

NATIONAL BUDGET

FINANCIAL YEAR 2010-11



MINISTRY OF FINANCE

JUNE 2010

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INTRODUCTION

I have the honour to present to this august body, the Royal Government's budget for the financial year (FY) 2010-11. In doing so, I take the opportunity to present also a report on the revised budget for the FY 2009-10 and the annual financial statements for the FY 2008-09. An overview of the economic performance in the two years is also covered, as well as a chapter on tax reforms and incentives.

With the blessings of our revered monarch His Majesty King Jigme Khesar Namgyel Wangchuck, the new Government has successfully completed the second year in office under the able leadership of our Prime Minister. This budget that I am presenting now heralds the beginning of our third year in office. It is with great hopes and aspirations for continued peace and prosperity that we start off our new financial year.

As we start a new year, it is also time for us to reflect on the immediate past years. There has never been a dull moment in the two years that our Government has been in office. The two years have indeed been a testing time for the country's new governing system. We have had several trials and tribulations as well as many successes. We have been able to successfully deal with all the tragedies that occurred, and also hold many highly important events successfully. It is indeed painful to recollect that we have had the floods, the fire and the earthquakes in the country. Our people are still reeling from the effects. These of course are dramatic events of nature over which people have little control. Nevertheless, under the most dynamic and compassionate leadership of HM the Druk Gyalpo, sufferings of the people have been dealt with most effectively. We also successfully managed the national celebrations namely the 100 years of monarchy, the enthronement of HM the Fifth Druk Gyalpo, and most recently the 16th SAARC Summit under the most able Prime Minister Lyonchhen Jigme Yoezer Thinley. This shows that Bhutan has come of age. We are very proud indeed as must all Bhutanese be. Yet, we have no time to bask in the glories of our achievements. We have indeed a very

long way to go, and so we march relentlessly on with our many development programmes. Therefore, the budget that I present is the embodiment of all our endeavours towards making the life of every Bhutanese a meaningful one and the nation attaining its goal of self-reliance.

Before I proceed with the main presentation, I take this opportunity to slightly elaborate on the events in the recent past. The 16th SAARC Summit held in Thimphu has been the biggest international event hosted by our country thus far. It is historic not only because we hosted it but also because it coincided with SAARC's Silver Jubilee. The Government of India provided Nu. 277.3 million (m) for various works related to the Summit, and on behalf of the Royal Government, I would like to convey our deepest appreciation to the GoI for this generous financial support. Also, as reported in the summer session last year, Bhutan has now become home to the SAARC Development Fund (SDF) Secretariat. The SAARC countries have been unanimous in endorsing the appointment of a Bhutanese to be the first Chief Executive Officer of the SDF Secretariat. With the establishment of this Fund in Thimphu, we have been able to fulfil an aspiration envisioned by our 4th Druk Gyalpo, many years ago.

While we had a successful year, we were also not spared from tragedy in the past year as alluded to just now, which caused enormous damage to property and life. We experienced very difficult times with natural calamities like the earthquake in the East followed by windstorms devastating numerous houses, government infrastructures, Dzongs, Lhakhangs, etc. Many properties were also damaged due to fire outbreaks. However, the timely rescue, rehabilitation and support organised under the Command of His Majesty the King, with generous support from various organizations and individuals both within and outside the country, the Government could alleviate the sufferings of the people. The visits by His Majesty the King, His Majesty the 4th Druk Gyalpo and the Hon'ble Prime Minister to the affected areas and their personal interactions with the people have helped bring comfort and security to the affected people.

I would like to submit by way of information to the House that donor countries and agencies have been most forthcoming during the two major disasters in 2009 in terms of providing financial and technical support. For restoration works necessitated by the floods of May 2009, we received financial assistance of Nu. 320 m, of which the Government of India (GoI) contributed Nu. 100 m and the Government of Kuwait, Nu. 165 m. For restoration works related to the earthquake of September 2009, the Royal Government received assistance of Nu. 392 m. The Governments of India and Kuwait contributed Nu. 250 m and Nu. 94 m, respectively. Other donor agencies contributed substantially in the form of materials and other resources. Although the estimates of the reconstruction activities are high, with the generous contributions from our development partners, NGOs and the people of Bhutan, the financial burden to the Government are much less than was initially expected. The Royal Government is making all efforts to reconstruct and rehabilitate the public properties damaged by these disasters, and at the same time trying to ensure that it is not done at the cost of the development programmes of the 10th Plan.

Now, coming to my main presentation, I will cover the issues in the following sequence.

- Chapter I: Annual Financial Statements of the FY 2008-09;*
- Chapter II: Revised Budget Estimates for the FY 2009-10;*
- Chapter III: Economic Performance in the last two years;*
- Chapter IV: Budget Estimates for the FY 2010-11;*
- Chapter V: Tax Reforms and Incentives;*
- Chapter VI: Economic Outlook and Fiscal Projections;*
- Chapter VII: Report on State-owned Enterprises and Government's Shareholdings in Companies;*
- Chapter VIII: Report on NPPF and RMA;*
- Chapter IX: Developments in the Financial Sector*
- Chapter X: Report on Trust Funds;*
- Chapter XI: Conclusion*

CHAPTER I: ANNUAL FINANCIAL STATEMENTS OF THE FY 2008-09

The complete financial statements are circulated as a separate document. Nevertheless, I shall present the salient features of the results of that financial year.

1.1 Overall financial position

The FY 2008-09 was the first year of the 10th FYP, and also the first budget of the newly elected Government. It, therefore, assumes special significance in terms of the results.

I have the honour to report that in that FY, the fiscal balance was Nu. 1,092.461 m, with total realized resources of Nu. 23,442.998 m against expenditure of Nu. 22,350.537 m. The year ended with a resource gap of Nu. 126.248 m due to the loan repayment of Nu. 2,051.632 m which was higher than the fiscal surplus plus the receipt of project-tied borrowings of Nu. 832.923 m.

The domestic revenue was able to cover the recurrent expenditures, thus satisfying one of the cornerstones of our fiscal policy and the constitutional requirement. Not only was it able to fully meet the recurrent expenditures, it was also able to finance a significant portion (30.5 %) of the capital expenditure, marking our path towards self-sufficiency.

The grant assistance of Nu. 6,575.069 m covered about 67 % of the capital expenditure of Nu. 9,829.144 m.

The total government debt stood at Nu. 34,759.027 m, which was about 60 % of the GDP.

Table 1.1 below provides the details, i.e. the total resources, total expenditure and fiscal balances.

Table 1.1: Summary of Approved Estimates Vs Actual Outcomes for the FY 2008-09

Nu. in millions

	Approved Estimates	Actual Outcome
A RESOURCES	18,702.905	23,442.998
1. DOMESTIC REVENUE	11,932.580	14,049.040
i. Tax	5,485.999	6,482.409
ii. Non-tax	6,446.581	7,566.631
2. OTHER RECIEPTS		2,818.889
3. GRANTS	6,770.325	6,575.069
Total GoI	3,622.448	4,394.879
Total Others	3,147.877	2,180.190
<i>i. Programme grants</i>	2,271.200	1,589.079
a) GoI	1,400.000	1,400.000
b) Other Donors	871.200	189.079
<i>ii. Project-tied grants</i>	4,499.125	4,985.990
a) GoI	2,222.448	2,994.879
b) Other Donors	2,276.677	1,991.111
B OUTLAY	21,584.720	22,350.537
1. Total Expenditure	23,042.463	20,890.577
i. Current	11,471.435	11,061.433
ii. Capital	11,571.028	9,829.144
2. Net lending	-1,457.743	-1,580.301
3. Advance/ suspense.(net)		196.356
4. Other Payments		2,843.905
	-2,881.815	1,092.461
D FINANCING	2,881.815	-1,092.461
Borrowings (Net):	-300.694	-1,218.709
i. Borrowings	1,810.124	832.923
ii. Repayments	2,110.818	2,051.632
E Resource Gap	3,182.509	126.248

1.2 Actual budget outcome

The details of the actual budget outcome are explained below:

1.2.1 Expenditure

The total expenditure (*i.e. the total of recurrent and capital expenditure*) amounted to Nu. 20,890.577 m, and is about 36 % of GDP. This is an increase of about 6 % over the previous FY under recurrent expenditure mainly due to revision of salary and wages, while there was a fall in capital expenditure, mainly because of the FY 2008-09 being the first year of the 10th FYP and resource mobilization efforts had only started during the year.

The total **recurrent expenditure** was Nu. 11,061.433 m, representing an increase of 14 % over the previous FY's recurrent expenditure, and is 19 % of GDP. The major components of the recurrent expenditure were *salaries & wages* and the *interest payments*, amounting to Nu. 4,560.438 m and Nu. 1,733.832 m respectively. The expenditure on salary and wages represents about 41 % of recurrent expenditures or 31 % of internal revenue and interest payments about 15.7 % of recurrent expenditures or 12 % of domestic revenue.

The **capital expenditure** of Nu. 9,829.144 m is about 47.05 % of the total expenditure or 16.85 % of GDP. This is a decrease of 1.4 % from the previous FY's capital expenditure.

1.2.2 Domestic revenue:

The total internal revenue realized was Nu. 14,049.040 m, which is about 24 % of GDP, an increase of 14 % over the previous FY. The *tax revenue* amounted to Nu. 6,482.409 m and *non-tax revenue* to Nu. 7,566.631 m. Tax revenue accounted for 11.2 % of GDP and was mainly from Corporate Income Tax (CIT), Business Income Tax (BIT) and royalties.

Under the **non-tax revenue**, *transfer of profits* from the corporate sector was a major source contributing to the overall increase in revenue.

1.2.3 Grants:

The total external grants received, both in terms of cash and kind, was Nu. 6,575.069 m. This is about 28 % of total resources. It covered about 31.5 % of total expenditure and 67 % of capital expenditure. As in the past, the GoI continued to provide the major portion of the grants, amounting to Nu. 4,394.879 m, or 67.5 % of the total grants.

1.2.4 Debt:

The Government's total borrowings (withdrawals) amounted to Nu. 832.923 m (Nu. 309.708 m from the ADB, Nu. 417.518 m from the World Bank and Nu. 105.697 m from other external sources). No internal borrowings were availed except when there was a need to resort to some *ways and means advances* due to temporary cash deficit. The Government also made a total *principal loan repayment* of Nu. 2,051.632 m. The Total outstanding debt (*internal and external debts*) stood at Nu. 34,759.027 m as on 30th June 2009 which is about 60 % of the GDP.

Internal debt

The total internal debt outstanding fell to Nu. 1,227.117 m with the repayment of Nu. 175.302 m during the year. The loan, availed for the purchase of aircraft in earlier years, is expected to be liquidated by FY 2015-16.

External debt

Although a sum of Nu. 1,876.330 m was repaid during the year, the total external debt outstanding rose to Nu. 33,531.910 m as disbursements grew. It constituted 96.47 % of the total debt and about 57.83 % of GDP.

In concluding, I submit that the Annual Financial Statements have been certified by the Royal Audit Authority, and as the Honourable Members would note, there have been no major observations.

CHAPTER II: REVISED BUDGET ESTIMATES OF FY 2009-10

The initial approved budget outlay for the FY was Nu. 26,304.310 m. The budget estimate at the end of March, 2010 rose to Nu. 30,451.645 m, an increase of 15.77 %. The revised budget includes Nu. 4,147.335 m, the details of which are in the list of supplementary budget as shown in *Table 2.1* below.

Table 2.1: Revised Budget Estimates for the FY 2009-10

Nu. in millions

	Original Estimates	Revised Estimate
A RESOURCES	21,498.389	26,361.149
1. DOMESTIC REVENUE	14,108.766	15,370.223
i. Tax	7,068.352	9,411.441
ii. Non Tax	7,040.414	5,958.782
2. OTHER RECIEPTS	35.800	40.201
3. ADJUSTMENT OF PREVIOUS YEARS' ADVANCE		527.356
2. GRANTS	7,353.823	10,423.369
Total GoI	4,372.661	6,146.178
Total Others	2,981.162	4,277.191
<i>i. Programme grants</i>	<i>2,263.751</i>	<i>2,165.751</i>
a) GoI	1,400.000	1,400.000
b) Other Donors	863.751	765.751
<i>ii. Project-tied grants</i>	<i>5,090.072</i>	<i>8,257.618</i>
a) GoI	2,972.661	4,746.178
b) Other Donors	2,117.411	3,511.440
B OUTLAY	26,304.310	30,451.645
1. Total Expenditure	27,421.446	31,568.781
i. Current	13,594.134	13,837.352
ii. Capital	13,827.312	17,731.429
2. Net Lending	-1,117.136	-1,117.136
C OVERALL BALANCE	-4,805.921	-4,090.496
D FINANCING	4,805.921	4,090.496

a) Borrowings External (Net):	304.893	657.343
i. Borrowings	2,592.116	2,944.567
ii. Repayments	2,287.223	2,287.224
b) Resource Gap	4,501.028	3,433.153
<i>GDP Estimates</i>	69,585.997	66,865.290
<i>Overall balance % of GDP</i>	6.91%	6.12%
<i>Resource gap % of GDP</i>	6.47 %	5.13 %

The details of the revised budget are as follows:

2.1 Expenditure estimate

2.1.1 Current expenditure

The current expenditure projection is revised upwards to Nu. 13,837.352 m, an increase of about 1.8 % from the original estimate of Nu. 13,594.134 m. The increase is mainly due to the incorporation of additional project (external) funds of Nu. 243.218 m and budget line provided for the adjustment of previous year's advances.

2.1.2 Capital expenditure

The capital expenditure budget estimate has also been revised upwards to Nu. 17,731.429 m, representing about 28 % increase from the original capital budget outlay of Nu. 13,827.312 m. The increase is mainly due to the incorporation of additional budget for activities such as the construction of *Lhaxhang* and cottage for nuns at Wolakha in Punakha, acquisition of land for the green zone areas in Thimphu city and for several donor-funded activities amounting to Nu. 3,904.117 m.

2.2 Domestic revenue estimate

The revised projected revenue is Nu. 15,370.223 m, an increase from the original estimates of Nu. 14,108.766 m, or 8.94 %, which is mainly on account of increase in remittances from the Tala hydro-power project due to improved generation during the year. The revised revenue estimates is presented in Table 2.2 below.

Table 2.2: Revised Revenue Estimates Summary for the Financial Year 2009/10

		<i>Nu. in millions</i>	
Sources of Revenue		2009-10 (Original)	2009-10 (Revised)
A	Tax Revenue	8,347.180	9,411.441
I	Direct Tax	6,001.330	6,997.377
1	Corporate Tax	4,133.710	4,774.232
2	Business Income Tax	563.647	594.434
3	Personal Income Tax	417.516	441.651
4	Other Tax Revenue	886.452	1,187.060
II	Indirect Tax	2,345.851	2,414.064
1	Sales Tax	1,036.831	996.924
2	Excise Duty	1,148.583	1,217.111
3	Import Duty	145.798	180.959
4	Other Tax Revenue	14.639	19.070
B	Non-tax Revenue	5,761.590	5,958.782
1	Admin. Fees & Charges	253.989	237.067
2	Capital Revenue	90.462	85.607
3	Revenue from Govt. Dept	271.385	221.195
4	Dividend	2,799.970	3,011.224
5	Transfer of Profit	610.000	656.930
6	Other Non-Tax Revenue	27.139	38.356
7	Interest Receipt from	1,708.644	1,708.400
Total Domestic Revenue (A+B)		14,108.766	15,370.223

2.3 External grants

Total grants have been revised from Nu. 7,353.823 m to Nu. 10,423.369 m. The increase of 41.74 % is mainly due to the incorporation of additional budget under the Small Development Projects (SDP) for Local Governments, SAARC Summit works, preparation of DPRs for power projects, all of them under GoI funding and for several other projects supported by other bilateral and multi-lateral development partners.

2.4 Fiscal deficit & resource gap

In the revised budget estimates, the fiscal deficit is estimated to decrease to Nu. 4,090.496 m from the original estimate of Nu. 4,805.921 m. The revised fiscal deficit projected is 6.12 % of GDP. Similarly, the Resource Gap is expected to fall to Nu. 3,433.153 m, which is 5.13 % of GDP. The improvement in the fiscal balance from the original budget is due to enhancement of the domestic revenue and that of the Resource Gap is due to additional disbursement of external loans during the year.

2.5 Borrowings

Projections for borrowings from external sources have been revised to Nu. 2,944.567 m. This represents an increase of about 19 % from the original estimate of Nu. 2,592.116 m. The increase is due to the additional disbursement of loans from the ADB for the road network project and the World Bank loans for Decentralised Rural Development Project and the Education Development Project.

2.6 Debt and debt servicing

The total debt outstanding at the end of the FY is estimated to stand at Nu. 41,013.528 m, which is about 61 % of GDP. The growth in the debt stock by about 18 %, is primarily due to disbursements for the hydro -power projects.

Out of the total outstanding debt, 64 % is estimated to be on account of hydro-power construction loans and 36 % on account of loans availed for other socio-economic infrastructure development projects.

The total debt repayment (*i.e. principal plus interest*) is estimated to be about 6.14 % of GDP, and the external debt service ratio at 13.48 %.

2.7 Supplementary funds granted during the year

With the enforcement of the Public Finance Act 2007, the Government has been able to inculcate greater degree of financial discipline resulting in lower budget increases, especially those under the RGoB funding. The supplementary budget cases have been minimal this year under the RGoB financing category.

While there is a substantial decrease in supplementary budget cases, there were instances where it was unavoidable. The Government had to consider a supplementary budget amounting to Nu. 104.323 m (**Table 2.3a**) under the RGoB funding *including contributions to the committed donor-funded projects* and Nu. 3,162.200 m (**Table 2.3b**) under external funding. The latter has been incorporated as authorized under Section 60 of the PFA 2007. Technical adjustments as permissible under Section 55 of the PFA 2007 have been made to cover shortfalls in certain sector activities through re-appropriations.

In view of the unavoidable nature of the cases, I would like to seek the kind approval of the House for the supplementary budget and also for adjustment of prior years' advances. *The details of supplementary budget are given in the tables below.*

Table 2.3a: Supplementary budget under RGoB funding for the FY 2009-10

			<i>Nu. in millions</i>
Sl. No.	Purpose	<i>Amount</i>	
1	Workshop for WIRED Project, RUB (RGoB Contribution)	0.956	
2	Construction of Lhakhang and cottage for nuns at Wolakha, Punakha	50.500	
3	Acquisition of land for green zone area, Tashichheo Dzong	47.186	
4	Construction of regional AMC building, MAF (KR- II funding)	4.401	
5.	Participation at International Buddhist Museum, Kandy, Sri Lanka	1.280	
Total		104.323	

Table 2.3b: Funds Received from Donors incorporated as Supplementary Budget for the FY 2009-10

				<i>Nu. in millions</i>
Sl. No.	Purpose	Amount	Funding	
1	Strengthening the Instttnl. Capacity of Parliament, NC	4.380	UNDP IPF	
2	Establishment of National Legal Institute	3.837	UNDP IPF	
3	Capacity development under local governance support programme, GNHC	6.000	AUSTRIAN	
4	EUSP project, GNHC	14.250	DANIDA	
5	Capacity-building and instttnl-strengthening of RAA under South-	5.600	SDS	
6	Sustnbl. HRD project, RCSC	36.077	NET O	
7	EUSPS component I, NEC	5.250	DANIDA	
8	Devlpmnt. of Dhamdum indstrl estate at Samtse, NEC	4.313	DANIDA	

Sl. No.	Purpose	Amount	Funding
9	Support to RIM	4.020	AUSTAID
10	Integrtn. of GNH indicators into PLAMS & Gap/ Regional Democracy Conference, CBS	7.690	UNDP
11	Ex-country and in-country training for ACC	7.000	SDC
12	Intrdctn. of mobile cellular commnctn. services in Dzongkhags, BICMA	188.385	USF
13	Good governance support programme, NLC	6.750	DANIDA
14	Const. of Chheodeon LSS, Thimphu Thomdey	7.058	GoI
15	Preprtns. for the 16 th SAARC Summit, RBP	77.300	GoI
16	Preprtry. works for 16 th SAARC Summit, DNP	60.010	GoI
17	Furnshng. of houses in SAARC Village in preprtn. for 16 th SAARC Summit, NHDC	90.000	GoI
18	Refurbishing ceremonial/ VIP lounge & Airport, MIC	10.000	GoI
19	Capacity development of MoF	16.710	DANIDA
20	Instttnl. capacity-building project for Public Procurement Policy Division, DNP	27.340	W/BANK
21	Cyclone Aila reconstruction works	25.601	MD
22	Private sector dev. critical ecosystems programme & instttnl capcty building - Agro Industries	5.995	DANIDA
23	Strengthening tour operator association	5.080	NET O
24	Procurement of equipment for BBS TV	36.544	GoI
25	Support to BDFCL savings-led grant, DPA	21.903	UNCDF
26	On lending to Dagachhu Hydro -power Project, DPA	28.268	DHPC

Sl. No.	Purpose	Amount	Funding
27	Enhancing capacity for climate change, MoA	5.000	DANIDA
28	Reciprocal project and mushroom promotion and marketing.	15.410	NET O
29	Decentralized rural development project	8.960	W/BANK
30	Professional services for land management and biodiversity, NSSC	8.049	SCF/USA
31	Procurement of vehicles under ASSP	8.815	EURCO
32	EU funded activities	56.880	EURCO
33	UWICE, Bumthang	5.000	BTFEC
34	UWICE, Bumthang	12.332	MacA-USA
35	Strengthening of UWIC, Bumthang	7.350	DANIDA
36	Pre-financing for DPR preprtn. of Mangdechhu Hydroelectric Project, MEA	14.595	GoI
37	Preprtn. of DPR for Punatsangchhu II, Hydro-power project, MEA	20.000	GoI
38	Project implmntn., mangmnt. & site suprvsn., MoA	32.780	AUSTRIAN
39	Integrated energy master plan project, MEA	8.440	GoI
40	Gyalpoizhing Nganglam Road, MWHS	7.676	GoI
41	Piloting of otta-sealing works, MWHS	11.923	W/BANK
42	EUSPS funded activities MWHS	40.760	DANIDA
43	EUSPS project in various Dzongkhags	7.290	DANIDA
44	Localization of E-governance, RSTA	18.060	GoI
45	HIV/AIDS and STI prevntn. & control project, MoH	12.100	W/BANK
46	Support to international GNH Workshop, MoE	5.000	ADHOC

