

NATIONAL BUDGET
FINANCIAL YEAR 2013-14



MINISTRY OF FINANCE
SEPTEMBER 2013

TABLE OF CONTENTS

INTRODUCTION.....	1
--------------------------	----------

CHAPTER I: OPERATIONAL RESULTS OF THE BUDGET FOR THE FINANCIAL YEAR 2011-124

1.1. Overall financial position.....	4
1.2. Actual budget outcome.....	5
1.2.1. <i>Expenditure growth</i>	5
1.2.2. <i>Domestic revenue</i>	5
1.2.3. <i>Grants</i>	6
1.2.4. <i>Debt</i>	6

CHAPTER II: PAST MACROECONOMIC PERFORMANCE7

2.1. Gross domestic product (GDP).....	7
2.2. Employment.....	7
2.3. Balance of payments.....	7
2.4. Foreign exchange reserve.....	7
2.5. Debt & debt service.....	8
2.6. Exchange rate.....	8
2.7. Prices.....	8
2.8. Banking and the financial sector.....	8
2.8.1 <i>Credit</i>	8

2.8.2	<i>Non-performing loans</i>	8
-------	-----------------------------------	---

CHAPTER III: REVISED BUDGET ESTIMATES OF FY 2012-13...10

3.1.	Expenditure.....	11
3.1.1	<i>Current expenditure</i>	11
3.1.2	<i>Capital expenditure</i>	11
3.2.	Domestic revenue estimates	11
3.3.	External grants.....	13
3.3.1	<i>Program grant</i>	13
3.3.2	<i>Project grants</i>	13
3.4.	Other receipts.....	13
3.5.	Borrowings	13
3.6.	Debt and debt servicing	13
3.7.	Foreign exchange reserve	14

CHAPTER IV: BUDGET ESTIMATES FOR THE FY 2013-1415

4.1.	Resources.....	18
4.1.1	<i>Domestic revenue</i>	18
4.1.2	<i>Grants</i>	19
4.2.	Expenditure outlay.....	20
4.2.1	<i>Current expenditure</i>	20
4.2.2	<i>Capital expenditure</i>	22
4.2.3	<i>Net lending</i>	22

4.3.	Financing	24
4.3.1	<i>External borrowing</i>	24
4.3.2	<i>Internal borrowing</i>	24
4.3.3	<i>Debt servicing (principal repayments)</i>	24
4.4.	Sector allocations.....	25
4.4.1.	<i>Health</i>	26
4.4.2.	<i>Education</i>	28
4.4.3.	<i>Renewable natural resources (RNR)</i>	29
4.4.4.	<i>Trade, industry and private sector development</i>	31
4.4.5.	<i>Tourism</i>	32
4.4.6.	<i>Vocational training and employment</i>	33
4.4.7.	<i>Roads</i>	34
4.4.8.	<i>Urban development, housing and public amenities</i>	35
4.4.9.	<i>Communications and transport</i>	37
4.4.10.	<i>Energy</i>	38
4.4.11.	<i>Cultural services</i>	40
4.4.12.	<i>Law and order</i>	41
4.4.13.	<i>General public service</i>	42
4.4.14.	<i>Human resource development (HRD)</i>	44
4.4.15.	<i>Sports</i> :.....	45
4.4.16.	<i>Gender responsive budgeting</i>	45
4.5.	Budget for Legislative, Judiciary and Constitutional bodies.....	46

4.5.1.	<i>National Assembly</i>	46
4.5.2.	<i>National Council</i>	47
4.5.3.	<i>Anti-Corruption Commission</i>	47
4.5.4.	<i>Election Commission</i>	47
4.5.5.	<i>Judiciary</i>	48
4.5.6.	<i>Royal Audit Authority</i>	48
4.5.7.	<i>Royal Civil Service Commission</i>	49

CHAPTER V: MACRO-ECONOMIC OUTLOOK IN THE MEDIUM TERM50

5.1.	Economic growth.....	50
5.2.	Consumption and investment	52
5.3.	Inflation.....	53
5.4.	Employment.....	53
5.5.	Fiscal outlook	53
5.5.1.	<i>Domestic revenue and external grant assistance</i>	55
5.5.2.	<i>Expenditure</i>	56
5.5.3.	<i>Fiscal balance</i>	56
5.6.	Debt stock and debt service	57
5.6.1.	<i>External debt</i>	59
5.6.2.	<i>Domestic debt</i>	60
5.7.	Balance of payments (BoP) and foreign exchange reserves.....	60
5.7.1.	<i>Balance of payments with India</i>	61

5.7.2.	<i>Foreign exchange reserves</i>	62
--------	--	----

**CHAPTER VI: REPORT ON STATE-OWNED ENTERPRISES
AND COMPANIES WITH GOVERNMENT
SHAREHOLDINGS63**

6.1.	Government portfolio in the SoEs and linked companies	63
6.1.1.	<i>Financial overview of the companies</i>	63
6.1.2.	<i>Returns on equity and assets</i>	64
6.1.3.	<i>Assets & net worth</i>	64
6.1.4.	<i>Revenue from SoEs</i>	65
6.1.5.	<i>Subsidy and grants</i>	66
6.2.	Report on financial and operational performance of DHI	66
6.2.1.	<i>Assets and net worth</i>	67
6.3.	Investments plan and projects.....	68
6.3.1.	<i>Wellness Resort</i>	68
6.3.2.	<i>Dagachhu Hydropower Project</i>	68
6.3.3.	<i>Dungsum Cement Corporation Ltd</i>	68
6.3.4.	<i>Koufuku International Pvt. Ltd (KIPL)</i>	69
6.3.5.	<i>National Housing Development Corporation Ltd. (NHDCL)</i> . 69	
6.3.6.	<i>Bhutan Development Bank Limited</i>	69
6.3.7.	<i>Bhutan Post</i>	69
6.4.	Audit of accounts of State-owned Enterprises	69

CHAPTER VII: REPORT ON THE ROYAL MONETARY AUTHORITY AND THE NATIONAL PENSION AND PROVIDENT FUND	71
7.1. Royal Monetary Authority of Bhutan.....	71
7.2. National Pension and Provident Fund (NPPF).....	72
7.2.1. <i>Achievements</i>	72
 CHAPTER VIII: REPORT ON TRUST FUNDS	 74
8.1. Trust Funds	74
8.1.1. <i>Bhutan Trust Fund for Environmental Conservation (BTFEC)</i>	74
8.1.2. <i>Bhutan Health Trust Fund (BHTF)</i>	74
8.1.3. <i>Cultural Trust Fund</i>	74
8.1.4. <i>Universal Service Fund for ICT</i>	75
 CONCLUSION	 76
 ANNEXURES.....	 77

INTRODUCTION

Hon'ble Speaker, Hon'ble Members of Parliament,

I have the honour and privilege to present the Royal Government's budget for the Financial Year (FY) 2013-14. This budget marks the start of the second democratically elected Government's term and ushers in the first year of the 11th Five Year Plan (FYP). I take this opportunity to offer our prayers of gratitude and *Tashi Moenlem* to the guardian deities of the glorious Palden Drukpa, His Majesty the King, His Majesty Druk Gyalzhipa and the people of Bhutan for the successful election to the second Parliament. With the trust and confidence bestowed on our party, the People's Democratic Party Government has the honour and privilege to serve the *Tsa-Wa-Sum* for the next five years.

The finalization of the 11th FYP will provide the opportunities to align the policies and priorities of the Government with the wishes and aspirations of the people. With our pledge to pursue *Wangtse Chhirpel: Prosperity for All*, the Government commits to implement our pledges through the annual budget.

In the past few years, Bhutan has experienced widening of the current account deficit leading to an acute shortage of Indian Rupee in the economy. Various policy measures including administrative restriction on imports of select items (vehicle, furniture and alcohol) have been put in place to rectify the balance of trade and to reign in the outflow of rupees. Measures also include freeze on credit for non-priority sector and using banking channel for inflow and outflow of rupees.

The rupee shortage has touched the lives of all Bhutanese and increased awareness on how vulnerable our economy is. On the other hand, the measures

initiated also provided opportunity to promote domestic productivity for local market and export but these are yet to yield any substantive result. In particular, boosting agriculture produce will go a long way in enhancing rural income and alleviating rural poverty besides reducing imports. In this regard, the Government will work hard to solve the Rupee situation through short term and long term measures. Further, the Government has developed an Economic Stimulus Plan (ESP) to boost economic growth by injecting liquidity into the banking system and implementing special support schemes. In this regard, I am pleased to report that the Government of India has generously committed to finance the ESP with a grant of Rs. 5 billion.

Hon'ble Speaker, the budget for FY 2013 -14 that I am presenting today has been prepared in line with the draft 11th Plan and macro-fiscal projections for the medium-term. The budget accords emphasis on growth stimulation, employment generation and addressing the Rupee situation amongst others. In keeping with the Royal Command to bring Wangdue Phodrang Dzong back to its former glory, the reconstruction of the Dzong is expected to commence during this fiscal year, with the financial support of the Government of India.

As part of expenditure rationalization and to curtail wasteful expenditure, non-priority recurrent expenditure and non-development capital expenditure have been maintained at bare minimum. The Government will continue to take action to identify areas for further expenditure control through identification and removal of non-productive expenditure items. In this regard, the understanding and support of all budgetary agencies will be very important to tread on the sustainable fiscal path that is articulated in this report and by strictly adhering to the provisions of the Constitution, Public Finance Act and Financial Rules and Regulations.

In line with the provisions of the Public Finance Act 2007 (PFA), the budget has been formulated within the Budget Policy and Fiscal Framework Statement (BPFSS) that has been prepared by the Macroeconomic Framework

Coordination Committee (MFCC). The MFCC comprises of members from the key economic agencies of the Government responsible for macro-fiscal projections for determining the fiscal path.

Hon'ble Speaker, against this background, I present the various aspects of the Government's Budget for FY 2013-14 in the following order:

Chapter I : Operational Results of the Budget for the Financial Year 2011-12;

Chapter II : Past Macroeconomic Development;

Chapter III : Revised Budget Estimates for the FY 2012-13;

Chapter IV : Budget Estimates for the FY 2013-14;

Chapter V : Macroeconomic Outlook in the Medium Term;

Chapter VI : Report on State-owned Enterprises and Government's Share-holdings;

Chapter VII : Report on National Pension and Provident Fund (NPPF) and Royal Monetary Authority (RMA);

Chapter VIII : Report on Trust Funds;

CHAPTER I

OPERATIONAL RESULTS OF THE BUDGET FOR THE FINANCIAL YEAR 2011-12

The actual outcome of the Royal Government's budgetary operations for the FY 2011-12 is detailed in the Annual Financial Statements (AFS) which is circulated separately along with the Budget Report.

1.1 Overall financial position

The FY 2011-12 started with an approved outlay of Nu.37,923.257 million and estimated resources of Nu.32,546.035 million. The fiscal deficit was Nu.5,377.222 million and the resource gap was Nu.5,327.436 million.

At the end of the FY, the actual outcome was Nu.33,688.009 million against the total realized resources of Nu.32,646.355 million, resulting in a fiscal deficit of Nu.1,041.654 million (1.1% of GDP) and resource gap of Nu.2,048.801 million (2.2% of GDP).

The statement of the comparison of approved budget with that of the actual outcome and financing of the balances is presented in Table 1.1.

Table 1.1: Financing and variance for the FY 2011-12

			<i>Nu. in millions</i>
Particulars	Original Budget	Actual Outcomes	
A RESOURCES	32,546.035	32,646.355	
I. Domestic revenue	18,606.980	20,354.462	
i. Tax	12,857.021	14,676.929	
ii. Non-tax	5,749.959	5,677.533	
II. Other receipts (Net)	79.933	(209.627)	
III. Grants	13,859.122	12,501.520	
i. Programme grants	1,900.740	1,721.654	
a) GoI	1,400.000	1,400.000	
b) Other donors	500.740	321.654	
ii. Project-tied grants	11,958.382	10,779.866	

Nu. in millions

Particulars	Original Budget	Actual Outcomes
a) GoI	8,894.098	7,603.442
c) Other donors	3,064.284	3,176.424
B OUTLAY	37,923.257	33,688.009
I. Total expenditure	38,020.166	34,842.762
i. Current	17,185.309	16,705.648
ii. Capital	20,834.857	18,137.114
II. Net lending	(96.909)	(1,036.573)
III. Advance/suspense(net)	-	(118.180)
C OVERALL BALANCE	(5,377.222)	(1,041.654)
D FINANCING	5,377.222	1,041.654
Net borrowings	49.786	(1,007.147)
i. Borrowings	2,403.196	6,212.866
ii. Repayments	2,353.410	7,220.013
RESOURCE GAP	(5,327.436)	(2,048.801)

Source: Department of Public Accounts, Ministry of Finance

1.2 Actual budget outcome

1.2.1 Expenditure growth

During the FY 2011-12, the total expenditure was Nu.34,842.762 million, about 38.2% of GDP. The year-on-year growth of expenditure was about 18%.

Although the **current expenditure** of Nu.16,705.648 million was above that of the previous year by 13.4%, it was managed within the approved budget of Nu.17,185.309 million. The **capital expenditure** for the year was Nu.18,137.114 million registering an increase of 22.7% over that of FY 2010-11.

1.2.2 Domestic revenue

The total internal revenue realized during the FY 2011-12 was Nu.20,354.462 million registering an overall increase of 16.6% over the previous FY and is about 22.3% of GDP.

1.2.3 Grants

The total external grants received in-cash and in-kind was Nu.12,501.520 million, which accounted for 38.3% of total resources and was about 13.7% of GDP. Of the total external grant, GoI assistance was Nu.9,003.442 million. The external grant covered 68.9% of capital expenditure.

1.2.4 Debt

The total government debt outstanding (*internal and external debt*) as on 30th June 2012 was **Nu.62,813.105 million** representing about 68.8% of the estimated GDP. The total *principal loan repayment* was Nu.7,220.014 million, of which Nu.4,991.397 million was entirely on account of internal borrowings. A total of Nu.4,004.431 million was paid as principal repayment for the redemption of T-Bills during the year.

1.2.4.1 Internal debt

The internal debt outstanding at the end of FY was **Nu.1,092.547 million** which was about 2% of total government debt. Of the total internal debt, Nu.701.211 million was on account of loan availed by the Government to purchase aircraft for Drukair in 2005. The balance amount of Nu.391.336 million pertained to the amount transferred from refundable deposit account to meet the temporary cash shortage.

1.2.4.2 External debt

The total external debt outstanding as on 30th June 2012 was estimated at Nu.61,720.558 million. It constituted 98% of total government debt and about 67.6% of estimated GDP. The external debt in convertible currency (other than GoI) was US \$509.862 million, equivalent to Nu.29,174.260 million. The Rupee debt from GoI on account of hydropower projects was Rs.32,546.298 million. However, the external debt outstanding excludes the project loan for Dungsum cement project (Nu.1,848.571 million), GoI standby credit facility (Nu.6,000 million) and overdraft facility from SBI and PNB availed by RMA to tide over the Rupee shortage.

CHAPTER II

PAST MACROECONOMIC PERFORMANCE

2.1 Gross domestic product (GDP)

As per National Statistics Bureau (NSB), the real GDP growth for FY 2011-12 was 8.6%. The main driver of economic growth was the expansion of the electricity sector which accounted for 17.6% of GDP followed by construction sector with 13.5%. In terms of sectoral growth, the primary sector (agriculture, livestock and forestry) registered a growth of 1.7%, secondary sector (industry) at 7.3% and tertiary sector (service) at 11.8%.

2.2 Employment

As per the *Labour Force Survey Report*, the unemployment rate in 2012 was estimated at 2.1% as compared to 3.1% in 2011. The youth unemployment was 7.3% as compared to 9.2% in 2011.

2.3 Balance of payments

The current account deficit improved slightly from 23.5% of GDP in FY 2010-11 to 19.3% of GDP in FY 2011-12. With regard to trade, export of goods decreased slightly from Nu.30.160 billion in FY 2010-11 to Nu.29.890 billion in FY 2011-12 representing a 0.9% decrease. Import of goods increased slightly by 0.3% from Nu.53.705 billion in FY 2010-11 to Nu.53.876 billion in FY 2011-12. As a result, the trade deficit increased by 1.9% from the previous year.

2.4 Foreign exchange reserve

In FY 2011-12, the total gross international reserve was US \$ 770 million compared to US \$ 906 million in FY 2010-11. The decrease in convertible currency (CC) reserve was due to the exchange of US \$ 200 million for Indian rupees in December 2011.

2.5 Debt & debt service

The total Government debt outstanding (*internal and external debt*) on 30th June 2012 was estimated at Nu.62,813.105 million, which was about 68.8% of GDP. The growth in debt stock was about 29% mainly from disbursements for hydropower projects. Of the total Government debt stock, external debt accounted for about 98%, while the remaining 2% was on account of internal debt. Rupee debt accounted for about 53% of the total external debt. Debt service as a percentage of exports of goods and services was 12.9%.

2.6 Exchange rate

During the FY 2011-12, the exchange rate was Nu.50.27 per US\$ (fiscal year average). The Ngultrum depreciated by 10.9% from that of the previous year.

2.7 Prices

At the end of FY 2011-12, the annual inflation was recorded at 13.5%. The prices of food items increased by 18.7% while that of non-food items increased by 10.7%.

2.8 Banking and the financial sector

2.8.1 Credit

The total credit of the financial sector was Nu.51.305 billion by the end of FY 2011-12. Of the total credit, banking credit was about Nu.45.442 billion mainly on account of private sector credit (*94.5% of the total credit*). In terms of credit composition, building and construction sector remained highest at 26.5% of the total credit. This was followed by personal loans amounting to Nu.8.334 billion which was about 16.2% of the total credit.

2.8.2 Non-performing loans

The total non-performing loans (NPL) of financial institutions was Nu.4.014 billion by the end of June, 2012. It increased by Nu.555 million from the previous FY 2010-11. However, the NPL ratio improved to 7.8% in FY 2011-

12 from 8.5% in FY 2010-11. Manufacturing/industry was the single largest sector with the highest NPL.

CHAPTER III

REVISED BUDGET ESTIMATES OF FY 2012-13

Hon'ble Speaker, as required by the Public Finance Act, I am now presenting the revised budget of FY 2012-13.

The FY 2012-13 was the last year of the 10th FYP. It started with an estimated budget of Nu.38,044.196 million. The fiscal deficit was projected at 1.6% of GDP and the resource gap at 0.7% of GDP. During the year, the budget was revised to Nu.43,781.222 million. There was a net increase of Nu.5,737.026 million, which was mostly due to incorporation of donor funded programs.

