



*“Under ordinary circumstances, we have always exercised extreme prudence and carefully weighed the costs and benefits of every expenditure, to ensure the most judicious use of our limited resources while constantly keeping the long-term interest of the nation at heart. However, the situation we are in today is extraordinary, and unlike any we have experienced thus far. We are confronted with a dangerous global pandemic of an unprecedented scale posing an imminent threat to our people. Therefore, building the resilience, confidence and security of our people must take greater priority over conserving our resources.”*

**His Majesty the King, Address to the Nation, 10<sup>th</sup> April 2020**



# BUDGET FY 2020-21 HIGHLIGHTS

## ECONOMIC OUTLOOK

- The economy is projected to improve from -1.1 to 0.97 percent.
- The commissioning of MHP since 2019 has improved the goods and services balance as electricity exports significantly increased.
- Current Account Deficit is projected to improve from 14.4 to 11.0 percent of GDP.
- With various fiscal and monetary measures, it is expected to boost domestic demand and generate economic activities which will have a positive impact on growth.

## RESOURCES

- COVID-19 pandemic to impact domestic revenue by 14 percent.
- Total resources estimated at Nu. 53,822.073 million.
- Domestic revenue estimated at Nu. 33,189.392 million.
- Grants estimated at Nu. 20,142.848 million, expected to cover 56 percent of capital expenditure.
- To ensure that the revenue targets are met, the MHP shall be maintained under profit transfer modality during the FY.

## EXPENDITURE

- Total expenditure estimated at Nu. 69,151.122 million, 7 percent increase from the previous year.
- Capital expenditure Nu. 36,251.122 million and current expenditure Nu. 32,900 million.
- Deepen fiscal decentralization with the upscaling of Annual Grants to Dzongkhags and Thromdes besides Gewogs.
- Introduction of Current Grant system of current budget allocation to the central agencies.
- Flagship Programs (Health, Education, Water, CSI Development, Digital Drukyl, National Organic, Tourism, Waste and Stray Dog Management) amounting to Nu. 5,148.212 million.
- Implement Economic Contingency Plan which includes improvement of about 1,447 km of Farm Roads with existing road connectivity.

## DEBT SITUATION AND OUTLOOK

- Fiscal Deficit amounts to Nu. 15,329.049 million, 7.36 percent of GDP.
- External borrowing of Nu. 4,032.120 million and Domestic borrowing of Nu. 13,604.622 million.
- Debt servicing for the FY to be Nu. 5,652.056 million, of which interest payment is Nu. 2,027.697 million.
- Public Debt stock as on 31st March 2020 stood at Nu. 192,962.920 million of which non-hydro debt stock is estimated to be Nu. 47,842.346 million.

# KEY BUDGET STATISTICS FY 2020-21

RESOURCE FOR FY 2020-21 (in Million Nu.)	
Resource (Estimates)	2020-21
<b>Taxes on Income, Profits and Capital Gains</b>	<b>9,397.337</b>
CIT	6,922.443
BIT	921.700
PIT	1,553.194
<b>Taxes on Property</b>	<b>53.353</b>
<b>Taxes on Goods and Services</b>	<b>6,070.386</b>
Sales Tax	3,938.849
Domestic Excise Duty	860.276
Green Tax	836.359
<b>Taxes on International Trade and Transactions</b>	<b>560.364</b>
Customs Duty	560.364
<b>Other Taxes</b>	<b>4,488.163</b>
Royalty	4,394.713
<b>Other Revenue</b>	<b>12,619.344</b>
<b>External Grants</b>	<b>20,142.848</b>
Gol	16,502.423

Macroeconomic Performance and Outlook				
Percentage change	2019/20	2020/21	2021/22	2022/23
	Revised	Estimates	Projection	
Consumption	-2.8	-8.8	7.4	8.7
Investment	8.6	-7.6	-1	-2.5
Exports	7.9	1.9	2.5	5.7
Imports	-6.3	-11.5	-3.8	-4.1
rGDP Growth	2.7	3.1	5.7	6.5
CAB (% of GDP)	-14.4	-11	-10.8	-9.2
International Reserves (USD in Million)	1,050	1,080	1,074	1,112
GDP nominal (in Million Nu.)	192,353	208,199	229,952	259,638

Summarized Fiscal Framework (in Million Nu.)				
Particulars	2019/20	2020/21	2021/22	2022/23
	Revised	Budget	Projection	
Total Resources	52,726.618	53,822.073	49,547.261	47,997.960
Total Expenditure	64,615.466	69,151.122	59,629.658	48,633.723
Fiscal Deficit	-11,888.848	-15,329.049	-10,082.397	-635.764
FB % of GDP	-6.18	-7.36	-4.38	-0.24

Financing and Debt Situation (in Million Nu.)				
Particulars	2019/20	2020/21	2021/22	2022/23
	Revised	Budget	Projection	
<b>Financing</b>	<b>11,888.848</b>	<b>15,329.049</b>	<b>10,082.397</b>	<b>635.764</b>
Net Lending	-559.580	-1,316.666	-3,736.377	-3,819.484
Net External Borrowing	4,721.137	420.030	-4,253.771	-4,749.174
Net Internal Borrowing	6,608.130	13,592.354	10,599.791	1,565.454
Percent of GDP				
<b>Total Public Debt</b>	<b>111.2</b>	<b>103.9</b>	<b>97.9</b>	<b>102.6</b>
<b>Total External Debt</b>	<b>111.0</b>	<b>103.7</b>	<b>95.3</b>	<b>99.6</b>

Expenditure Performance and Outlook (in Million Nu.)				
Particulars	2019/20	2020/21	2021/22	2022/23
	Revised	Budget	Projection	
<b>Total Expenditure</b>	<b>64,615.466</b>	<b>69,151.122</b>	<b>59,629.658</b>	<b>48,633.723</b>
<b>Current Expenditure</b>	<b>35,819.345</b>	<b>32,900.000</b>	<b>35,449.564</b>	<b>38,846.542</b>
o/w Interest Payment	1,902.110	2,027.697	3,200.938	3,381.670
o/w Pay and Allowance	16,414.476	17,007.480	17,364.086	17,728.481
<b>Capital Expenditure</b>	<b>28,796.121</b>	<b>36,251.122</b>	<b>24,180.094</b>	<b>9,787.181</b>
o/w Building, Land & Structures	16,247.212	16,961.964	14,946.825	6,049.905
o/w Machinery and Equipment	2,236.263	3,108.019	1,558.664	630.888

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# Introduction

The budget for FY 2020-21 is presented in the midst of COVID-19 pandemic which has caused a global health crisis and economic downturn. With the detection of the first COVID-19 positive case in March 2020, the utmost priority of the Government has been to prevent the spread of the virus by enforcing effective containment measures, such as mandatory quarantine of incoming travelers for 21 days, closure of schools and institutions, restricted travel and closed entry gates at the border, activated remote working for public servants and promoted physical distancing and personal hand hygiene.

With the strict containment measures, the economic fallout started to transmit through the tourism and allied sectors which has gradually spread over to other sectors such as construction and manufacturing. As a result, the economic growth has already decelerated and posed to enter into recession with many businesses closed and employees furloughed. Indeed, most of the construction sites are without construction workers. Without any strategic intervention, growth trajectory is projected to be below negative 1 percent.

While timely preventive health measures introduced by the Government have effectively prevented the spread of the virus in the community, it has adversely affected businesses and livelihood of our people and caused economic difficulties. Therefore, His Majesty the King commanded to provide whatever support necessary to all affected citizens and community with immediate effect and government to ensure that the livelihood of every Bhutanese citizen is not compromised at any cost.

In order to ensure preparedness at all levels for a worst-case scenario His Majesty frequently visited the Dzongkhags including the bordering towns and addressed the nation twice on national television to build trust and confidence of the people. As per the Royal Command, the National Resilience Fund with the fund size of Nu. 30 billion has been also established to build economic resilience and boost growth.

As an immediate relief measure, His Majesty has graciously granted Druk Gyalpo Relief Kidu to those who have lost their jobs and income due to COVID-19 pandemic. About 15,000 people benefited from the Kidu in the month of April and the number of recipients is likely to increase. Further, interest waiver and deferment of principal repayment to all borrowers for three months is also granted to ensure continuity of economic activities. More than 145,460 borrowers will benefit from the interest waiver.

As FY 2020-21 is the mid-year of the 12FYP, the Government has adopted the theme of '**Economic Resilience and Transformation**' for FY 2020-21. Under this theme, the Government will accelerate the implementation of the plan through front-loading of its activities and by allocating 31 percent of the capital outlay. To stimulate economic growth, the Government has announced fiscal and monetary measures and started implementing economic contingency plan in the areas of tourism, agriculture and construction, and this includes improvement of one farm road each in all Gewogs. The 12FYP has been re-prioritized and brought forward through front-loading of activities and funding sources, besides mobilizing additional resources to fund the contingency plan. The procurement rules and regulations have been simplified to fast track procurement of works under COVID-19 situation. All these interventions are expected to offset the GDP loss and put the economy back on track.

The tax measures passed by the House during the last winter session has been timely to respond to the COVID-19 pandemic as it provided tax relief to lower income brackets to sustain their livelihood. Further, the fiscal incentives including cut in corporate income tax has enabled the micro and small businesses, and private companies to keep the businesses afloat. More importantly, the exemption of 5 percent sales tax on telecom services will aid e-learning with additional data and similarly, the revision in the personal income tax slab is expected to boost consumption during such odd times. Further, the enactment of the Goods and Services (GST) Act 2020 lays a strong foundation for a sustainable fiscal path for the 21st Century economic road map.

As the economic recovery is going to be longer than expected, domestic revenue has been adversely affected. With containment measures for the COVID-19 pandemic, the tourism receipt may not be realized and the sales tax from hotels, BIT and CIT from tourism related business entities including airlines is estimated to fall sharply. As a result of the lock-down in the neighboring countries, import and export have been affected and may result in lower collection of sales tax and customs duty. Further, about 2 percent of the estimated revenue may be forgone on account of the tax measures. Therefore, the overall revenue for FY 2020-21 is estimated to decrease by 14 percent. If the economic situation deteriorates through prolonged phase of the pandemic, the Government might also need to resort to other fiscal measures.

Considering the revenue situation and the Constitutional requirement of having to meet the recurrent expenditures from the internal resources, the Government has adjusted the recurrent budget within the estimated domestic rev-

enue. Further the Government shall rationalize recurrent expenditure based on revenue performance.

The Government is exploring off shore investments in areas of equities, indexed funds, green bonds and digital technology to enhance revenue generation. In addition, consolidation of trust fund management through single window investment is also being reviewed to maximize returns.

To call for better responsibility and accountability, the Government has initiated major reforms in the annual budgeting system. One of the major reforms is the provisioning of current budget as annual grants to all budgetary agencies starting FY 2020-21 and is mainly aimed at providing flexibility for the budgetary agencies in optimizing the use of the current budget. Further, the system of providing budget in the form of Annual Grants shall be up-scaled to Dzongkhags and Thromdes.

Since the domestic revenue is barely enough to meet the current expenditure, the capital budget for FY 2020-21 will be financed through external grants, highly concessional external borrowing and domestic borrowing. While arrangements have been made to front-load grants and program borrowing to meet the financing gap, the fiscal deficit remains at an elevated level of 7 percent against the fiscal target of 5 percent.

The transmission of the fiscal and monetary measures supported by higher capital budget allocation is expected to boost demand, increase economic activities and generate employment. All these interventions are expected to steer the economy back on track.

As a response to COVID-19 pandemic, the Government has provided budget on priority basis to ensure public health safety, stocking essential food items and fuel, and other COVID-19 related activities. Towards this, the Government has also mobilized additional internal and external resources.

Recognizing the importance of State Owned Enterprises (SoEs), the Government has reviewed the role of the SoEs, reconstituted the Boards, upgraded the REDCL into a National CSI Development Bank and introduced the system of signing the Annual Performance Compact.

The Budget Report presents: the economic overview, broad fiscal policies, fiscal performance and outlook, budget allocation for FY 2020-21, public debt

situation, fiscal risks and update on the financial position of public sector institutions and investments.

Along with the Budget Report FY 2020-21, Budget Appropriation Bill for FY 2020-21, Supplementary Budget Appropriation Bill for FY 2019-20 and the Audited Annual Financial Statement for FY 2018-19 are submitted to the House for consideration.

# Chapter 1

## Economic Overview

### 1.1 Global and Regional Overview

The global economy in 2019 grew at 2.9 percent, slightly lower than that of 2018. The slower growth was mainly due to geopolitical tensions and economic frictions. Further, with the COVID-19 pandemic and containment measures, such as lock-downs, social distancing and other restrictions across the globe, the global economy as per World Economic Outlook is projected to contract sharply by -3 percent. Nonetheless, considering the numerous monetary and fiscal policy measures that are being implemented to combat the slowdown, and assuming that the medical solution would be found by the end of 2020, the economy may rebound and achieve a growth of 5.8 percent in 2021.

COVID-19 pandemic situation has also aggravated an already slow growth in India. Accordingly, the growth of Indian economy for 2020 is revised downwards at 1.9 percent as compared to the initial estimates of 5.8 percent.

### 1.2 Domestic Growth and Outlook

Bhutan's economy in 2018 grew at 3 percent, largely driven by the service sector. In 2019, growth estimate has been revised to 4.6 percent, mainly contributed by continued growth in the service sector and rebound of the industry sector mainly attributed to the commissioning of MHP.

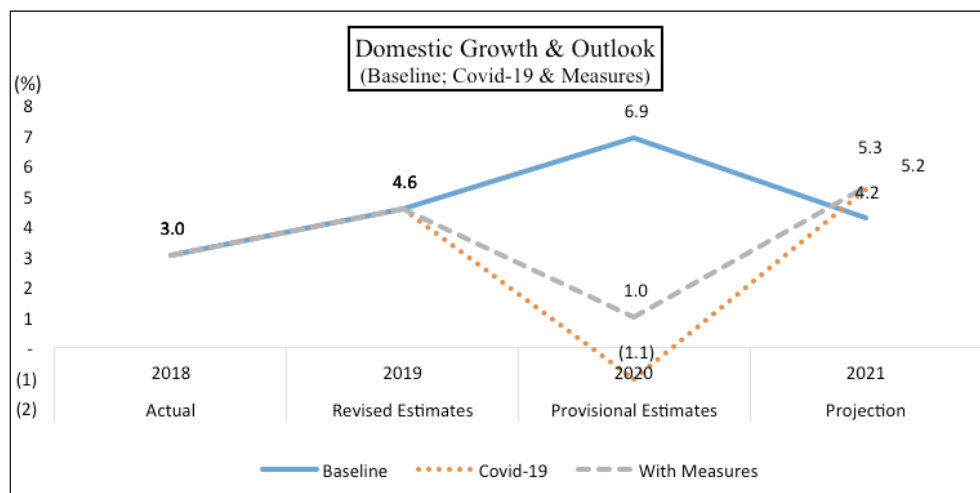
Initial growth projections for 2020 was 6.9 percent, driven by high growth in Industry due to full impact of MHP and increased construction activities. In addition, consistent growth in the service sector was also expected to support the high growth for 2020. However, with the outbreak of COVID-19, growth trajectory is expected to change.

The COVID-19 pandemic has disrupted the economy, affected public health and general livelihood of people. The containment measures such as travel restrictions, social distancing and border closures impacted businesses of all spheres. While the tourism and its allied sectors are affected the most, the construction and manufacturing sectors are also experiencing slowdowns due

to labour and material shortages, besides disruption in transport and market. As a result, economic growth in 2020 is projected to fall from 6.9 percent to -1.1 percent as per estimates.

Considering the huge GDP loss and significant impact on the livelihood of people, His Majesty has granted the Druk Gyalpo's Relief Kidu and Interest Payment Relief, in addition to the various fiscal and monetary measures announced by the Government, as highlighted in *Box 1*. Further, the use of hotels as quarantine facility; commodity and food reserve stock piling; increased use of ICT due to closure in schools and work from home alternatives; and the implementation of the Economic Contingency Plan (ECP) focused on agriculture and farm roads, construction and tourism, over and above the regular budget will contribute towards minimizing the impact on the economy. All these initiatives are expected to boost domestic demand and generate economic activities. With increased government spending, private investment in the medium term is expected to improve, mainly through infrastructure projects etc. As such, growth prospects in 2020 and the following years are expected to rebound with the interventions as the underlying fundamentals are strong. Therefore, provisional estimates show GDP growth to improve from -1.1 to 0.97 percent, an increase by 2 percentage points as shown in Figure 1.1.

**Figure 1.1: Domestic Growth and Outlook**



The growth estimates are based on the assumption of no community transmission allowing free movements of goods and services. Under such a scenario, in line with global projections wherein the situation is expected to improve, and with continued government measures, growth in 2021 is projected at 5.3

percent. However, the growth trajectory will change based on the severity of the COVID-19 situation.

Towards the later part of the 12FYP, Government investment will gradually decrease indicating completion of the major programs and activities. While the government consumption is expected to remain stable, the private consumption is projected to increase from 9.1 percent in FY 2021-22 to 10.5 percent in FY 2022-23 as the economy recovers.

**Table 1.1: Macroeconomic performance and projections**

Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23
Percentage change	Estimate	Estimate	Proj.	Proj.	Proj.
Public Consumption	2.61	2.10	2.19	3.15	4.02
Private Consumption	12.21	-4.29	-12.46	9.11	10.48
Government Investment	-5.77	22.29	18.95	-20.91	-36.69
Private Investment	0.76	4.51	3.68	6.92	7.52
Exports of Goods and Services	0.31	7.90	1.86	2.52	5.74
Imports of Goods and Services	-3.89	-6.33	-11.52	-3.83	-4.06
Real GDP Growth	3.8	2.7	3.1	5.7	6.5
GDP Nominal (Million Nu.)	176,404	192,353	208,199	229,952	259,638

## Box-1 COVID-19 and Measures

To improve the economic growth prospects, create employment opportunities and address the immediate economic challenges, the following Measures are under implementation:

### A. National Resilience Fund:

Considering the exceptional circumstances and the need for unconventional strategies to build economic resilience and boost growth, the National Resilience Fund (NRF) has been approved and established, with a fund size amounting to about Nu. 30 billion. The NRF will support the following initiatives:

- i. Druk Gyalpo's Relief Kidu
- ii. 50% of the three-month interest waiver on loan

### B. Fiscal Measures

- Filing of CIT and BIT for income year 2019 has been deferred up to 30 June 2020, which will provide temporary cash flows for businesses to meet operational costs.

- Deferment of sales tax and customs duty on essential items for April to June 2020, to facilitate import of essential items and food stockpiling.
- Waiver of monthly rent and other charges for 3 months (April-June 2020) for tourism related business entities leasing government property.
- Grant of hindrance period for on-going construction works and supplies.
- Simplified Procurement Rules and Regulations for works to expedite the implementation of Economic Contingency Plan.
- For industries, electricity charges have been deferred for three months and demand charges on consumption basis.

#### **C. Economic Contingency Plan**

To stabilize the economy and stimulate growth, Economic Contingency Plan will be implemented, with particular emphasis on Tourism, Agriculture and Construction.

#### **D. Monetary Measures**

- Working capital at 5 percent interest was provided to wholesalers and major retailers from 28th March 2020 to procure essential commodities and ensure undisrupted supply to retailers all over the country.
- Deferment of loan repayments and waiver on interest payments for loans for 3 months (April-June 2020).
- Extension of gestation period for projects under construction by 3 months (for hotels, housing, production and manufacturing).
- Working capital at 5 percent interest to finance operational costs, especially payrolls for a period of 3 months for the affected business sectors struggling to retain employees and support paid leave in the context of dwindling revenues.
- For CSI and Agriculture through the National Cottage & Small Industries Development Bank:
  - Micro loans i.e. loans up to Nu. 500,000 at 2 percent concessional interest rate for activities in the rural and agricultural sector for a period of 3 months.
  - Working capital at 4 percent concessional interest for 3 months to CSIs.
- Working Capital at MLR for industries to stockpile raw materials.

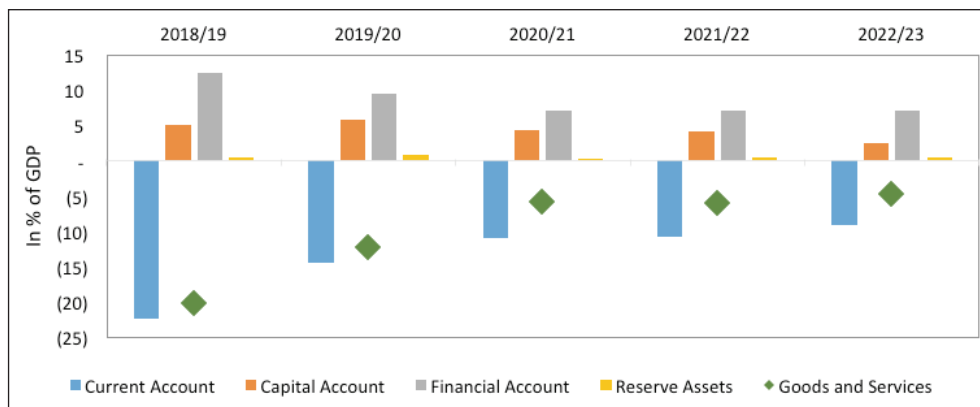
### 1.2.1 Balance of Payment

The commissioning of MHP since 2019 has improved the goods and services balance as electricity exports significantly increased and imports related to MHP ceased. Further, imports of goods and services are also expected to fall and as a result, the goods and services balance as a percent of GDP is estimated to improve from a deficit of 20.4 percent in FY 2018-19 to a deficit of 12.4 percent in FY 2019-20 and projected to narrow down to a deficit of 6 percent in FY 2020-21.

As Bhutan's current account balance (CAB) is largely driven by goods and services balance, the improvement in goods and services balance is expected to improve the CAB from -22.5 percent of GDP in FY 2018-19 to -14.4 percent of GDP in FY 2019-20. The balance is projected to further improve to -11.0 percent of GDP in FY 2020-21 and -10.8 percent of GDP in FY 2021-22.

Financial inflows in the form of hydro-power loans and capital inflows of budgetary and hydro-power grants are estimated to remain positive and sufficient to finance the current account deficit. The overall balance of payment is estimated to remain positive, resulting in a marginal accumulation of reserves during FY 2019-20 to FY 2022-23 as shown in figure 1.2 below.

**Figure 1.2: Balance of Payments**



### 1.2.2 Reserves

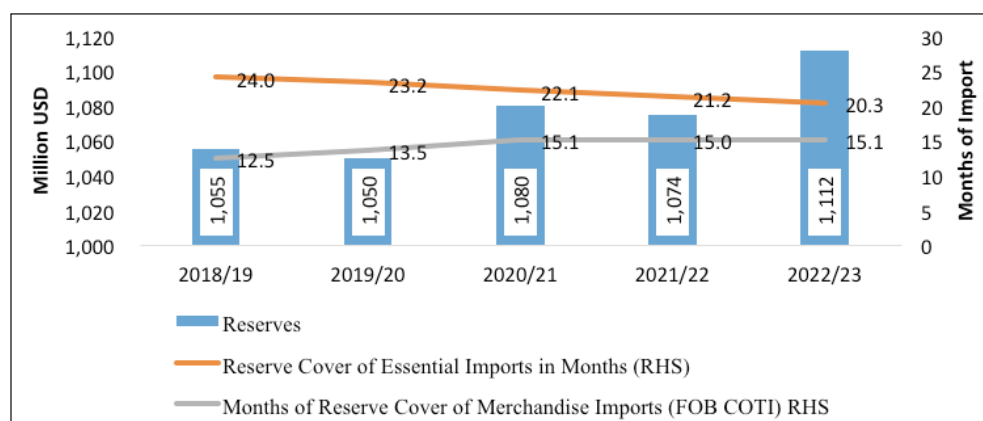
With the continued accumulation over the past years, the total reserves stood at USD 1,241.737 million as on 31<sup>st</sup> March 2020. Of the total reserves, the convertible currency (CC) reserves constitute about USD 921.780 million (74

percent) and INR reserves of Rs. 24,222.650 million. The accumulated reserve is adequate to cover 29 months of essential imports or 17 months of merchandise imports fulfilling the constitutional requirement on reserve adequacy.

With the COVID-19 pandemic, there has been an increasing purchase of essential medical and personal equipment to combat the situation, and given the uncertainty evolving around its contagion, the requirement to stock essential food items has put increasing pressure on INR reserves for FY 2019-20 and FY 2020-21, as majority of these essential imports are from India.

However, as the financing needs of the government rises to contain the outbreak, additional external resources have been mobilized both in form of grants and concessional borrowing in FY 2019-20. This will in the immediate term, help in accumulating the reserves. Nonetheless, prudent management of the reserves will be important.

**Figure 1.3: Reserves Outlook**



### 1.2.3 Monetary and Financial Market

Money supply (M2) is estimated to grow at a yearly average of 10.2 percent from FY 2019-20 through FY 2021-22. Net Foreign Asset (NFA) is estimated to slightly grow by 1.2 percent in FY 2019-20 and by 3.7 percent in FY 2020-21. Growth in M2 is however, mainly contributed by growth in Net Domestic Assets (NDA) which in turn is driven by high growth in credit to private sectors. NDA is estimated to grow by 9.3 percent in FY 2019-20 and 17.2 percent in FY 2020-21. With the monetary measures, granting concessional loans and reducing the Cash Reserve Ratio (CRR) will further contribute to the domestic credit. The credit to the private sector which accounts for 91 percent of the

total domestic credit is projected to grow at an average 10.3 percent during the FY 2020-21.

The credit allocations are sector concentrated and composition of total credit of the financial institutions and non-performing loans in FY 2018-19 indicates that the exposure is maximum in the service & tourism sectors followed by trade and commerce. While the interest payment relief and deferment of loan by three months (April to June 2020) could help minimize the impact, given the high level of uncertainty, any risks emanating in these sectors are likely to affect the soundness of the financial system and would pose a risk to financial stability with high NPL. Therefore, it requires close monitoring to ensure that additional support and measures are provided in a timely and adequate manner.

**Table 1.2: Monetary Aggregates**

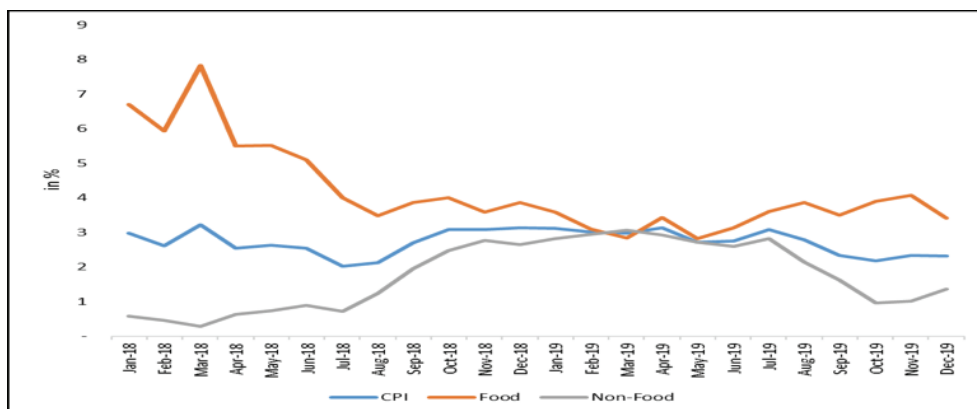
Items	2018/19	2019/20	2020/21	2021/22	2022/23
% Change (YoY)	Actual	Estimate	Forecast	Forecast	Forecast
Broad Money (M2)	3.83	7.99	10.38	12.27	15.65
Net Foreign Asset	(2.02)	1.22	3.73	(1.49)	3.78
Domestic Credit	13.96	2.69	10.26	13.74	15.39
Credit to Private Sector	21.63	9.76	9.02	10.98	13.80
% of GDP					
Broad Money (M2)	67.24	66.59	67.91	69.03	70.71
Net Foreign Assets	36.24	33.64	32.24	28.75	26.42
Domestic Credit	64.74	60.98	62.12	63.97	65.37
Credit to Private Sector	58.86	59.25	59.68	59.97	60.44
Money Multiplier (M2/M0)	3.41	3.71	3.80	3.80	3.80
<b>GDP (in Million Nu.)</b>	<b>176,404.30</b>	<b>192,353.09</b>	<b>208,199.70</b>	<b>229,952.91</b>	<b>259,638.09</b>

*Source: MFCC*

### 1.2.4 Inflation

The CPI inflation in 2019 increased by 2.73 percent compared to 2.72 percent in 2018. The lower rate of inflation was mainly contributed by lower price change recorded in non-food prices compared to food prices which has 54.1 percent share in the overall inflation basket and subdued inflation in India. The year on year CPI in February 2020 increased by 2.46 percent from February 2019. The purchasing power of Ngultrum (Nu.) as measured by CPI is Nu. 69.7 as of February 2020, which means Nu. 100 in February 2020 is worth only Nu. 69.7 at December 2012 price.

**Figure 1.4: CPI inflation**

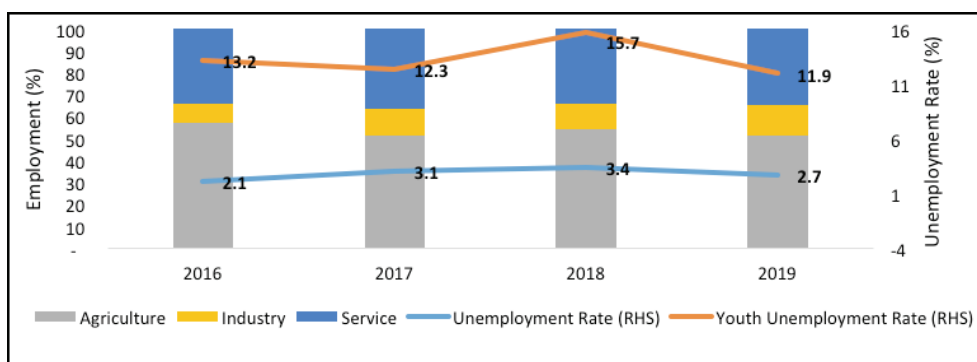


### 1.2.5 Employment

With the employment promotion programs, the unemployment rate improved from 3.4 percent in 2018 to 2.7 percent in 2019. The youth unemployment rate also improved from 15.7 percent in 2018 to 11.9 percent in 2019. The unemployment rate in 2020 however, is likely to increase as a result of the COVID-19 pandemic that affected the employment of many people engaged in tourism and travel related sectors, and returnees of Bhutanese working abroad.

In order to address the unemployment issue, the Government has designed incentives to attract and deploy unemployed youth under the ECP (Tourism, Agriculture and Construction). It is estimated that more than 7,000 youth will be deployed under the Build Bhutan project itself.