Sl. No.	Purpose	Amount	Funding
47	Construction of Pasakha LSS, MoE	23.150	GoI
48	Additional fund for purchase of furniture, MoE	11.580	W/BANK
49	Expansion of Samchheoling LSS, Tongsa Dzongkhag	8.640	GOI
50	SDP-Bumthang Dzongkhag & Gewogs	19.250	GoI
51	SDP-Chhukha Dzongkhag & Gewogs	63.880	GoI
52	SDP-Dagana Dzongkhag & Gewogs	54.910	GoI
53	SDP-Gasa Dzongkhag & Gewogs	8.000	GoI
54	SDP-Ha Dzongkhag & Gewogs	13.030	GoI
55	SDP-Lhuentse Dzongkhag & Gewogs	65.050	GoI
56	SDP-Mongar Dzongkhag & Gewogs	60.840	GoI
57	SDP-Paro Dzongkhag & Gewogs	29.120	GoI
58	SDP-Pema Gatshel Dzongkhag & Gewogs	85.790	GoI
59	SDP-Punakha Dzongkhag & Gewogs	94.100	GoI
60	SDP-S/Jongkhar Dzongkhag & Gewogs	42.340	GoI
61	SDP-Samtse Dzongkhag & Gewogs	73.910	GoI
62	SDP-Sarpang Dzongkhag & Gewogs	52.020	GoI
63	SDP-Tashi Yangtse Dzongkhag & Gewogs	113.920	GoI
64	SDP-Thimphu Dzongkhag & Gewogs	65.460	GoI
65	SDP-Tongsa Dzongkhag & Gewogs	25.300	GoI
66	SDP-Tsirang Dzongkhag & Gewogs	49.520	GoI
67	SDP-W/Phodang Dzongkhag &	18.230	GoI
68	SDP-Zhemgang Dzongkhag & Gewogs	31.790	GoI

Sl. No.	Purpose	Amount	Funding
69	Re-alignment & reconstrctn. of farm roads and suspension bridges, Tongsa	8.176	MD
70	Renvtn. of principal's and staff quarter, Tashigang Dzongkhag	7.100	GoI
71	SDS support for private sector, MLHR	8.624	SDS
72	Various activities, Zhemgang Dzongkhag	10.679	WFP
73	ICT infrastructure for voter registration, ECB	5.376	UNDP IPF
74	NORAD project for DoE, MEA	8.840	NORWAY
75	Support for MSME project under SQCA, MWHS	6.550	ADB

While presenting the revised budget for the FY 2009-10, I would also like to inform the Honourable Members that once again, the actual expenditure of the budget is likely to be less than estimated. As a regular practice, the Ministry of Finance carried out a review of the budget in January 2010 and found that many agencies were unable to implement a substantial portion of the budgeted activities. The continued under-utilization of the budget does not fit in with the general view that the Ministry of Finance was not providing enough budget to the agencies and Dzongkhags. However, with the Government initiatives underway to streamline many of the procedural formalities, it is expected that implementation levels will improve in the future.

As Honourable Members may recall, I reported in my budget report of last year that Nu. 200 m had been kept in the MoF as a reserve for farm road constructions to be released as and when the Dzongkhags and Gewogs were ready to take up the work. I would like to submit that so far only Nu. 126 m has been requested for release (as of end May 2010).

With this, I conclude the presentation of the Revised FY 2009-10 Budget, and the kind endorsement of the House is requested.

CHAPTER III: ECONOMIC PERFORMANCE IN THE LAST TWO YEARS

Having presented the fiscal scenario for the first two years of the Government, I would now like to present an overview of our economic performance during the same period.

3.1 Gross Domestic Product (GDP)

The GDP grew by 11.9 % in the FY 2007-08 and it tapered down to 6.2 % in the FY 2008-09. Due to the Tala Project becoming operational in between the financial years 2006-07 and 2007-08, the increase in GDP during those years were high. This created a very high base of GDP in the FY 2007-08 and thus in the FY 2008-09, the growth rate was lower as the Tala Project and related construction activities came to an end. Nevertheless, 6.2 % growth is also substantial as it reflects essentially growth without the hydro-power sector.

The electricity sector continued to be the main driver of the economy. It accounted for over 22 % of GDP on average, as compared to 11.5 % in the FY 2005-06 and 18 % in the FY 2006-07. The share of agriculture conversely has gradually decreased from 21.8 % in the FY 2005-06 to 16.7 % in the FY 2008-09. Another important contributor has been the construction sector which constituted about 12 % of the economy.

Although largely insulated from the global market, the Bhutanese economy experienced some impact of the *global financial crisis*. The decline in the overall demand has had negative effects on Bhutan's exports, and most significantly on the tourism industry. Tourist arrivals for the calendar year 2009 is estimated to have dropped by more than 15 % as compared with the year earlier.

3.2 Employment

The rate of employment has not picked up given the growing number of young people entering the work force. The unemployment rate in 2007 was estimated at 3.7 % whereas in 2009, it has been estimated to have increased to around 4 %.

3.3 Balance of Payments

Bhutan's *current account* has been generally on the deficit side as is the case in most developing countries, but it has not shown a regular worsening trend in terms of GDP. In the FY 2007-08, it was at 2 % of the GDP while in the FY 2008-09, it was estimated to have worsened to 9% with a deficit of Nu. 5.4 billion. This was due to increased imports and increasing interest payments especially stemming from the Tala Project loan's interest payments. There has also been pressure on imports with the growth in demand emanating from growth in income as well as due to increased Government expenditure budgets and mega-projects. Bhutan's imports constituted over 52 % of its GDP in those two years.

However, the overall balance has generally been positive due to the inflow of capital on account of development assistance grants and loans. It was 4 % of GDP in the FY 2007-08 and 9 % in the FY 2008-09.

3.4 Foreign Exchange Reserves

Gross foreign exchange reserves reached the equivalent of US \$ 758 m as of the end of June 2009 (about 15 months of imports) against US \$ 655.3 m the previous year (12 months of imports), recording a growth of US \$ 102.7 m or 15.7 %. As of December 2009, it had reached US \$ 818.59 m, sufficient to cover more than 19 months of imports.

3.5 Exchange Rate

The nominal exchange rate of the Ngultrum depreciated by 18.6 % against the US dollar in FY 2008-09. One US dollar was equal to Nu. 44.2 in FY 2006-07, Nu. 40.4 in FY 2007-08 and, Nu. 47.9 in FY 2008-09. The depreciation of the Ngultrum has significant negative implications for Bhutan's imports, production costs, and debt servicing, but in the exports, sectors such as tourism are positively affected. The dollar's value has since reversed, and it is now hovering at around Nu. 45.

3.6 Debt & Debt Service

Bhutan's total debt stood at *Nu. 34.759 billion* (US \$ 721.291 m) at the end of the FY. From *Nu. 33.701 billion* in the past year, it has grown by 5 %. As a proportion of GDP, it has improved from 61 % in the previous year to 60 % in the last year.

Debt service ratio (i.e. as % of export of goods and services) has risen sharply from the previous years. It rose to 18.5 % in the FY 2007-08 and to 39.6 % in the FY 2008-09. This is mainly on account of the loan repayments for the Tala project.

3.7 Price Movement

The annual inflation rate was 4.05 % in the year 2009 (December-end) and it was largely on account of the prices rises in food items which recorded a rate of 10.74 %. Nevertheless, it was a considerable improvement over the previous year which was 9.04 % with food prices recording increase of 11.75 %. Bhutan's inflation is largely a reflection of the price movements in India from where more than 85 % of its requirements are met.

3.8 Banking and the Financial Sector

3.8.1 Credit

Total domestic credit grew on average by 25.25 % over the two financial years as against the average of 17.5 % over the prior four years. Credit to the private sector grew by an average of 34 % continuing the high rate experienced in the past of 31.5 % p.a.

3.8.2 Non-performing Loans

The safety of the financial institutions over those years have improved. The combined non-performing loans came down to 7.43 % in December 2009 from 8.89 % in December 2008.

3.9 Foreign Direct Investment (FDI)

The Royal Government has been encouraging foreign direct investments in order to increase the pace of development. FDI's are a source of foreign exchange, technical know-how and of markets, and most of all generates employment opportunities. A policy was enunciated in 2002 and since then a gradual pick-up has been experienced. During the period under consideration, i.e. financial years 2007-2008 and 2008-2009, 7 FDI projects were approved with an estimated total investment of Nu. 1,935.35 m, out of which one has started operation, while six are under construction. The investments were in the area of manufacture of silicon carbide, non-ferrous metal, calcium silicon, liquid nitrogen and oxygen gases and luxury hotels and resorts.

During the financial year 2009-10, approvals were granted to 2 FDI projects with an estimated investment of Nu. 1,086.06 m, consisting of a commercial banking service, IT Park, dairy and agro industry, gypsum and a luxury guest house. The FDI commercial bank has started operations, while the other

project is under construction. Five projects have been issued FDI Registration Certificate and projects reports are awaited for final approval.

Of late, the Royal Government has revised the FDI policy making it more liberal. Other policy interventions are made through the Economic Development Policy and the Ministry of Finance has announced a Fiscal Incentive Scheme which will be most effective in attracting FDIs.

Conclusion

Except on the employment front, the two past financial years have had good results. There have been no major economic problems as the results just outlined indicate. As to the future outlook, it will be presented after the presentation of the budget for the new FY.

CHAPTER IV: BUDGET ESTIMATES FOR THE FY 2010-11

I now have the honour to place before the House the budget for the FY 2010-11. I would like to mention that we have always taken a cautious approach in our economic policies. The past two financial years' budgets were framed with the same approach. Our cautious approach has kept us on a sustainable economic growth path. Today as we see countries reeling from economic problems, we feel doubly reassured that the cautious way is the best way especially for a small, vulnerable economy like ours. Much as we want faster economic growth and therefore more rapid overall development for our people, we want to avoid a situation which will lead us to situations whereby we have to undertake structural reforms compelling us to carry out stringent austerity measures. As a responsible government, we want to leave a good legacy of a strong economy for the future.

As the Hon'ble Members are aware, our key challenges are poverty reduction, creation of jobs and sustainable economic development. Therefore, this year's budget is also geared towards poverty reduction by pursuing focused socio-economic development strategies within a sound macro-economic framework. As in the past, the Government is guided by the following policies.

- *avoid current operating deficits;*
- *limit the overall fiscal deficit to GDP at sustainable levels;*
- *keep outstanding debt at internationally accepted thresholds;*
- *keep external debt service to exports ratio at low levels;*
- *limit domestic borrowings by the government to avoid crowding out of private sector borrowings;*
- *maintain the momentum of investments in the socio-economic sectors;*
- *Investment in industries with potential for significant revenue and employment generation.*

The 10th FYP's indicative planning figures of the sectors, Dzongkhags, Gewogs and the BPPF are the primary basis for preparation of the budget for

the FY 2010-11. The cost of plans and programmes proposed by the agencies were far more than the Government's capacity to finance. Therefore, we had to make bold decisions about spending priorities to ensure that the limited resources are allocated in a fair and equitable manner. The absorptive and implementing capacity of the budget agency was another factor considered when deciding the budget.

The budget estimates for the FY 2010-11 is summarized in **Table 4.1** below:

Table 4.1: Budget Summary for the FY 2010-11

	<i>Nu. in millions</i>	
	<i>Estimate</i>	<i>% of Total</i>
RESOURCES	26,774.538	100
I. DOMESTIC REVENUE	15,816.334	59
i. Tax	10,139.976	38
ii. Non-Tax	5,676.358	21
II. OTHER RECEIPTS	53.066	0
III. GRANTS	10,905.138	35
<i>Total GoI</i>	<i>8,068.180</i>	<i>24</i>
<i>Total Others</i>	<i>2,836.958</i>	<i>11</i>
i. Program Grants	1,905.700	7
a) GoI	1,400.000	5
c) DANIDA	150.000	1
d) The Netherlands	116.000	0
e) ADB (4 m USD)	188.000	1
f) DANIDA & UNCDF etc.	51.700	0
ii. Project-tied Grants	8,999.438	34
a) GoI: Project tied	5,025.495	19
b) GoI: SDP	1,642.685	6
c) Others	2,331.258	9
<u>OUTLAY</u>	31,579.745	100
I. Total Expenditure	32,420.364	103
i. Current Expenditure	15,154.076	48
ii. Capital Expenditure	17,266.288	55

	<i>Nu. in millions</i>	
	<i>Estimate</i>	<i>% of Total</i>
II. Net Lending	-840.619	-3
OVERALL BALANCE	-4,805.207	-15
FINANCING	4,805.207	100
i. Project-tied Borrowings	2,270.806	47
ii. Program Borrowings	1,081.000	22
iii. Less Repayment	2,348.059	49
iv. Resource Gap	3,801.460	79
<i>GDP</i>	<i>76,556.770</i>	
<i>Overall balance as % of GDP</i>	<i>6.28%</i>	
<i>Resource Gap % of GDP</i>	<i>4.97%</i>	
<i>Exchange rate (1 USD = Nu. 47)</i>		

4.1 Resources

As reflected in **Table 4.1** above, the total resources for the FY is projected at Nu. 26,774.538 m, comprising of domestic revenue of Nu. 15,816.334 m and external grants of Nu. 10,905.138 m. *The details are as follows:*

4.1.1 Domestic revenue

During the FY, domestic revenue is estimated to increase by 2.9 % from the revised revenue estimate of Nu. 15,370.223 m of the FY 2009-10. The increase is mainly because of the broadening and rationalisation of the tax systems, on which explanations are given in relevant part of the report. The projection is shown below in **Table 4.2:**

Table 4.2 Revenue Estimates for the FY 2010-11*Nu. in millions*

Sources of Revenue		Amount
A	Tax Revenue	10,139.976
<i>I</i>	Direct Tax	7,171.991
1	Corporate Tax	4,695.060
2	Business Income Tax	665.715
3	Personal Income Tax	494.611
4	Other Tax Revenue	1,316.605
<i>II</i>	Indirect Tax	2,967.985
1	Sales Tax	1,459.741
2	Excise Duty	1,270.703
3	Import Duty	218.465
4	Other Tax Revenue	19.076
B	Non Tax Revenue	5,676.358
1	Administrative Fees & Charges	238.945
2	Capital Revenue	88.498
3	Revenue from Government Departments	247.719
4	Dividend	2,816.340
5	Transfer of Profit	454.000
6	Other Non-Tax Revenue	42.956
7	Interest Receipt from Corporations	1,787.900
Total Domestic Revenue (A+B)		15,816.334

With increased infrastructures developed over the years to maintain, the recurrent expenditure has been increasing at a faster rate than the internal revenue. In the 2010-11 FY, current expenditure estimates increased by 9.5 % while there is an increase of revenue by 2.9 % only. This is a matter of serious concern, and I hope the Honourable members will support the initiatives being taken by the Government to curtail expenditure on one side, and to introduce measures to enhance revenue on the other. It will be difficult to attain the

fiscal policy of containing recurrent expenditure within domestic revenue if the same trend continues. However, to meet the challenges, the MoF is continuously working to introduce new measures to expand the revenue base and also to prune unproductive expenditures. The Government has endorsed a proposal to rationalise and broaden the tax system. Details of this are provided as a separate chapter in the report. On the expenditure front also, the Government has introduced various measures to curb the rising trend. For instance, a substantial budget cut is being imposed on office stationeries, supplies and in-country meetings. The system of government pool vehicles is being reviewed. The Government has also taken various fiscal incentive measures to stimulate private sector growth.

4.1.2 Grants

The total external grants of Nu. 10,905.138 m estimated in the FY is based on the development partners' commitments and agreements. It constitutes about 41% of the total resources (*i.e. domestic revenue plus grants*) and covers about 33.6 % of the total expenditure.

A significant portion of the grants is provided by the GoI as in the past. For the FY, the total GoI grants of Nu. 8,068.180 m is presently projected, of which, the Programme Grant is Nu. 1,400 m, and project grants of Nu. 6,668.180 m (*including Nu. 1,642.685 m of SDP*). Besides the GoI, project-tied grants of Nu. 2,331.258 m and programme grants of Nu. 505.700 m is expected from other bilateral and multilateral agencies.

Since the inception of the nation's first FYP, the Government has come a long way in enhancing the domestic revenue. However, external grants continue to be an important mode of finance for our socio-economic development.

4.2 Expenditure outlay

The total expenditure outlay (*i.e. total expenditure + net lending*) for the FY 2010-11 is estimated at Nu. 31,579.745 m. It is an increase of 3.7 % from that of the revised expenditure outlay of the FY 2009-10.

4.2.1 Current expenditure

The estimated current expenditure is Nu. 15,154.076 m, which is about 9.5 % higher than the revised estimates of the FY 2009-10. The increase is mainly on account of *full implementation of salary revision by merger of allowances in the pay scale* (which has impact on Provident Fund (PF) contributions, LTC, and LE), new appointments, enhanced allowances for Dzongdags/ Gups, operating costs for newly-created government departments and divisions (Department of Marketing and Cooperatives and Watershed Division under MAF, Department of Cottage and Small Industries under MEA). The budget for state visits, official delegations and procurement of printing materials of passports are other reasons for increase in current expenditure budget. Also, the provision for the revision of the RBP personnel's salary has been made. The salary revision will be done when the RBA and RBG's salaries are revised since the RBP and the RBA/RBG have the same pay structure. *Salaries and wages account for about 41 % of the total current expenditure.*

Further, with the expansion of government infrastructures and increase in development activities, the operation and maintenance cost is increasing every year. It is estimated to be Nu. 6,288.121 m for the FY constituting about 42 % of the total current expenditure. In view of the rising expenditure on this account, measures are being taken to minimize wasteful expenditures. The cost-cutting measures coupled with the measures to reduce administrative burden will hopefully lead to a reduction in the expenditures.

Interest payments is estimated at Nu. 1,884.545 m, of which, 83 % is on account of loans availed for Tala and Kurichhu hydro-power projects (Nu

1,497.558 m). Interest payment for domestic loan is estimated to be about Nu. 81.989 m. Interest payments account for 12 % of the total current expenditure budget.

Subsidies is estimated at Nu. 753.300 m in the FY. The recipient of the major portions of subsidy are Druk Air for its interest on loans obtained for the purchase of aircraft (Nu. 132.678 m), Bhutan Broadcasting Service (Nu. 100 m), rural life insurance scheme (Nu. 38.095 m) and rural house insurance scheme (Nu. 7.152 m), Thimphu Thomdey (Nu. 30 m), and Bhutan Post for the City Bus Service and for rural mail delivery (Nu. 16 m).

4.2.2 Capital expenditure

Capital expenditure is estimated at Nu. 17,266.288 m which accounts for about 53 % of the total expenditure outlay. Over 82 % of the amount is estimated to be financed by external grants and loans. Activities covered by grants and loans are only those which have been confirmed, and as such the amount may increase through incorporation of additional amounts as and when they get confirmed. *The details of the capital expenditure are provided under sector allocation section.*

4.2.3 Net lending

During the FY, lending to the corporations is estimated at Nu. 1,028.086 m, of which Nu. 953.391 m will be provided to the BPC for **rural electrification**, and the balance is on-lending to BDFC for **rural credit** related activities. Recovery of loans from the corporations is estimated at Nu.1,868.705. m of which THP project principal loan recovery accounts for 75.%.

4.3 Financing

4.3.1 External borrowing

A total external loan withdrawal of Nu. 2,270.806 m is estimated along with

programme borrowing equivalent of Nu. 940 m from the World Bank & Nu. 141 m from the Asian Development Bank. The details of external borrowings, excluding programme borrowings, are presented in **Table 4.3** below:

Table 4.3: External borrowings

	Lender	Nu. in millions
1	Asian Development Bank	1,240.035
2	International Fund for Agricultural Development	164.839
3	Japan International Cooperation Agency	728.607
4	World Bank	137.335
	TOTAL	2,270.806

4.3.2 Internal borrowing

If the budgeted activities of the FY are fully implemented as planned, the Government will have to resort to internal borrowing of Nu. 3,801.460 m. This will be done through the issuance of *Treasury Bills*.

4.3.3 Debt servicing (principal repayments)

The total principal repayment is estimated to be Nu. 2,348.059 m, of which, Nu. 2,172.756 m (93 %) is on account of external loans and Nu. 175.303 m for domestic loans. The debt service ratio is projected to remain at 13.48 %. The details of the principal loan repayment by lender are presented in **Table 4.4** below:

Table 4.4: Principal loan repayments for the FY 2010-11

Sl. No.	Lender	Nu. in millions
1	ADB	191.484
2	Austria	195.512
3	Denmark	86.507
4	GoI	1,581.842
5	IFAD	36.735
6	World Bank	80.676
<i>Total external principal repayment</i>		<i>2,172.756</i>
<i>Total internal principal repayment</i>		<i>175.303</i>
Grand total		2,348.059

4.4 Budget Estimates for Activities implemented by Dzongkhags and Gewogs

The combined budget estimates of all activities implemented by the Dzongkhags & Gewogs come to *Nu. 8,044.540 m*, as shown in **Table 4.5** below.