With the above revisions, fiscal balance and resource gap as of 30th June, 2013 was estimated at 0.9% and 0.2% of GDP respectively as shown in Table 3.1 below:

Table 3.1: Revised Budget Estimate for FY 2012-13

SOURCES OF FINANCE	Approved Budget	<i>Nu. in millions</i> Revised 30th June, 2013
TOTAL RESOURCES	31,891.042	37,648.230
I. DOMESTIC REVENUE	21,157.457	21,183.512
i. Tax	15,282.381	15,561.751
ii. Non-Tax	5,875.076	5,621.761
II. OTHER RECEIPTS	42.344	78.582
III. ADJUSTMENT OF PREVIOUS YEAR'S ADVANCE		
Adjustment of prior year advances	-	587.527
IV. GRANTS	10,691.241	15,798.609
i. Program Grants	2,075.725	3,202.378
a) GoI	1,400.000	1,400.000
b) others	675.725	1,802.378
ii. Project-tied Grants	8,615.516	12,596.231
a) GoI	6,104.326	9,097.023
b) Others	2,511.190	3,499.208
OUTLAY	33,486.239	38,604.393
I.Total Expenditure	34,515.549	39,343.353

<i>Nu. in millions</i>		
SOURCES OF FINANCE	Approved Budget	Revised 30th June, 2013
i. Current Expenditure	18,262.630	18,626.065
ii. Capital Expenditure	16,252.919	20,717.288
II. Net Lending	-1,029.310	-738.960
OVERALL BALANCE	-1,595.197	-956.163
FINANCING	1,595.197	956.163
i. Project tied Borrowings	1,708.781	1,812.503
ii. Program Borrowings	1,735.000	2,010.669
Less Repayment	2,343.712	2,903.394
iii. Internal Borrowing (T Bills)	-	12,892.706
Less Repayment	175.300	13,067.759
iv. Resource Gap (Change in Cash Balances)	670.431	211.438
<i>Fiscal balance % of GDP</i>	<i>1.56%</i>	<i>0.94%</i>
<i>Resource gap % of GDP</i>	<i>0.65%</i>	<i>0.21%</i>

The details of the revised budget are as follows:

3.1 Expenditure

3.1.1 Current expenditure

The current expenditure estimate increased by 2% from the original estimates of Nu.18,262.630 million to Nu.18,626.065 million.

3.1.2 Capital expenditure

The capital expenditure increased by 27% from the original estimates of Nu.16,252.919 million to Nu.20,717.288 million.

The detail of the supplementary incorporation is submitted as part of the **Supplementary Budget Appropriation Bill for FY 2012-13** for kind consideration by the House.

3.2 Domestic revenue estimates

The revised revenue for the FY 2012-13 was estimated at Nu.21,183.512 million with an increase of 0.1% from the original estimates. Tax revenue

was estimated to increase by 1.8% from the original estimates, mostly from corporate taxes and tourism royalty. The revised revenue estimates are presented in Table 3.2 below.

Table 3.2: Revised Revenue Summary for FY 2012-13

		FY 2012-13		<i>Nu. in millions</i>
Sources	Original	Revised	% Change	
A	Tax Revenue	15,282.380	15,561.751	1.8
I	Direct Tax	9,387.260	9,531.411	1.5
1	Corporate Income Tax	5,089.070	5,346.071	5.1
2	Business Income Tax	1,489.410	1,434.910	-3.7
3	Personal Income Tax	1,097.840	1,030.530	-6.1
4	Other Direct Tax Revenue	1,710.950	1,719.910	0.5
II	Indirect Tax	5,895.120	6,030.340	2.3
1	Sales Tax	2,022.750	2,022.750	0.0
2	Excise Duty	3,488.060	3,617.630	3.7
3	Customs Duty	363.099	363.099	0.0
4	Green Tax	-	3.523	
5	Other Indirect Tax Revenue	21.213	23.336	10
B	Non -Tax Revenue	5,875.080	5,621.761	-4.3
1	Administrative fees & charges	351.913	353.591	0.5
2	Capital Revenue	125.227	111.129	-11.3
3	Revenue from Government Departments	317.947	334.865	5.3
4	Dividend	3,009.995	3,024.100	0.5
5	Net Surplus Transfer	200.000	-	-100.0
6	Other Non-Tax Revenue	25.062	50.254	100.5
7	Interest on loan from Corporations	1,844.930	1,747.822	0.00
Total Revenue (A+B)		21,157.457	21,183.512	0.1

3.3 External grants

3.3.1 Program grant

The program grant increased by more than 54% from the original estimates of Nu.2,075.725 million to Nu.3,202.378 million. The increase was due to receipt of Nu.1,126.653 million from the Asian Development Bank. Program grant from GoI was projected at Nu.1,400 million, out of which, Nu.1,050 million only was received during the year.

3.3.2 Project grants

Total project grants estimated was Nu.12,596.231 million, of which, GoI assistance on account of PTA and SDP was Nu.9,097.023 million.

3.4 Other receipts

Other receipts increased from Nu.42.344 million to Nu.78.582 million.

3.5 Borrowings

The external project-tied borrowings for FY 2012-13 increased by 6.07% i.e. from Nu.1,708.781 million to Nu.1,812.503 million. Under program borrowing, total disbursement during the year was Nu.2,010.669 million against the budgeted program borrowing of Nu.1,735 million. Major disbursements included soft loans of Nu.1,847.400 million from the World Bank under the Development Policy Credit II and Nu.167.269 million for SASEC Trade Facilitation Program from the ADB.

3.6 Debt and debt servicing

External debt outstanding on 30th June 2013 was estimated at Nu.95,482.566 million which is about 93.5% of the estimated GDP. The debt stock increased by about 55% on account of disbursements for the 3 hydro power projects and the inclusion of project loan for DCCL, GoI standby credit facility and currency swap arrangement in the external debt stock starting from FY 2012-13. The proceeds of the GoI credit line and the currency swap arrangement

was received by RMA to meet the Rupee requirement for balance of payments transactions. The debt stock excluded the overdraft availed by RMA from Indian commercial banks (SBI and PNB) to meet the Rupee requirement. Hydropower debt constituted about 57% of the total external debt while the balance 43% was on account of loans availed for other socio-economic development projects and balance of payments support.

The total external debt service (*i.e. principal plus interest*) was estimated at Nu.6,309.209 million. Of this, external debt service on account of budget is estimated at Nu.5,359.512 million. The debt service ratio was estimated at 14.6%.

The domestic debt stock stood at Nu.525.907 million which was availed for purchase of aircraft in 2005.

As the Government consolidated fund position was negative most of the time during the year, MoF resorted to issuance of T-bills amounting to Nu.12.893 billion and availed overdraft from RMA and BoB for the purpose of ensuring timely implementation of projects. Interest expenses on account of overdraft (Nu.54.46 million) and T-bills (Nu.93.16 million) amounted to Nu.147.62 million. Although the T-bills were fully redeemed during the FY, the overdraft amount of Nu.5.816 billion was carried forward.

3.7 Foreign exchange reserve

As of 30th June 2013, the convertible currency (CC) reserve was estimated at US\$ 743.788 million while the Rupee balance was Rs. 11,352.235 million. Taking advantage of the favourable Rupee-dollar exchange rate, the RMA exchanged US\$ 200 million for rupees on 28th June 2013 to liquidate the expensive short term borrowings from Indian commercial banks.

CHAPTER IV

BUDGET ESTIMATES FOR THE FY 2013-14

Hon'ble Speaker, I now have the honour and privilege to present before this august house the budget for the FY 2013-14. Being the first budget of the new Government, this budget is of great significance for laying down the sound foundation to achieve the hopes and aspirations of the people. However, it is equally important to ensure that the budget is formulated based on the resource envelope in line with the priorities of the 11th FYP, being mindful of its impact on other key aspects of the economy such as the balance of payments, inflation and debt burden. Therefore, as a key fiscal policy initiative, the Government will pursue fiscal consolidation by enhancing revenue, curtailing wasteful recurrent and non-priority development expenditure.

In spite of the high level of economic growth, Bhutan still faces many challenges, such as, poverty, unemployment, rural-urban migration, narrow revenue base, widening current account deficit, Indian Rupee shortage and liquidity crunch.

Hon'ble Speaker, budget has been provided for spillover works and important capital works such as rural water supply, schools, hospitals, improving the existing infrastructure, etc. which are ready for implementation. It will be revised as and when more resources are mobilized. The budget includes an annual grant of Nu.2.00 million to every Gewog (total of Nu.410 million), which they will be authorized to use for development and other activities in the Gewog for the benefit of the people. Hon'ble Speaker, in keeping with the provisions of the Constitution and Public Finance Act, the budget for the FY 2013-14 has been framed within the following broad budget policies:

Expenditure rationalization

- Being the first year of the 11th FYP, priority is accorded for preparatory

works of capital investments such as feasibility studies, survey, design and drawing, environment clearance, etc.;

- Budget provided for the new capital works are only with the completed preparatory works and those ready for implementation;
- Operating expenditures such as travel, supplies and materials, entertainment budget, etc. are kept at the previous year's budget levels;
- Minimum budget for non-development capital expenditure such as furniture, computer and office equipment provided except for new establishments and schools;
- Priority for completion of spillover works from 10th FYP and provision of standard facilities for Gewogs;
- No budget for vehicles except for ambulances and other critically required utility vehicles;
- Ex-country travel budget provided only for mandatory meetings, conferences and seminars as per bilateral and multi-lateral agreements;
- Subsidy provided to agencies with social mandate for capital works and to cover the revenue deficit.

Sustainable fiscal balance

- Domestic revenue, besides covering recurrent expenditure fully, to finance at least 15% of capital expenditure;
- Contain fiscal deficit below 5% of GDP with a target to achieve an average of 3% of GDP during the plan period.

Sustainable resource gap

- Avail external borrowings only for socially productive, economically gainful and commercially viable projects;
- External borrowings not to be used for purchase of vehicles, trainings, study visits, road shows, etc.;
- Limit Government domestic borrowings to avoid crowding out of private sector credit;
- Implementation of externally financed projects to commence only upon

receipt of funds from the donors;

- To avoid the past examples of cost over runs, realistic estimation of project costs to be prepared and fund commitment and release obtained prior to implementation;
- Changes in scope of works to be permitted only after careful technical analysis and confirmation of resources and not based on ad-hoc decisions.

The budget estimates for the FY 2013-14 is presented below in Table 4.1

Table 4.1: Budget Summary for FY 2013-14

<i>Nu. in millions</i>		
SOURCES OF FINANCE	Budget Estimates	% of Total
TOTAL RESOURCES	29,982.834	100.00%
I. DOMESTIC REVENUE	21,860.885	72.91%
i. Tax	15,324.769	51.11%
ii. Non-Tax	6,536.116	21.80%
II. OTHER RECEIPTS	12.436	0.04%
III. GRANTS	8,109.513	27.05%
i. Program Grants	1,975.000	6.59%
a) GoI	1,700.000	5.67%
b) Others	275.000	0.92%
ii. Project-tied Grants	6,134.513	20.46%
a) GoI	3,632.339	12.11%
b) Others	2,502.174	8.35%
OUTLAY	34,215.836	100.00%
I. Total Expenditure	36,113.865	105.55%
i. Current Expenditure	19,160.114	56.00%
ii. Capital Expenditure	16,953.751	49.55%
II. Net Lending	-1,898.029	-5.55%
OVERALL BALANCE	-4,233.002	
FINANCING	4,233.002	
i. Project-tied Borrowings	1,597.938	
ii. Program Borrowings (ADB \$19.430 m)	1,068.650	
Less External Repayment	2,582.799	
iii. Internal Borrowing	-	
Less Repayment	175.303	

		<i>Nu. in millions</i>	
SOURCES OF FINANCE	Budget Estimates	% of Total	
iv. Resource Gap (Change in Cash Balances)	4,324.516		
GDP	113,892.939		
<i>Fiscal balance % of GDP</i>	3.7%		
<i>Resource gap % of GDP</i>	3.8%		

4.1 Resources

The total resource for the FY 2013-14 is estimated at Nu.29,982.834 million comprising of domestic revenue of Nu.21,860.885 million, and other external grants of Nu.8,109.513 million as presented in Table 4.1 above. The details are as follows:

4.1.1 Domestic revenue

The domestic revenue is estimated at Nu.21,860.885 million, which is about 3.3% more than that of the previous year. Of the total revenue, Nu.15,324.769 million is on account of tax revenue and the balance of Nu.6,536.116 million is non-tax revenue. The tax revenue to GDP ratio is 13.5%.

While tax revenue is estimated to be at least at the same level of previous year, indirect tax is expected to be lower by 17.4% due to receipt of only one import year's claim for excise duty refund unlike the previous fiscal years where claims were received for two import years.

The revenue estimate is shown below in Table 4.2.

Table 4.2: Domestic Revenue Estimate for the FY 2013-14

		<i>Nu. in millions</i>	
Sl. No.	Sources	Amount	% of Total
A	Tax Revenue	15,324.769	70.1
I	Direct Tax	10,342.017	47.3
1	Corporate Income Tax	5,644.271	25.8
2	Business Income Tax	1,609.790	7.4
3	Personal Income Tax	1,160.557	5.3

<i>Nu. in millions</i>			
Sl. No.	Sources	Amount	% of Total
4	Other Direct Tax Revenue	1,927.399	8.8
II	Indirect Tax	4,982.752	22.8
1	Sales Tax	2,225.022	10.2
2	Excise Duty	2,322.865	10.6
3	Customs Duty	406.671	1.9
4	Green Tax	3.691	0.0
5	Other Indirect Tax Revenue	24.503	0.1
B	Non -Tax Revenue	6,536.116	29.9
1	Administrative fees & charges	437.789	2.0
2	Capital Revenue	137.593	0.6
3	Revenue from Govt. Depts.	390.832	1.8
4	Dividend	3117.787	14.3
5	Net Surplus Transfer	0.000	0.0
6	Other Non-Tax Revenue	56.491	0.3
7	Interest on loan from corp.	2395.625	11.0
Total Revenue (A+B)		21,860.885	100.0

4.1.2 Grants

The total external grant estimated is Nu.8,109.513 million which will cover about 48% of the capital expenditure. The estimated grant is based on 11th FYP requests made to GoI in the recent plan talks between the two countries. Since the capital expenditure is mostly financed from external sources, any new grants mobilized and secured during the year will be incorporated in the budget.

The GoI has been the largest development partner from the very beginning of our development plans and in view of the special relationship, GoI has agreed for the continued support during the 11th FYP as well. In this regard, I am pleased to report that during the recent official visit of our Hon'ble Prime Minister to India, the GoI has generously committed Rs. 45 billion for the 11th FYP. As agreed during the last plan talks with regard to the funding modalities of the Project Tied Assistance (PTA) grant, RGoB will co-finance 10% of the total projects cost under PTA for new infrastructure projects. For

this purpose, Nu.300 m has been budgeted but the actual requirement will be known after finalization of the total costs of the projects under the PTA category.

4.2 Expenditure outlay

The total expenditure outlay for the FY 2013-14 is estimated at Nu.34,215.836 million. Out of the total expenditure outlay, 56% constitutes recurrent expenditure and 49% is capital expenditure.

4.2.1 Current expenditure

The current expenditure for the FY 2013-14 is estimated at Nu.19,160.114 million which is an increase of about 5% from the FY 2012-13. Salary and wages account for 43% of the total recurrent expenditure and 36% of the total domestic revenue. The maintenance costs of the public infrastructure developed over the past years, establishment of new departments/divisions and provisions of stipend for boarding schools with the gradual phasing out of the WFP support, have contributed to the increase.

The current expenditure includes *interest payment* of Nu.2,124.859 million, out of which Nu.1,934.398 million (91%) is for external loans and 68% is for GoI hydropower loans. Interest payment for domestic loan includes Nu.28.925 million for Drukair loan and Nu.17.500 million for the issuance of T-bills and others. The statement of interest payment for the FY 2013-14 is presented below in Table 4.3.

Table 4.3: Statement of interest payments for the FY 2013-14

<i>Nu. in millions</i>		
Sl. No.	Lender	Interest
1	GoI (Tala HP – Nu.1,243.714 million and KHPC – Nu.201.694 million)	1,445.408
	Austria (BHPC, DHPC and RE)	202.221
2	JICA (Rural electrification)	2.875
3	IFAD	16.358
4	World Bank	105.546
5	ADB	161.990
6	<i>Total external interest payment</i>	<i>1,934.398</i>
	<i>Total internal interest payment</i>	<i>190.461</i>
	Grant Total	2,124.859

Subsidies to individuals, non-profit organizations, a few state owned enterprises (SoEs) and others is estimated at Nu.1,622.945 million, of which current subsidy is Nu.880.298 million, and capital subsidy is Nu.742.647 million.

For meeting the revenue deficit, **current subsidy** is provided to the University of Medical Sciences, Royal University of Bhutan, Thromdeys of Thimphu, Gelephu, and Samdrup Jongkhar. Other agencies receiving current subsidy includes Drukair (for interest payment), BBS, BCCI, Bhutan Post (for city bus services) and NHDCL (rent for quarters occupied by senior officials entitled for rent free accommodation). The subsidy is also provided for rural house insurance scheme premium through the RICBL.

Capital subsidies are provided to the Thromdeys for improvement works of urban roads, water supply and sewerage systems, etc., renovation and improvement of Government quarters in Dzongkhags by NHDCL and to BBS for transmission equipment and others.

Besides the above, Nu.306.177 million is provided for the continuation of ancillary infrastructure development, such as approach road, telecommunications, water supply and bridge for the Education City.

The detail of subsidies is presented below in the table 4.4.

Table 4.4: Details of subsidies

Nu. in millions

Sl. No	Name of Activity	Current	Capital	Total
1	Rural House Insurance Scheme, RICBL		45.600	45.600
2	BBS	82.000	71.940	153.940
3	BCCI Secretariat	6.000		6.000
4	Wood Craft Centre	1.800		1.800
5	City Bus Services (Bhutan Post)	16.000		16.000
6	Drukair for interest payment	84.713		84.713
7	Thimphu Thromdey	41.531	111.35	152.881
8	Phuentsholing Thromdey		93.580	93.580
9	Samdrup Jongkhar Thromdey	24.000	58.700	82.700
10	Gelephu Thromdey	21.000	33.500	54.500
11	Royal University of Bhutan	529.098		529.098
12	University of Medical Science of Bhutan	37.856		37.856
13	NHDCL for renovation of Govt. quarters	1.300	14.000	15.300
14	Support to National Sports Federations	35.000		35.000
15	Support to Bhutan Indigenous Games & Sports Associations		2.800	2.800
16	Education City Project		306.177	306.177

4.2.2 Capital expenditure

For FY 2013-14, the capital expenditure is estimated at Nu.16,953.751 million which accounts for about 50% of the total outlay. Based on the resource envelope, the capital expenditure has been maintained at last year's approved budget level.

4.2.3 Net lending

During the FY, lending to corporations is estimated at Nu.656.189 million, of which Nu.556.189 million will be on-lent to BPC for rural electrification

projects (ADB, Austria, and JICA). The Government will provide the balance interest free loan of Nu.100 million to NHDCL for continuation of construction of low income housing in various Dzongkhags.