**Figure 1.5: Employment**



### **1.2.6 Per capita Income**

The per capita Gross Domestic Product (GDP per capita) grew by 5.7 percent to Nu. 216,875.120, equivalent to USD 3,331.849 in FY 2017-18. GDP per capita is projected to increase to USD 3,740.668 in FY 2020-21. Gross National Income per capita reached USD 3,037.234 in FY 2017-18 and is projected to increase to USD 3,414.246 in FY 2020-21. 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**

Primary sector comprising agriculture, livestock and forestry continues to be a major player in the economy employing more than 51 percent of the total labor force. It has considerable potential for growth, employment and poverty reduction.

With efforts to enhance food security and improve access to financing to rural agriculture, the government upgraded Rural Enterprise Development Corporation Limited (REDCL) from a micro-financing institution to National Cottage and Small Industry (CSI) Development Bank. In addition, Agriculture is a focus area under the ECP to revive the economy under the COVID-19 circumstances. Initiatives like the buy-back program, large scale production and corporate agriculture production are expected to boost the agriculture sector performance. In addition, youth groups, farmers' cooperatives and employees laid off from the tourism sector have also taken active part in agriculture production.

With such initiatives, the sector is expected to grow at around 4.4 percent in 2020 and 4.7 percent in 2021. Its share to GDP is also expected to increase from 15.8 percent of GDP in 2019 to 16.4 percent of GDP in 2020 and 2021.

### **1.3.2 Industry Sector**

Growth has largely been driven by construction and generation of hydro-electricity in the past two decades through investments and export earnings. The electricity sector remains unaffected by COVID-19 pandemic and thus the sector's share of GDP in 2020 is expected to increase to 16.8 percent from 13.3 percent in 2019.

The pandemic has evidently impacted construction and manufacturing sector. However, considering the implementation of ECP, construction activities are expected to remain stable. The sector's share to GDP is estimated at 13.2 percent in 2020 and 13.6 percent in 2021. With temporary closures of borders constraining imports and exports, the sector is affected. However, with increased Government investment and with the opportunity to use locally manufactured inputs in infrastructure projects, manufacturing sector's share to GDP is estimated to remain stable at 7.1 percent in 2020 compared to 7.4 in 2019.

Given the growth of electricity and construction sectors, the industry sector is estimated to grow by 11.5 percent in 2020 as compared to 1.76 percent in 2019. Therefore, the sector's contribution to GDP in 2020 is expected to increase from 37.9 percent in 2019 to 42.6 percent.

### **1.3.3 Service Sector**

The performance of the service sector is driven by the tourism, finance and government services. The COVID-19 pandemic has affected the service sector, in particular tourism related services such as tour operators, hotel and restaurants, transport, and other trading services.

The share of Hotels and Restaurants in GDP is estimated to fall from 2.7 percent in 2019 to 0.5 percent in 2020. The impact has been mitigated due to Government using the hotels as quarantine facilities. Similarly, Transport, Storage and Communication sector's share is estimated to fall from 10.1 percent in 2019 to 8.6 percent in 2020, the impact largely being in the transport sector. As a result, services sector's growth is estimated to fall by -6.46 percent as compared to high growth of 10.68 percent in 2019. Therefore, the sector's contribution to GDP is estimated to fall from 41.9 percent in 2019 to 37.7 percent in 2020. Given the significant share of Government services within the sector, which remains largely consistent, the fall in service sectors' growth and share has been minimized.

**Table 1.3: Sector Performance**

Percentage Change	2018	2019	2020	2021	2022
	Actual	Estimate	Forecast	Forecast	Forecast
<b>Agriculture, livestock, and forestry</b>	<b>4.4</b>	<b>3.3</b>	<b>4.4</b>	<b>4.7</b>	<b>3.5</b>
o/w Agriculture proper	4.9	4.9	7.1	7.5	4.7
<b>Industry</b>	<b>(4.8)</b>	<b>1.8</b>	<b>11.5</b>	<b>5.9</b>	<b>(4.1)</b>
o/w Electricity, gas and water	(14.9)	9.3	17.8	1.0	3.8
o/w Construction	(8.0)	(9.4)	15.2	11.0	(21.7)
<b>Services</b>	<b>9.0</b>	<b>10.7</b>	<b>(6.5)</b>	<b>9.2</b>	<b>15.4</b>
o/w Community, social and personal services (govt.)	3.6	13.3	(2.8)	(2.7)	(3.2)
GDP	3.03	4.56	0.97	5.27	6.05
Share to GDP					
<b>Agriculture, livestock, and forestry</b>	<b>15.9</b>	<b>15.8</b>	<b>16.4</b>	<b>16.4</b>	<b>16.0</b>
o/w Agriculture proper	8.4	8.5	9.0	9.0	8.9
<b>Industry</b>	<b>38.3</b>	<b>37.9</b>	<b>42.6</b>	<b>42.4</b>	<b>37.6</b>
o/w Electricity, gas and water	11.7	13.3	16.8	15.8	14.9
o/w Construction	14.2	12.0	13.2	13.6	9.6
<b>Services</b>	<b>39.9</b>	<b>41.9</b>	<b>37.7</b>	<b>39.7</b>	<b>44.4</b>
o/w Community, social and personal services (govt.)	10.4	11.3	10.8	10.1	9.1

# Chapter 2

## Fiscal Policy

### 2.1 Fiscal Policy Statement

Maintaining sustainable fiscal balance is an anchor of fiscal policy which can be achieved by effective resource mobilization and prudent expenditure management besides ensuring debt sustainability.

### 2.2 Fiscal Policy Targets FY 2020-21

Considering the impact of COVID-19 pandemic on the economy, FY 2020-21 budget will pursue to achieve following fiscal targets:

1. Minimum GDP growth of 2 percent;
2. Containing fiscal deficit within 5 percent of GDP;
3. Tax to GDP ratio at least 10 percent;
4. Recurrent expenditure to be covered by internal resources; and
5. Non-hydro debt below 35 percent.

In order to achieve the above mentioned targets for FY 2020-21, the Government will pursue the following fiscal policy interventions.

#### **Economic Contingency Plan (ECP) and Reprioritization of 12FYP Activities:**

The Government has already initiated the implementation of ECP in the areas of Tourism, Agriculture, Build Bhutan Project and improvement of Farm Roads over and above the regular budget. In addition, 12FYP has been re-prioritized for acceleration and front-loading starting FY 2020-21. Particular emphasis will be placed on revitalizing the rural economy, creating employment opportunities amongst others.

#### **Strengthen Resource Mobilization**

In order to overcome the present economic disruptions and with a view to stabilize the economy and stimulate growth, the Government will continue to mobilize additional resources such as grants, concessional borrowings and

other financing windows, including bilateral sources. In addition, the Government will also continue to pursue mobilization of resources in kind.

On the domestic front, the Government will rigorously monitor the economic situation and accordingly initiate interventions. Considering the tax exemptions passed by the last session of the parliament and the fiscal measures implemented by the government in FY 2019-20, domestic resources for FY 2020-21 is estimated to fall by 14 percent. As such effective resource mobilization and enhancing tax administration and compliance will be of utmost importance.

### **Rationalizing Expenditure**

Under the circumstances, where domestic revenue is estimated to decrease, the Government will rationalize current expenditure by spending in areas where it is absolutely necessary and minimize wasteful expenditure. In order to deepen fiscal decentralization and provide flexibility in the budget execution, the budget for Dzongkhags and Thromdes will be provided as annual grants from the FY 2020-21, similar to the Gewogs. In addition, current grants will be introduced to all the central agencies. These reforms are expected to promote ownership in the optimal utilization of the allocated budget for priority activities by the budgetary bodies.

### **Fiscal Balance**

The fiscal target for the 12FYP is to maintain an average fiscal deficit within 3 percent of GDP. However, the fiscal deficits are adjusted to support the growth target. For FY 2020-21, due to the impact of COVID-19 pandemic there is need for new spendings by implementing ECP and allocating higher level of capital outlay to offset the GDP loss. As such, against the target to contain fiscal deficit within 5 percent of GDP, the estimated fiscal deficit is 7.36 percent of GDP. This is on account of capital budget provisioning of up to 31 percent of the plan outlay to facilitate front-loading and acceleration of 12FYP activities. The fiscal target is expected to be achieved with concerted effort to mobilize additional resources and by exercising prudent expenditure management.

### **Managing Debt**

With limited domestic resources and committed grants not sufficient to finance the entire capital budget, concessional external borrowings and internal

borrowings will be resorted. As such, it will be important to ensure that all additional borrowings will be for investment, in keeping with the Public Debt Policy.

## 2.3 Fiscal Performance

### 2.3.1 Fiscal Year 2018-19: Performance

As per the Audited Annual Financial Statement for the FY 2018-19, the actual fiscal deficit improved to 1.5 percent of GDP from the revised estimates of 3.06 percent, mainly due to underutilization of expenditure. During FY 2018-19, the actual expenditure was Nu. 44,054.133 million from a revised budget of Nu. 49,527.570 million, resulting in a variation of about 11.1 percent. With regard to resources, the actual outcome was Nu. 42,033.300 million against the revised estimate of Nu. 43,634.710 million.

**Table 2.1: Fiscal Performance for the FY 2018-19**

Sl. #	Particulars	Nu. in million			% Variance		
		Original Budget	Revised Budget	Actual Outcomes	Original	Revised	Original
					Vs	Vs	Vs
					Revised	Actual	Actual
A	RESOURCES	39,893.850	43,634.710	42,033.300	-9.4%	3.7%	-5.4%
1	Domestic Revenue	33,943.970	34,321.820	34,707.670	-1.1%	-1.1%	-2.2%
2	Other Receipts (Net)	20	40.99	-3190.86	-	78.84	-
3	Grants	5,929.890	9,271.900	10,516.480	-56.4%	-13%	-77%
B	OUTLAY	45,128.180	49,527.570	44,054.130	-9.75%	11.05%	2.38%
1	Total Expenditure	45,128.180	49,527.570	44,054.130	-9.75%	11.05%	2.38%
2	Advance/Suspense (Net)	-	-	722.593	-	-	-
C	FISCAL BALANCE	-5,234.320	-5,892.860	-2,743.430	-12.58%	53.44%	47.59%
D	FINANCING	5,234.320	5,892.860	2,743.430	47.59%	53.44%	47.59%
1	Net External Borrowing	961.245	975.689	1,101.100	-1.50%	12.85%	-14.55%
2	Net Internal Borrowing	2,839.920	3,527.490	323.166	-24.21%	90.82%	88.60%
3	Net Lending	1,433.160	1,389.680	1,319.164	3.03%	5.12%	8.00%

*Source: AFS 2018-19*

During the FY, the actual external borrowing increased by 12.9 percent from the revised estimates, while there was no change in the repayment of debt. The net borrowing during the FY was Nu. 1,424.266 million of which net external borrowing was Nu. 1,101.100 million and net internal borrowing was Nu. 323.166 million.

The fiscal deficit of Nu. 2,743.430 million was financed through external concessional borrowings and issuance of Treasury Bills (T-Bills). The principal amount of T-Bills outstanding at the end of the FY was Nu. 4,176.827 million.

### 2.3.2 Fiscal Year 2019-20: Revised

The resource position for the FY has been revised to Nu. 52,726.618 million from Nu. 54,619.197 million. While the external grants increased from Nu. 10,891.310 million to Nu. 13,722.970 million, domestic revenue is estimated to decrease to Nu. 38,495.848 million from Nu. 43,299.071 million, accounting to about 11 percent. This is mainly attributed to decrease in surplus transfer from MHP and COVID-19 impact on tourism and allied sectors.

The total budget excluding Lending and Repayments has been revised from Nu. 61,197.31 million to Nu. 64,615.466 million. The increase is about 6 percent and is mainly on account of incorporation of donor-funded projects and pay revision for other agencies.

**Table 2.2: Revised Budget Summary for FY 2019-2020 as of 31st March 2020.**

		<i>Nu. In Million</i>	
Sl. #	Particulars	Approved Budget (Jun 2019)	Revised (31st March 2019)
A	RESOURCES	54,619.197	52,726.618
1	Domestic Revenue	43,299.071	38,495.848
2	Other Receipts (Net)	0.000	507.800
3	Grants	10,891.310	13,722.970
4	Internal Grants	428.816	
B	Total Expenditure	61,197.307	64,615.466
C	Fiscal Balance	-6,578.110	-11,888.848
D	Financing	6,578.110	11,888.848
1	Net Lending	2,094.775	559.580
2	Net External Borrowings	1,474.528	4,720.337
3	Net Domestic Borrowings	3,008.807	6,608.931
	Fiscal Balance % of GDP	-3.04	-6.18

With these revisions, the fiscal deficit is expected to widen from Nu. 6,578.110 million to Nu. 11,888.848 million, which is about 6.18 percent of GDP. The fiscal deficit shall be financed through external and domestic borrowings.

The details of revenue, expenditure and debt management performance are presented in Chapter 3, 4 and 5 respectively.

## **2.4 Fiscal Framework**

The fiscal framework provides fiscal outcomes for the last two fiscal years, estimates for the current year and projections for the two outer fiscal years.

Under the current situation of COVID-19 pandemic, the fiscal deficit is estimated at 7.36 percent of GDP for FY 2020-21. However, in the medium term, it is projected to improve to 4.38 percent in FY 2021-22 and 0.24 percent in FY 2022-23.

With the initiative to front load grants in FY 2020-21, the resources for the two outer years are projected to decline unless additional resources are mobilized. On the revenue front, assuming that the economy normalizes, domestic revenue is estimated to grow by 10 percent in FY 2021-22 and 14 percent in FY 2022-23.

The capital expenditure is projected to decline as a share of total outlay to 20 percent and 9 percent in the last two fiscal year of the plan. This is based on the assumption that capital outlay for the last year and the current year are fully utilized. However, current expenditure is expected to increase marginally depending on the situation of the economy and revenue performance.

With the decrease in the capital expenditure, external borrowing and domestic borrowing to finance budget deficit will also gradually fall.

**Table 2.3: Medium Term Fiscal Framework**

Particulars	Nu. In Million				
	2018/19 Actual	2019/20 Revised	2020/21 Estimates	2021/22 Projection	2022/23 Projection
Total Resources	42,033.296	52,726.618	53,822.073	49,547.261	47,997.960
1. Domestic Revenue	34,707.670	38,495.848	33,189.392	36,617.913	41,582.392
2. Other Receipts	-3,190.855	507.800	489.833	292.576	250.780
3. GRANTS	10,221.413	13,722.970	20,142.848	12,636.772	6,164.788
Total Expenditure	44,776.726	64,615.466	69,151.122	59,629.658	48,633.723
Current Expenditure	27,768.663	35,819.345	32,900.000	35,449.564	38,846.542
Capital Expenditure	16,285.470	28,796.121	36,251.122	24,180.094	9,787.181
Advance/Suspense (Net)	722.593				
OVERALL BALANCE	-2,743.430	-11,888.848	-15,329.049	-10,082.397	-635.764
FINANCING	-2,743.430	11,888.848	15,329.049	10,082.397	635.764
Net Lending	1,319.164	559.580	1,316.666	3,736.377	3,819.484
Net external borrow- ings	1,101.100	4,720.337	422.154	-4,253.771	-4,749.174
Net internal borrowings	323.166	6,608.931	13,590.229	10,599.791	1,565.454
GDP	176,404.304	192,353.088	208,199.695	229,952.907	259,638.089
Fiscal balance % of GDP	-1.56	-6.18	-7.36	-4.38	-0.24

## 2.5 Annual Financial Statements for FY 2018-19: Audited

The fiscal outcomes and operational result of the FY 2018-19 has been audited by the Royal Audit Authority. A copy of the Audited Annual Financial Statement for FY 2018-19 is distributed along with this report.

# Chapter 3

## Resource Performance and Outlook

### 3.1 Resource Performance in FY 2018-19

The total resources for FY 2018-19 was Nu. 42,033.291 million, which is a decrease of 19.3 percent from the previous fiscal year. Of the total resources, 83 percent was domestic revenue and the balance 17 percent was grants.

Total domestic revenue realized in FY 2018-19 was Nu. 34,707.670 million, which is a decrease of 5.9 percent as compared to the previous fiscal year. The domestic revenue accounted for 19 percent of GDP and was able to finance about 43 percent of the capital expenditure after meeting the entire current expenditure.

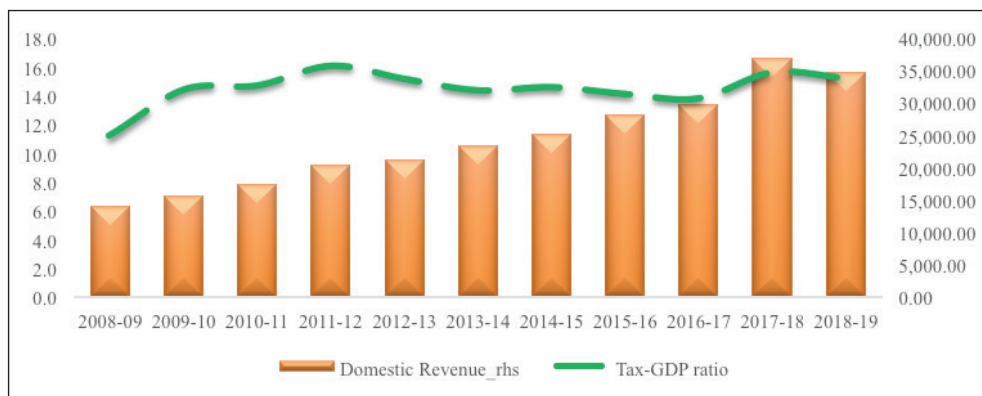
During the FY 2018-19, the Government received external grants of Nu. 10,516.481 million, a decrease of 29.1 percent from the preceding fiscal year. It accounted for 65 percent of capital spending in FY 2018-19. Major portion of the grants was received from GoI, constituting about 61 percent. Other major sources of the external grants include the EU, Japan and UN agencies.

#### 3.1.1 Tax-to-GDP Ratio

On an average, the tax to GDP ratio has been maintained at 14 percent. Between 2017 and 2018, the key changes in tax-to-GDP ratio were largely driven by increase in revenues from income tax (1.8 percentage points, evenly split between personal, business and corporate income taxes). Revenues from taxes on property and taxes on goods and services were unchanged, although within taxes on goods and services, the share of excise duty refund from Government of India decreased slightly. Revenues from other direct taxes such as royalty revenue from tourism (SDF), hydro-power, forest products and mines and minerals saw an increase of 0.2 percentage points between 2017 and 2018, almost entirely due to significant increase in tourist arrivals in 2018.

Major tax heads such as corporate income tax from DHI and DGPC which grew on average of 35 percent along with substantial growth in other corporate taxes (17 percent) and business income tax (11 percent) along with strong growth in non-tax revenues.

**Figure 3.1: Tax-to-GDP Ratio**



**Fig 3.2: Revenue Structures as percentage of GDP**



During FY 2018-19, corporate income tax and non-tax revenue were the highest contributors to the overall domestic revenue comprising 5 percent and 4 percent of GDP respectively. Under taxes from income and profits, personal income tax and business income as a percentage of GDP stood at 0.88 and 0.81 percent comparatively less than corporate income tax followed by green tax and customs duty at 0.58 and 0.38 percent respectively. Royalty receipts and sales tax which accounted for 2.6 percent of GDP each also significantly contributed to domestic revenue. Apart from substantial contributions from taxes on income and profits, non-tax revenues mainly consisting of dividend incomes, profit transfers, interest receipt from corporations and current revenue from government agencies made 4.27 percent of GDP.

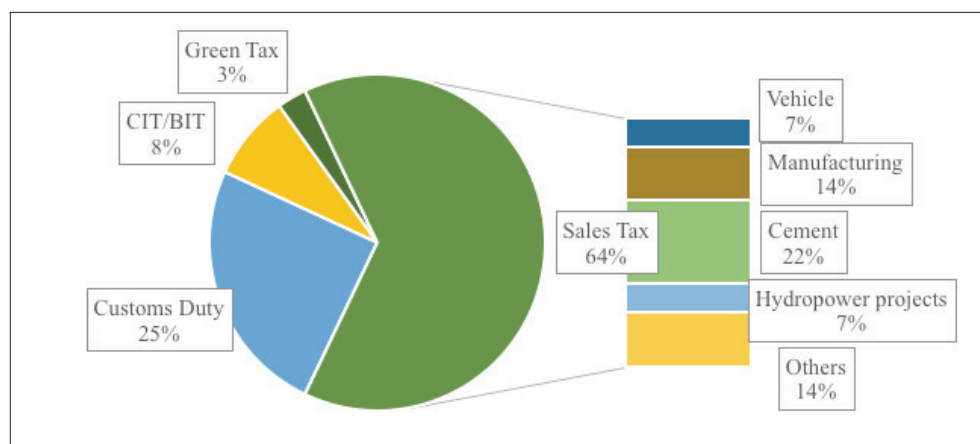
### 3.1.2 Taxes Forgone

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 rebates and expenditure deductions.

The tax forgone in 2018 was estimated at Nu. 3,582.392 million, accounting for 2 percent of GDP. The CIT/BIT and green tax exemptions increased substantially due to increase in the number of businesses availing tax holidays.

As most of the provisions of the Fiscal Incentives Act 2017 expires by December 2020, it is under review and proposal for extension if any will be submitted to the house for consideration.

**Figure 3.3: Tax forgone in 2018**



### 3.2 Revised Resource in FY 2019-20

The total resources for FY 2019-20 is revised from Nu. 54,619.197 million to Nu. 52,726.618 million, which is a decrease of 3.5 percent from the approved estimates. While the domestic revenue is revised downwards, there has been an increase in the receipt of grants as provided in table 3.2. The decrease in the domestic revenue is attributed to COVID-19 pandemic and its impact on key economic sectors like service, trading and manufacturing.

**Table 3.1: Revised Resource Summary for FY 2019-2020**

*Nu. In Million*

Particulars	Approved Budget (2019-2020)	Revised Estimates (31st March 2020)
TOTAL RESOURCES	54,619.197	52,726.618
I. DOMESTIC REVENUE	43,299.071	38,495.848
i. Tax	26,776.847	24,951.453
ii. Non-Tax	16,522.224	13,544.395
II. OTHER RECEIPTS*		507.800
III. GRANTS	10,934.307	13,722.970
i. Program Grants	1,700.000	2,431.832
a) Gol	1,700.000	2,431.832
b) others	-	0.000
ii. Project-tied Grants	9,620.126	11,291.138
a) Gol	5,296.471	5,834.936
b) Others	4,323.655	5,456.202
Internal grants	385.819	

*\*Under revised estimates, other receipts include internal grants.*

### 3.2.1 Domestic Revenue

The total domestic revenue for the FY 2019-20 is revised from Nu. 43,299.071 to Nu. 38,495.848 million, a decrease of about 11 percent. The downward revision of domestic revenue by Nu. 4,803.223 million is comprised of tax revenue of Nu. 1,825.394 million and non-tax revenue of Nu. 2,977.829 million. The decrease of 7 percent in the tax revenue from the approved budget estimate is due to decrease of tourism receipts (41 percent) and sales tax (14 percent).

While the estimated profit transfer from MHP was Nu. 7,043.044 million during the year, it has been revised to Nu. 3,898.670 million due to technical glitches after commissioning the project. On the other hand, net surplus transfer from RMA significantly increased from Nu. 1,000.240 million to Nu. 3,001 million.

With the implementation of the fiscal measures, CIT and BIT filing dates have been extended up to 30<sup>th</sup> June 2020. This measure could impact the tax collection as the affected sectors have already started appealing for further extension and deferment of tax payment.

### 3.2.2 Grants

Revised grant estimate for FY 2019-20 is increased to Nu. 13,722.970 million from the approved estimate of Nu. 10,891.310 million. Over the fiscal year, Nu. 2,831.660 million was incorporated, consisting of GoI grant Nu. 1,337.533 million and Nu. 230.018 million from ADB and balance from other development partners. The summary of the incorporations made during the year is shown in Table 3.4.2

**Table 3.2: Summary of Incorporations**

		<i>Nu. In Million</i>
Sl. #	Name of Donor	Amount
1	ADB	230.018
2	UNICEF	57.442
3	GoI	1,337.533
4	WHO	64.548
5	EU	30.782
6	ADHOC	6.912
7	SCF/USA	2.500
8	ICIMOD and ICIMD	5.672
9	UNDP	22.533
10	BTFEC	40.276
11	GCF	86.463
12	BF	8.266
13	FF	42.171
14	WWF	18.812
15	GEF –UNDP	18.831
16	AUSTRIAN	48.110
17	Others	810.791
<b>Total</b>		<b>2,831.660</b>

### 3.3 Resource Estimates for FY 2020-21

Total resource for FY 2020-21 is estimated at Nu. 53,822.073 million, which is an increase by 2 percent compared to previous fiscal year. The increase is due to front-loading of external grants mainly from GoI by 47 percent compared to previous year.

### 3.3.1 Domestic Revenue

Total Domestic Revenue for FY 2020-21 is estimated at Nu. 33,189.392 million which is one of the lowest in the recent past. It is 14 percent lower than the previous year mainly contributed by the COVID-19 situation. With the travel restrictions, the estimated tourism receipts (SDF and Visa Fees) accounting for 5 percent of the total domestic revenue may not be realized. Sales tax collection from hotels, airport tax, CIT and BIT from tourism related business entities may sharply drop as these are closely linked to tourist arrivals. Further due to the lock down in the neighboring countries, imports and exports have been affected, which will also result in lower collection of sales tax and customs duty.

Implementation of the new tax measures passed by the Parliament will also impact the revenue collection, as 17 percent from estimated PIT followed by 5 percent from CIT and 5 percent from sales tax will be forgone. The BIT and CIT deferment granted under the fiscal measures may have to be adjusted to the evolving situation of COVID-19 which will further aggravate the revenue performance.

In order to ensure that the revenue targets are met, the MHP shall be maintained under profit transfer modality during the fiscal year and the commencement of debt servicing is scheduled for the beginning of 2021.

With the grant of the Druk Gyalpo Relief Kidu (DGRK), acceleration of the implementation of the 12FYP activities through front-loading, and new spending through the ECP is expected to stimulate growth and enhance income generating activities, which will have positive impact on revenue performance.

The details of domestic revenue estimates for FY 2020-21 is provided in Table 3.3.

**Table 3.3: Domestic Revenue for FY 2020-21**

		<i>Nu. In Million</i>	
	<b>Particulars</b>	<b>2020-21</b>	<b>% of Total Resource</b>
<b>A</b>	<b>Domestic Revenue</b>	<b>33,189.392</b>	<b>61.67</b>
1	Taxes	20,569.603	38.22
	Taxes on Income, Profits and Capital Gains	9,397.337	17.46
	Corporate Tax	6,922.443	12.86
	DHI	2,020.560	3.75
	DGPC	2,094.987	3.89
	BPC	296.819	0.55
	Others	2,510.080	4.66
	Business Income Tax	921.700	1.71
	Personal Income Tax	1,553.194	2.89
2	Taxes on Property	53.353	0.10
3	Taxes on Goods and Services	6,070.386	11.28
	Sales Tax	3,938.849	7.32
	Excise Duty	860.276	1.60
	Domestic Excise Duty	860.276	1.60
	Green Tax	836.359	1.55
4	Taxes on International Trade and Transactions	560.364	1.04
	Customs Duty	560.364	1.04
5	Other Taxes	4,488.163	8.34
	Royalty	4,394.713	8.17
<b>B</b>	<b>Other Revenue</b>	<b>11,222.135</b>	<b>20.85</b>
	Interest receipt from corporation	1,658.510	3.08
	Dividend	3,813.473	7.09
	o/w DHI Dividend	3,754.129	6.98
	Net Profit Transfer	5,696.380	10.58
	o/w RMA	2,000.000	3.72
	o/w MHP	3,696.380	6.87
<b>C</b>	<b>Current Revenue from Government Agencies</b>	<b>1,367.279</b>	<b>2.54</b>
<b>D</b>	<b>Capital Revenue from Government Agencies</b>	<b>29.930</b>	<b>0.06</b>

### 3.3.2 Grants

External Grant comprises of program grants and project tied grants received from development partners. Major portion of the grant is from GoI followed by ADB, EU and others. In FY 2020-21, the estimated grant is Nu. 20,142.848

million of which, Nu. 3,036.644 million is program grant and Nu. 17,106.204 million is project tied grant. This is about 54 percent increase as compared to the previous year mainly on account of front-loading to support increase in capital expenditure. External Grant is expected to cover 55.5 percent of the capital expenditure. The summary of grants is provided in Table 3.3.4.2.

**Table 3.4: Summary of Grants for FY 2020-21**

		<i>Nu. In Million</i>
<b>Sl. No</b>	<b>Donors</b>	<b>Amount</b>
1	Asian Development Bank (ADB)	779.391
2	Bhutan Foundation (BF)	40.000
3	European Union (EU)	426.735
4	Global Environmental Finance (GEF-UNDP)	202.276
5	Global Fund to Fight Aids, Tuberculosis & Malaria	52.708
6	Government of Austria (GoA)	169.952
7	Government of India (GoI)	16,502.423
8	Green Climate Fund (GCF)	603.727
9	Swiss Development Organization (HELVETAS)	35.276
10	International Fund for Agriculture Development (IFAD)	124.404
11	SAARC Development Fund (SDF)	11.425
12	Save The Children Fund	125.545
13	The Netherlands	118.937
14	United Nations Children's Fund	101.608
15	United Nations Development Programme (UNDP)	20.602
16	UN Environment Programme (UNEP)	49.530
17	United Nations Fund for Population Activities (UNFPA)	29.741
18	World Bank	305.391
19	World Food Program (WFP)	37.702
20	World Health Organization (WHO)	104.856
21	World Wildlife Fund (WWF)	17.572
22	Other Development Partners	283.047
<b>Total</b>		<b>20,142.848</b>

### 3.4 Medium Term Resource Outlook

The medium-term resource framework provides a summary of the resource outlook based on which annual budgets are planned. It also describes key developments and trends in tax revenue, non-tax revenue and external grants consistent with government interventions to improve fiscal position.

Over the medium-term, domestic revenue on average is projected to grow by 12 percent. While tax revenue is expected to increase by 19 percent, non-tax revenue is expected to grow by 11 percent. Major increases are anticipated from corporate income tax, business income tax and personal income tax by 17.9 percent, 31.2 percent and 16.7 percent respectively. Further, with the implementation of the Goods and Services Tax Act 2020, with effect from July 2021, tax revenue is expected to increase.

Total grants in the medium term (FY 2021-22 to FY 2022-23) is projected at Nu. 18,801.560 million and expected returns from other receipts amounts to Nu. 543.365 million. The grants are projected to constitute about 19.2 percent of the total resources and cover at least 55 percent of the capital expenditure in the medium term.