Table 4.5: Summary of Budget for Activities implemented by Dzongkhags and Gewogs

Description	<i>Nu. in millions</i>	
	2009-10 Revised Budget	2010-11 Budget Estimates
Dzongkhags	7,105.281	6,878.031
Current	3,928.266	3,895.875
Capital	3,177.015	2,982.156
Gewogs	1,616.623	1,166.509
Current	138.247	136.105
Capital	1,478.376	1,030.404
Combined Dzongkhags & Gewogs	8,721.904	8,044.540
Current	4,066.513	4,031.980
Capital	4,655.391	4,012.560

Activities implemented by Gewogs include construction of farm roads, Gewog offices, irrigation channels, water supply, RNR activities, and others. Activities which cover more than one Gewog and are beyond the capacity of Gewogs are implemented by the Dzongkhags. Also, there are many other activities for the Gewogs and Dzongkhags that are implemented by the central organisations. The amount shown in Gewogs above does not include such activities implemented by Dzongkhags and central agencies. The actual investments in the local areas are much higher with these activities.

In view of the concerns expressed by the Hon'ble Members that the budget ceiling was not fair for the less developed Gewogs, the Government has decided to consider roads to Gewog centres, Gewog offices and RNR centres as standard facilities in every Gewog. Therefore, Gewogs without such facilities have been provided budget provisions over and above the ceiling.

At present, there are 16 Gewogs without Gewog offices and in the FY 2010-11, budget provision has been kept for construction of 13 Gewog offices, and the budget for the balance will be provided in the subsequent years.

With regard to road connectivity of the Gewog centres, out of 66 Gewog centres that were reported to have not been connected in the last budget session, 5 more will have been connected in the FY 2009-10. In the coming FY 2010-11, budget provision is included for construction of roads to 29 more Gewog centres while construction of roads to the rest of the Gewogs need take-off points which will be taken up in the subsequent years. However, I would also like to report that as of now, there is no possibility of taking motorable roads to 4 Gewog centres and the Government is exploring alternative ways to provide connectivity to these areas. With this, there is every likelihood that the Government's objective of providing road access to all Gewog centres by 2013 would be achieved.

The details of the capital activities are explained in the respective sectors.

4.5 Allocations on Sector Basis

The sector-wise allocation is given in the **Table 4.6** below:

Table 4.6: Sector allocation for the FY 2010-11

Sectors	Nu. in millions			
	Current	Capital	Total	Percent
Social Services	4,679.895	3,529.023	8,208.918	23%
<i>Health</i>	1,496.294	974.126	2,470.420	7%
<i>Education</i>	3,183.601	2,554.897	5,738.498	16%
Economic and Public	2,913.506	9,623.988	12,537.494	35%
<i>Agriculture</i>	1,559.567	1,988.032	3,547.599	10%
<i>Mining & Manufacturing</i>	250.372	305.195	555.567	2%
<i>Roads</i>	262.470	3,182.336	3,444.806	10%
<i>Housing & Community</i>	382.898	1,211.695	1,594.593	4%
<i>Communications</i>	401.689	1,571.811	1,973.500	6%
<i>Energy</i>	56.510	1,364.919	1,421.429	4%
Cultural Services	515.855	783.494	1,299.349	4%
Law and Order Services	1,504.607	1,063.051	2,567.658	7%
General Public Services	3,655.668	2,266.732	5,922.400	17%
National Debt Services	1,884.545	3,376.145	5,260.690	15%
<i>Repayment</i>	1,884.545	2,348.059	4,232.604	12%
<i>Lending</i>		1,028.086	1,028.086	3%
Total	15,154.076	20,642.433	35,796.509	100%

4.5.1 Social services

As always, the Government has accorded high priority to the *Health* and *Education* sectors. The two sectors combined will receive the highest share of about 23% of the total budget, a trend which has been maintained over the years.

Health

The overall thrust of the health sector is to improve the quality of life through sustained professional health care system. *The major activities in the sector for the FY are as shown in Table 4.7a.*

Table 4.7a. Major areas of expenditure in health sector

		<i>Nu. in millions</i>	
Sl. No.	Activities	Amount	Funding
1	Const. of RENEW centre at Selekha, Thimphu (spillover)	9.000	GoI
2	Const. of Bhutan Institute of Medical Science (BIMS)	20.000	GoI
3	Remodeling of old wards at JDWNRH for BIMS	20.000	GoI
4	Equipment, instruments and other supplies for BIMS	10.000	GoI
5	Procurement of ambulances	33.000	RGoB
6	Hospital equipment and instruments	100.000	RGoB
7	Spare parts and accessories for medical equipment for biomedical engineering services	7.000	RGoB
8	Const. of Gelegphu regional referral hospital (150 beds)	95.000	GoI
9	Const. of public health laboratory	21.000	GoI
10	Re-const. of 40-bedded Samtse Hospital	23.500	GoI
11	Const. of staff quarters at Tsimalakha Hospital, Chhukha (spillover)	8.000	GoI
12	Const. of BHU II, Ura, Bumthang- spillover	11.000	GoI
13	Const. of BHU Grade II at Rangaytung, Chhukha	5.000	GoI
14	Const. of BHU Grade I at Khatekha, Chhukha (spillover)	10.000	GoI
15	Reconstruction of BHU I, Daga, Dagana	13.106	GoI
16	Reconstruction of BHU, Narang , Mongar	4.000	RGoB

Sl. No.	Activities	Amount	Funding
17	Const. of BHU-II, Nanong, with staff quarters , Pema Gatshel (spillover)	5.100	RGoB
18	Const. of Water Supply Shap-Dujidingkha, Paro	4.000	GoI
19	Const. of BHU at Goenshari, Punakha	8.000	GoI
20	Const. of BHU II at Pemathang, S/Jongkhar (spillover)	6.000	RGoB
21	Const. of BHU-II at Ugyentse Gewog, Samtse	4.000	RGoB
22	Const. of BHU at Singhi, Sarpang (spillover)	6.000	GoI
23	Const. of BHU at Chheokhorling, Sarpang	4.000	GoI
24	Const. of BHU at Taraythang, Sarpang (spillover)	6.000	GoI
25	Const. of BHU at Yabrang, Tashigang (spillover)	10.000	GoI
26	Relocation of BHU, Radi, Tashigang (spillover)	10.000	GoI
27	Const. of BHU-II at Phuntenchu Gewog, Tsirang (spillover)	5.000	GoI
28	Const. of Water Supply Scheme at Baychhu,W/ Phodang	20.000	RGoB
29	Const. of BHU Gr. I at Zhemgang (spillover)	5.000	RGoB

The FY 2010-11 budget includes provision for Construction of a regional hospital at Gelegphu, Reconstruction of district hospitals at Samtse and Dagana, Constructions of 17 BHUs including relocation and reconstructions and the Construction of the Bhutan Institute of Medical Sciences. Also, in line with the commitment of the Government to equip every district hospital with a minimum of 2 ambulances, budget provision has been kept for 10 additional ambulances. Further, the MoH is expected to receive 10 more ambulances from the Government of Japan during the coming fiscal year.

Water supply for the rural areas is one of the top priorities of the Government as we have pledged that we will make every effort to ensure everyone's access

to safe and convenient drinking water. Thus, it continues to receive adequate budget for construction, rehabilitations, and maintenance every year. The FY 2010-11 has a budget provision of Nu. 83.650 m to cover 242 *new* schemes and Nu. 40.26 m for 179 *rehabilitations*.

One of the serious constraints in the health sector is the *shortage of doctors and other medical professionals*. With the expansion of the JDWNRH since 2009, the shortage has increased further. Likewise, there are many more hospitals and BHUs under construction which will require staff. In order to meet the shortages, the Government has regular programmes of scholarships. In the FY 2010-11, a sum of Nu. 64.081 m is provided for both on-going and new scholarships for doctors, nurses and technicians. The Health Ministry has also begun the up-gradation course (B.Sc. in Public Health) for in service nurses and health assistants to enhance their professional skills thereby contributing to efficiency in service delivery.

A more sustainable way to meet the demand for doctors and other medical professionals is through the establishment of a medical college. As pledged, the construction of such a college called the Bhutan Institute of Medical Sciences is being started. In the new budget, a sum of Nu. 50 m has been earmarked to start with.

Education

As the provision of free education up to tenth standard is the responsibility of the State, the Government endeavours to enhance accessibility and quality of education. In order to achieve the education goals, the Government continues to provide adequate budget for education at all levels. In the FY 2010-11, new constructions and up-gradation of existing infrastructures as listed in **Table 4.7b** are some of the major components of the education budget in Dzongkhags and Gewogs.

The list of major activities of the Education sector is presented in **Table 4.7b** below.

Table 4.7 b. Major capital works in education sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Const. of LSS, Pasakha, Chhukha	55.570	GoI
2	Const. of PS, Pangserpo, Dagana	15.000	GoI
3	Const. of LSS, Geonsa, Haa	37.500	GoI
4	Const. of MSS, Minjay, Lhuentse	30.000	GoI
5	Const. of MSS, Autsho, Lhuentse (spillover)	16.940	GoI
6	Const. of HSS, Phuentshogthang, S/Jongkhar	30.000	GoI
7	Const. of LSS, Sarpang	35.000	GoI
8	Const. of MSS, Kuenzangling , Tashi Yangtse	30.000	GoI
9	Const. of MSS, Tashigang (spillover)	13.370	GoI
10	Const. of 12 classrooms & Adm. Block at Changbangdu PS, Thimphu (spillover)	7.860	RGoB
11	Const. of 12 classrooms at Zilneon Namgyeling PS, Thimphu	12.960	RGoB
12	Const. of MPH at Babesa MSS, Thimphu	5.000	RGoB
13	Const. of MSS, Changzamtog, Thimphu (spillover)	9.600	GoI
14	Const. of HSS, Genyekha, Thimphu	25.000	GoI
15	Const. of MSS, Tsirangtoed, Tsirang	43.000	GoI
16	Const. of MSS, Lobesa, W/Phodang (spillover)	7.540	GoI
17	Const. of MSS, Buli, Zhemgang (spillover)	5.530	GoI
18	Const. of MoE's Secretariat Building	30.000	WB

Sl. No.	Activities	Amount	Funding
19	Const. of Students' Service Centre at Sherubtse College	5.000	GoI
20	Const. of Chemistry & Physics Labrtrs at Sherubtse College (spillover)	5.000	GoI
21	Construction of ILCS at Tagtsey, Tongsa (spillover)	150.000	GoI
22	Const. of Admnstrtv Buidng for Faculty Members at CST	10.000	GoI
23	Const. of Laboratory Building at CST	5.000	GoI
24	Const. of Hostel Building at CST	5.000	GoI
25	Const. of qrtrs for Warden & Matron at CST	3.000	GoI
26	Const. of dining hall and kitchen at CNR, Lobeysa	5.000	GoI
27	Const. of hostel at CNR, Lobeysa	7.000	GoI
28	Const. of dining hall at Paro College of Education	9.000	RGoB
29	Const. of 100-bedded hostel at the NITM, Thimphu (spillover)	7.000	GoI
30	Const. of Lecture Theatre, Conference Hall, Faculty and IT & Library Building at NITM,	15.000	GoI
31	Const. of Class Room, Lecture Theatre & Labrtry. Demonstration, IT & Library	7.000	GoI
32	Const. of hostel at RIHS, Thimphu (spillover)	10.000	GoI
33	Const. of Staff qrtrs. (8 units B Type & 4 units C Type) at JNP, Deothang	7.200	GoI
34	Const. of Executive Hostel at JNP, Deothang	3.000	GoI
35	Const. of IT & Library Building at JNP, Deothang	7.000	GoI
36	Construction of IT, Library & Conference Block, RIM	18.000	GoI
37	Construction of Multi-purpose students' Resource Centre, RIM	17.900	GoI

One of the key social concerns of the Government is the long distances children have to walk to schools. This has hampered us in truly fulfilling the rights to education for children as enshrined in our Constitution. Therefore, to provide equal opportunity to all children to education, the system of extended classrooms are being reinforced.

4.5.2 Human Resource Development (HRD)

High quality human capital is a pre-requisite to support the process of nation building. The Government has always accorded high priority towards investment in human capital to improve efficiency and professionalism in the civil service.

During the year, a total provision of *Nu. 805,466 m* has been kept for human resource development in various agencies. Besides the budget in MoH, MoE and RUB, provision has been kept in the Judiciary, MAF, MIC and DUDES, etc. and the details of major ones are provided in the table.

The major HRD provisions for various agencies are presented in Table 4.7c below.

Table 4.7c: Human resource development budget

			<i>Nu. in millions</i>
Sl. No.	Activity	Amount	Funding
1	Masters in Public Administration Programme, RIM	9.551	RGoB
2	Continuation of long term HRD programs for doctors, nurses and technologists	25.841	RGoB
3	Specialization/ masters courses for doctors, nurses and technologists (new)	12.000	RGoB
4	Continuing Education for Nurses (spillover)	12.360	RGoB
5	Training of nurse assistants in India (spillover)	13.880	RGoB

Sl. No.	Activity	Amount	Funding
6	HRD (DUDES)	12.100	ADB/ RGoB
7	HRD (suspension bridge)	12.920	HELVETAS
8	HRD (RBP)- short term	5.440	RGoB
9	HRD (RBP)- long term	3.768	RGoB
10	HRD (Judiciary) - short term	25.320	DANIDA, SDC/ ACO & UNDP
11	HRD (Judiciary) - long term	13.900	DANIDA, SDC/ Austrian
12	Sustainable HRD project, RCSC	60.000	SDS
13	Post graduate scholarships, RCSC	30.000	GoI
14	Training under Governance and Anti-corruption action plan II - RCSC	5.000	RETA
15	B. Ed. distance education for teachers, Samtse College of Education (SCE)	4.800	RGoB
16	Upgradation of teaching skills in English and Maths, SCE	4.000	RGoB
17	B. Ed. distance education in Dzongkha, Paro College of Education (PCE)	3.800	RGoB
18	M. Ed. in leadership & management, PCE	4.600	RGoB
19	HRD under broadband master plan project	4.000	GoI
20	HRD under SASEC Information Highway project, MIC	7.500	ADB
21	HRD under E-governance project	7.915	GoI
22	Strengthening of energy sector	14.240	NORAD
23	Capacity building for introduction of regulatory impact assessment, Dept of Cottage and Small Industries	3.760	ADB
24	Strengthening of public finance management system, MoF	21.910	DANIDA
25	Strengthening of public procurement policy, MoF	24.440	IDF

Sl. No.	Activity	Amount	Funding
26	Institutional development and capacity building of RNR staff, MAF	12.800	WB
27	HRD for veterinary staff, DoL	10.800	GoI
28	Capacity development of engineers, DoA	3.285	KR-II

4.5.3 Renewable Natural Resources (RNR) sector

Poverty in Bhutan is much more prevalent in our rural areas where people depend on agriculture for their livelihood. Therefore, our Government places high importance on accelerating the development of our rural areas. The total budget provision for this sector is Nu. 3,547.599 m or 10 % of the total budget.

We have pledged that we will promote the formation of co-operatives and association of farmers to achieve economies of scale for production of commodities based on local comparative advantages and opportunities. One of the first measures we took in doing this is to create a dedicated department in the Ministry of Agriculture called the Department of Agriculture Marketing and Co-operatives. The efforts of the Department of Agriculture in boosting agricultural production will be complemented by this new department by devising more efficient ways to market the rural agricultural products. A sum of Nu. 48.885 m has been earmarked for this new department's tasks in the new budget.

Gewog Centres Connectivity and Farm Roads

In addition to support for increased productivity of agriculture produce, we had pledged to connect the Gewog centres by motorable roads where feasible. In this regard, the Government has taken major initiatives, such as, keeping a pool budget for farm road constructions, outsourcing the survey and design of farm roads and issuance of guidelines for farm road development. By the

end of this FY, about 73 % of the Gewog centres will have been connected by motorable roads. Of the remaining Gewog centres, survey and design for the construction of 48 have been completed and formation-cutting for a few roads have already started during this fiscal year. Some of the Gewog roads which are dependent on other roads for take-off points will be made possible by the Gyalpoizhing-Nganglam road, Gomphu-Panbang road, Khar-Tsebar-Yurung road and Samtse-Dorokha road, all of which are under construction.

I am very happy to report that funding for farm road constructions has largely been mobilized. While a large part of the resources are from the GoI under the Small Development Projects (SDP), there are substantial supports from other development partners. The ADB has committed a grant of US \$ 3 million under Japan Fund for Poverty Reduction (JFPR) and a feasibility study has been planned for mid-2010. We also approached the Danish Government for financing from their Mixed Credit scheme and they have responded positively. The Danish credit is to finance the construction of about 56 farm roads in 10 Dzongkhags, measuring 398 kms in length. It is estimated to cost Nu. 1,194 m.

I would like to inform the House that we have accommodated all the proposals for farm roads and *thus*, Nu. 740.051 m has been budgeted for construction and Nu.26.940 m is kept for improvement, maintenance, monsoon restoration works etc. besides Nu. 200 m kept as a pool fund. Once again, I'd like to explain that the reserve pool fund of Nu. 200 m is to be allocated as and when the Gewogs are ready with all the pre-implementation formalities such as all the estimates, clearances and land issues. Such roads of course have to be in their FYPs and should meet the criteria set for deciding on a particular road. This has helped accelerate the building of farm roads and by the end of the Plan, most large communities would have been connected by motorable roads. If anything is to bring about further development of our rural areas, and ensure equitable distribution of the benefits of development, it is the motorable roads.

Another important rural development programme budgeted in the FY under this sector is the *construction of RNR centres* which are part of the standard

facilities for a Gewog. The budget for standard facilities are over and above the budget ceiling of a Gewog. In the FY 2010-11, a provision of Nu. 247.285 m has been earmarked for construction of 62 RNR centres including 24 centres carried forward from the FY 2009-10. With this, it is expected that 175 Gewogs will have RNR centres by end of the FY 2010-11.

*The budget projected for some of the major activities under the RNR sector is presented in **Table 4.8** below:*

Table 4.8: Major capital works in RNR sector

<i>Nu. in millions</i>			
Sl.	Activities	Amount	Funding
1	Special fund for micro initiatives, PFO	10.400	AMEPP
2	Special fund for business opportunity, PFO	8.400	AMEPP
3	Local development initiatives, RLP, Zhemgang	2.600	W/B
4	Const. of research & development building at Agriculture Machinery	7.500	KR II (Plan IV)
5	Purchase of spare parts for heavy machineries, CMU, Bumthang	30.510	RGoB
6	National dog population management & rabies control program (spillover), DoL	13.640	RGoB /HIS
7	Producing, processing and marketing of livestock products (spillover), DoL	27.700	GoI
8	Strengthening of National Veterinary Hospital, Chhubachhu (spillover), DoL	22.300	GoI
9	Const. of Standard National Veterinary Hospital at Serbithang (spillover), DoL	13.500	GoI
10	Construction of office building at National Poultry Breeding Centre,	3.250	RGoB
11	Construction of staff quarters at National Poultry Breeding Centre, Sarpang	3.500	RGoB
12	Construction of concrete wall embankment & fencing at Cold Water	5.000	RGoB

Sl. No.	Activities	Amount	Funding
13	Const. of 4 units staff quarters at Samdubchheoling (DFO, S/J)	2.000	RGoB
14	Construction of range office at Khomshar, (DFO Zhemgang)	2.000	RGoB
15	Const. of office at Phipsoo Wildlife Sanctuary	6.000	WWF
16	Const. of staff quarter at Ada (JSWNP)	2.000	RGoB
17	Const. of staff quarters at Damji (JDNP)	5.500	RGoB
18	Const. of staff quarters at Wangchuck Centennial Park, Bumthang	3.870	WWF
19	Const. of class rooms at UWICE, Bumthang (spillover)	13.300	MacArthur Foundtn
20	Const. of director's quarter at UWICE, Bumthang	3.000	MacArthur Foundtn
21	Const. of BAFRA offices at W/Phodang, S/Jongkhar, T/Yangtse & Zhemgang (spillover)	10.725	RGoB
22	Relocation of BSCH farm, Bumthang	12.970	RGoB
23	Relocation of NFFD office, Bumthang	17.000	RGoB
24	Relocation of NHB farm, Bumthang	5.350	RGoB
25	Const. of RNR staff quarters at Samdingkha, Punakha (spillover)	4.500	GoI
26	Const. of RNR centre cum staff quarter at Jarey Gewog, Lhuentse	4.000	GoI
27	Construction of farmers' marketing shed at Tashigang (spillover)	4.000	GoI
28	Const. of veterinary hospital, (spillover), Semtokha	4.600	GoI

4.5.4 Trade, industry and private sector development

A sum of Nu. 363.395 m has been budgeted in this sector. This is one of the

key sectors for economic growth and for providing employment opportunities. While administratively the sector encompasses large industrial and hydro-power industries, they are undertaken outside the normal budget. Thus, the budget reflected in the sector is mainly to do with the Government's main function in this sector of providing services and in creating the enabling environment for the private sector. In providing the enabling environment, the Economic Development Policy was announced and the Ministry of Finance introduced the Fiscal Incentives scheme. This is also in line with our pledge that targeted fiscal incentives for priority sectors and specific regions will be provided.

An important part of our pledge to the people was the promotion of cottage and small enterprises as they hold great promise for generating gainful employment for the rural communities. Towards this, we had said that we would establish a separate department for cottage and small industries. Accordingly, the Department of Cottage and Small Industries has been established within the Ministry of Economic Affairs. The budget provision for this is Nu. 57.598 m.

The budget for the FY 2010-11 covers development and maintenance of industrial sites, revision of Company's Act, feasibility studies for set up of new industries, etc.

