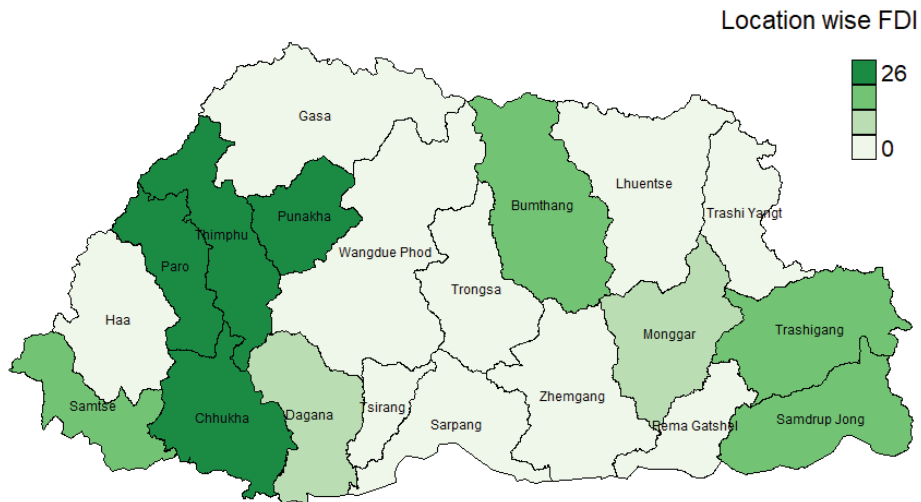
Bhutan Economic Stabilization Fund (BESF) has been established with a seed capital of Nu. 100 million based on the resolution of the 10th Session of the 2nd Parliament. The main objectives of BESF are to ensure macroeconomic stability and long term fiscal sustainability, support counter-cyclical measures during business cycle fluctuation and economic crises, smoothen fiscal path through savings during high revenue inflows and rationalize expenditure during downturns.

The seed capital of Nu. 100 million has been invested abroad by the RMA. In addition, in the FY 2018-19, Nu. 135 million has been transferred to BESF. Thus, the fund balance as of July 2019 is estimated to be Nu. 242.290 million. For FY 2019-20, Nu. 200 million has been provisioned for BESF. The RMA manages the Fund under a Board based on the rules and regulations issued by the Government.

7.6 Foreign Direct Investment

The Foreign Direct Investments (FDI) in 2018 was about Nu. 218.92 million mainly in the form of equity injections, reinvestments of earnings and inter-company debt inflows. In total, the contribution made by FDI in the form of tax is about Nu. 1.57 billion. The number of projects approved during the same year increased significantly with a record number of 16 projects.

Majority of the investments come from Asia followed by Europe, North America and Oceania. Hotel industry continues to dominate the FDI, accounting for 42 percent of the total share followed by the IT industry with 15 percent. Overall, service sector still forms major proportion of the FDI that accounts for about 65 percent of the total share and about 62 percent of the total projects are located in Thimphu, Paro and Phuentsholing.



The FDI is expected to transfer technological knowhow within the economy, which in the long run is expected to enhance the productivity and generate gainful employment. In 2018, the FDI created about 412 jobs raising the total employment figure to 5,307 maintaining ratio of 1 to 23 between the expatriates and Bhutanese. Therefore, initiatives are being taken to attract more FDI into the economy, including revision of the FDI policy.

Conclusion

Since the Government has approved the 12FYP and mobilized the resources, the Budget for FY 2019-20 has been formulated to enable budgetary bodies to accelerate implementation of priority programs and activities of the 12FYP. The Budget also reflects the commitment of the Government in narrowing the gap and fulfilling the aspirations of the people.

The revision of pay, allowances and benefits of the public servants have been considered by the Government after incorporating views and comments received from various stakeholders. As such, the revision is expected to benefit the lower level public servants with higher percentage increase in keeping with the pledge of ***narrowing the gap***. The implementation of flagship programs will contribute towards addressing high priority national issues with end-to-end multi-sectoral interventions. It is also expected that implementation of the annual grants to Gewogs and the enhanced DDG will deepen the decentralization, empower Local Governments in the use of budget with flexibility to respond to the changing priorities besides promoting ownership.

In order to derive maximum benefit from the Budget, the Government urges all the budgetary agencies for optimal utilization of the allocated budget to achieve the Annual Performance targets and realize the overarching national goal of Gross National Happiness.

Since the budget has been formulated based on priorities of agencies, Government is confident that the House will find the Budget for FY 2019-20 acceptable and pass the Budget Appropriation Bill for FY 2019-20 and Supplementary Budget Appropriation Bill for FY 2018-19 expeditiously.

The Government, on behalf of the people, pays tribute to His Majesty the King and His Majesty the Drukgyal Zhipa for their continued guidance and concern for the welfare of the people of Bhutan. The Government also pays deepest respect and gratitude to His Holiness the 70th Je Khenpo for his selfless service in promoting spiritual wellbeing of the Bhutanese people and the sentient beings.

May the guardian deities of the glorious Palden Drukpa forever protect the people and the nation with perpetual peace, prosperity and happiness.

Annexures

Annexure A: Revised Budget Summary for FY 2018-19 as of 31st March 2019

Nu. in million

Particulars	Approved Budget (Jan 2019)	Revised (31st March 2019)
TOTAL RESOURCES	39,893.853	42,949.113
I. DOMESTIC REVENUE	33,943.967	34,321.818
i. Tax	25,037.460	26,542.925
ii. Non-Tax	8,906.507	7,778.893
II. OTHER RECEIPTS	20.000	40.990
III. GRANTS	5,929.886	8,586.305
i. Program Grants	150.000	950.000
a) GoI	-	800.000
b) others (EU)	150.000	150.000
ii. Project-tied Grants	5,779.886	7,636.305
a) GoI	3,024.114	4,030.405
b) Others	2,755.772	3,605.900
I. Total Expenditure	45,128.177	46,724.585
i. Current Expenditure	29,075.167	29,105.462
ii. Capital Expenditure	16,053.010	17,619.123
OVERALL BALANCE	(5,234.324)	(3,775.472)
FINANCING	5,234.324	3,775.472
a. Net Lending	1,433.162	1,389.678
i. Principle recoveries	1,528.190	1,515.708
Less lending	95.028	126.030
b. Net external borrowings	961.245	986.304
i. Project-tied Borrowings	1,281.689	1,329.913
ii. Program Borrowings	2,143.865	2,120.700
Less repayment	2,464.309	2,464.309
c. Net internal borrowings	2,839.917	1,399.490
i. Internal borrowings	2,850.532	1,410.105
Less repayment	10.615	10.615
GDP	194,451.578	192,826.815
Fiscal balance % of GDP	-2.69%	-1.96%

Annexure B: Budget Summary for FY 2019-20

Nu. in million

Particulars	Budget Estimates
Total Resources	54,619.197
I. Domestic Revenue	43,299.071
i. Tax	26,776.847
ii. Non-Tax	16,522.224
II. GRANTS	11,320.126
i. Program Grants	1,700.000
a) GoI	1,700.000
b) others (EU)	-
ii. Project-tied Grants	9,620.126
a) GoI	5,296.471
b) Others	4,323.655
Total Expenditure	61,197.307
i. Current Expenditure	34,652.765
ii. Capital Expenditure	26,544.542
OVERALL BALANCE	(6,578.110)
FINANCING	6,578.110
a. Net Lending	2,094.775
i. Principle recoveries	2,417.860
Less lending	323.085
b. Net external borrowings	1,474.528
i. Project-tied Borrowings	1,249.957
ii. Program Borrowings	3,519.500
Less repayment	3,294.929
c. Net internal borrowings Surplus/Deficit	3,008.807
i. Internal borrowings	3,020.211
Less repayment	11.404
GDP	216,655.653
<i>Fiscal balance % of GDP</i>	-3.04%

Annexure 1: Capital Budget for Dzongkhags including CMI allocation for Gewogs for FY 2019-20

Nu. in million

Sl. No	Dzongkhag	Dzongkhag Total	Gewogs CMI provisioned under Dzongkhag	Total
1	Chhukha	187.181	152.511	339.692
2	Haa	153.613	36.360	189.973
3	Paro	217.751	39.600	257.351
4	Samtse	285.215	142.256	427.471
5	Tsirang	194.152	79.340	273.492
6	Dagana	227.770	108.425	336.195
7	Punakha	202.224	48.000	250.224
8	Wangdue Phodrang	224.310	63.840	288.150
9	Bumthang	169.200	15.840	185.040
10	Sarpang	183.984	115.360	299.344
11	Zhemgang	197.280	120.505	317.785
12	Trongsa	214.796	20.040	234.836
13	Lhuentse	191.798	31.920	223.718
14	Mongar	207.145	133.522	340.667
15	Pema Gatsel	240.332	100.224	340.556
16	Samdrup Jongkhar	165.875	94.014	259.889
17	Trashigang	299.713	111.094	410.807
18	Thimphu	228.120	46.386	274.506
19	Gasa	157.861	30.580	188.441
20	Trashi Yangtse	158.350	31.920	190.270
	Total	4,106.670	1,521.737	5,628.407

Annexure 2: Capital budget of Gewogs including CMI allocation provisioned under Dzongkhags for FY 2019-20

Nu. in million

Sl. No	Gewogs	Gewog Total	CMI under Dzongkhag	Total
1	Sampheling Gewog, Chhukha	17.390	3.960	21.350
2	Bongo Gewog, Chhukha	19.961	12.360	32.321
3	Chapchha Gewog, Chhukha	9.479	3.960	13.439
4	Dungna Gewog, Chhukha	8.572	3.960	12.532
5	Geling Gewog, Chhukha	9.957	7.962	17.919
6	Darla Gewog, Chhukha	32.516	3.960	36.476
7	Getana Gewog, Chhukha	8.367	79.629	87.996
8	Bjachho Gewog, Chhukha	10.725	3.960	14.685
9	Lokchina Gewog, Chhukha	13.286	24.840	38.126
10	Metakha Gewog, Chhukha	5.273	3.960	9.233
11	Phuentsholing Gewog, Chhukha	23.844	3.960	27.804
12	Bji Gewog, Haa	8.596	3.960	12.556
13	Katsho Gewog, Haa	7.255	3.960	11.215
14	Sangbey Gewog, Haa	10.667	8.160	18.827
15	Sama Gewog, Haa	6.887	3.960	10.847
16	Iusu Gewog, Haa	6.424	3.960	10.384
17	Gakidling Gewog, Haa	10.429	12.360	22.789
18	Dobshari Gewog, Paro	9.692	3.960	13.652
19	Dogar Gewog, Paro	10.083	3.960	14.043
20	Doteng Gewog, Paro	5.626	3.960	9.586
21	Hungrel Gewog, Paro	2.384	3.960	6.344
22	Lango Gewog, Paro	13.811	3.960	17.771
23	Lungnyi Gewog, Paro	10.124	3.960	14.084
24	Naja Gewog, Paro	15.295	3.960	19.255
25	Shaba Gewog, Paro	15.468	3.960	19.428
26	Tsento Gewog, Paro	14.971	3.960	18.931
27	Wangchang Gewog, Paro	13.463	3.960	17.423
28	Norgaygang (Bara) Gewog, Samtse	26.326	4.200	30.526
29	Pemaling (Biru) Gewog, Samtse	16.659	3.960	20.619
30	Sangngacholing (Chargharey) Gewog, Samtse	16.342	3.960	20.302
31	Norbugang (Chengmari) Gewog, Samtse	15.937	3.960	19.897
32	Denchukha Gewog, Samtse	15.857	35.860	51.717
33	Dophuchen (Dorokha) Gewog, Samtse	23.555	3.960	27.515
34	Dumteod Gewog, Samtse	9.624	33.076	42.700
35	Yoedseltse Gewog, Samtse	16.225	3.960	20.185
36	Namgaychheoling Gewog, Samtse	18.895	3.960	22.855
37	Tendu Gewog, Samtse	23.494	7.920	31.414
38	Ugyentse Gewog, Samtse	7.394	21.360	28.754
39	Phuentshopelri (Pugli) Gewog, Samtse	22.564	3.960	26.524
40	Samtse Gewog, Samtse	19.588	4.200	23.788
41	Tashicholing (Sibus) Gewog, Samtse	15.095	3.960	19.055