The recoveries from on-lending to corporations is estimated at Nu.2,554.218 million of which 86.2% is from Tala and Kurichhu hydropower projects. Since on-lending is less than the recoveries, there is a negative net lending of Nu.1,898.029 million as shown in Table 4.5 below:

Table 4.5: Net lending projections for FY 2013-14

		Amount	
I	On-lending	Lender	<i>(Nu.in millions)</i>
1	Rural electrification IV – BPC	ADB	0.600
2	Rural electrification V – BPC	ADB	3.000
3	Rural electrification - BPC	Austria	240.329
4	Rural electrification Project (RE - I) BPC	JICA	55.000
5	Rural electrification Project (RE - II) BPC	JICA	257.260
6	Construction of low income housing (NHDCL)	RGoB	100.000
Total on-lending (A)			656.189
II Recoveries – external			
1	KHPC	GoI	186.667
2	THPA	GoI	2,013.887
3	BDFC loan BHU - 934 /1566/0088-89/512/409	ADB/IFAD/ KFAED	30.599
4	BPC - rural electrification – I/II/III	ADB	44.857
5	Dagachhu hydropower project (2463 - BHU OCR)	ADB	13.236
6	Basochhu hydropower project (upper & lower stage)	Austria	145.325
7	Rural telecommunication - 1674	Denmark	85.836
III Recoveries – domestic			
1	Purchase of aircraft for Drukair	RGoB	33.811
Total recoveries (external + domestic) (B)			2,554.218
IV	Net lending (A - B)		(1,898.029)

4.3 Financing

4.3.1 External borrowing

External loan disbursement (program and project-tied) during the FY 2013-14 is estimated at Nu.2,666.588 million out of which Nu.1,597.938 million is on account of project-tied borrowings. About 38% of the disbursement amounting to Nu.1,068.650 million is expected from ADB under Strengthening Economic Management Program (US\$ 14.19 million) and SASEC Trade Facilitation Program (US \$ 5.24 million).

The details of external borrowing are presented in Table 4.6 below.

Table 4.6: External Borrowings during FY 2013-14

<i>Nu. in millions</i>				
Sl. No.	Lender	Program borrowing	Project-tied borrowing	Total
1	ADB	1,068.650	542.806	1,611.456
2	IFAD		133.479	133.479
3	JICA		312.260	312.260
4	World Bank		369.064	369.064
5	Government of Austria		240.329	240.329
	TOTAL	1,068.650	1,597.938	2,666.588

4.3.2 Internal borrowing

If the programs and activities are implemented as planned and budgeted during the FY, then the resource gap of Nu.4,324.516 million will have to be mobilized from the domestic market. For cash flow management, Treasury bills (T-bills) will be issued on a regular basis which will be redeemed based on the Government fund position. In order to finance infrastructure works such as housing projects, possibilities of issuing government bonds will be considered. To ensure that private sector credit is not crowded out, internal borrowing by the Government will be kept minimal.

4.3.3 Debt servicing (principal repayments)

The total principal repayment is estimated to be Nu.2,758.102 million, of which Nu.2,582.799 million (93.6 %) is on account of external loans and the balance of Nu.175.303 million is for domestic loan. The GoI hydropower loans constitute about 55.4% of the total principal repayment.

The details of the principal loan repayment by lenders are presented in Table 4.7 below.

Table 4.7: Statement of principal repayments for the FY 2013-14

<i>Nu. in millions</i>		
SL. No.	Lender	Amount
1	Asian Development Bank	302.180
2	Austria	475.235
3	Denmark	96.959
4	GoI (Tala HP – Nu.1,342.591 million and KHPC – Nu.186.666 million)	1,529.257
5	International Fund for Agriculture Development	43.130
6	World Bank	136.038
	Total external principal repayment	2,582.799
	Total internal principal repayment	175.303
	Grand Total	2,758.102

4.4 Sector allocations

The sector allocation for FY 2013-14 is given in the Table 4.8 below.

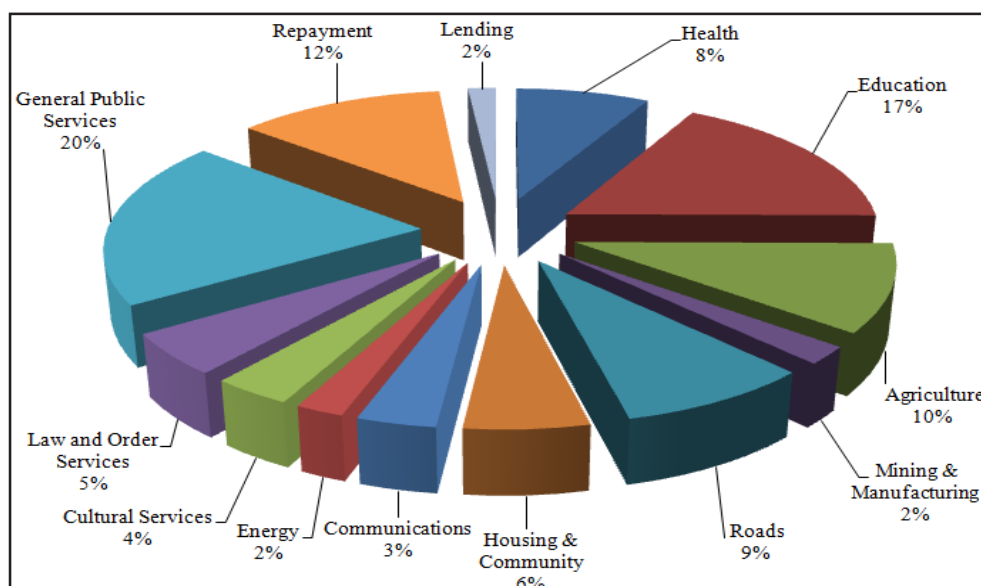
Table 4.8: Sector allocation for the FY 2013-14

<i>Nu. in millions</i>				
Sectors	Current	Capital	Total	Percent
Social Services	6,675.021	3,255.730	9,930.751	25%
Health	1,977.015	1,162.416	3,139.431	8%
Education	4,698.006	2,093.314	6,791.320	17%
Economic and Public Services	3,699.833	9,075.099	12,774.932	32%
Agriculture	1,969.900	2,162.145	4,132.045	10%

Sectors	Nu. in millions			
	Current	Capital	Total	Percent
Mining & Manufacturing	458.498	379.152	837.650	2%
Roads	325.407	3,088.154	3,413.561	9%
Housing & Community	492.514	1,674.783	2,167.297	6%
Communications	379.955	1,003.160	1,383.115	3%
Energy	73.559	767.705	841.264	2%
Cultural Services	628.619	757.003	1,385.622	4%
Law and Order Services	1,582.005	396.921	1,978.926	5%
General Public Services	4,449.777	3,468.998	7,918.775	20%
National Debt Services	2,124.859	3,414.291	5,539.150	14%
Repayment	2,124.859	2,758.102	4,882.961	12%
Lending	0.000	656.189	656.189	2%
Total	19,160.114	20,368.042	39,528.156	100%

The sectoral allocation is also presented in the Figure 4.1 below.

Figure 4.1: Sector Allocation in FY 2013-14



4.4.1 Health

The health sector is allocated a budget of Nu.3,139.431 million for delivering efficient and effective healthcare services. Major activities include replacement

of old and unserviceable ambulances (Nu.35 million), HRD (Nu.47.427 million) and health infrastructure. The drawing and design of UMSB infrastructure will be completed during the FY with the budget of Nu.60 million. The health sector will be strengthened with the two new Departments (Department of Traditional Medicine and Department of Medical Supplies & Health Infrastructure) becoming functional. To ensure access to safe and reliable source of drinking water, 136 new RWSS will be constructed, 216 RWSS will be rehabilitated and 58 water sources will be protected with a budget of Nu.128.490 million.

The major activities under the health sector are as shown in Table 4.9.

Table 4.9: Major areas of expenditure under health sector

<i>Nu. in millions</i>			
Sl. No.	Sub-Activities	Amount	Funding
1	Long term HRD programs for doctors, nurses and technologists	54.979	RGoB
2	B.Sc Nursing, Basic Health Worker (BHW) up-gradation and Bachelors in Public Health at RIHS	19.448	RGoB/WHO
3	Procurement of hospital equipment and instruments	85.500	RGoB
4	Train HWs on Mother & Child Health (MCH) handbook in 20 districts	13.750	UNICEF
5	Maintenance and procurement of spare parts and accessories for medical equipment.	18.820	RGoB
6	Construction of 3 storied for Vaccine Preventable Disease Program (VPDP) Office, Gelephu	10.000	RGoB
7	Construction of hospitals (Haa & Tsirang)	40.000	RGoB
8	Construction of Therapy Unit, Kawajangsa (spillover)	41.206	RGoB
9	Construction of Medical Supply Depot, P/Ling (spillover)	22.670	RGoB
10	Construction of Public Health Laboratory, Serbithang (spillover)	54.000	GoI
11	Construction of Regional Hospital , Gelephu & Samtse (spillover)	177.000	GoI
12	Infrastructure maintenance, purchase of equipment, furniture and professional services (UMSB)	146.300	GoI
13	Construction of academic block and hostels, NITM (spillover)	11.672	GoI
14	Construction of BHUs (Khatekha, Dungna at Chukha & Thinlaygang - Punakha) spillover	47.205	RGoB
15	Reconstruction of Daga BHU I, Dagana (spillover)	3.320	RGoB

4.4.2 Education

The education sector with a budget of Nu.6,791.320 million accounting for 17% of the total budget receives the highest sector allocation. While the expansion of educational infrastructures will be continued, the Government will also consider consolidating some of the schools for making best use of the existing infrastructures.

During the FY, about 951 scholarships will be provided to pursue higher education both within and outside Bhutan (Nu.384.369 million including Nu.11.647 million for the Queen's Endowment for Cultural Studies).

To achieve education for all, stipend has been provided in rural and semi-urban schools in lieu of WFP food program, which is planned to be phased out by 2019. For the schools where WFP program will be withdrawn during the FY, Nu.75.969 million is provided as stipend.

A budget of Nu.37.175 million has been kept to revise the curriculum, Nu.78.830 million for assessment of the education system and Nu.20.000 million to enhance internet connectivity in primary schools and procurement of computers for all schools. In addition, Nu.19.268 million has been kept for establishing integrated special education centers to meet the special needs of those with learning impediments. Non-formal education will continue to receive emphasis in order to increase adult literacy from 53% to 80% for which Nu.80.673 million is kept.

The education sector includes budget provided for Royal Education Council (REC) (Nu.60.667 million), Royal University of Bhutan (Nu.529.098 million) and Royal Institute of Management (Nu.134.131 million). Budget allocated for REC includes establishment of Centenary Institute of Education at Yonphula (Nu.16.322 million) and construction of Multipurpose Students' Resource Center and for Masters Program in Public Administration/Management at

RIM (Nu.36.760 million).

The major capital works in the education sector is given below in table 4.10.

Table 4.10: Major capital works in the education sector

<i>Nu.in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Undergraduate scholarship (existing/projected)	384.369	RGoB/GoI
2	Construction of schools (Sarpang LSS, Minjey MSS-Lhuntse, Kuenzalling MSS-Trashi Yangtse, Yelchen MSS-Pema Gatshel, Thrimshing MSS-Trashigang) (spillover)	70.000	GoI
3	Teachers training on roll out in the cluster on educating for GNH by ToTs in 11 Dzongkhags	6.400	UNICEF
4	Construction of hostel at Bara LSS, Samtse	5.000	WFP
5	Supply of computers to schools	15.000	RGoB
6	Internet connectivity to larger Primary Schools	5.000	RGoB
7	Scout centre construction at Paro	16.723	RGoB
8	Major renovation of ILCS hostels taken over by RIM, maintenance of sewerage of RIM hostels and internal road maintenance.	12.250	RGoB
9	Twining and networking, MPA/MM & MBA program support, RIM	14.100	AUSAID
10	Construction of Multipurpose Students' Resource Center, RIM (spill over)	34.737	GoI
11	Library building stair case and creation of rooms (including electrification), RUB, CST.	7.000	RGoB
12	Lecturers on deputation under Colombo Plan, RUB	6.982	RGoB/GoI
13	Expansion of Jungzhina PS, Thimphu (spill over)	10.013	RGoB
14	Expansion of the Zilnon Namgyeling PS, Lungtenphu, Thimphu	10.000	RGoB
15	Construction of science lab & 8 Class room block at Zilukha LSS, Thimphu (spill over)	18.930	GoI
16	Infrastructure development in various schools in Dzongkhags	840.262	RGoB

4.4.3 Renewable natural resources (RNR)

RNR sector is allocated 10% of total budget amounting to Nu.4,132.045 million. Of the total allocation, Nu.1,550.397 million is for programs and activities implemented by Dzongkhags and Gewogs. The improvement and construction of new farm roads continues to receive high priority with a budget of Nu.932.734 million, representing 22% of the RNR sector budget.

The RNR sector budget includes Nu.69.480 million for procurement of agricultural machineries to be provided to farmers on hire at subsidized rates. To boost production of winter crops and vegetables for domestic consumption, Nu.16 million has been allocated for minimum price support and Nu.25 million for farmers' training.

The major capital works under RNR sector is given below in table 4.11

Table 4.11: Major capital works in the agriculture sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of market sheds/collection shed/one stop farmers shop at Dzongkhags	23.223	IDA/EU/IFAD/ HELVE-TAS/RGoB
2	Construction of animal sheds & stores at Dzongkhags & Gewogs	6.124	IDA Loan
3	Livestock parent stocks at various farms, Department of Livestock	18.790	IDA Loan/RGoB
4	Construction of Milk Collection, Processing and Dairy Sales Centers for dairy development, marketing, support to farmers and procurement of dairy cows and heifers to be supplied to farmers	20.536	RGoB
5	Infrastructure development for increased production/ support to farmers for piggery development (farrowing pens, nursing pens, rearing pens, dry sow and boar pen, replacement pens and water supply & electrification works)	14.000	RGoB
6	Support to farmers for Construction of fishery ponds at fish farming dzongkhags, construction of fish ponds and natural pathways at Gelephu & Haa Cold Water Fish Center	7.000	RGoB
7	Supply of material for construction of green house on cost sharing basis, Southern Dzongkhags	5.000	RGoB
8	Supply of irrigation/water supply materials for southern Dzongkhags	5.000	RGoB
9	Rice production and commercialization (S/Jongkhar, Sarpang, Samtse, Punakha, Wangdue and Dagana)	20.500	EU Grant
10	Farm Mechanization at rice cultivating Dzongkhags	31.000	EU Grant
11	Construction of household level potato seed and maize storage facilities, Dzongkhags	6.360	RGoB

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
12	Construction of food processing plant/cold storage at Gyalpoizhing	12.483	SDF
13	Minimum vegetable support price for commercial farmers	16.000	RGoB
14	Support for business plan and development of registered farmers' & cooperatives' groups	5.600	RGoB/EU/HELVETAS
15	Support for construction of packaging house at Dzongkhags, Dept of Agricultural Marketing and Cooperatives	5.125	RGoB/IFAD
16	Provision of farmers' training on RNR sectors for Dzongkhags and Gewogs	25.000	RGoB
17	Construction of farm roads at Gewogs and Dzongkhags	633.596	RGoB/IDA/ADB /IFAD
18	Farm road improvement at Gewogs and Dzongkhags	299.138	RGoB/IFAD
19	Renovation, maintenance and improvement of existing irrigation channels at Gewogs and Dzongkhags	72.176	RGoB/IDA/IFAD
20	Construction of new irrigation channels at Gewog and Dzongkhags	52.001	RGoB/IFAD
21	Construction of Veterinary Hospital at Phuentsholing	10.000	GOI
22	Re-location of Brown Swiss Cattle farm, Bumthang	10.242	RGoB
23	Construction of solar and electric fencing, Southern Dzongkhags	10.000	WB
24	Construction of plants and animals quarantine station at Nganglam	5.000	RGoB
25	Implementation of National Bio-safety Program	13.169	GEF

4.4.4 Trade, industry and private sector development

In this sector, priority has been accorded for development of micro, small and medium enterprises (SMEs) and indigenous crafts for stimulating economic growth, employment creation and revenue generation. For this, a budget of Nu.837.650 million has been allocated, out of which, Nu.18.50 million is for promotion of indigenous arts and crafts.

Development of Special Economic Zones (SEZs) at Motanga (Samdrup

Jongkhar) and Jigmeling (Sarpang) will be initiated for which Nu.70 million has been kept to develop ancillary facilities for the SEZs. The construction of solid waste disposal site at Pasakha industrial site (Nu.4.800 million) will be completed during the FY.

The major activities included in the FY 2013-14 budget are presented in Table 4.12 as below:

Table 4.12: Major capital works in the trade and industry sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Subsidy to Agency for Promotion of Indigenous Craft (APIC), Department of Cottage & Small Industry	10.500	RGoB
2	Procurement of plant and equipment for Flood Warning Station, Hydromet	5.960	GOI
3	Construction of industrial waste disposal site at Pasakha Industrial Estate (PIE), Department of Industry.	4.800	RGoB
4	Study on import substitution, Department of Industry	4.000	RGoB
5	Construction of regional office at Samtse, Department of Geology & Mines	2.100	RGoB
6	Relocation of fuel depot from Dechencholing to Thinchupangkha, Paro	10.000	RGoB
7	Development of Special Economic Zone at Motanga (S/ Jongkhar) & Jigmeling (Sarpang)	70.00	RGoB

4.4.5 Tourism

To achieve the medium term target of tourist arrivals of 200,000, the tourism sector has been accorded high priority. Accordingly, Nu.176.040 million has been allotted to continue development of tourism infrastructures and road-side amenities. Further improvement of trekking routes, campsites, promotion of unique festivals, hospitality industry and training, marketing and promotional programs will be continued.

The major tourism related activities included in the FY are highlighted in Table 4.13 below:

Table 4.13: Major capital works in the tourism sector

Nu. in millions

SL. No.	Activity	Amount	Funding
1	Construction of HTMTI training hotel	54.841	RGoB/ ACO/ ADA
2	Furnishing of HTMTI training hotel	19.470	ADA
3	Travel fairs/road shows	12.000	RGoB
4	Public relation representation	7.510	RGoB
5	Development of road side amenities at various tourist attraction sites (Taksang and Trashigang)	4.500	RGoB
6	Hospitality and tourism related trainings/workshops	2.500	RGoB

4.4.6 Vocational training and employment

Vocational training continues to be an important platform for providing gainful employment to the out of school youths. Accordingly, to develop the required skill and experience, budget has been allocated for targeted interventions, such as, Youth Pre-employment Program (Nu.5.600 million), Apprenticeship Training Program (Nu.4.200 million), University Graduates Internship Program (Nu.6.300 million) and Nursing Training Program (Nu.26.500 million) among others.

The Technical Training Institute and National Institute of Technical Education in Dekiling, Sarpang is scheduled to be completed during the FY and provide additional capacity for vocational trainings which will provide the required skills for employment.

The above initiative is a step towards achieving full youth employment.

Major capital activities under the sector are listed below in Table 4.14.