The major activities included in the FY 2010-11 budget are highlighted in Table 4.9 below:

Table 4.9: Major Capital works in the trade and industry sector

Sl. No.	Activity	<i>Nu. in millions</i>	
		Amount	Funding
1.	Promotion of Cottage and Small Industries	53.951	
2.	Const. of Trade Regional Office at Samtse (spillover)	6.000	RGoB
3.	Const. of solid waste disposal site at Pasakha	30.000	RGoB

Sl. No.	Activity	Amount	Funding
4	Geological study of limestone deposit in Gelegphu	10.304	KFAED
5	Installation of seismic network and geophysical investigation	2.240	RGoB
6	Feasibility of new industrial projects	3.000	RGoB
7	Feasibility of Dhamdum and Motanga industrial estates	3.900	RGoB

4.5.5 Tourism sector

As pledged, the Government is committed to put extra efforts for the development of this sector. The amount budgeted for the sector is Nu. 203.259 m. The major part of the budget is for the completion of the Hotel and Tourism Management Training Institute complex. With the completion of this project, trainings can be started with actual facilities. The institute can then supply the required number of personnel to our hospitality industry which has to gear up for the planned inflow of 100,000 tourists a year by 2012. The Government is focusing on marketing Bhutan as a high-end destination and as such adequate infrastructure with high quality service delivery is absolutely essential. The private sector is expected to upgrade the hotel facilities in order to meet the target, and towards encouraging them to do so, the Government has introduced the necessary fiscal incentives. Product diversification and opening up of new areas for tourists are some of the activities covered by the budget. The amount of Nu. 27.519 m covers activities such as development of local festivals, the development of Merag, Sagteng, Manas and Ha for tourism and the construction of roadside amenities and camp sites. Other products planned are development of wildlife tours in the South, textile tours and old trade routes in the East, meditation centres in the East and Central part, alpine flower tours in Central Bhutan, autumn cherry park in the East, etc. These, will ultimately boost tourism in Bhutan with greater employment opportunities for our youth and also will be a major source of foreign exchange. The introduction of domestic air service will further boost tourism in Bhutan.

The major tourism related activities included in the FY are highlighted in **Table 4.10**.

Table 4.10 Major Capital Works in Tourism Sector

Nu. in millions

Sl. No.	Activities	Amount	Funding
1	Development of tourism in Merag and Sagteng	6.082	RGoB
2	Promotion of folk, nomad and Takin festival	6.987	RGoB
3	Development of road side amenities	8.000	RGoB
4	Development of managed campsites (Gasa, Laya and Lingzhi)	6.450	RGoB
5	Const. of HTMTI and Banquet Hall (spillover)	40.717	RGoB
6	Const. of HTMTI training hotel (spillover)	65.500	RGoB/ADA
7	Const. of power house for HTMTI (spillover)	6.400	ADA
8	Civil, plumbing and electrical works/ installation of IT for the Training Institute and Banquet Hall of the HTMTI(spillover)	12.106	ADA

4.5.6 Vocational training and employment

The budget for this sector is Nu. 356.680 m. It covers the activities of all the ten vocational institutes located throughout the country. As unemployment is growing alarmingly every year, the Government's main strategy has been to provide the necessary skills through these institutes to our young people so that they can avail of job opportunities in the private sector.

It is projected that there will be at least 63,000 school leavers by end of the 10th FYP seeking jobs. In order to cater to the need of the growing unemployed youth, budget provision includes the establishment of one more vocational training institute (VTI) at Dolongang, Sarpang and another institute of Zorig Chugsum (IZC) at Tsirang. The budget also covers activities such as the competency-based training (CBT) system as a part of Vocational Education Training (VET) reform

in all the IZCs and VTIs. The CBT system is to make the job relevant and ensure employability of trainees in the market, by involving the private sector which is in the best position to determine the types of skills required in the market.

The aim is to generate employment and reduce the unemployment rate to below 2.5 % in the 10th FYP. The accelerated development of hydropower sector is also expected to boost the employment scenario with on-the-job opportunities being provided by the projects.

Besides the activities covered by the budget provision, another beneficial activity for vocational training is the sharing of 50 % of the training cost of private sector trainees with the Government. Also, the Government's procurement rules are being revised for the construction sector to give preference to contractors who employ more Bhutanese both at the management and at the skilled workforce level. The major contractors of Punatsangchhu project have come forward to provide substantial training and employment opportunities for Bhutanese skilled persons which can be used in future projects also.

The major activities budgeted in the FY are as in **Table 4.11**:

Table 4.11: Major capital works in vocational training & employment sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Const. of training shed, VTI, Chhumey, Bumthang	8.500	RGoB
2	Const. of warden and matron's quarter, IZC, T/Yangtse	5.000	RGoB
3	Const. of workshop/ classroom, IZC, T/ Yangtse	6.000	RGoB
4	Const. of staff quarters, VTI, Rangjung, Tashigang –spillover	7.140	RGoB
5	Const. of workshop at VTI, Samthang (spillover)	4.720	RGoB
6	Const. of principal quarter at VTI, Samthang, W/Phodang	3.000	RGoB

4.5.7 Roads

The total budget provision for the Roads sector is Nu. 3,444.806 m, which is about 10 % of the total budget. One of our primary aims in this sector is to link all parts of the country internally. In that regard, I am happy to report that we have mobilised the necessary resources for most of the link roads in the South. That for Samdubchheoling Samrang road in S/Jongkhar has been signed with the ADB, and we are left without resources for Lhamoidzingkha – Sarpang section (115 kms), Gelegphu – Panbang section (97 kms), Nganglam – Deothang (105 kms) and the Samrang - Jomotsangkha (87 kms) sections to complete the Southern link. The connection of the above sections amounts to 404 kms. We are confident that we will be able to mobilize the required funds from donor agencies like ADB and WB for the sectors left without resources.

As in the past, in this budget also Nu. 648.150 m is kept for road resurfacing, improvement and maintenance, Nu. 2,181.301 m for road constructions and Nu. 647.078 m for construction of bridges (*includes bridges for farm roads*). The list of major works are presented in **Table 4.12** below:

Table 4.12 Construction of Roads and Bridges

<i>Nu. in millions</i>				
Sl. No.	Activities	Amount	Target (km/ Nos.)	Funding
A Construction of Primary National Highways				
1	Nangar-Ura road, Bumthang (spillover)	40.000	32	RGoB
2	Manitar-Raidak road, Manitar side, Chhukha	39.259	21	ADB/RGoB
3	Raidak-Manitar road, Raidak side, Chhukha	38.278	16	ADB/ RGoB
4	Raidak-Lhamoidzingkha road, Dagana	50.000	23	ADB/RGoB

Sl. No.	Activities	Amount	Target (km/ Nos.)	Funding
5	Gyalpoizhing-Nganglam highway, Mongar (spillover)	385.650	24	GoI
6	Samdubchheoling-Samrang road, S/Jongkhar	35.805	23	ADB/RGoB
7	Samtse-P/ling road, Samtse (spillover)	80.000	50	RGoB
8	Realignment of Hiley checkpoint road, Sarpang	30.000	1	GoI
9	Gomphu-Panbang highway, Zhemgang (spillover)	140.000	25	GoI
10	Panbang-Amshingwung road, Panbang side, Zhemgang	40.000	18	ADB/RGoB
11	Amshingwung-Panbang road, Amshingwung side, Zhemgang	40.000	18	ADB/RGoB
12	Tingtibi-Wangdigang bypass road, Phase I, Zhemgang (spillover)	152.800	16	ADB/RGoB
13	Survey and Design for RNP II	78.911		ADB/RGoB
B Construction of Secondary National Highways				
1	Zameychhu-Gasa road, Gasa (spillover)	46.370	8	RGoB
2	Halaley-Dorokha road, Samtse (spillover)	34.000	26	RGoB
C Construction of Dzongkhag Roads				
1	Meritsemo-Bongo road, Chhukha (continuation)	85.860	17	ADB/RGoB
2	Dujeyang-Balung road and Tshangkha road, Dagana (spillover)	30.000	1	WB/RGoB
3	Dujeyang-Balung road, Dagana (spillover)	29.230	5	WB/RGoB

Sl. No.	Activities	Amount	Target (km/ Nos.)	Funding
4	Autsho - Gumrang road, Lhuenste (spillover)	65.200	14	ADB/RGoB
5	Gorbagtang-Chhali road, Mongar (spillover)	80.250	12	ADB/RGoB
6	Khar-Tsebar road, P/Gatshel (spillover)	8.000	10	WB/RGoB
7	Tsebar-Yurung road, P/Gatshel (spillover)	65.000	19	WB/RGoB
8	Tsebar-Khairi road, P/Gatshel	43.813	24	ADB/RGoB
9	Khairi-Durungri road, P/Gatshel	28.560	38	ADB/RGoB
10	Kharungla-Kangpara road, T/gang (spillover)	25.420	38	ADB/RGoB
11	Tashidingkha-Chhubacheodten road, W/Phodang (spillover)	16.200	4	WB/RGoB

D Construction of Bridges

1	Raidak-Lhamoidzingkha bridge, Dagana	14.309	1	ADB/RGoB
2	Samdubchheoling-Samrang bridges, S/Jongkhar	20.000	2	ADB/RGoB
3	RCC bridge on Jangchhubcheoling-Tashidingkha road, W/Phodang (spillover)	3.800	1	WB/RGoB
4	RCC slab bridge on Tashidingkha-Chhubachheodten road, W/Phodang (spillover)	6.000	1	WB/RGoB
5	Bailey bridge on Khotakpa - Khar feeder road, P/Gatshel (spillover)	8.800	1	WB/RGoB
6	Chamkharchhu bridge, Bumthang (spillover)	9.400	1	RGoB

Sl. No.	Activities	Amount	Target (km/ Nos.)	Funding
7	Dzongkhalum bridge, Tongsa (replacement)	3.000	1	RGoB
8	Rurichhu and Mechikhola bridges, W/Phodang	15.000	1	GoI
9	Baychu bridge, W/Phodang	5.000	1	GoI
10	Kameychhu bridge, W/ Phodang	5.000	1	GoI
11	Zameychhu bailey bridge along Damji-Gasa road (spillover)	2.000	1	RGoB
12	Zimzorong bridge, Mongar (spillover)	25.000	1	GoI
13	Khakhari bridge, Mongar (spillover)	7.650	1	GoI
14	Shumari bridge, P/Gtashel (spillover)	7.650	1	GoI
15	Nishoka bridge (1,500 ft. Span), Zhemgang (spillover)	94.750	1	GoI
16	Mangdechhu bridge, Tongsa (spillover)	99.000	1	GoI
17	Redigang bridge, Zhemgang (spillover)	5.400	1	GoI
18	Amochhu bridge on Samtse-P/ ling road, Samtse (spillover)	90.000	1	RGoB
19	Const. of motorable bridge at Samdingkha, Punakha	28.000	1	GoI
20	Const. of bailey bridge at Kaba, Tongsa	5.302	1	GoI
21	Const. of motorable bridge over Kurichhu to connect Metsho & Jarey, Lhuentse (spillover)	12.000	1	GoI
22	Const. of motorable bridge at Silibi (Dawashing), Lhuentse	8.000	1	GoI

Sl. No.	Activities	Amount	Target (km/ Nos.)	Funding
23	Const. of Tsalari bailey bridge, Pema Gatshel	6.324	1	RGoB
24	Const. of Muray bailey bridge, Pema Gatshel	7.578	1	RGoB
25	Const. of Iurunglam bailey bridge, Pema Gatshel	7.810	1	RGoB
26	Const. of suspension bridges-(spillover)	5.000		HELVETAS
27.	Const of cable-stayed single-lane motorable bridge over Maokhola, Gelegphu	10.000	1	RGoB

4.5.8 Urban development, housing and public amenities

A budget provision of Nu. 1,594.593 m is kept for this sector during the FY 2010-11 which is about 4% of the total budget. The aim is to provide high quality infrastructures and their maintenance for the delivery of municipal services. The budget also includes core area developments under Thimphu and Phuentsholing Thomdeys. The major works include structural design and development of Local Area Plans (LAP) in areas like Dechhenchheoling, Langjuphakha, Babesa, Semtokha and Changbangdu under Thimphu City and road network developments for Phuentsholing City with funding from ADB and World Bank. Also amongst others, budget provisions have been made for development of towns in Pema Gatshel (Denchi and Nganglam), Dagana, Bajo, Tashigang and Gelegphu. **Table 4.13** shows the major activities included in the FY 2010-11.

Table 4.13: Urban Development, Housing and Public Amenities

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Consultancy for urban town planning including Denchi and Nganglam towns	9.000	RGoB
2	Urban plan consultancy services	17.170	ADB/RGoB
3	Lungtenphu local area plan-package I, TCC	73.164	ADB/RGoB
4	Lungtenphu local area plan-package II, TCC	83.420	ADB/RGoB
5	Solid waste management machinery and equipment, TCC	9.315	ADB/RGoB
6	Babesa and Semtokha local area plans , TCC	183.000	ADB/RGoB
7	Changbangdu local area plan-package I, TCC	15.570	ADB/RGoB
8	Changbangdu local area plan-package II, TCC	12.456	ADB/RGoB
9	Changbangdu local area plan-package III, TCC	9.342	ADB/RGoB
10	Water supply intake, trunk mains and water treatment plant , TCC (spillover)	68.020	ADB/RGoB
11	Water reservoirs, TCC (spillover)	26.098	ADB/RGoB
12	Land reclamation for new waste water treatment plant , TCC (spillover)	19.127	ADB/RGoB
13	PCC/road/001, Phuentsholing City Corporation, PCC (spillover)	18.000	ADB/RGoB
14	PCC/road/003, PCC (spillover)	23.920	ADB/RGoB
15	Soil stabilization works on Dagana town (spillover)	9.000	RGoB
16	Resurfacing of urban road, Ha	4.000	GoI
17	Const./ maintenance of urban roads, Samtse	9.000	RGoB

Sl. No.	Activities	Amount	Funding
18	Water supply at Gomtu town	5.000	RGoB
19	Const. of sewer treatment plant at Bajo town	8.000	BTF
20	Const. of water supply from Rewan to Mongar town	4.200	RGoB
21	Acquisition of land, water supply and road works for Denchi & Rinchhenthang, Pemagatshel	54.257	RGoB
22	Const. of water supply at Samdrup Jongkhar town (spillover)	4.720	RGoB
23	Compact sewerage treatment plant, Tashigang	8.200	RGoB
24	Const of footpath & drains, Tashigang	4.300	RGoB
25	Solid waste management (landfill, transportation & equipment), Tashigang	8.520	RGoB

4.5.9 Communications and transport

The Government has identified ICT as a priority sector given the high potential it has for employment and knowledge building. One of the most significant activities covered by the budget is the *Total Solutions Project*. It is expected to enhance e-governance and service delivery besides generating direct employment for about 400 youths and indirect employment of about 1,000. Hence, a budget provision of Nu. 1,061.3 m is kept which includes the continuation of the establishment of an IT Park in Wangchhutaba and the SASEC highway information project.

Further, Nu. 193.969 m is provided for the development of various airports and their operationalisation. Work on the airport in Yonphula, Tashigang, and development work of Badpalathang in Bumthang have already begun from the FY 2009-10. The survey of Gelegphu airport has been initiated and actual development is expected to take place in the FY 2010-11.

The major activities included in the budget are shown in **Table 4.14** below.

Table 4.14. Communication and transport

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Development of master plan for Gelegphu airport	5.000	RGoB
2	Const. of Yonphula airport-Phase II (spillover)	30.869	RGoB
3	Const. of airport, Gelegphu	50.000	RGoB
4	Const. of airport at Badpalathang, Bumthang	39.100	RGoB
5	Const. of security quarters, Paro airport (spillover)	8.000	GoI
6	River protection works, Paro airport (spillover)	20.000	GoI
7	Const. of runway turnpad, Paro airport	10.000	GoI
8	Modernisation of voice communication system, Paro airport	5.000	GoI
9	Const. of fire station, Paro airport	6.000	GoI
10	Basic COM/NAV equipment for Yonphula & Bathpalathang domestic airports	20.000	RGoB
11	Const. of bus shed, Samdrup Jongkhar	7.735	RGoB
12	Const. of bus terminal building, Tashigang	8.000	RGoB
13	E-governance project, MIC	74.301	GoI
14	Implementation of broadband master plan, MIC	160.000	GoI
15	Establishment of IT Park, Wangchhutaba (spillover), MIC	75.618	WB
16	SASEC information highway project (spillover), MIC	102.120	WB/ RGoB
17	Total Solutions project, MIC	615.78	GoI

4.5.10 Energy

Rural Electrification

As the House is aware, the Government has pledged to provide access to electricity to all by the end of the 10th Plan. In this endeavour, I am very happy to report that we have been able to mobilise the necessary funds for the entire rural electrification programme.

With the generous assistance and continued support from our development partners, coupled with the impressive progress being made by Bhutan Power Corporation, which is the main implementing agency, the goal of rural electrification (RE) for all by the year 2013 will be achieved. Currently, discussions are in the final stages for mobilization of about US\$ 21.59 m from the ADB, US \$ 17 m from JICA and Euro 5.8 m (Nu. 350 m) from the Government of Austria to cover the remaining households. Part of the Austrian credit will be utilised for about 219 households in Gasa Dzongkhag.

As of now, rural electrification of 31,298 households are in various stages of implementation and completion. Where on-grid connection is difficult, options for off-grid connection through other schemes are considered.

Last year, in my budget report, I submitted that about 42,000 households were yet to be provided with electricity access. Budget was then provided for covering 15,778 households by the end of June 2010, i.e. within fiscal year 2009-10. In the new budget, a sum of Nu. 356.608 m has been provided which will electrify 16,200 households. With this, we will be left with only 7,869 households to be electrified.

Electricity Production

Besides rural electrification, the Government has resolved to accelerate the development of the hydro-power sector. As the Honourable members are aware, the growth of our economy is highly dependent on hydro-power projects

and related activities. Therefore, the Government remains committed to achieve 10,000 MW generation of electricity by the year 2020. Construction works on the 1,200 MW Punatsangchhu-I and 114 MW Dagachhu projects have already begun. Funds have been mobilised for the Punatsangchhu-II and Mangdechhu projects which have a combined capacity of 1,720 MW. In the new year's budget, a sum of Nu. 883.098 m has been kept for the DPRs of more HP projects.

For the sector as a whole, a budget of Nu. 953.391 m has been kept. *The major activities under this sector are listed in Table 4.15 below.*

Table 4.15 Major Activities and Budget in the Energy Sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	DPR for Chamkharchhu I (Digala) 670 MW (spillover)	48.532	GoI
2	DPR of Kholongchhu, Gomkora, (486 MW)- spillover	97.064	GoI
3	DPR of Sunkosh HEP (4060 MW)- spillover	42.052	GoI
4	DPR of Kuri-Gongri HEP (1800 MW)- spillover	59.562	GoI
5	DPR for Amochhu reservoir hydroelectric project (620 MW)	105.888	GoI
6	DPR for Mangdechhu	90.000	GoI
7	DPR for Punatsangchu-II	440.000	GoI
8	RE under ADB project phase - IV (spillover)	48.399	RGoB
9	RE under JBIC project phase - I (spillover)	258.725	RGoB
10	RE under ACB project phase - VI (spillover)	29.484	ACB
11	Glacial lake outburst flood project (GLOF) in Punakha-W/Phodang (spillover)	37.700	GLOF

Sl. No.	Activity	Amount	Funding
12	Enhancing adaptive capacity to climate change (spillover)	6.000	DANIDA
13	Solar electrification at Dagana, Sarpang, Tsirang, Tongsa & W/Phodang Dzongkhags (spillover)	20.000	RGoB
14	Micro hydro-power development programme, Lingzhi (100 KW) (spillover)	20.773	RGoB
15	Micro hydro-power development programme, Soe Jangothang, Thimphu (50 KW) (spillover)	10.349	RGoB

4.5.11 Cultural services

The conservation and promotion of religious and cultural traditions, heritage and institutions is of high significance to Bhutan since it is an important pillar of GNH. The present generation is responsible to pass the invaluable traditions to future generations. Therefore, a substantial budget has been earmarked for new constructions, reconstructions and renovation of some of the old Dzongs including the structures damaged by the earthquake.

*The major works under cultural services are listed in **Table 4.16** below:*

Table 4.16: Major Capital works of the Cultural sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Renovation of W/Phodang Dzong (spillover)	79.503	GoI
2	Const. of Pema Gatshel Dzong (spillover)	66.150	GoI
3	Const. of Datshang & renovation of Dzong, Lhuentse (spillover)	41.950	GoI
4	Renovation of Daga Tashi Yangtse Dzong & const. of Datshang for the Dzong, Dagana (spillover)	32.880	GoI
5	Renovation of Paro Dzong (spillover)	31.400	GoI
6	Const. of national conservation laboratory at the cultural centre site (spillover)	15.350	GoI

Sl. No.	Activities	Amount	Funding
7	Const. of Dzong Utsey and Shabkor, T/ Yangtse (spillover)	5.500	GoI
8	Major renovation of Lingzhi Dzong (spillover)	4.500	GoI
9	Const. of men's hostel in RAPA (spillover)	4.000	RGoB
10	Const. of Chhukha Dzong (spillover)	27.874	RGoB

4.5.12 Law and order

A budget of Nu. 2,567.658 m is provided for this sector. The sector comprises of the law and order agencies and includes the Judiciary and the Royal Bhutan Police

Given the need to improve the living conditions and efficiency of the police force, the Government has, as in the previous years, allocated substantial amounts to the RBP, and these are mainly for accommodation and transport. In the new budget also, this policy has been maintained. The total budget for the RBP stands at Nu. 1,098.669 m. We are also making arrangements with the NPPF for constructing accommodation for the RBP in different Dzongkhags on a hire-purchase basis on RBP's land.