Sl. No	Gewogs	Gewog Total	CMI under Dzongkhag	Total
42	Tading Gewog, Samtse	27.929	3.960	31.889
43	Patshaling (Beteni) Gewog, Tsirang	7.898	3.960	11.858
44	Dunglagang Gewog, Tsirang	9.812	3.960	13.772
45	Barshong Gewog, Tsirang	8.713	12.360	21.073
46	Goseling Gewog, Tsirang	9.159	3.960	13.119
47	Rangthangling Gewog, Tsirang	10.244	8.160	18.404
48	Kilkhorthang Gewog, Tsirang	11.521	14.780	26.301
49	Mendrelgang Gewog, Tsirang	8.682	3.960	12.642
50	Sergithang (Pataley) Gewog, Tsirang	9.667	3.960	13.627
51	Phuentenchhu Gewog, Tsirang	9.109	3.960	13.069
52	Shemjong Gewog, Tsirang	7.793	3.960	11.753
53	Tsholingkhar Gewog, Tsirang	10.718	3.960	14.678
54	Tsirangteod Gewog, Tsirang	9.740	12.360	22.100
55	Dorona Gewog, Dagana	8.152	16.560	24.712
56	Drujeygang Gewog, Dagana	14.851	3.960	18.811
57	Gesarling Gewog, Dagana	7.261	3.960	11.221
58	Goshi Gewog, Dagana	10.767	3.960	14.727
59	Kana Gewog, Dagana	13.823	14.864	28.687
60	Khebisa Gewog, Dagana	13.331	16.401	29.732
61	Lajab Gewog, Dagana	6.486	3.960	10.446
62	Trashiding Gewog, Dagana	11.928	8.160	20.088
63	Tsendagang Gewog, Dagana	10.834	8.160	18.994
64	Tsangkha Gewog, Dagana	9.070	3.960	13.030
65	Tseza Gewog, Dagana	7.825	4.200	12.025
66	Karmaling (Deorali) Gewog, Dagana	7.303	8.160	15.463
67	Lhamoizingkha Gewog, Dagana	11.338	3.960	15.298
68	Nichula Gewog, Dagana	8.243	8.160	16.403
69	Chhubu Gewog, Punakha	10.686	8.160	18.846
70	Goenshari Gewog, Punakha	7.200	3.960	11.160
71	Guma Gewog, Punakha	14.016	4.200	18.216
72	Kabjisa Gewog, Punakha	10.114	3.960	14.074
73	Limbukha Gewog, Punakha	5.869	3.960	9.829
74	Shengana Gewog, Punakha	8.128	3.960	12.088
75	Talo Gewog, Punakha	7.859	3.960	11.819
76	Teowang Gewog, Punakha	7.364	3.960	11.324
77	Dzoma Gewog, Punakha	8.910	3.960	12.870
78	Baap Gewog, Punakha	13.417	3.960	17.377
79	Toebsa Gewog, Punakha	10.164	3.960	14.124
80	Bjena Gewog, Wangdue Phodrang	10.144	3.960	14.104
81	Dangchhu Gewog, Wangdue Phodrang	7.919	3.960	11.879
82	Daga Gewog, Wangdue Phodrang	12.222	3.960	16.182
83	Gangteod Gewog, Wangdue Phodrang	9.544	3.960	13.504
84	Gasetshogongm Gewog, Wangdue Phodrang	11.841	3.960	15.801
85	Gasetshowogm Gewog, Wangdue Phodrang	4.319	3.960	8.279

Sl. No	Gewogs	Gewog Total	CMI under Dzongkhag	Total
86	Kazhi Gewog, Wangdue Phodrang	9.681	3.960	13.641
87	Nahi Gewog, Wangdue Phodrang	5.905	3.960	9.865
88	Nyisho Gewog, Wangdue Phodrang	10.051	3.960	14.011
89	Phangyuel Gewog, Wangdue Phodrang	6.201	3.960	10.161
90	Phobji Gewog, Wangdue Phodrang	9.465	4.200	13.665
91	Rubesa Gewog, Wangdue Phodrang	9.362	3.960	13.322
92	Sephu Gewog, Wangdue Phodrang	8.749	3.960	12.709
93	Athang Gewog, Wangdue Phodrang	9.049	8.160	17.209
94	Theedtsho Gewog, Wangdue Phodrang	17.039	3.960	20.999
95	Chhoekhor Gewog, Bumthang	17.473	3.960	21.433
96	Chhumey Gewog, Bumthang	10.560	3.960	14.520
97	Tang Gewog, Bumthang	9.929	3.960	13.889
98	Ura Gewog, Bumthang	7.487	3.960	11.447
99	Samteyling Gewog, Sarpang	10.919	3.960	14.879
100	Chhuzargang Gewog, Sarpang	12.009	3.960	15.969
101	Dekidling Gewog, Sarpang	18.701	3.960	22.661
102	Chhuzom Gewog, Sarpang	16.399	59.200	75.599
103	Tareything Gewog, Sarpang	3.635	3.960	7.595
104	Gelephu Gewog, Sarpang	14.754	3.960	18.714
105	Gakidling Gewog, Sarpang	15.508	8.160	23.668
106	Jigmedchheoling Gewog, Sarpang	20.191	8.160	28.351
107	Umling Gewog, Sarpang	7.812	3.960	11.772
108	Singye Gewog, Sarpang	8.775	8.160	16.935
109	Shompangkha Gewog, Sarpang	5.925	3.960	9.885
110	Sershong Gewog, Sarpang	8.185	3.960	12.145
111	Bardo Gewog, Zhemgang	16.566	45.966	62.532
112	Bjoka Gewog, Zhemgang	10.596	35.434	46.030
113	Nangkor Gewog, Zhemgang	14.679	3.960	18.639
114	Ngangla Gewog, Zhemgang	13.615	4.200	17.815
115	Phangkhar Gewog, Zhemgang	10.923	8.160	19.083
116	Shingkar Gewog, Zhemgang	12.860	14.865	27.725
117	Trong Gewog, Zhemgang	13.665	3.960	17.625
118	Goshing Gewog, Zhemgang	12.692	3.960	16.652
119	Drakteng Gewog, Trongsa	15.388	3.960	19.348
120	Korphu Gewog, Trongsa	7.170	3.960	11.130
121	Langthel Gewog, Trongsa	16.297	3.960	20.257
122	Nubi Gewog, Trongsa	15.927	4.200	20.127
123	Tangsibji Gewog, Trongsa	8.743	3.960	12.703
124	Gangzur Gewog, Lhuentse	14.941	3.960	18.901
125	Jarey Gewog, Lhuentse	8.630	3.960	12.590
126	Khoma Gewog, Lhuentse	12.476	3.960	16.436
127	Kurteod Gewog, Lhuentse	6.371	3.960	10.331
128	Minjay Gewog, Lhuentse	8.731	3.960	12.691
129	Menbi Gewog, Lhuentse	12.072	4.200	16.272

Sl. No	Gewogs	Gewog Total	CMI under Dzongkhag	Total
130	Metsho Gewog, Lhuentse	7.982	3.960	11.942
131	Tsenkhar Gewog, Lhuentse	14.386	3.960	18.346
132	Balam Gewog, Mongar	6.575	3.960	10.535
133	Chhali Gewog, Mongar	12.076	3.960	16.036
134	Chaskhar Gewog, Mongar	9.716	3.960	13.676
135	Drametse Gewog, Mongar	13.473	3.960	17.433
136	Drepung Gewog, Mongar	9.090	3.960	13.050
137	Gongdue Gewog, Mongar	11.715	21.732	33.447
138	Jurmey Gewog, Mongar	11.948	3.960	15.908
139	Kengkhar Gewog, Mongar	12.259	3.960	16.219
140	Mongar Gewog, Mongar	18.850	3.960	22.810
141	Ngatshang Gewog, Mongar	9.325	3.960	13.285
142	Saleng Gewog, Mongar	11.995	3.960	15.955
143	Sherimuhung Gewog, Mongar	13.475	3.960	17.435
144	Silambi Gewog, Mongar	10.757	41.660	52.417
145	Thangrong Gewog, Mongar	11.209	3.960	15.169
146	Tsakaling Gewog, Mongar	11.960	3.960	15.920
147	Tsamang Gewog, Mongar	8.962	3.960	12.922
148	Narang Gewog, Mongar	9.862	14.690	24.552
149	Chongshing Gewog, Pema Gatshel	8.672	3.960	12.632
150	Chhimung Gewog, Pema Gatshel	7.799	31.684	39.483
151	Dungmin Gewog, Pema Gatshel	9.384	8.160	17.544
152	Khar Gewog, Pema Gatshel	9.385	3.960	13.345
153	Shumar Gewog, Pema Gatshel	13.514	4.200	17.714
154	Yurung Gewog, Pema Gatshel	8.287	24.260	32.547
155	Zobel Gewog, Pema Gatshel	10.266	3.960	14.226
156	Dechhenling Gewog, Pema Gatshel	16.121	3.960	20.081
157	Norbugang Gewog, Pema Gatshel	12.829	3.960	16.789
158	Nanong Gewog, Pema Gatshel	12.170	3.960	16.130
159	Choeckhorling Gewog, Pema Gatshel	6.727	8.160	14.887
160	Phuentshothang Gewog, Samdrup Jongkhar	14.497	3.960	18.457
161	Pemathang Gewog, Samdrup Jongkhar	8.431	3.960	12.391
162	Gomdar Gewog, Samdrup Jongkhar	17.605	3.960	21.565
163	Wangphu Gewog, Samdrup Jongkhar	14.595	8.160	22.755
164	Langchenphu Gewog, Samdrup Jongkhar	6.906	3.960	10.866
165	Lauri Gewog, Samdrup Jongkhar	22.027	37.614	59.641
166	Martshala Gewog, Samdrup Jongkhar	14.532	12.360	26.892
167	Dewathang Gewog, Samdrup Jongkhar	11.046	3.960	15.006
168	Orong Gewog, Samdrup Jongkhar	13.520	8.160	21.680
169	Samrang Gewog, Samdrup Jongkhar	3.812	3.960	7.772
170	Serthi Gewog, Samdrup Jongkhar	12.516	3.960	16.476
171	Bartsham Gewog, Trashigang	9.862	3.960	13.822
172	Bidung Gewog, Trashigang	8.237	3.960	12.197
173	Kanglung Gewog, Trashigang	17.772	3.960	21.732

Sl. No	Gewogs	Gewog Total	CMI under Dzongkhag	Total
174	Kangpara Gewog, Trashigang	13.579	3.960	17.539
175	Khaling Gewog, Trashigang	13.102	3.960	17.062
176	Lumang Gewog, Trashigang	19.456	3.960	23.416
177	Merak Gewog, Trashigang	13.213	33.780	46.993
178	Yangnyer Gewog, Trashigang	13.036	3.960	16.996
179	Phongmey Gewog, Trashigang	13.534	3.960	17.494
180	Radhi Gewog, Trashigang	13.431	3.960	17.391
181	Sakteng Gewog, Trashigang	23.219	25.834	49.053
182	Samkhar Gewog, Trashigang	13.777	3.960	17.737
183	Shongphu Gewog, Trashigang	12.327	3.960	16.287
184	Thrimshing Gewog, Trashigang	10.673	3.960	14.633
185	Udzorong Gewog, Trashigang	13.897	3.960	17.857
186	Soe Gewog, Thimphu	3.313	4.440	7.753
187	Chang Gewog, Thimphu	13.982	3.960	17.942
188	Dagala Gewog, Thimphu	7.255	3.960	11.215
189	Gayney Gewog, Thimphu	4.996	3.960	8.956
190	Kawang Gewog, Thimphu	16.116	3.960	20.076
191	Lingzhi Gewog, Thimphu	5.309	4.440	9.749
192	Mewang Gewog, Thimphu	16.007	3.960	19.967
193	Naro Gewog, Thimphu	3.654	17.706	21.360
194	Geonkhamed Gewog, Gasa	4.205	3.960	8.165
195	Geonkhateod Gewog, Gasa	3.509	3.960	7.469
196	Laya Gewog, Gasa	13.689	18.460	32.149
197	Lunana Gewog, Gasa	11.392	4.200	15.592
198	Bumdeling Gewog, Trashhi Yangtse	17.109	3.960	21.069
199	Jamkhar Gewog, Trashhi Yangtse	7.198	3.960	11.158
200	Khamdang Gewog, Trashhi Yangtse	18.250	3.960	22.210
201	Ramjar Gewog, Trashhi Yangtse	9.456	3.960	13.416
202	Teodtsho Gewog, Trashhi Yangtse	12.684	3.960	16.644
203	Tongmizhangtsha Gewog, Trashhi Yangtse	9.558	3.960	13.518
204	Yalang Gewog, Trashhi Yangtse	13.214	3.960	17.174
205	Yangtse Gewog, Trashhi Yangtse	13.616	4.200	17.816
	Total	2,400.002	1,521.737	3,921.739

Annexure 4.1: Proposed and Recommended budget of Legislative, Judiciary and Constitutional Bodies.