**Table 3.5: Medium-term Resource Outlook**

	<i>Nu. In Million</i>					
	Actual 2018-19	Revised 2019-20	Estimates 2020-21	Outlook 2021-22 2022-23		Average Growth
Resources	42,033.296	52,726.618	53,822.073	49,547.261	47,997.960	-3.0%
Domestic Revenue	34,707.670	38,495.848	33,189.392	36,617.913	41,582.393	3.4%
Taxes	27,171.147	24,951.453	20,569.603	24,399.802	28,966.624	6.6%
Taxes on Income, Profits and Capital Gains	12,088.909	13,837.758	9,397.337	10,386.184	13,233.134	1.9%
Corporate Tax	9,117.405	10,115.858	6,922.443	7,725.716	9,589.262	1.4%
Business Income Tax	1,422.493	1,577.963	921.700	1,022.903	1,549.227	6.9%
Personal Income Tax	1,549.011	2,143.937	1,553.194	1,637.565	2,094.645	1.9%
Taxes on Property	33.455	46.821	53.353	67.780	99.361	29.2%
Taxes on Goods and Services	9,603.992	6,457.251	6,070.386	7,196.132	7,751.227	6.8%
Taxes on International Trade and Transactions	678.108	566.883	560.364	731.220	749.389	10.6%
Customs Duty	678.108	566.883	560.364	731.220	749.389	
Other Taxes	4,766.683	4,042.525	4,488.163	6,018.484	7,133.513	21.2%
Royalty	4,590.427	3,897.814	4,394.713	5,771.692	6,855.151	
Other Revenue	6,321.851	12,050.091	11,222.135	10,473.972	10,634.200	-4.0%
Interest receipt from corporation	1,242.465	937.941	1,658.510	2,626.471	2,599.130	
Dividend	3,405.356	4,162.242	3,813.473	5,787.828	5,921.961	
Net Profit Transfer	1,550.243	6,899.668	5,696.380	2,000.000	2,045.199	
Current Revenue from Government Agencies	1,189.756	1,266.889	1,367.279	1,709.921	1,941.188	15.5%
Capital Revenue from Government Agencies	24.916	227.416	29.930	34.218	40.380	-18.2%
Other Receipts	(3,190.860)	507.800	489.833	292.576	250.780	
External Grants	10,516.486	13,722.970	20,142.848	12,636.772	6,164.788	-13.9%

**Source: MFCC**

### 3.5 Tax Buoyancy for the medium term

Tax Buoyancy is an indicator to measure efficiency of domestic revenue mobilization in response to economic growth. A percent change in GDP should translate to one percent change in domestic revenue. 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 shows less than proportionate response of the revenue to growth in GDP.

**Table 3.6: Tax Revenue and Buoyancy**

Tax Heads	Nu. In Million				
	2018/19 (Actual)	2019/20 (Revised)	2020/21 (Estimates)	2021/22 (Proj.)	2022/23 (Proj.)
Domestic Revenue	34,707.67	38,495.63	33,189.392	36,617.91	41,582.39
Total Domestic Revenue Growth	-5.9%	10.9%	-13.8%	10.3%	13.6%
Buoyancy	(1.04)	0.78	(1.37)	0.97	1.10
Direct Tax Revenue	16,889.05	17,927.10	13,938.85	16,472.45	20,466.01
DTR growth	5.8%	6.1%	-22.2%	18.2%	24.2%
Buoyancy	1.03	0.44	(2.20)	1.70	1.97
Indirect Tax	10,282.10	7,024.13	6,630.75	7,927.35	8,500.62
Indirect Tax Growth	-5.3%	-31.7%	-5.6%	19.6%	7.2%
Buoyancy	(0.94)	(2.27)	(0.56)	1.83	0.59

As evident from the table, the buoyancy for domestic revenue is estimated to decline from 0.78 in FY 2019-20 to negative 1.37 in FY 2020-21 mainly attributed to COVID-19 impact on tax paying entities and individuals.

However, with the measures, both direct and indirect taxes are expected to improve in line with economic growth. As a result, direct taxes are projected to respond positively during FY 2021-22 and FY 2022-23 with a buoyancy of 1.7 and 1.9 respectively, representing strong economic performance. Similarly, during FY 2021-22 and FY 2022-23, indirect taxes are estimated to improve on account of increased spending and government consumption with a buoyancy of 1.8 and 0.6 respectively. The expected additional revenues from GST will further improve the tax buoyancy for indirect taxes.

# Chapter 4

## Expenditure

### 4.1 Revised Budget for FY 2019-20

The approved budget for FY 2019-20 was Nu. 64,826.725 million with the fiscal deficit of Nu. 6,578.110 million which is 3.04 percent of GDP. Based on mid-year budget review exercise, technical adjustments were made responding to changing priorities of the budgetary agencies. In addition, budget has been provided for COVID-19 pandemic containment measures and to stock essential food items and fuel through re-appropriation and technical adjustments.

During the year, Nu. 3,426.884 million has been incorporated of which Nu. 2,528.607 million is external grants for projects and Nu. 898.277 million on account of revision of pay and allowances for RBP, KGUMSB, JSWSL, SoEs and stipends. Based on the mid-year budget review, Nu. 1,497.545 million has been adjusted against the provision for MHP loan repayment which has been deferred. As such, the net increase through incorporation amounts to Nu. 1,929.339 million, based on which the total budget has been revised to Nu. 66,756.064 million. With the revised budget the fiscal deficit is estimated at Nu. 11,888.848 million, which is 6.18 percent of GDP. However, capital budget utilization has been affected by the COVID-19 situation, and therefore, the fiscal deficit is expected to remain within the fiscal target of 3 percent.

Additional incorporations are expected during the last quarter of the fiscal year as the Government has initiated implementing the DGRK, interest waiver and the ECP from April 2020.

**Table 4.1: Summary of Appropriations as of March 31st 2020**

Nu. In Million		
Particulars	Approved Budget	Revised Appropriation (31 <sup>st</sup> March 2020)
Expenditure	61,197.307	64,615.466
Current Expenditure	34,652.765	35,819.345
Capital Expenditure	26,544.542	28,796.121
Repayments	3,306.333	1,817.513
Internal	11.404	11.404
External	3,294.929	1,806.109
On Lending	323.085	323.085
<b>Grand Total</b>	<b>64,826.725</b>	<b>66,756.064</b>

#### **4.1.1 Current expenditure**

The current expenditure for FY 2019-20 is revised from Nu. 34,652.765 million to Nu. 35,819.345 million. The increase in current expenditure is Nu. 1,166.580 million of which Nu. 898.277 million is for pay revision in respect of RBP, KGUMSB, JSWSL, SoEs and stipends and the balance Nu. 268.303 million is provided for COVID-19 related activities and other donor funded activities. Most of the budget requirements for COVID-19 were provided through internal reprioritization, re-appropriations and technical adjustments.

#### **4.1.2 Capital expenditure**

The capital expenditure has been revised from Nu. 26,544.542 million to Nu. 28,796.121 million. The increase in capital expenditure is Nu. 2,251.579 million and is mainly due to incorporation of donor funded activities.

These incorporations and technical adjustments were made in keeping with the relevant provisions of the Public Finance (amendment) Act of Bhutan 2012.

### **4.2 Comprehensive National Response to COVID-19**

The Government has adopted the Comprehensive National Response to address the immediate economic challenges facing the country in an effective and timely manner by implementing the key recommendations in the areas of ***ensuring public health and safety, maintaining public confidence*** and ***macro-economic stability and transformation*** submitted by the group of Specialists constituted as per Royal Command.

Firstly, for Ensuring Public Health and Safety, budget has been provided on a priority basis for prevention, containment and treatment. Secondly to Maintain Public Confidence, the Druk Gyalpo Relief Kidu and Interest Payment Relief are under advanced stages of implementation besides stockpiling of essential commodities. Lastly, with regard to macroeconomic stability and transformation, the Economic Contingency Plan is under implementation underpinned by fiscal and monetary measures. Brief implementation status is presented below.

#### 4.2.1 Budget provided for COVID-19

With the outbreak of COVID-19 pandemic and detection of the first positive case in March 2020, the Government has provided budget on priority basis for containment measures through internal re-appropriation and technical adjustments. In addition, budget has been provided for stocking of essential food items, fuel and other related activities to ensure public safety as follows:

		<i>Nu. in millions</i>
<b>Sl.#</b>	<b>Name of activities</b>	<b>Amount</b>
1	Procurement of PPE suit, drugs, non-drugs, and flu clinics	206.060
2	Stocking of essential food items and fuel	988.677
3	Quarantine facilities (logistics and food)	88.920
4	Others	74.460
<b>Total</b>		<b>1,358.117</b>

Recognizing the importance, the budget requirement for health and safety has been adequately provided. Further, to meet the increasing expenditure additional resources have been mobilized from internal and external sources.

#### 4.2.2 COVID-19 Response Fund

Considering the overwhelming support, the Government has opened a COVID-19 Response Fund to deposit the voluntary contributions made by the general public, business entities and international organizations. The fund balance is Nu. 135.430 million as of 19<sup>th</sup> May, 2020. The fund will be used for COVID-19 related activities through the National Resilience Fund (NRF).

### Summary of COVID-19 Response Fund

Sl.#	Particulars	Amount	
		Nu	US\$
1	Individual Contribution within Bhutan	85,085,576.270	
2	International Agencies	48,476,990.000	
3	Individual contribution from Abroad		26,300
<b>Total</b>		<b>133,562,566.270</b>	<b>26,300</b>

#### 4.2.3 National Resilience Fund (NRF)

During the address to the nation on 10th April, 2020, His Majesty the King commanded that, *“Under ordinary circumstances, we have always exercised extreme prudence and carefully weighed the costs and benefits of every expenditure, to ensure the most judicious use of our limited resources while constantly keeping the long-term interest of the nation at heart. However, the situation we are in today is extraordinary, and unlike any we have experienced thus far. We are confronted with a dangerous global pandemic of an unprecedented scale posing an imminent threat to our people. Therefore, building the resilience, confidence and security of our people must take greater priority over conserving our resources.”* Considering the exceptional circumstances and the need for unconventional strategies to build economic resilience and boost growth, the National Resilience Fund has been established with a fund size of Nu. 30,000 million based on Royal Command. The sources mobilized for the NRF includes internal and external resources.

The DHI and its subsidiaries contributed Nu. 1,564 million to the NRF. In addition, the Government has received Nu. 1,503 million from ADB’s COVID-19 Active Response and Expenditure Support (CARES) and Nu. 740 million from the World Bank from the respective packages announced for COVID-19. Among others, the NRF shall finance the DGRK and Interest Payment Relief.

**DGRK:** His Majesty has granted the Relief Kidu to those people who have been laid off or placed on reduced salaries to provide them immediate financial support. Besides defraying the living expenses and sustaining demand for goods and services, the Royal Kidu would also boost morale and provide assurance and hope, despite the current hardships. The Government is implementing the DGRK. About 15,000 individuals have received the DGRK for the month of April for which Nu. 161.3 million has been disbursed. As per the application received, the beneficiaries are expected to increase as more than 30,000 have applied for the Relief Kidu by end of May 2020.

***Interest Payment Relief:*** In order to ensure relief is inclusive, interest waiver has been granted to all borrowers for the months of April-June 2020 which is expected to provide significant relief to the borrowers facing difficulties in fulfilling their loan repayment obligations due to the current economic downturn. Of the total interest waiver, 50 percent shall be subsidized by the Government. The balance 50 percent shall be borne by the respective financial institutions. The interest subsidy is estimated at Nu. 650 million per month which shall be disbursed to the financial institutions after verification by the RMA. About 145,460 accounts holders are expected to benefit from the interest waiver.

#### **4.2.4 Fiscal and Monetary Measures**

As an immediate intervention, the Government has announced various fiscal and monetary measures for the period April-June 2020. The details of the measures are presented in Box 1 in this report. Based on the evolving COVID-19 situation, the effectiveness and relevance of these measures will be reviewed and sharpened to ensure that the targeted sectors receive adequate policy support. Further, the Government will assess the need for additional measures to support the affected sectors.

#### **4.2.5 Economic Contingency Plan**

In order to overcome the present economic disruptions and with a view to stabilize the economy and stimulate growth, the government has reprioritized the 12FYP and front-loaded various activities to fast-track the implementation. Particular emphasis has been placed on revitalizing the rural economy, creating employment opportunities amongst others. Over and above the planned activities, the Government has initiated the implementation of Economic Contingency Plan in the areas of Tourism Resilience, Build Bhutan Project, Agriculture and Farm Road improvement. The ECP will be implemented with a budget of about Nu. 4,000 million over and above the regular budget of the agencies. As the activities under ECP are at an advanced stage of finalization, most of the activities will be implemented in the FY 2020-21.

### **4.3 Supplementary Appropriations**

Based on incorporation of externally funded projects during the FY, Supplementary Budget Appropriation Bill for FY 2019-20 (Part II) of Nu. 1,031.062 million is submitted to the House for consideration. With this incorporation, the total budget appropriation for FY 2019-20 is revised from Nu. 64,826.725 million to Nu. 66,756.064 million. This includes Nu. 898.277 million tabled as Supplementary Budget Appropriation Bill for FY 2019-20 in the beginning of the Third Session.

#### 4.4 Budget Estimates for FY 2020-21

With the theme of '*Economic Resilience and Transformation*', the budget for FY 2020-21 aims to intensify and accelerate implementation of the programs and activities. Accordingly, highest share of capital budget as percent of plan outlay has been allocated. However, the COVID-19 pandemic has disrupted the economy, affected public health and general livelihood of the people. While the tourism and allied sectors are affected the most, the construction and manufacturing sectors are also experiencing slowdown. As a result, due to the uncertainties associated with COVID-19 pandemic, the revenue performance is estimated to drop by 14 percent as compared to the last fiscal year.

Recognizing the Constitutional requirement of having to meet the cost of recurrent expenditures from internal resources, the Government will implement the following budget policies:

- a) Rationalize in-country and ex-country travels;
- b) Defer Leave Travel Concession (LTC) payments towards the end of FY except for those completing terms or superannuating;
- c) No hiring of private building for office space;
- d) Postpone the activation of Salary Indexation to next FY;
- e) Transfer of Civil Servants shall be without transfer benefits;
- f) Defer the option to monetize Vehicle Quota during the FY, without affecting the date of next allotment;
- g) Provide current budget as annual (Block) grants to all the budgetary agencies; and

In addition to the above, further rationalization will be carried out if the revenue performance falls below the estimates. However, should the revenue performance improve, the above policy measures shall be relaxed.

One of the major reforms is the provision of current budget in the form of annual (Block) Grants from FY 2020-21 to all budgetary agencies. The grant consists of '*Mandatory*' and '*Controllable*' expenses. Salaries and wages, stipends, medical benefits, rentals, international subscriptions, and interest payment are categorized under '*Mandatory*' heads and the budget is provisioned on an actual basis. Whereas, expenses such as office supplies, utilities and maintenance etc are categorized under '*Controllable*' head and the budget for this category is provisioned as lump sum to provide flexibility to budgetary agencies in optimizing the use of current budget. For ensuring proper usage, the Government shall issue guidelines for annual grants.

In order to facilitate acceleration and front-loading of 12FYP activities, 31 percent of the capital outlay has been provisioned for the FY and is one of the highest allocations as compared to past plans. This allocation will increase with incorporation of Economic Contingency Plan (ECP) activities which are mostly funded through external sources. Since the domestic revenue will be adequate to cover only recurrent expenditure, capital budget for FY 2020-21 will either be financed through external grants, or concessional external and domestic borrowings. Arrangements have been made to front-load external grants to improve the fiscal deficit, nevertheless the deficit still remains at an elevated level of 7 percent against the target of 5 percent of GDP.

In order to deepen fiscal decentralization and provide flexibility in the budget execution, the budget for Dzongkhags and Thromdes will be provided as Annual Grants like the Gewogs from the FY 2020-21. In addition, current grants will be introduced to all the central agencies. These reforms are expected to promote ownership in the optimal utilization of the allocated budget for priority activities by budgetary bodies, besides ensuring accountability.

The budget allocated to the Dzongkhags and Thromdes shall be referred as Annual Grant for Dzongkhags (AGD) and Annual Grants for Thromde (AGT). The existing practice of Dzongkhag Development Grant (DDG) will be discontinued. With this, the constitutional requirement of having to provide budget in the form of annual grants to the Local Governments has been fully achieved.

#### **4.4.1 Total Budget Appropriation FY 2020-21**

The total budget appropriation for FY 2020-21 is estimated at Nu. 73,989.881million of which Nu. 32,900 million (44 percent) is for current expenditure and Nu. 36,251.122 million (49 percent) for capital expenditure. The balance of Nu. 4,838.759 million (7 percent) is for principal repayment (Nu. 3,624.360 million) and for on-lending (Nu. 1,214.399 million). The budget appropriation is about 14 percent increase as compared to the approved budget of FY 2019-20.

The budget appropriation is detailed below:

**Table 4.2: Budget Appropriation for FY 2020-21**

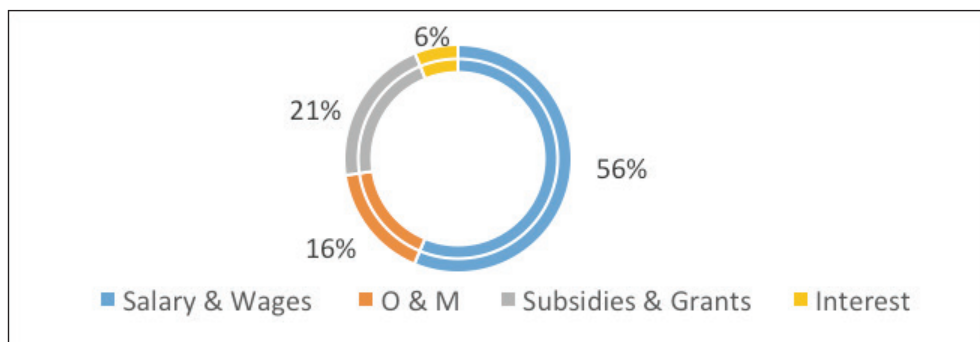
Nu. in millions	
Particulars	Amount
Expenditure	69,151.122
Current Expenditure	32,900.000
Capital Expenditure	36,251.122
Repayments	3,624.360
Internal	12.269
External	3,612.091
On Lending	1,214.399
<b>Grand Total</b>	<b>73,989.881</b>

#### 4.4.1.1 Current expenditure

The current expenditure for FY 2020-21 is estimated at Nu. 32,900 million which is a decrease of about 5 percent from the approved budget of FY 2019-20. The decrease is mainly on account of fall in domestic revenue. Accordingly, current expenditure has been adjusted within the available domestic revenue in keeping with the constitutional requirement of having *to meet the recurrent expenditures from internal resources*.

The current expenditure also includes interest payment of Nu. 1,775.793 million (External) and Nu. 251.906 million (Internal). The component of current expenditure is given in the figure.

**Figure 4.1: Components of Current Expenditure**

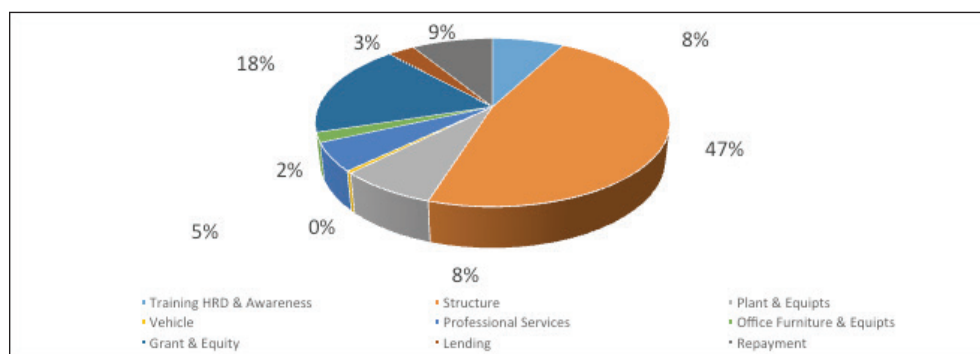


#### 4.4.1.2 Capital expenditure

The capital expenditure for FY 2020-21 is estimated at Nu. 36,251.122 million, which is about 49 percent of the total appropriation. Of the total capital expenditure, 56 percent shall be met from grants, about 11 percent from external borrowings and the balance is from internal borrowings. The Government will make concerted effort to mobilize additional grant financing and concessional external borrowings to improve fiscal position and minimize domestic borrowings.

The component of capital is given in the chart below:

**Figure 4.2: Components of Capital Expenditure**



#### 4.4.1.3 Lending

Concessional external borrowings sourced by the Government for financing projects by State Owned Enterprises is provided in the form of on-lending. For the FY 2020-21, total on-lending is Nu. 1,214.399 million which will be provided to BPC for Rural Electrification under JICA funding and DHI for Phuentshogling Township Development Project under ADB funding.

#### 4.4.1.4 Repayment

Loans availed by the Government for financing capital budget and on-lending to SoEs are repaid as per the amortization schedule agreed with the lenders. During the FY, total repayment is Nu. 3,624.360 million of which Nu. 3,612.091 million is for external borrowings and Nu. 12.269 million for domestic borrowings.

## 4.5 Sector allocation

During the FY, General Public Services have been allocated the highest allocation of Nu. 25,778.272 million accounting for 35 percent of the total allocation followed by Economic and Public Services and Social Services which receive 25 percent each respectively. The major activities under each of the sectors are provided in the annexure 4.2.

Summary of sector allocation for FY 2020-21 is presented below:

**Table 4.3: Sector allocation for FY 2020-21**

<i>Nu. In Million</i>				
Sectors	Current	Capital	Total	% Share
Social Services	10,700.878	7,753.229	18,454.107	25%
Health	3,641.243	2,796.715	6,437.958	9%
Education	7,059.635	4,956.514	12,016.149	16%
Economic & Public Services	4,816.502	13,758.251	18,574.753	25%
Agriculture	2,474.600	4,695.780	7,170.380	10%
Communications	702.927	757.759	1,460.686	2%
Housing & Community	550.483	2,082.102	2,632.585	4%
Energy	129.090	242.972	372.062	1%
Mining & Manufacturing	488.950	1,164.977	1,653.927	2%
Roads	470.452	3,755.505	4,225.957	6%
Cultural Services	739.173	1,059.156	1,798.329	2%
General Public Services	12,820.657	12,957.615	25,778.272	35%
Law & Order Services	1,795.092	722.871	2,517.963	3%
	30,872.301	36,251.122	67,123.423	91%
Repayment	2,027.699	3,624.360	5,652.059	8%
Lending	-	1,214.399	1,214.399	2%
<b>Total</b>	<b>32,900.000</b>	<b>41,089.881</b>	<b>73,989.881</b>	<b>100%</b>

### 4.5.1 Health sector

The outbreak of COVID-19 pandemic and detection of the first positive case in March has alerted the health system to prepare for preventing and combating the virus from spreading in the country. Accordingly, the National Preparedness and Response Plan (NPRP) has been developed with an objective to enhance the health sector's capacity in surveillance, early detection, control

and prevention, response and recovery from the outbreak in the country. As a part of the implementation of the NPRP, the Government has mobilized additional manpower by recalling 6 retired doctors and 49 health workers including specialist, GDMOs, Dental surgeons, Nurses and Technicians who were pursuing various specialized long-term courses abroad. In addition, medicines, PPEs and other necessary medical equipment have been procured to last up to 6 months. The Government has also developed Druk Trace Apps to enable fast and easy contact tracing in the event of community transmission besides regularly creating awareness on hygiene and social distancing.

For the FY, the health sector is allocated a total of Nu. 6,437.958 million accounting for about 9 percent of the total allocation. Of the total, Nu. 3,549.940 million is provisioned under the Ministry of Health. The allocation includes Nu. 1,376.085 million for procurement of drugs and non-drugs and medical equipment under MoH and JDWNRH to ensure adequate medical supplies to all the hospitals and BHUs in the country.

Other major capital activities include Construction of 150 bedded Gyaltsuen-Jetsun Pema Mother and Child Hospital, 40 bedded hospitals in Dewathang, 20 bedded hospital at Dechencholing, Nganglam, Tashicholing, and Construction of additional hospital wing at JDWNRH.

Further, Nu. 689.400 million is provisioned for implementation of health Flagship programs such as Gastric Cancer, Cervical Cancer and Breast Cancer programs.

#### **4.5.2 Education sector**

The Government continues to accord high priority towards providing equitable and quality education besides professional development of teachers. Towards achieving this objective, the Government has increased stipend of the students to provide safe and nutritious meals. The Government has also done away with the cut off point for class X and continues the scholarship program for class XI and XII. There will be approximately 5,176 students availing the scholarship programs.

For the FY, the Education Sector is allocated with Nu. 12,016.149 million accounting to 16 percent of the total budget appropriation. Some of the major activities include Construction of Chhundu Central School, infrastructure development in 58 central schools, 20 Boarding Primary schools, Royal Uni-

versity of Bhutan and Ex-country undergraduate scholarship program. The allocation also includes provision for school feeding programs covering about additional 22,000 students in 85 schools and 70 Extended Classrooms.

In order to facilitate on-line learning through digital platforms, the Government has allocated for Education Flagship Program Nu. 667.500 million mainly for setting up of computer labs, capacity development of teachers and ICT Lab Assistants.

#### **4.5.3 Renewable Natural Resource (RNR) sector**

The RNR Sector plays an important role in securing food sufficiency by increasing domestic production. Taking advantage of the COVID-19 situation and to boost the contribution of the agriculture sector to GDP growth, the Government is supporting enhancement of agricultural and Livestock production through commercial ventures, youth groups and easy access to financing with the establishment of NCSI development bank which provides micro loans up to Nu. 0.500 million at an interest rate of 2 percent for agriculture and livestock related activities.

For the FY, the Ministry of Agriculture and Forests has been allocated a budget of Nu. 7,170.380 million which is about 10 percent of the total budget appropriation. Major activities include Land Development and construction of cold storages, installation of input supply infrastructure facilities, RNR Enterprise development program, and promotion of climate smart agriculture in the six eastern Dzongkhags, conservation and protection of environment, promotion and development of livestock sector and rural development and climate change response program.

Further, Nu. 341.798 million has been allocated under the Organic Flagship Program for production of organic manure and up-scaling production of selected crops and marketing purposes.

As a response to the COVID-19 situation, the Government is implementing food security project for boosting agriculture and livestock production under the Economic Contingency Plan. Considering the opportunity, many youth groups and displaced employees from the tourism sector are also actively engaging in the agriculture sector.

#### **4.5.4 Mining and Manufacturing Industry**

Mining and manufacturing industries play an important role in the production of goods and services and help in expansion and growth of the country's economy. The government recognizes its contribution to the GDP and accords high priority to accelerate its development in the country.

For the FY, a budget of Nu. 1,653.927 million is allocated to the sector. Some of the major activities include establishment of three industrial parks at Dhamdum, Motanga and Jigmeling, and development of Dry Port and Industrial estates at Pasakha and Bjemina.

Further, a budget of Nu. 288 million is allocated under CSI Flagship Programs for establishment of CSI Estates at Paro, Bumthang and Tsirang and establishment of start-up centers at Damdum, Samtse and Gyalposhing, Mongar.

#### **4.5.5 Tourism**

Tourism Sector is one of the main sectors contributing to national revenue and generating employment. However, it has been severely impacted by the outbreak of COVID-19 pandemic. In order to revive the sector, the Government has initiated tourism resilience program under the Economic Contingency Plan mainly to productively engage the displaced employees in face-lifting tourism infrastructures.

Accordingly, for the FY Nu. 345.671 million has been allocated to implement various activities such as training in tourism and hospitality, face-lifting and beautification of tourist sites, waste management and re-skilling for deployment in the Construction sector.

#### **4.5.6 Vocational training and employment**

While the country is faced with the challenge of youth unemployment, there is also a large number of foreign workers engaged in the construction and manufacturing sectors. The recent outbreak of COVID-19 has not only forced people out of jobs, but returning of Bhutanese working abroad has further aggravated the unemployment situation in the country.

In order to address the situation, the Government has initiated the Build Bhutan Project under the Economic Contingency Plan to make the sector financially and professionally attractive. Under this project, construction work is

to be transformed through greater use of technology, automation and hiring modalities. Towards achieving this goal, a budget of Nu. 915.760 million has been allocated to the Ministry of Labour and Human Resources in FY 2020-21. The major activities include Youth Engagement and Livelihood Program (YELP) and critical skills training.

For professional development and to prepare for formal and self-employment through enhancement of learning and developing work related skills, the existing VTIs will be up-graded into Technical and Vocational Education and Training (TVET) Institutes. In addition, expansion of the existing Technical Training Institute (TTI) and construction of new TTI, Thimphu will be undertaken.

#### **4.5.7 Roads sector**

The Government continues to accord high priority for construction and maintenance of roads. For the FY, the road sector allocation is Nu. 4,225.957 million which is about 6 percent of the total budget appropriation.

Of the total, Nu. 1,240.825 million is for Road Improvements, Nu. 1,035.622 million for New constructions, Nu. 498.488 million for Resurfacing works and Nu. 242.976 million for construction of bridges. In addition, Nu. 795.868 million is provided for Blacktopping of GC roads and Nu. 210.500 million for Monsoon Restoration Works.

Under the Economic Contingency Plan (ECP), the Government plans to initiate the improvement of about 1,447 km of Farm Roads with existing road connectivity (one farm road from each Gewog). This is expected to improve access to market, reduce transportation cost and enhance rural income.

#### **4.5.8 Urban development, housing and public amenities sector**

In order to create a sustainable and livable urban center, the Government accords priority for provision of amenities such as roads, sewerage services, water supply, street lightings, storm water drainage, housing etc.

During the FY, a budget of Nu. 2,632.585 million is allocated for development of the urban sector. Some of the major activities include construction of Water Supply and Sewerage system at Dewathang, Samdrup Jongkhar and Babesa and construction of Integrated Check Posts at Rinchending, and Bumpagang under Chukha Dzongkhag.

In addition, the allocations include LAP development at Shechemthang, Sar-pang and flood mitigation works for Dungsamchhu at Samdrup Jongkhar.

#### **4.5.9 Communication sector**

The COVID-19 pandemic has given a thrust for innovation and technological transformation to facilitate uninterrupted flow of goods and services in the economy. During the closure of schools, as a containment measure to prevent the spread of COVID-19, the communication sector facilitated continued learning through virtual and e-learning platforms for students. In addition, smart phone Apps such as Druk Trace will facilitate tracking primary and secondary contacts in the event of local transmission.

For the FY, a budget of Nu. 1,460.686million is allocated for development of this sector. The budget includes Nu. 1,171.620 million for Digital Druk-yul Flagship Program. Some of the major activities include development of the Digital Identity, Online Platforms for School, Electronic Patient Information System and Bhutan Integrated Taxation System. Other activities include implementation of Bhutan Sustainable Low Emission Transport System, Runway resurfacing and construction of Apron Taxiway at Bumthang Domestic Airport.

In addition, Aeronautical surveillance systems, flight inspections services and airport rescue and facilitation centers will be established. As part of the commitment to achieve “**Universal Connectivity**” a budget of Nu. 96.820 million has been provisioned under the Rural Communication Project.

#### **4.5.10 Energy sector**

Bhutan has a significant potential for renewable and sustainable energy. Towards the achievement of reliable and energy security through diversified modes, the sector has been allocated Nu. 372.062 million.