*The major activities included in the FY 2010-11 budgets of these agencies are as in **Table 4.17**:*

Table 4.17 (a): Major capital works in Law and Order sector*Nu. in millions*

Sl. No.	Activity	Amount	Funding
A	Royal Bhutan Police (RBP)		
1	90 units family quarters at RBP HQ Thimphu (spillover)	90.706	RGoB
2.	Site development works for Dolungang Jail (spillover)	40.940	RGoB
3	Const. of 36 units family quarters, P/ling (spillover)	24.559	RGoB
4	Const. of 18 units family quarters, T/Gatshel (spillover)	18.422	RGoB
5	Const. of model police station, Thimphu	15.000	RGoB
6	Const. of 18 units family quarters, Tsirang (spillover)	14.615	RGoB
7	Const. of 8 units officers quarters, HQ	11.000	RGoB
8	Const. of 18 units family quarters, Sibusu (spillover)	10.727	RGoB
9	Const. of 18 units family quarters, Tsimasham (spillover)	8.000	RGoB
10	Const. of 18 units family quarters, Panbang (spillover)	7.500	RGoB
11	Const. of security wall, P/ling Jail	7.300	RGoB
12	Const. of security strengthening works, Chamgang Jail (spillover)	7.183	RGoB
13	Const. of 8 units officers quarters, P/ling (spillover)	7.000	RGoB
14	Const. of 8 units officer quarters, S/Jongkhar (spillover)	7.000	RGoB
15	Const. of 18 units family quarters, S/Jongkhar (spillover)	6.000	RGoB
16	Const. of 10 units semi-permanent family qtr., Gasa	5.000	RGoB

The Judiciary’s total budget proposed stands at *Nu. 383.056 m*. It encompasses mainly the constructions of court buildings in different parts of the country. The Judiciary, with the unabated momentum of infrastructure building, is now fairly well equipped to carry out its functions effectively. While in terms of classification by sectors, the judiciary’s budget is explained here, the issue of the “adequacy” is submitted in the next chapter which deals with the budgets of those organisations which are functionally separate from the mainstream executive. The major works in the Judiciary sector is given in Table 14.17 (b) below:

Table 4.17 (b): Major capital works in Law and Order sector

		<i>Nu. in millions</i>	
Sl. No.	Activity	Amount	Funding
B	Judiciary		
1	Const. of Supreme Court (spillover)	96.137	GoI
2	Const. of Dangpons’ residences	16.500	RGoB
3	Const. of Tongsa District Court	11.000	Austrian
4	Const. of Tashigang District Court (spillover)	13.432	DANIDA
5	Const. of Bumthang District Court	11.000	SDC
6	Const. of approach roads to Bumthang & Tashigang Courts	4.358	RGoB
7	Const. & inauguration of Nganglam, Jomotsangkha, Samdubchheoling & Lhamoidzingkha Dungkhag Courts	4.000	GoI
8	Const. of Thimshing, Panbang, Sagteng & Sipsu Dungkhag Courts	27.600	GoI
9	Institutional strengthening of High Court, Dzongkhag Courts & Dungkhag Courts (computers & furnishing)	10.000	GoI

4.5.13 General public service

This sector includes agencies like the local Government administrations, finance, audit and foreign services, National Land Commission, GNH Commission, and National Environment Commission, etc.

One of the significant activities included is continuation of “*Accelerating Bhutan’s Economic Development Project*” under GNHC. This project, which is underway, has made a number of commendable recommendations on the service delivery system. As a result of this project, most of the ministries have signed performance compacts with the Government with the assurance to deliver the outputs described therein. In the FY 2010-11, a sum of *Nu. 193 m* is provided for this project.

The Royal Government recognises the need to enhance the motivation of local functionaries in facilitating more rapid development at the local level. The Dzongdags and Gups, supported by other local officials, are key to rural development, and hence very important for achievement of the poverty reduction target. Therefore the Government enhanced the *discretionary grant allowance* for Dzongdags (from Nu. 30,000 to Nu. 50,000), and *daily allowance* for Gups (Nu. 300 to Nu. 500 per day), and also approved a *mobile phone voucher allowance* of Nu. 500 per month to the Gups. Also, in view of the difficulty of retaining and maintaining folk and mask dancers, which are essential for Tshechus and other traditional festivals, the Government has approved a revision in the stipend and daily allowance with effect from July 2010. The budget for the FY 2010-11 includes these benefits in addition to the provision of *Nu. 22.286 m* for construction of 13 Gewog offices and 2 relocations.

Major capital budgets included under this sector are presented in Table 4.18:

Table 4.18 Major activities in the General Public Services

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Constrectn. of RAA branch office, Tsirang	5.635	GoI
2	Constrectn. of ACC office building	50.000	GoI
3	Constrectn. of Election Commssn office building	20.000	GoI
4	Constrectn of office of the Attorney General	17.000	GoI
5	Profssnl service for constrectn of National Council building	10.000	RGoB

Sl. No.	Activity	Amount	Funding
6	Constrectn. of new Gewog offices	22.286	GoI
7	Restoration of social and community services	11.924	UNDP
8	Constrectn. of office for Civil Regstrtn and Census Deptmnt, Thimphu	5.000	RGoB
9	Acquisition of items for tower of Tongsa museum	4.247	RGoB
10	Constrectn. of regional immgrtn office, Samtse	4.000	RGoB
11	Re-modfctn of chancery building, Dhaka	6.467	RGoB
12	Constrectn. of labour shed, DNP	20.000	RGoB
13	Constrectn. of inspection shed, RRCO, Phuentsholing	4.000	RGoB
14	Constrectn. of Dungkhag office, Sombeykha, Ha (spillover)	4.000	GoI
15	Constrectn. of DYT hall, Zhemgang (spillover)	9.400	RGoB
16	Constrectn. of new admnstrtv building & instlltn of fire hydrant, Mongar (spillover)	5.000	RGoB
17	Constrectn. of Dzongdag's Residence, Thimphu	5.100	GoI
18	Constrectn. of Dungkhag office, Sibusu	4.000	RGoB
19	Constrectn. of Dzongdag's residence, Lhuentse (spillover)	7.600	GoI
20	Constrectn. of kitchen cum store at Royal Guest House, Lhuentse	4.000	GoI
21	Constrectn. of temporary office cum Tshogkhang, Lhuentse	7.600	RGoB

As part of the RGoB's annual contribution to the SDF, a budget of Nu. 140 m, equivalent of US \$ 3 m has been kept. In addition to reserves kept for new appointments, establishment of new offices, spill-over works, transfer benefits, retirement benefits, foreign travel and hospitality, budget provision has been kept for the following purposes as reflected in **Table 4.19** below.

Table 4.19: Contingency Reserves for the General Public Services*Nu. in millions*

Sl. No.	Activity	Amount	Remarks
1	Local government elections	239.052	To be kept with the Election Commission
2	Disaster relief	100.000	To meet the expenses related to major natural calamities
3	Constituency Development Grant	168.000	47 constituencies, with balance funds from the FY 2009-10
4	Minor disaster restorations works	40.000	Other than roads
5	His Majesty's relief fund	20.000	
6	Land acquisition	100.000	To be provided to budgetary agencies once formalities are completed

For the restoration works ensuing from last year's natural calamities, provisions have been made in the budgets of the respective sectors. Besides the normal budget kept with the respective sectors, *Nu. 40 m* is kept under General Reserves for meeting unforeseen natural disasters.

Also, as per the Constitution, a separate budget head exists for HM's Relief Fund, and an amount of *Nu. 20 m* has been incorporated in the new budget. This budget will be enhanced as and when the balance depletes.

4.6 BUDGET FOR LEGISLATIVE, JUDICIARY AND CONSTITUTIONAL BODIES

As the Hon'ble Members would recall, the 3rd Session of the National Assembly resolved that the annual budget of the legislative, judiciary and constitutional bodies should be submitted to the National Assembly for review and approval. The budget of the constitutional bodies is therefore presented separately herewith. The Constitution under Article 14 Section 13

mandates the state to make *adequate financial provisions* for the independent administration of these bodies. Of course, the Honourable Members would recognise that whether an organization is a legislative, judiciary, executive or constitutional body, there is a limited pool of public resources available for distribution. Giving due respect to the relevant acts and rules, the Ministry of Finance discussed the proposed budget of the above bodies, and in general, I am happy to report that the Ministry of Finance is in agreement with most of the budget proposed. I must acknowledge the kind understanding and co-operation received from those organisations in this regard.

I now have the honour to place before the House, the budget of the two Houses of Parliament, the Judiciary and the 4 constitutional bodies for review and approval. As an annexure to this report, I have also submitted the details of the proposals received from these agencies.

The statement indicating the proposed budget and budget as discussed and agreed, is given below:

4.6.1 National Assembly (NA)

	<i>Nu. in millions</i>	
	As proposed by NA	As agreed between the two
Current	65.346	63.113
Capital	6.767	5.527
Total	72.113	68.640

The major capital budget under the National Assembly is the maintenance of security system (Nu. 2.127 m), installation of fire alarm and fire hydrant system in the Assembly building (Nu. 0.650 m), and purchase of printing machines for in-house printing of various Acts (Nu. 2.500 m). Further, as desired by the National Assembly Secretariat, a budget provision of Nu. 2.031 m is kept under the recurrent budget for attending various conferences, meetings etc. outside the country.

4.6.2 National Council (NC)

	<i>Nu. in millions</i>	
	As proposed by NC	As agreed between the two
Current	51.259	44.940
Capital	21.069	16.022
Total	72.328	60.962

The major component under National Council is the budget of Nu. 10 m for the FY 2010-11 for preparation of drawings, designs and estimates for the construction of the National Council building. The construction itself is estimated to cost about Nu.400 m to Nu. 450 m. Since the cost involved is huge, *possibilities to fund the construction from different sources are being explored*. Further, budget provision for maintenance of building (Nu. 2.103 m) and third-country travel for attending seminars, conferences etc. is kept as proposed under the recurrent budget.

4.6.3 Anti-Corruption Commission (ACC)

	<i>Nu. in millions</i>	
	As proposed by ACC	As agreed between the two
Current	26.464	24.965
Capital	64.179	64.170
Total	90.634	89.135

Under the Anti-Corruption Commission, the major capital budgets are the construction of office building (Nu. 50 m) supported through the GoI funds and institutional development budget (Nu. 18.661 m) supported from the Netherlands Government funds through the Sustainable Development Secretariat (SDS).

4.6.4 Election Commission (EC)

There was general agreement between the Ministry of Finance and the Election Commission on their proposed budget for the FY 2010-11, which were as follows:

	<i>Nu. in millions</i>	
	As proposed by EC	As agreed between the two
Current	178.242	24.433
Capital	194.526	28.635
Total	372.768	53.068

For the development of the organization, the major capital works are construction of office building (Nu. 20 m) financed from the GoI funds, Voter Civic Education & Training (Nu. 3.400 m), and Building resources in democracy, governance and elections (BRIDGE) project (Nu. 3.585 m) financed from UNDP funds and the RGoB funds, are the main capital budgets under the Election Commission.

However, there was one important activity on which no consensus could be reached. For the local government elections which are expected to be held this year, the Election Commission has estimated budget requirement of Nu. 239.052 m, comprising of Nu. 153.161 m under current expenditure and Nu. 85.891 m under capital expenditure. The main areas of expenditure will be travelling costs, printing, publication and stationeries, advertising, telephone, fax, by-elections, training of electoral officers, voting compartments, advertising boards, biometric equipment for voter registration, etc. As it was found to be too much on the higher side, the Commission was requested to kindly review it. However, since it was an *ad hoc* amount, the Commission was not in a position to carry out any reduction.

The Ministry of Finance would like to propose that since the timing of the local government elections is not yet decided, the budget for this activity be determined after the election dates are known and a review of the costs is carried out by the Election Commission. Once an amount is agreed upon with the Commission, the budget can be provided through technical adjustment from the General Reserves and accordingly reported to the National Assembly.

However, any directives the House could give at this stage would be most helpful to arrive at a realistic cost.

The Election Commission had also proposed an amount of Nu. 80 m for construction of 4 regional election offices. While this was agreed to be deleted, the Commission has requested for some funds to be kept for preparatory works so that constructions could take place in the future. This has not been included in the estimate, and the point is submitted for the National Assembly.

4.6.5 Judiciary

	<i>Nu. in millions</i>	
	As proposed by the Judiciary	As agreed between the two
Current	175.600	153.630
Capital	358.535	234.122
Total	534.135	387.752

The Judiciary is getting a face lift in the infrastructural development through financial support from the GoI, Danida, Austria, and SDC. The major capital works are: construction of Supreme Court building (Nu. 91.137 m), construction of Tashigang court building (Nu. 13.432 m), construction of Thimshing, Panbang, Sagteng and Sibusu Dungkhag court buildings (Nu. 23.600 m), construction of Bumthang District court building (Nu. 11 m), construction of Tongsa District court building (Nu. 11 m) and construction of Dangpoens' residences at Nganglam, Jomotsangkha, Samdubchheoling (Nu. 10.500 m).

4.6.6 Royal Audit Authority (RAA)

	<i>Nu. in millions</i>	
	As proposed by the RAA	As agreed between the two
Current	88.871	79.361
Capital	10.781	9.137
Total	99.652	88.498

The construction of Audit Training Centre in Tsirang (Nu.5.365 m) financed from the GoI funds and renovation of Regional Audit Office building, Tsirang, are the major capital works under the Royal Audit Authority.

4.6.7 Royal Civil Service Commission (RCSC)

	<i>Nu. in millions</i>	
	As proposed by RCSC	As agreed between the two
Current	29.875	27.589
Capital	100.850	100.100
Total	130.725	127.689

The indicative figure in the 10th Plan for HRD master plan is Nu. 4, 056.757 m for 3,862 slots for studies from diploma to Ph.D. The HRD master plan is to be achieved from mobilization of external resources. Because of the limited availability of the external resources, a budget provision of Nu. 95 m only is kept for HRD as proposed by the RCSC.

CHAPTER V: TAX REFORMS AND INCENTIVES

In most other countries, the budget presentation focuses on tax reforms and measures. After all, the levels of taxes influence what happens in the economy. Here in Bhutan, our budget has placed more importance on the expenditures. This is not to imply any strangeness or inadequacy of our budget system. For a country that is heavily import and donor-dependent and where development of any kind of infrastructure is still a major function of the Government, it is but natural that what is intended to be spent on receives most attention, at the level of the Government as well as the National Assembly. But our expenditures are now reaching very high levels, which is not in keeping with our policy of achieving economic self-reliance. Therefore, it is extremely important that the revenue side of the budget should also be reviewed to see if there is any room for adjustments.

In the last few months, the Ministry reviewed the structure of some of the existing taxes, and found that there were avenues for streamlining some of them, not only from the revenue point of view, but also to iron out some of the anomalies. It was discussed in the Lhengye Zhungtshog and I am pleased to report to the House that the Government has approved the rationalization and the broadening of the existing tax structure. I submit below some key features for kind information of the Hon'ble Members.

5.1 Rationalization of Sales Tax and Customs Duty rates

The customs duty (CD) and sales tax (ST) rates specified in the Bhutan Trade Classification Customs Tariff and Sales Tax Schedule (BTC) was last revised in September 2004. As per the Schedule, there are 8 slabs of ST and CD rates (0 %, 5 %, 10 %, 15 %, 20 %, 30 %, 50 %, and 100 %). The problem associated with these multiple rates within one Chapter or Section and different rates for similar goods is that they leave room for anomalies, misclassification, mis-declaration, etc., leading to large amounts of revenue leakage. In cognizance of these facts, it was felt necessary to rationalize and revise the rates to bring

about more clarity and simplicity in administration, as well as to remove the anomalies. The following were the main objectives:

- To have uniform or similar rates for similar goods under different trade classifications, reducing the degree of discretion of tax officials and misclassification thereof.
- To have a situation whereby mis-declaration by importers and incidences of revenue leakages are minimal by removing multiple rates under the same section/chapter of the BTC.

In carrying out the rationalisation of the rates, the following policy considerations in consonance with GNH values were taken into account.

Economic: Either zero or very low rates are maintained in the areas of health, education, basic consumables, agriculture, domestic appliances, IT hardware, timber, unprocessed primary or crude product, etc.

Social: In order to discourage consumption of alcoholic beverages and tobacco, both ST and CD rates have been increased.

Environmental: In keeping with the philosophy of GNH, where environmental conservation is an important pillar, ST and CD on products that have harmful effects on the environment have been raised. Products such as plastics, passenger cars, prepared food stuffs (junk food), aerated water, chewing gum, etc are some such examples.

Industrial growth: Zero or very low rates of taxes have been maintained on plant & machinery, and raw materials imported by industries. However, to prevent misuse of incentives, spares shall be taxable.

Protection of domestic industries: To protect the domestic printing industry, ST and CD has been increased for all imported printed materials, while CD on mineral water has been increased.

Consideration has also been made for areas that concern convertible currency reserves.

A preliminary study shows that these measures will generate a revenue of about Nu. 200 m.

5.2 Broadening the Sales Tax Base

In order to strengthen the Government's revenue base and also in keeping with the mandate of the Constitution to cover the recurrent expenditures by domestic revenue, a policy initiative to include more domestic goods and services under ST net has been approved. These include goods and services such as agro-based products, iron and steel products, cables, polythene products, electricity, municipal sewerage and water services, air travel services, discotheques & *Dayangs* and workshops services.

In deciding the above, the Government has kept in mind the need to protect the less privileged segment of the society. Therefore, in many of the services, while ST has been proposed, there are also life-line exemptions so that consumption up to a certain level is not taxed.

Preliminary study shows that there will be a positive revenue impact of about Nu. 250 m from these new sales tax bases.

5.3 Fiscal incentives

While revenue generation is important to finance the ever-increasing expenditures, the need to create conditions for our businesses to grow has also been taken into account so that they will contribute much more to the economy in the future and particularly contribute towards creating employment opportunities. We have pledged in our manifesto that we will provide targeted fiscal incentives for priority sectors, and accordingly, we

have introduced a comprehensive package of fiscal incentives supporting also the full implementation of the Government's Economic Development Policy.

The Government will be foregoing revenues by providing fiscal incentives. However, the future returns by way of added investments, will more than offset the current revenue losses. We need to stimulate private sector growth and attract new investments towards not only greater economic growth but equally in alleviating the growing rate of unemployment which the private sector is expected to generate.

CHAPTER VI: ECONOMIC OUTLOOK AND PROJECTIONS FOR THE FY 2010-11 AND BEYOND

Poverty, unemployment, and the equitable distribution of growth are at the centre of policy discussions and rightly dominate our development policies. These are in fact at the heart of our development policy of GNH. Given these imperatives, the prime moving factor is to enhance our economic growth. It can be reasonably projected that the Bhutanese economy – barring any unforeseen events – will continue to grow steadily in the medium term. Despite concerns over its external balance and debt, both its income and expenditure accounts remain robust with greater focus on social and infrastructure sector investment. The “*Economic Development Policy*” and “*Foreign Direct Investment Policy*” along with the extensive incentives are examples of the Government’s strategy to lay the foundations for sustained economic growth.

A number of challenges remain nevertheless. Natural calamities, price developments (in our trading partners’ economies), and declining global demand pose risks to our economy. Natural disasters such as the floods of May 2009 and the earthquake of September 2009 contributed to higher and unexpected, volatile fiscal expenditures, threatening country’s macro-economic stability.

Although on the external side, the global financial and commodities price crisis have bypassed us to some extent, there are concerns that the second-round effects of these crises could impact, specifically, tourism, exports, and development aid.

The most significant concern remains the impact of a declining global demand on Bhutan’s tourism sector. In 2009, both tourist arrivals and revenue fell by more than 15 % and 17 % respectively. However, it is important to note that the year 2008 saw a heightened interest in the country due to the coronation celebrations as well as significant developments in the country’s transition to democracy.

This chapter presents projections for the next fiscal year (FY 2010-11) and the subsequent two fiscal periods, i.e. FY 2011/12 and FY 2012/13. The objective is to provide some indication of the impact of the present budget on future macro-economic conditions. The projections are as in Table below.