National Assembly of Bhutan

Nu.in million

Sl. No	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Establishment cost (Secretariat Services)	20.726	0.500	21.226	20.059	0.500	20.559
2	Establishment cost (Parliamentary Services)	66.601	-	66.601	65.182	-	65.182
3	Research Program Services	14.692	-	14.692	11.786	-	11.786
4	Hon'ble Speaker's official & constitutional visits	-	-	-	1.500	-	1.500
5	Hon'ble Opposition Leader's official & constitutional visits	-	-	-	1.500	-	1.500
6	Assembly Session Services	6.397	-	6.397	5.770	-	5.770
7	Committee Services	3.659	6.800	10.459	1.766	-	1.766
8	Maintenance of Security and fire services in and around Gyelyong Tshogkhang	0.500	-	0.500	0.350	-	0.350
9	Parliamentary Exchange Programme	8.500	0.500	9.000	8.400	0.500	8.900
10	Dzongkha Development Program	-	0.150	0.150	-	0.150	0.150
11	Hosting ARAPAC 2019	3.050	-	3.050	3.050	-	3.050
12	Installation of Heating & Cooling System	-	50.000	50.000	-	50.000	50.000
13	E-Parliament Initiative	-	2.940	2.940	-	2.940	2.940
14	Visit by Parliamentary Committees	3.000	-	3.000	-	-	-
15	Capacity Building on Legislative Processess	-	0.648	0.648	-	-	-
16	Installation of live streaming device	-	0.200	0.200	-	0.200	0.200
17	Training on Comptia security and wireless admin course	-	0.770	0.770	-	-	-
18	Workshop on disaster management	0.200	-	0.200	-	-	-
19	Attending Inter-parliamentary union, ASGP, AFPPD, APA & Delegation Secretary	1.750	-	1.750	-	-	-

Sl. No	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
20	Annual maintenance of heating system and air conditioners	-	-	-	0.500	-	0.500
21	UNDP Support for Advocacy for Virtual Zomdu	0.730	-	0.730	0.730	-	0.730
22	UNDP Support for Workshop on SDGS	0.438	-	0.438	0.438	-	0.438
23	UNICEF Support for Certificate Course on Social Policy with RUB	1.460	-	1.460	1.460	-	1.460
24	UNICEF Support for Workshop on Strengthening and Integrating SDGS into 12FYP	0.730	-	0.730	0.730	-	0.730
25	UNICEF Support to Strengthen Parliamentarian Capacity on Governance and Knowledge Management	-	1.095	1.095	-	1.095	1.095
	Total	132.433	63.603	196.036	123.221	55.385	178.606

National Council of Bhutan

Nu. in million

Sl. No	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Establishment Cost (Secretariat Services)	19.763	5.400	25.163	18.015	0.900	18.915
2	General Provision for new appointments	0.350	-	0.350			0.000
3	Enhancement of institutional memory	-	0.350	0.350	-	0.350	0.350
4	Research Program Services	9.052	0.135	9.187	8.599	0.135	8.734
5	Dzongkha Development Program	-	0.300	0.300	-	0.300	0.300
6	Reflection of the Secretariat services towards Parliament	0.553	-	0.553	0.553	-	0.553
7	Support staff training on basic legislative process	-	0.350	0.350	-	0.350	0.350
8	Procurement of journals, library, acts and legislative reference book	0.101	-	0.101	0.101	-	0.101
9	Advocacy program on the roles and functions of NC and Parliament	0.451	-	0.451	0.375	-	0.375
10	Press conference of National Council of Bhutan	0.121	-	0.121	0.121	-	0.121

Sl. No	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
11	Establishment Cost (Council Services)	63.664	-	63.664	48.169	-	48.169
12	Hon'ble Chairperson's Official & Constituency Visits				1.500	-	1.500
13	National Council Session services	2.966	-	2.966	2.711	-	2.711
14	Printing of Acts, resolutions, Q&A, etc	1.200	-	1.200	1.200	-	1.200
15	Committees consultative meeting with various stakeholders	0.676	-	0.676	0.600	-	0.600
16	Committee research services	0.342	0.200	0.542	-	0.500	0.500
17	Review of Parliament Functions	0.511	-	0.511	0.511	-	0.511
18	Parliament Exchange Programme	0.600	-	0.600	0.450	-	0.450
19	Strengthen secretariat service	0.253	0.370	0.623	0.253	0.370	0.623
20	Workshop/Sensitization on Enhanced Max System and HRC Moderation	0.181	-	0.181	-	-	0.000
21	Build knowledge on translation & designing	-	0.500	0.500	-	0.500	0.500
22	Strengthen research capacity	-	0.500	0.500	-	0.500	0.500
23	Legislative and procedural division	-	0.300	0.300	-	0.300	0.300
24	Upgradation and subscription of fire wall	-	0.500	0.500	-	0.500	0.500
	Total	100.784	8.905	109.689	83.158	4.705	87.863

Judiciary

Nu. in million

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Establishment Cost, Supreme Court	57.445	-	57.445	53.670	-	53.670
2	Establishment Cost, High Court	29.767	2.450	32.217	29.632	1.000	30.632
3	Establishment Cost, 20 Dzongkhag Courts	151.885	3.040	154.925	146.441	-	146.441
4	Establishment Cost, 15 Dungkhag Courts	77.221	5.938	83.159	73.924	-	73.924
5	Procurement of Library Books & Printing of Law Books	5.594	-	5.594	0.750	-	0.750

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
6	SAARC Law and other Mandatory Travels	1.013	-	1.013	1.013	-	1.013
7	Official Travel and Visits	-	-	-	1.500	-	1.500
8	Saarc Law Conference	0.855	-	0.855	0.750	-	0.750
9	General Provision for New Appointments	2.000	-	2.000	2.000	-	2.000
10	Construction of Chukha District Court	-	20.000	20.000	-	-	-
11	Construction of District Court at Thimphu	-	20.000	20.000	-	-	-
12	Construction of District Court at Paro	-	20.000	20.000	-	-	-
13	Construction of Gasa District Court	-	20.000	20.000	-	20.000	20.000
14	Construction of Drungkhag Court at Weringla	-	10.000	10.000	-	10.000	10.000
15	Construction of Drungkhag Court at Sangbaykha	-	10.000	10.000	-	10.000	10.000
16	Construction of Drangpons Residence at Haa	-	5.000	5.000	-	5.000	5.000
17	Construction of Drangpon's Residence at Phuntsholing(2 Units)	-	8.300	8.300	-	8.300	8.300
18	Construction of Drangpons Residence at Wangdue Phodrang(2 Units)	-	8.031	8.031	-	8.031	8.031
19	Construction of Drangpon's Residence at Dorokha	-	3.150	3.150	-	1.800	1.800
20	Renovation of Lhamoizingkha Drungkhag Court	-	1.500	1.500	-	1.500	1.500
21	Renovation of Mongar District Court	-	2.000	2.000	-	2.000	2.000
22	Network and Server Design, Installation, Configuration and Management	-	0.150	0.150	-	-	-
23	Training on Leadership and Policy for Judicial Personnel	-	0.350	0.350	-	0.350	0.350
24	Training on Advanced Dzongkha Grammer and Its Application (Bench Clerks)	-	0.135	0.135	-	-	-
25	Judicial Process(Bench Book)	-	0.500	0.500	-	0.500	0.500

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
26	Specialized Training on Family & Child, Environment, Construction & Gender	-	0.750	0.750	-	0.750	0.750
27	Orientation on New Legal Developments	0.560	-	0.560	-	-	-
28	Judgement Drafting (Review)	-	1.000	1.000	-	1.000	1.000
29	Judgement Enforcement-for Registrars	-	0.243	0.243	-	0.243	0.243
30	LLM in George Washington University	-	5.500	5.500	-	1.800	1.800
31	Masters Programme	-	4.030	4.030	-	-	-
32	Comparative Study of Judicial Process	-	3.060	3.060	-	3.060	3.060
33	STAAD Pro,Electrical CAD and 2D Civil CAD	-	0.700	0.700	-	-	-
34	Occupational Health and Safety-Project/Estate Management	-	0.203	0.203	-	-	-
35	Establishment of Court Museum at Supreme Court	-	2.000	2.000	-	-	-
	Total	326.340	158.030	484.370	309.680	75.334	385.014

Anti-Corruption Commission

Nu. in million

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Operating Expenses	70.167	-	70.167	69.365	-	69.365
2	Construction of ACC Office Building in Phuentsholing	-	18.956	18.956	-	18.956	18.956
3	Operationalize the ACC Office Building in Phuntsholing	-	6.715	6.715	-	6.715	6.715
4	Development of IT System Manuals and CIMS	0.555	0.260	0.815	0.555	0.260	0.815
5	Investigation Services	3.230	0.400	3.630	2.830	0.200	3.030
6	Strengthen and Provide Technical Support Services	1.652	0.100	1.752	1.531	-	1.531
7	Conduct Actionable Intel Projects	0.701	1.500	2.201	0.501	1.500	2.001
8	Ethical Leadership Courses Institutionalized	0.300	-	0.300	0.200	-	0.200

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
9	Develop Integrity Vetting System	0.200	-	0.200	0.200	-	0.200
10	Conduct Pilot Reactive System Studies	0.050	-	0.050	0.050	-	0.050
11	Develop Guideline/SOP Related To DOPE	0.100	-	0.100	0.080	-	0.080
12	Capacitate and Support Agencies in Implementing OIP	1.000	-	1.000	0.500	-	0.500
13	Administer and Manage AD	0.400	0.500	0.900	0.250	0.500	0.750
14	Conduct Corruption Risk Assessment in Vulnerable Sectors	1.000	-	1.000	0.500	-	0.500
15	Conduct National Integrity Assessment 2019	4.552	3.360	7.912	3.052	3.360	6.412
16	Implement Business integrity initiative of Bhutan	0.500	-	0.500	0.200	-	0.200
17	Conduct Research on Corruption in Policy Making Process	1.957	3.115	5.072	1.492	3.115	4.607
18	Develop and Disseminate IEC Materials	0.350	0.400	0.750	0.350	0.400	0.750
19	Implement Youth Integrity Programme	0.200	0.900	1.100	0.200	0.900	1.100
20	Conduct Thematic Sessions	1.000	-	1.000	0.500	-	0.500
21	Conduct General Awareness Programs (Youth/General Citizen/ Private/ Public)	0.800	-	0.800	0.500	-	0.500
22	Commemorate IACD	0.700	0.300	1.000	0.500	0.300	0.800
23	Conduct National Corruption Barometer Survey 2019	-	3.000	3.000	-	3.000	3.000
24	Review E-Learning Course on Ethics and integrity	0.100	-	0.100	0.100	-	0.100
25	Specialized Training on Anti-Corruption Studies, investigation, Prevention and Education	0.200	21.203	21.403	-	9.000	9.000
26	Conduct Agency Corruption Assessment (ACA)	-	1.500	1.500	-	1.500	1.500
27	Observe ACC Foundation Day	1.000	-	1.000	0.800	-	0.800
28	Enhance Internal Communication & Experience	0.804	-	0.804	0.500	-	0.500
29	Conduct Information Enrichment	0.200	0.600	0.800	0.100	0.300	0.400
30	Management and Disposal of Seized Properties	0.497	-	0.497	0.376	-	0.376