Table 4.14: Major capital works in vocational training & employment sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Advancing economic opportunities of women and girls	7.000	ADB
2	Hydropower skills training	3.125	RGoB
3	Special training programme for school leavers-support to local private training institutes	3.200	GoI
4	GNM training for the health sector	26.500	GoI
5	Furniture and office equipment for new VTI at Dolungang, Dekiling	12.500	GoI
6	Development of assessment resources and national competency standards	2.900	RGoB
7	National graduates orientation program	4.600	RGoB
8	Youth pre-employment engagement program	5.600	RGoB
9	Apprenticeship training program	4.200	RGoB
10	University Graduates Internship Programme	6.300	RGoB
11	HRD for Entrepreneurship Development	2.100	UNDP

4.4.7 Roads

Given the difficult geographical terrain, high importance has been accorded to the road sector for economic development and poverty alleviation. During the FY, Nu.3,413.561 million, or 9% of the total budget has been provided to improve the existing road networks and construct new roads. Of the total budget, Nu.1,059.924 million is for construction of primary national highways, Nu.180 million for construction of secondary national highways, Nu.35 million for construction of Dzongkhag roads and Nu.210 million for construction of bridges. The allocation also includes Nu.315.445 million for improvement, Nu.221.773 million for resurfacing and Nu.144.088 million for monsoon restoration works.

The feasibility study for road construction between Lhamoizingkha-Sarpang, Gelephu-Panbang and Samrang-Jomotshangkha has been completed and detailed survey and design will be carried out during the FY with a budget of Nu.3 million. Further, to facilitate the timely start of Kholongchhu

hydropower project, Nu.50 million has been allocated for improvement of road from Chazam to Trashhi Yangtse.

The major activities under the sector are presented in Table 4.15 below:

Table: 4.15: Major activities under the road sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of primary national highways (Manitar-Raidak Road, Manitar-Raidak Road Panbang-Nganglam Road, Samdrupcholing-Samrang Road, Nangar-Ura Road, Gyalpoishing Nganglam Road, Gomphu-Panbang Road, Tingtibi-Praling Road, Rafee-Khosla bypass Road, Samtse-P/ling Road) spillover.	1,059.924	RGoB/GoI / ADB
2	Construction of secondary national highway (Gesarling-Lhamoizingkha, Tseber-Mikuri-Durungri Road) spill over.	180.000	RGoB/ADB/ Netherland
3	Construction of Dzongkhag roads (Mamung-Digala Road - spill over), Zhemgang	35.000	GoI
4	Construction of bridges on Gyalpoishing-Nganglam Highway (Sokporong bridge, bailey bridge over Gongri – spillover).	49.500	GoI
5	Construction of bridges on Gomphu-Panbang Highway, (Nishoka Bridge, Mangdechu Bridge, Rendhigang Bridge, Pantang Bridge – spillover)	25.000	GoI
6	Bridge for Paro airport bypass road	30.000	RGoB
7	Re-construction of Dzongkhulum bridge (spill over), Trongsa	30.000	GoI
8	Amochhu bridge on Samtse-P/ling road (spill over)	60.500	RGoB
9	Bailey bridges along Kharungla-Kangpara road	15.000	RGoB
10	Improvement works on roads (including Chazam-T/Yangtse road), Tashigang	315.445	RGoB
11	Resurfacing of various roads	221.773	RGoB
12	Monsoon restoration works on various roads	144.088	RGoB
13	Feasibility study and survey of new roads on Primary National Highways, Yari-khomshar, Pephu-Shingkar and up-gradation of highway stretch from Semtokha-Wangdue	10.000	RGoB

4.4.8 Urban development, housing and public amenities

A budget of Nu.2,167.297 million is allocated to this sector for development and improvement of sustainable urban infrastructure. The allocation covers on-going capital works for Local Area Plans (LAPs) in Dechencholing,

Langjophakha, Changbangdu and Babesa under Thimphu Thromdey and infrastructure works like approach road, water supply for Phuentsholing Thromdey, Dagana Town, Khitsang (Trashhi Yangtse), Autsho (Lhuentse), Chang Debsi (Thimphu) and Denchi (Pema Gatshel). World Bank financing is being finalized for development of the Taba LAP.

The major activities under this sector are presented in table 4.16 below:

Table: 4.16: Major activities under urban development, housing and public amenities

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Dechencholing LAP, Package I & II (spillover)	69.000	World Bank
2	Langjophakha LAP-Package III (spillover)	90.000	World Bank
3	Changbangdu LAP – Package I (spillover)	109.020	RGoB/ADB
4	Construction of waste water treatment plant at Babesa.	158.070	RGoB/ADB
5	Babesa LAP (spillover)	188.430	RGoB/ADB
6	Construction of water treatment plant, Chamgang	62.817	RGoB/ADB
7	Improvement of urban infrastructures, Phuentsholing Thromdey	26.974	RGoB/ADB
8	Construction of approach road and motorable bridge over Omchhu, PhuentsholingThromdey	29.600	RGoB/ADB
9	Construction of water supply, Dagana	38.430	RGoB/ADB
10	Construction of roads and sewer networks, Dagana	8.500	RGoB/ADB
11	Roads& sewer networks at Dagana	8.500	RGoB/ADB
12	Water supply & sanitation at Zhemgang	4.000	RGoB
13	Water Supply & Sanitation at Tingtibi	4.000	RGoB
14	Construction of water supply to Autsho	10.000	RGoB
15	Infrastructure development for new town at Denchi (spillover)	3.000	RGoB
16	Construction of water supply at Khitshang, Tashi Yangtse	30.000	RGoB
17	Construction of road network and water supply at Chang Debsi, Thimphu	45.000	RGoB
18	Geological studies, survey and mapping for new townships.	10.000	RGoB

4.4.9 Communications and transport

The budget allocated for the sector is Nu.1,383.115 million. Major activities include expansion of infrastructures at four airports and improving access to ICT services in rural areas. The ICT and telecom infrastructures will be strengthened for creating knowledge based society, enhance e-governance and improve service delivery.

To meet the increasing demand for public transport and reduce traffic congestion, the city bus fleet has been increased. Presently, there are 34 city buses operating in Thimphu and 2 in Phuentsholing. For meeting the revenue deficit on account of operation and maintenance cost, Nu.16 million will be provided to Bhutan Post.

The major activities included in the budget are shown below in table 4.17:

Table 4.17: Major capital works in the communications & transport sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Re-location of fuel depot at Paro airport	17.500	RGoB
2	Infrastructure development at Paro Airport (spillover)	168.068	GoI
3	Procurement of new meteorological equipment for one international and three domestic airports	15.000	RGoB
4	Removal of obstructing hills beside runway & reshaping of runway of Yonphula airport	57.750	ADB
5	Security fencing, access road , apron taxiway & car park for Bumthang airport	32.725	ADB
6	Construction of flood protection structures, runway drainage at Gelephu airport	16.335	ADB
7	Procurement of crash fire tender vehicle for Gelephu airport	30.240	RGoB
8	Construction of bus terminal cum office at Bajothang.	6.000	RGoB
9	Renovation of office building at Phuentsholing bus terminal.	6.200	RGoB
10	Government support to CC vendors	5.600	RGoB
11	Telecom subsidy for IT Park	8.500	RGoB

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
12	Telecom subsidy for internet connectivity (CCs)	11.482	RGoB
13	Implementation of Broadband Master Plan (spillover)	34.000	GoI
14	Depreciation, operation & maintenance for national fiber optic network	42.670	RGoB
15	Compensation for nationalization of fiber optic	4.970	RGoB
16	Revamp and extend government intranet	10.000	RGoB
17	Installation of regional network (spillover)	80.000	ADB
18	Installation of village network (spillover)	32.000	ADB
19	Chiphen Rigphel Project (spillover)	205.270	GoI
20	Empowering rural communities-reaching the unreached	35.316	SDF
21	Support to media enterprises	4.000	RGoB

4.4.10 Energy

The energy sector budget is Nu.841.264 million. Major activities under the energy sector includes the preparation of DPRs for Kuri Gongri hydroelectric project, Chamkharchhu–I hydroelectric project, Wangchhu hydroelectric project, Amochhu hydro power project, pre-feasibility studies of Chamkharchhu II & III and Dangchhu, Kholongchu hydro-electric project and updating DPR of Sankosh hydro-electric project. In view of the importance attached to accelerating hydropower development, these DPRs are expected to be ready during the FY.

During the year, the Dagachhu hydropower project is scheduled for commissioning which will earn Clean Development Mechanism (CDM) benefits through the sale of carbon credits besides the electricity export proceeds.

The major activities under this sector are listed in Table 4.18 below.

Table 4.18: Major capital activities in the energy sector

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Old PFR/DPR preparation of (2640 MW) Kuri Gongri reservoir hydroelectric project (spillover)	148.617	RGoB/GoI
2	DPR for (770 MW) Chamkharchhu – I hydro-electric project (spillover)	102.035	RGoB/GoI
3	On-grid electrification of 260 off-grid households	50.000	NORAD
4	DPR preparation for (570 MW) Wangchhu hydro-electric project (spillover)	46.650	RGoB/GoI
5	DPR preparation for (540 MW) Amochhu reservoir hydroelectric project (spillover)	40.500	RGoB/GoI
6	Prefeasibility studies of Chamkharchhu II & (2882 MW) and Dangchhu (150MW) (spillover)	40.000	NORAD
7	Construction of 126 MW Dagachhu hydroelectric project (spillover)	36.959	AUSTRIAN
8	Institutional co-operation project with Norway-phase IV (spillover)	30.600	RGoB/NORAD
9	Enhancing energy security through demand side management using Compact Fluorescent lamp (CFL) and Light Emitting Diodes (LED).	25.000	NORAD
10	DPR preparation for (600 MW) Kholongchu hydro-electric project (spillover)	24.744	RGoB/GoI
11	Construction of 132kv Kangling-Phuntshothang (Bangtar) line (58km) along with associated works (spillover)	22.800	RGoB
12	Detailed survey for left out & off-grid house hold for on-grid electrification	20.000	NORAD
13	DPR updating of (2560 MW) Sankosh hydro-electric project (spillover)	17.361	RGoB/GoI
14	Detailed project report (DPR) of Khomachhu hydro-power project (363 MW) (spillover)	15.000	NORAD
15	Construction of 132kv Motanga-Phuntshothang (Bangtar) line (20km) along with associated works (spillover)	14.880	RGoB
16	DPR updating for (180MW) Bunakha hydroelectric project (spillover)	14.070	RGoB/GoI
17	Sustainable rural biomass energy project	13.808	UNDP IPF
18	Reconnaissance studies of seven HEPS [Amochu-I & II, Dhangsiri, Kholongchhu (Trashhi Yangtse), Samchhu, Pachhu and Pipingchhu]	12.068	RGoB
19	Development of Master plan for Renewable Energy	10.000	NORAD
20	Formulation of renewable energy policy implementation rules and regulation.	5.000	NORAD

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
21	Development of National Energy Efficiency Policy	5.000	NORAD
22	Procurement of plants and equipment for GLOF early warning system in the Punakha-Wangdi valley, Hydromet,	11.000	GEF
23	Reducing climate change- induced risks and vulnerabilities from GLOF in Punakha-W/phodrang and Chamkhar valley, Hydromet,	3.552	GEF

4.4.11 Cultural services

The budget for the cultural sector is Nu.1,385.622 million. Major activity includes reconstruction of Wangdue Phodrang Dzong (Nu.100 million), Lhakhang Karpo (Nu.30 million) and Yongla Goenpa (Nu.30 million). The construction of Tango Buddhist College (Nu.30 million) and Hindu Temple (Nu.15 million) will be continued, while the installation of fire hydrant and alarm systems (Nu.36.490 million) for the renovated Dzongs (Daga Dzong, Paro Dzong and Lhuentse Dzong) will be completed during the FY.

The major activities of cultural services are given in Table 4.19 below.

Table 4.19: Major capital works of culture sector

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Construction of Hindu temple (spillover)	15.000	RGoB
2	Renovation of main Ta-dzong, Paro	12.000	RGoB
3	Construction of Pemagatshel Dzong (spillover)	13.193	RGoB /GoI
4	Renovation of Dzongs (Daga Tashiyangtse, Paro, Lhuentse) - spillover.	36.490	RGoB /GoI
5	Reconstruction of Wangduephodrang Dzong	100.000	GoI
6	Re-construction of Lhakhang Karpo, Haa. (spillover)	30.000	RGoB
7	Re-construction of Jaba and Yultak Goenpas (Paro)	10.000	RGoB
8	Construction of Shapkhor at Kurjey Lhakhang, Bumthang (spillover)	7.500	RGoB
9	Construction of Kenchosum Lhakhang, Bumthang.	5.100	RGoB
10	Procurement of Kuten Sungten for Phurba Lhakhang, Trongsa.	10.000	RGoB

Nu. in millions

Sl. No.	Activities	Amount	Funding
11	Re-construction of Yongla Goenpa, P/Gatshel. (spillover)	30.000	RGoB
12	Construction of Tango Buddhist College (spillover)	30.000	GoI
13	Construction of nunnery centre at Kilikhar, Mongar (spillover)	20.000	GoI
14	Construction of Zhirim Lobdra at Punakha (spillover)	7.900	GoI
15	Construction of dining hall for Punakha Dzong (spillover)	14.000	RGoB
16	Construction of aqua-privy toilets and supply of safe drinking water in monasteries and nunneries	4.400	UNICEF
17	Other construction, restoration, renovation, maintenance and electrification of various Lhakhangs	314.461	RGoB

4.4.12 Law and order

The budget under this sector is Nu.1,978.926 million, for the Judiciary, Royal Bhutan Police and Bureau of Law and Order (MHCA) and Office of Attorney General.

4.4.12.1 Judiciary

The budget for Judiciary is presented separately in the later part of this Chapter.

4.4.12.2 Royal Bhutan Police

The budget allocated is Nu.1,342.757 representing 68% of total law and order budget. Major activities include construction of family and officers' quarters at various divisions and HRD for police personnel among others.

The major activities of law and order sector are given in Table 4.20 below.

Table 4.20: Major capital works in the law and order sector

Nu. in millions

Sl. No.	Activities	Amount	Funding
Royal Bhutan Police & Bureau of Law & Order			
1	Construction & maintenance of security wall (spillover)	15.000	RGoB
2	Construction of common check post, main gate, detention room, bathroom and toilet in southern Dzongkhags/ Dungkhags	15.000	RGoB

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
3	Human resource development	9.770	RGoB
4	Construction of family and officer's quarters at various divisions.	96.300	RGoB
5	Construction of office cum lockup with fencing at Samdrupchholing	5.000	RGoB
6	Construction of prison for 100 inmates at Dolungang (Prison Services)	15.000	RGoB
7	Construction of fire station at Motithang, Thimphu	5.000	RGoB

4.4.13 General public service

Under this sector, a budget of Nu.7,918.755 million is provided for local government, finance, audit, foreign, commissions and constitutional bodies. Major activities of these agencies are presented below except for the constitutional bodies which are presented separately.

4.4.13.1 Local governance

The civil sector of Dzongkhags and Gewogs under the General Public Service will receive Nu.1,171.362 million.

Major developmental activities at the local government level are construction of Gewog Center roads, irrigation channels, RWSS, health and education facilities, etc. The budget for these activities is kept with the respective sectors. *In addition to the regular budget, each Gewog will receive an annual grant of Nu.2 million.*

4.4.13.2 Land re-survey

The major activities under the National Cadastral Resurvey Project have been completed. Further, to resolve the pending cases pertaining to land disputes and absentee land owners under the project, a budget of Nu.130.035 million has been allocated during the FY.

4.4.13.3 Rehabilitation project

During the FY, targeted intervention for poverty alleviation will be continued through the rehabilitation project with a budget of Nu.84.492 million. The major activities includes construction of approach road to Tenzema, Nganglam (Nu.10 million), materials for 150 house constructions (Nu.39.112 million) and construction of two irrigation channel among others.

The major activities of general public service are given in Table 4.21 below.

Table 4.21: Major capital works in general public service

<i>Nu. in millions</i>			
Sl. No.	Activity	Amount	Funding
1	Construction of RRCO office, Gelephu (spillover)	61.807	RGoB
2	Renovation and major maintenance of Lhengye Densa and various Government office buildings	9.500	RGoB
3	Construction of National Council Office building	5.000	RGoB
4	Construction of office building (DCRC, MoHCA)	10.000	RGoB
5	Construction of immigration office building, MoHCA	10.000	RGoB
6	Rehabilitation project, National Land Commission (NLC)	68.457	RGoB
7	National cadastral resurveying project, NLC	43.615	RGoB
8	Preparatory works for construction of MoF building	5.000	RGoB

4.4.13.4 General reserves

During the FY, Nu.3,154.358 million has been kept under general reserve. This budget will be transferred to the agencies as and when required for new appointments, retirement benefits, *ad-hoc* and spillover works, monsoon restorations, etc. The reserve also includes provision for His Majesty's Relief Fund and disaster related activities. Further, to provide an annual grant of Nu.2 million to every Gewog, Nu.410 million has been provisioned and Nu.30 million has been kept as seed money for the establishment of three endowment funds (*Arts & Culture, Education and Research*), in keeping with the Government's pledges.

The details of general reserve budget are given in table 4.22 below:

Table 4.22: Details of general reserves budget

Nu. in millions

Sl. No	Activity	Amount	Remarks
1	New appointments, establishments	261.358	To be provided on actual appointment
2	General	250.000	RLIS, transfer grants, Kidu etc.
3	Government hospitality	30.000	To reimburse on actual expenditure basis
4	Retirement benefits	200.000	For voluntary resignation
5	Third country travel	40.000	
6	Co-financing for GoI PTA	300.000	
7	<i>Ad-hoc</i> and spillover works	413.000	To provide based on actual requirement
8	Monsoon damages/other renovations	250.000	To provide based on actual requirement
9	Acquisition of properties	500.000	
10	Maintenance of farm roads	50.000	To provide based on actual requirement
11	Monsoon reconstruction of farm roads	100.000	To provide based on actual requirement
12	HM's Relief Fund	20.000	
13	Disaster relief budget	150.000	
14	Elections	150.000	
15	Annual grants	410.000	For Gewogs
16	Endowment fund	30.000	Seed capital to be provided after completing formalities for fund creation.
Total		3,154.358	

4.4.14 Human resource development (HRD)

A total budget of Nu.801.965 million has been allocated for HRD for enhancing professionalism and capacity development of the public servants. Major portion of the HRD budget has been allocated for the Ministry of Education, Royal University of Bhutan, Ministry of Health, Ministry of Labour and Human Resources, Ministry of Agriculture and Forests, Royal Institute of Management and others. Efforts have been made to meet most of the budget on HRD from external grants. However, where such assistance is not forthcoming, RGoB resources have been allocated especially in health and education.

The major HRD provisions for various agencies are presented in Table 4.23 below.

Table 4.23: Human resource development budget

<i>Nu. in millions</i>			
Sl. No.	Activities	Amount	Funding
1	Long term HRD programs for doctors, nurses and technologists	54.979	RGoB
2	B. Sc Nursing, Bachelors in Public Health, BHW up-gradation at RIHS	19.448	RGoB/WHO
3	Training, Human Resource Development - Teachers	30.631	RGoB
4	Training - Human Resource Development, Tertiary Education Division, REC	4.152	RGoB
5	Masters of Public Administration/Masters of Management, RIM	12.328	RGoB
6	Support to Masters Programme at RUB	6.358	RGoB
7	HRD under RCSC	106.118	GoI/Netherlands
8	Environmental accounting capacity building for NSB	7.900	DANIDA
9	Training for security & safety (DCA, MoIC)	3.000	RGoB
10	HRD under RBP	9.770	RGoB
11	Training on implementation of bio-safety framework	10.070	GEF
12	Scholarships under MoE	384.034	RGoB/GoI
13	Distance B. Ed – primary	11.455	RGoB
14	Long term studies under DHPS, MEA	15.000	Norway

4.4.15 Sports

A budget of Nu.239.162 million has been allocated for sports promotion. Major activities include development and improvement of sports facilities and promotion of sporting events at various levels. The budget also includes participation at regional and international sporting events.