Table 6.1: Fiscal Projections

	2008/09 <i>Actual</i>	2009/10 <i>Revised Estmt.</i>	2010/11 <i>Estimate</i>	2011/12 <i>Projctn.</i>	2012/13 <i>Projctn.</i>
<i>(in millions Ngultrum)</i>					
Total Resources <i>(domestic revenue + grants)</i>	23,442.998	26,361.149	26,774.538	27,369.586	26,891.839
Domestic Revenue	14,049.040	15,370.223	15,816.334	16,607.151	17,437.508
Tax Revenue	6,482.409	9,411.441	10,139.976	11,021.690	11,919.277
Non-tax Revenue	7,566.631	5,958.782	5,676.358	5,857.964	6,108.410
Grants	6,575.069	10,423.369	10,905.138	10,762.435	9,454.331
Project-tied Grants	4,985.990	8,257.618	8,999.438	9,161.375	7,853.271
India	2,994.879	4,746.178	6,668.180	7,194.576	5,886.472
Others	1,991.111	3,511.440	2,331.258	1,966.799	1,966.799
Programme Grants	1,589.079	2,165.751	1,905.700	1,601.060	1,601.060
India	1,400.000	1,400.000	1,400.000	1,400.000	1,400.000
Others	189.079	765.751	505.700	266.000	266.000
Other Receipts	2,818.889	567.557	53.066	0.000	0.000
Outlay <i>(total expenditure + net lending)</i>	22,350.537	30,451.645	31,579.745	31,917.408	33,964.312
Total Expenditure	20,890.577	31,568.781	32,420.364	32,732.960	35,529.110
Current Expenditure	11,061.433	13,837.352	15,154.076	16,461.220	17,778.120
o/w interest on Tala loans	1,295.900	1,295.900	1,295.900	1,295.900	1,295.900
Capital Expenditure	9,829.144	17,731.429	17,266.288	16,271.740	17,750.990
Net Lending (NL)	-1,580.301	-1,117.136	-840.619	-815.550	-1,564.800
Advance/ Suspense	196.356				
Other Payments	2,843.905				
Fiscal Balance	1,092.461	-4,090.496	-4,805.207	-4,547.822	-7,072.473
Financing	-1,092.461	4,090.496	4,805.207	3,241.980	7,301.970
Borrowing	832.923	2,944.567	3,351.806	1,438.350	1,381.162
Internal					
External	832.923	2,944.567	3,351.806	1,438.350	1,381.162

Table 6.1: Fiscal Projections

	2008/09 <i>Actual</i>	2009/10 <i>Revised</i> <i>Estmt.</i>	2010/11 <i>Estimate</i>	2011/12 <i>Projctn.</i>	2012/13 <i>Projctn.</i>
	<i>(in millions Ngultrum)</i>				
Repayment	2,051.632	2,287.224	2,348.059	2,344.763	2,466.703
Internal	175.302	175.302	175.303	175.302	175.302
External	1,876.330	2,111.922	2,172.756	2,169.461	2,291.401
Resource Gap	-126.248	-3,433.153	-3,801.460	-5,454.235	-8,158.014
<i>(% of Nominal GDP)</i>					
Total Resources	40.21	39.42	34.97	31.11	26.66
Total Expenditure	35.83	47.21	42.34	37.21	35.22
Fiscal Balance	1.87	-6.12	-6.28	-5.17	-7.01
Resource Gap	-0.22	-5.13	-4.97	-6.20	-8.09
Memorandum Items:					
Total Outstanding Debt	34,759.031	41,013.528	48,311.268	57,647.957	68,963.567
<i>% of GDP</i>	59.61	61.34	63.11	65.52	68.36
Internal Debt	1,227.116	1,051.814	876.512	701.209	525.907
External Debt	33,531.915	39,961.714	47,434.756	56,946.748	68,437.660
<i>% of total debt</i>	96.47	97.44	98.19	98.78	99.24
<i>% of GDP</i>	57.51	59.76	61.96	64.73	67.84
<i>% YoY change</i>	5.88	19.18	6.88	20.05	7.88
o/w Hydropower Debt	20,572.359	25,262.299	31,352.756	40,495.029	51,187.220
<i>% external debt</i>	61.35	63.22	66.10	71.11	74.79
<i>% of GDP</i>	35.28	37.78	40.95	46.03	50.74
Total DebtService*	3,785.465	4,040.703	4,159.762	4,243.579	4,430.936
o/w External Debt Service	3,531.705	3,797.910	4,127.094	4,020.068	4,217.067
External Debt Service Ratio**	14.36	13.87	14.11	12.98	12.28
Nominal GDP (at Market Prices)	58,307.956	66,865.288	76,556.767	87,980.002	100,877.134
Real GDP Growth rate	6.77	9.17	9.99	10.52	10.65

Note:

* *Total debt service = Interest payment + Principal (repayment);*

** *External debt service ratio = (External debt service / exports of goods & services);*

(-) *not available*

6.1 Economic growth

The economy is projected to grow by about 9.99 % in the FY 2010-11 and by over 10 % in the following two years. These growth rates are projected taking into consideration the commencement of large hydro-power projects. In the new FY, constructions of two more hydro-power projects will begin, namely the Punatsangchhu II and the Mangdechhu. Similarly, the other HP projects have been sequenced over the future years. The expenditure distribution over the years was taken based on the Tala's pattern and the duration of seven years. The growth is expected mainly from the constructions associated with the power projects.

Besides the sectors driven by power projects, the Government anticipates notable contributions to growth from the other sectors. As reported last year, the Government has hired the services of McKinsey, a highly reputed consultancy firm for helping the Government push forward a set of co-ordinated actions to accelerate economic development. In this, considerable attention is paid to tourism which has the highest potential for contributions to growth after the hydro-power sector. Others are the efforts to reduce administrative burdens which should bring about greater efficiency, and cost savings in the medium term.

Although the global economic crisis has largely bypassed the domestic economy, some ripple effects on the country's international reserves, trust funds, and most notably, on the tourism industry will continue to be experienced. The local markets will also not be immune to the second-round price effects of food and oil prices transferred through the Indian economy. These trends are projected to continue in the short run.

6.2 Inflation

Inflationary pressures have lightened significantly after having risen to elevated levels of 9.2 % in the fourth quarter of calendar year 2008. In the FY

2009-10, domestic inflation is estimated to be not more than 4.39 % mainly due to the sharp drop in global oil and commodity prices. Based on this trend, inflation is projected to level at around 4 % in the FY 2010-11 and in the following two fiscal years. The prices of non-tradable goods will however, continue to be affected correlating directly with the increase in disposable income of the Bhutanese people. It is important to note that local inflation trends closely track inflation trends in the Indian economy given that over 85 % of Bhutan's trade is with India. A higher inflation rate in the short run is reasonably expected, as India is again experiencing sharp increases in food and fuel prices.

6.3 Employment

The current situation of employment is, as reported earlier, not satisfactory. However, the prospects in the medium term is bright. The Government targets to create some 75,000 jobs in the years leading up to 2013. Of this, 30-40 thousand jobs are expected to be created in sectors such as healthcare, education, finance, trade, manufacturing, mining and real estate. Another 35-40 thousand are expected to be created in the five priority sectors namely agriculture, tourism culture industry, construction and ICT. Besides, under the Government's procurement system, the improved bid evaluation rules provide for incentives for local employment, and these are expected to create additional 10,000 jobs. A further 10,000 jobs are expected to be created from the tourism sector by attracting 100,000 ecologically conscious high-end tourists. Agriculture is expected to create 10-12 thousand new jobs by focusing on contract farming. The ICT and culture industry are expected to create another 8-10 thousand jobs. With such plans, we are confident that employment would not be a serious problem in the future.

6.4 Fiscal projection

The Royal Government will continue to adhere to its principles of public expenditure management through prudent fiscal policies, which stipulates

maintaining a fiscal deficit that is at a sustainable level of GDP. Accordingly, the fiscal parameters are projected as follows:

6.4 1. Domestic revenue and external grant assistance

In the past few FYs, there were high rates of growth of revenue, and they were mainly attributable to the Tala HP project related constructions and the project itself coming on stream. Now that the growth has plateaued, further growth in the near future will be limited. Hence, a 5 % nominal increase is taken for the remaining two financial years. Grants are projected based on the commitments of the development partners for the 10th Plan.

6.4 2. Expenditure

Current expenditures have been growing by over 18 % in the past five FYs on average. However, it is unlikely to be sustainable as the growth in revenue is slowing down. Hence, a growth rate of 8 % has been taken for the last two years, given the 5 % nominal growth projected for domestic revenues. Capital expenditure projections are based on activities remaining to be completed for the 10th Plan.

6.4 3. Fiscal balance and Resource Gap

With the projections given above, the overall fiscal balance for the new FY is estimated to be at 6.28 %. In the two future years of the Plan, it is projected to be 5.17 % and 7.01 % of GDP respectively.

6.4.4 Debt stock and Debt service

The overall debt is projected to grow in the 10thFYP. Much of this is estimated to arise on account of debt for the hydro-power projects. The inflow of Indian Rupee loans for the construction of Punatsangchhu I & II and Mangdechhu Power Projects will largely influence this debt growth in the plan period. ADB loan disbursement for *Dagachhu* Hydropower Project

in the FY 2009-10 is also expected to increase the debt. Despite this growth in debt, the high dependence on power-related exports; foreign aid; persistent current account deficits; and, a growing fiscal burden, Bhutan's debt is seen to be sustainable. This is because most of Bhutan's external debt is owed on account of hydropower, which is self-liquidating.

The total external debt outstanding for the new FY is estimated to be at 61.96 % of GDP. For the FYs 2011-12 and 2012-13, the projections at this point of time are 64.73 % and 67.84 % respectively as the Royal Government continues with its large hydro-power projects. Domestic debt is projected to decline in the last two years of the 10th Plan.

The debt service ratio is estimated to rise to 13.48 % in the new FY. However, it is projected to fall to about 12.98 % and 12.28 % in the two future years respectively as loan service for only Tala hydro-plant remains. A summary of the debt projections is presented in the Table below.

Table 6.2 : Debt & Debt Indicators

Amount in millions

	2008/09 Actual	2009/10 Revised Estmt.	2010/11 Estmt.	2011/12 Projctn.	2012/13 Projctn.
External Debt Outstanding (Nu. m)	33,532	39,962	47,435	56,947	68,438
Indian Rupee (ms)	17,483	20,023	24,284	31,174	41,202
Convertible Currency (ms of US\$)	333	427	495.20	548	576
Hydro-power Debt (Nu. in m.)	20,572	25,262	31,353	40,495	51,187
External Debt Outstanding (% of GDP)	57.83	60.68	64.32	69.45	75.20
Debt Service Ratio (%)	14.36	14.26	13.48	12.63	11.93

6.5 Balance of payments and FE reserves

The positive trend in overall balance is projected to continue in the FY 2010-11 and in the following two years despite negative current account balance. The current account deficit is projected to decline to 6.5 % of projected GDP in the FY 2010-11, falling further to 2.53 % in the FY 2011-12 and to a low of 1.67 % in the FY 2012-13. Projections are given in Table 6.3 below.

Capital inflows on account of grants, borrowings and FDIs are expected to more than offset the current account gap. Thus the overall BoP is projected to grow from 3.5 % of GDP in the FY 2010-11 to 7.1 % and 5.3 % in the two following years.

As regards foreign exchange reserves, the balances are projected to be at adequate levels of import requirements. However, as in the past, this will be subject to the fluctuations in the exchange rate of the reserve currencies.

In terms of foreign direct investment, it is expected that inflows will increase in the coming years. The Government has sought to encourage private sector development through ‘public private partnerships’ between domestic and international entities. The year 2009 has also seen significant progress in the Royal Government’s commitment towards liberalizing the business climate in Bhutan through work on initiatives such as the Economic Development Policy (EDP) and the Foreign Direct Investment (FDI) Policy. Fiscal incentives have also been enhanced, especially to promote a green and sustainable economy.

Table 6.3.: Balance of Payments*Nu. in millions*

Overall Balance of Payments	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Actual	Actual	Estmt.	Projctn.	Projctn.	Projctn.
Current account	-1,080.2	-5,400.5	-4,718.8	-4,985.2	-4,633.6	-1,699.1
% GDP	-2.09	-9.26	-7.06	-6.51	-5.27	-1.68
Trade balance	-2,921.6	-6,911.1	-8,858.5	-8,997.6	-8,671.3	-7,197.8
Exports, f.o.b.	24,170.8	21,833.7	23,460.9	25,484.8	27,645.1	30,559.2
Imports, c.i.f.	-27,092.4	-28,744.8	-32,319.4	-34,482.4	-36,316.4	-37,757.0
Capital and financial account	4,118.4	4,372.7	8,220.2	11,200.9	17,156.0	19,647.9
Capital transfers	635.5	1,733.2	2,785.7	4,462.8	6,141.1	7,281.6
FDI	1,198.3	814.2	996.1	1,076.5	1,182.4	1,219.5
Other Investment	2,284.6	1,825.3	4,438.4	5,661.6	9,832.5	1,1146.8
Overall balance	1,957.0	5,057.8	3,501.4	6,215.7	12,522.5	17,948.8
% Change	-61.3	158.4	-30.8	77.5	101.5	43.3
% GDP	3.8	8.7	5.2	8.1	14.2	17.8
Total reserves	26,504.9	36,281.1	39,782.6	45,998.3	58,520.7	76,469.5
% change	0.1	36.9	9.7	15.6	27.2	30.7
Months of total imports	12.33	14.11	15.10	15.86	20.90	22.76

CHAPTER VII: REPORT ON STATE-OWNED ENTERPRISES AND GOVERNMENT'S SHARES IN COMPANIES

The Royal Government's portfolio of SOEs consists of 16 companies in which the Government has the majority direct shareholdings (12 fully-owned and 4 semi-owned). The Government's minority share-holdings are in five companies namely Bhutan National Bank (BNB): 13.61 %, Bhutan Ferro Alloys Ltd. (BFAL): 25.73 %, Royal Insurance Corporation of Bhutan (RICB): 39.25 %, Penden Cement Authority (PCA): 44.74 % and Bhutan Board Products Ltd. (BBPL): 47.74 %. The Government also owns shares through inter-corporate holdings (*indirect shareholding*) in the SOEs giving it the majority stake (*more than 51 %*) in most of the SOEs except in BFAL and RICBL.

The total value of Government shareholdings in the SOEs reached Nu. 44,803 m in 2009 compared to Nu. 19,882.54 m in 2008. The substantial increase was mainly on account of the incorporation of the Tala Hydro-power Authority with the Druk Green Power Corporation (DGPC) (*Nu. 23,382.84 m*) and the transfer of transmission assets worth Nu. 1,372.286 m from THPA to the Bhutan Power Corporation (BPC). On the whole, the Royal Government's share of assets in various corporations on net-worth basis was Nu. 56,439.60 m as of December 2009.

7.1 Financial performance

7.1.1 Assets & net worth

Overall, the book value of the total assets of the companies increased from Nu. 82,516.48 m to Nu. 149,525.00 m. Their combined net-worth reached Nu. 59,973.29 m as compared to Nu. 28,510.01 m in 2008 recording a growth of more than 110 %.

Addition of THPA to the DGPC's units in April 2009 resulted in substantial

increase in the total assets and net worth of DGPC making it the largest SOE with total paid-up capital of Nu. 30,508.291 m and asset worth of Nu. 64,524.204 m.

Table 7.1: Financial Position of Companies in which the RGoB has Shares

Nu. in millions

Corporations	Govt.	Assets		Reserves		Net Worth	
	Holdngs	2008	2009	2008	2009	2008	2009
AWP	100%	418.14	453.71	213.95	275.64	211.53	300.64
BAIL	100%	62.70	75.33	26.85	37.03	55.91	66.09
BBS	100%	406.32	505.75	380.34	366.76	373.99	467.77
DGPC	100%	14,273.89	64,524.20	810.91	6,294.73	7936.356	36,803.02
BPC	100%	11,858.04	13,844.51	2,815.36	2,343.67	8,701.84	9,602.44
Druk Air	100%	4,276.35	4,450.27	-	-	1,786.83	1,947.16
BT	100%	3,151.03	3,310.18	1,280.61	1,422.68	2,134.69	2,276.77
NRDC	100%	522.56	567.85	412.25	415.07	442.25	445.07
FCB	100%	284.94	320.49	231.74	249.93	246.74	264.93
Bhutan Posts	100%	185.95	204.29	79.47	85.17	103.07	108.77
WCC	100%	38.47	104.83	-	-	29.69	97.37
DHI	100%						
BDFC	93.5%	2,546.16	2,964.75	738.56	889.43	838.56	1,089.43
BoBL	80%	21,069.29	26,248.41	1,315.82	1,643.42	1,515.82	2,043.42
Kuensel Corp	51%	172.80	180.09	97.70	101.20	147.70	151.20
STCBL	51%	303.00	385.29	75.56	82.55	95.56	122.55
Sub-total Govrnmnt Corprtns		24,091.25	118,139.95	8,479.12	14,207.28	24,620.536	55,786.63
BBPL	47.74%	248.29	281.87	67.25	106.55	207.25	219.47
PCA	44.74%	1,476.76	1,756.19	729.54	759.74	1,103.54	1,099.74
RICBL	39.25%	2,920.32	3,800.04	550.05	583.83	646.05	799.83
BFAL	25.73%	1,567.51	1,440.48	493.99	464.42	644.00	614.42
BNBL	13.61%	16,733.96	24,106.47	933.14	1,097.68	1,288.65	1,453.20
Sub-total Non-Govrnmnt Corprtns		22,946.84	31,385.05	2773.97	3,012.22	3,889.49	4,186.66
Consolidated		82,516.48	149,525.00	11,253.08	17,219.50	28,510.026	59,973.29

7.1.2 Income & Profitability

All companies with Government shareholdings have posted positive results during the year recording 38 % growth in total turnover (*Nu. 28,811.94 m*).

The bulk of the increase was due to the merger of THPA's earnings (*Nu. 6,445.039 m*) with that of the DGPC during the year.

The BoB, AWP, BAIL, BDFC and FCB among the SOEs and BBPL and PCA among the non-SOEs experienced higher increase in income and achieved high profitability compared to the previous year. PCAL achieved the highest return on equity of 48.54 %, followed by STCBL with 43.28 %, BoB 33.24 %, BNB 26% , AWP 25.08 %, and BBPL 21.62 %.

WCC, Bhutan Post, BFAL and BNB on the contrary experienced a fall in revenue and profits during the year. WCC and Bhutan Post reported subdued earnings and decline in profitability during the period because of lower sales revenue unlike in 2008 when their sales were boosted by Coronation and Centenary celebrations. BFAL profits decreased by 64 % due to low sales realization on account of the global economic crisis, increase in power tariff and exchange rate fluctuation on external borrowings. As for BNB, while its total income increased by *Nu. 141.566 m*, its expenditure also almost doubled (*Nu. 215.213 m*) on account of increase in interest expenses (72.7 %) and foreign exchange loss on revaluation by *Nu. 19.52 m*.

BBS, as usual, due to limited source of income and the social nature of its operations, continues to be constrained in its earnings and profitability. FCB made a turnaround in 2009 achieving a net profit of *Nu. 25.927 m* compared to a loss of *Nu. 1.343 m* in 2008, contributed by increased sales and higher

income from service charges from auction yards.

Table 7.2: Key indicators of performance

Corporation	Gross Revenue		Profit/ Loss Before Tax		Return on Equity (Pre-tax)		Rate of Return on Capital Employed		Subsidy/ Grant	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
AWP	327.298	319.676	75.410	53.750	25.08%	22.49%	28.08%	22.49%		
BAIL	70.107	59.082	7.124	3.670	10.78%	6.56%	10.78%	6.56%	-	-
DGPC	10,889.850	4,459.290	6,556.000	3,064.240	17.81%	38.61%	11.14%	24.75%	-	-
PCA	1,740.050	1,437.550	533.860	424.030	48.54%	39.65%	48.54%	39.65%		
BFAL	1,702.680	1,940.150	141.579	392.091	23.04%	60.88%	11.76%	30.73%	-	-
NRDC	313.790	286.690	59.241	46.800	13.31%	11.22%	13.31%	11.22%	-	-
BBPL	372.495	342.350	47.458	19.858	21.62%	9.58%	21.62%	9.58%		
WCC	48.311	56.977	3.329	10.490	3.50%	31.39%	3.50%	31.39%	1.800	1.800
BoB	1,400.590	951.740	679.141	241.920	33.24%	15.96%	33.24%	15.96%		
BNB	1,291.120	1,149.550	377.502	451.148	25.98%	35.01%	25.98%	35.01%		
BDFC	361.392	293.840	150.051	93.200	13.77%	11.11%	5.67%	3.94%	45.01	27.96
RICB	290.125	191.398	261.272	170.370	32.67%	26.37%	4.64%	13.52%		
DHI	2,287.680	2,223.380	2,243.230	2,155.480	5.05%	11.02%	5.03%	11.02%	-	-
Bhutan Post	90.045	88.589	8.850	20.040	8.14%	19.44%	8.14%	19.44%	2.50	3.00
BT	1,314.310	1,217.370	323.112	297.225	14.19%	13.92%	10.73%	10.13%	-	-
Druk Air	1,531.750	1,554.630	231.697	194.940	11.90%	10.91%	5.54%	4.80%	132.68	157.65
BBS	188.869	150.670	107.368	-4.399	21.65%	-0.86%	21.39%	-0.85%	97.03	78.44
Kuensel	116.397	99.667	14.284	11.170	9.45%	7.56%	9.45%	7.56%	-	-
BPC	2,899.490	2,388.700	986.452	927.130	10.27%	10.65%	8.14%	8.46%	0.31	8.83
STCB	1,029.810	1,191.800	53.040	61.135	43.28%	63.98%	43.28%	63.98%	-	-
FCB	545.781	471.857	39.789	-1.340	15.02%	-0.54%	15.02%	-0.54%	17.133	16.325
	28,811.940	20,874.960	12,899.790	8,632.950					296.463	294.005

Nu. in millions

7.1.3 Contribution to Government revenue

In 2009, the Government's total revenue on its shares in corporations amounted Nu. 7,520.63 m (*Nu. 3,772.38 m as CIT and Nu. 3,748.25 m as dividend*). This was Nu. 875.58 m (13 %) more than the total amount of 2008. These revenues constituted more than 12 % of the GDP in 2009 and 53.53 % of the total domestic revenue.

DGPC, the sole hydro-power generating company, continues to be the largest contributor to Government revenue. It contributed Nu. 6,306.83 m in the form of taxes and dividends. More than half of the amount (Nu. 3,310.49 m) was on account of the THPC, consisting of Nu. 1,067.901 m as CIT and Nu. 2,242.592 m in the form of dividend.

7.1.4 Subsidies and grants

During the year, the Royal Government provided to the extent of Nu. 296.463 m as subsidy and grants to SOEs to compensate for the economic costs sustained by them while carrying out the social obligations. Druk Air continues to receive highest amount with Nu. 132.678 m as annual interest subsidy for Druk Air Bond followed by BBS Nu. 97.03 m and Bhutan Post Nu. 2.5 m for mail delivery services in rural Bhutan. BDFC continues to enjoy tax exemption to sustain its micro credit operations.

7.2 DRUK HOLDINGS CORPORATION

7.2.1 Financial indicators

The DHI's paid-up capital was Nu. 44,268.250 m with total net worth of Nu. 44,431.90 m. This substantial increase (127%) in net worth (Nu. 19558.116 m in 2008) has caused 54 % fall in RoE (pre-tax) which was 5 % during the year indicating over-capitalization of the company.