Sl. No	Activity	Proposal			Recommended		
		Current	Capital	Total	Current	Capital	Total
31	Enhance Interrogation and Recording Facilities	0.010	-	0.010	0.010	-	0.010
32	Disseminate Debarment Rules and Develop Guideline	0.300	-	0.300	0.200	-	0.200
33	Implement Action Plan of CRM & IDT	0.100	-	0.100	0.100	-	0.100
34	Certify Services on ISO 9001 QMS	0.200	-	0.200	0.200	-	0.200
35	Printing and Dissemination of Annual Report	1.000	-	1.000	1.000	-	1.000
36	Develop the ACC's Media and Communication Strategy	0.100	-	0.100	0.100	-	0.100
37	Enhance Network with Regional and International Counterparts	2.400	-	2.400	2.400	-	2.400
38	Enhance Network With National Partners	0.200	-	0.200	0.200	-	0.200
39	UNCAC Meetings	2.500	-	2.500	1.314	-	1.314
40	Constitutional Offices and Commission Meetings	0.260	-	0.260	0.260	-	0.260
41	Implement the Adopted Contingency Plan for Disaster	-	0.500	0.500	-	0.500	0.500
42	Assessment and Enhancement of Overall Security System and Installations	-	2.600	2.600	-	0.600	0.600
	Total	99.285	65.909	165.194	91.016	51.106	142.122

Election Commission of Bhutan

Nu. in million

Activity	Proposed			Recommended		
	Current	Capital	Total	Current	Capital	Total
Operating cost	36.114		36.114	35.702		35.702
Attend conference, workshop and seminars	3.995		3.995	0.000		0.000
10TH FEMBOSA meeting (Forum for Election Management Bodies of South Asia)	6.691		6.691		6.691	6.691
Procurement of EVMs		30.000	30.000		30.000	30.000
Observation of EVM Day	0.252		0.252	0.252		0.252
Construction of access gate near ACC		0.718	0.718		0.000	0.000
General provision for new appointments	2.352		2.352	2.352		2.352
Procurement of library books	0.100		0.100	0.000		0.000
Research and Publication	0.502		0.502	0.502		0.502

Activity	Proposed			Recommended		
	Current	Capital	Total	Current	Capital	Total
Design, print and distribute audio visuals, posters, banners, brochures, pamphlets	0.800		0.800	0.800		0.800
Citizen education to youth	4.550		4.550	3.208		3.208
Volunteer-voice (voter information, communication and education)	1.081		1.081	0.000		0.000
National voters day celebration	1.110		1.110	1.110		1.110
Voter education for 375 polling stations	1.571		1.571	0.000		0.000
Establishment of democracy museum		5.030	5.030		0.000	0.000
Updating and preparation of electoral role for election	0.336	2.150	2.486	0.336	2.150	2.486
Long term studies		0.557	0.557		0.557	0.557
Human resource management training		0.140	0.140		0.140	0.140
Enhancement of communication skills		2.520	2.520		2.520	2.520
Observe democracy events (Democracy festival/constitution day)	0.501		0.501	0.501		0.501
All party conference on democracy and good governance	0.500		0.500	0.500		0.500
Review of political parties activities and books of accounts	0.400		0.400	0.400		0.400
Political parties membership and accounts management system		1.050	1.050		0.500	0.500
Review of Local Government demkhong	2.706	0.527	3.233	2.706	0.527	3.233
Conduct strategy sessions with CSOs and other organizations on women and youth on democracy and party presentations	0.465		0.465	0.465		0.465
Support political parties to review and refine policy framework including internal operating guidelines and implementation	0.450		0.450	0.450		0.450
Bhutan Democracy Dialogue steering committee meetings	0.100		0.100	0.100		0.100
Bhutan Democracy Dialogue program coordinators' office	1.080		1.080	1.080		1.080
Total	65.656	42.692	108.348	50.464	43.085	93.549

Royal Audit Authority

Nu. in million

Sl. No.	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Operating cost	100.257	-	100.257	96.430	-	96.430
2	Operating cost (four regional offices including Professional Development Centre, Tsirang)	79.203	-	79.203	73.678	-	73.678
3	General Provision for new appointment	1.500	-	1.500	1.500	-	1.500
4	Mandatory meeting/ conferences/ seminars/ workshops outside Bhutan	4.950	-	4.950	4.264	-	4.264
5	Printing of annual audit reports and performance audit reports	1.200	-	1.200	0.800	-	0.800
6	ICT service related renewal and equipment	-	1.000	1.000	-	1.000	1.000
7	Annual audit of RAA	-	0.300	0.300	-	0.300	0.300
8	50 years celebration of RAA	3.482	-	3.482	1.500	-	1.500
9	Hosting of ASOSAI and INTOSAI Audit Group on Environment and Public Debt	2.630	-	2.630	2.630	-	2.630
10	Construction of office extension	-	5.000	5.000	-	-	-
11	Dzongkha development program	-	0.100	0.100	-	0.100	0.100
12	Conduct audit advocacy program	1.500	-	1.500	1.000	-	1.000
13	Outsourcing of audit services	-	2.000	2.000	-	2.000	2.000
14	Disaster resilient development and preparedness	-	1.724	1.724	-	-	-
15	Visit of Auditor Generals of Vietnam, Philippines, Finland and Latvia	1.000	-	1.000	0.600	-	0.600
16	SAI Performance Management Framework	0.800	-	0.800	0.500	-	0.500
17	Austrian support for capacity building of RAA	-	24.000	24.000	-	8.000	8.000
18	Development and integration of audit follow-up system	-	7.500	7.500	-	7.500	7.500

Sl. No.	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
19	Construction of Office Building, Bumthang	-	8.000	8.000	-	6.000	6.000
20	Construction of support staff quarter, Professional Development Center, Tsirang	-	5.372	5.372	-	5.372	5.372
21	Continuing Professional development policy of auditors	-	6.796	6.796	-	6.796	6.796
22	Construction of office, Phuentsholing	-	8.000	8.000	-	-	-
Total		196.522	69.792	266.314	182.902	37.068	219.970

Royal Civil Service Commission

Nu. in million

Sl. No.	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
1	Operating Cost	44.593	0.100	44.693	44.557	0.100	44.657
2	General provision for new appointments	1.500		1.500	1.500		1.500
3	Coordination meetings/ logistics- in-house and development partners	0.150		0.150	0.150		0.150
4	HR Conference	1.600		1.600	1.600		1.600
5	HR foundation training		0.400	0.400		0.400	0.400
6	HR competency training		4.840	4.840		-	-
7	Professionalizing Civil Service (GoI-PTA)		0.257	0.257		116.642	116.642
8	Nehru-Wangchuck Scholarship		16.280	16.280		16.280	16.280
9	Cost Sharing And Other HRD Programs		33.040	33.040		33.040	33.040
10	Young Professional Leadership Program(YPLP)		16.214	16.214		16.214	16.214
11	Foundational Leadership Program (FLP)		20.032	20.032		20.032	20.032
12	Printing/ publication of state of the RCSC Report and Annual Civil Service Statistics	0.330		0.330	0.330		0.330
13	Consultation meeting to develop framework for OD exercise	0.050		0.050	0.050		0.050
14	Bhutan civil service examination	14.570		14.570	14.570		14.570

Sl. No.	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
15	SMS gateway charges & UTM license and antivirus renewal charges	0.530	0.420	0.950	0.530	0.420	0.950
16	Enhancement of Civil Service Information System (CSIS upgrade, spillover)		3.100	3.100		3.100	3.100
17	Digital Archiving of Personal Files (Spillover)		0.500	0.500		0.500	0.500
18	Conduct HR audit in nine dzongkhags and two Thromdes	1.102		1.102	1.102		1.102
19	Conduct strategic auditing workshop in seventeen agencies	0.250		0.250	0.250		0.250
20	Executive forum and round-table		0.776	0.776		0.776	0.776
21	Bhutan Executive Services Training (BEST)		4.896	4.896		4.896	4.896
22	Ex-Country Executive Training		9.620	9.620		9.620	9.620
23	Workshop on alternative dispute resolution		1.500	1.500		1.500	1.500
24	Royal Civil Service Commission meeting	0.500		0.500	0.500		0.500
25	Awareness on BCSR 2018 to 20 dzongkhags	2.500		2.500	2.500		2.500
26	Dzongkha development services for preservation and promotion of Dzongkha language		0.300	0.300		0.300	0.300
27	Future Leaders Mentoring Program (FLMP)		0.300	0.300		0.300	0.300
28	Retirement planning workshop to civil servants nearing retirement		1.000	1.000		1.000	1.000
29	Search inside yourselfm program		2.500	2.500		2.500	2.500
30	Mindfulness retreat		1.000	1.000		1.000	1.000
31	Promote health and awareness in civil service	0.500		0.500	0.500		0.500
32	Civil Service Awards		3.350	3.350		3.350	3.350
33	Royal kupar for civil servants		35.500	35.500		35.500	35.500
34	Management of international volunteers	0.307		0.307	0.307		0.307

Sl. No.	Activity	Proposed			Recommended		
		Current	Capital	Total	Current	Capital	Total
35	Review of 12Th FYP structure and staffing for agencies	0.100		0.100	0.100		0.100
36	Familiarization of HROs and HR Assistants on MODEX criteria and MAX system		2.500	2.500		2.500	2.500
37	Action Learning workshop-coaching skills for managers		5.000	5.000		5.000	5.000
38	Design Thinking		3.000	3.000		3.000	3.000
39	Development of Role Competency Framework		12.000	12.000		12.000	12.000
	Total	68.582	178.425	247.007	68.546	289.970	358.516

Annexure 3: Economic classification of expenditure for FY 2019-20

Nu. in million

Sl.No	Classification	Appropriation
	<i>Current Expenditure</i>	
1	Pay and Allowances	11,110.830
2	Other Personnel Emoluments	687.009
3	Medical Benefits - In country	10.395
4	Medical Benefits - Outside Bhutan	374.385
5	Special Allowance	70.248
6	Special Allowance - Kidu/Pensioners	5.459
7	Stipends	1,001.977
8	Travel - Incountry	1,755.780
9	Travel - Outside Bhutan	192.385
10	Utilities -Telephones, Telex, Fax, E-mail, Internet	300.666
11	Utilities -Telegram, Wireless Transmission, Postage	34.350
12	Utilities - Electricity, Water, Sewerage	263.566
13	Utilities - Fuelwood	79.348
14	Rental of Properties - Buildings	209.338
15	Rental of Properties - Vehicles	15.423
16	Rental of Properties - Others	0.527
17	Rental of Properties - Furniture, Equipment & Land	2.616
18	S & M - Office Supplies, Printing, Publications	294.682
19	S & M - Medicines & Laboratory Consumables	935.991
20	S & M - Fertilizers, Chemicals, Manures, Inoculants	17.497
21	S & M - Seeds, Seedlings	22.496
22	S & M - Animal Feeds	96.704
23	S & M - Uniforms, Extension Kits, Linens	148.699
24	S & M - Text Books, Library Books, Stationeries & Sports Item	181.865
25	S & M - Patient Diet	33.490
26	S & M - Diet	170.743
27	Maintenance of Property - Buildings	166.335