Some of the major activities include preparation of DPR for Kuri-Gongri hydro-power project, On-grid electrification of Rural Off-grid households, promotion of Renewable Energy and energy efficient technologies in building sectors and carrying out pre-feasibility studies of Burichhu and Udzorong Hydro-power projects.

#### **4.5.11 Religion and Cultural services**

For the FY, a budget of Nu. 1,798.329million is allocated under the Religion and Culture Sector which includes Dzongkha Development Commission and Council for Religious Affairs. Some of the major activities include ongoing re-construction of Wangduephodrang, Drugyel and Pema Gatshel Dzongs and construction of Sarpang and Lingzhi Dzongs. The budget also includes construction of Lhakhang at Rajgir (India) and restoration of Sangachoekhor, Tango, Chari and RigsumGoenpas.

#### **4.5.12 Law and Order services**

Under Law and Order Services, budget of Nu. 2,517.963 million has been provisioned for the 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 budget, Nu. 173.939 million is for the Royal Court of Justices mainly for construction and renovation of Courts and Drangpon residences. For the Royal Bhutan Police (RBP), Nu. 253.568 million has been allocated mainly for professionalization of RBP personnel, procurement of communication and security equipment, procurement of utility vehicles and construction/renovation of offices and family quarters.

#### **4.5.13 General Public Service**

The General Public Services include Local Governments, Finance, Foreign Service, Constitutional Bodies, Immigration, Civil Registration and Census, Autonomous agencies and Commissions which are not classified under any of the major sectors. This sector has been allocated with Nu. 25,778.272 million accounting to the about 35 percent of the total budget appropriation.

Some of the major activities include re-construction of Kutshab Residence in RBE, New Delhi, construction of Chancery building, RBE Dhaka, development of electronic custom management system and sensitization and capacity building on GST.

#### **4.5.14 Human Resource Development**

For the Human resource development, a budget of Nu. 3,200.679 million has been provisioned in the FY. Of the total Nu. 963.330 million is allocated for HRD training under RCSC and the balance is with other budgetary agencies. Some of the major HR programs include Professionalizing Civil Service, Support for cost sharing programs, Professional Development of Teachers and capacity development of Local Government functionaries.

#### **4.5.15 Sports**

For promotion of sporting activities in the country, a sum of Nu. 95.550 million is provisioned. Of the total allocation, Nu. 82 million is for BOC and the balance is for MoE. Some of the major activities include construction of Multi Sports Halls at Tsirang, Paro and Haa, construction of Tennis Court and lighting of football field at Samdrup Jongkhar and major renovation of swimming pool and basketball court in Thimphu.

#### **4.5.16 Local Governments**

Starting from FY 2020-21, except for externally funded activities, Dzongkhags and Thromdes will also receive their budgets in the form of annual grants like Gewogs. The total budget for Local Governments is Nu. 23,947.323 million of which, Nu. 12,127.011 million is current and Nu. 11,820.312 million is capital. Of the total capital budget, Nu. 5,149.664 million sourced under RGOB shall be provided as annual grants (block), whereas Nu. 6,670.648 million sourced under external financing shall be provided as tied.

For the purpose of implementation, Nu. 1,035.394million under external financing pertaining to Gewogs CMI is provisioned under respective Dzongkhags. The following table illustrates the budget allocation to the Local Governments:

**Table 4.4: Allocation for the LGs in FY 2020-21**

					Nu. In Million
Sl.#	Category	Current	Capital		Total
		RGoB	RGoB	External	
1	Dzongkhags	10,135.918	1,546.043	4,190.500	15,872.461
2	Gewogs	801.898	2,760.000	1,035.394	4,597.292
3	Thromdes (including Thromde schools)	1,189.195	843.621	1,444.754	3,477.570
Total		12,127.011	5,149.664	6,670.648	23,947.323

#### 4.5.17 Legislative, Judiciary and Constitutional Bodies National Assembly

A budget provision of Nu. 124.378 million is recommended for the National Assembly of which Nu. 120.404 million is current and Nu. 3.974 million is capital. The capital budgets include procurement of office equipment and installation of center heating system and ventilators.

<i>Nu. In Million</i>	
<b>National Assembly</b>	<b>Recommended</b>
Current	120.404
Capital	3.974
<b>Total</b>	<b>124.378</b>

A budget provision of Nu. 84.882 million is recommended for the National Council of which Nu. 82.522 million is current and Nu. 2.360 million is capital. This capital budget is for documentary production, live streaming of NC Session and press conference.

<i>Nu. In Million</i>	
<b>National Council</b>	<b>Recommended</b>
Current	82.522
Capital	2.360
<b>Total</b>	<b>84.882</b>

## Judiciary

For the FY, the Judiciary has been allocated a budget of Nu. 458.618 million of which Nu. 284.679million is current and Nu. 173.939 million is capital. The Capital Budget is mainly for construction of District and Drungkhag Courts and construction of Drangpon's residences.

<i>Nu. In Million</i>	
<b>Judiciary</b>	<b>Recommended</b>
Current	284.679
Capital	173.939
<b>Total</b>	<b>458.618</b>

## Anti-Corruption Commission

A budget of Nu. 139.781 million has been allocated for the Anti-Corruption Commission for the FY 2020-21 of which Nu. 87.141 million is current and Nu. 52.640 million is capital. The Capital Budget is mainly for furnishing of ACC office building at Phuentsholing, conduct of research in election related disputes and specialized training on anti-corruption studies, investigation, preventions and education.

<i>Nu. In Million</i>	
<b>Anti-Corruption Commission</b>	<b>Recommended</b>
Current	87.141
Capital	52.640
<b>Total</b>	<b>139.781</b>

## Election Commission of Bhutan

A budget of Nu. 78.458 million has been allocated for the Election Commission of Bhutan of which Nu. 35.996 million is current and Nu. 42.462 million is capital. The Capital Budget allocation is mainly for 11<sup>th</sup> SAARC (FEMBO-SA), Public Consultation of Local Government Demkhongs and procurement of VPIC printing machines. Further Nu. 70 million is provisioned under the General Reserve for the upcoming three Thromde Election and Bye Elections

	<i>Nu. In Million</i>
<b>Election Commission of Bhutan</b>	<b>Recommended</b>
Current	35.996
Capital	42.462
<b>Total</b>	<b>78.458</b>

### **Royal Audit Authority**

A budget of Nu. 227.175 million is allocated for the Royal Audit Authority of which Nu. 178.440 million is current and Nu. 48.735 million is capital. The Capital Budget is mainly for Professional Development and Construction of office buildings at Bumthang and Phuentsholing.

	<i>Nu. In Million</i>
<b>Royal Audit Authority</b>	<b>Recommended</b>
Current	178.440
Capital	48.735
<b>Total</b>	<b>227.175</b>

### **Royal Civil Service Commission**

A budget of Nu. 396.169 million is allocated for RCSC of which Nu. 51.649 million is current and Nu. 344.520 million is capital. The Capital Budget is mainly for professionalizing civil service, Nehru-Wangchuck scholarship programs, Young Professional Leadership Program, Foundational Leadership Program, and support to cost sharing HRD programs.

The allocation also includes conduction of Bhutan Civil Service Examination, civil service awards and development of professional competency framework.

	<i>Nu. In Million</i>
<b>Royal Civil Service Commission</b>	<b>Recommended</b>
Current	51.649
Capital	344.520
<b>Total</b>	<b>396.169</b>

## **4.6 Transfers: Annual Grants, subsidies and equities**

In order to support various agencies entrusted with social mandates for effective and efficient service delivery, the Government provides budgetary support in the form of transfers either as annual grants, subsidies or equities.

### **4.6.1 Annual Grants**

For FY 2020-21, a total budget of Nu. 19,409.541million has been provisioned as annual grants of which Nu. 13,224.921 million is recurrent and Nu. 6,184.620 million is for capital grants. Of the total, Nu. 17,267.675 million is for Local Governments, Nu. 1,739.197 million for Tertiary Institutions (RUB and KGUMSB) and Nu. 393.669 million for other agencies such as Alternative Dispute Resolution Center, Bhutan Red Cross Society and Bar Council etc.

### **4.6.2 Subsidies**

For FY 2020-21, a total budget of Nu. 2,130 million has been provisioned as subsidies of which Nu. 2,047 million is for recurrent and Nu. 83.300 million for capital subsidies. Of the total, Nu. 1,838.654 million is provisioned for SoEs namely: BPC, BBSC, FMCL, BLDCL, MSPCL, GBCL and BCCI etc. Under the subsidy, Nu. 208.702 million is for interest and principal payment on account of purchase of Aircraft, Agro processing plants, and for debt servicing of Phuentsholing Housing Complex. Further, Nu. 83 million is provisioned as subsidy to RICBL for Rural Life and House Insurance Scheme.

### **4.6.3 Equities**

A total budget of Nu. 327.900 million is provisioned for Equity injection under Bhutan Livestock Development Corporation Limited (Nu. 31.400 million), FMCL (Nu. 20 Million) and National Cottage and Small Industries Development Bank Limited (Nu. 276.500 million).

The details of grants, subsidies and equities to be provided as fiscal transfer from the government are detailed below:

**Table 4.5: Details of the grants, subsidies and equities for FY 2020-21**

*Nu. In Million*

Sl.#	Particulars	Current	Capital	Total
<b>A Grants</b>				
1	Druk Gyalpo Relief Fund	-	20.000	20.000
2	Bhutan Economic Stabilization Fund	-	200.000	200.000
3	Support to Bhutan Red Cross Society	6.325	-	6.325
4	Support to Bhutan Alternative Dispute Resolution Center (ADRC)	4.640	-	4.640
5	Support to Bar Council	2.000	-	2.000
6	ADB Support to Druk Holding and Investment for Phuentsholing Township Development Project.	-	160.704	160.704
	Sub-total Others	12.965	380.704	393.669
1	Royal University of Bhutan (RUB)	932.279	592.300	1,524.579
2	Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB)	152.666	61.952	214.618
	Sub-total Education Institutions	1,084.945	654.252	1,739.197
1	Annual Dzongkhag Grant (ADG)	10,135.918	1,546.043	11,681.961
2	Annual Grant for Gewogs (205 Gewogs)	801.898	2,760.000	3,561.898
3	Annual Thromde Grant (ADG)	1,189.195	843.621	2,032.816
	Sub-total Local Governments	12,127.011	5,149.664	17,276.675
	Total Grants (A)	13,224.921	6,184.620	19,409.541
<b>B Subsidy</b>				
1	Bhutan Broadcasting Service Corporation Limited	138.613	42.300	180.913
2	City Bus Services-Bhutan Post	68.653	-	68.653
3	Bhutan Chambers and Commerce Industries (BCCI)	7.000	-	7.000
4	100 units of free electricity for rural households -BPC	1,508.000	-	1,508.000
5	Maintenance of government quarters in Dzongkhags -NHDCL	5.000	-	5.000
6	Hiring of farm machinery -FMCL	36.288	-	36.288
7	Operational Subsidy to FMCL	7.500	-	7.500

8	Operational Subsidy to Bhutan Livestock Development Corporation Limited (BLDCL)	13.400	-	13.400
9	Operational Subsidy to MenjongSorig Pharmaceutical Corporation Limited (MSPCL)	7.700	-	7.700
10	Operational Subsidy to Green Bhutan Corporation Limited (GBCL)	4.200	-	4.200
Sub-total SoE		1,796.354	42.300	1,838.654
1	Interest subsidy for third aircraft-Drukair	91.060	-	91.060
2	Interest subsidy for purchase of ATR-42-600-Drukair	38.402	-	38.402
3	Interest subsidy for loan availed for establishment of integrated agro processing plant at Lingmithang-BAIL	11.620	-	11.620
4	Interest subsidy on OD facility to facilitate timely payment to farmers-FCBL	11.620	-	11.620
5	Subsidy to NHDC Debt Servicing for Phuentsholing Housing Complex	31.000	25.000	56.000
Sub-total Interest &Principal		183.702	25.000	208.702
1	Rural House Insurance Scheme-RICBL	-	16.000	16.000
2	Rural Life Insurance -RICBL	67.000	-	67.000
Sub-total Others		67.000	16.000	83.000
Total Subsidy: (B)		2,047.056	83.300	2,130.356
<b>C Equity</b>				
1	Equity Injection: BLDCL	-	31.400	31.400
2	Equity Injection: FMCL	-	20.000	20.000
2	Equity Injection: National CSI Development Bank	4.500	272.000	276.500
Total Equity (C)		4.500	323.400	327.900
<b>Grand Total (A+B+C)</b>		<b>15,276.477</b>	<b>6,591.320</b>	<b>21,867.797</b>

#### 4.7 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. The budget from the General Reserve is transferred to the Budgetary Agencies through technical adjustments.

For FY 2020-21, a total of Nu. 3,336 million has been provisioned under the General Reserves. Of the total, Nu. 1,351 million is under Current and Nu. 1,985 million for Capital. For the FY, there is no provision of budget for transfer for employees in the GR. The detail of General Reserve is provided as follows:

**Table 4.6: Details of General Reserves**

		<i>Nu. In Million</i>		
Sl.#	Name of activities	Current	Capital	Total
1	New Appointments / Establishment	300.000	30.000	330.000
2	Hospitality & Entertainment	16.000	-	16.000
3	Retirement Benefits	400.000	-	400.000
4	Third Country Travel	100.000	-	100.000
5	National Events	100.000	-	100.000
6	Helicopter Services	100.000	-	100.000
7	Ad-hoc Works	100.000	500.000	600.000
8	Monsoon Restoration Works	-	200.000	200.000
9	Acquisition of Properties	-	550.000	550.000
10	Rehabilitation Programme	-	70.000	70.000
11	Acquisition of Properties - Vehicles	-	300.000	300.000
12	Disaster Contingency	200.000	300.000	500.000
13	Local Government Election	15.000	35.000	50.000
14	By-Election	20.000		20.000
<b>Grand Total</b>		<b>1,351.000</b>	<b>1,985.000</b>	<b>3,336.000</b>

#### 4.8 Flagship Programs

Flagship Programs are high priority multi-sector intervention activities. There are eight programs in the areas of Water, CSI & Startup programs, Digital Drukyl, Organic Program, Tourism, Waste Management and Stray Dog Management and Health and Education implemented by selected lead agencies. These programs are expected to contribute towards economic diversification and employment generation besides strengthening sector coordination. For the FY, a budget of Nu.5,148.212 million has been allocated as follows:

**Table 4.7: Summary of Flagship Programs in FY 2020-21**

			<i>Nu. In Million</i>
Sl.#	Flagship Program	Lead Agency	Amount
1	Waste and Stray Dog Management	National Environment Commission Secretariat	248.540
2	CSI Development	Ministry of Economic Affairs	288.000
3	Tourism	Tourism Council of Bhutan	338.591
4	National Organic	Ministry of Agriculture and Forests	341.798
5	Education	Ministry of Education	667.500
6	Health	Ministry of Health	689.400
7	Digital Drukyl	Ministry of Information and Communications	1,171.620
8	Water	Ministry of Work and Human Settlement	1,402.763
<b>Total</b>			<b>5,148.212</b>

#### 4.9 Gender Responsive Budgeting

In order to ensure gender-equitable distribution of resources, the Government has identified gender equality and empowerment of women and girls as one of the national key result areas in the 12FYP. Accordingly, efforts are being made to mainstream gender into development plans and policies by incorporating gender issues in the annual budgets of the various government agencies. The Local Governments receiving budget in the form of annual grants will be notified to incorporate gender related activities. In FY 2020-21, Nu. 494.110 million has been allocated for activities specifically responding to gender and other special needs.

**Table 4.8: Gender related allocation during FY 2020-21**

			<i>Nu. In Million</i>
Sl.#	Agency/ Name of activities		Amount
1	Ongoing construction of 150 Bedded Gyaltsuen Jetsuen Pema Mother and Child Hospital at Thimphu		236.000
2	Cervical Cancer Program, Health flagship		166.000
3	Breast Cancer Program, Health flagship		78.500
4	Gender related programs and activities under NCWC		13.615

#### 4.10 Budget Appropriation Bill

Based on the resources and the priorities of the budgetary agencies, budget of Nu. **73,989.881** million is submitted to the House as the **Budget Appropriation Bill for FY 2020-21** for consideration. The budget appropriation includes Current Budget of Nu. 32,900 million, Capital Budget of Nu. 36,251.122 million, Repayment of Nu. 3,624.360 million and on-lending of Nu. 1,214.399 million.

# Chapter 5

## Public Debt

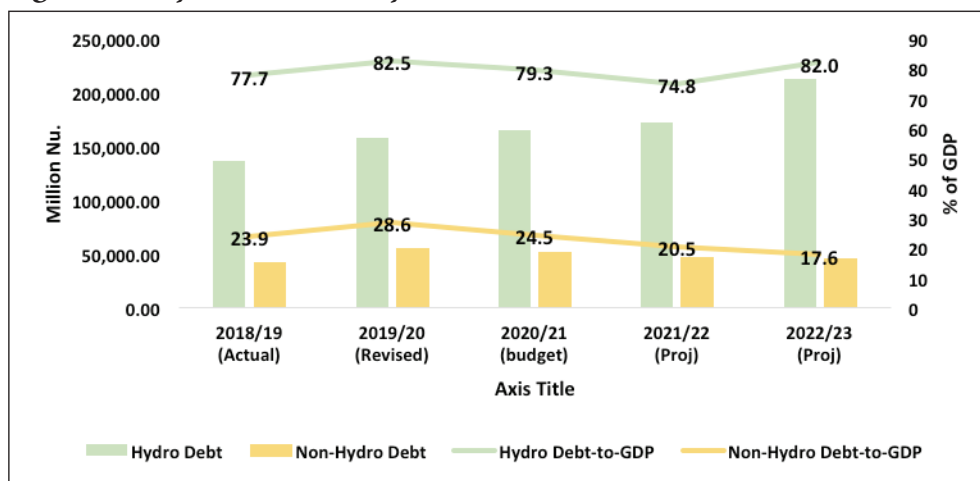
### 5.1 Overview of Public Debt

The public debt as on 31<sup>st</sup> March 2020 stood at Nu. 192,962.920 million, about 100.8 percent of the FY 2019-20 GDP. The total public debt comprised Nu. 189,663.630 million of external debt, and Nu. 3,299.290 million of domestic debt, accounting for 99 percent and 1.7 percent of the GDP respectively.

The hydro-power debt was Nu. 141,821.284 million, accounting for 74.8 percent of total external debt and 74.1 percent of the FY 2019-20 GDP. Likewise, the non-hydro debt of Nu. 47,842.346 million accounted for 25.2 percent of the total external debt, and 25 percent of the FY 2019-20 GDP.

The external debt trend is presented in the figure below:

**Figure 5.1: Hydro and Non-Hydro Debt**



The hydro debt is expected to increase from Nu. 137,004.670 million from June 2019 to Nu. 158,653.342 million at the end of FY 2019-20, an increase of 15.8 percent. The increase is mainly due to the inclusion of MHP's Interest During Construction (IDC) of Nu. 12,256.670 million to the hydro debt stock in FY 2019-20. The loan disbursements during the FY, estimated at Nu.

8,543.421 million, for the ongoing hydro-power projects also contributed towards the increase in the hydro debt stock.

In the medium term, starting from FY 2020-21, the hydro debt stock is projected to rise on account of loan disbursements for ongoing hydro-power projects such as Puna-I, Puna-II, Kholongchu and Nikachu.

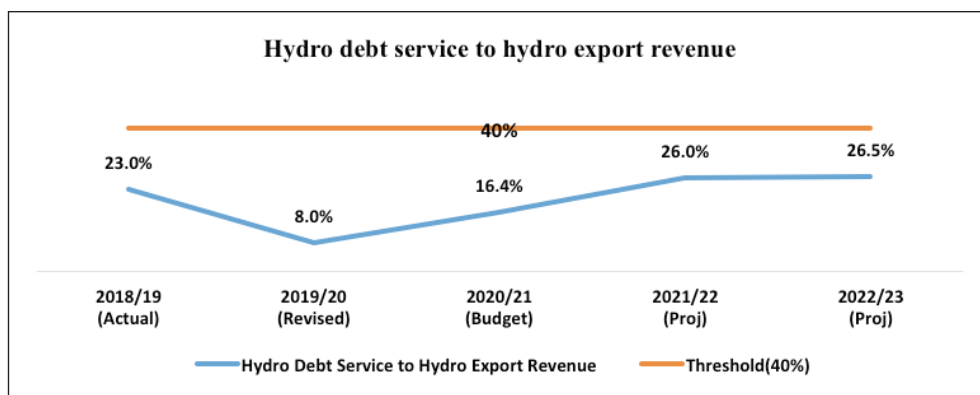
Non-hydro debt is expected to increase to Nu. 54,950.820 million by the end of FY 2019-20 from Nu. 42,110.260 million at the end of FY 2019-20. The increase is mainly due to the project and program borrowings from ADB, World Bank and IFAD during the FY. The depreciation of Ngultrum is also expected to significantly increase the non-hydro debt in FY 2019-20, since CC-denominated debt accounts for a major portion (87.3 percent) of the non-hydro debt.

Non-hydro debt to GDP is projected to remain below the Public Debt Policy threshold of 35 percent which is expected to improve in the medium term due to the liquidation of Standby Credit Facility (SCF) I of Rs. 4,000 million in March 2021, and SCF II of Rs. 3,000 million in June 2022.

## 5.2 External debt indicators

The Public Debt Policy 2016 sets thresholds on several external debt indicators. The selected indicators are presented in figure below:

**Figure 5.2: Hydro debt service to Hydro Exports Revenue**

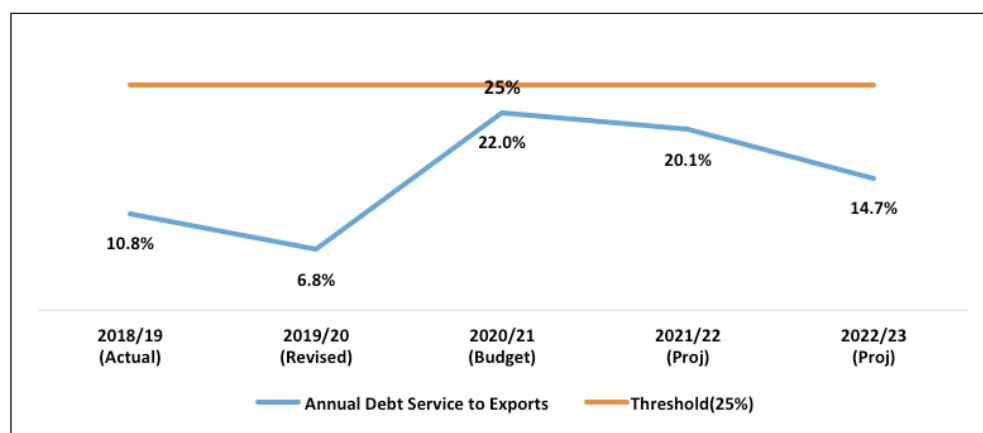


The hydro debt service to hydro export revenue is expected to drop from 23 percent in FY 2018-19 to 8.0 percent in FY 2019-20. The drop is due to the liquidation of THP debt in December 2018, and increased hydro export after the commissioning of MHP in August 2019.

In the medium term, the hydro debt service to hydro export revenue is expected to rise from FY 2020-21 with the commencement of debt servicing for MHP. Nonetheless, the ratio is projected to remain below the threshold of 40 percent prescribed by the Public Debt Policy.

The figure 5.3 presents the external debt service to exports ratio of the past two years, and the medium- term outlook.

**Figure 5.3: External Debt Service to Exports**



The external debt service to exports ratio is projected to rise sharply in FY 2020-21 with the start of MHP debt servicing (first installment) and settlement of Standby Credit Facility (SCF) II of Rs. 4,000 million during the FY. The ratio will rise further in FY 2021-22 due to full debt servicing of MHP and settlement of SCF I of Nu. 3,000 million, before falling to 14.7 percent in FY 2022-23.

### 5.3 Financing for FY 2020-21

The Government meets its financing requirement through external and domestic borrowings. The financing statement for FY 2020-21 is presented in table 5.1.

**Table 5.1: Financing Statement**

	<i>Nu. In Million</i>
<b>FINANCING (fiscal deficit)</b>	<b>15,329.049</b>
A. Net Acquisition of Financial Assets (Net lending)	-1,316.666
On-lending	1,214.399
Principal Recoveries	2,531.065
B. Net Incurrence of Liabilities (Net Borrowing)	14,012.383
B1. External	420.030
Borrowing	4,032.120
Repayment	3,612.090
B2. Domestic	13,592.353
Borrowing	13,604.621
Repayment	12.268

The fiscal deficit for FY 2020-21 is estimated at Nu. 15,329.049 million. With net lending of negative Nu. 1,316.666 million, the net borrowing requirement for the FY 2020-21 is Nu. 14,012.383 million, which will be financed as follows:

1. Net external borrowing: Nu. 420.030 million
2. Net domestic borrowing: Nu. 13,592.353 million

While the external borrowings will be from multilateral development banks at concessional terms, the domestic financing will be raised from the domestic market through issuance of T-Bills and long-term Government bonds. The Government will ensure that private sector credit is not crowded out. On the level of domestic borrowing for financing the fiscal deficit, the Government has consulted the Royal Monetary Authority (RMA) as required by Section 154 of the RMA Act 2010. The RMA has advised the Government to mobilize fund through the issuance of marketable Government securities of varying maturities.

### **5.3.1 Borrowings**

#### **External Borrowings**

The external borrowings are sourced from the ADB, World Bank and IFAD for financing investment projects and programs. The borrowings from these

institutions are at highly concessional terms, with a nominal interest rate of 0 percent to 1.5 percent, and service charge of 0.75 percent. In addition, the loans from these institutions have a maturity period of 32 to 40 years, including long grace period of 8 to 10 years.

The planned external program and project-tied borrowings for FY 2020-21 are presented in table 5.2.

**Table 5.2 External Budgetary Borrowings for FY 2020-21**

		Nu. In Million
A. Project Borrowings	Funding Agency	Amount
1. Urban Infrastructure Project	ADB	27.050
2. SASEC Transport, Trade Facilitation and Logistic Project	ADB	165.027
3. Phuntsholing Township Development Project (for on-lending)	ADB	1,073.679
4. Secondary Towns Urban Development Project	ADB	130.862
5. Rural Electrification-II (for on-lending)	JICA	140.720
6. CARLEP	IFAD	304.782
<b>Total Project Borrowings</b>		<b>1,842.120</b>
<b>B. Program Borrowing</b>		
1. Financing Market Development Program	ADB	2,190.000
<b>Total External Borrowings</b>		<b>4,032.120</b>

The external budgetary borrowings during FY 2020-21 is estimated at Nu. 4,032.120 million, of which Nu. 1,842.120 million is project-tied borrowings, and Nu. 2,190 million program borrowing.

While the entire program borrowing is for financing budgetary activities, the project-tied borrowing of Nu. 1,214.399 million is for on-lending. For FY 2020-21, Nu. 140.720 million will be on-lent to BPC for Rural Electrification Project, and Nu. 1,073.027 million to DHI for Phuentshogling Township Development Project.

### **Domestic borrowings**

The domestic borrowing for FY 2020-21 is estimated at Nu. 13,604.621 million, which will be financed through issuance of T-Bills and long-term Government Bonds in the domestic market.

### 5.3.2 Debt Servicing

The total debt servicing for FY 2020-21 is projected at Nu. 5,652.057 million, of which interest payment is Nu. 2,027.697 million and principal repayment is Nu. 3,624.358 million.

The details of the debt servicing in FY 2020-21 is presented in table 5.3:

**Table 5.3: Projected Debt Servicing, FY 2020-21**

<i>Nu. In Million</i>			
Category	Interest	Principal	Total Debt Servicing
1. External			
ADB	347.030	765.416	1,112.446
World Bank	270.333	599.984	870.317
IFAD	27.832	123.928	151.760
GOA	117.849	604.871	722.720
JICA	4.048	125.389	129.437
GoI (for MHP)	1,008.701	1,392.503	2,401.204
Total External Debt Servicing	1,775.792	3,612.090	5,387.884
2. Domestic	251.905	12.268	264.173
<b>Total Debt Servicing (External &amp; Domestic)</b>	<b>2,027.697</b>	<b>3,624.358</b>	<b>5,652.057</b>

During the FY, the external debt servicing is Nu. 5,387.884 million which accounts for 95.3 percent of the total debt servicing, and domestic debt servicing is Nu. 264.173 million which is 4.7 percent of the total debt servicing.

About 44.1 percent of the external debt servicing is to GoI on account of MHP debt servicing. The rest is to multilateral agencies such as ADB, World Bank, IFAD and bilateral creditors, namely GoA and JICA.

### 5.3.3 Net Lending

The net lending in FY 2020-21 is estimated at Nu. 1,316.666 million. The details are provided in table 5.4.

**Table 5.4: Net lending**

<i>Nu. In Million</i>	
A. On-lending to:	Amount
DHI- for Phuntsholing Township Development Project	1,073.679
BPC- for Rural Electrification Project	140.720
Total on-lending	1,214.399
B. Principal Recoveries from:	
BDBL	29.513

BPC	224.778
Basochu (Upper Stage & Lower Stage)	145.325
Dagachu	487.996
Nikachu	217.140
Druk Air	33.811
Mangdechu	1,392.503
Total Principal Recoveries	2,531.065
<b>Net Lending</b>	<b>(1,316.666)</b>

For FY 2020-21, Nu. 1,073.679 million will be on-lent to DHI for Phuent-shogling Township Development Project, and Nu. 140.720 million to BPC for Rural Electrification Project. The on-lending to BPC and DHI will be financed through project-tied borrowings from JICA and ADB, respectively.

#### 5.4 Medium-term Financing Outlook

The medium-term financing outlook is presented in the table below:

**Table 5.5: Medium-term Financing Outlook**

	<i>Nu. In Million</i>				
	2018/19 (Actual)	2019/20 (Revised)	2020/21 (Budget)	2021/22 (Proj)	2022/23 (Proj)
FINANCING (fiscal deficit)	2,743.430	11,888.848	15,329.049	10,082.397	635.763
A. Net Acquisition of Financial Assets	(1,319.164)	(559.580)	(1,316.666)	(3,736.377)	(3,819.484)
On-lending	197.593	323.085	1,214.399	225.163	223.610
Principal Recoveries	1,516.757	882.665	2,531.065	3,961.540	4,043.094
	1,424.266	11,329.268	14,012.383	6,346.020	(3,183.721)
B. Net Incurrence of Liabilities	1,101.100	4,721.137	420.030	(4,253.771)	(4,749.174)
	3,432.571	6,527.246	4,032.120	931.318	538.054
B1. External	2,331.471	1,806.109	3,612.090	5,185.089	5,287.229
Borrowing	323.166	6,608.131	13,592.354	10,599.791	1,565.454
Repayment	333.781	6,619.534	13,604.622	10,612.976	1,565.454
	10.615	11.403	12.268	13.185	-
B.2 Domestic	323.166	6,608.131	13,592.354	10,599.791	1,565.454
Borrowing	333.781	6,619.534	13,604.622	10,612.976	1,565.454
Repayment	10.615	11.403	12.268	13.185	-

External borrowing is projected at Nu. 931.318 million in FY 2021-22, and Nu. 538.054 million in FY 2022-23, which are on accounts of various ongoing projects. The principal payment and recovery in the medium term is projected to increase due to MHP debt servicing starting from FY 2020-21

### **Medium-term Financing Strategy**

In the medium term, for meeting the financing requirement, the Government will consider the cost of borrowing, concessionary and other terms and conditions. Based on the existing arrangement, the Government will continue to borrow from multilateral development banks, such as the ADB, World Bank and IFAD. In addition, Government will also raise from the domestic market.