4.4.16 Gender responsive budgeting

The draft 11th FYP requires gender mainstreaming for development and implementation of programs in keeping with the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW). As such, the Ministry of Finance has initiated gender responsive budgeting. Some

of the major activities relating to gender mainstreaming include Reproductive Health (RH) program, support to NCWC, construction of toilets for girls and quarters for warden and matron in various schools. The budget is also provided for advancing economic opportunities for women and girls, to protect children from violence, abuse and exploitation.

4.5 Budget for Legislative, Judiciary and Constitutional bodies

As the Constitution requires that adequate budget be provided to the constitutional bodies, the budget proposals of these bodies are presented separately. While budget for operation and maintenance have been provided based on actual requirement, the capital budget has been reviewed and recommended based on the resource envelope for the FY. The budget proposals of these bodies and the recommendation of the Government are submitted as in *Annexure 1*.

4.5.1 National Assembly

A budget of Nu.118.057 million is recommended for the National Assembly against the proposed amount of Nu.151.316 million. The capital budget includes Nu.23.800 million for the lumpsum transport allowance to be provided to Hon’ble Members of Parliament and Nu.2.651 million for computers and accessories.

The current budget includes provision for carriage of personnel effects of the newly elected Hon’ble Members (Nu.2.585 million), Parliamentary Exchange Programme (Nu.0.900 million) and PAC Secretariat (Nu.1.108 million).

The summary is shown below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	98.938	91.106
Capital	52.378	26.951
Total	151.316	118.057

4.5.2 National Council

A budget of Nu.83.917 million is recommended against the proposed budget of Nu.145.176 million. The proposed amount includes the lumpsum transport allowance (Nu.16.800 million) and preparatory works for the construction of National Council building (Nu.5 million).

The summary is shown below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	103.781	60.502
Capital	41.395	23.415
Total	145.176	83.917

4.5.3 Anti-Corruption Commission

The recommended budget is Nu.99.480 million against the proposal of Nu.51.016 million. The difference is on account of the inclusion of the SDC funded activities (Nu.55.880 million) for the strengthening of investigation system and human resource development. The capital budget also includes Nu.2 million for furnishing the new office building.

The summary is shown below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	45.425	40.440
Capital	5.591	59.040
Total	51.016	99.480

4.5.4 Election Commission

The current budget includes Nu.5 million for organizing the 4th SAARC Election Management Body meeting to be held in Thimphu during the year.

The capital budget includes Nu.1.694 million for civic education.

The summary is given below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	69.936	37.554
Capital	313.143	2.694
Total	383.079	40.248

4.5.5 Judiciary

For the Judiciary, Nu.389.176 million is recommended against the proposed budget of Nu.696.816 million.

The budget includes the on-going constructions of the Supreme Court (Nu.70 million), Dzongkhag courts at Bumthang, Trongsa, Pema Gatshel, Lhuntse, Zhemgang, Dagana and Tsirang (Nu.91.371 million), new Dzongkhag courts at Tashiyangtse and Haa (Nu.2 million) and Drangpon's residences in Pema Gatshel and Gasa (Nu.2 million). The budget also includes Nu.8.3 million for various HRD and other trainings including exchange programs funded by SDC and the Government of Austria.

The budget for Bhutan National Legal Institute is Nu.13.367 million, of which Nu.8.009 million is for training funded by UNICEF and UNDP. The budget for the Royal Institute of Law is Nu.10.585 million, of which Nu.5 million is for preparatory works for the construction.

The summary is shown below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	217.060	212.477
Capital	479.756	176.699
Total	696.816	389.176

4.5.6 Royal Audit Authority

The capital budget of RAA includes Nu.1.942 million for capacity development funded by Austrian Government and purchase of server for setting up disaster recovery site for Audit Resource Management System (Nu.1.7 million).

Under the current budget, Nu.3.395 million is to cover travel expenses for mandatory meetings, conference and seminars like INTOSAI Working Group, working group on IT Audit, INCOSAI, renewal of MoU between RAA and CAG of India.

The summary is given below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	120.781	112.199
Capital	69.737	7.207
Total	190.518	119.406

4.5.7 Royal Civil Service Commission

As required by the Civil Service Act, the RCSC will be starting Civil Service Awards in the form of gold, silver and bronze medals for which Nu.8 million has been allocated. The capital budget includes Nu.17.198 million for HRD funded by the Government of the Netherlands, post-graduate scholarships under GoI funding of Nu.69.330 million and Nehru–Wangchuck Scholarship of Nu.19.590 million.

The current expenditure budget of RCSC includes Nu.6.105 million for the Bhutan Civil Service Examinations and for translation of BCSR 2012 (Nu.1.5 million).

The summary is given below:

	<i>Nu. in millions</i>	
	Proposed	Recommended
Current	42.536	42.289
Capital	118.991	119.395
Total	161.527	161.684

CHAPTER V

MACRO-ECONOMIC OUTLOOK IN THE MEDIUM TERM

The macro-economic outlook in the medium term is based on the macro-fiscal projections of the MFCC which comprises of key economic agencies. This chapter presents an overall outlook of the Bhutanese economy and highlights the key challenges over the medium term as follows:

5.1 Economic growth

The economy is projected to grow at 7.1% in FY 2013-14 which will be mainly driven by industry (6.4%) and service sectors (9.3%). The growth projection for the FY 2014-15 is 6.9% and FY 2015-16 is 6.8%. However, average growth for the 11th FYP is estimated to be above 10% due to commissioning of the three mega HPPs and expected commencement of the construction of the remaining HPPs under the accelerated hydro power development initiative.

In the medium term, the economy is projected to grow at an average of 6.9% driven by high level of investment in hydropower projects and expansion in the service sector. In terms of sectoral growth, industry and service sectors are projected at 6.2% and 9.0% respectively with the agriculture sector at 1.8%. The construction of ongoing and pipeline hydropower projects will continue to be the major drivers of growth. With the commissioning of Dagachhu HPP and Dungsum Cement Project in FY 2013-14, the industry sector is projected to grow at 6.2%. Similarly, the growth of 9% in the service sector is expected to be fuelled by investments in hotel & restaurant (16.9%), finance (10.9%) and transport and communications (9.3%). The implementation of the Economic Stimulus Plan is expected to boost further economic growth.

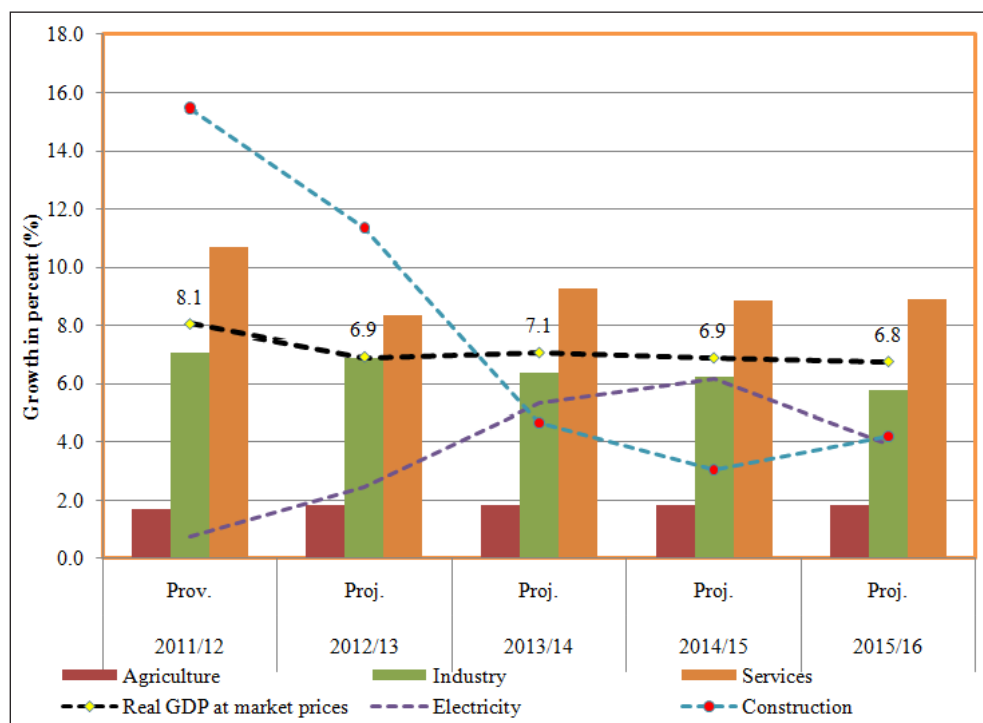
The projection of GDP growth by key sectors is presented in Table 5.1 and Figure 5.1 respectively.

Table 5.1: Gross domestic products – key sectors

	2011/12	2012/13	2013/14	2014/15	2015/16
	Prov.	Proj.	Proj.	Proj.	Proj.
Growth Rate (%)					
Real GDP at market prices	8.1	6.9	7.1	6.9	6.8
Agriculture	1.7	1.8	1.8	1.8	1.8
Industry	7.1	6.9	6.4	6.2	5.8
<i>Electricity</i>	<i>0.8</i>	<i>2.5</i>	<i>5.3</i>	<i>6.1</i>	<i>3.9</i>
<i>Construction</i>	<i>15.5</i>	<i>11.4</i>	<i>4.6</i>	<i>3.0</i>	<i>4.2</i>
Services	10.7	8.4	9.3	8.9	8.9
Sectoral share to GDP (%)					
Agriculture	13.0	12.4	11.8	11.2	10.7
Industry	43.0	43.0	42.7	42.4	42.1
<i>Electricity</i>	<i>18.0</i>	<i>17.2</i>	<i>17.0</i>	<i>16.8</i>	<i>16.4</i>
<i>Construction</i>	<i>13.7</i>	<i>14.2</i>	<i>13.9</i>	<i>13.4</i>	<i>13.1</i>
Services	39.7	40.3	41.1	41.9	42.7

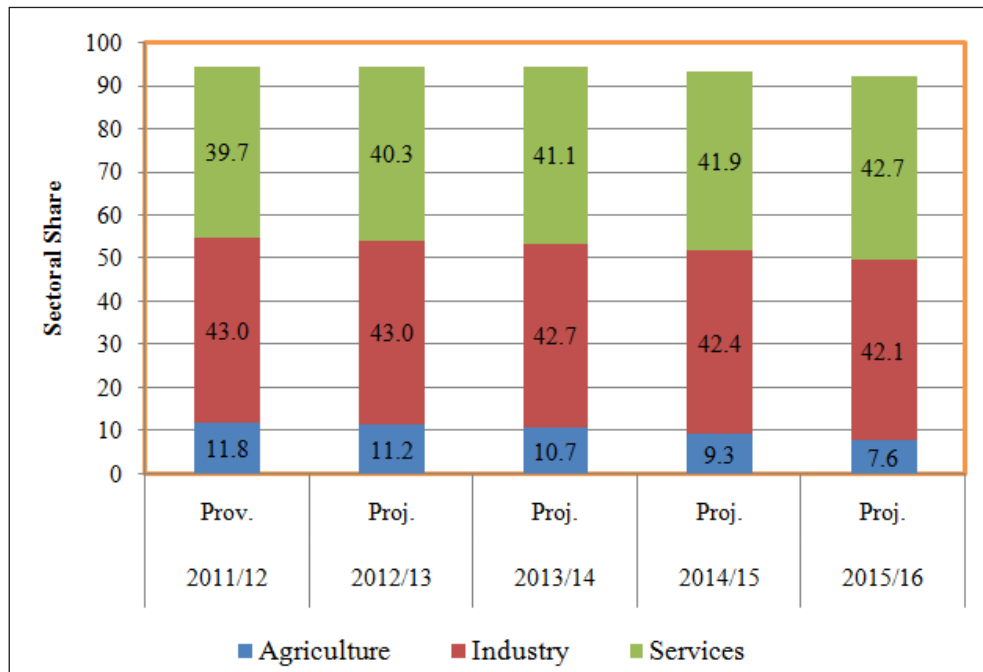
Source: National Statistics Bureau (MEF)

Figure 5.1: Growth rate



In terms of sectoral share to GDP, it is mainly dominated by industry and service sector as shown in the Figure 5.2 below.

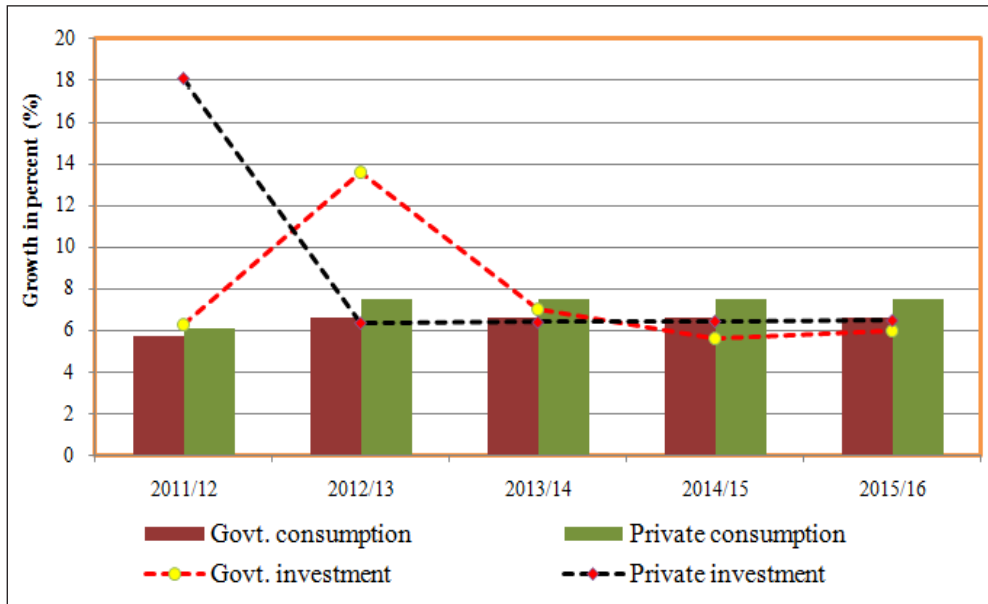
Figure 5.2: Sectoral share to GDP



5.2 Consumption and investment

As per NSB, consumption is projected to grow from 1.2% in FY 2012-13 to 6.9% in FY 2013-14. The overall consumption is expected to grow over the medium term mainly with increase in private (7.5%) and government (6.6%) expenditure. Gross capital formation is estimated to decline from 6.2% in FY 2012-13 to 4.1% in FY 2013-14 due to fall in government investment (capital expenditure) being the first year of the 11th FYP. The implementation of the remaining hydropower projects to achieve the target of 10,000 MW during the 11th FYP will fuel the private sector consumption. Further, any economic stimulus plan of the Government will induce investment and consumption.

Figure 5.3: Consumption and Investment



5.3 Inflation

As per NSB, the inflation recorded during the first quarter of 2013 was 8.4% contributed by increase in prices of food (7.9%) and non-food items (8.7%). The domestic inflation trend followed the price movements in India, since more than 75% of goods and services are imported from India. In the medium term too, the same trend is anticipated.

5.4 Employment

As per the Labour Force Survey 2012, unemployment rate was reported to have declined to 2.1%. With the continuation of the targeted programs for skills development for the youth and the expected surge in economic activities, most of the Bhutanese job seekers are expected to be gainfully employed and further reduce the unemployment rate in the medium term.

5.5 Fiscal outlook

In keeping with the provisions of the Constitution and the Public Finance Act 2007, the MFCC provides the fiscal projections for preparing the annual

budget. The fiscal projections provide the resource envelope and the annual expenditure ceiling in order to maintain a sustainable fiscal path in the medium term. As per the fiscal projections presented in Table 5.2 below, the average fiscal balance for the 11th FYP is projected to be (-) 0.9% of GDP. The domestic revenue, besides covering the recurrent expenditure is projected to finance at least 20% of capital expenditure.

The fiscal projections for the medium term are presented in Table 5.2 below.

Table 5.2: Fiscal Projections

Fiscal Sector	2011/12	2012/13	2013/14	2014/15	2015/16
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Proj.</i>	<i>Proj.</i>
	<i>(Nu. in Millions)</i>				
Revenue & Grants	32,646.355	37,648.230	29,982.834	35,646.642	37,122.394
Domestic Revenue	20,354.462	21,183.512	21,860.885	23,752.415	25,226.548
Tax revenue	14,676.929	15,561.751	15,324.769	17,203.413	18,422.963
Non-tax revenue	5,677.533	5,621.761	6,536.116	6,549.001	6,803.585
Grants	12,501.520	15,798.609	8,109.513	11,894.227	11,895.846
India	9,003.442	10,497.023	5,332.339	8,817.500	9,730.000
Others	3,498.078	5,301.586	2,777.174	3,076.727	2,165.846
Project-tied Grants	10,779.866	12,596.231	6,134.513	10,044.227	10,045.846
India	7,603.442	9,097.023	3,632.339	7,117.500	8,030.000
Others	3,176.424	3,499.208	2,502.174	2,926.727	2,015.846
Program Grants	1,721.654	3,202.378	1,975.000	1,850.000	1,850.000
India	1,400.000	1,400.000	1,700.000	1,700.000	1,700.000
Others	321.654	1,802.378	275.000	150.000	150.000
Other receipts	(209.627)	666.109	12.436	-	-
Outlay	33,688.009	38,604.393	34,215.836	39,579.998	41,457.795
Total Expenditure	34,842.762	39,343.353	36,113.865	41,519.447	43,539.001
Current	16,705.648	18,626.065	19,160.114	23,119.447	24,219.001
Capital	18,137.114	20,717.288	16,953.751	18,400.000	19,320.000
Net lending (NL)	(1,036.573)	(738.960)	(1,898.029)	(1,939.449)	(2,081.206)
Advance/Suspense (Net)	(118.180)	-	-	-	-

Fiscal Sector	2011/12	2012/13	2013/14	2014/15	2015/16
	<i>Actual</i>	<i>Revised</i>	<i>Budget</i>	<i>Proj.</i>	<i>Proj.</i>
Fiscal Balance	(1,041.654)	(956.163)	(4,233.002)	(3,933.357)	(4,335.401)
Financing	1,041.654	956.163	4,233.002	5,906.715	7,594.472
Net Borrowings	(1,007.147)	744.725	(91.514)	5,113.063	1,457.766
Borrowings	6,212.866	16,715.878	2,666.588	7,985.940	4,662.938
Repayments	7,220.013	15,971.153	2,758.102	2,872.877	3,205.173
Resource Gap	(2,048.801)	(211.438)	(4,324.516)	1,179.706	(2,877.635)
<i>As a Percentage of Nominal GDP</i>					
Revenue & Grants	35.8	36.9	26.3	28.0	25.9
Domestic Revenue	22.3	20.7	19.2	18.6	17.6
Tax revenue	16.1	15.2	13.5	13.5	12.9
Non-tax revenue	6.2	5.5	5.7	5.1	4.8
Grants	13.7	15.5	7.1	9.3	8.3
Outlay	36.9	37.8	30.0	31.1	29.0
Total Expenditure	38.2	38.5	31.7	32.6	30.4
Current	18.3	18.2	16.8	18.1	16.9
Capital	19.9	20.3	14.9	14.4	13.5
Net lending (NL)	(1.1)	(0.7)	(1.7)	(1.5)	(1.5)
Fiscal Balance	(1.1)	(0.9)	(3.7)	(3.1)	(3.0)
Borrowings	6.8	16.4	2.3	6.3	3.3
Repayments	7.9	15.6	2.4	2.3	2.2
Resource Gap	(2.2)	(0.2)	(3.8)	0.9	(2.0)
Memorandum Item					
Nominal GDP (Nu. in mill)	91,249.1	102,149.1	113,892.9	127,416.6	143,081.5

Source: RGoB, Ministry of Finance, Macroeconomic Framework Coordination Committee (MFCC).