Sl.No	Classification	Appropriation
28	Maintenance of Property - Vehicles	337.199
29	Maintenance of Property - Roads	305.620
30	Maintenance of Property - Bridges	9.254
31	Maintenance of Property - Equipment	152.696
32	Maintenance of Property - Plantations	22.972
33	Maintenance of Property - Computers	37.380
34	Maintenance of Property - Water supply, Sewerage, Playfield	8.335
35	Op. Exp. - Advertising	46.146
36	Op. Exp. - Taxes, Duties, Royalties, Fees, Handling Charges, Bank Charges	34.355
37	Op. Exp. - Transportation	91.225
38	Op. Exp. - Energy/Propulsion Charges	0.660
39	Op. Exp. - Items for Processing/Manufacturing	8.388
40	Op. Exp. - Incountry Meetings and Celebrations	650.006
41	Op. Exp. - Survey/Census	49.930
42	Hospitality & Entertainment	69.230
43	Current Grants - Individuals/Non-profit Orgs.	4,543.067
44	Current Grants - Rural Life Insurance Scheme	1.896
45	Current Grants - Financial Institutions	69.000
46	Current Grants - Non-Financial Institutions	674.276
47	Subscriptions to International Organisation	86.976
48	Contributions - Provident Fund	870.530
49	Retirement Benefits	270.917
50	General Provisions	6,118.671
51	Interest Payment - Internal	252.771
52	Interest Payment - External	1,758.461
	Total Current Expenditure	34,652.765
	Capital Expenditure	
1	Acquisition of Immovable Property - Land	5.000
2	Training - Human Resource Development	1,227.497
3	Training - Others	1,794.120
4	Exp. on Structure - Buildings	5,117.357
5	Exp. on Structure - Roads (incl.culverts,drns)	3,866.989
6	Exp. on Structure - Bridges	233.505
7	Exp. on Structure - Irrigation Channels	224.008
8	Exp. on Structure - Drainage Systems	54.929
9	Exp. on Structure - Water Supply & Sanitation	1,291.884
10	Exp. on Structure - Plantations	407.431
11	Exp. on Structure - Others	1,273.276
12	Plant & Equipt. - Roads	5.090
13	Plant & Equipt. - Power Generation	21.320
14	Plant & Equipt. - Power Trans. & Dist.	23.279
15	Plant & Equipt. - Telecommunications	526.170

Sl.No	Classification	Appropriation
16	Plant & Equipt. - Agricultural Machineries	38.837
17	Plant & Equipt. - Livestock	196.367
18	Plant & Equipt. - Hospital/Lab. Equipment	344.171
19	Plant & Equipt. - General Tools, Instruments	854.177
20	Purchase of Vehicles	416.460
21	Furniture	138.796
22	Office Equipment	136.154
23	Computers & Peripherals	102.158
24	Professional Services	1,084.843
25	General Provisions	2,050.000
26	Capital Grants - Individuals/Non-Profit Orgs.	3,582.984
27	Capital Grants - Financial Institutions	16.500
28	Capital Grants - Non-Financial Institutions	1,149.035
29	Acquisition of Equities/Shares	362.205
	Total Capital Expenditure	26,544.542
	Lending	
1	Loans - Enterprises	323.085
	Total Lending	323.085
	Repayment	
1	Repayment of Debt Principal - Internal	11.404
2	Repayment of Debt Principal - External	3,294.929
	Total Repayment	3,306.333
	Total Budget Appropriation	64,826.725

Annexure 4.2: Major activities under various sector allocation during FY 2019-20

i. Major activities in Health Sector

Nu. in million

Sl. No	Activity	Amount	Funding
1	Construction of 150 Bedded Gyaltsuen Jetsuen Pema Mother and Child Hospital at Thimphu	400.000	GoI
2	Procurement of Medical Equipment for MoH and JDWNRH	160.500	RGoB
3	Construction of Hospital Additional Wing at JDWNRH (Spillover)	60.000	RGoB
4	Purchase of Medical Equipment Spares Parts & Accessories for Medical Equipment & Devices for MoH and JDWNRH	38.000	RGoB
5	Long Term Training (Continuation)	34.530	RGoB
6	Construction of Pangbisa BHU Grade I under Paro Dzongkhag	29.000	GoI (PTA)
7	Long Term Training (New)	22.313	RGoB
8	EPIS (Electronic Patient information System) Software Development	21.114	RGoB
9	Construction of 40 Bedded District Hospital, Dewathang, Samdrup Jongkhar	20.000	GoI
10	Construction of Water Reservoirs for BHU Is and IIs in Mongar District	18.200	ADB
11	Procurement of Ambulance for MoH and JDWNRH	18.000	RGoB
12	Procurement of Waste Autoclaves for Hospitals, BHU I & BHU II	17.822	ADB
13	Hiring of Professional Expertise	17.062	ADB
14	Construction of BHU Gr-II at Taktse under Trongsa Dzongkhag	16.000	GoI (SDP)
15	Construction: Water Reservoirs for BHU Is, IIs and Hospitals in Trashigang and Trashiyangtse Districts	12.903	ADB
16	Procurement of Diagnostic and NCD Equipment	12.100	ADB
17	Procurement of X-Ray Machines for Hospitals & BHU I	10.257	ADB
18	Construction: Water Reservoirs for BHU Is, IIs and Hospitals for BHU Is, IIs and Hospitals in Samdrupjongkhar and Pemagatshel Districts	10.050	ADB
19	Construction of BHU I and Staff Quarter at Buli BHU (Spill Over) under Zhemgang Dzongkhag	8.500	RGoB
20	Construction of 3 Satellite Clinics at Motithang, Taba and Babesa	8.500	ADB
21	Purchase of Service Vehicle and Medical Equipment Maintenance Van	8.200	RGoB
22	Blacktopping of Access Road from Laya Junction to Gasa BHU I under Gasa Dzongkhag	8.100	GoI (SDP)
23	Construction of 4 Unit Staff Quarter at Gasa BHU Gr-I and Trolley Path under Gasa Dzongkhag	7.999	GoI (SDP)
24	Construction of 6 Unit Staff Quarter under Wanduephodrang Dzongkhag	7.840	GoI (SDP)
25	Maintenance of toilet/Water Leakage/Ceiling/Marble Flooring	7.000	RGoB
26	TOT of Master Trainers On Behaviour Change (Hdp)	6.937	ADB

Sl. No	Activity	Amount	Funding
27	Construction of 3 Drivers' Quarter and Ambulance Garage under Tsirang Dzongkhag	6.000	RGoB
28	Relocation of Dungkar BHU under Kurtoed Gewog (Construction of BHU Main Building, Staff Quarter & Patient Kitchen Cum toilet) under Lhuentse Dzongkhag	6.000	GoI (SDP)
29	Construction: Water Reservoirs for BHU Is, IIs and Hospitals in Dagana District	5.900	ADB
30	Construction of Dedicated Water Supply Line of JDWNRH	5.000	RGoB
31	Procurement of General and Specialised Medical Equipment Test tools/Devices	5.000	RGoB
32	Construction of 1 Satellite Clinic at Debsi	4.300	ADB

ii. **Major activities under Education Sector**

Nu. in million

Sl. No	Activity	Amount	Funding
1	Implement New Ex-Country under Graduate Scholarship in Third Countries /India & Ongoing Students	158.000	RGoB
2	Professional Development of Teachers	150.000	GoI
3	Implement New Scholarship Slots under GoI and Ongoing Students	106.467	GoI
4	Construction of Chundu Central School	100.000	RGoB
5	B.ED Primary at Paro College of Education	30.000	RGoB
6	Scholarships under Assistance to Privately Enrolled Medical Students' Scheme	28.130	RGoB
7	M.ED Science & Mathematics at Samtse College of Education	22.000	RGoB
8	Establishment & Rehabilitation of 30 Community ECCD Centres with Wash Facilities including Supply of Learning Materials & Orientation	22.000	SCF/USA
9	Scholarships under Queen's Endowment for Cultural Studies	18.720	RGoB
10	Relocation of Khotakpa Primary School under Pema Gatshel Dzongkhag	18.000	RGoB
11	Undergraduate Scholarships at Royal Thimphu College	16.296	RGoB
12	Construction of 4 Unit Staff Quarter at Gongzim Ugyen Dorji HS under Haa Dzongkhag	15.000	GoI
13	Student Loan Scheme for Tertiary Education	13.300	GoI
14	Construction of MPH at Dewathang Primary School (Spillover) under Samdrupjongkhar Dzongkhag	13.200	RGoB
15	Infrastructure Development and Additional Facilities under Thrimshing CS under Trashigang Dzongkhag	12.200	GoI
16	Construction Low Cost Kitchen for New Day Feeding Schools under Samtse Dzongkhag	11.500	RGoB
17	Construction of 120 Bedded Hostel Each for Boys & Girls under Punakha Dzongkhag	11.400	GoI
18	Establishment & Rehabilitation of 30 Community ECCD Centres with Wash Facilities including Supply of Learning Materials & Orientation	11.100	UNICEF
19	Infrastructure Development for Nangkor Central School(PTA) under Pema Gatshel Dzongkhag	10.488	GoI
20	Infrastructure Development and Additional Facilities for Orong Central School under Samdrup Jongkhar Dzongkhag	10.000	GoI
21	Infrastructure Development & Additional Facilities for Minjiwoong Central School under Samdrup Jongkhar Dzongkhag	10.000	GoI
22	Infrastructure Development & Additional Facilities for Gomdar Central School under Samdrupjongkhar Dzongkhag	10.000	GoI
23	Infrastructure Development & Additional Facilities for Martshala Central School under Samdrupjongkhar Dzongkhag	10.000	GoI
24	Infrastructure Development and Additional Facilities under Rangjung CS under Trashigang Dzongkhag	10.000	GoI

25	Construction of 12 Unit Additional Classrooms Block at Gelephu MSS under Gelephu Thromde	10.000	GoI
26	M.ED Geography and English at Samtse College of Education	8.202	RGoB
27	M.A English at Yonphula College of Advanced Studies	8.000	RGoB
28	Construction of Kitchens and Stores in 5 Selected Schools	7.350	WFP
29	Develop and Test Nutrition Education Tools & SBCC Approaches and Materials integrated with School Health and Agriculture	6.300	WFP
30	M.ED Dzongkha at Paro College of Education	6.263	RGoB
31	M.ED Leadership and Management at Paro College of Education	5.000	RGoB

iii. *Major activities in RNR Sector*

Nu.in million

Sl. No	Activity	Amount	Funding
1	National Organic Program	189.895	GouI Transitional Trade Support Facility
2	Agri-business and RNR enterprise development	90.000	EU RDCCRP
3	REDD+ strategy preparation (assessment of land use, land use change drivers, forest law, policy & governance, develop safe guard information system and leadership development)	58.317	W/Bank
4	Establishment of processing equipment for ultra high temperature plant in Dewathang	52.000	IFAD
5	Creation of plantation	36.800	RGoB
6	Promotion of climate resilient irrigation infrastructures, solar pump irrigation equipments and renovation of Yabrang-Saling irrigation channel (7.8. kms)	33.000	EU RDCCRP
7	National Food Security Reserve	25.000	EU RDCCRP
8	Construction of Divisional Forest Offices at Pema Gatshel, Gedu and Dagana	21.000	EU RDCCRP
9	Construction of low cost ESP and attendant quarters at Mastiff Farm, Integrated Yak Farm in Haa, BSCF Bumthang and NNBF Tashiyangphu	15.000	EU RDCCRP
10	Construction of double stored office and laboratory building, screen house & irrigation improvement at ARDC Samtenling	13.000	EU RDCCRP
11	Import & rearing of layer/broiler/parent stock	10.500	EU RDCCRP
12	Construction of Rateykhola, Laringkhola, Tharaykhola and Birkhola irrigation channels in Samtse and Sarpang	10.000	W/Bank
13	Support to Gewog based RNR business proposals	10.000	EU RDCCRP
14	Spring water harvesting for dry land irrigation	9.000	IFAD
15	Agriculture and livestock survey 2019	8.000	EU RDCCRP
16	Management of Dog population in the country	8.000	EU RDCCRP
17	Support to Gewog based RNR business proposals	7.200	IFAD/Grant