Until now the T-Bills have been used for deficit financing and cash management. However, in the medium term, the Government plans to raise financing through long-term bonds of different maturity.

The regular issuance of long-term bond is expected to help develop domestic debt market, apart from helping the Government to meet its financing requirements. The regular issuance of the government bond would build a benchmark yield curve, providing a pricing reference to private and corporate entities for issuance of bonds. Increased primary issuances could spur secondary market transactions and will promote a vibrant domestic capital market.

# Chapter 6

## Fiscal Risk

### 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. Contingent liabilities are obligations that will transpire 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 the 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 2020-21**

Liabilities	Direct liabilities		Contingent Liabilities	
	Particulars	Amount	Particulars	Amount
Explicit	Budgetary expenditure	Nu. 32,900m	Govt. guarantees	Nu. 2,881m
Government liabilities as recognized by a law or contract	External Debt servicing (interest in budgetary expenditure)	Nu. 2,027m	Subsidy to SoEs (including insurance and rural electricity)	Nu. 1,722m
	Pension payout	Nu. 34,472m	Guarantees by SoE	Nu. 7,547m
A moral obligation of government that reflects public and interest-group pressures	Estimated increase in future recurrent expenditure on account of present capital expenditure on structures and plant & machinery (2 years' time lag @ 0.22 percent)	Nu. 49.41m increase in current expenditure on maintenance of properties	Natural Disaster	Nu. 700m

## **Direct Liability**

The direct liability in FY 2020-21 is assessed at Nu. 69,448.410 million which is about 33 percent of GDP. Of the total direct liability, explicit direct liabilities amount to Nu. 34,927 million and implicit direct liabilities amount to Nu. 34,521.410 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.

## **Contingent Liability**

In total, the contingent liability is assessed at minimum of Nu. 12,850 million in the FY 2020-21 which is about 6 percent of GDP. Of the total contingent liabilities, explicit contingent liability amounts to Nu. 4,603 million and the implicit contingent liability amounts to Nu. 8,247 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 issued by SoE to its subsidiary and budget for natural disaster during the FY. Government keeps provisions under General Reserve for disasters and monsoon restoration. In order to cover for risk associated with human lives and rural houses, the government subsidizes insurance premiums.

## **6.2 Assumptions**

The outlook has 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 under the current baseline projections. Some of the assumptions considered for the macro-fiscal outlook are as follows:

1. The global financial outlook remains positive post 2021;
2. Strong regional economic growth in 2021;
3. Minor deviations on the anticipated inflows from Hydro-power projects;
4. Moderate inflation with low unemployment rate;
5. Stable exchange rate;
6. Prudent spending by the Budgetary agencies;

7. No realization of contingent liabilities;
8. SoEs' contribution and tax revenue remain consistent with the projection; and
9. Debt accounts for all public-sector debt and remains at the projected level.

All the assumptions are considered as fiscal risk, as materializing one or all the assumptions will result in derailing the fiscal outlook depending on the circumstances.

# Chapter 7

## Financial Position of Public Sector Institutions and Investments

### 7.1 State Owned Enterprises (SoEs)

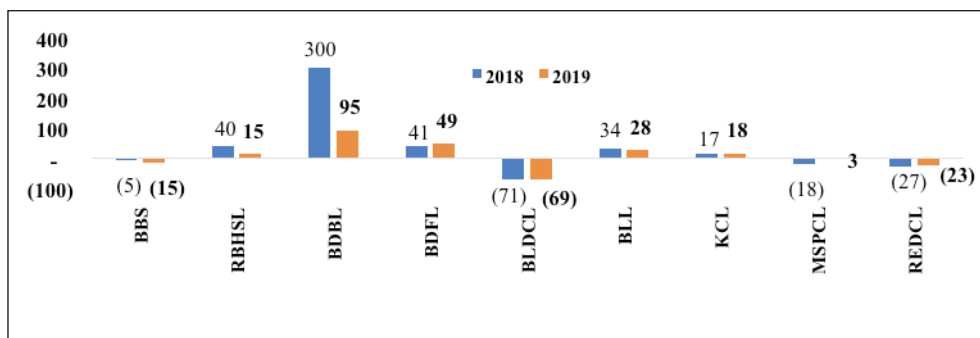
SoEs constitute a vital component of the economy and play a strategic role in socio-economic development. They operate in the key strategic sectors of the economy and have been the engine of growth and a major source of revenue to the Government, employment generation and wealth creation. SoEs which are entrusted with social mandates are managed under the Ministry of Finance and SoEs which are commercially viable are under DHI management.

#### 7.1.1 SoEs under Ministry of Finance

There are 16 SoEs under the Ministry of Finance (13 wholly owned, 1 majority owned and 2 minority shareholdings). In order to strengthen the SoEs, the Government has reviewed the mandates and relevance of the SoEs. Considering the need to enhance access to concessional credit by CSI sector, the Government has upgraded the REDCL into a National CSI Development Bank. Further, the pay and allowances have been revised to attract and retain professionals working for the SoEs. In order to ensure that SoEs deliver the services with efficiency, cost effectiveness and quality, the boards have been reconstituted and the system of signing annual performance compact with the Government has been introduced.

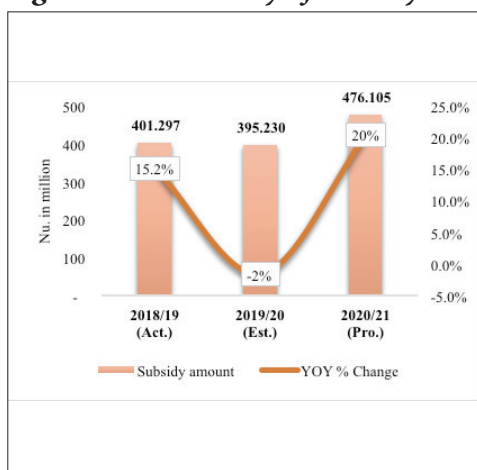
During the year, the SoEs under the Ministry of Finance contributed Nu. 176.268 million (*Nu. 107.861 million and Nu. 68.407 million respectively*) in the form of tax and dividend. The net asset value of SoEs is estimated at Nu. 9,375.115 million as of December, 2019.

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



The Government provided subsidies to SoEs to meet the revenue deficit and equity injection for capital investments. Total subsidies transferred during FY 2018-19 amounted to Nu. 401.297 million, which was 15.2 percent higher than the previous year. The increase in subsidy was mainly on account of increase in operational subsidy to BBS (Nu. 189.691 million), NHDCL (Nu. 94.011 million), Bhutan Postal Corporation Limited for City Bus Services (Nu. 48.129 million) and subsidies for hiring farm machineries by farmers from FMCL (Nu. 44.990 million). With the establishment of CSI Bank the Government provided an equity of Nu. 250 million.

**Figure 7.2: Summary of Subsidy**



SOEs/Year	2018/19 (Act.)	2019/20 (Est.)	2020/21 (Pro.)
BAIL	5.178	11.620	11.620
BBS	189.691	181.660	241.000
Bhutan Post	48.129	48.130	-
FCBL	9.298	15.750	11.000
FMCL	44.990	54.285	79.500
NHDCL	94.011	66.185	66.185
BLDCL	10.000	7.900	50.400
MSPCL	-	4.500	7.700
GBCL	-	2.500	4.200
REDCL	-	2.700	4.500
<b>Total</b>	<b>401.297</b>	<b>395.230</b>	<b>476.105</b>

### 7.1.2. Druk Holding and Investment (DHI) and Subsidiaries

DHI was established under Royal Charter in 2007 as commercial arm of the Government to hold and manage the existing and future investment of the Government for long term benefit of its shareholders, the people of Bhutan. There are 19 portfolio companies of which 9 are fully owned, 5 are controlled and 5 are linked companies.

#### 7.1.2.1 DHI- Standalone Performance

In 2019, DHI posted gross revenue of Nu. 7,224.070 million, 17.7 percent lower compared to Nu. 8,778.692 million in 2018. The decline was on account of decrease in dividend income from its subsidiaries, mainly from the hydro-power sector (*DGPC and BPC*) whose combined dividend to DHI fell by more than Nu. 1,567 million as provided in Table below. DHI incurred Nu. 127.229 million as operating expenditure against a profit after tax (PAT) of Nu. 4,964.487 million in 2019, a decrease of about 18.1 percent from Nu. 6,052.936 million in 2018.

**Table 7.1: Dividend Income from Subsidiaries**

Particulars	Nu. In Million	
	31-Dec-18	31-Dec-19
State Trading Corporation of Bhutan Ltd.	18.350	19.000
Bank of Bhutan Ltd.	275.770	379.000
Bhutan Telecom Ltd.	843.900	863.000
Druk Green Power Corporation Ltd.	4,905.350	4,500.000
Druk Air Corporation Ltd.	108.000	-
State Mining Corporation Limited	26.840	65.000
Natural Resources Development Corp. Ltd	-	7.000
Bhutan Power Corporation Ltd.	2,044.740	883.000
Penden Cement Authority Ltd.	95.980	82.000
Thimphu Tech Park Ltd.	-	9.000
Wood Craft Centre Lt.	-	7.000
Bhutan Ferro Alloys Ltd.	38.5940	58.000
Bhutan National Bank Ltd.	66.740	41.000
Royal Insurance Corporation of Bhutan Ltd.	27.8420	-
<b>Total</b>	<b>8,452.100</b>	<b>6,913.000</b>

During the year, DHI contributed Nu. 6,232.354 million to the domestic revenue in the form of taxes (Nu. 2,132.354 million) and dividend (Nu. 4,100.00 million) which was 16.3 percent of total domestic revenue. While, the tax contribution decreased by Nu. 479.646 million due to lower revenue earning, dividend to the Government which was based on the consolidated profit increased by Nu. 750 million from Nu. 3,350 million in 2018 to Nu. 4,100 million in 2019.

**Table 7.2: Tax and Dividend Payout of DHI**

Particulars	Nu. In Million				
	2015	2016	2017	2018	2019
Corporate Income Tax (CIT)	1,855.769	2,179.049	2,326.058	2,612.000	2,132.354
Dividend Payout (DP)	3,782.000	4,038.230	4,021.000	3,350.000	4,100.000
% Change in DP	-1.9%	6.8%	-0.4%	-16.7%	22.4%
Total DHI revenue	5,638	6,217	6,347.058	5,962	6,232
% share to Domestic Revenue	22.4%	22.2%	21.4%	17.6%	16.3%

Total assets size of DHI grew by 6.5 percent to Nu. 64,817.177 million in 2019 from Nu. 60,861.150 million in 2018 primarily on account of additional equity injection in subsidiaries.

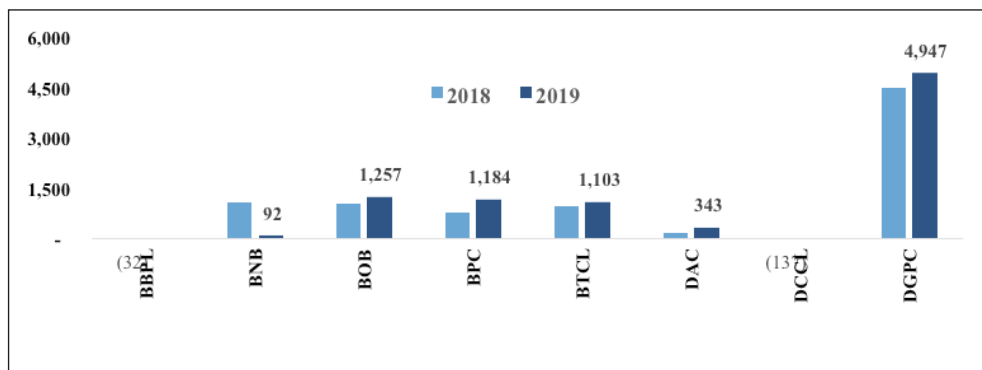
**Table 7.3: Financial Position of DHI Standalone**

Particulars	31-Dec-17	31-Dec-18	31-Dec-19
Non-current Assets	51,205.89	53,861.15	58,220.90
Current Assets	6,523.03	6,967.06	6,596.28
Total Assets	57,728.92	60,861.150	64,817.177
Equity	55,836.70	58,445.07	62,372.82
Non-current liabilities	639.81	965.89	1467.21
Current liabilities	1,252.41	1,417.25	977.14
Total Equities & Liabilities	57,728.92	60,861.15	64,817.18

#### 7.1.2.2. Performance of subsidiary companies

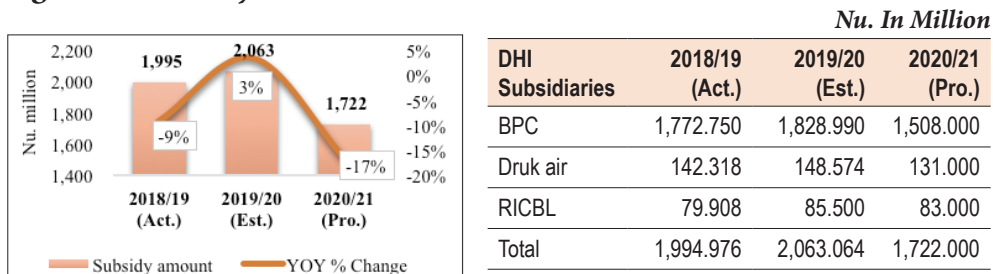
In 2019, DHI subsidiaries posted combined gross revenue of Nu. 49,803.723 million which was an increase of 6.6 percent from Nu. 46,718.902 million in 2018. The growth in revenue was mainly driven by hydro-power sector DGPC (Nu. 11,918.670 million) and BPC (Nu. 9,532.541 million) during the year.

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



During the year, total subsidy transferred to the DHI companies for the FY 2018-19 amounted to Nu. 1,995 million, including Nu. 1,773 million for rural electricity tariff subsidy to BPC, Nu. 222 million interest subsidies to Drukair Corporation for the purchase of aircraft A319 and subsidy for rural life and housing insurance to RICBL. Overall, total subsidy transfers to BPC, Drukair Corporation and RICBL in FY 2019-20 is estimated to increase by 3 percent.

**Figure 7.4: Subsidy to DHI Subsidiaries**



### 7.1.3 State Owned Enterprises' Debt

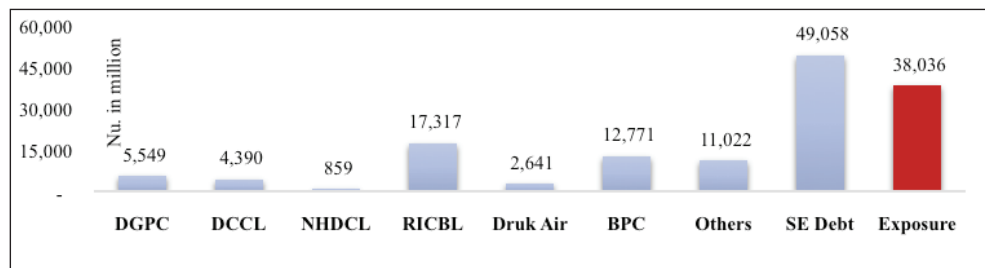
The overall debt increased from Nu. 29,176 million in 2018 to Nu. 49,058 million in 2019. The increase was largely on account of increase in long term borrowings of DGPC by Nu. 5,549 million for Nikkachhu, Dagachhu and Basochhu Hydro-power and Nu. 12,771 million by BPC for rural electrification and transmission works. The total SoE debt constitutes about 26 percent of the total public debt.

**Table 7.4: Summary of SoE Debt**

Particulars	2018	2019
Domestic Loan (gross)	25,842	42,618
Short-term	2,499	4,345
Long-term	23,343	38,274
Foreign Loan (gross)	3,334	6,440
Long-term	3,334	6,440
Total SOE Debt	29,176	49,058

In terms of exposure, based on the shareholding pattern (*shown in figure 7.5*), Government's share of SoE debt was 77.5 percent of the total SoE debts amounting to Nu. 38,036 million.

**Figure 7.5: SoEs Debt and Government Exposure**



#### 7.1.4 Sovereign Guarantee

The Royal Government also provided guarantees for SoE to facilitate borrowings at concessional terms to finance priority sector and socially beneficial projects like hydro-power, rural electrification, rural credits, affordable housing, Agro-based industry and others.

As of 31<sup>st</sup> December, 2019, a total of Nu. 2,881 million has been guaranteed by the Government.

**Table 7.5: Summary of Sovereign Guarantee as of 31st December, 2019***Nu. In Million*

Name of the beneficiary	Issue date	Issued to	Guaranteed	Years	Outstanding
Guaranteed by Government					
National Housing Development Corp. Ltd.	11-Sep-17	NPPF	890	20	859
Bhutan Agro Industries Ltd.	5-Jun-17	BOBL	166	20	152
Bhutan Development Bank Ltd.	9-Mar-18	NPPF	521	5	355
Drukair Corporation Ltd.	11-Feb-19	NPPF	586	11	586
Drukair Corporation Ltd.	13-Aug-19	SDF	929	10	929
<b>Total</b>			<b>3,092</b>		<b>2,881</b>

### 7.1.5 Medium-term Outlook of SoEs

During FY 2020-21, both the corporate income tax (CIT) contribution and dividend transfers are likely to fall due to COVID-19 pandemic. The dividend transfer is estimated to fall by 8.5 percent and CIT contribution by 12.9 percent.

With the anticipation that the situation would improve, in FY 2021-22, both dividend transfer and CIT contribution are expected to improve as provided in table 7.6.

**Table 7.6: Medium-term CIT and Dividend transfer outlook***Nu. In Million*

Particulars	2018-19 Actual	2019-20 Revised est.	2020-21 Budgeted	2021-22 Projection	2022-23 Projection
Dividend Transfer					
MoF-SOE	58.17	68.41	59.34	59.71	60.22
DHI	3,350.48	4,100.00	3,754.13	5,728.12	5,861.74
Sub total	3,408.65	4,168.41	3,813.47	5,787.83	5,921.96
CIT Contribution					
MoF-SOE	241.61	107.86	99.86	107.83	116.49
DHI	2,612.59	2,132.35	2,020.56	2,102.84	2,188.48
DGPC	2,182.49	2,106.52	2,094.99	2,100.64	2,106.31
BPC	390.73	467.40	442.90	443.47	444.05
Other DOCs	1,739.14	1,549.03	700.93	890.03	1,130.15
Sub total	7,166.56	6,363.17	5,359.24	5,644.82	5,985.47
<b>Grand Total</b>	<b>10,575.21</b>	<b>10,531.58</b>	<b>9,172.71</b>	<b>11,432.65</b>	<b>11,907.43</b>

## 7.2 National Pension and Provident Fund

### 7.2.1 Operational Highlights

In FY 2018-19, the membership reached 65,267 as of June, 2019. The growth was mainly because of inclusion of ESP and GSP personnel under RCSC and other agencies into the provident fund scheme. Members represent about 9.6 percent of the total population of the country.

The number of pensioners grew from 6,498 in FY 2017-18 to 7,224 in FY 2018-2019. The dependency ratio of pensioners to contributing members reached 11.1 percent during the year. In FY 2018-19, Nu. 244 million was received as monthly contribution toward the pension and provident funds and Nu. 111 million was paid out as monthly pension payment, refund of provident fund and pension contributions.

### 7.2.2 Financial Highlights

In FY 2018-19, the surplus for the year ended 30<sup>th</sup> June 2019 was Nu. 2,310.130 million. The projected surplus for FY 2019-20 is Nu. 2,680.410 million of which Nu. 1,269.640 million has been achieved as of December 2019.

As of December 2019, the fund size has reached Nu. 38,458.150 million and is estimated to reach Nu. 40,895.730 million by June 2020

**Table 7.7: NPPF's Financial performance and outlook**

Particulars/Year	Jun-19	Jun-20	Jun-21	Jun-22
Income statement, Nu. in million				
Revenue	2,478.880	2,929.730	3,256.060	3,518.980
Operating Expense	249.320	249.320	231.760	257.950
Net profit	2,310.130	2,680.410	3,024.310	3,261.030
Balance sheet, Nu. in million				
Total assets	36,146.230	40,895.730	45,985.730	51,343.680
Total liabilities	34,626.570	39,325.070	44,409.620	49,761.850
Key indicators				
Operating margin, %	93.2%	91.5%	92.9%	92.7%

## 7.3 Hydro-power

### Overview

The Bhutan Power System Master Plan 2040 has identified 33,000MW as techno-economically feasible out of the estimated hydro-power potential of 37,000 MW.

Over the last four decades, hydro-power has been the key driver of the Bhutanese economy and contributes 22 percent of the national revenue.

With the recent addition of the 720 MW Mangdechhu Power Plant, the total installed capacity of the country stands at 2,334 MW, which is 6.29 percent of the total estimated hydro-power potential of the country as shown in the table 7.8:

**Table 7.8: List of Power Plants in Operation in the Country**

Sl. #	Power Plant	Installed Capacity (MW)	Design Energy (GWh)	Year of Commissioning
1	Chukha	336	1800	1986-1988
2	Kurichhu	60	400	2001
3	Basochhu (Stage I)	24	105	2002
4	Basochhu (Stage II)	40	186	2004
5	Tala	1020	4865	2006-2007
6	Dagachhu	126	360	2015
7	Mangdechhu	720	3008.32	2019
8	Mini and Micro Hydel	8.098	-	-
9	Rubesa, Wind farm	0.6	-	2016
<b>Total</b>		<b>2334.698</b>	<b>8924.32</b>	

Apart from the existing hydro-power projects, a total of four projects are in various stages of construction and upon fully commissioning, these hydro-power plans would generate another 2,938 MW of hydro-power in the country as shown in the table 7.9:

**Table 7.9: Hydropower Plants under construction**

Sl. #	Power Plant	Installed Capacity (MW)	Design Energy (GWh)	Year of Commissioning
1	Punatsangchhu I	1200	5544	2025
2	Punatsangchhu II	1020	4245	2022
3	Kholongchhu	600	2568.88	2024
4	Nikachhu	118	491.52	2021
<b>Total</b>		<b>2938</b>	<b>12849.4</b>	

### Financing Modality

The hydro-power projects involve huge investments and are implemented outside Five Year Plans and annual budgets. Loan disbursements for hydro-power 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, 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 hydro-power 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 7.10 below:

**Table 7.10: Financing modality of ongoing hydro-power projects**

Sl. #	Projects	Installed Capacity (MW)	Financial Modality
1	Punatsangchhu I	1200	40% Grant and 60% Loan from Gol
2	Punatsangchhu II	1020	30% Grant and 70% Loan from Gol
3	Kholongchhu	600	30% Equity and 70% Loan (JV between DGPC and SJVNL, DGPC's equity share given as grant by Gol)
4	Nikachhu	118	35% Equity and 65% Loan from ADB

## **Financial Progress of on-going projects**

Brief financial and physical progresses of the projects under construction are as follows:

### **Punatsangchhu - I hydroelectric project**

Punatsangchhu-I hydroelectric project (1,200MW) is expected to be commissioned in March, 2025 with revised estimated cost of Nu. 93,755.750 million (March 2013 Price Level). However, the construction of dam is made contingent on completion of right bank stabilization measures, which is still under discussion with Government of India. Alternatively, the Government of India is also exploring a barrage option if the stabilization measures are found impractical.

As of March, 2020, Nu. 79,453.796 million has been disbursed and 86.65 percent of the works have been completed.

### **Punatsangchhu - II hydroelectric project**

Punatsangchhu - II hydroelectric project (1,020MW) is scheduled to be commissioned in December 2022. The initial sanctioned cost at DPR level is Nu. 37,778 million (March 2009 Price level). The GOI approved the first Revised Cost Estimates (RCE) in July 2016 for Nu. 72,906.200 million (Price Level March 2015) and the 2<sup>nd</sup> RCE at March 2019 Level for Nu. 90,717.600 million has been submitted to GOI for approval on 20<sup>th</sup> March 2020. The project suffered major delay due to massive rockfall at Downstream Surge Gallery in March 2016. Restoration measures and cavity filling are being implemented. However, project suffered another blow with a cloud burst that took place at Phelreychhu near Kamichhu on 6<sup>th</sup> August 2019 causing Nu. 2,800 million worth of material loss.

As of March, 2020, total of Nu. 64,687.230 million has been disbursed and 87 percent of the works of the project has been completed.

### **Kholongchhu Hydro Energy Limited**

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 revised to Nu. 39,134.500 million (March, 2019 PL). The award

of main works has been kept on hold due to non signing of the Concession Agreement which is made contingent on resolving the long term sale of power to India. Discussions are underway with the Government of India to resolve the issue that has been delayed due to COVID-19 pandemic situation.

As of March 2020, the project has spent Nu. 3,328.080 million for the pre-construction works such as the construction of access roads, bridges and integrated project office and residential complex at Doksum.

### **Nikachhu HEP (Tangsibji Hydro Energy Limited)**

Tangsibji Hydro Energy Limited (THyE), is a 100 percent subsidiary company of Druk Green Power Corporation Limited which was incorporated on April 25, 2014 as a Special Purpose Vehicle (SPV) for the implementation of the 118 MW Nikachhu. The project is expected to be completed by April, 2021 at an estimated cost of Nu. 11,964.590 million.

As of March, 2020, the project has spent Nu. 6,574.090 million. The Project is carried out in two main packages, namely, main package-1 (Civil and H&M works) and main package-2 (E&M works). As of March, 2020, the physical progress of MP-1 stands at 52.5 percent and that of MP-2 stands at 77.7 percent.

### **Upcoming Projects**

In order to develop new hydro-power projects, following feasibility studies are being carried out:

- i. The DPR study of the 2,600 MW Kuri-Gongri Hydroelectric Project was scheduled to be completed by December, 2019. However, to prepare a bankable DPR and considering the complex geology, additional investigations including a regulating dam are being examined which will have both time and cost overruns. Currently scope and estimates are being assessed with the Consultants for addition and thorough investigations.
- ii. Pre-feasibility report for Uzorong HEP is being carried out and is scheduled to be completed by FY 2020-21.
- iii. Reconnaissance study of Pinsa (Burichu) HEP is scheduled to be completed by end of FY.

- iv. The preparation of DRP for the Neyra-Amari Integrated Project undertaken and is in the final stage of completion and the review process of the DPR will be undertaken in the FY 2020-21.
- v. The DPR of Dorjilung HEP is being updated with the technical support from the World Bank. This is being initiated to make the DPR of Dorjilung a bankable project.
- vi. The DPR study of Sunkosh HP has been approved by Central Electricity Authority, GoI in August 2017 at estimated cost Nu. 157,095.900 million (April 2016 price level), which includes interest during construction and the financing charges. The Government is pursuing with GOI on implementation of Sunkosh project on priority.

Further, the Government is in the process of revising the Electricity Act 2001 and the Sustainable Hydro-power Development Policy-2008, which would bring out clarity in the role and responsibility of the different power sector agencies and to pave a clear way forward for the power sector in the country. Given the tremendous challenges being faced by some of the projects, the thrust of the Government is to ensure completion of ongoing projects at the earliest.

#### **7.4 Royal Monetary Authority**

The primary objective of the RMA is to formulate and implement monetary policy with a view to achieving and maintaining price stability in the economy in the long term. RMA is also required to advise the Government on monetary and fiscal policy and other economic issues that may have important ramifications on the overall macroeconomic development.

#### **Financial Highlights**

For the period ending June 2019, RMA has total assets and liabilities of Nu. 77.710 billion, which is 0.2 percent down from Nu. 77.890 billion in 2018. While the total operating income fell sharply by 51.7 percent from Nu. 4.47 billion to Nu. 2.16 billion, its total expenses increased by 3.7 percent. The drop in the total operating income was mainly due to the substantial fall in foreign exchange revaluation from Nu. 2.9 billion to Nu. 0.27 billion. The net surplus generated during the year stands at Nu. 3,421 million.

## **Monetary Measures in response to COVID-19**

In response to COVID-19 pandemic, RMA has announced various monetary measures to create enabling environment and provide relief to individuals and businesses who are affected. The major monetary measures include Term Based Soft Working Capital at 5 percent to retailers and tourism sector, micro loans up to Nu. 500,000 at 2 percent concessional interest rates from CSI Bank, working capital for industries at minimum lending rate and interest waiver for three months. Further, to increase liquidity, Cash Reserve Ratio (CCR) was reduced to 7 percent from 10 percent.

### **7.5 Government Non-Budgetary Funds**

There are eight Government Non-Budgetary Fund Accounts established under Royal Charter and other relevant laws, rules and regulations. A brief status of the funds are provided as follows:

#### **Bhutan Trust Fund for Environmental Conservation**

The Fund as of 31<sup>st</sup> March, 2020 stands at USD 61.654 million, a growth of about 12 percent over the year. The fund earned an income of USD 4.952 million and incurred expenditure of USD 0.972 million during the year. Of the total investment portfolio, 79 percent is invested abroad and 21 percent is invested in the domestic market.

The offshore portfolio fell approximately by 13.5 percent, which is from \$55.877 million in the beginning of the fiscal year to USD 49.252 million as of end March 2020. This is due to the impact of COVID-19 Pandemic on the financial and stock market in the US. Similarly, the fall in value of local investment portfolio was due to fall in stock prices and withdrawals of funds for Program. and Secretariat expenses and depreciation of Ngultrum against US\$, which was around 9.3 percent.

#### **Bhutan Health Trust Fund**

Over the year, the fund grew by 18.3 percent and the balance as of 31<sup>st</sup> March, 2020 is Nu 2,907.883 million. The increase is mainly from USD 5 million grants received from ADB and income received during the year. The fund largely is invested locally, and the foreign exchange component of the fund is managed by the Royal Monetary Authority.

The fund received Nu. 353.377 million during the year in the form of health contributions, interest income, donations and contributions. The expenditure of Nu 334.747 million was incurred for the purchase of essential drugs, vaccines and operation expenses. The interest accrued for FY 2019-20 is estimated at Nu 20.179 million which will be accounted towards the end of the year.

### **Trust Fund for Cultural Heritage**

The fund was established with an initial capital of Nu. 34.660 million in 1999 and was invested in the form of fixed deposit. The fixed deposit matured on 10 October 2017, wherein the balance stood at Nu. 68.360 million and is currently deposited in a current account of the Bhutan National Bank.

As per the Royal Charter no expenditure is to be incurred from the Trust Fund till the initial fund size reaches USD 5 million. The Government is developing strategies to raise the additional fund to meet the minimum fund size.