5.5.1 Domestic revenue and external grant assistance

In the medium term, domestic revenue is projected to grow on an average of 6% with tax revenue and non-tax revenue at 5.9% and 6.8% respectively. The commissioning of the Dungsum Cement project and Dagachhu hydropower project during the FY 2013-14 is expected to contribute to the growth in overall revenue. The domestic revenue projection will be revised based on the impact of any new fiscal measures that the Parliament may consider in the

medium term.

The external grants for FY 2013-14 are estimated at Nu.8,109.513 million representing about 27% of the total resources and financing about 47% of capital expenditure. For the two outer years, grants are projected at Nu.11,894.227 million and Nu.11,895.846 million respectively based on the proposed activities in 11th FYP. The estimated external grants will be revised as soon as donor assistance for 11th FYP is confirmed.

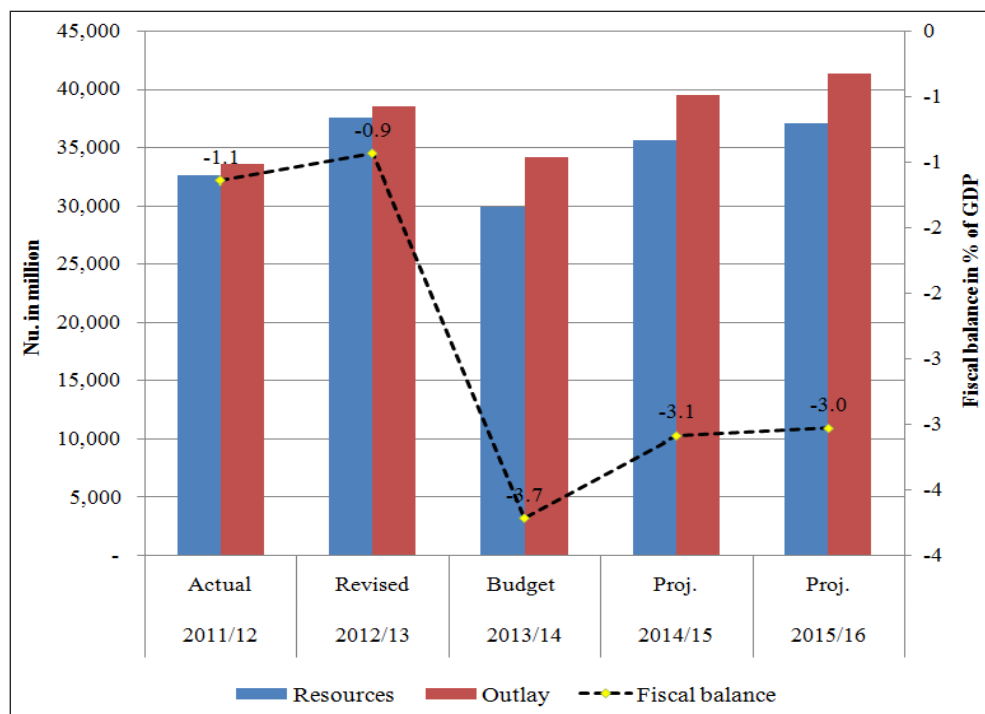
5.5.2 Expenditure

The total expenditure for FY 2013-14 is estimated at Nu.36,113.865 million which is about 31.7% of GDP. In the medium term, government expenditure is estimated at 32.6% and 30.4% of GDP in FY 2014-15 and FY 2015-16 respectively. The average annual growth of government expenditure is estimated at 10% in the medium term.

5.5.3 Fiscal balance

The fiscal deficit for FY 2013-14 is estimated at 3.7% of GDP. In the medium term, the fiscal deficit is projected to be 3.1% of GDP in FY 2014-15 and 3.0% in FY 2015-16. The average fiscal deficit for the plan period is projected to remain within the target of 3% of GDP.

Figure 5.4: Fiscal stance



5.6 Debt stock and debt service

The debt stock and debt indicators in the medium term are presented in Table 5.3 below.

Table 5.3: Debt stock and debt indicators

	2011-12 (Actual)	2012-13 (Revised)*	2013-14 (Budget)	2014-15 (Est.)	2015-16 (Proj.)
	<i>(Nu. in millions)</i>				
Total public debt	62,813.105	96,008.476	110,749.708	143,979.190	179,544.487
Domestic debt	1,092.547	525.910	350.605	175.302	-
External debt	61,720.558	95,482.566	110,399.103	143,803.887	179,544.487
<u>Rupee Vs. CC debt</u>					
Indian rupee debt	32,546.298	61,341.715	71,252.488	93,335.793	123,268.675
Convertible currency (US\$ m)	509.862	574.520	669.694	795.521	847.993
<u>Hydro Vs. non-hydro debt</u>					

	2011-12 (Actual)	2012-13 (Revised)*	2013-14 (Budget)	2014-15 (Est.)	2015-16 (Proj.)
Hydropower debt	41,554.853	54,510.263	74,416.372	100,138.577	132,322.375
Non-hydropower debt	20,165.705	40,972.303	35,982.732	43,665.310	47,222.113
<i>In percent of GDP (%)</i>					
Total public debt	68.8	94.0	97.2	113.0	125.5
Domestic debt	1.2	0.5	0.3	0.1	-
External debt	67.6	93.5	96.9	112.9	125.5
Hydropower debt	45.5	53.4	65.3	78.6	92.5
Non-hydropower debt	22.1	40.1	31.6	34.3	33.0
External debt as % of total public debt	98.3	99.5	99.7	99.9	100.0
Hydropower debt as % of external debt	67.3	57.1	67.4	69.6	73.7
Rupee debt as % of external debt	52.7	64.2	64.5	64.9	68.7
Debt service ratio (total)	14.3	17.2	32.0	11.0	10.2
Debt service ratio (budget)	12.9	14.6	10.5	9.3	8.8
Exchange rate (Nu/US\$)	57.22	59.43	58.45	63.44	66.36

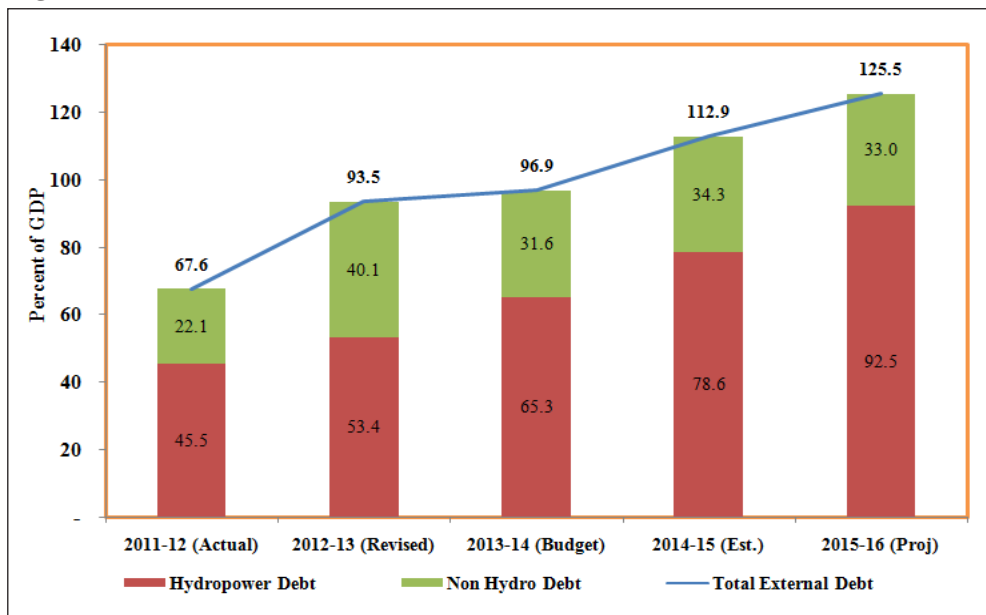
* Revised and projections are as on 30th June 2013; Past debt figures are as per the published AFS reports

5.6.1 External debt

For the FY 2013-14, the external debt outstanding is estimated at Nu.110,399.103 million, which is about 97.2% of the estimated GDP. The increase in external debt stock during the year will be about 15.6% due to disbursements for the 3 ongoing hydropower projects and start of other projects in the pipeline. Of the total external debt, 67.4% is on account of hydropower debt and the balance 32.6% is for social infrastructure (rural electrification, roads, urban, rural telecommunication, education, irrigation, etc).

In the medium term, the external debt to GDP ratio is projected to be 112.9% in 2014-15 and 125.5% in 2015-16 as presented in Figure 5.5.

Figure 5.5: Debt indicators



The debt service ratio (*budget*) for the FY 2013-14 is estimated at 10.5% and further projected to improve to 9.3% in FY 2014-15 and 8.8% in FY 2015-16.

During the FY 2013-14, with the repayment of GoI standby credit of Rs. 3

billion (March, 2014) and currency SWAP arrangement of Nu.5.409 billion (September, 2013), the total debt-service ratio will be 32%.

5.6.2 Domestic debt

The domestic debt stock will be about Nu.350.605 million in FY 2013-14, availed for the purchase of aircraft for Drukair. In the event the purchase of the new aircraft for Drukair with an estimated cost of Nu.2.2 billion is financed through domestic borrowing, the domestic debt stock would change accordingly. Domestic debt stock may also increase due to issuance of treasury bills for cash flow management until its redemption, issuance of government bonds for financing the infrastructure projects and financing the resource gap through internal borrowing.

5.7 Balance of payments (BoP) and foreign exchange reserves

During the FY 2013-14, the current account deficit is projected to widen at Nu.33.77 billion (29.7% of GDP) mainly with increase in trade deficit and decline in current transfers. With the repayment of GoI SCF (Nu.3.0 billion) and currency swap arrangement (Nu.5.4 billion), the overall balance of payments is projected at negative Nu.4.8 billion for the period.

However, in the outer two years, the overall balance of payments will be in surplus with increase in capital and financial flows despite the rapid growth in current account deficit. The current account deficit as percentage of GDP is projected at 28.6% in FY 2014-15 and 33.2% in FY 2015-16 due to increasing imports mainly for hydropower projects among others. The BoP projections are summarised in Table 5.4.

Table 5.4: Overall balance of payments

<i>Nu. in millions</i>					
Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16
Particulars	Prov.	Proj.	Proj.	Proj.	Proj.
Current account	-17,585.2	-19,850.0	-33,771.5	-36,399.4	-47,541.3
Trade balance	-23,985.1	-28,433.8	-31,940.4	-38,684.4	-48,049.8
Service balance	-1,955.1	-2,231.7	-3,796.7	-2,428.5	-3,261.7
Income balance	-3,872.5	-6,289.2	-5,807.5	-6,532.1	-7,282.2
Current transfers	12,227.5	17,104.6	7,773.1	11,245.5	11,052.4
Capital and financial account	13,135.1	28,796.3	28,988.7	41,207.6	51,426.9
Capital transfers	1,318.6	8,699.7	13,461.1	14,248.0	16,862.1
Foreign direct investment	483.7	2,006.8	670.8	1,100.9	1,807.2
Other investment	11,332.8	18,089.8	14,856.8	25,858.8	32,757.6
Overall balance	-5,456.1	8,946.2	-4,782.8	4,808.2	3,885.5
Total reserves (in USD)	770.0	918.7	768.8	809.6	831.7
(In months of Essential Imports)	25.4	27.8	23.0	23.0	22.5
Exchange rate (Nu/USD)	56.0	56.7	61.5	64.4	67.3
<i>In % of GDP</i>					
Current account	-19.3	-19.4	-29.7	-28.6	-33.2
Trade balance	-26.3	-27.8	-28.0	-30.4	-33.6
Capital and financial account	14.4	28.2	25.5	32.3	35.9
Overall balance	-6.0	8.8	-4.2	3.8	2.7

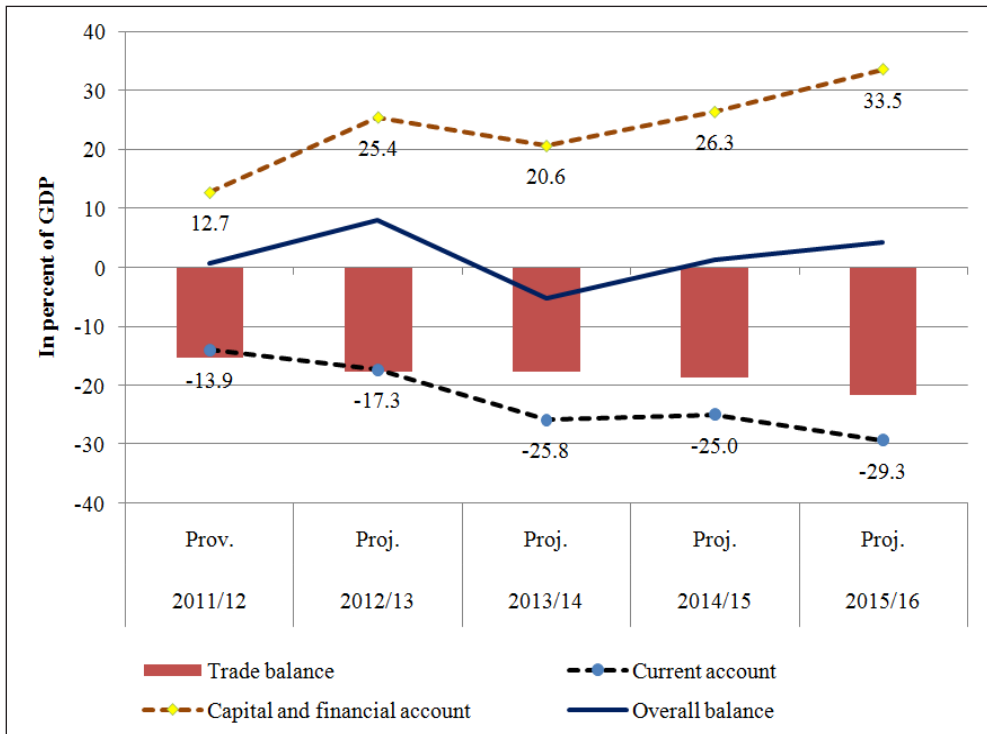
Source: Royal Monetary Authority of Bhutan

5.7.1 Balance of payments with India

In terms of balance of payments with India, the trade deficit is projected at 17.6% of GDP in FY 2013-14 and 18.7% of GDP in FY 2014-15. In the following year, it is projected to further deteriorate to 21.7% of GDP mainly due to an expansion in merchandise imports on account of the construction of hydro-power projects. With the widening of the trade deficit, the current account deficit with India is also projected to grow from 25.8% of GDP in FY 2013-14 to about 29.3% of GDP at the end of FY 2015-16.

As presented in Figure 5.6 below, the current account deficit will continue to widen due to increasing imports and sluggish growth in exports.

Figure 5.6: Balance of payments with India



5.7.2 Foreign exchange reserves

As per the RMA, the gross international reserve is projected at US \$ 768.8 million in FY 2013-14 and US \$ 809.6 million in FY 2014-15, that would be adequate to meet 23 and 23 months of essential imports, respectively. In the medium term, overall reserve position is expected to improve due to increasing exports with the commissioning of Dagachhu and Dungsum Cement projects.

CHAPTER VI

REPORT ON STATE-OWNED ENTERPRISES AND COMPANIES WITH GOVERNMENT SHAREHOLDINGS

6.1 Government portfolio in the SoEs and linked companies

Currently SoEs consist of 28 companies with Government shareholdings, of which 17 are wholly owned, 4 are majority owned and 7 with less than 50% share-holdings. The total portfolio in these SoEs as of 31st December 2012 stood at Nu.47,986.89 million against Nu.45,239 million in 2011. The growth in government shareholding is mainly attributed by the inclusion of National Housing Development Corporation Ltd (NHDCL) in the portfolio which was corporatized from July 2011.

DHI paid up equity increased to Nu.46,695.62 million with additional equity investment of Nu.1.9 billion in Dungsam Cement Company Limited (DCCL) and another Nu.2.189 million in Dungsam Polymers Limited (DPL). Furthermore, DHI has invested new in equity of Nu.9 million in Koufuku International Pvt. Ltd contributing 30% of the total equity with M/S Shin Nippon Biomedical Laboratories contributing the balance.

6.1.1 Financial overview of the companies

In 2012, the total revenue of SoEs increased by 7.5% to Nu.39,812.72 million from Nu.37,044.40 million in 2011. DGPC earned about Nu.11,140 million representing 28.0% of total earnings of all SoEs. The overall profit (pre-tax) of state-owned and linked companies increased by 6.8%. The overall revenue contribution in the form of tax and dividend also increased from Nu.7,647.40 million in 2011 to Nu.8,107.30 million in 2012, an increase of 6.0%.

During the last five years on an average, the gross turnover increased by 20%, profit before tax by 26% and revenue contribution by 8%. Although the total revenue to government has been increasing, the average return on equity has

decreased due to corporatization of companies with low profitability such as CDCL, NHDCL and infusion of capital in DCCL, DPL and BDBL as presented in Table 6.1:

Table 6.1: Overall financial overview

Financial Facts	Nu. in millions				
	2012	2011	2010	2009	2008
Gross turnover	39,812.72	37,044.40	35,129.45	28,811.93	20,874.96
Profit before tax	16,738.62	15,667.00	15,966.23	12,900.44	8,632.95
Total net worth	80,019.57	70,819.28	64,646.61	59,973.29	28,542.64
Total asset	78,056.86	163,851.51	163,757.93	149,525.65	82,594.44
Govt.'s share of net worth in the companies	71,763.79	64,672.86	60,661.02	56,397.73	25,274.18
Average return on equity	8%	13%	15%	14%	21%
Total Revenue to the Govt.	8,107.30	7,647.40	7,806.60	7,520.63	6,645.22

6.1.2 Returns on equity and assets

The average rate of return on equity declined from 12.7% in 2011 to 8.3% in 2012. AWP achieved the highest return on equity at 50.3% followed by PCAL at 31.9% and RICBL with 23%. On the downside, BBSCL posted the lowest rate of returns at 0.7% in 2012, while new companies such as TTPL, DPL and NHDCL posted start-up losses.