18	Major renovation of layer sheds	7.000	EU RDCCRP
19	Construction of meeting hall and mushroom laboratory, NMC	6.500	EU RDCCRP
20	Construction of pilot pump irrigation in Trashigang	6.000	IFAD
21	Construction of work station and researcher's cabin at RMNP, check post & residence at Woochu & Lonchu in Paro and re-construction of Jitsephu Beat Office at Paro	5.700	WWF
22	Construction of LN2 storage plant at Khangma	5.500	IFAD/Loan
23	Construction of LN2 storage plant at Khangma	5.500	IFAD/Loan
24	Construction of Sub-Centre at Sarpang, NRCAN, Bumthang	5.000	EU RDCCRP
25	Modification of ponds at trout breeding center	5.000	EU RDCCRP

iv. Major activities in Mining and Manufacturing Industries

Nu. in million

Sl.No	Activity	Amount	Funding
1	Bondeyma Industrial Park	46.800	GoI
2	Jigmeling Industrial Park	51.850	GoI
3	Dhamdum Industrial Estate	108.400	GoI
4	Motanga Industrial Park	78.961	RGoB
5	Bjemina Industrial Estate	8.269	RGoB
6	Pasakha Industrial Estate	15.176	RGoB
7	Project on Strengthening Institutional and Human Capacity for Trade Promotion and Development	9.000	EIS, Geneva
8	Infrastructure on Trade and Services Development	16.000	EIS, Geneva
9	Promotion of Clean Technology and Study on Waste Water Treatment Methodology	4.000	RGoB

v. Major activities in Tourism

Nu. in million

Sl.No	Activity	Amount	Funding
1	Tourism Promotion in Focus Dzongkhags	58.000	RGoB
2	Project Based Tourism Development	37.000	RGoB
3	Accelerated Program	75.000	RGoB
4	RITH Flagship Program	15.000	RGoB
5	Industry Capacity Building	15.000	RGoB

vi. Major activities in employment and vocational training

Nu.in million

Sl.No	Activity	Amount	Funding
1	National Service Program (NSP)	252.614	RGoB
2	Youth Engagement for Livelihood Program (YELP)	129.278	RGoB
3	Education Skills development Project	105.307	ADB
4	Critical skills development in economic sectors	75.000	GoI
5	Construction of TTI in Thimphu and Expansion of TTI, in Samthang	70.000	RGoB/ADB
6	Construction of additional infrastructures for JWPTI, Sarpang	38.500	GoI
7	Infrastructures development in TTIs	32.100	GoI
8	Explore and implement overseas employment program	23.241	RGoB
9	Occupational Skill Development project for the Construction Sector	18.650	Helvetas
10	Conduct National Assessment for accredited course	8.500	RGoB

vii. Major activities in Roads Sector

Nu. in million

Sl. No	Activity	Amount	Funding
1	Construction of Phuentsholing Chamkuna Road	219.998	RGoB/ADB
2	Construction of Dalbari-Dagapela SNH (ongoing)	200.000	RGoB/ Netherlands
3	Construction of Northern Bypass Road (NBR Package -I& II) in Phuentsholing Thromde	174.101	ADB
4	Upgradation of Chuserbu-Trongsa PNH (45Km) Spill Over	170.000	GoI
5	Monsoon Restoration Works	160.000	RGoB
6	Resurfacing of various roads	148.500	RGoB
7	Black topping of various roads	133.700	RGoB/GoI
8	Blacktopping of 27 GC roads	604.160	GoI
9	Realignment of Ossay Slide Area at 27.00Km on Gelephu -Trongsa PNH	100.000	GoI
10	Construction of Jenkana-Khamena Road (70 Km) (ongoing)	80.000	RGoB
11	Widening of Roads From YHS to Semtokha Mani Dungkhor	55.771	ADB
12	Upgradation of Trongsa Nangar PNH (55Km) (Construction of Rabten Zam at Chumey)	50.000	GoI
13	Upgradation of Yadi-Lingmethang ongoing(North East West Highway (65 Km) (ongoing)	50.000	GoI
14	Construction of Khothakpa Bypass	30.000	RGoB
15	Resurfacing Tsirang-Sunkosh PNH	20.000	RGoB
16	Pavement Strengthening of Rinchending-Pasakha PNH	20.000	RGoB
17	Slope Stabilization Along Northern East-West Highway and Gyelposhing-Nanglam Highway	15.000	RGoB
18	Rigid Pavement Strenthening on Lingzin - Tsenkari PNH (4 Km).	15.000	RGoB

viii. **Major activities under Urban development, housing and public amenities sector**

Nu.in million

Sl. No	Activity	Amount	Funding
1	Construction of Water Treatment Plant at Babesa(ADB)	185.713	ADB/ RGoB
2	Power Supply and Gabion Protection Works, Babesa (85% ADB)	5.430	ADB/ RGoB
3	Water Supply at Sarpang	97.000	ADB/ RGoB
4	Annual Maintenance Cost of Water Supply For(1st and 2nd Year), Samdrupjongkhar Thromde	22.220	RGoB
5	Construction of 2 mid Water Treatment Plant at Ngabirongchu	30.000	SDP
6	Construction of New Water Distribution Network at Samtenling Lap	15.000	SDP
7	Maintenance of Water Supply, Gelephu Throm	9.000	RGoB
8	Construction of Main Pipeline From Pelrithang WTP to LAP III & Samdrupling Round Tank, Gelephu Throm	10.000	RGoB
9	Tapping of Water From Pasangchu Water Source to Zomlingthang Treatment Plant (Outsourcing for The Design and to Build)- Water Treatment Plant 2Mld, Gelephu Throm	5.000	RGoB
10	Augmentation of Water Supply Schemes-Core LAP, Phuntsholing Throm	17.231	RGoB
11	Construction of Sewer Network at Zulukha ,Motithang & YHSS (2Km)	25.000	SDP
12	Shechamthang LAP Development at Sarpang	162.000	ADB/ RGoB
13	Construction of Integrated Check Post at Rinchending and Bumpagang, Chhukha	110.000	RGoB
14	Urban Infrastructure Project(UIP), Samdrupjongkhar(Spill Over)	13.967	ADB/ RGoB
15	Secondary Township Development Project, Samdrupjongkhar	47.466	ADB/ RGoB
16	Construction of Bus Stops Within Thimphu Thromde	14.400	RGoB
17	Improvement and Resurfacing of Urban Roads Including Rehabilitation of Base Course and Asphalt Concrete, Thimphu Thromde	55.400	RGoB
18	Construction of overhead Bridges	15.000	RGoB
19	Construction of Common Service Ducts	6.400	RGoB
20	Construction and Improvement of Foot Path Within Thimphu Thromde	46.335	RGoB
21	Preparatory Work For Reconstruction of Lungtenzampa Bridge (200M): Phase I “Detailed Investigation,Design and Construction of Lungtenzampa Bridge	5.000	RGoB
22	Construction of New Urban Roads.Thimphu Throm	50.000	RGoB
23	Land Fill Site Improvement at Memelakha	10.000	RGoB
24	Infrastructure Development In LAP - III, Gelephu	15.000	SDP
25	New Road Constuction- Gakilam Link Road, Rinchending Take off Point,Allay,Penjor Lam, Thuen Lam, Phuntsholing	15.400	RGoB

26	Resurfacing-Rinchending Lap,Peepldara, Rakhel Dara,Mlcp	25.150	RGoB
27	Maintenance of Urban Road Core and Extended Area	17.760	RGoB
28	New Construction Urban Areas and Core Areas, Phuntsholing Throm	12.450	RGoB
29	Construction of Link Road To Dhamdara	15.000	GoI/SDP
30	Formation Cutting and Construction of Wall/Drainage at Samdrupgatshel, Dewathang	15.000	GoI/SDP
31	Formation Cutting of Urban Road (S-8), Dewathang (Behind Hospital)	15.000	GoI/SDP
32	Construction of Internal Road at LAP II & LAP IV, Samdrup-jongkhar	11.373	RGoB
33	Construction of Parking Infront of Youth Center and Internal Road at LAP IV, Samdrup Jongkhar (Spill Over)	10.720	RGoB
34	Development of Parking Area at Craft Bazaar, Dewathang	5.018	RGoB
35	Construction of RCC Bridge at LAP -II (Spill Over)	24.220	RGoB
36	Construction of Storm Water Drain at Gaykheree, Dewathang	5.114	RGoB
37	Construction of Storm Water Drain Within Throm	15.000	GoI/SDP
38	Construction / Maintenance of Storm Water Drainage,Thimphu Throm	13.000	RGoB
39	Provision of Street Lighting at Verious Locations Within Thromde (Changbangdu LAP)	14.000	RGoB
40	River Training and Flood Mitigation, Phuntsholing	25.000	RGoB

ix. Major activities under Communication Sector

Nu. in million

Sl.No	Activity	Amount	Funding
1	Digital Drukylu	453.190	GoI,ADB, GoI Trade Support Facilitation Program
2	Bhutan Sustainable Low Emission Transport System	102.640	UNDP GEF
3	Runway resurfacing for PIA	183.270	RGoB
4	Relocation of Air Force Element at PIA (Spillover)	74.176	RGoB
5	Construction of terminal building at Bumthang Domestic Airport (Spillover)	30.000	ADB
6	Cargo X-Ray machine for Cargo Terminal	10.000	RGoB
7	Establishment of second remote station for Paro International Airport	20.000	RGoB
8	Enhancement of Government Data Centre	8.000	RGoB
9	Design of Satellite Control Centre	5.000	RGoB
10	O&M of DrukREN	15.000	RGoB

x. Major activities under Energy Sector

Nu. in million

Sl. No	Activity	Amount	Funding
1	DPR of 2640 MW Kuri-Gongri HEP	59.843	GoI
2	DPR for Development of Power Supply to Lunana Community under Gasa Dzongkhag	7.000	RGoB
3	On-grid Electrification of rural off-grid households	10.000	RGoB
4	Energy efficiency advocacy programme and development of energy audit guidelines for buildings and industries	7.700	RGoB
5	Feasibility Study for solar power plant (Shingkhar, Ura Bumthang Dzongkhag & Youngtru under Wangdu Dzongkhag) and wind power plant development under Wangdue Dzongkhag	5.000	RGoB
6	Develop National Biogas Implementation Strategy, review Bhutan eco-stoves 2015 and Procurement of solar home lighting system	5.053	RGoB

xi. Major activities under Religion and Cultural services

Nu. in million

Sl. No.	Activity	Amount	Funding
1	Re-construction of Wangduephodrang Dzong	150.000	GoI
		25.000	RGoB
2	Restoration of Wangdichholing Palace	100.000	Bhutan Foundation
		30.000	RGoB
3	Construction of Sarpang Dzong	80.000	GoI
4	Construction of Lhakhang at Rajgir, India	70.000	RGoB
5	Conservation of Drugyel Dzong	62.290	RGoB
6	Conservation of Lingzhi Dzong	50.000	GoI
7	Construction of Pemagatset Dzong	44.280	GoI
8	Restoration of Tango Manastery	43.170	RGoB
9	Restoration of Chari Monastery	32.052	RGoB
10	Writing and Archiving of Kanjur in Gold Scripts	30.000	RGoB
11	Major renovation of Bitekha dzong	20.000	RGoB
12	Renovation of Lhakhangs/Goenpas	21.800	RGoB
13	Conservation of Phajoding Lhakhang	15.510	RGoB
14	Construction of Tshamkhangs	14.000	RGoB
15	Major Construction works under Zhemgang Rabdey	10.000	RGoB
16	Debri works and construction of statues and nangtens at Yagpogang Nunnery, Mongar Dzongkhag	7.000	RGoB
17	Restoration of Wanditse Dzong	6.610	RGoB
18	Re-Construction of Chizhi Goenpa, Thimphu Dzongkhag	6.000	RGoB