It earned a **gross income** of Nu. 2,287.682 m in 2009 compared to Nu. 2,223.380 m in 2008, an increase of Nu. 64.302 m (2.89 %) mainly on account of increase in dividends on its shares in companies. The company incurred Nu. 44.453 m as **operating expenditure** which includes Nu. 19.03 m (43 %) for employee remuneration and benefits; Nu. 9.021 m (20 %) on interest on loan from DGPC; Nu. 15.055 m (34 %) for other expenses and Nu. 1.347 m (3 %) as depreciation.

Revenue transmission to the Government grew by 0.63 % between 2008 and 2009, (Nu. 2,138 m in 2009) from Nu. 2,124.569 m in 2008). With all the power-generating companies operating at their installed capacity, the revenue is not expected to increase till it starts getting returns on new investments.

7.2.2 Investments

The DHI, in partnership with Assetz Property Group, formed Thimphu Tech Park Limited as a Joint Venture business. The DHI's ownership in Thimphu IT Park is 26 % and the balance 74 % is owned by Assetz Property Group. It is also in the process of carrying out feasibility studies for a water bottling plant, a magnesium metal plant, a convention centre, industrial estates, education city and data center. These projects are in business developmental stages, and, if found feasible, will be implemented. The estimated investment outlays for the above projects are Nu. 1,532.58 m spread over the next five years.

CHAPTER VIII. REPORT ON THE NATIONAL PENSION AND PROVIDENT FUND (NPPF) AND THE ROYAL MONETARY AUTHORITY (RMA)

8.1 National Pension & Provident Fund

The NPPF has contributed significantly to the socio economic development of the country since its establishment in 2001. The pension system has touched the lives of many people by providing financial security in old age.

During the FY 2008-09, the Fund has recorded considerable growth in both the revenue and assets . With the increase in the number of members and their salaries, the total fund size rose to Nu. 7,565.930 m from Nu. 6,512.070 m of the previous year. Over the last 5 years, the average annual growth rates of its revenue and its assets were 25.47 % and 15.77 % respectively

In the FY 2008-09, the gross income earned was Nu. 512.980 m compared to Nu. 423.540 m in the previous year. This can be mainly attributed to the 17.71 % increase in the income from investment during the year. Other incomes such as house rent increased from Nu. 20.650 m to Nu. 24.930 m, and dividend income was Nu. 41.720 m against Nu. 25.40 m in the FY 2007-08.

With the increase in the revenue coupled with prudent control of expenses, the NPPF generated an overall return of 6.78 % p.a. on the total fund during the FY 2008-09. The rate of return to the members was 6.50 % p.a. to provide a constant rate of return to the members over the years. The rate of return was higher than the prevailing one-year savings bank deposit rate of 4.5 % p.a.

The number of pension beneficiaries is on the increase. Civil pensioners in the FY 2008-09 increased from 597 to 782 with a 60.66 % corresponding increase in the total pension benefit payment to Nu. 30.750 m from Nu. 19.116 m in the previous year. The total number of Armed Forces pension

beneficiaries in the FY 2008-09 increased from 1,170 in the previous year to 1,301, and the pension payment increased to Nu. 29.75 m as compared to Nu. 25.07 m during the previous year.

During the year, the Fund took several initiatives to improve the efficiency and enhance investment performance. Its priority included ensuring future sustainability as well as strengthening of its service delivery system. On 2nd August 2008, an independent Good Governance Committee was formed with members from several agencies for enhancing good governance and delivering services to the people efficiently. Further, it is looking forward to providing 24-hours service facility to members with the installation of Computer Telephonic Interaction (CTI) system and One Stop Shop Solution.

On the investment front, besides the financing of Nu. 1 billion in the on-going Dagachhu hydro-electric project and Nu. 500 m in Tashi Cell, the NPPF continues to look for new investment avenues.

8.2 Royal Monetary Authority

The central bank's gross operating income during the FY 2008-09 decreased to Nu. 890.191 m from Nu. 927.914 m in the previous year. Net surplus for the year was Nu. 505.460 m as compared to Nu. 656.746 m in the FY 2007-08. This was due to the fall in interest earnings from the foreign currency reserves investments.

The Authority's total assets increased from Nu. 26,856.723 m to Nu. 35,667.615 m. The 32.81 % increase was mainly due to the growth in time deposits with banks and interest accrued on Foreign Investments.

During the year 2009, the RMA made notable achievements by launching Bhutan's first Credit Information Bureau, as well as the Integrated Central Banking System, which is an advanced IT platform to improve both internal and external operations of the organization.

CHAPTER IX:DEVELOPMENTS IN THE FINANCIAL SECTOR

9.1 Financial Institutions

As the Honourable members are aware, the Government approved the establishment of two more commercial banks and one more insurance firm. The entry of the Druk PNB Bank, T Bank and the Bhutan Insurance Limited have brought about considerable improvement in their service delivery as envisioned.

The paid-up capital of the financial institutions have been raised by 100 % or more, making them stronger and more stable besides enabling them to increase their lending capacity. In accordance with the expectations of the private sector, the Government also decided to allow external commercial borrowings by the private sector. However, because of the huge risk in the opening up of private capital flow, prudential limits have been specified.

9.2 Legislative Reforms

The statute governing the central bank and its operations namely the RMA Act has been revised, and I am confident that it will be passed in this session of the Parliament.

With the growing complexity of our financial system, we have taken the initiative to revise the Financial Institutions Act 1992. It has been revised into a more comprehensive law called the Financial Services Act, and is in this session's agenda of the National Assembly. The revised one is more comprehensive in terms of coverage and depth, and in line with international best practices. It incorporates critical provisions related to licensing procedures, fitness and properness aspects, and other issues related to deposit protection, securities business, insurance business, credit information, anti-money laundering etc.

9.3 Rural Credit

On the rural credit front, efforts have been made to increase the reach to the remote parts of our country. In order to increase its lending capacity, we injected a further capital of Nu. 100 m into the BDFC, taking its capital to Nu. 200 m. The BDFC, the only development financial institution has been granted a special banking license, which will now allow it to open savings accounts for the rural population and further increase its services. The MoF is also looking into the possibility of using the BDFC's services for disbursement of Gewog budgets. This should further improve the financial services in the Gewogs for the rural population and the Gewog-based civil servants.

The corporation has also opened branches in Phuentshogling, Panbang, Wamrong and Nganglam Dungkhags. Two field offices namely in Dagapela and Dameytsey have also been opened. Four more branches will be opened during the current financial year namely in Dorokha, Lhamoidzingkha, Jomotsangkha and Gelegphug Dungkhags. Wherever there are sufficient number of clients, field offices will be opened. Where it is not feasible, the BDFC will introduce the virtual banking system through the use of Palm-held Device Assistant (PDA) which will be directly linked to the computer data base at the branch offices and can issue official receipts to the clients.

CHAPTER X: REPORT ON TRUST FUNDS

10.1 Trust Funds

As the Honourable Members are aware, the Government has established Trust Funds to mobilize and generate funds to carry out specific activities. As a matter of policy, establishment of separate funds are not encouraged in order to maintain the integrity of the budget system, some funds have been created in the past with specific mandate. The status and a brief report on the Trust Funds in existence are as follows:

10.1.1 Bhutan Trust Fund for Environmental Conservation (BTFEC)

Currently, the fund has a balance of US \$ 41.190 m, which is an increase of US \$ 1.26 m or 3 % from the previous year's balance of US \$ 39.934 m. The increase is due to revenue earning of US \$ 0.418 m during the year from investments abroad. In FY 2010-11, Nu. 29.766 m has been provided from this fund to support the government in its environmental conservation efforts.

10.1.2 Bhutan Health Trust Fund (BHTF)

I am glad to report that the fund's balance as of today is US \$ 24.3 m, exceeding the target capital of US \$ 24 m. The increase from US \$ 23 m in FY 2009-10 is due to interest earned from fixed deposit and investment in Druk Air bonds besides the continuing contributions and donations from abroad. So far, about US \$ 5.345 m has been used to finance the procurement of vaccines and drugs from the accumulated fund. .

10.1.3 Cultural Trust Fund (CTF)

The fund balance has increased to Nu. 43.674 m from Nu. 41.596 m of previous year, a increase of Nu. 2.078 m or 5 %. The increase was due to

interest received on fixed deposits from Bhutan National Bank. The fund has not attained its operational status yet as the minimum size of the capital fund is US \$ 5 m to become operational.

10.1.4 Universal Service Fund for ICT

Compared to previous year, the total fund has decreased from Nu. 360.182 m to Nu. 177.395 m. During the year, a sum of Nu. 38.850 m was collected as annual regulatory fees. A sum of Nu. 221.637 m was expensed in several ICT projects during the year. These projects were the Rural Communications project (Nu. 188.385 m), internet links to all Higher Secondary Schools (Nu. 4.206 m), installation of transmission link to Gasu & Dagana Dzongkhags (Nu. 1.446 m) and payment made to BPCL for utilization of services (Nu. 27.600 m).

Table 10.1: Summary of Trust Funds Balances

<i>Amount in millions</i>				
Sl. No.	Trust Fund	FY 2007-08	FY 2008-09	As of Feb. 2010
1	Bhutan Trust Fund for Environment Conservation	US \$ 32.650	US \$ 39.934	US \$ 41.190
2	Health Trust Fund	US \$ 22.500	US \$ 23.000	US \$ 24.300
3	Cultural Trust Fund	Nu. 40.780	Nu. 41.596	Nu. 43.674
4	Universal Trust Fund for ICT	Nu. 263.770	Nu. 360.182	Nu. 177.395

CHAPTER XI: CONCLUSION

I now seek the endorsement of the House for the budgets presented above. The FY 2010-11 budget takes us half way into the term of the present Government, and successful implementation of the programmes and activities included in this budget is critical for achieving many of the development priorities laid down in the Government's manifesto. Challenges do however remain. Although efforts are being made by the Government to streamline the procedural formalities in seeking clearances from various agencies and improving service delivery, under implementation has been an issue, and I hope it will improve this year. The narrowing of the gap between domestic revenue and the current expenditure is a matter of genuine concern as there are not many avenues for expansion of the revenue base for some time, while the expenditures have been growing fast.

From the Ministry of Finance side, every effort has been made to accommodate all the proposals, especially from the Dzongkhags and Gewogs, with special consideration for road connectivity, rural electrification and development of Gewog infrastructure. Mobilization of resources have also been targeted towards these activities. At the same time, the Ministry is also conscious of the requirement that our fiscal expansion does not happen at the cost of unsustainable debt, and that it is kept at a manageable level. As the Honourable members are aware, a high budget deficit translates into inflation, deterioration in the balance of payments, rising interest rates, etc..

As always, the successful implementation of the budget will also depend on the flow of assistance from our development partners as projected in the budget. In this regard, the Government remains ever grateful for the generous assistance of our development partners.

With the blessings of our guardian deities, the enlightened and farsighted leadership of our King and the support from the people, I pray that Bhutan will continue to enjoy peace, prosperity and happiness at all times. In concluding,

I take this opportunity to express my deep gratitude to our Honourable Prime Minister under whose leadership, our budgets have been successful over the past two years. I also thank my colleagues in the Lhengye Zhungtshog who have always understood the underlying problems associated with high levels of expenditures and thus receiving their full co-operation in the Finance Ministry's management of the economy.

With this, I end my presentation. I now commend to the House the budget for the FY 2010-11 as presented in **Annexure I** for an amount of Nu. 35,796.509 million.

Thank You and Tashi Delek

ANNEXURE I

Schedule of Expenditure Budget for the FY 2010-11 - on the basis of organizations

Nu. in millions

Sl. No.	Agency	Current	Capital	Total
1	His Majesty's Secretariat	48.599	13.418	62.017
2	His Majesty's Secretariat (4th King)	21.164	0.100	21.264
3	National Assembly of Bhutan	63.113	5.527	68.640
4	National Council of Bhutan	44.940	16.022	60.962
5	Cabinet Secretariat	24.218	13.505	37.723
6	Council for Religious Affairs	424.201	101.315	525.516
7	Anti-Corruption Commission	24.965	64.170	89.135
8	Election Commission	24.433	28.635	53.068
9	Judiciary	153.630	234.122	387.752
10	Royal Audit Authority	79.361	9.137	88.498
11	Royal Civil Service Commission	27.589	100.100	127.689
12	Gross National Happiness Commission	37.085	267.669	304.754
13	National Statistics Bureau	17.126	5.295	22.421
14	Tourism Council of Bhutan	53.782	149.477	203.259
15	Royal Education Council	23.992	98.069	122.061
16	Royal Institute of Management	40.248	51.111	91.359
17	Royal University of Bhutan	350.285	433.528	783.813
18	National Environment Commission	18.266	39.110	57.376
19	Narcotic Control Agency	10.118	2.080	12.198
20	Drug Regulatory Authority	5.685	2.200	7.885
21	National Commission for Women & Children	11.232	1.990	13.222
22	Information Communication Media Authority	13.793	206.890	220.683

Sl. No.	Agency	Current	Capital	Total
23	Centre for Bhutan Studies	8.565	0.372	8.937
24	Dzongkhag Development Commission	12.466	6.558	19.024
25	Office of the Attorney General	13.866	18.000	31.866
26	Thimphu City Corporation	272.653	46.710	319.363
27	National Land Commission	212.627	93.074	305.701
28	Bhutan Olympic Committee	30.362	18.000	48.362
	Total Autonomous	2,068.364	2,026.184	4,094.548
29	Ministry of Agriculture	1,183.129	690.839	1,873.968
A	Secretariat	94.649	66.282	160.931
B	Department of Agriculture	248.311	157.964	406.275
C	Department of Agriculture Marketing and Cooperatives	21.735	27.150	48.885
D	Department of Forest	469.430	182.478	651.908
E	Department of Livestock	264.394	215.766	480.160
F	Agriculture & Food Regulatory Authority	71.736	35.213	106.949
G	Council for Renewable Natural Resource Research	12.874	5.986	18.860
30	Ministry of Education	180.390	806.490	986.880
A	Secretariat	96.085	35.069	131.154
B	Department of Adult & Higher Education	12.012	265.357	277.369
C	Department of School Education	48.153	491.267	539.420
D	Department of Youth, Culture & Sports	24.140	14.797	38.937
31	Ministry of Finance	4,437.915	4,942.858	9,380.773
A	Secretariat	340.336	213.939	554.275

Sl. No.	Agency	Current	Capital	Total
B	Department of National Budget	1,355.474	903.313	2,258.787
C	Department of National Property	81.863	109.218	191.081
D	Department of Revenue & Customs	186.465	31.903	218.368
E	Department of Public Accounts	589.648	308.340	897.988
i	Lending		1028.086	1,028.086
ii	Repayment (Intrest & Principal)	1884.129	2348.059	4,232.188
32	Ministry of Foreign Affairs	404.858	23.939	428.797
A	Secretariat	116.168	3.650	119.818
B	Embassies and Missions Abroad	288.690	20.289	308.979
33	Ministry of Health	1,048.067	554.269	1,602.336
A	Secretariat	97.682	101.158	198.840
B	Department of Medical Services	849.141	386.830	1,235.971
C	Department of Public Health	101.244	66.281	167.525
34	Ministry of Home & Cultural Affairs	877.335	777.219	1,654.554
A	Secretariat	42.134	7.330	49.464
B	Department of Civil Registration & Census	22.081	8.450	30.531
C	Department of Culture	68.230	300.421	368.651
D	Department of Disaster Management	11.816	26.003	37.819
E	Department of Immigration	52.442	10.081	62.523
F	Department of Local Governance	4.389	2.508	6.897
G	Royal Bhutan Police	676.243	422.426	1,098.669

Sl. No.	Agency	Current	Capital	Total
35	Ministry of Information & Communications	139.687	1,284.921	1,424.608
A	Secretariat	23.246	1.225	24.471
B	Department of Civil Aviation	41.182	221.304	262.486
C	Department of Information & Media	5.786	15.136	20.922
D	Department of Information & Technology	32.704	1,028.319	1,061.023
E	Road Safety & Transport Authority	36.769	18.937	55.706
36	Ministry of Labour & Human Resources	181.710	231.535	413.245
A	Secretariat	14.675	2.104	16.779
B	Department of Employment	21.111	23.460	44.571
C	Department of Human Resources	130.912	182.589	313.501
D	Department of Labour	10.459	9.944	20.403
E	Department of Occupational Standards	4.553	13.438	17.991
37	Ministry of Economic Affairs	242.964	1,510.693	1,753.657
A	Secretariat	58.679	10.154	68.833
B	Department of Cottage & Small Industries	3.647	53.951	57.598
C	Department of Energy	56.510	1,364.919	1,421.429
D	Department of Geology and	87.550	14.903	102.453
E	Department of Industry	20.292	61.784	82.076
F	Department of Trade	16.286	4.982	21.268
38	Ministry of Works and Human Settlement	357.677	3,780.926	4,138.603
A	Secretariat	29.412	16.026	45.438

Sl. No.	Agency	Current	Capital	Total
B	Department of Roads	262.470	3,128.787	3,391.257
C	Department of Urban Development & Engineering Services	39.866	622.338	662.204
D	Standard Quality Control Authority	19.482	10.255	29.737
E	Construction Development Board	6.447	3.520	9.967
Dzongkhags & Gewogs				
39	Bumthang Dzongkhag	136.804	87.807	224.611
A	Dzongkhag Activities	134.054	70.716	204.770
B	Chhoekhor Gewog	0.676	6.208	6.884
C	Chhumey Gewog	0.713	4.612	5.325
D	Tang Gewog	0.703	3.265	3.968
E	Ura Gewog	0.658	3.006	3.664
40	Chhukha Dzongkhag	342.445	324.137	666.582
A	Dzongkhag Activities	334.980	206.568	541.548
B	Bjachho Gewog	0.587	4.268	4.855
C	Bongo Gewog	0.777	8.269	9.046
D	Chapchha Gewog	0.693	4.162	4.855
E	Darla Gewog	0.795	11.198	11.993
F	Dungna Gewog	0.557	22.092	22.649
G	Geling Gewog	0.601	3.263	3.864
H	Getana Gewog	0.609	17.388	17.997
I	Lokchina Gewog	0.694	24.750	25.444
J	Metakha Gewog	0.557	3.782	4.339
K	Phuentsholing Gewog	0.813	8.457	9.270
L	Sampheling Gewog	0.782	9.940	10.722

Sl. No.	Agency	Current	Capital	Total
41	Dagana Dzongkhag	173.398	201.771	375.169
A	Dzongkhag Activities	165.483	140.508	305.991
B	Deorali Gewog	0.559	2.582	3.141
C	Dorona Gewog	0.566	20.029	20.595
D	Drujeygang Gewog	0.579	3.600	4.179
E	Gesarling Gewog	0.535	3.173	3.708
F	Goshi Gewog	0.528	4.186	4.714
G	Kana Gewog	0.572	4.384	4.956
H	Khebisa Gewog	0.572	2.484	3.056
I	Lajab Gewog	0.544	2.070	2.614
J	Lhamoidzingkha Gewog	0.632	3.060	3.692
K	Nichula Gewog	0.574	1.537	2.111
L	Tashiding Gewog	0.561	3.560	4.121
M	Tsangkha Gewog	0.551	2.673	3.224
N	Tsendagang Gewog	0.556	5.800	6.356
O	Tseza Gewog	0.586	2.125	2.711
42	Gasa Dzongkhag	60.297	35.893	96.190
A	Dzongkhag Activities	57.922	25.968	83.890
B	Khamey Gewog	0.607	2.629	3.236
C	Khatoe Gewog	0.582	1.203	1.785
D	Laya Gewog	0.590	2.465	3.055
E	Lunana Gewog	0.596	3.628	4.224
43	Ha Dzongkhag	128.162	107.398	235.560
A	Dzongkhag Activities	124.332	89.299	213.631
B	Bji Gewog	0.632	3.940	4.572
C	Gakiling Gewog	0.666	3.331	3.997
D	Iusu Gewog	0.649	3.288	3.937

Sl. No.	Agency	Current	Capital	Total
E	Katsho Gewog	0.622	2.820	3.442
F	Sama Gewog	0.631	2.756	3.387
G	Sombay Gewog	0.630	1.964	2.594
44	Lhuentse Dzongkhag	152.756	226.648	379.404
A	Dzongkhag Activities	147.905	141.656	289.561
B	Gangzur Gewog	0.648	8.902	9.550
C	Jarey Gewog	0.595	18.574	19.169
D	Khoma Gewog	0.643	21.146	21.789
E	Kurtoe Gewog	0.602	3.366	3.968
F	Metsho Gewog	0.602	18.697	19.299
G	Menbi Gewog	0.611	4.866	5.477
H	Minjay Gewog	0.584	4.465	5.049
I	Tsenkhar Gewog	0.566	4.976	5.542
45	Mongar Dzongkhag	262.931	339.590	602.521
A	Dzongkhag Activities	253.490	249.666	503.156
B	Balam Gewog	0.492	5.490	5.982
C	Chaskhar Gewog	0.566	3.986	4.552
D	Chhali Gewog	0.529	5.802	6.331
E	Dametsey Gewog	0.534	7.460	7.994
F	Depung Gewog	0.526	2.875	3.401
G	Gongdu Gewog	0.556	3.135	3.691
H	Jurmey Gewog	0.566	4.311	4.877
I	Kengkhar Gewog	0.583	6.430	7.013
J	Mongar Gewog	0.621	8.890	9.511
K	Narang Gewog	0.529	2.628	3.157
L	Ngatshang Gewog	0.538	4.881	5.419
M	Saleng Gewog	0.619	6.343	6.962