### **Sherig Endowment Fund**

As of 31<sup>st</sup> March 2020, the total fund balance is Nu 8.516 million. The Fund is maintained in fixed deposit with the RICBL bearing interest of about Nu. 1 million during the year, which is yet to be received. With regard to expenditure, Nu. 0.800 million was spent for the research projects in 40 schools.

### **National Research Endowment Fund**

Of the total fund, 90 percent is invested in the form of fixed deposit in Bhutan National Bank Limited, earning an interest income of Nu. 0.675 million. Nu. 0.800 million was incurred as expenditure for research activities/studies by different colleges within the country.

As of 31<sup>st</sup> March 2020, the fund stands at Nu. 9.875 million.

### **Endowment Fund for Crop and Livestock Conservation**

The fund balance as of 31<sup>st</sup> March, 2020 is **Nu 69.664 million** as compared to Nu. 30.413 million last year. The increase is mainly contributed through fees collected from Royal Takin Reserve and Royal Botanical Park, refund of 19 GECC fund and Cordyceps Royalty.

The fund is not yet operational and therefore is maintained in current account deposits.

### **Universal Service Fund and Media Development Fund**

The Universal Service Fund balance as on 31<sup>st</sup> March, 2020 stands to Nu 212.534 million.

During the year, the inflow into the fund was Nu. 52.461 million mainly comprised of annual license fee from Tashi Infocom Limited and Royalties. The fund incurred an expenditure of Nu. 122.457 million, which is mainly on account of second tranche payment for fifth phase of the rural communication program, construction of BICMA Secretariat building and implementation of fiber monitoring system. Notably, during the FY, the Media Development Fund has been dissolved and accordingly, Nu. 4.051 million from the Fund has been transferred to the Government.

### **Bhutan Economic Stabilization Fund**

As of 31<sup>st</sup> March 2020, the fund balance stands at Nu. 343.277 million and it is invested as term deposits in India. The total fund balance consists of the seed capital of Nu. 100 million, royalty transfers of Nu.135 million in FY 2018-19 and the subsequent interest income of Nu. 8.276 million. In addition, a sum of Nu. 100 Million was transferred into the BESF as Royalty Revenue for FY 2019-20

The fund is invested in India and will mature on 6 July 2020, wherein the total expected return from interests is Nu. 20.698 million.

## **7.6 Foreign Direct Investment (FDI)**

There are 84 FDIs worth Nu. 31,726.670 million including 13 new FDIs worth Nu. 1,165.800 million approved in 2019.

With revision of the FDI policy in 2017 and 2019, conditions for entry of foreign investment has been made more liberal and with better enabling environment for investors the number of FDIs have increased by 16 in 2018 and 13 in 2019.

Of the total FDIs, 65 percent of the investors are from Asia, 22 percent from Europe, 10 percent from America and the rest from Oceania region. From within Asia, India (45 percent) remains the major source of investment followed by Singapore (19 percent) and Thailand (10 percent). FDI projects (about 64 percent) are mostly located in Western Dzongkhags of Thimphu, Paro and Chhukha, the former two in service sector and the latter in manufacturing. Hotel (42 percent), IT and IT enabled Services (19 percent) are the most attractive sectors for FDI in 2019. While the Service sector still dominates the overall FDI with 71 percent of the total share, the manufacturing sector however, contributes a significant share toward the export basket. 11 FDI projects in manufacturing sector have exported goods worth Nu. 4.200 million.

Further, the capital inflow from foreign investors increased significantly in 2018. Inflow in Indian Rupee increased from INR 22.200 million in 2017 to INR 267.500 million in 2018 and inflow in USD increased from USD 6.2 million to USD 20.8 million. The FDI companies in 2018 also contributed about Nu. 1,748 million in the form of taxes, an increase by 11.7 percent from 2017.

The FDI over the years have created more job opportunities including skills transfer and enhanced convertible currency earnings. As of 2019, it created 5,617 jobs compared to 5,307 in 2018, an increase of about 6 percent from the previous year, with a ratio of 1 to 19 between the expatriates and Bhutanese. The FDI inflows in 2020 however, is likely to setback as the financial contagion spreading across the globe transpired by market loss, movements in exchange rates, stock prices and capital flows will take time to recover due to pandemic outbreak.

**Table 7.11: Summary of FDI**

Sl. #	Particulars	Nos/Amount	% Change	Year
1	Total Projects Approved	13	(18.75) ▼	2019
2	Jobs Created	5,617	5.84 ▲	2019
3	Capital Inflow - INR	267.5 M	1104.95 ▲	2018
4	Capital Inflow -US\$	20.8 M	235.48 ▲	2018
5	Tax Contribution -Nu	1,748 M	11.68 ▲	2018

## Conclusion

The Budget for the FY is a testament of the Government's commitment to pursue '**Economic Resilience and Transformation**' besides ensuring public health and safety, during the COVID-19 situation. Considering the situation, the budget for the FY 2020-21 has been formulated to intensify and accelerate the implementation of the programs and activities of the 12FYP.

Despite the challenges posed by the COVID-19 pandemic, with the effective containment measures and preparedness for a worst-case scenario, the Government under the guidance of His Majesty the Druk Gyalpo, has ensured public health and safety.

On the economic front, the granting of the Druk Gyalpo Relief Kidu for the displaced, interest waiver for all borrowers, implementation of fiscal and monetary measures, economic contingency plan and allocation of higher share of capital budget for FY 2020-21 is expected to boost domestic demand, increase economic activities and generate employment. All these initiatives are expected to stimulate growth and steer the economy back on track as the underlying fundamentals of the economy are still strong and will withstand immediate economic shocks.

However, one of the major challenges for the FY 2020-21 is that the domestic revenue performance is estimated to fall by 14 percent as compared to previous year. As such, rationalization of recurrent expenditure will be of utmost importance to remain within the constitutional provisions of meeting recurrent expenditure by internal resources. The introduction of current grant to all the budgetary agencies will provide ownership and flexibility in optimizing the use of budget for priority activities. Further, with the implementation of the proposed budget policy measures, much needed additional fiscal space will be generated for the evolving COVID-19 situation.

Considering the revenue situation, Government urges all the budgetary agencies to ensure optimal utilization of the allocated budget. This is an opportunity to demonstrate fiscal prudence, frugality and promote financial thrift, to be able to do more with less.

Based on the resource envelope, the Budget Appropriation Bill for FY 2020-21 and Supplementary Budget Appropriation Bill for FY 2019-20 is submitted for the expeditious consideration of the House.

The Government, on behalf of the people would like to pay tribute to His

Majesty the King and His Majesty the Drukgyal Zhipa for their concern for the welfare of the Bhutanese people and continued guidance to safeguard the nation from the pandemic. The Government also pays deepest respect to his Holiness the 70<sup>th</sup> Je Khenpo, Zhung Dratshang and other religious organizations for their blessings and prayers for the wellbeing of the Bhutanese people and the sentient beings. The Government also would like to acknowledge the services rendered by the Health professionals, Armed Forces, Dessups and Volunteers serving in the forefront to protect the Bhutanese people from COVID-19.

The Government would also like to thank all the multi-sectoral task forces for ensuring effective containment measures, uninterrupted supply of essential food and non-food items. Further, the Government would also like to thank the team of specialist for submitting the Comprehensive National Response to COVID-19, the recommendation of which are under advanced stage of implementation.

The Government would also like to thank development partners both multi-lateral and bilateral, in particular, the Government of India, the World Bank, the Asian Development Bank and the World Health Organization for accommodating the emerging needs of the country to overcome COVID-19 Pandemic situation. In addition, the Government would also like to thank all the individuals and entities who have made contribution to COVID-19 Response Fund in cash and kind.

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

# ANNEXURES

## ***Annexure A: Revised Budget Summary for FY 2019-20 as of 31st March 2020***

*Nu. in million*

Particulars	FY 2019-20	
	Approved Budget July 2019	Revised (31 <sup>st</sup> March 2020)
<b>TOTAL RESOURCES</b>	<b>54,619.197</b>	<b>52,726.618</b>
I. DOMESTIC REVENUE	43,299.071	38,495.848
i. Tax	26,776.847	24,951.453
ii. Non-Tax	16,522.224	13,544.395
II. OTHER RECEIPTS	428.816	507.800
III. GRANTS	10,891.310	13,722.970
i. Program Grants	1,700.000	2,431.832
a) GoI	1,700.000	2,431.832
ii. Project-tied Grants	9,191.310	11,291.138
a) GoI	5,296.471	5,834.936
b) Others	3,894.839	5,456.202
I. Total Expenditure	61,197.307	64,615.466
i. Current Expenditure	34,652.765	35,819.345
ii. Capital Expenditure	26,544.542	28,796.121
<b>OVERALL BALANCE</b>	<b>(6,578.110)</b>	<b>(11,888.848)</b>
<b>FINANCING</b>	<b>6,578.110</b>	<b>11,888.848</b>
a. Net Lending	2,094.775	559.580
i. Principal recoveries	2,417.860	882.665
Less lending	323.085	323.085
b. Net external borrowings	1,474.528	4,720.337
i. Project-tied Borrowings	1,249.957	1,398.446
ii. Program Borrowings	3,519.500	5,128.000
Less repayment	3,294.929	1,806.109
c. Net internal borrowings Surplus/Deficit	3,008.807	6,608.931
i. Internal borrowings	3,020.211	6,620.335
Less repayment	11.404	11.404
<b>GDP</b>	<b>216,655.653</b>	<b>192,353.100</b>
<b>Fiscal balance % of GDP</b>	<b>-3.04%</b>	<b>-6.18%</b>

## Annexure B: Budget Summary for FY 2020-21

	Nu. in million
	<i>Budget Estimates</i>
<b>TOTAL RESOURCES</b>	<b>53,822.073</b>
<b>I. INTERNAL RESOURCES</b>	<b>33,679.225</b>
<i>i. Domestic Revenue</i>	33,189.392
a. Tax	20,569.603
b. Non-Tax	12,619.789
<i>ii. Other Receipts</i>	489.833
<b>II. EXTERNAL RESOURCES</b>	<b>20,142.848</b>
i. Program Grants	3,036.644
a) GoI (PG & STF)	3,036.644
ii. Project-tied Grants	17,106.204
a) GoI	13,465.779
b) Others	3,640.425
<b>TOTAL EXPENDITURE</b>	<b>69,151.122</b>
<i>i. Current Expenditure</i>	32,900.000
<i>ii. Capital Expenditure</i>	36,251.122
<b>OVERALL BALANCE</b>	<b>(15,329.049)</b>
<b>FINANCING</b>	<b>15,329.049</b>
a. Net Lending	1,316.666
i. Principal recoveries	2,531.065
Less lending	1,214.399
b. Net external borrowings	422.154
i. Project-tied Borrowings	1,844.245
ii. Program Borrowings	2,190.000
Less repayment	3,612.091
c. Net internal borrowings Surplus/Deficit	13,590.229
i. Internal borrowings	13,602.498
Less repayment	12.269
<b>GDP</b>	<b>208,199.695</b>
<b>Fiscal balance % of GDP</b>	<b>-7.36%</b>

**Annexure 1: Capital Budget for Dzongkhags including CMI allocation for Gewogs for FY 2020-21**

*Nu. in million*

AU	Agencies	Current	Capital				Grand Total (Current + Capital)
		RGoB	RGoB	External			
				Dzongkhag	Gewog CMI	Total	
1	Chhukha	721.945	92.600	294.505	180.026	567.131	1,289.076
2	Haa	273.002	98.667	91.548	2.562	192.777	465.779
3	Paro	669.901	177.719	80.377	-	258.096	927.997
4	Samtse	909.189	101.389	277.568	92.903	471.860	1,381.049
5	Tsirang	440.727	85.460	130.591	64.774	280.825	721.552
6	Dagana	482.351	170.724	156.861	46.678	374.263	856.614
7	Punakha	532.781	76.457	169.932	12.600	258.989	791.770
8	Wangdue Phodrang	596.054	112.090	189.641	-	301.731	897.785
9	Bumthang	335.890	87.057	107.919	-	194.976	530.866
10	Sarpang	539.893	73.130	334.507	109.096	516.733	1,056.626
11	Zhemgang	432.544	118.148	135.501	220.318	473.967	906.511
12	Trongsa	328.996	97.708	161.987	-	259.695	588.691
13	Lhuentse	321.331	81.735	199.452	-	281.187	602.518
14	Mongar	673.905	82.280	269.428	71.303	423.011	1,096.916
15	Pema Gatshel	469.009	60.200	176.074	81.628	317.902	786.911
16	SamdrupJongkhar	525.937	43.890	193.055	68.624	305.569	831.506
17	Trashigang	969.054	89.623	179.759	58.896	328.278	1,297.332
18	Thimphu	331.546	174.466	98.999	12.646	286.111	617.657
19	Gasa	164.808	72.538	87.150	13.340	173.028	337.836
20	Trashigang	417.056	46.458	191.144	-	237.602	654.658
	Total	10,135.918	1,942.339	3,525.998	1,035.394	6,503.731	16,639.649

**Annexure 2: Capital Budget for Thromdes including CMI allocation for FY 2020-21**

*Nu. million*

Sl No.	Agencies	Current	Capital				Grand Total (Current + Capital)
		RGoB	RGoB	External		Total (Capital)	
				Thromde	Under MWHS		
1	Thimphu	795.906	488.890	629.217	1.986	1,120.093	1,915.999
2	Phuentsholing	169.763	249.865	181.531	137.500	568.896	738.659
3	Gelephu	132.084	53.933	309.391	-	363.324	495.408
4	Samdrup Jongkhar	91.442	41.933	333.615	2.500	378.048	469.490
	Total	1,189.194	834.621	1,453.754	141.986	2,430.361	3,619.555

**Annexure 3: Capital budget of Gewogs including CMI under Dzongkhags for FY2020-21**

*Nu. in million*

Sl No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
1	Sampheling Gewog, Chhukha	19.998		19.998
2	Bongo Gewog, Chhukha	22.955	58.573	81.528
3	Chapchha Gewog, Chhukha	10.901		10.901
4	Dungna Gewog, Chhukha	9.858		9.858
5	Geling Gewog, Chhukha	11.451	10.059	21.51
6	Darla Gewog, Chhukha	37.393		37.393
7	Getana Gewog, Chhukha	9.622	92.184	101.806
8	Bjachho Gewog, Chhukha	12.333		12.333
9	Lokchina Gewog, Chhukha	15.278	19.21	34.488
10	Metakha Gewog, Chhukha	6.064		6.064
11	Phuentsholing Gewog, Chhukha	27.42		27.42
12	Bji Gewog, Haa	9.885		9.885
13	Katsho Gewog, Haa	8.343		8.343
14	Sangbey Gewog, Haa	12.267		12.267
15	Sama Gewog, Haa	7.92		7.92
16	Iusu Gewog, Haa	7.387		7.387
17	Gakidling Gewog, Haa	11.994	2.562	14.556
18	Dobshari Gewog, Paro	11.146		11.146
19	Dogar Gewog, Paro	11.596		11.596

SI No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
20	Doteng Gewog, Paro	6.47		6.47
21	Hungrel Gewog, Paro	2.741		2.741
22	Lango Gewog, Paro	15.883		15.883
23	Lungnyi Gewog, Paro	11.643		11.643
24	Naja Gewog, Paro	17.589		17.589
25	Shaba Gewog, Paro	17.789		17.789
26	Tsento Gewog, Paro	17.217		17.217
27	Wangchang Gewog, Paro	15.483		15.483
28	Norgaygang (Bara) Gewog, Samtse	30.275	20.76	51.035
29	Pemaling (Biru) Gewog, Samtse	19.158		19.158
30	Sangngacholing (Chargharey) Gewog, Samtse	18.793		18.793
31	Norbugang (Chengmari) Gewog, Samtse	18.328		18.328
32	Denchukha Gewog, Samtse	18.236	29.348	47.584
33	Dophuchen (Dorokha) Gewog, Samtse	27.089		27.089
34	Dumteod Gewog, Samtse	11.067	26.787	37.854
35	Yoedseltse Gewog, Samtse	18.659		18.659
36	Namgaychheoling Gewog, Samtse	21.729		21.729
37	Tendu Gewog, Samtse	27.018		27.018
38	Ugyentse Gewog, Samtse	8.503		8.503
39	Phuentshopelri (Pugli) Gewog, Samtse	25.949	16.008	41.957
40	Samtse Gewog, Samtse	22.526		22.526
41	Tashicholing (Sibsu) Gewog, Samtse	17.361		17.361
42	Tading Gewog, Samtse	32.118		32.118
43	Patshaling (Beteni) Gewog, Tsirang	9.083		9.083
44	Dunglagang Gewog, Tsirang	11.284		11.284
45	Barshong Gewog, Tsirang	10.02	12.66	22.68
46	Goseling Gewog, Tsirang	10.532		10.532
47	Rangthangling Gewog, Tsirang	11.78	9.78	21.56
48	Kilkhorthang Gewog, Tsirang	13.249	9.48	22.729
49	Mendrelgang Gewog, Tsirang	9.984	19.894	29.878
50	Sergithang (Pataley) Gewog, Tsirang	11.117		11.117
51	Phuentenchhu Gewog, Tsirang	10.475		10.475

Sl No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
52	Shemjong Gewog, Tsirang	8.962		8.962
53	Tsholingkhar Gewog, Tsirang	12.325		12.325
54	Tsirangteod Gewog, Tsirang	11.201	12.96	24.161
55	Dorona Gewog, Dagana	9.375	25.2	34.575
56	Drujeygang Gewog, Dagana	17.079		17.079
57	Gesarling Gewog, Dagana	8.35		8.35
58	Goshi Gewog, Dagana	12.382		12.382
59	Kana Gewog, Dagana	15.896		15.896
60	Khebisa Gewog, Dagana	15.331	10.032	25.363
61	Lajab Gewog, Dagana	7.459	11.446	18.905
62	Trashiding Gewog, Dagana	13.717		13.717
63	Tsendagang Gewog, Dagana	12.459		12.459
64	Tsangkha Gewog, Dagana	10.43		10.43
65	Tseza Gewog, Dagana	8.999		8.999
66	Karmaling (Deorali) Gewog, Dagana	8.398		8.398
67	Lhamoizingkha Gewog, Dagana	13.039		13.039
68	Nichula Gewog, Dagana	9.479		9.479
69	Chhubu Gewog, Punakha	12.289	12.6	24.889
70	Goenshari Gewog, Punakha	8.279		8.279
71	Guma Gewog, Punakha	16.118		16.118
72	Kabjisa Gewog, Punakha	11.631		11.631
73	Limbukha Gewog, Punakha	6.749		6.749
74	Shengana Gewog, Punakha	9.347		9.347
75	Talo Gewog, Punakha	9.038		9.038
76	Teowang Gewog, Punakha	8.468		8.468
77	Dzoma Gewog, Punakha	10.247		10.247
78	Baap Gewog, Punakha	15.43		15.43
79	Toebsa Gewog, Punakha	11.689		11.689
80	Bjena Gewog, WangduePhodrang	11.665		11.665
81	Dangchhu Gewog, WangduePhodrang	9.106		9.106
82	Daga Gewog, WangduePhodrang	14.055		14.055
83	Gangteod Gewog, WangduePhodrang	10.976		10.976

SI No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
84	Gasetshogongm Gewog, WangduePhodrang	13.617		13.617
85	Gasetshowogm Gewog, WangduePhodrang	4.967		4.967
86	Kazhi Gewog, WangduePhodrang	11.134		11.134
87	Nahi Gewog, WangduePhodrang	6.791		6.791
88	Nyisho Gewog, WangduePhodrang	11.559		11.559
89	Phangyuel Gewog, WangduePhodrang	7.132		7.132
90	Phobji Gewog, WangduePhodrang	10.885		10.885
91	Rubesa Gewog, WangduePhodang	10.766		10.766
92	Sephu Gewog, WangduePhodrang	10.062		10.062
93	Athang Gewog, WangduePhodrang	10.406		10.406
94	Theedtsho Gewog, WangduePhodrang	19.595		19.595
95	Chhoeckhor Gewog, Bumthang	20.094		20.094
96	Chhumey Gewog, Bumthang	12.144		12.144
97	Tang Gewog, Bumthang	11.419		11.419
98	Ura Gewog, Bumthang	8.61		8.61
99	Samteyling Gewog, Sarpang	12.557		12.557
100	Chhuzargang Gewog, Sarpang	13.81		13.81
101	Dekidng Gewog, Sarpang	21.506		21.506
102	Chhuzom Gewog, Sarpang	18.859	71.296	90.155
103	Tareything Gewog, Sarpang	4.18		4.18
104	Gelephu Gewog, Sarpang	16.967		16.967
105	Gakidling Gewog, Sarpang	17.834	12.6	30.434
106	Jigmedchheoling Gewog, Sarpang	23.22	12.6	35.82
107	Umling Gewog, Sarpang	8.983		8.983
108	Singye Gewog, Sarpang	10.091	12.6	22.691
109	Shompangkha Gewog, Sarpang	6.813		6.813
110	Sershong Gewog, Sarpang	9.413		9.413
111	Bardo Gewog, Zhemgang	19.051	73.266	92.317
112	Bjoka Gewog, Zhemgang	12.186	69.075	81.261
113	Nangkor Gewog, Zhemgang	16.88	22.78	39.66
114	Ngangla Gewog, Zhemgang	15.658	42.597	58.255

SI No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
115	Phangkhar Gewog, Zhemgang	12.561		12.561
116	Shingkhar Gewog, Zhemgang	14.789	12.6	27.389
117	Trong Gewog, Zhemgang	15.714		15.714
118	Goshing Gewog, Zhemgang	14.596		14.596
119	Drakteng Gewog, Trongsa	17.696		17.696
120	Korphu Gewog, Trongsa	8.245		8.245
121	Langthel Gewog, Trongsa	18.742		18.742
122	Nubi Gewog, Trongsa	18.316		18.316
123	Tangsibji Gewog, Trongsa	10.054		10.054
124	Gangzur Gewog, Lhuentse	17.183		17.183
125	Jarey Gewog, Lhuentse	9.924		9.924
126	Khoma Gewog, Lhuentse	14.348		14.348
127	Kurteod Gewog, Lhuentse	7.326		7.326
128	Minjay Gewog, Lhuentse	10.041		10.041
129	Menbi Gewog, Lhuentse	13.883		13.883
130	Metsho Gewog, Lhuentse	9.179		9.179
131	Tsenkhar Gewog, Lhuentse	16.544		16.544
132	Balam Gewog, Mongar	7.561		7.561
133	Chhali Gewog, Mongar	13.888		13.888
134	Chaskhar Gewog, Mongar	11.173		11.173
135	Drametse Gewog, Mongar	15.494		15.494
136	Drepung Gewog, Mongar	10.453		10.453
137	Gongdue Gewog, Mongar	13.472	15.608	29.08
138	Jurmey Gewog, Mongar	13.741		13.741
139	Kengkhar Gewog, Mongar	14.098		14.098
140	Mongar Gewog, Mongar	21.677		21.677
141	Ngatshang Gewog, Mongar	10.723		10.723
142	Saleng Gewog, Mongar	13.794		13.794
143	Sherimuhung Gewog, Mongar	15.496		15.496
144	Silambi Gewog, Mongar	12.37	43.355	55.725
145	Thangrong Gewog, Mongar	12.891		12.891
146	Tsakaling Gewog, Mongar	13.754		13.754
147	Tsamang Gewog, Mongar	10.307		10.307

SI No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
148	Narang Gewog, Mongar	11.342	12.34	23.682
149	Chongshing Gewog, Pema Gatshel	9.972		9.972
150	Chhimung Gewog, Pema Gatshel	8.969	31.883	40.852
151	Dungmin Gewog, Pema Gatshel	10.791	17.4	28.191
152	Khar Gewog, Pema Gatshel	10.792		10.792
153	Shumar Gewog, Pema Gatshel	15.541		15.541
154	Yurung Gewog, Pema Gatshel	9.53	23.345	32.875
155	Zobel Gewog, Pema Gatshel	11.806		11.806
156	Dechhenling Gewog, Pema Gatshel	18.539		18.539
157	Norbugang Gewog, Pema Gatshel	14.754		14.754
158	Nanong Gewog, Pema Gatshel	13.996		13.996
159	Choekhorling Gewog, Pema Gatshel	7.736	9	16.736
160	Phuentshothang Gewog, Samdrup-Jongkhar	16.671		16.671
161	Pemathang Gewog, SamdrupJongkhar	9.696		9.696
162	Gomdar Gewog, SamdrupJongkhar	20.246		20.246
163	Wangphu Gewog, SamdrupJongkhar	16.784	4.2	20.984
164	Langchenphu Gewog, SamdrupJongkhar	7.941		7.941
165	Lauri Gewog, SamdrupJongkhar	25.331	53.312	78.643
166	Martshala Gewog, SamdrupJongkhar	16.711	6.216	22.927
167	Dewathang Gewog, SamdrupJongkhar	12.703		12.703
168	Orong Gewog, SamdrupJongkhar	15.548	4.896	20.444
169	Samrang Gewog, SamdrupJongkhar	4.384		4.384
170	Serthi Gewog, SamdrupJongkhar	14.394		14.394
171	Bartsham Gewog, Trashigang	11.341		11.341
172	Bidung Gewog, Trashigang	9.473		9.473
173	Kanglung Gewog, Trashigang	20.437		20.437
174	Kangpara Gewog, Trashigang	15.615		15.615
175	Khaling Gewog, Trashigang	15.067		15.067
176	Lumang Gewog, Trashigang	22.374		22.374
177	Merak Gewog, Trashigang	15.195	34.017	49.212
178	Yangnyer Gewog, Trashigang	14.992		14.992
179	Phongmey Gewog, Trashigang	15.564		15.564

SI No.	Name of Gewog	RGoB (Annual Grants)	External	Total
			Gewog CMI under Dzongkhag	
180	Radhi Gewog, Trashigang	15.445		15.445
181	Sakteng Gewog, Trashigang	26.702	24.879	51.581
182	Samkhar Gewog, Trashigang	15.843		15.843
183	Shongphu Gewog, Trashigang	14.176		14.176
184	Thrimshing Gewog, Trashigang	12.274		12.274
185	Udzorong Gewog, Trashigang	15.982		15.982
186	Soe Gewog, Thimphu	3.813		3.813
187	Chang Gewog, Thimphu	16.08		16.08
188	Dagala Gewog, Thimphu	8.344		8.344
189	Gayney Gewog, Thimphu	5.746		5.746
190	Kawang Gewog, Thimphu	18.533		18.533
191	Lingzhi Gewog, Thimphu	6.105		6.105
192	Mewang Gewog, Thimphu	18.408		18.408
193	Naro Gewog, Thimphu	4.202	12.646	16.848
194	Geonkhamed Gewog, Gasa	4.835		4.835
195	Geonkhateod Gewog, Gasa	4.035		4.035
196	Laya Gewog, Gasa	15.742	13.34	29.082
197	Lunana Gewog, Gasa	13.101		13.101
198	Bumdeling Gewog, Trashy Yangtse	19.676		19.676
199	Jamkhar Gewog, Trashy Yangtse	8.278		8.278
200	Khamdang Gewog, Trashy Yangtse	20.988		20.988
201	Ramjar Gewog, Trashy Yangtse	10.875		10.875
202	Teodtsho Gewog, Trashy Yangtse	14.586		14.586
203	Tongmizhangtsha Gewog, Trashy Yangtse	10.992		10.992
204	Yalang Gewog, Trashy Yangtse	15.196		15.196
205	Yangtse Gewog, Trashy Yangtse	15.659		15.659
	<b>Total</b>	<b>2,760.000</b>	<b>1,035.394</b>	<b>3,795.394</b>

***Annexure 4: Recommended budget of Legislative, Judiciary and Constitutional Bodies.***

***National Assembly of Bhutan***

*Nu. in million*

Sl.No	Name of activities	Current	Capital
1	Current Grants including pay and benefits	120.404	
2	Administration and Management Services		0.150
3	Central Heating Ventilation and Air Conditioning HVAC		0.384
4	Assembly Session Services		3.000
5	Operation and Management Services for MP		0.180
6	Public Representative MP Services		0.260
	<b>Total</b>	<b>120.404</b>	<b>3.974</b>

***National Council of Bhutan***

*Nu. in million*

Sl.No	Name of activities	Current	Capital
1	Current Grants including pay and benefits	82.522	
2	Improve and Strengthen Quality translation and interpretation services		0.560
3	Press Conference of NCB		0.500
4	Live streaming of NC Sessions		0.500
5	Documentary production of NC profile		0.800
	<b>Total</b>	<b>82.522</b>	<b>2.360</b>

## Judiciary

*Nu. in million*

Sl No	Name of activities	Current	Capital
1	Current Grants including pay and benefits	284.679	
2	Construction of Chukha District Court		25.000
3	Construction of District Court at Gasa, spill over		26.040
4	Construction of Thimphu District Court		15.000
5	Construction of SaktenDrungkhag Court		10.000
6	Construction of District Court at Paro spill over		27.000
7	Construction of Drangpons residence at Haa spill over		0.800
8	Construction of DrungkhagCourt at Sangbaykha spill over		8.120
9	Construction of Drungkhag Court at Weringla spill over		10.720
10	Renovation of Bumthang Dzongkhag Court		1.800
11	Renovation of Tashicholing Dungkhag Court		1.500
12	Maintenance of Yongthri		0.900
13	Construction of Drangpon Residence at Sangbaykha		7.000
14	Construction of Drangpon residence at Tsirang		6.000
15	Construction of Drangpon residence at Paro		8.000
16	Strengthen child justice and procedures		3.000
17	Training on disaster risk management		1.000
18	Specialized training on family & child, environment, construction & gender		3.350
19	Biennial judge conference		0.800
20	Procurement of file racks for supreme court		2.000
21	Procurement of equipment and furniture to establish women and child friendly room		3.000
22	Procurement of laptops for CJB and Justices		1.800
23	Masters degree for judiciary officers		0.500
24	Mastersprogramme LLM		6.000
25	Procurement of furniture, computers and office equipment for High Court, Dzongkhag and Dungkhag Courts		3.534
26	Construction of protection wall above the court, Zhemgang		0.700
27	Maintenance of water supply, Pangbang Dungkhag Court		0.200
28	Installation of AC, Pangbang Dungkhag court		0.175
	<b>Total</b>	<b>285.828</b>	<b>173.939</b>