19	Infrastructure development at Wamrong Drubkhag Goenpa, Tashigang Dzongkhag	5.300	RGoB
20	Establishment of Anim Zhirim Tewa at Toenche Gonpa, Paro Dzongkhag	5.000	RGoB
21	Construction of Thanka Conservation Center in Thimphu (Spillover)	4.000	RGoB

xii. Major activities under Law and Order

Nu. in million

Sl. No.	Activity	Amount	Funding
1	Construction of SP Residence and family quarter at Phuntsholing	19.000	RGoB
2	Conversion of RBP Ground into Emergency Helipad	16.100	RGoB
3	Construction of Office and Lock up at Denchi	15.000	RGoB
4	Purchase of firefighting equipments & rescue tools	10.115	RGoB
5	Construction of family quarter at Denchi	10.000	RGoB
6	Internal road black-topping at Jigmelling	10.000	RGoB
7	Construction of family quarter at Mongar	10.000	RGoB
8	Compound security fencing at Chamgang	9.000	RGoB
9	Construction of family quarter at Trongsa	8.100	RGoB
10	Construction of family quarter at Thrimsing	8.000	RGoB
11	Purchase of communication equipments and accessories	7.620	RGoB
12	Procurement of security gadgets in prisons (Chamgang)	7.570	RGoB
13	Construction of family quarter at Nungzor	7.000	RGoB
14	Construction of Vocational Training Workshop at Chamgang	7.000	RGoB
15	Construction of family quarter at Zemgang	7.000	RGoB
16	Construction of office and lock up at Mongar	6.000	RGoB
17	Extension of office at Sarpang	4.430	RGoB
18	Renovation of family quarter at Sakteng	4.070	RGoB
19	Renovation of office and quarter at Tingtibi	4.000	RGoB

xiii. Major activities under General Public Service

Nu. in million

Sl. No	Activity	Amount	Funding
1	GST project	247.054	GoI, PTA / World Bank
2	Construction of Chancery Building, RBE Bangkok	78.073	RGoB
3	Construction of RBE, Dhaka	30.000	RGoB
4	Renovation of Kutshab residence at RBE, New Delhi	20.000	RGoB
5	MDF project for strengthening of Public Financial Management	26.108	World Bank
6	Furnishing of Ministers' enclave and Raven guest house	10.000	RGoB
7	Purchase of X-Ray Machine at cargo and Arrival Terminal	8.000	RGoB
8	Furnishing of offices under Department of Civil Registration and Census.	8.131	RGoB
11	Developing electronic Government Procurement (e-GP) System	7.250	RGoB/ World Bank
9	Number of ICT based system enhanced/improved/developed, NLCS	7.000	RGoB

xiv. Major activities under Human Resource Development

Nu. in million

Sl. No	Agency	Activity	Amount	Funding
1	Ministry of Education	Queen's endowment for cultural studies	18.720	RGoB
		Under graduate scholarship	264.467	RGoB/GoI
		Professional development of teachers	150.000	GoI
		B.Ed Primary at Paro College of Education	30.000	RGoB
		M.Ed Science & Mathematics at Samtse College of Education	22.000	RGoB
		Undergraduate scholarships at Royal Thimphu College	16.296	RGoB
		Privately enrolled medical students' scheme	28.130	RGoB
2	Royal University of Bhutan	HRD program for college faculties	10.000	RGoB
3	Ministry of Health	HRD program for doctors, nurses and technologists	56.843	RGoB
4	Ministry of Home and Cultural; Affairs	Capacity development of LG functionaries	75.000	EU

5	Royal Civil Service Commission	Professionalizing civil service	116.642	GoI
		Foundational Leadership Program (FLP)	20.032	RGoB
		Nehru-Wangchuck scholarship	16.280	GoI
		Young Professional Leadership Program (YPLP)	16.214	RGoB
		Development of competency framework	12.000	Govt.of Austria
		Cost sharing HRD Programs	33.040	RGoB
6	Dzongkhags	Professional development of teachers	60.063	GoI
7	Ministry of Agriculture and Forests	Leadership development program on reducing emissions from deforestation and forest degradation in developing countries (REDD+)	11.000	World Bank
		HRD programs under commercial agriculture and resilient livelihoods enhancement programme (CARLEP)	10.000	IFAD
8	Ministry of Labour and Human Resources	HRD training for technical institute instructors	10.000	ADB
9	Gross National Happiness Commission	HRD program under strategic program for climate resilience	10.100	World Bank

Annexure 5: Sector Performance

Percentage change	2017/18	2018/19	2019/20	2020/21	2021/22
	<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Agriculture, livestock, and forestry	4.10	4.42	4.18	4.36	4.43
o/w Agriculture proper	5.64	5.18	5.51	5.81	5.88
Livestock production	4.49	3.81	3.09	3.09	3.09
Forestry and logging	-0.71	3.22	2.00	2.00	2.00
Industry	1.13	3.91	7.14	3.81	2.90
o/w Mining and Quarry	10.62	14.00	14.00	9.74	4.97
Manufacturing	7.95	10.27	10.27	10.27	11.72
Electricity, gas & water	-3.88	6.86	11.06	2.16	2.23
Construction	0.60	-4.75	-0.91	-0.81	-4.28
Services	7.45	9.64	11.09	8.86	6.88
o/w Wholesale and retail trade, hotel and restaurant	13.12	12.24	9.94	9.95	9.96
Wholesale and retail trade	12.82	12.43	10.19	10.19	10.19
Hotel and restaurant	14.71	11.25	8.63	8.68	8.74
Transport, storage and communications	10.98	9.65	9.33	9.33	9.33
Financing, insurance and real estate	6.84	7.73	7.36	8.93	8.97
Finance	6.98	8.37	8.06	10.00	10.00

Percentage change	2017/18	2018/19	2019/20	2020/21	2021/22
	<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real estate	6.33	5.31	4.65	4.65	4.65
Community, social and personal services (govt)	-1.47	8.59	18.12	7.24	-0.93
Private social & recreational services	11.67	4.16	4.16	4.16	4.16
GDP	4.60	5.53	7.21	5.91	5.06
Share to GDP					
Agriculture, livestock, and forestry	12.03	11.91	11.57	11.40	11.33
o/w Agriculture proper	6.35	6.33	6.23	6.22	6.27
Livestock production	3.50	3.44	3.31	3.22	3.16
Forestry and logging	2.18	2.14	2.03	1.96	1.90
Industry	41.59	40.95	40.92	40.11	39.28
o/w Mining and Quarry	3.22	3.48	3.70	3.83	3.83
Manufacturing	8.82	9.22	9.48	9.87	10.49
Electricity, gas & water	14.41	14.59	15.11	14.58	14.18
Construction	15.15	13.67	12.64	11.83	10.78
Services	41.24	42.85	44.40	45.63	46.42
o/w Wholesale and retail trade, hotel and restaurant	11.27	11.99	12.30	12.77	13.36
Wholesale and retail trade	9.46	10.07	10.35	10.77	11.30
Hotel and restaurant	1.82	1.92	1.94	1.99	2.06
Transport, storage and communications	11.00	11.43	11.65	12.03	12.52
Financing, insurance and real estate	8.81	8.99	9.00	9.26	9.61
Finance	6.96	7.15	7.21	7.48	7.84
Real estate	1.85	1.84	1.80	1.78	1.77
Community, social and personal services (govt)	9.74	10.03	11.05	11.18	10.55
Private social & recreational services	0.41	0.41	0.40	0.39	0.39

Annexure 6: Fiscal Performance for the FY 2017-18

Sl. No:	Particulars	Nu. in million			% Variance		
		Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
A	RESOURCES	51,402.893	56,772.785	52,113.168	10.4%	-8.2%	1.4%
1	Domestic Revenue	34,700.355	36,178.374	36,871.372	4.3%	1.9%	6.3%
i	Tax	24,444.478	26,173.125	27,107.897	7.1%	3.6%	10.9%
ii	Non-Tax	10,255.877	10,005.249	9,763.475	-2.4%	-2.4%	-4.8%
2	Other Receipts (Net)	-	1,055.272	394.726	-	-62.6%	-
3	Grants	16,702.538	19,539.139	14,847.070	18.9%	-26.3%	-12.4%
i	Programme grants	1,700.000	1,700.000	1,700.000	0.0%	0.0%	0.0%
a	GoI	1,700.000	1,700.000	1,700.000	0.0%	0.0%	0.0%
ii	Project-tied grants	15,002.538	17,839.139	13,147.070	18.9%	-26.3%	-12.4%
a	GoI	12,145.368	14,115.367	9,500.831	16.2%	-32.7%	-21.8%
b	Other Donors	2,857.170	3,723.772	3,646.239	30.3%	-2.1%	27.6%
B	OUTLAY	55,850.264	60,549.834	52,658.670	8.4%	-13.0%	-5.7%
1	Total Expenditure	57,915.710	62,643.611	56,331.357	8.2%	-10.1%	-2.7%
i	Current	28,569.671	28,551.257	27,494.710	-0.1%	-3.7%	-3.8%
ii	Capital	29,346.039	34,092.354	28,836.647	16.2%	-15.4%	-1.7%
2	Net Lending	(2,065.446)	(2,093.777)	(2,077.880)	1.4%	-0.8%	0.6%
3	Advance/Suspense (Net)	-	-	(1,594.807)	-	-	-
C	FISCAL BALANCE	(4,447.371)	(3,777.049)	(545.502)	-15.1%	-85.6%	-87.7%
D	FINANCING	4,447.371	3,777.049	545.502	-15.1%	-85.6%	-87.7%
1	Net Borrowing	(348.239)	404.103	(102.023)	-216.0%	-125.2%	-70.7%
i	Borrowing	2,472.082	3,225.925	2,718.332	30.5%	-15.7%	10.0%
a	Project-tied	1,172.082	1,275.925	763.207	8.9%	-40.2%	-34.9%
b	Program	1,300.000	1,950.000	1,955.125	50.0%	0.3%	50.4%
ii	Repayment	2,820.321	2,821.822	2,820.355	0.1%	-0.1%	0.0%
a	Internal	9.914	9.874	9.874	-0.4%	0.0%	-0.4%
b	External	2,810.407	2,811.948	2,810.481	0.1%	-0.1%	0.0%
2	Resources (Gap)/Surplus	(4,795.610)	(3,372.946)	(647.525)	-29.7%	-80.8%	-86.5%

Note: To smoothen cash flow fluctuation and finance resource gap, series of T-Bills with maturities ranging from 30 to 180 days were issued and redeemed. T-Bills outstanding at the close of the FY is Nu. 7,967.066 million which is carried forward as domestic debt stock.

Annexure 7: Direct and indirect shareholding in State Enterprises and linked companies

(Nu.in million)

Sl. No	Corporations/Sector	% Holding	No. of Shares	Value	Shareholders Equity (Nu.m)
	Direct Shareholdings				
I	Agriculture			530.82	702.94
1	Bhutan Livestock Development Corp. Ltd	100%	4,556,429	455.64	385.4
2	Farm Machinery Corporation Ltd	100%	333,220	33.32	267.41
3	Green Bhutan Corporation Ltd ⁷	100%	418,562	41.86	50.13
II	Industry			310.19	2,246.23
1	Army Welfare Project	100%	25,200	25.2	1,582.49
2	Bhutan Agro Industries Limited	100%	770,636	77.06	286.21
3	Kuensel Corporation Ltd	51%	255,000	25.5	224.01
4	Menjongsorig Pharmaceutical Corp. Ltd	100%	1,824,277	182.43	153.53
III	Services			4,741.52	8,120.50
1	Food Corporation of Bhutan	100%	15,000	15	290.27
2	Bhutan Lottery Ltd	100%	600,000	60	101.89
3	Bhutan Duty Free Ltd	100%	1,155,441	115.54	175.5
4	Bhutan Postal Corporation	100%	235,952	23.6	201.16
5	Bhutan Broadcasting Service Limited	100%	1,308,351	130.84	538.26
6	Royal Bhutan Helicopter Services Ltd	100%	6,070,474	607.05	714.23
7	National Housing Development Corp Ltd	100%	2,727,961	2,727.96	2,946.24
8	Bhutan Development Bank Ltd	97%	580,024	580	2,592.06
9	Rural Enterprise Development Corporation	100%	4,305,350	430.54	373.83
10	Financial Institutions Training Institute	31%	4,000,000	40	136.23
11	Credit Information Bureau	44%	1,100,000	11	50.84
IV	Holding Company			45,946.20	58,445.07
1	Druk Holding & Investments Ltd	100%	459,462,029	45,946.20	58,445.07
	Total			51,528.73	69,514.74
	Shareholdings through DHI				
I	Agriculture			45	566.95
1	Natural Resource Development Corp.	100%	450,000	45	566.95
II	Industry			40,718.39	54,804.19
1	Penden Cement Authority Limited	45%	15,210,740	152.11	1,290.49
2	Bhutan Board Products Limited	48%	6,683,340	66.83	286.21
3	Bhutan Ferro Alloys Limited	26%	3,859,460	38.59	1,780.94
4	Dungsam Cement Corporation Limited	100%	74,739,480	7,473.95	3,898.28
5	Dungsam Polymers	51%	7,788,900	77.89	48.05
6	Druk Green Power Corporation	100%	31,545,688	31,545.69	45,993.01
7	Koufuku International Pvt. Ltd	30%	150,000	15	-23.07
8	Construction Development Corp. Ltd	100%	981,019	981.02	981.02
9	Wood Craft Centre Limited	100%	733,177	73.32	138.67
10	State Mining Corporation Ltd	100%	1,359,900	293.99	410.6
III	Services			14,868.66	35,426.52
1	State Trading Corporation of Bhutan	51%	9,180,081	91.8	471.05
2	Druk Air Corporation	100%	22,252,111	2,225.21	2,956.50
3	Bhutan Telecom Corporation	100%	854,082	854.08	3,757.83
4	Bhutan Power Corporation	100%	8,225,118	8,225.12	13,076.56