Sl. No.	Agency	Current	Capital	Total
N	Sherimuhung Gewog	0.542	8.086	8.628
O	Silambi Gewog	0.566	2.812	3.378
P	Thangrong Gewog	0.543	5.713	6.256
Q	Tsakaling Gewog	0.584	8.502	9.086
R	Tsamang Gewog	0.547	2.580	3.127
46	Paro Dzongkhag	253.148	155.937	409.085
A	Dzongkhag Activities	246.690	118.299	364.989
B	Dobshari Gewog	0.608	3.815	4.423
C	Dogar Gewog	0.659	2.872	3.531
D	Doteng Gewog	0.562	2.160	2.722
E	Hungral Gewog	0.549	2.075	2.624
F	Lamgong Gewog	0.645	1.735	2.380
G	Lungyni Gewog	0.627	3.250	3.877
H	Naja Gewog	0.806	4.352	5.158
I	Shaba Gewog	0.700	4.810	5.510
J	Tsento Gewog	0.695	6.135	6.830
K	Wangchang Gewog	0.607	6.434	7.041
47	Pema Gatshel Dzongkhag	207.286	396.134	603.420
A	Dzongkhag Activities	200.405	343.769	544.174
B	Chheokhorling Gewog	0.573	3.297	3.870
C	Chhimong Gewog	0.656	2.265	2.921
D	Chongshing Gewog	0.611	2.026	2.637
E	Dechheling Gewog	0.644	5.766	6.410
F	Dungmin Gewog	0.593	4.671	5.264
G	Khar Gewog	0.649	5.465	6.114
H	Nanong Gewog	0.664	12.736	13.400
I	Norbugang Gewog	0.622	4.120	4.742

Sl. No.	Agency	Current	Capital	Total
J	Shumar Gewog	0.683	6.952	7.635
K	Yurung Gewog	0.584	2.312	2.896
L	Zobel Gewog	0.602	2.755	3.357
48	Punakha Dzongkhag	211.996	216.899	428.895
A	Dzongkhag Activities	205.322	183.109	388.431
B	Baap Gewog	0.590	3.909	4.499
C	Chhubu Gewog	0.596	3.110	3.706
D	Goenshari Gewog	0.593	1.719	2.312
E	Guma Gewog	0.608	4.743	5.351
F	Kabjisa Gewog	0.598	5.007	5.605
G	Limbukha Gewog	0.585	1.570	2.155
H	Shengana Gewog	0.639	2.939	3.578
I	Talo Gewog	0.607	2.471	3.078
J	Teowang Gewog	0.645	2.664	3.309
K	Toep Gewog	0.601	3.219	3.820
L	Zomi Gewog	0.612	2.439	3.051
49	Samdub Jongkhar Dzongkhag	219.123	184.658	403.781
A	Dzongkhag Activities	212.854	128.826	341.680
B	Deothang Gewog	0.556	6.094	6.650
C	Gomdar Gewog	0.621	10.547	11.168
D	Langchhenphu Gewog	0.574	2.493	3.067
E	Lauri Gewog	0.654	5.220	5.874
F	Martshala Gewog	0.635	4.540	5.175
G	Orong Gewog	0.607	4.885	5.492
H	Pemathang Gewog	0.579	3.138	3.717
I	Phuentshothang Gewog	0.672	5.190	5.862

Sl. No.	Agency	Current	Capital	Total
J	Samrang Gewog	0.180		0.180
K	Serthi Gewog	0.635	3.950	4.585
L	Wangphu Gewog	0.556	9.775	10.331
50	Samtse Dzongkhag	291.728	287.044	578.772
A	Dzongkhag Activities	280.519	203.956	484.475
B	Bara Gewog	0.825	6.196	7.021
C	Biru Gewog	0.786	5.340	6.126
D	Chargharay Gewog	0.682	4.721	5.403
E	Chengmari Gewog	0.772	6.379	7.151
F	Denchukha Gewog	0.749	4.580	5.329
G	Dorokha Gewog	0.891	7.477	8.368
H	Dumtey Gewog	0.654	3.057	3.711
I	Namgaychheoling Gewog	0.680	5.142	5.822
J	Pugli Gewog	0.829	7.747	8.576
K	Samtse Gewog	0.801	5.684	6.485
L	Sipsu Gewog	0.685	4.884	5.569
M	Tading Gewog	0.829	6.961	7.790
N	Tendu Gewog	0.719	7.132	7.851
O	Ugentse Gewog	0.619	3.072	3.691
P	Yoeseltse Gewog	0.688	4.716	5.404
51	Sarpang Dzongkhag	227.002	145.302	372.304
A	Dzongkhag Activities	219.531	101.288	320.819
B	Bhur Gewog	0.432	2.589	3.021
C	Chhuzagang Gewog	0.628	3.635	4.263
D	Dekilng Gewog	0.639	4.886	5.525
E	Doeban Gewog	0.624	3.503	4.127
F	Gelephu Gewog	0.657	5.928	6.585

Sl. No.	Agency	Current	Capital	Total
G	Hiley Gewog	0.652	6.855	7.507
H	Jigmechheoling Gewog	0.783	5.389	6.172
I	Serzhong Gewog	0.597	3.087	3.684
J	Shompangkha Gewog	0.759	2.464	3.223
K	Singhi Gewog	0.547	1.962	2.509
L	Tareythang Gewog	0.513	1.063	1.576
M	Umling Gewog	0.640	2.653	3.293
52	Tashi Yangtse Dzongkhag	162.590	193.958	356.548
A	Dzongkhag Activities	157.591	160.455	318.046
B	Bumdeling Gewog	0.634	3.623	4.257
C	Jamkhar Gewog	0.597	2.232	2.829
D	Khamdang Gewog	0.658	4.180	4.838
E	Ramjer Gewog	0.575	2.373	2.948
F	Toetsho Gewog	0.634	4.872	5.506
G	Tongzhang Gewog	0.650	5.526	6.176
H	Yalang Gewog	0.635	6.968	7.603
I	Yangtse Gewog	0.616	3.729	4.345
53	Tashigang Dzongkhag	374.389	447.995	822.384
A	Dzongkhag Activities	360.377	335.541	695.918
B	Bartsham Gewog	0.639	2.822	3.461
C	Bidung Gewog	0.641	4.328	4.969
D	Kanglung Gewog	0.635	10.735	11.370
E	Kangpara Gewog	0.639	4.600	5.239
F	Khaling Gewog	0.682	6.595	7.277
G	Lumang Gewog	2.537	11.129	13.666
H	Merag Gewog	0.611	3.600	4.211
I	Phongmey Gewog	0.665	4.845	5.510

Sl. No.	Agency	Current	Capital	Total
J	Radi Gewog	0.904	4.853	5.757
K	Sagteng Gewog	0.597	3.910	4.507
L	Samkhar Gewog	0.681	13.073	13.754
M	Shongphu Gewog	0.654	6.912	7.566
N	Thimshing Gewog	2.827	6.315	9.142
O	Uzorong Gewog	0.659	9.995	10.654
P	Yangnyer Gewog	0.641	18.742	19.383
54	Thimphu Dzongkhag	112.745	115.003	227.748
A	Dzongkhag Activities	107.548	79.076	186.624
B	Chang Gewog	0.716	4.871	5.587
C	Dagala Gewog	0.556	2.167	2.723
D	Geynay Gewog	0.725	9.243	9.968
E	Kawang Gewog	0.639	3.423	4.062
F	Lingzhi Gewog	0.608	2.778	3.386
G	Mewang Gewog	0.848	6.328	7.176
H	Naro Gewog	0.547	3.817	4.364
I	Soe Gewog	0.558	3.300	3.858
55	Tongsa Dzongkhag	145.737	116.444	262.181
A	Dzongkhag Activities	142.368	90.068	232.436
B	Dagteng Gewog	0.629	6.446	7.075
C	Korphu Gewog	0.574	6.258	6.832
D	Langthel Gewog	0.713	4.117	4.830
E	Nubi Gewog	0.832	4.012	4.844
F	Tangsibji Gewog	0.621	5.543	6.164
56	Tsirang Dzongkhag	143.824	96.788	240.612
A	Dzongkhag Activities	136.889	66.298	203.187

Sl. No.	Agency	Current	Capital	Total
B	Barshong Gewog	0.605	2.607	3.212
C	Beteni Gewog	0.603	2.440	3.043
D	Dunglagang Gewog	0.567	2.238	2.805
E	Goseling Gewog	0.609	2.447	3.056
F	Kikhorthang Gewog	0.588	3.598	4.186
G	Mendrelgang Gewog	0.608	2.522	3.130
H	Pataley Gewog	0.554	2.501	3.055
I	Phuentenchhu Gewog	0.570	2.269	2.839
J	Ranthingling Gewog	0.545	2.519	3.064
K	Shemjong Gewog	0.553	2.459	3.012
L	Tsholingkhar Gewog	0.591	2.670	3.261
M	Tsirangteod Gewog	0.542	2.220	2.762
57	Wangdiu Phodang Dzongkhag	222.715	149.766	372.481
A	Dzongkhag Activities	213.635	102.184	315.819
B	Athang Gewog	0.575	2.396	2.971
C	Bjena Gewog	0.636	3.058	3.694
D	Daga Gewog	0.594	2.626	3.220
E	Dangchhu Gewog	0.592	3.440	4.032
F	Gangtey Gewog	0.621	2.680	3.301
G	Gasetsho Gongm Gewog	0.650	3.193	3.843
H	Gasetsho Wogm Gewog	0.558	1.772	2.330
I	Kazhi Gewog	0.573	3.740	4.313
J	Nahi Gewog	0.568	1.934	2.502
K	Nyisho Gewog	0.610	3.269	3.879
L	Phangyul Gewog	0.592	3.046	3.638
M	Phobji Gewog	0.655	4.040	4.695
N	Ruepisa Gewog	0.631	3.749	4.380

Sl. No.	Agency	Current	Capital	Total
O	Sephu Gewog	0.656	4.654	5.310
P	Theedtsho Gewog	0.569	3.985	4.554
58	Zhemgang Dzongkhag	202.904	183.388	386.292
A	Dzongkhag Activities	193.980	144.906	338.886
B	Bardo Gewog	2.326	7.775	10.101
C	Bjoka Gewog	0.566	2.320	2.886
D	Goshing Gewog	2.352	5.500	7.852
E	Nangkor Gewog	1.125	6.900	8.025
F	Ngangla Gewog	0.684	4.105	4.789
G	Phangkhar Gewog	0.621	3.396	4.017
H	Shingkar Gewog	0.629	3.342	3.971
I	Tong Gewog	0.621	5.144	5.765
	Total Dzongkhag and Gewogs	4,031.980	4,012.560	8,044.540
Grand Total		15,154.076	20,642.433	35,796.509

ANNEXURE II

Budget Proposals of the Legislature, the Constitutional Bodies and the Judiciary and Agreed Recommendations

Nu in millions

NATIONAL ASSEMBLY							
Activities/sub-activity	As proposed by National Assembly			Agreed between National Assembly & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Costs, Secretariat	13.825	0.350	14.175	12.539		12.539	
Establishment costs for Parliamentary Services	40.690	0.200	40.890	41.039	0.150	41.189	
Travel outside for Parliamentarians	2.031			2.031		2.031	
Zhungkha Promotion		0.100	0.100		0.100	0.100	
Maintnnc. of Security system in Parliament house	0.340	2.127	2.467	0.340	2.127	2.467	
Instlltn of fire alarm & hydrant system in Parliament house		1.490	1.490		0.650	0.650	
In-house printing of Acts	1.420	2.500	3.920	1.420	2.500	3.920	
Parliamentary Exchange Programme	1.000		1.000	1.000		1.000	
National Assembly Session costs	4.476		4.476	3.285		3.285	
Committee meetings	1.564		1.564	1.459		1.459	
Sub - Total	65.346	6.767	70.082	63.113	5.527	68.640	

NATIONAL COUNCIL

Activities/ sub-activity	As proposed by National Council			Agreed between National Council & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Costs, Secretariat	14.349	3.150	17.499	9.530	2.100	11.630	
Institutional Capacity Building	2.249	0.619	2.868	2.249	0.619	2.868	UNDP
Establishment Costs for Parliamentary Services	31.550	17.300	48.850	30.200	11.200	41.400	
Travel Outside for Parliamentarians	2.711			2.711		2.711	

Activities/ sub-activity	As proposed by National Council			Agreed between National Council & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Committee Meetings	0.400		0.400	0.250		0.250	
Maintenance of existing office (5 cottages)			0.000		2.103	2.103	
					Budget capitalized as it was proposed under current		
Sub - Total	51.259	21.069	69.617	44.940	16.022	60.962	

ANTI CORRUPTION COMMISSION

Activities/ sub-activity	As proposed by Anti Corruption Commission			Agreed between ACC & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment cost	21.276	0.600	21.876	21.276	0.600	21.876	
					Capital budget is for furniture, office equip. & computer		
Institutional Development	3.889	13.570	17.459	3.689	13.570	17.259	SDS
Construction of Office Building		50.000	50.000		50.000	50.000	GoI
Sub - Total	25.165	64.170	89.335	24.965	64.170	89.135	

ELECTION COMMISSION

Activities/sub-activity	As proposed by Election Commission			Agreed between Election Commission & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment cost	22.228	1.650	23.878	21.580	0.150	21.730	
					Capital budget is for furniture, office equip. & computer		
Printing of Rules and Regulations	0.805		0.805	0.805		0.805	
Research and Publications	0.518	0.500	1.018	0.518	0.500	1.018	
Election Officers meeting	0.680		0.680	0.680		0.680	
BRIDGE (Building Resources in Democracy, Governance & Elections) Training		3.585	3.585		3.585	3.585	UNDP & RGoB
Civic Education Awareness		1.000	1.000		1.000	1.000	
Construction of Office Building		20.000	20.000		20.000	20.000	GoI
Voter, Civic Education and Training				0.850	3.400	4.250	

Activities/sub-activity	As proposed by Election Commission			Agreed between Election Commission & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Local Governance Election	154.010	87.791	241.801	153.161	85.891	239.052	
Const. of EC's offices in 4 Dzongkhags		80.000	80.000			No. agreement reached	
<i>Sub - Total</i>	178.241	194.526	372.767	177.594	114.526	292.120	

ROYAL AUDIT AUTHORITY

Activities/sub-activity	As proposed by Royal Audit Authority			Agreed between RAA & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Costs: HQ, Bumthang, Tsirang, S/Jongkhar & P'ling	87.946	4.410	92.356	78.856	1.810	80.666	Capital budget is for furniture, office equip. & computer for Regional Offices
Printing of Annual Reports	0.425		0.425	0.205	0.000	0.205	
Printing of Audit Manuals	0.500		0.500	0.300	0.956	1.256	
Zhungkha Development		0.070	0.070	0.000	0.070	0.070	
Renvtn. of Regional Office, Tsirang		0.936	0.936	0.000	0.936	0.936	
Constrctn. of Trainng. Centre, Tsirang		5.365	5.365	0.000	5.365	5.365	GoI
<i>Sub - Total</i>	88.871	10.781	99.652	79.361	9.137	88.498	

ROYAL CIVIL SERVICE COMMISSION

Activities/sub-activity	As proposed by Royal Civil Service Commission			Agreed between RCSC & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Establishment Costs	24.178	1.900	26.078	22.958	1.900	24.858	
Commission Meetings	0.336		0.336	0.336		0.336	
Civil Service Common Exams	2.513		2.513	2.345		2.345	
Briefing & souvenirs (to in-service candidates leaving for studies)	0.706		0.706	0.450		0.450	
Printing of revised BCSR	1.950	0.200	2.150	1.500	0.200	1.700	

Activities/sub-activity	As proposed by Royal Civil Service Commission			Agreed between RCSC & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Office LAN rewiring (Web Based services)		2.400	2.400		2.300	2.300	
Annual HR Conference	0.192	0.500	0.692			0.000	
Renovation of office structure		0.600	0.600		0.600	0.600	
Human Resource Development Program		60.000	60.000		60.000	60.000	SDS
Post-graduate Scholarships (GoI)		30.000	30.000		30.000	30.000	GOI
In-country training (Governance & Anti Corruption Action Plan-II)		5.000	5.000		5.000	5.000	ADB
Zhungkha Promotion		0.250	0.250		0.100	0.100	
<i>Sub - Total</i>	29.875	100.850	130.725	27.589	100.100	127.689	

JUDICIARY

Activities/sub-activity	As proposed by Judiciary			Agreed between Judiciary & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Supreme & High Courts estblshmnt. costs	33.783		33.783	34.119		34.119	
Estblshmnt. costs, 20 District Courts	104.042		104.042	89.357		89.357	
Estblshmnt. costs of, 15 Dungkha Courts	34.831		34.831	27.902		27.902	
National Legal Institute	1.119		1.119	0.487		0.487	
Constrectn. of Supreme Court building.		189.427	189.427		91.137	91.137	GoI
Purchs of furniture & office equipment for Supreme Court		5.000	5.000		5.000	5.000	GoI
Judicial Conference	0.188		0.188	0.188		0.188	
Judicial Services Council Meetings	0.198		0.198	0.142		0.142	
National Judicial Commission Meetings	0.200		0.200	0.200		0.200	

Activities/sub-activity	As proposed by Judiciary			Agreed between Judiciary & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Printing of Court Procedures	0.104		0.104	0.100		0.100	
Project Management costs & Constrctn. of Mongar Court	0.500		0.500	0.500		0.500	DANIDA
Capacity Devlpmnt to ensure the Demcrtc Govrnnc & Rule of Law	0.235		0.235	0.235		0.235	UNDP
Training on Zhungkha Development		0.500	0.500		0.300	0.300	
In-country Training of Bench Clerks on various new Acts		2.000	2.000			0.000	
Construction of Gelegphu Court		0.200	0.200		0.200	0.200	DANIDA
Institutional Strengthening of Mongar District Court		0.200	0.200		0.200	0.200	DANIDA
Construction of Tashigang Court		10.600	10.600		13.432	13.432	DANIDA
Construction of Thimshing, Panbang, Sagteng and Sibusu Dungkhag Courts		32.000	32.000		23.600	23.600	GoI
Constrctn. and inaugrtn. of Nganglam, Jomotsangkha, Samdubchheoling & Lhamoidzingkha Dungkhag Courts.	0.400	4.000	4.400	0.400	4.000	4.400	GoI
Constrctn. of Bumthang District Court		11.000	11.000		11.000	11.000	SDC
Constrctn. of Tongsa District Court		11.000	11.000		11.000	11.000	Austrian
HRD Programme (National Legal Institute Office)		0.500	0.500				
Purchase of vehicles (12) - Dungkhag Courts		13.800	13.800	<i>To be considered on a case by case basis</i>			
Post-graduate studies in Financial Management		3.000	3.000		3.000	3.000	DANIDA

Activities/sub-activity	As proposed by Judiciary			Agreed between Judiciary & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Post graduate studies in Law (LLM)		5.600	5.600		7.900	7.900	DANIDA
Post-graduate studies in ICT		3.000	3.000		3.000	3.000	DANIDA
Bhutanese ADR (alternative dispute resolution) Mechanism Assessment and Design		1.000	1.000		1.000	1.000	DANIDA
Short term ex-country training		8.000	8.000		8.000	8.000	SDC & Austrian
Peer -exchange Program (outside country)		6.000	6.000		6.000	6.000	SDC & Austrian
Peer-exchange Program (In-country)		2.500	2.500		2.500	2.500	SDC & Austrian
Short-term in-country training		5.000	5.000		5.000	5.000	SDC & Austrian
Conduct Assessment on Juvenile Justice System		1.410	1.410		1.410	1.410	UNDP
Training of Judicial Staff, Judges and Registrars		1.410	1.410		1.410	1.410	UNDP
Capacity Development to ensure Democratic Governance and Rule of Law.		1.482	1.482		1.482	1.482	UNDP
Institutional Strengthening of High, Dzongkhag & Dungkhaig Courts		10.000	10.000		10.000	10.000	GoI
Purchase of Vehicles, Thimphu District Court		0.900	0.900	<i>To be considered on a case by case basis</i>			
Constrectn.. of Dangpon's Residence, Tashigang		6.000	6.000		6.000	6.000	
Constrectn.of Approach Road to District Court, Tashigang		3.000	3.000		3.000	3.000	
Constrectn. of Water Supply for District Court, Tashigang		0.500	0.500		0.500	0.500	

Activities/sub-activity	As proposed by Judiciary			Agreed between Judiciary & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Constrctn. Power Trans. & Line for District Court, Tashigang		3.000	3.000		0.500	0.500	
Major maintnnc. of road from office to Dangpon's Residence, Chhukha		0.437	0.437	Dropped during budget discussion			
Renovation of Dangpon's Residence, Samtse		0.800	0.800		0.452	0.452	
Purchase of Agricultural Machiner-ies, Samtse District Court		0.060	0.060	Dropped during budget discussion			
Renovation of Dangpon's Residence, Tongsa		1.200	1.200		0.300	0.300	
Acquisition of Land, Zhemgang District Court		0.629	0.629		0.629	0.629	
Furniture, Computer & office Equip., P/Gatshel District Court		0.460	0.460			0.000	
Const. of Approach Road to District Court, Bumthang		1.158	1.158		1.158	1.158	
Construction of Garage, Dzongkhag Court, S/Jongkhar		0.150	0.150				
Renovation of Garage and Roof Painting, Dungkhag Court, P/Ling		0.362	0.362		0.062	0.062	
Construction of attached Toilet and Store, Wamrong Dungkhag Court.		0.550	0.550		0.250	0.250	
Construction of Dangpon's Residence, Nganglam		3.500	3.500		3.500	3.500	
Black Topping of Road to Dungkhag Court, Nganglam		0.200	0.200		0.200	0.200	
Construction of Dangpon's Residence, Jomotsangkha		3.500	3.500		3.500	3.500	

Activities/sub-activity	As proposed by Judiciary			Agreed between Judiciary & MoF			Remarks
	Current	Capital	Total	Current	Capital	Total	
Construction of Dangpon's Residence, Samdubcheoling		3.500	3.500		3.500	3.500	
<i>Sub - Total</i>	175.600	358.535	534.135	153.630	234.122	387.752	