## Anti-Corruption Commission

Nu. in million

Sl. No.	Name of activities	Amount	
		Current	Capital
1	Current Grants including pay and benefits	87.141	
2	Furnish ACC office building in Phuentsholing		8.360
3	IT services and system strengthened		0.300
4	Investigation services		0.600
5	Strengthen and provide technical support services		0.100
6	Conduct of actionable Intel projects		0.400
7	Conduct training for leaders on ethics and integrity		0.500
8	Sensitize on integrity vetting system		0.150
9	Capacitate for implementation and assessment of national integrity and anti corruption strategy NIACS and organizational integrity plan OIP		2.900
10	Administer and manage asset declaration		0.400
11	Conduct corruption risk assessment in vulnerable sectors		0.580
12	Develop NIA 2019 agency report and disseminate		1.890
13	Implement business integrity initiative of Bhutan		1.300
14	Conduct research on corruption in elections		3.640
15	Develop and disseminate independent electoral commission materials		0.700
16	Implement youth integrity programme		1.500
17	Thematic sessions on ethics and integrity for justice sectors engineers HROs and FOs		1.7
18	Conduct general awareness programs youth general citizen private public		0.500
19	Development of program to commemorate IACD		0.300
20	Upgrade e-learning course on ethics and integrity		2.200
21	Specialized training on anti-corruption studies, investigation, prevention and education		19.62
22	Conduct Agency Corruption Assessment (ACA)		1.500
23	Management of documentation infrastructure		0.500
24	Conduct 12 FYP mid-year review and develop IDP		1.500
25	Enhance network with regional and international counterparts		1.500
	<b>Total</b>	<b>87.141</b>	<b>52.640</b>

## *Election Commission of Bhutan*

*Nu. in million*

Sl. No.	Name of activities	Amount	
		Current	Capital
1	Current Grants including pay and benefits	35.996	
2	Procurement of Furniture and equipment		0.550
3	Conduct 11th SAARC Forum of Election Management Bodies of South Asia (FEMBOSA)		7.169
4	Disposal of expired EVM		2.791
5	Procurement and installation of 3 phase and single phase UPS for server room and POE switch		2.380
6	Enhance SMS based result relaying system with mobile app		2.000
7	Citizenry education to youth		4.433
8	Installation of sound system in resourcecentre		0.100
9	Development of production and education training materials on civic and voter education		2.820
10	Basic skills and education to young and aspiring candidates		1.000
11	Long term studies		0.557
12	Cost sharing HRD trainings		0.999
13	In country training for HROs refresher course for drivers stores and inventory management		1.529
14	Towards enhancement of women's participation in local government elections 2021		1.194
15	Public consultation on review of the local government Demkhongs		12.728
16	Procurement of VPIC printing machine		0.700
17	Bhutan democracy dialogue steering committee meetings		0.080
18	A common platform for the registered political parties to improve electoral and political processes		1.432
	<b>Total</b>	<b>35.996</b>	<b>42.462</b>

### ***Royal Audit Authority***

*Nu. in million*

Sl. No.	Name of activities	Amount	
		Current	Capital
1	Current Grants including pay and benefits	178.440	
2	ICT service related renewal and equipments		0.400
3	Annual audit of RAA		0.300
4	Audit advocacy program		0.930
5	Outsourcing of audit services		1.500
6	Continuing professional development of auditors		8.000
7	Austrian support for capacity building of RAA		2.500
8	Replacement of furniture, equipment and computers in Regional offices		1.105
9	Construction of RAA office in Bumthang,		20.000
10	Construction of RAA office in Phuentsholing		14.000
	<b>Total</b>	<b>178.440</b>	<b>48.735</b>

### ***Royal Civil Service Commission***

*Nu. in million*

Sl. No.	Name of activities	Amount	
		Current	Capital
1	Current grants including pay and benefits	51.649	
2	HR conference		1.500
3	Professionalizing Civil Service		220.000
4	Nehru-Wangchuck Scholarship		18.303
5	Cost sharing and other HRD programs		36.332
6	Young Professional Leadership Program(YPLP)		9.000
7	Foundational Leadership Program (FLP)		9.000
8	Conduct of OD exercise		3.000
9	Development of competency based framework for 15 selected positions		1.870
10	Bhutan Civil Service Examination		13.570
11	SMS gateway charges, UTM license & antivirus license renewal		0.600
12	Civil service information system ZEST and API development		2.072
13	Digital archiving of personal files (spillover - file scanning)		0.500

Sl. No.	Name of activities	Amount	
		Current	Capital
14	Development of job portal		1.500
15	Conduct strategic auditing workshop in thirty agencies		0.250
16	Executive forum & executive round table		0.750
17	Bhutan Executive Services Training (BEST)		4.000
18	Executive leadership development programme		9.120
19	Leadership Assessment and Development (LEAD)		0.853
20	Future leaders mentoring program		0.300
21	Retirement planning workshop to civil servants nearing retirement		1.500
22	Enhancing wellbeing of civil servants through emotional intelligence		1.000
23	Civil Service Awards		4.500
24	Development of competency based framework		5.000
	<b>Total</b>	<b>51.649</b>	<b>344.520</b>

### ***Annexure 5: Economic Classification of Expenditure for FY 2020-21***

*Nu. in million*

<b>OBC</b>	<b>OBC Classification</b>	<b>Appropriation</b>	<b>%</b>
	<b><i>CURRENT EXPENDITURE</i></b>		
01.01	Pay and Allowances	16,184.683	21.27
02.01	Other Personnel Emoluments	822.797	1.08
03.01	Medical Benefits - Incountry	10.249	0.01
03.02	Medical Benefits - India	285.780	0.38
03.03	Medical Benefits - Outside India	116.253	0.15
04.01	Special Allowance	71.400	0.09
04.02	Special Allowance - Kidu/Pensioners	5.303	0.01
05.01	Stipends	1,633.275	2.15
11.03	Travel - (LTC/Leave Travel Concession)	561.295	0.74
11.02	Travel - Outside Bhutan	44.326	0.10
11.01	Travel - In country	593.689	1.30
11.04	Travel - Office Stationed Outside Bhutan	22.663	0.05
12.01	Utilities - Telephones, Telex, Fax, E-mail, Internet	136.856	0.30
12.02	Utilities - Telegram, Wireless Transmission, Postage	12.719	0.03
12.03	Utilities - Electricity, Water, Sewerage	129.062	0.28
12.05	Utilities - Fuel wood	27.230	0.06
13.01	Rental of Properties - Buildings	129.058	0.28
13.02	Rental of Properties - Vehicles	3.708	0.01
13.04	Rental of Properties - Furniture, Equipment & Land	0.692	0.00
14.01	S & M - Office Supplies, Printing, Publications	124.198	0.27
14.02	S & M - Medicines & Laboratory Consumables	559.364	1.23
14.03	S & M - Fertilizers, Chemicals, Manures, Innoculants	3.115	0.01
14.04	S & M - Seeds, Seedlings	2.395	0.01
14.05	S & M - Animal Feeds	5.560	0.01
14.06	S & M - Uniforms, Extension Kits, Linens	87.932	0.19
14.07	S & M - Text Books, Library Books, Stationeries & Sports Item	8.169	0.02
14.09	S & M - Patient Diet	10.396	0.02
14.10	S & M - Diet	97.184	0.21
15.01	Maintenance of Property - Buildings	68.541	0.15
15.02	Maintenance of Property - Vehicles	170.943	0.37
15.03	Maintenance of Property - Roads	161.551	0.35

OBC	OBC Classification	Appropriation	%
15.04	Maintenance of Property - Bridges	3.960	0.01
15.05	Maintenance of Property - Equipment	54.464	0.12
15.06	Maintenance of Property - Plantations	6.889	0.02
15.07	Maintenance of Property - Computers	13.319	0.03
15.09	Maintenance of Property - Water supply, Sewerage, Playfield	3.246	0.01
17.01	Op. Exp. - Advertising	13.178	0.03
17.02	Op. Exp. - Taxes, Duties, Royalties, Fees, Handling Charges, Bank Charges	16.049	0.04
17.03	Op. Exp. - Transportation	34.010	0.07
17.04	Op. Exp. - Energy/Propulsion Charges	0.463	0.00
17.06	Op. Exp. - Items for Processing/Manufacturing	1.640	0.00
17.08	Op. Exp. - Incountry Meetings and Celebrations	245.922	0.54
17.09	Op. Exp. - Survey/Census	8.965	0.02
18.01	Hospitality & Entertainment	37.134	0.08
21.01	Current Grants - Individuals/Non-profit Orgs.	4,496.833	6.61
21.02	Current Grants - Sungchop	439.876	0.58
21.03	Current Grants - Rural Life Insurance Scheme	1.500	0.00
22.02	Current Grants - Non-Financial Institutions	444.588	0.58
24.01	Subscriptions to International Organisation	104.267	0.14
24.03	Contributions - Provident Fund	1,504.610	1.98
26.01	General Provisions	1,351.000	1.78
31.01	Interest Payment - Internal	251.906	0.33
31.02	Interest Payment - External	1,775.793	2.33
	<b>TOTAL CURRENT EXPENDITURE</b>	<b>32,900.000</b>	<b>46.42</b>
	<b><i>CAPITAL EXPENDITURE</i></b>		
41.02	Acquisition of Immovable Property - Buildings	3.900	0.01
45.01	Training - Human Resource Development	963.330	1.27
45.02	Training - Others	2,247.349	2.94
51.01	Exp. on Structure - Buildings	6,885.970	8.70
51.02	Exp. on Structure - Roads (incl.culverts,drns)	5,265.302	6.76
51.03	Exp. on Structure - Bridges	438.869	0.54
51.04	Exp. on Structure - Irrigation Channels	495.336	0.57

<b>OBC</b>	<b>OBC Classification</b>	<b>Appropriation</b>	<b>%</b>
51.05	Exp. on Structure - Drainage Systems	88.126	0.10
51.06	Exp. on Structure - Water Supply & Sanitation	1,807.197	2.36
51.07	Exp. on Structure - Plantations	539.551	0.71
51.08	Exp. on Structure - Others	1,441.613	1.83
52.01	Plant &Equipt. - Roads	35.470	0.05
52.02	Plant &Equipt. - Power Generation	25.388	0.03
52.03	Plant &Equipt. - Power Trans. & Dist.	15.687	0.02
52.04	Plant &Equipt. - Telecommunications	510.315	0.67
52.05	Plant &Equipt. - Agricultural Machineries	105.228	0.14
52.06	Plant &Equipt. - Livestock	209.583	0.28
52.07	Plant &Equipt. - Hospital/Lab. Equipment	1,379.406	1.81
52.08	Plant &Equipt. - General Tools, Instruments	826.942	1.09
53.01	Purchase of Vehicles	181.355	0.24
54.01	Furniture	57.982	0.08
54.02	Office Equipment	72.062	0.09
54.03	Computers & Peripherals	635.613	0.84
55.01	Professional Services	2,224.582	2.92
56.01	General Provisions	2,386.100	3.18
61.01	Capital Grants - Individuals/Non-Profit Orgs.	6,795.022	9.19
62.02	Capital Grants - Non-Financial Institutions	257.064	0.34
63.01	Acquisition of Equities/Shares	356.780	0.47
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>36,251.122</b>	<b>47.22</b>
	<b>LENDING EXPENDITURE</b>		
65.02	Loans - Enterprises	1,214.399	1.60
	<b>TOTAL LENDING EXPENDITURE</b>	<b>1,214.399</b>	<b>1.60</b>
	<b>REPAYMENT EXPENDITURE</b>		
70.01	Repayment of Debt Principal - Internal	12.269	0.02
70.02	Repayment of Debt Principal - External	3,612.091	4.75
	<b>TOTAL REPAYMENT EXPENDITURE</b>	<b>3,624.360</b>	<b>4.76</b>
	<b>TOTAL BUDGET APPROPRIATION</b>	<b>73,989.881</b>	<b>100.00</b>

## ***Annexure 6: Major Capital Activities under various sectors for FY 2020-21***

### ***i. Major capital activities in Health Sector***

*Nu. in million*

<b>Sl. No</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Gastric Cancer Program (Flagship)	436.500	GoI
2	Procurement of Medical Equipment for MoH and JDWNRH	346.000	RGoB
3	Construction of 150 Bedded Gyaltsuen Jetsuen Pema Mother and Child Hospital at Thimphu	236.000	GoI
4	Cervical Cancer Program (Flagship)	166.000	GoI
5	Construction of 20 Bedded Hospital at Dechencholing	113.000	RGoB
6	Breast Cancer Program (Flagship)	78.500	GoI
7	Construction of 40 Bedded District Hospital, Dewathang, Samdrup Jongkhar	64.000	GoI
8	Construction of additional Hospital wing at JDWNRH	50.000	RGoB
9	Long Term Training (New)	39.108	RGoB
10	Long Term Training (Continuation)	38.277	RGoB
11	Construction of water reservoirs for BHU I, II and Hospitals in Trashigang and Trashiyangtse	28.620	ADB
12	Procurement of Equipments for Laboratory, JDWNRH	21.000	GoI
13	Purchase of medical equipment Spares Parts & accessories for medical equipment & devices for MoH and JDWNRH	20.000	RGoB
14	Procurement of Ultrasound machines for Hospitals and BHU I	17.680	ADB
15	Procurement of waste Autoclaves for Hospitals BHU I and BHU II	17.410	ADB
16	Introduction of Five New Services Laser Therapy joint replacement Dental implementation Apheresis Eswl, JDWNRH	15.900	GoI
17	Procurement of Biochemistry analyzers, Hematology Lab Refrigerators, Centrifuges for Hospitals and BHU II	15.470	ADB
18	Maintenance of Toilets, Ceilings/Marble flooring at MRRH, Mongar	13.000	RGoB
19	Procurement of Diagnostic and NCD Equipment	11.810	ADB
20	Procurement of Equipments for Radiology department, JDWNRH	11.500	GoI
21	Construction of Water reservoirs for BHU I and II InMongar	10.850	ADB

Sl. No	Name of activities	Amount	Funding
22	Construction of Water reservoirs for BHU I, II, and Hospitals in Samdrup Jongkhar and Pema Gatshel	10.820	ADB
23	Construction of Water Reservoirs for BHU I, II and Hospitals in Dagana	10.180	ADB
24	Procurement of Anesthesiology equipments, JDWNRH	10.000	GoI
25	Procurement of General medical equipment, JDWNRH	5.000	GoI

**ii. Major capital activities under Education Sector**

*Nu. in million*

Sl. No	Name of activities	Amount	Funding
1	Setting up of Computer Lap and supply of computer with LAN Setup in Schools (Flagship)	590.000	GoI
2	Construction of Chhundu Central School	208.306	RGoB
3	Capital infrastructure development, Royal University of Bhutan	196.35	GoI
4	Implement new Ex-country undergraduate scholarship in third Countries /India	128.500	RGoB
5	Implement new Scholarships	106.467	GoI
6	Professional Development of Teachers	100.000	GoI
7	Establishment & Rehabilitation of 30 Community ECCD	59.250	SCF/USA
8	Training of Teacher on ICT Education (Flagship)	29.000	PG
9	Scholarships under assistance to privately enrolled medical Students' Scheme	27.550	RGoB
10	Skill training and Education pathways, up-gradation and Construction of TVE Lab in 13 pilot schools	27.070	ADB
11	B.ED Primary at Paro College of Education	26.253	RGoB
12	Construction of 6 Unit Classroom, 96 bedded hostel 2 Nos, 4 Unit Staff Qtr, Kitchen cum Store, academic toilet 2 Nos and Water Supply at Sakteng LSS, Trashigang	24.448	GoI
13	Online access to Leap Learner Platform (Flagship)	22.000	PG
14	Construction of 8 unit Classroom, 32 bedded hostel 2 Nos, 4 Unit Staff Qtr, Dining hall, Kitchen cum Store, academic toilet 2 Nos and water supply at Dungkar PS, Lhuentse	20.306	GoI
15	Construction of 6 unit Classroom, 4 Unit Staff Qtr, 64 bedded hostel 2 Nos, kitchen cum store and academic toilet 2 Nos at Jurmey PS, Mongar	20.112	GoI

Sl. No	Name of activities	Amount	Funding
16	M.ED Science & Mathematics at Samtse College of Education	19.420	RGoB
17	Construction of 8 unit Classroom, 32 bedded hostel 2 Nos, academic toilet kitchen cum store, Principal Qtr and 3 unit Staff Qtr at Lunana PS, Gasa	19.005	GoI
18	Construction of 96 bedded hostel 2 Nos, 4 Unit Staff Qtr, Kitchen cum Store and Water supply at Merak PS, Trashigang	18.445	GoI
19	Undergraduate Scholarships at Royal Thimphu College	18.340	RGoB
20	Construction of 8 unit Classroom, 96 bedded hostel and Principal quarter at Chongaykha PS, Chhukha	17.897	GoI
21	Construction of 64 bedded hostel 2 Nos, MPH and Kitchen cum Store at Pemathang LSS, SamdrupJongkhar	17.820	GoI
22	Construction of 6 unit Classroom, 64 bedded hostel 2Nos and 4 unit Staff Qtr at Lauri PS, SamdrupJongkhar	16.584	GoI
23	Construction of 6 unit Classroom, 64 bedded hostel 2 Nos, Principal Qtr, 4 Unit Staff Qtr and Water supply at Rangtse PS, Haa	16.559	GoI
24	M.ED Geography and English at Samtse College of Education	15.398	RGoB
25	Renovation of ECCD Center	15.000	SCF/USA
26	Scholarships under Queen's Endowment for Cultural Studies	14.415	RGoB
27	Construction of 6 Unit Classroom, 32 bedded hostel 2 Nos and 4 Unit Staff Qtr at Tarphel PS, Tashiyangtse	14.267	GoI
28	Construction of 96 bedded hostel 2 Nos, Kitchen cum Store academic toilet and Water supply at Phekoma PS, Dagana	13.074	GoI
29	Construction of 96 bedded hostel 2 Nos and Kitchen cum Store at Pangna PS, Dagana	12.990	GoI
30	Construction of 64 bedded hostel 2 Nos and 4 Unit Staff Qtr at Shershong LSS, Mongar	12.121	GoI
31	Construction of 64bedded hostel 2 Nos and 4 Unit Staff Qtr at Jigmecholing LSS, Sarpang	11.942	GoI
32	Construction of 8 Unit classroom, 4 unit Staff Qtr and kitchen cum store at Dorokha CS, Samtse	10.034	GoI
33	ECCD Diploma Program	10.000	UNICEF

Sl. No	Name of activities	Amount	Funding
34	Training of ICT Lab Assistant and Institutional Capacity (Flagship)	10.000	PG
35	Construction of 6 Unit Classroom, 4 unit staff quarter, academic toilet 2 and water supply at Sinchula PS, Chhukha	8.998	GoI
36	M.ED Primary at Paro College	8.401	RGOB
37	Student Loan Scheme for Tertiary Education	7.810	GoI
38	M.Ed in Inclusive Education at Paro College Of Education	7.431	RGOB
39	Establishment & Rehabilitation of 30 Community ECCD Centers with Wash Facilities including Supply of learning materials & orientation	7.200	UNICEF
40	M.A English at Yonphula College of advanced Studies	6.570	RGOB
41	M.ED Dzongkha at Paro College of Education	5.624	RGoB

**iii. Major capital activities in RNR Sector**

Sl No	Name of activities	Amount	Funding
1	Establish organic manure production plants and Bi-control laboratory	90.500	TSFP
2	Support organic crop production interventions SAP and LUC	87.000	TSFP
3	Land development	85.000	RGoB
4	Construction of cold stores including hiring of vehicle	80.340	RGoB
5	Maintenance old plantations	50.705	GCF
6	Accreditation of BAFRA and promote and sensitize on national organic standards and requirements	38.500	TSFP
7	Installation and input supply infrastructure facilities	32.000	RGoB
8	UHT Plant at SamdrupJongkhar	30.000	CARLEP
9	Cultivation deficit quantity including charges for loading and unloading	30.000	RGoB
10	National forest inventory Survey	26.760	GCF
11	Develop formalize and Implement Strategic Policy Guidelines	26.000	TSFP
12	Construction Rateykhola, Laringkhola, Tharaykhola and Birkhola, irrigation channels in Samtse and Sarpang, Spillover	25.000	World Bank
13	Nationwide Tiger Survey	25.000	GCF

Sl No	Name of activities	Amount	Funding
14	Procurement of Veterinary Medicines, Vaccines & Equipment	21.540	EU-RD-CCRP
15	Develop and Promote Cool Chains and Establish Organic Sales Outlets	21.500	TSFP
16	Creation of Plantation	20.000	GCF
17	Promotional Grant for 880 Domestic Size Biogas Plants	19.980	EU-RD-CCRP
18	Conduct National forest inventory	19.000	World Bank
19	Release of Grant	18.000	World Bank
20	Promote value addition supply chains on selected organic commodities and capacity building of Youths	15.025	TSFP
21	Procurement of cold storage processing and value addition equipment	12.900	RGoB
22	Attend Ex-country Seminars and Workshop, Conference and Study tour for CARLEP Stakeholders	12.000	CARLEP
23	Agri-Business and RNR Enterprise development	11.606	World Bank
24	Development SDSS and NFM	11.600	World Bank
25	Livelihood enhancement through Small scale agro business and value chain development	11.425	SDF
26	Capacity Building Youths including Monitoring and Evaluation	10.400	World Bank
27	Commercialize the Organic Seed Productions and Support Private Sector Farmers Community for Organic Seed	10.375	TSFP
28	Support Enterprise Developments	10.000	CARLEP
29	Construction of Manager and Staff Quarters	10.000	PG
30	Construction of office building at new farm at Lebi	10.000	PG

**iv. Major capital activities in Mining and Manufacturing Industries**

*Nu. in million*

Sl No	Name of activities	Amount	Funding
1	Development of Pasakha Dry Port	344.810	TSFP
2	Jigmeling Industrial Park, Sarpang	151.000	GoI
3	Damdum Industrial Estate, Samtse	133.404	GoI
4	Motanga Industrial Park, SamdrupJongkhar	82.949	RGoB
5	Pasakha Industrial Estate	38.254	RGoB
6	Bjemena Industrial Estate	34.958	RGoB
7	Export diversification under Brand Bhutan	31.210	Geneva
8	Development of E-Infrastructure on Trade and Services	5.872	Geneva
9	EXPO- 2020	5.200	TSFP
10	Bhutan Investment Forum 2020	5.00	TSFP

**v. Major capital activities in Tourism**

*Nu. in million*

Sl No	Name of activities	Amount	Financing
1	Training and Re-skilling in Tourism and Hospitality	50.000	PG
2	Facelift and beautification of Centenary Farmers market and Tourist sites in Thimphu	24.700	PG
3	Support for Trans -Bhutan Trail for Development of Trail	18.000	PG
4	Development of road side Amenities	14.710	PG
5	Strengthen Ecotourism Guidelines and Certification System for Biodiversity and Gender Safeguards	14.550	PG
6	Development of Ecotourism Master plan	13.356	PG
7	Construction and Maintenance of Existing Trek Routes Campsites and Restroom Etc	13.300	PG
8	Development of Mountain Biking Tour and facelift of Tourist site in Bumthang	13.250	PG
9	Development of Heritage Palace Tour in Trongsa	10.500	PG
10	Increase attractiveness and visibility in top International Tourism Events	8.520	PG
11	Development and promotion of Cultural and Religious destination and village home stay in Haa	8.500	PG
12	Development and Management of Takshang in Paro	7.900	PG
13	National zero Poaching Strategy	7.465	PG
14	Development of Rinchengang model village	7.000	PG

Sl No	Name of activities	Amount	Financing
15	Feasibility study for development of Elephant Safari and visitor information center in Gelephu	7.000	PG
16	Undertake Tourism employment survey assessment and thematic research	6.470	PG
17	Development of Eco Agri Tourism and exhibition Center	5.500	PG
18	Development of framework for Eco Tourism and sustainable Biodiversity conservation	5.460	PG
19	Development of visitor information Center , Cafeteria and Restroom in Gasa	5.000	PG
20	Support for highland and Zorig festival in Merak, Sakteng in Trashigang and Trashiyangtse	4.500	PG
21	Development of infrastructure for Lotus valley Trek in Pemagatshel	4.250	PG
22	Support of bird festival celebration and develop Home stay in Zhemgang	4.000	PG
23	Development and promotion of Dungkar heritage festival in Lhuentse	3.000	PG
24	Development of Drukpa Kuenley Ney, biking trail and infrastructure from Chimi Lhakhang to ToepRonchechu	3.000	PG

**vi. Major capital activities in employment and vocational training**

*Nu. in millions*

Sl No	Name of activities	Amount	Funding
1	Construction of TTI in Thimphu and expansion of TTI SamthangWangdue	95.221	ADB
2	Construction of TTI in Thimphu and expansion of TTI SamthangWangdue	75.426	RGoB
3	Youth engagement for Livelihood and Leadership Program (YELP)	70.000	RGoB
4	Critical Skills Training Pre-service HRD	60.000	GoI
5	Procurement of tools and equipment	51.380	ADB
6	Construction of River Protection Wall and MPH at Samthang	31.780	GoI
7	Construction of additional infrastructure for JWPTI	28.565	GoI
8	Critical skills training	11.925	ADB
9	Conduct National assessment for accredited courses	11.700	RGoB
10	Design and supervision of constructions	10.105	ADB
11	Capacity building	8.000	ADB

Sl No	Name of activities	Amount	Funding
12	Hiring of Professionals to Mentor and Groom instructors.	7.500	ADB
13	Construction of River protection wall at Rangjung	7.100	GoI
14	Explore and implement overseas Employment Program	7.000	RGoB
15	Skilled supervisor training	6.900	GoI
16	Dual training program for Construction industries and institutions	5.760	GoI
17	Construction of Bridge and Hostel at Chumey	5.660	GoI
18	Construction of two Storied workshop and Classroom and Two Units two storied Hostels for Boys and Girls at CZC Yangtse	5.280	GoI

**vii. Major capital activities in Roads Sector**

*Nu. in million*

Sl No.	Name of activities	Amount	Funding
1	Improvement and widening of road leading to access points of National Service Centers, Piuli	396.510	RGoB
2	Improvement of road from Bjena –Khotakha, National Service Centre	283.931	RGoB
3	Improvement works on Ura -Yongkola -Rotpashong	205.000	GoI
4	Monsoon Restoration Works	160.000	RGoB
5	Improvement of Tshelingore -Khotakpa road	142.000	GoI
6	Resurfacing and re-alignment of Samtse, Tashichholing to Tendu Road	120.000	GoI
7	Construction of Dalbari –Dagapela road	114.937	Netherland
8	Poverty alleviation through Road Development in Southern Bhutan	114.937	RGoB
9	SASEC Transport, Trade Facilitation and Logistics Project	100.000	ADB
10	SASEC Road Connectivity Project (Grant)	84.240	ADB
11	Improvement of Halhaley to Namchukhola road	80.000	GoI
12	Up-gradation of Chuserbu-Trongsa road, 45Km	75.000	GoI
13	Reduce the Risk and impact of Climate change	73.410	GCF
14	Construction of new Bridges on Trongsa- Nangar road, 6 Nos	60.000	GoI
15	Re-alignment of Ossay slide area at 27Km, Gelephu – Trongsa	60.000	GoI

Sl No.	Name of activities	Amount	Funding
16	Blacktopping works at Gorgan-Silibi on Metsho GC Roads, 9Km	59.530	GoI
17	Improvement work on Sunkosh- Dagana	52.800	GoI
18	Up-gradation of Ura-Serpang, 29Km	50.000	GoI
19	Up-gradation of Bajo-Khuruthang	50.000	GoI
20	Up-gradation of Yadi-Lingmethang (North East West Highway, 65 Km	50.000	GoI
21	Construction of Namchukhola -Sombaykha	50.000	GoI
23	Improvement of approach road to Tareything, National Service Center	49.855	RGoB
24	Black topping of Chazam- Doksum	47.500	RGoB
25	Resurfacing works on Dewathang - Samdrupcholing, 15Km	45.000	RGoB
26	Road resurfacing and pavement strengthening, Damphu- Sunkosh, 96-106Km	40.000	RGoB
27	Rigid pavement strengthening on Lingzin-Tsenkari, 2Km	40.000	RGoB

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

*Nu.in million*

Sl No	Name of activities	Amount	Funding
1	Samdrup Jongkhar Water supply and sewerage project	55.000	ADB/RGoB
2	Construction of integrated check post at Rinchending( PH II and III) Spillover	53.210	RGoB
3	Construction of waste water treatment plant at Babesa	31.100	ABD/RGoB
4	Construction of integrated check post at Bumpagang (PH III and IV) Spillover	25.204	RGoB
5	Flood protection Works for Bhudini and Dhamdum rivers in Samtse	25.000	GoI
6	Construction of LAP infrastructure in Shechamthang, Sarpang	23.000	ADB/RGoB
7	Dewathang water supply augmentation project	22.000	ADB/RGoB
8	Flood protection works for Dungsamchu in Samdrup-Jongkhar	11.230	GoI
9	Retrofitting of public structures	6.500	Austrian

**ix. Major capital activities under Communication Sector**

*Nu. in million*

Sl. No	Name of activities	Amount	Funding
1	Digital Drukyl	1,171.62	PG, GoI, ADB, TSFP
2	Runway resurfacing, Bumthang Domestic Airport	150.168	PG
3	Bhutan sustainable low emission transport system	82.976	UNDP GEF
4	Establishment of aeronautical surveillance system	76.100	RGoB
5	Rural communication project, VI Phase	57.000	USF
6	Construction of apron taxiway, Bumthang Domestic Airport	50.544	RGoB
7	Rural communication project, V Phase	39.820	USF
8	Capacity enhancement of sewerage treatment plant, PIA	15.000	RGoB
9	Construction of airport rescue and facilitation centre	15.000	RGoB
10	Construction of waiting room for arrival, ramp restroom and maintenance of hanger, PIA	15.000	RGoB
11	Flight inspection service for calibration of navigation aids	8.000	RGoB
12	Develop Data Hubs, single source of truth	7.100	RGoB
13	Power backup and UPS works at PIA	6.937	RGoB
14	O&M for DrukREN	5.120	RGoB

**x. Major capital activities under Energy Sector**

*Nu. in million*

Sl. No	Name of activities	Amount	Funding
1	On-grid electrification of rural Off-grid households	49.000	RGoB
2	DPR for Kuri- Gongri Hydroelectric Project 2640 MW	40.000	GoI
3	Promotion of renewable energy and energy efficient technologies in building sector of Bhutan	16.900	Gov. of Austria
4	Prefeasibility study of Burichu Hydropower Project	10.052	RGoB
5	Prefeasibility study of Udzorong Hydroelectric Project	8.640	RGoB

***xi. Major capital activities under Religion and Cultural services***

*Nu. in million*

Sl No	Name of activities	Amount	Funding
1	Reconstruction of Wangduephodrang Dzong	210.000	RGoB&GoI
2	Restoration of Tango Monastery	100.000	RGoB
3	Construction of Sarpang Dzong	81.360	GoI
4	Construction of Lhakhang at Rajgir, Bihar, India	70.000	RGoB
5	Restoration and adaptive re-use of Wangdichoeling Palace, Bumthang	66.000	RGoB /BF
6	Construction of Pemagatshel Dzong	63.330	RGoB
7	Conservation of Drukgyel Dzong	62.000	RGoB
8	Conservation of Sangchenchoekhor Monastery	54.000	GoI
9	Restoration of Chari Monastery	40.500	RGoB
10	Construction and renovation of Drasha, Gomdeys and Drupdeys	40.500	RGoB
11	Conservation of Lingzhi Dzong	40.000	GoI
12	Conservation of RigsumGoempaLhangkhang Project	40.000	GoI
13	Procurement of Disaster Communication Equipment	35.000	RGoB
14	Writing and archiving of Kanjur in Gold Scripts	30.460	RGoB
15	Construction of Thangka conservation center in Thimphu	15.000	RGoB