The average return on assets recorded during 2012 was 7.3% against 8.9% in 2011. AWP recorded the highest return on assets with 38.8% followed by PCAL with 28.0% and Bhutan Telecom with 21.3%. Turnovers and returns of the SoEs are presented in Annexure II (Table 1).

6.1.3 Assets & net worth

The total value of assets of SoEs increased by 8.7% from Nu.163,851.580 million in 2011 to Nu.178,056.870 million in 2012. DGPC recorded the highest value of assets in 2012 with Nu.59,800 million followed by BOBL with Nu.29,592.780 million and BNBL with Nu.27,708.300 million. In terms

of growth in assets BDBL recorded 47.6%, the highest among SoEs in 2012.

Similarly the combined net worth of SoEs was Nu.80,019.570 million in 2012 against Nu.70,819.280 million in 2011 reflecting a growth of 13.0% over the one year period.

The overall growth in reserves and surplus of companies was 11.4% in 2012 compared to the previous year. The assets and net worth of the companies along with reserves is presented Annexure II (Table 2).

6.1.4 Revenue from SoEs

SoEs continued to be the major contributor of revenue over the five year period. In the year 2012, revenue from SoEs constituted about 39.8% of the total national revenue amounting to Nu.8,107.31 million in the form of tax and dividend against Nu.7,647.15 million in 2011 a growth of 6.0%. The contribution in the form of tax and dividend increased at an average rate of 23.6% during the last five year period.

Table 6.2: Total Government Revenue from SoEs

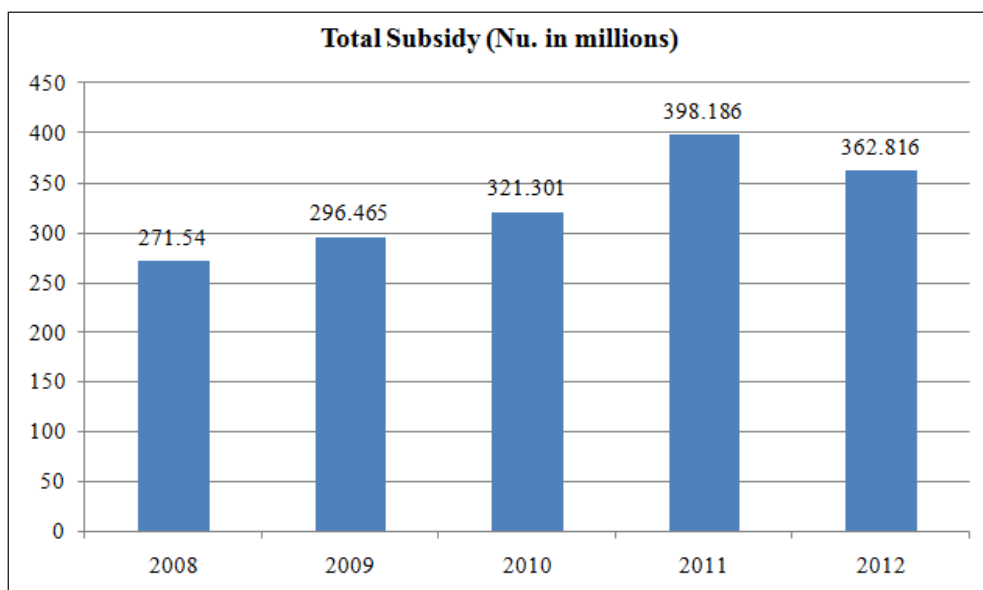
	<i>Nu. in millions</i>				
	2008	2009	2010	2011	2012
CIT	1,907.22	3,772.38	4,805.89	4,702.78	4,971.53
Dividend	2,125.79	3,748.25	3,000.71	2,944.37	3,135.78
Total Revenue from SoEs	4,033.01	7,520.63	7,806.60	7,647.15	8,107.30
Total National Revenue	12,428.24	14,049.04	15,638.43	17,458.80	20,354.00
<i>% of National Revenue</i>	32.45	53.53	49.92	43.80	39.83

In 2012, DGPC contributed the highest tax and dividend of Nu.5,488.15 million of which THPA contributed Nu.3,341.48 million (90% of PAT plus CIT), an increase of 6.8% over the year 2011, followed by BOBL Nu.620.01 million, 23.8% growth compared to 2011.

6.1.5 Subsidy and grants

During the year, the Government provided Nu.362.82 million in the form of subsidy and grants to SoEs against Nu.398.18 million in 2011. BBSCL received the highest subsidy of Nu.146.504 million in 2012 followed by Drukair with Nu.132.68 million. BDBL was given corporate tax exemption to the extent of Nu.71.592 million in view of its mandate of rural credit operations.

Figure 6.1: Total Subsidy – 5 year comparison



6.2 Report on financial and operational performance of DHI

In 2012, DHI earned Nu.4,703.14 million as revenue, an increase of 8.3% compared to Nu.4,344.38 million in 2011. Similarly, pre-tax profit increased by 6.1% to Nu.4,571.84 million against Nu.4,307.96 million in 2011. The increase was due to higher dividend payouts by BOBL (47.3%), PCAL (10.0%), RICBL (16.9%) and DGPC (6.5%) in 2012.

DHI's operating cost increased by 152% from Nu.52.01 million to Nu.131.31 million driven mainly by increase in employee remuneration (50.0%), human

resource development expenses (148.8%) compared to the previous year and interest expense on its borrowings. However, the company achieved an increase in pre-tax profit of Nu.4,571.84 million in 2012 against Nu.4,307.96 million in 2011 due to increased revenue earning from its investments. As a result there was an increase in the rate of returns on equity from 6.6% in 2011 to 7.0% in 2012 which is still lower than the average rate of return of 8.3% for SoEs in 2012.

Remittance from DHI in terms of dividend increased by 6.02% from Nu.2,949.96 million in 2011 to Nu.3,127.53 million in 2012. Corporate tax paid by DHI increased by 6.53% from Nu.1,287.71 million in 2011 to Nu.1,371.53 million in 2012.

Table 6.3: Financial overview of DHI:

Particulars	Nu. in millions		
	2011	2012	% Change
Share Capital	44,328.11	44,328.11	0.00%
Reserve and Surplus	1,040.69	1,143.65	9.89%
Debt if any	-	1,600.00	-
Total Assets (Book Value)	49,656.06	51,659.00	4.03%
Net Worth	45,390.41	45,471.77	0.18%
Gross Turnover	4,359.98	4,703.14	7.87%
Expenditure	52.01	131.31	152.46%
Profit Before Tax	4,307.96	4,571.84	6.13%
Corporate Income Tax	1,287.71	1,371.74	6.53%
Profit After Tax	3,015.57	3,198.89	6.08%
Dividend	2,949.96	3,127.53	6.02%
Return on Equity	6.64%	7.03%	5.87%

6.2.1 Assets and net worth

Paid up capital of DHI remained constant at Nu.44,328.11 million during 2011 and 2012. Reserves and surplus grew by 10.0% to Nu.1,143.65 million in 2012 from Nu.1,040.59 million in 2011. Similarly, DHI's asset grew at a rate of 4.0% from Nu.49,656.06 million in 2011 to Nu.51,659.00 million in 2012.

6.3 Investments plan and projects

The ongoing and planned activities undertaken of SoEs are as under:

6.3.1 Wellness Resort

A project initiated by DHI to promote Bhutan as a wellness destination. A framework agreement was executed between DHI and Chiva-Som International Health Resorts based in Thailand, its strategic operating partner. Feasibility study, identification of the project, leasing of land, surveys for creation of ancillary facilities such as road, water, power and all formalities pertaining to the project are completed. The financing for the project is being sourced, and a shareholder's agreement signed with NPPF and Chiva-Som for equity participation in the project.

6.3.2 Dagachhu Hydropower Project

The cost of the project escalated from Nu.8,160.59 million to Nu.12,226.74 million in 2012. This was mainly on account of poor geological conditions encountered during various stages of the underground works, foreign exchange fluctuations and cost escalation during the execution of the project. The project is expected to be commissioned by May 2014.

6.3.3 Dungsum Cement Corporation Ltd

The project, which was originally scheduled to be commissioned in December 2011 was delayed due to reasons beyond its control. The total cost of the project was revised to Nu.10,800 million from the previous estimate of Nu.7,170 million mainly on account of additional works and cost escalation. The production of clinker commenced from May 2013. The cement production which was expected to start by the third quarter of 2013, has been further delayed as the last part of materials could not be transported due to the strikes in neighboring Assam.

6.3.4 Koufuku International Pvt. Ltd (KIPL)

KIPL a FDI company established in collaboration with M/s Shin Nippon Biomedical Laboratories Ltd, Japan by DHI has started the construction of its factory to produce dairy products in Trashigang. The company is expected to start commercial production by the end of 2014.

6.3.5 National Housing Development Corporation Ltd. (NHDCL)

NHDCL in its endeavour to provide affordable housing to civil servants has started the construction of residential houses in Phuentsholing, Samdrup Jongkhar, Lhuntshe and Gasa with interest free loan provided by the Government. Depending on the availability of fund, the Corporation plans to construct residential houses in Thimphu (Ganchey) and other Dzongkhags to mitigate the housing shortage in these areas.

6.3.6 Bhutan Development Bank Limited

In its efforts to provide rural credit and increase its rural outreach, the company plans to establish at least 4 field/branch offices in feasible Dungkhags and Gewogs during the year. The company also plans to establish 5 ATMs, extend SMS banking across the country and introduce co-operative loans scheme and *Dronsep Kuendruel Tshe Sog Ngensung* insurance scheme for the benefits of the rural people. The BDBL will play a leading role in terms of providing rural banking service and facilitate the implementation of Government policies to stimulate the rural economy.

6.3.7 Bhutan Post

Bhutan Post has taken over the operation of community centers across the country that provides essential service such as internet, fax, photocopy, etc to the rural people. The company is expected to take over all the 205 community centers as and when completed.

6.4 Audit of accounts of SoEs

The accounts of SoEs for the year 2012 were audited by the statutory auditors

appointed by the Royal Audit Authority. As per the Audit report submitted, no significant material loss, unauthorized expenditure, irregular expenditure and fruitless expenditure were reported.

CHAPTER VII

REPORT ON THE ROYAL MONETARY AUTHORITY AND THE NATIONAL PENSION AND PROVIDENT FUND

7.1 Royal Monetary Authority of Bhutan

According to the Income and Expenditure Account for the year ended 30th June, 2012, the total operating income of RMA was Nu.920.955 million which was 24.5% higher than the income in FY 2010-11 (Nu.739.574 million). The interest earnings formed the highest component which was about 88% of the total income. In FY 2011-12, interest earning increased to Nu.813.904 million from Nu.692.935 million representing about 17.5% increase over previous year. This increase was mainly due to the improvement in average interest earning on foreign deposits from about 1.6% in 2011 to 1.88% in 2012.

In FY 2011-12, the total expenditure of RMA increased by 19.2% to Nu.241.127 million from Nu.202.215 million in FY 2010-11. The expenditure was mainly on interest payment on foreign deposits (23%) and security printing and minting (18%).

RMA's surplus grew in FY 2011-12 to Nu.679.829 million from Nu.537.359 million in FY 2010-11 as a result of higher growth of income than expenditure. However, the RMA was in deficit of Nu.27.032 million mainly due to transferring to the Special Reserve account as net earnings on deposits of Kuwait Central Bank (Nu.13.175 million) and meeting the costs on account of monetary policy interventions (Nu.683.522 million) in the form of interest payments on GoI Standby Credit Facility and Overdraft. The total Central Bank's Rupee debt increased from INR 7.9 billion in 2011 to INR 11.2 billion in 2012 comprising of overdraft of Rupees 5.2 billion from State Bank of India (SBI) and Punjab National Bank (PNB) and GoI Standby Credit Facility of Rupees 6 billion.

7.2 National Pension and Provident Fund (NPPF)

7.2.1 Achievements

7.2.1.1 Increase in membership coverage, beneficiaries and benefit payment

As of May 2013, NPPF had over 50,880 members, 3,762 pension beneficiaries and had so far paid a total of Nu.606.93 million as monthly pension.

7.2.1.2 Investment of pension fund

NPPF is one of the largest institutional investor with asset size of around Nu.15.23 billion. During the FY 2012-13, investment income increased to Nu.938.34 million as compared to Nu.831.20 million in the previous year. The fund has been declaring a consistent return of 6.5% over the past.

The NPPF prioritizes investment in equities since it provide higher returns over a long time horizon. During FY 2012-13, NPPF completed investment in 15% shareholding of Dagachu Hydro Power Corporation and acquired 5% shares of Bhutan Insurance Ltd. and 3.13% shares of Druk PNB. Further, NPPF invested Nu.311.85 million in the manufacturing and service sectors and plans to invest about Nu.520.45 million in FY 2013-14 in loans and equities.

As of April 2013, the NPPF had disbursed Nu.1.78 billion to 9,412 active education loan clients and had sanctioned Nu.58.77 million for Student Loan to 186 borrowers, out of which Nu.35.06 million was disbursed. On the housing loan, the NPPF had a portfolio of Nu.2.058 billion with 637 clients as on April 30, 2013.

7.2.1.3 Sustainability of Pension System

NPPF revisited the actuarial valuation of both the civil and armed forces pension schemes with respect to its sustainability. The valuation has ascertained the sustainability of the scheme for another period of 30 years. NPPF will

continue to look for investments avenues to maintain its sustainability in the long term.

7.2.1.4 Future plans

NPPF will continue to improve the pension delivery system and look for avenues for new investments such as Wellness Resort initiated by DHI, aircraft purchase for Drukair, housing projects of NHDC, power transmission project of BPC and construction of residential houses for its members.

7.2.1.5 Challenges

NPPF faces numerous challenges to maintain its sustainability in the long run such as;

1. RMA's monetary policy and increased base rate will limit lending activities;
2. Maintaining long-term sustainability of pension system; and
3. Absence of a legal framework for its operations.

CHAPTER VIII

REPORT ON TRUST FUNDS

8.1 Trust Funds

The status of trust funds is as follows:

8.1.1 Bhutan Trust Fund for Environmental Conservation (BT FEC)

The total fund balance of BT FEC was about US \$42.399 million as on 30th June, 2013 compared to US\$ 40.539 million in 30th June, 2012. This was about 4.6% increase over the previous year. During the FY, the estimated fund utilization from its interest income for operational cost and projects was US \$ 0.770 million.

In FY 2011-12, about 85% of the fund was invested in US stock market and remaining 15% was invested in Bhutan. The interest and dividend earned during was US\$ 0.593 million.

8.1.2 Bhutan Health Trust Fund (BH TF)

The BH TF's fund balance as of 31st May, 2013 is Nu.1,641.100 million. The fund utilized during the year was Nu.2.900 million for co-financing of Global Alliance for Vaccines & Immunization (GAVI) for pentavalent vaccines, AD syringes and safety boxes. They also raised fund of Nu.514 million during the year from interest generated from bonds, fixed deposits and rental from Samdrup Jongkhar hospital canteen.

8.1.3 Cultural Trust Fund

The Cultural Trust Fund balance as of 30th June, 2012 was Nu.48.698 million. However, with the maturity of the fixed deposits in October 2013, the total trust fund balance is expected to increase to Nu.52.105 million.

8.1.4 Universal Service Fund for ICT

Under the Universal Service Fund for ICT, Nu.126.263 million was raised during the FY 2012-13 on account of license fee from B-Mobile and Tashi Cell. After utilizing Nu.76.321 million for establishing mobile network coverage in the rural areas by B-Mobile and Tashi Cell under Rural Communication Project, the fund balance as of May 2013 is Nu.166.594 million.

Table 8.1: Fund Position of Trust Funds

Trust Fund	<i>Amount in millions</i>			
	Initial Fund (Year)	Revenue	Expenditure	Fund Balance
Bhutan Trust Fund for Environment Conservation	US \$ 21.673 (1991)		US \$ 0.770	US \$ 42.399
Health Trust Fund	US \$ 1.000 (1998)	Nu.514.00	Nu.2.900	Nu.1,641.1
Cultural Trust Fund	Nu.31.267 (1999)	Nu.1.419		Nu.48.698
Universal Service Fund for ICT	Nu.194.240 (2007)	Nu.126.263	Nu.76.321	Nu.166.594

CONCLUSION

The Budget for Financial Year 2013-14 is of significance as it is the first budget of the new Government which is also the first year of the 11th FY Plan. In order to fulfil the hopes and aspirations of the people, a lot of care has been put to formulate the budget. Within the budget ceiling, we have tried to address all the requirements of the agencies and we hope that the budgeted programmes and activities will be successfully completed within the fiscal year. Therefore, I have confidence that the Honourable Members will find the budget acceptable and pass it expeditiously.

As reported earlier, this budget will undergo changes over the coming months with the finalization of the 11th FYP and confirmation of commitment by our development partners. The changes will be accordingly incorporated and a revised budget, if necessary, shall be submitted to the Parliament.

I end by paying tribute to His Majesty the King and His Majesty the Druk Gyalzhipa for their continued guidance and concern for the welfare of the people of Bhutan. May the guardian deities of the glorious Palden Drukpa forever protect the nation and people for peace, prosperity and happiness.

I now commend the budget to the House.

Tashi Delek.