Sl. No	Corporations/Sector	% Holding	No. of Shares	Value	Shareholders Equity (Nu.m)
5	Thimphu TechPark Ltd.	100%	2,229,012	222.9	264.12
6	Bhutan National Bank	12%	37,857,263	378.57	7,106.41
7	Bank of Bhutan	80%	2,400,000	2,400.00	7,074.76
8	Royal Insurance Corporation of Bhutan Ltd	39%	47,097,500	470.98	719.28
	Total			55,632.05	90,797.66

Annexure 8: Revenue and profitability of State Owned Enterprises

(Nu. in million)

Sl #	Direct shareholdings	Gross Revenue		Total Expenses		Profit Before Tax		Net Profit	
		2017	2018	2017	2018	2017	2018	2017	2018
	Corporations/Sector								
I	Agriculture	391	436	361	488	22	(51)	21	(60)
1	Bhutan Livestock Development Corp. Ltd	3	43	14	113	(11)	(70)	(11)	(70)
2	Farm Machinery Corporation Ltd	342	318	305	309	31	10	31	3
3	Green Bhutan Corporation Ltd ⁷	46	75	42	66	2	9	1	6
II	Industry	1,972	2,025	1,397	1,511	474	514	327	355
1	Army Welfare Project	1,546	1,623	1,034	1,140	412	482	289	338
2	Bhutan Agro Industries Limited	198	192	155	159	43	32	30	23
3	Kuensel Corporation Ltd	214	185	183	167	30	18	20	12
4	Menjongsorig Pharmaceutical Corp. Ltd	14	27	25	44	(11)	(18)	(11)	(18)
III	Services	4,339	4,627	5,070	4,097	(762)	493	(851)	402
1	Food Corporation of Bhutan	1,104	1,218	1,133	1,234	(27)	(16)	(27)	(16)
2	Bhutan Lottery Ltd	106	233	85	184	21	49	15	34
3	Bhutan Duty Free Ltd	158	181	106	123	53	58	37	41
4	Bhutan Postal Corporation	156	224	136	172	19	45	13	32
5	Bhutan Broadcasting Service Limited	293	267	296	274	(3)	(5)	(3)	(4)
6	Royal Bhutan Helicopter Services Ltd	163	173	74	115	61	58	41	40
7	National Housing Development Corp Ltd	161	164	102	122	26	9	14	2
8	Bhutan Development Bank Ltd	2,193	2,157	3,102	1,835	(880)	322	(909)	300
9	Rural Enterprise Development Corporation	4	10	36	37	(32)	(27)	(32)	(27)
IV	Holding Company	7,923	8,779	156	113	7,767	8,666	5,441	6,061
1	Druk Holding & Investments Ltd	7,923	8,779	156	113	7,767	8,666	5,441	6,061
	TOTAL	14,624	15,867	6,984	6,208	7,502	9,621	4,938	6,757
	<i>Shareholdings through DHI</i>								
I	Agriculture	459	673	151	615	(44)	57	(55)	40
1	Natural Resource Development Corp.	459	673	151	615	(44)	57	(55)	40
II	Industry	21,197	21,297	14,148	13,864	7,086	7,467	4,983	4,222

1	Penden Cement Authority Limited	1,631	1,584	1,461	1,460	207	158	151	117
2	Bhutan Board Products Limited	289	192	304	159	(15)	32	(15)	23
3	Bhutan Ferro Alloys Limited	2,475	2,570	2,173	2,069	303	502	212	320
4	Dungsam Cement Corporation Limited	3,300	3,784	4,020	3,814	(720)	(31)	(514)	(825)
5	Dungsam Polymers	146	180	153	180	(7)	(0)	(6)	(1)
6	Druk Green Power Corporation	12,277	11,682	5,053	5,003	7,224	6,679	5,087	4,497
7	Koufuku International Pvt. Ltd	36	13	32	34	4	(21)	4	(21)
8	Construction Development Corp. Ltd	689	733	697	731	(8)	2	(8)	6
9	Wood Craft Centre Limited	94	110	86	88	8	22	4	15
10	State Mining Corporation Ltd	260	450	170	326	90	124	67	91
III	Services	27,645	24,749	20,802	21,295	6,621	3,545	4,579	1,643
1	State Trading Corporation of Bhutan	2,286	2,366	2,168	2,254	118	112	81	67
2	Druk Air Corporation	3,526	3,696	3,025	3,525	540	262	349	159
3	Bhutan Telecom Corporation	3,204	3,574	1,978	2,208	1,216	1,365	829	922
4	Bhutan Power Corporation	11,507	9,648	9,615	8,495	1,893	1,153	1,328	762
5	Thimphu TechPark Ltd.	49	37	31	26	17	11	17	11
6	Bhutan National Bank	3,040	3,199	1,927	2,152	1,214	1,047	873	607
7	Bank of Bhutan	3,347	4,020	1,975	2,543	1,019	1,477	708	1,041
8	Royal Insurance Corporation of Bhutan Ltd	687	(1,791)	83	92	604	(1,883)	395	(1,927)
	Total	49,301	46,719	35,100	35,774	13,664	11,069	9,507	5,905

Annexure 9: Summary of Assets, liabilities and net-worth of State Enterprises and linked companies

Nu. in million

Direct Shareholdings	Total Assets			Total Liabilities			Net Asset Values		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Corporations	30	294	801	1	80	97	29	214	703
Agriculture	30	294	801	1	80	97	29	214	703
Bhutan Livestock Development Corp. Ltd	-	34	411	-	6	26	-	28	385
Farm Machinery Corporation Ltd	29	202	328	0	59	60	29	143	268
Green Bhutan Corporation Ltd ⁷	1	57	62	1	14	12	0	43	50
Industry	2,555	3,028	2,578	1,034	649	485	1,521	2,380	2,093
Army Welfare Project	2,057	2,238	1,852	913	469	269	1,144	1,768	1,582
Bhutan Agro Industries Limited	207	317	249	27	85	116	180	233	133
Kuensel Corporation Ltd	291	300	317	94	92	93	197	207	224
Menjongsorig Pharmaceutical Corp. Ltd	-	174	159	-	2	6	-	172	154
Services	28,402	30,747	32,786	20,316	23,357	24,604	8,087	7,390	8,181

Food Corporation of Bhutan	610	597	679	277	291	389	333	306	290
Bhutan Lottery Ltd	52	82	134	6	12	32	45	70	102
Bhutan Duty Free Ltd	-	-	179	-	-	4	-	-	175
Bhutan Postal Corporation	375	322	435	221	156	233	154	167	201
Bhutan Broadcasting Service Limited	636	638	608	94	99	70	543	539	538
Royal Bhutan Helicopter Services Ltd	671	755	752	40	76	37	630	678	714
National Housing Development Corp Ltd	3,117	3,773	4,144	328	953	1,136	2,789	2,820	3,008
Bhutan Development Bank Ltd	22,649	24,148	25,222	19,304	21,713	22,630	3,345	2,435	2,592
Rural Enterprise Development Corporation	146	236	384	2	5	10	144	230	374
Financial Institutions Training Institute	146	148	170	43	44	29	102	104	141
Credit Information Bureau	-	48	80	-	8	35	-	41	45
Total	30,987	34,069	36,164	21,350	24,085	25,186	9,636	9,984	10,978
<i>Shareholdings through DHI</i>									
Agriculture	694	742	727	102	213	160	592	529	567
Natural Resource Development Corp.	694	742	727	102	213	160	592	529	567
Industry	72,561	72,607	70,917	20,260	18,081	16,268	52,301	54,528	54,649
Penden Cement Authority Limited	1,967	1,865	1,776	472	454	486	1,495	1,411	1,290
Bhutan Board Products Limited	319	274	249	29	17	116	290	256	133
Bhutan Ferro Alloys Limited	1,441	2,028	2,322	569	319	541	872	1,709	1,781
Dungsam Cement Corporation Limited	11,727	11,231	10,201	7,538	7,596	6,303	4,189	3,635	3,898
Dungsam Polymers	164	150	200	178	171	152	(14)	(21)	48
Druk Green Power Corporation	55,311	54,943	53,474	10,891	8,776	7,483	44,420	46,167	45,991
Koufuku International Pvt. Ltd	89	79	79	95	81	102	(6)	(2)	(23)
Construction Development Corp. Ltd	1,247	1,521	1,788	435	569	807	812	952	981
Wood Craft Centre Limited	146	150	184	24	27	46	122	125	139
State Mining Corporation Ltd	150	365	643	29	69	232	122	296	411
Services	140,414	154,032	156,777	105,083	117,712	121,263	35,330	36,320	35,514

State Trading Corporation of Bhutan	998	951	1,296	608	512	825	390	439	471
Druk Air Corporation	5,620	5,987	6,382	3,070	3,318	3,425	2,551	2,668	2,957
Bhutan Telecom Corporation	5,036	5,496	5,419	953	1,271	1,573	4,083	4,224	3,845
Bhutan Power Corporation	27,964	28,964	30,057	14,035	15,269	16,980	13,929	13,695	13,077
Thimphu TechPark Ltd.	318	370	385	135	126	121	182	243	264
Bhutan National Bank	37,086	40,167	38,386	30,939	33,717	31,280	6,147	6,450	7,106
Bank of Bhutan	44,773	51,132	55,812	39,267	45,233	48,737	5,506	5,899	7,075
Royal Insurance Corporation of Bhutan Ltd	18,618	20,966	19,040	16,075	18,265	18,321	2,542	2,701	719
Total	213,669	227,381	228,421	125,445	136,006	137,691	88,223	91,377	90,730

Annexure 10: Long term borrowings of State Enterprises

Nu.in million

SOEs	Government Shareholding	Borrowings		
		Long-term For 2017	Long-term For 2018	Govt. Share
DHI	100%	-	37	37
DGPC	100%	3,615	4,658	4,658
BFAL	26%	43	66	17
DCCL	100%	5,122	4,905	4,905
DPL	51%	110	105	53
NRDC	100%	53	36	36
Bhutan Post	100%	-	64	64
Bhutan Telecom	100%	649	603	603
TTPL	51%	19	15	8
NHDC	100%	850	880	880
BDB	97%	997	1,322	1,278
BNB	12%	850	522	60
RICB	39%	5,529	4,079	1,601
Kuensel	51%	-	14	7
Druk Air	100%	1,613	1,361	1,361
BPC	100%	5,462	7,652	7,652
STCBL	51%	101	105	54
BBPL	48%	-	37	18
BAIL	100%	11	85	85
SMCL	100%	-	66	66
KIL	30%	64	64	19
Total		25,087	26,677	23,462

Annexure 11: Dividend contribution from MoF SOE,

Nu. in million

Sl. No.	Companies	2017	2018
1	Kuensel Corporation Ltd.	4.34	3.06
2	Druk Holding & Investments Ltd.	4,021.00	3,279.00
3	Bhutan Lottery Ltd.	6.16	12.00
4	Bhutan Duty Free Ltd.	20.00	30.00
5	Bhutan Postal Corporation Ltd.	0.85	1.61
6	Royal Bhutan Helicopter Services Ltd.	6.19	11.50
Total Dividend		4,058.54	3,408.17