***xii. Major capital activities under Law and Order***

*Nu. in million*

Sl No	Name of Activities	Amount	Funding
1	Procurement of troops carrier vehicle and other pool vehicle, RBP	19.800	RGoB
2	Const. of Family quarters at SamdrupJongkhar, RBP	18.000	RGoB
3	Const. of low cost family quarters at Chamgang Thimphu, RBP	15.500	RGoB
4	Const. of integrated checkpoint and related infrastructure at Gelephu, DoL	15.000	RGoB
5	Const of family quarter at Nungzor Trashigang, RBP	15.000	RGoB
6	Const. of Thimphu District Court, Judiciary	15.000	RGoB
7	Procurement of ankle brachial index Genetic Analyzer and Gen Mapper ID,	14.233	ADA
8	Const. of family quarter at Denchi, RBP	12.000	RGoB
9	Const. of family quarter at Pelzomthang Community Police, Nganglam, RBP	12.000	RGoB

Sl No	Name of Activities	Amount	Funding
10	Procurement of DNA System, RBP	11.305	ADA
11	Const. of fully equipped forensic lab, RBP	10.800	ADA
12	Training on law enforcement, RBP	10.500	RGoB
13	Const. of Municipal wall at Samtse, DoL	10.000	RGoB
14	Const. of SaktenDrungkhag Court, Judiciary	10.000	RGoB
15	Purchase of Communication Equipments and Accessories, RBP	8.759	RGoB
16	Const of low cost Non-commission officer and other ranks quarter at Chamgang	8.000	RGoB
17	Const of Non-commissioned officers and other ranks quarter at Bajo, RBP	8.000	RGoB
18	Const. of Drangpon's Residence at Paro, Judiciary	8.000	RGoB
19	Const. of Non-commissioned officers and other rank quarters at Punakha	7.000	RGoB
20	Const. of Non-commissioned officers and other ranks quarter at Gelephu	7.000	RGoB
21	Const. of Drangpon Residence at Sombaykha, Judiciary	7.000	RGoB
22	Const. of Police station and lock up at Haa	6.000	RGoB
23	Const. of family quarter at Tashichhodzong, RBP	6.000	RGoB
24	Const. of Drangpon's Residence at Tsirang, Judiciary	6.000	RGoB
25	Enhancement of Case Management System, OAG	5.897	RGoB
26	Const. of Police station and lock up at Lhamoizinkha, RBP	5.279	RGoB
27	Const. of Integrated Check Point at Yangphelthang, DoL	5.000	RGoB

***xiii. Major capital activities under General Public Service***

*Nu. in million*

Sl No	Name of Activity	Amount	Funding
1	Procurement of Trade facilitation equipment, Phuentsholing Thromde	70.000	ADB
2	Construction of Embassy at Baridhara, RBE, Dhaka	50.000	RGoB
3	Development of electronic Custom Management System, DRC	37.587	ADB
4	Goods and Service Tax implementation, GST, DRC	24.528	World Bank
5	Furnishing of Film Studio, National Film Commission	21.199	RGoB
6	Construction of Kutshab residence, RBE, New Delhi	15.000	RGoB

Sl No	Name of Activity	Amount	Funding
7	To enhance Public service delivery on landownership and conveyances, NLC	10.000	RGoB
8	Development of electronic procurement system, DNP	6.515	ADB

***xiv. Major capital activities under Human Resource Development***

Sl No	Agency	Name of activities	Amount	Funding
1	Judiciary	Masters programme ,LLM	6.000	Austria
2	RCSC	Professionalizing civil service	220.000	GoI
		Nehru-Wangchuck scholarship	18.303	GoI
		Cost sharing and other HRD programs	36.332	RGoB
		Young Professional Leadership Program (YPLP)	9.000	RGoB
		Foundational Leadership Program (FLP)	9.000	RGoB
		Bhutan Executive Services Training (BEST)	4.000	RGoB
		Executive Leadership development programme	9.120	RGoB
		Development of competency based framework	5.000	Austria
3	ACC	Specialized training on Anti-Corruption studies, investigation, prevention and education	10.620	Austria
4	RAA	Continuing professional development of Auditors	8.000	RGoB
5	NEC	Study on minimum environmental flow for hydro-power projects in Bhutan	7.060	Austria
6	RIM	Institutional strengthening of RIM in support of delivering masters program	5.000	Australia
7	KGUMSB	Student and faculty exchange program	5.000	RGoB
8	NCHM	Strengthening the capacity of instrumentation, ICT & forecasting services	5.000	World Bank
9	MoHCA	Capacity development of LG functionaries	10.000	EU
		Capacity development of DLG official	10.000	EU
		Training on disaster management related	6.100	EU
10	MoF	Studies abroad	10.000	RGoB
		Strengthening Public Financial Management and Integrated Financial Management Information System (IFMIS)	5.000	World Bank
		Capacity development in Public Financial Management (PFM)	5.000	World Bank

Sl No	Agency	Name of activities	Amount	Funding
11	MoAF	Ex-country seminars, workshops, conferences, study tour for CARLEP Stakeholders	12.000	IFAD
		Capacity building on design of climate resilient irrigation and water harvesting infrastructures	5.000	GCF
		Capacity enhancement of project stakeholders in product development, post harvest technology, group cooperative dynamics management	5.000	World Bank
12	MoEA	EIF tier 2 on export diversification under brand Bhutan	7.500	Geneva
13	MoH	Long term training (New)	39.109	RGoB
		Long term training (Continuation)	38.277	RGoB
		Exposure visit for TWG members	5.653	Fleming Fund
		International visit for IMCOH and NATC members on AMR, AMC surveillance	6.379	Fleming Fund
		Exposure visit for TWG members and training of microbiology lab staff on culture AST and AMR surveillance	10.555	Fleming Fund
14	MoE	M.Ed Dzongkha at Paro College of Education	5.624	RGoB
		M.A English at Yonphula	6.570	RGoB
		B.Ed Primary at Paro College of Education	26.253	RGoB
		Professional Development of teachers	100.000	GoI
		M.Ed Science &Mathematics atSamtse College of Education	19.420	RGoB
		M.Ed Geography and English at Samtse College of Education	15.398	RGoB
		M.Ed in inclusive education at Paro College of Education	7.431	RGoB
		MA completeive counseling psychology	4.864	RGoB
		M.Ed Primary at Paro College of Education	8.401	RGoB
		Support for ECCD diploma program	8.520	SCF-U.S.A

### ***Annexure 7: Sector performance***

<b>Sector Performance</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Percentage Change</b>	<b>Actual</b>	<b>Estimates</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
Agriculture, livestock, and forestry	4.4	3.3	4.4	4.7	3.5
o/w Agriculture proper	4.9	4.9	7.1	7.5	4.7
Livestock production	6.9	3.4	3.7	4.0	4.3
Forestry and logging	(1.0)	(0.3)	(0.7)	(1.2)	(1.5)
Industry	(4.8)	1.8	11.5	5.9	(4.1)
o/w Mining and Quarry	37.6	11.8	9.3	10.1	10.4
Manufacturing	3.7	4.4	(2.0)	3.7	4.8
Electricity, gas & water	(14.9)	9.3	17.8	1.0	3.8
Construction	(8.0)	(9.4)	15.2	11.0	(21.7)
Services	9.0	10.7	(6.5)	9.2	15.4
o/w Wholesale and retail trade	10.2	12.8	3.0	11.4	9.9
Hotel and restaurant	10.5	15.3	(80.5)	328.8	278.2
Transport, storage and communications	10.9	9.4	(9.6)	9.7	6.9
Financing, insurance and real estate	11.7	6.6	(1.0)	6.1	6.6
Finance	13.5	6.9	(2.5)	6.2	6.7
Real estate	5.2	5.2	5.0	5.7	6.0
Community, social and personal services (govt)	3.6	13.3	(2.8)	(2.7)	(3.2)
Private social & recreational services	1.5	4.9	(4.9)	5.4	5.8
GDP	3.0	4.6	1.0	5.3	6.0
<b>Share to GDP</b>					
Agriculture, livestock, and forestry	15.9	15.8	16.4	16.4	16.0
o/w Agriculture proper	8.4	8.5	9.0	9.0	8.9
Livestock production	4.5	4.5	4.7	4.8	4.7
Forestry and logging	3.0	2.8	2.7	2.6	2.4
Industry	38.3	37.9	42.6	42.4	37.6
o/w Mining and Quarry	4.9	5.1	5.6	6.0	6.3
Manufacturing	7.5	7.4	7.1	7.0	6.7
Electricity, gas & water	11.7	13.3	16.8	15.8	14.9
Construction	14.2	12.0	13.2	13.6	9.6
Services	39.9	41.9	37.7	39.7	44.4
o/w Wholesale and retail trade	9.0	9.7	9.8	10.5	10.9
Hotel and restaurant	2.4	2.7	0.5	2.2	7.9

Sector Performance	2018	2019	2020	2021	2022
Percentage Change	<i>Actual</i>	<i>Estimates</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Transport, storage and communications	10.0	10.1	8.6	8.8	8.5
Financing, insurance and real estate	7.8	7.8	7.6	7.7	7.6
Finance	5.4	5.4	5.1	5.1	5.0
Real estate	2.4	2.4	2.5	2.6	2.6
Community, social and personal services (govt)	10.4	11.3	10.8	10.1	9.1
Private social & recreational services	0.4	0.4	0.4	0.4	0.4

### ***Annexure 8: Fiscal performance for FY 2018-19***

Particulars	Nu. in million			% Variance		
	Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
<b>TOTAL RESOURCES</b>	<b>39,893.853</b>	<b>43,634.711</b>	<b>42,033.296</b>	<b>9.4%</b>	<b>-3.7%</b>	<b>5.4%</b>
<b>DOMESTIC REVENUE</b>	<b>33,943.967</b>	<b>34,321.818</b>	<b>34,707.670</b>	<b>1.1%</b>	<b>1.1%</b>	<b>2.2%</b>
Tax	25,037.460	26,542.925	27,171.147	6.0%	2.4%	8.5%
Non-Tax	8,906.507	7,778.893	7,536.523	-12.7%	-3.1%	-15.4%
<b>OTHER RECEIPTS</b>	<b>20.000</b>	<b>40.990</b>	<b>-3,190.855</b>	<b>-</b>	<b>-7884.5%</b>	<b>-</b>
<b>GRANTS</b>	<b>5,929.886</b>	<b>9,271.903</b>	<b>10,516.481</b>	<b>577.3%</b>	<b>18.6%</b>	<b>624.5%</b>
<b>Programme grants</b>	<b>150.000</b>	<b>950.000</b>	<b>989.520</b>	<b>533.3%</b>	<b>4.2%</b>	<b>559.7%</b>
GoI		800.000	850.000			
Others	150.000	150.000	139.520	0.0%	0.0%	0.0%
<b>Project-tied grants</b>	<b>5,779.886</b>	<b>8,321.903</b>	<b>9,526.961</b>	<b>44.0%</b>	<b>14.5%</b>	<b>64.8%</b>
GoI	3,024.114	3,833.162	5,634.765	26.8%	47.0%	86.3%
Others	2,755.772	4,488.741	3,892.196	62.9%	-13.3%	41.2%
<b>TOTAL EXPENDITURE</b>	<b>45,128.177</b>	<b>49,527.566</b>	<b>44,054.133</b>	<b>9.7%</b>	<b>-11.1%</b>	<b>-2.4%</b>
Current	29,075.167	29,171.975	27,768.663	0.3%	-4.8%	-4.5%
Capital	16,053.010	20,355.591	16,285.470	26.8%	-20.0%	1.4%
<b>Advance/Suspense (Net)</b>	<b>-</b>	<b>-</b>	<b>722.593</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OVERALL BALANCE</b>	<b>(5,234.324)</b>	<b>(5,892.855)</b>	<b>(2,743.430)</b>	<b>12.6%</b>	<b>-53.4%</b>	<b>-47.6%</b>
<b>FINANCING</b>	<b>5,234.324</b>	<b>5,892.855</b>	<b>2,743.430</b>	<b>12.6%</b>	<b>-53.4%</b>	<b>-47.6%</b>
<b>Net Lending</b>	<b>1,433.162</b>	<b>1,389.678</b>	<b>1,318.468</b>	<b>-3.0%</b>	<b>-5.1%</b>	<b>-8.0%</b>
<i>i. Principle recoveries</i>	<i>1,528.190</i>	<i>1,601.118</i>	<i>1,516.061</i>	<i>4.8%</i>	<i>-5.3%</i>	<i>-0.8%</i>
<i>Less: Lending</i>	<i>95.028</i>	<i>211.440</i>	<i>197.593</i>	<i>122.5%</i>	<i>-6.5%</i>	<i>107.9%</i>
<b>Net External Borrowings</b>	<b>961.245</b>	<b>975.689</b>	<b>1,101.101</b>	<b>1.5%</b>	<b>12.9%</b>	<b>14.5%</b>
Borrowings	3,425.554	3,450.613	3,432.571	0.7%	-0.5%	0.2%
<i>a) Project-tied</i>	<i>1,281.689</i>	<i>1,721.617</i>	<i>1,352.180</i>	<i>34.3%</i>	<i>-21.5%</i>	<i>5.5%</i>
<i>b) Program</i>	<i>2,143.865</i>	<i>1,728.996</i>	<i>2,080.391</i>	<i>0.0%</i>	<i>20.3%</i>	<i>0.0%</i>
Less: Repayments	2,464.309	2,474.924	2,331.470	0.4%	-5.8%	-5.4%
<b>Net Internal borrowings Surplus/Deficit</b>	<b>2,839.917</b>	<b>3,527.488</b>	<b>323.861</b>	<b>24.2%</b>	<b>-90.8%</b>	<b>-88.6%</b>
<i>i. Internal borrowings</i>	<i>2,850.532</i>	<i>3,538.103</i>	<i>334.475</i>	<i>24.1%</i>	<i>-90.5%</i>	<i>-88.3%</i>
<i>Less: Repayments</i>	<i>10.615</i>	<i>10.615</i>	<i>10.614</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

## ***Annexure 9: Direct and Indirect shareholding in State Enterprises and Linked Companies***

*Nu. in millions*

<b>Direct Shareholding</b>		<b>2018</b>			<b>2019</b>	
<b>Sl. No</b>	<b>Corporations/Sector</b>	<b>% Holding</b>	<b>No. of Shares</b>	<b>Value (Nu. m)</b>	<b>No. of Shares</b>	<b>Value (Nu. m)</b>
<b>I</b>	<b>Agriculture</b>			<b>530.82</b>		<b>549.02</b>
1	Bhutan Livestock Development Corp. Ltd	100%	4,556,429	455.64	4,738,429.00	473.84
2	Farm Machinery Corporation Ltd	100%	333,220	33.32	333,220.00	33.32
3	Green Bhutan Corporation Ltd <sup>7</sup>	100%	418,562	41.86	418,561.86	41.86
<b>II</b>	<b>Industry</b>			<b>310.19</b>		<b>310.19</b>
1	Army Welfare Project	100%	25,200	25.20	25,200.00	25.20
2	Bhutan Agro Industries Limited	100%	770,636	77.06	770,636.00	77.06
3	Kuensel Corporation Ltd	51%	255,000	25.50	255,000.00	25.50
4	Menjongsorig Pharmaceutical Corp. Ltd	100%	1,824,277	182.43	1,824,277.00	182.43
<b>III</b>	<b>Services</b>			<b>4,741.52</b>		<b>4,861.84</b>
1	Food Corporation of Bhutan	100%	15,000	15.00	15,000.00	15.00
2	Bhutan Lottery Ltd	100%	600,000	60.00	600,000.00	60.00
3	Bhutan Duty Free Ltd	100%	1,155,441	115.54	1,155,441.00	115.54
4	Bhutan Postal Corporation	100%	235,952	23.60	235,952.00	23.60
5	Bhutan Broadcasting Service Limited	100%	1,308,351	130.84	1,308,351.00	130.84
6	Royal Bhutan Helicopter Services Ltd	100%	6,070,474	607.05	6,070,474.00	607.05
7	National Housing Development Corp Ltd	100%	2,727,961	2,727.96	2,727,961.00	2,727.96
8	Bhutan Development Bank Ltd	97%	580,024	580.00	600,317.00	600.32
9	Rural Enterprise Development Corporation	100%	4,305,350	430.54	5,305,350.00	530.54
10	Financial Institutions Training Institute	31%	4,000,000	40.00	4,000,100.00	40.00
11	Credit Information Bureau	44%	1,100,000	11.00	1,100,000.00	11.00
<b>IV</b>	<b>Holding Company</b>			<b>45,946.20</b>		<b>48,695.60</b>
1	Druk Holding & Investments Ltd	100%	459,462,029	45,946.20	486,956,007.00	48,695.60
	<b>Total</b>			<b>51,528.73</b>		<b>54,416.65</b>

### Annexure 10: Revenue and profitability of State Enterprises and Linked Companies

Nu. In millions

Direct Shareholdings Corporations/Sector	Gross Revenue			Total Expenses			Profit Before Tax			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
<b>Agriculture</b>	391	436	269	361	488	336	22	(51)	(68)	21	(60)	(67)
Bhutan Livestock Development Corp. Ltd	3	43	47	14	113	118	(11)	(70)	(71)	(11)	(70)	(69)
Farm Machinery Corporation Ltd	342	318	180	305	309	176	31	10	4	31	3	3
Green Bhutan Corporation Ltd <sup>7</sup>	46	75	41	42	66	42	2	9	(1)	1	6	(1)
<b>Industry</b>	1,972	2,025	251	1,397	1,511	220	474	514	30	327	355	21
Army Welfare Project	1,546	1,623	-	1,034	1,140	-	412	482	-	289	338	-
Bhutan Agro Industries Limited	198	192	-	155	159	-	43	32	-	30	23	-
Kuensel Corporation Ltd	214	185	203	183	167	177	30	18	26	20	12	18
Menjongsorig Pharmaceutical Corp. Ltd	14	27	48	25	44	43	(11)	(18)	5	(11)	(18)	3
<b>Services</b>	4,339	4,627	5,020	4,985	4,097	4,743	(762)	493	212	(851)	402	164
Food Corporation of Bhutan	1,104	1,218	1,518	1,133	1,234	1,528	(27)	(16)	(11)	(27)	(16)	(11)
Bhutan Lottery Ltd	106	233	228	-	184	187	21	49	41	15	34	28
Bhutan Duty Free Ltd	158	181	209	106	123	141	53	58	68	37	41	49
Bhutan Postal Corporation	156	224	191	136	172	175	19	45	16	13	32	10
Bhutan Broadcasting Service Limited	293	267	269	296	274	285	(3)	(5)	(15)	(3)	(4)	(10)
Royal Bhutan Helicopter Services Ltd	163	173	161	74	115	132	61	58	29	41	40	15
National Housing Development Corp Ltd	161	164	181	102	122	100	26	9	17	14	2	10
Bhutan Development Bank Ltd	2,193	2,157	2,247	3,102	1,835	2,158	(880)	322	90	(909)	300	95

Direct Shareholdings Corporations/Sector	Gross Revenue			Total Expenses			Profit Before Tax			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Rural Enterprise Development Corporation	4	10	15	36	37	38	(32)	(27)	(23)	(32)	(27)	(23)
<b>Holding Company</b>	<b>7,923</b>	<b>8,779</b>	<b>7,224</b>	<b>156</b>	<b>113</b>	<b>127</b>	<b>7,767</b>	<b>8,666</b>	<b>7,097</b>	<b>5,441</b>	<b>6,061</b>	<b>4,964</b>
Druk Holding & Investments Ltd	7,923	8,779	7,224	156	113	127	7,767	8,666	7,097	5,441	6,061	4,964
<b>TOTAL</b>	<b>14,624</b>	<b>15,867</b>	<b>12,763</b>	<b>6,899</b>	<b>6,208</b>	<b>5,427</b>	<b>7,502</b>	<b>9,621</b>	<b>7,272</b>	<b>4,938</b>	<b>6,757</b>	<b>5,082</b>
	6,701	7,088	5,539	6,743	6,095	5,300	(265)	956	175	(503)	696	117
		6%	-21.9%		-17.7%	-13%						-83.2%
Shareholdings through DHI Corporations/Sector	Gross Revenue			Total Expenses			Profit Before Tax			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
<b>Agriculture</b>	<b>459</b>	<b>673</b>	<b>793</b>	<b>151</b>	<b>615</b>	<b>708</b>	<b>(44)</b>	<b>57</b>	<b>85</b>	<b>(55)</b>	<b>40</b>	<b>61</b>
Natural Resource Development Corp.	459	673	793	151	615	708	(44)	57	85	(55)	40	61
<b>Industry</b>	<b>21,197</b>	<b>21,297</b>	<b>22,839</b>	<b>14,148</b>	<b>13,864</b>	<b>15,437</b>	<b>7,086</b>	<b>7,467</b>	<b>7,422</b>	<b>4,983</b>	<b>4,222</b>	<b>4,839</b>
Penden Cement Authority Limited	1,631	1,584	1,533	1,461	1,458	1,438	207	160	118	151	112	81
Bhutan Board Products Limited	289	192	254	304	159	282	(15)	32	(27)	(15)	23	(27)
Bhutan Ferro Alloys Limited	2,475	2,570	2,144	2,173	2,069	2,252	303	502	(108)	212	320	(114)
Dungsam Cement Corporation Limited	3,300	3,784	3,389	4,020	3,814	3,440	(720)	(31)	(51)	(514)	(825)	(331)
Dungsam Polymers	146	180	178	153	180	172	(7)	(0)	6	(6)	(1)	8
Druk Green Power Corporation	12,277	11,682	11,919	5,053	5,003	4,866	7,224	6,679	7,053	5,087	4,497	4,947
Koufuku International Pvt. Ltd	36	13	22	32	34	39	4	(21)	(17)	4	(21)	(18)
Construction Development Corp. Ltd	689	733	1,864	697	731	1,908	(8)	2	(45)	(8)	6	(50)
Wood Craft Centre Limited	94	111	103	86	89	89	8	22	13	4	15	7

Direct Shareholdings Corporations/Sector	Gross Revenue			Total Expenses			Profit Before Tax			Net Profit		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
State Mining Corporation Ltd	260	450	1,433	170	326	952	90	124	481	67	91	336
<b>Services</b>	<b>27,645</b>	<b>24,749</b>	<b>26,172</b>	<b>20,802</b>	<b>21,295</b>	<b>19,292</b>	<b>6,621</b>	<b>3,545</b>	<b>6,001</b>	<b>4,579</b>	<b>1,643</b>	<b>4,170</b>
State Trading Corporation of Bhutan	2,286	2,366	-	2,168	2,254	-	118	112	-	81	67	-
Druk Air Corporation	3,526	3,696	4,162	3,025	3,525	3,660	540	262	508	349	159	343
Bhutan Telecom Corporation	3,204	3,593	4,039	1,978	2,220	2,338	1,216	1,373	1,701	829	942	1,103
Bhutan Power Corporation	11,507	9,508	9,533	9,615	8,355	7,881	1,893	1,153	1,651	1,328	762	1,184
Thimphu TechPark Ltd.	49	37	38	31	26	35	17	11	3	17	11	3
Bhutan National Bank	3,040	3,199	3,375	1,927	2,152	2,397	1,214	1,047	92	873	607	31
Bank of Bhutan	3,347	4,020	4,512	1,975	2,543	2,717	1,019	1,477	1,795	708	1,041	1,257
Royal Insurance Corporation of Bhutan Ltd	687	(1,791)	513	83	92	263	604	(1,883)	250	395	(1,927)	250

# Annexure 11: Summary of Assets, liabilities and net-worth of State Enterprises and linked Companies

Nu. in millions

Direct Shareholdings Corporations		Total Assets				Total Liabilities				Net Asset Values			
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Agriculture		30	294	801	824	1	80	97	139	29	214	703	685
Bhutan Livestock Development Corp. Ltd		-	34	411	398	-	6	26	51	-	28	385	347
Farm Machinery Corporation Ltd		29	202	328	375	0	59	60	84	29	143	268	291
Green Bhutan Corporation Ltd7		1	57	62	50	1	14	12	4	0	43	50	47
Industry		2,555	3,028	2,578	504	1,034	649	485	119	1,521	2,380	2,093	384
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	331	94	92	93	111	197	207	224	220
Menjongsorig Pharmaceutical Corp. Ltd		-	174	159	173	-	2	6	8	-	172	154	164
Services		28,402	30,747	32,786	33,557	20,316	23,357	24,604	25,251	8,087	7,390	8,181	8,306
Food Corporation of Bhutan		610	597	679	708	277	291	389	404	333	306	290	304
Bhutan Lottery Ltd		52	82	134	146	6	12	32	28	45	70	102	118
Bhutan Duty Free Ltd		-	-	179	215	-	-	4	20	-	-	175	195
Bhutan Postal Corporation		375	322	435	492	221	156	233	282	154	167	201	210
Bhutan Broadcasting Service Limited		636	638	608	598	94	99	70	155	543	539	538	443
Royal Bhutan Helicopter Services Ltd		671	755	752	772	40	76	37	54	630	678	714	718
National Housing Development Corp Ltd		3,117	3,773	4,144	4,238	328	953	1,136	1,223	2,789	2,820	3,008	3,015
Bhutan Development Bank Ltd		22,649	24,148	25,222	25,715	19,304	21,713	22,630	23,044	3,345	2,435	2,592	2,671

<i>Direct Shareholdings</i>		Total Assets				Total Liabilities				Net Asset Values			
<b>Corporations</b>													
Rural Enterprise Development Corporation		146	236	384	463	2	5	10	12	144	230	374	451
Financial Institutions Training Institute		146	148	170	132	43	44	29	2	102	104	141	130
Credit Information Bureau		-	48	80	78	-	8	35	28	-	41	45	50
<b>Total</b>		<b>30,987</b>	<b>34,069</b>	<b>36,164</b>	<b>34,885</b>	<b>21,350</b>	<b>24,085</b>	<b>25,186</b>	<b>25,510</b>	<b>9,636</b>	<b>9,984</b>	<b>10,978</b>	<b>9,375</b>
<i>Shareholdings through DHI</i>		Total Assets				Total Liabilities				Net Asset Values			
<b>Corporations</b>													
		2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
<b>Agriculture</b>		694	742	727	817	102	213	160	220	592	529	567	597
Natural Resource Development Corp.		694	742	727	817	102	213	160	220	592	529	567	597
<b>Industry</b>		<b>72,561</b>	<b>72,607</b>	<b>70,500</b>	<b>72,866</b>	<b>20,260</b>	<b>18,081</b>	<b>16,262</b>	<b>18,436</b>	<b>52,301</b>	<b>54,528</b>	<b>54,238</b>	<b>54,430</b>
Penden Cement Authority Limited		1,967	1,865	1,776	1,600	472	454	486	458	1,495	1,411	1,290	1,142
Bhutan Board Products Limited		319	274	249	812	29	17	116	75	290	256	133	737
Bhutan Ferro Alloys Limited		1,441	2,028	2,322	1,757	569	319	541	682	872	1,709	1,781	1,075
Dungsam Cement Corporation Limited		11,727	11,231	9,784	9,887	7,538	7,596	6,297	6,733	4,189	3,635	3,487	3,154
Dungsam Polymers Limited		164	150	200	172	178	171	152	119	(14)	(21)	48	54
Druk Green Power Corporation		55,311	54,943	53,474	55,215	10,891	8,776	7,483	8,610	44,420	46,167	45,991	46,605
Koufuku International Pvt. Ltd		89	79	79	89	95	81	102	53	(6)	(2)	(23)	35
Construction Development Corp. Ltd		1,247	1,521	1,788	2,181	435	569	807	1,306	812	952	981	875
Wood Craft Centre Limited		146	150	184	121	24	27	46	49	122	125	139	72
State Mining Corporation Ltd		150	365	643	1,033	29	69	232	351	122	296	411	682
<b>Services</b>		<b>140,414</b>	<b>154,032</b>	<b>157,313</b>	<b>187,256</b>	<b>105,083</b>	<b>117,712</b>	<b>121,268</b>	<b>150,145</b>	<b>35,330</b>	<b>36,320</b>	<b>36,045</b>	<b>37,110</b>
State Trading Corporation of Bhutan		998	951	1,296	-	608	512	825	-	390	439	471	-

Direct Shareholdings	Total Assets					Total Liabilities				Net Asset Values		
	Corporations											
Druk Air Corporation	5,620	5,987	6,382	8,552	3,070	3,318	3,425	4,926	2,551	2,668	2,957	3,626
Bhutan Telecom Corporation	5,036	5,496	5,954	7,067	953	1,271	1,573	2,427	4,083	4,224	4,381	4,640
Bhutan Power Corporation	27,964	28,964	30,057	35,249	14,035	15,269	16,980	20,611	13,929	13,695	13,077	14,638
Thimphu TechPark Ltd.	318	370	385	415	135	126	126	155	182	243	259	260
Bhutan National Bank	37,086	40,167	38,386	46,083	30,939	33,717	31,280	42,133	6,147	6,450	7,106	3,950
Bank of Bhutan	44,773	51,132	55,812	69,549	39,267	45,233	48,737	61,639	5,506	5,899	7,075	7,910
Royal Insurance Corporation of Bhutan Ltd	18,618	20,966	19,040	20,340	16,075	18,265	18,321	18,254	2,542	2,701	719	2,086
<b>Total</b>	<b>213,669</b>	<b>227,381</b>	<b>228,539</b>	<b>260,939</b>	<b>125,445</b>	<b>136,006</b>	<b>137,689</b>	<b>168,802</b>	<b>88,223</b>	<b>91,377</b>	<b>90,850</b>	<b>92,137</b>

# Annexure 12: Long term borrowings of State Enterprises

*Nu in millions*

SOEs	Government Shareholding	Long-term Borrowings			
		2017	2018	2019	Govt. Exposure
DHI	100%	-	37	38	38
DGPC	100%	3,615	4,658	5,549	5,549
BFAL	26%	43	66	96	25
DCCL	100%	5,122	4,905	4,390	4,390
DPL	51%	110	105	67	34
NRDCL	100%	53	36	66	66
Bhutan Post	100%	-	64	87	87
Bhutan Telecom	100%	649	603	202	202
TTPL	51%	19	15	41	21
NHDCL	100%	850	880	859	859
BDBL	97%	997	1,322	-	-
BNBL	12%	850	522	522	60
RICBL	39%	5,529	4,079	17,317	6,797
Kuensel Corp.	51%	-	14	14	7
Druk Air	100%	1,613	1,361	2,641	2,641
BPC	100%	5,462	7,652	12,771	12,771
STCBL	51%	101	105	-	-
BBPL	48%	-	37	-	-
BAIL	100%	11	85	-	-
SMCL	100%	-	66	53	53
KIL	30%	64	64	1	0.19