ANNEXURES

Annexures I

The following are the details of major capital activities for Constitutional bodies:

Activity	Proposed			Recommended			Remarks
	Current	Capital	Total	Current	Capital	Total	
Supreme Court Establishment Cost	28.319	0.280	28.599	27.662	-	27.662	
High Court Establishment Cost	18.582	0.550	19.132	19.046	-	19.046	
20 Dzongkhags Establishment Cost	108.000	6.725	114.725	105.360	-	105.360	
15 Dungkhangs Establishment Cost	39.784	8.037	47.821	38.691	-	38.691	
Bhutan National Legal Institute	10.563	0.450	11.013	10.066	-	10.066	
Royal Institute of Law Project	3.446	0.200	3.646	5.585	-	5.585	Budgeted under different AU
Construction of Royal Institute of Law at Paro		5.000	5.000		5.000	5.000	
Research & publication	0.220		0.220	0.200		0.200	
Judicial Council Meeting	0.200		0.200	0.200		0.200	
Dzongkhag Development services		0.300	0.300		-	-	provisioned under DDC
National Judicial Commission Meeting	0.200		0.200	0.200		0.200	
SAARCLAW Conference	2.000		2.000	2.000		2.000	
Legal aid to indigent accused	0.450		0.450	0.350		0.350	
Provision for new appointment			-	5.000		5.000	
Inauguration of Supreme Court	1.000		1.000	-		-	

Annexures I

Nu. in millions

JUDICIARY	Activity	Proposed		Recommended		Remarks	
		Current	Capital	Current	Capital		Total
	Construction of Bumthang District Court (Spillover)		32.491	32.491	23.748	23.748	SDC (Nu.17.81 m)
	Construction of Trongsa District Court (Spillover)		22.820	22.820	18.540	18.540	GoA (Nu.5.937 m)
	Construction of Pema Gatshei District Court (Spillover)		9.421	9.421	9.421	9.421	SDC (Nu.13.905m) GoA
	Construction of Tsirang District Court (Spillover)		5.000	5.000	5.000	5.000	(Nu.4.635m) GoA
	Construction of Zhemgang District Court (Spillover)		5.000	5.000	5.000	5.000	DANIDA
	Construction of Dagana District Court (Spillover)		5.000	5.000	5.000	5.000	GoA
	Cost Sharing Training Programme		0.600	0.600	0.600	0.600	GoA
	Printing of Law Books.	0.100		0.100		0.100	
	Peer Exchange Programme - incoming		4.000	4.000	4.000	4.000	
	Long term training program (LLM & MBA)		4.000	4.000	4.000	4.000	
	Construction of Supreme Court		100.000	100.000	70.000	70.000	GoI
	Joint Meeting Between District Court and RBP	0.158		0.158	0.100	0.100	
	Construction of Wandgüe Phodrang District Court		15.000	15.000	-	-	
	Construction of Pumakha District Court		15.000	15.000	-	-	
	Construction of Paro District Court		15.000	15.000	-	-	
	Construction of caretaker's resident at Tsimasham		0.600	0.600	-	-	

Annexures I

JUDICIARY	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
	Construction of Drangpon Residence at Tshimasham, Chhukha		6.700	6.700	-	-	-	
	Construction of fencing around court area at Tshimasham		1.075	1.075	-	-	-	
	Construction of 6 to 8 unit staffs quarter at Tshimasham		15.000	15.000	-	-	-	
	Construction of Haa District Court		11.000	11.000	1.000	1.000	1.000	
	Construction of Lhuntse District Court (spillover)		11.639	11.639	11.639	11.639	11.639	
	Construction of retaining wall for Drangpon Resident, Lhuntse		0.738	0.738	0.738	0.738	0.738	
	Construction of Drangpon Residence at Pema Gatshel		6.243	6.243	1.000	1.000	1.000	
	Construction of Drangpon Residence at Gasa		4.694	4.694	1.000	1.000	1.000	
	Construction of Trashi Yangtse District Court		10.000	10.000	1.000	1.000	1.000	
	Maintenance of Street Light, Samdrup Jongkhar		0.200	0.200	-	-	-	
	Renovation of Roof Gutter, Phuntsholing		0.296	0.296	0.296	0.296	0.296	
	Construction of Drangpon's Residence, Thrimshing (Spillover)		0.200	0.200	-	-	-	
	Renovation of Drangpon's residence, Paro		0.250	0.250	0.400	0.400	0.400	
	Renovation of Drangpon's residence, Samtse		0.950	0.950	0.950	0.950	0.950	
	Exchange program and establishment of institutional Linkages (BNLI)	1.086		1.086	0.750		0.750	
	Legal dissemination and awareness program	0.700		0.700	0.500		0.500	
	Training on court management and criminal trial for judges			-	0.570		0.570	UNDP
	Training on legal drafting, art of pleading and code of conduct for public prosecutors and private practitioners		0.342	0.342	0.342		0.342	UNDP
	Mediation Training for Women Mediators		5.957	5.957	5.957		5.957	UNDP

Annexures I

JUDICIARY	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
	Promote Rule of Law Through Television and Animation Series		2.793	2.793		2.793	2.793	UNDP
	Child Justice - introducing law clubs and monitoring and evaluation	1.112		1.112	1.112		1.112	UNICEF
	National child justice seminar	1.140		1.140	1.140		1.140	UNICEF
	Promote Child Justice through development of child friendly procedures		3.705	3.705		3.705	3.705	UNICEF
	Procurement / Replacement of pool vehicles		142.500	142.500		-	-	
	Total	217.060	479.756	696.816	212.477	176.699	389.176	

ROYAL CIVIL SERVICE COMMISSION	Activity	Proposed			Recommended			Remarks
		Current	Capital	Total	Current	Capital	Total	
	Establishment Cost	32.559	1.500	34.059	31.712		31.712	
	Provision for New Appointment			0.800			0.800	
	Royal Civil Service Commission Meeting	0.400		0.400	0.200		0.200	
	Bhutan Civil Service Exam Services	6.105		6.105	6.105		6.105	
	Human Resource Management Division / Volunteers Services	1.735	0.550	2.285	1.735	0.550	2.285	
	Translation of BCSR-2012	1.500	1.000	2.500	1.500	1.000	2.500	
	Improvement of web based services		2.320	2.320		1.200	1.200	
	HR Audit Services	0.237	1.396	1.633	0.237	0.300	0.537	

Annexures I

ROYAL CIVIL SERVICE COMMISSION

Nu. in millions

Activity	Proposed		Recommended		Remarks
	Current	Capital	Current	Capital	
Dzongkha Development programs		0.100	0.100	-	Common budget under DDC
Workshop on BCSR-2012		0.707	0.707	0.707	Changed to HR Conference
Civil Service Award		5.000	5.000	8.000	
Sustainable Human Resource Development Project		17.198	17.198	17.198	Netherlands
GoI Supported Postgraduate Scholarship		69.330	69.330	69.330	GoI
Nehru-Wangchuck Scholarship		19.590	19.590	19.590	GoI
Training/workshop on Civil Service Information System for HR Officers				0.520	
Construction of RCSC Office Building		0.300	0.300	1.000	For Drawing and design
Total	42.536	118.991	161.527	119.395	161.684

ANTI-CORRUPTION COMMISSION

Nu. in millions

Activity	Proposed		Recommended		Remarks
	Current	Capital	Current	Capital	
Establishment Cost	32.810	5.591	38.401	3.160	34.605
Provisions for New Appointments	7.265		7.265		1.000
Investigation Services	3.350		3.350	2.432	2.432
Printing of Public Service Model Code of Conduct	1.000		1.000	1.000	1.000

ANTI-CORRUPTION COMMISSION		<i>Nu. in millions</i>					
Activity	Current	Proposed Capital	Total	Current	Recommended Capital	Total	Remarks
Printing of UNCAC, Self-Assessment Report and the Implementation Matrix	1.000		1.000	1.000		1.000	
ACC Commission Meeting				0.200		0.200	
Effective Investigation & Institutional Development				3.363	55.880	59.243	
Total	45.425	5.591	51.016	40.440	59.040	99.480	
ELECTION COMMISSION OF BHUTAN		<i>Nu. in millions</i>					
Activity	Current	Proposed Capital	Total	Current	Recommended Capital	Total	Remarks
Establishment Cost	30.809	8.669	39.478	26.587	1.000	27.587	
Printing of Rules & Regulations, Guidelines, interpretations etc.	0.427		0.427	0.427		0.427	
4 th SAARC Election Management Body (EMB) Meeting	12.034		12.034	5.000		5.000	
Civic Education		1.694	1.694		1.694	1.694	
Dzongkha Development Services	0.600	0.780	1.380			-	
Procurement of Vehicles for Dzongkhag Election Services		25.000	25.000			-	
Electoral Roll Exercises	2.910		2.910	2.550		2.550	
Provision for New Appointments	0.600		0.600	0.600		0.600	

Annexures I

ELECTION COMMISSION OF BHUTAN		<i>Nu. in millions</i>					
Activity	Current	Proposed Capital	Total	Current	Recommended Capital	Total	Remarks
Learning From Experience Program	2.390		2.390	2.390		2.390	
Bye Election Reserve	20.166		20.166			-	
Construction of Dzongkhag Election offices		200.000	200.000			-	
Strengthening of the office of ECB			-			-	
Construction of office Building		77.000	77.000			-	
Total	69.936	313.143	383.079	37.554	2.694	40.248	

ROYAL AUDIT AUTHORITY		<i>Nu. in millions</i>					
Activity	Current	Proposed Capital	Total	Current	Recommended Capital	Total	Remarks
Operation and Management Services	66.708	6.900	73.608	65.642	1.310	66.952	
Printing of Audit Annual Reports	0.580		0.580	0.580		0.580	
Production of Audit Reports of Various Sectors	0.701		0.701	0.605		0.605	
Dzongkha Development Service		0.300	0.300			-	
General Provision for New Appointments	1.500		1.500	0.800		0.800	
Visit of Controller & Auditor General of India to Bhutan	0.650		0.650	0.650		0.650	
UN Support for Strengthening of Transparency, Efficiency, Effectiveness, Participation and Accountability in Governance	0.314	0.800	1.114	0.314	0.800	1.114	

Annexures I

ROYAL AUDIT AUTHORITY

Nu. in millions

Activity	Proposed		Recommended		Remarks
	Current	Capital	Total	Total	
Strengthening The Capacity Development of RAA		1.942	1.942	1.942	1.942
Audit Awareness Programme for Geog Leaders	0.550		0.550	0.550	0.550
Setting up of Disaster Recovery (DR) site for ARMS	1.700		1.700	1.700	1.700
Construction of Audit office, Training Centre at Tsirang		58.000	58.000		-
Mandatory Meetings/Conferences/Seminars/Workshops Outside Bhutan	4.217		4.217	3.395	3.395
Operation and Management Services of 4 AAG Offices	43.536	1.795	45.331	39.663	41.118
Production of Audit Reports of various sectors	0.325		0.325		-
Total	120.781	69.737	190.518	112.199	119.406

NATIONAL ASSEMBLY

Nu. in millions

Activity	Proposed		Recommended		Remarks
	Current	Capital	Total	Total	
Establishment cost	18.296	2.310	20.606	18.874	18.874
Establishment cost for Parliamentary Services	65.224	44.931	110.155	61.931	26.451 88.382
Dzongkha Development Programmes		0.170	0.170		-
Maintenance of Security System at the Parliament Houses	0.796	3.717	4.513	0.720	0.720
Fire Alarm and Fire Hydrant System in and around the Parliament Houses	0.200	0.500	0.700	0.200	0.200

Annexures I

NATIONAL ASSEMBLY		<i>Nu. in millions</i>					
Activity	Proposed		Recommended		Remarks		
	Current	Capital	Total	Current	Capital	Total	
In-House Printing and Communications	2.633	0.750	3.383	2.150	0.500	2.650	
Parliamentary Exchange Programme	0.900		0.900	0.900		0.900	
Broad Band Connections for Members of Parliament	0.522		0.522			-	
PAC Services	1.651		1.651	1.108		1.108	
Provision for New Appointments	0.718		0.718	0.700		0.700	
Retirement Benefits	1.048		1.048			-	
Assembly Session Services	5.090		5.090	3.073		3.073	
Committee Services	1.860		1.860	1.450		1.450	
Total	98.938	52.378	151.316	91.106	26.951	118.057	

NATIONAL COUNCIL		<i>Nu. in millions</i>					
Activity	Proposed		Recommended		Remarks		
	Current	Capital	Total	Current	Capital	Total	
Establishment cost, Secretariat	15.253	5.852	21.105	15.653		15.653	
Establishment cost for Parliamentary Services	44.191	25.543	69.734	42.039	18.415	60.454	
General Provision for New Appointments	0.300		0.300	0.300		0.300	
Printing of Acts, resolutions, Q & A etc	4.020		4.020	2.010		2.010	
Committee Services	0.660		0.660	0.500		0.500	
Retirement Benefits	39.357		39.357			-	
						Activity duplication.	

Annexures I

NATIONAL COUNCIL

Nu. in millions

Activity	Proposed		Recommended		Remarks
	Current	Capital	Current	Capital	
Construction of National Council Building		10,000		5,000	
Total	103.781	41.395	60.502	23.415	83.917

Table 1: Turnovers and Returns

Sl. No.	Company	Gross Revenue			PBT			ROA			ROE		
		2011	2012	Change	2011	2012	Change	2011	2012	change	2011	2012	change
1	AWP	749.85	838.03	11.76%	257.82	331.66	29%	42.67%	38.79%	-9.09%	50.06%	50.28%	0.44%
2	BAIL	87.797	103.40	17.77%	2.80	8.01	186%	3.95%	10.77%	172.66%	3.34%	8.03%	140.42%
3	BBPL	332.08	327.89	-1.26%	30.42	26.05	-14%	9.69%	8.41%	-13.21%	8.84%	6.38%	-27.83%
4	BBS	273.80	299.80	9.50%	16.28	4.90	-70%	2.12%	0.63%	-70.28%	2.25%	0.67%	-70.22%
5	BDBL	547.86	724.79	32.29%	205.12	238.64	16%	3.94%	3.10%	-21.32%	13.73%	13.05%	-4.95%
6	BFAL	1,858.59	2,142.94	15.30%	217.76	132.49	-39%	14.54%	9.24%	-36.45%	17.11%	12.10%	-29.28%
7	Bhutan Post	111.47	102.19	-8.33%	10.14	5.59	-45%	5.10%	2.64%	-48.24%	5.47%	2.97%	-45.70%
8	BNBL	2,032.40	2,175.01	7.02%	729.00	995.84	37%	2.83%	3.59%	26.86%	14.92%	12.78%	-14.34%
9	BOBL	1,757.70	2,136.11	21.53%	921.32	950.39	3%	3.42%	3.21%	-6.14%	22.80%	20.61%	-9.61%
10	BPC	3,545.15	4,140.28	16.79%	1,209.01	1,212.32	0%	5.75%	4.95%	-13.91%	6.47%	5.71%	-11.75%
11	Bhutan Telecom	1,833.67	2,165.33	18.09%	681.21	863.19	27%	18.25%	21.28%	16.60%	16.18%	19.17%	18.48%
12	CDCL	400.34	589.21	47.18%	7.85	29.10	271%	1.13%	3.94%	248.67%	1.31%	4.47%	241.22%
13	DGPC	10,948.33	11,140.80	1.76%	5,638.24	5,997.39	6%	9.23%	10.03%	8.67%	10.38%	10.88%	4.82%
14	DHI	4,359.98	4,703.14	7.87%	4,307.96	4,571.84	6%	8.68%	8.85%	1.96%	6.64%	7.03%	5.87%
15	DHI Infra Ltd	3.54	13.83	291.17%	-0.43	2.93	-777%	-0.21%	1.24%	-690.48%	-0.22%	0.86%	-490.91%
16	Druk Air	2,261.29	2,761.25	22.11%	370.73	231.39	-38%	7.47%	4.31%	-42.30%	11.23%	6.60%	-41.23%
17	Dungsam Polymers	-	27.41	NA	-	-19.24	-	0.00%	-11.81%	-	0.00%	-45.60%	-
18	FCB	637.00	982.96	54.31%	14.02	52.68	276%	3.78%	12.45%	229.37%	3.23%	10.79%	234.06%
19	Kuensel	184.21	176.98	-3.92%	31.74	17.80	-44%	12.76%	6.75%	-47.10%	13.81%	7.19%	-47.94%

Annexure II

20	NHDCL	-	73.75	NA	-	-5.18	-	0.00%	-0.19%	0.00%	-0.19%	-
21	NRDCL	346.13	484.86	40.08%	30.59	76.08	149%	5.19%	11.38%	4.21%	119.27%	126.13%
22	PCAL	1,892.05	2,079.66	9.92%	429.77	502.74	17%	24.66%	28.04%	26.73%	13.71%	19.49%
23	RICBL	486.94	542.08	11.32%	450.93	501.07	11%	6.63%	6.47%	24.54%	-2.41%	-5.18%
24	STCBL	2,335.20	1,009.71	-56.76%	103.27	14.58	-86%	11.28%	2.91%	27.66%	-74.20%	-87.92%
25	TTPL	-	1.71	NA	-	-5.02	-	0.00%	-1.83%	0.00%	-	-
26	WCCL	59.05	69.60	17.86%	1.56	1.38	-12%	1.27%	1.06%	1.10%	-16.54%	-12.73%
	Total	37,044.40	39,812.72	7.47%	15,667.10	16,738.62	6.84%	204.13%	190.21%	291.79%	-6.82%	-26.36%

Table 2: Assets & Net Worth

Sl. No.	Company	Assets			Net Worth			Reserves		
		2011	2012	Change	2011	2012	Change	2011	2012	Change
1	AWP	604.27	855.10	42%	365.02	460.62	26.19%	340.02	435.62	28.11%
2	BAIL	70.86	74.38	5%	61.35	61.36	0.02%	32.29	32.30	0.02%
3	BBPL	314.05	309.73	-1%	240.43	257.17	6.96%	100.76	117.17	16.28%
4	BBS	769.01	778.55	1%	724.12	727.42	0.46%	593.29	596.58	0.56%
5	BDBL	5,211.32	7,694.18	48%	1,494.14	1,829.24	22.43%	1,083.80	1,322.44	22.02%
6	BFAL	1,497.54	1,434.33	-4%	765.27	768.27	0.39%	615.27	618.27	0.49%
7	Bhutan Post	198.58	211.78	7%	121.51	125.24	3.07%	97.92	101.64	3.80%
8	BNBL	25,754.38	27,708.30	8%	3,417.97	5,461.57	59.79%	2,742.13	2,927.19	6.75%
9	BOBL	26,959.60	29,592.78	10%	2,826.80	3,204.93	13.38%	2,426.80	2,204.92	-9.14%
10	BPC	21,027.55	24,495.68	16%	13,695.86	15,801.80	15.38%	6,380.19	7,622.82	19.48%
11	Bhutan Telecom	3,732.40	4,056.35	9%	2,670.57	3,006.75	12.59%	1,816.49	2,152.67	18.51%
12	CDCL	696.95	737.63	6%	435.76	455.69	4.57%	34.37	54.30	57.99%
13	DGPC	61,053.63	59,800.02	-2%	37,897.51	38,419.84	1.38%	7,389.22	7,911.55	7.07%
14	DHI	49,656.06	51,659.00	4%	45,390.41	45,471.77	0.18%	1,062.29	1,143.65	7.66%
15	DHI Infra Ltd	210.89	235.78	12%	199.57	212.82	6.64%	-	1.40	-
16	Druk Air	4,959.87	5,363.69	8%	2,278.01	2,438.68	7.05%	52.79	213.47	304.34%
17	Dungsam Polymers	-	162.92	-	-	22.95	NA	-	-	-
18	FCB	370.95	423.16	14%	298.36	333.86	11.90%	231.98	268.78	15.86%
19	Kuensel	248.66	263.80	6%	160.87	173.34	7.75%	110.87	123.34	11.25%
20	NHDCL	-	2,743.93	-	-	2,676.05	NA	-	27.96	-
21	NRDCL	589.29	668.63	13%	493.73	545.41	10.47%	463.73	515.41	11.14%

Annexure II

22	PCAL	1,743.13	1,792.77	3%	1,089.85	1,101.76	1.09%	749.85	761.76	1.59%
23	RICBL	6,800.19	7,747.29	14%	1,222.78	1,507.06	23.25%	982.78	1,267.06	28.93%
24	STCBL	915.51	501.60	-45%	261.32	270.36	3.46%	201.32	180.36	-10.41%
25	TTPL	-	274.31	-	-	58.18	NA	-	-	-
26	WCCL	122.95	130.17	6%	98.48	99.21	0.74%	-	-	-
	Total	163,851.58	178,056.87	8.67%	70,819.28	80,019.57	12.99%	26,445.88	29,457.01	11.39%