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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHIICHO DZONG



DNB/Budget Call/2014-15/ 647

January 3, 2014

Subject: Budget Call Notification for Financial Year 2014-15

The Ministry of Finance hereby announces the **Budget Call** for the Financial Year 2014-15, which is the **2nd year of the 11th Five Year Plan**. All budgetary agencies (*Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs*) are required to submit budget proposals as per the budget preparation guidelines attached herewith.

The budget for Financial Year 2014-15 is geared towards achieving a projected economic growth of 6.8%. In order to avoid possible adverse impact on socio-economic situations on inflation, balance of payment, foreign exchange reserves, etc. fiscal deficit shall be maintained at a minimum. Accordingly, the fiscal deficit for the FY 2014-15 is estimated at 0.7 percent of GDP.

While submitting the budget proposal, the budgetary agencies shall provide a *narrative policy statement* highlighting program targets/outputs at the Ministry/Sector level in order to deepen the linkages between the proposed budget and program targets. Due consideration must be given to the **implementation capacity** while proposing the budget. In formulating the budget proposal, budgetary agencies are required to ensure that budget proposals are gender responsive and incorporate RCP (Environment, Climate Change & Poverty) initiatives.

The Ministry of Finance would like to re-iterate that budgetary agencies should consider the implementation capacity and other constraints during the formulation of budget. The issue of underutilization is being viewed by Public Accounts Committee (PAC) seriously and the Ministry of Finance has been justifying underutilization on behalf of the budgetary agencies. Since heads of agencies are responsible for budget execution as per section 29 of PFA, the concerned Agency Heads shall be held accountable for underutilization and may affect subsequent years' budget allocation. This is to ensure a greater sense of accountability and call attention to a 'performance' or 'output orientation' of the budgeting system.

From the past trends, it is noted that *recurrent expenditure* is increasing at a rate much higher than that of the *domestic revenue* increase. If this trend continues, it will be difficult

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE

to meet the recurrent expenses from the internal resources as required by Article 14, Section 6 of the Constitution. In this regard, the MoF would like to call on all budgetary agencies for collective responsibility in fulfilling this Constitutional mandate by remaining within the budget ceiling.

All Budget/Accounts officials of the agencies must ensure that the budget proposals are reviewed, discussed with their respective agencies *thoroughly* and the *proposals must be complete in all respects*. The budget proposal must be submitted online through the MYRB system available at www.myrbpcms.bt and a hard copy with the justifications and necessary supporting documents to the DNB latest by **28th February 2014**.

As required by the FRR-2001, a copy of the budget proposals must also be submitted to the GNHC Secretariat. In addition, all Dzongkhags must submit their sector budgets including the Gewogs' sector budgets to the respective Ministries.

The Ministry of Finance has prepared detailed guidelines based on the existing policies, rules & regulations. The attached *budget preparation guideline* consists of two categories i.e. *General* and *Specific Guidelines* for strict adherence by the respective agencies during the preparation of the FY 2014-15 budget proposals.


(Nim Dorji)
Offtg. Secretary

Copy to:

1. The Hon'ble Ministers for kind information and support.
2. All Ministries/Constitutional Bodies/Autonomous Agencies/Dzongkhags/ Gewogs.

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE

Budget Preparation Guidelines for the FY 2014-15

General Guidelines:

- i. *All the proposals must be in line with the priorities of the 11th FYP and should be imported into Multi Year Rolling Budget (MYRB) from Planning and Monitoring System (PLAMS).*
- ii. Budgetary agencies must ensure that their proposals are comprehensive in all respects. All activities proposed to be implemented should be included in the budget irrespective of source of funds including *Trust Funds*.
- iii. In order for the Ministry of Finance to arrive at a reasonable level of budgetary support, SOEs and Thromdeys receiving subsidy must submit detailed *revenue projections* and *past year's actual revenue collection statement* along with their budget proposals.
- iv. Budget proposals must be prepared in keeping with the provisions of the *Public Finance Act 2007* and amendment thereof with regard to *supplementary budgets*. It is important to ensure that there is no budget shortfall at the time of implementing the works. Therefore, focusing on fewer works rather than spreading out into too many activities is advised. It may also be noted that agencies should strictly follow the plan target and budget while carrying out the activities/works as DNB will not be in a position to provide any additional budget for such extra works.
- v. *Budget/Accounts officers must ensure that multi-year projections for both current and capital budget proposals are submitted at the time of the budget submission in MYRB.*

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE

Specific Guidelines:

Recurrent Budget:

In keeping with the mandate to meet the recurrent expenditure from domestic resources, the MoF has computed *recurrent budget ceilings* for all agencies. The recurrent budget ceiling is computed for all operational budget excluding pay and allowances, PF contributions and stipend. The budget for pay and allowances shall be on actual basis. For your Ministry/Constitutional body/ Agency/Dzongkhag/Gewog, the recurrent budget ceiling inclusive of all funding sources is set at Nu. million. In submitting the current budget proposals, the budgetary agencies must observe the following:

- i. Provision for *pay & allowances* of regular & temporary employees whose services are directly associated with a project/activity including operations & maintenance cost should be *work-charged* to that project/activity so as to capture the true cost of the project/activity.
- ii. RGoB contributions to any new externally funded projects should have prior approval of the Ministry of Finance.
- iii. In addition to *trainings and pool vehicles budget* which are prohibited, allocation for *computers, equipment & furniture are restricted under loan funding*.
- iv. The budget provision for Dzongkhag development activities shall be kept under individual agencies. However, the amount should not exceed the existing provision.
- v. The activity titled "*Provision for New Appointments*" (OBC 26.01) and retirement benefits (OBC 25.01) must be proposed based on the likely staff recruitments / superannuation.
- vi. The budget proposal for *office stationeries, telephone, postage, electricity, water, etc.* shall be maintained at the levels of the FY 2013-14 approved budgets.
- vii. Budget for mandatory participation in *regional, multilateral and international meetings* should be included in the budget proposal of the relevant agencies. Participation in SAARC and BIMSTEC meetings will be proposed by the relevant agencies as per the annual programmes circulated by the Ministry of Foreign Affairs.



ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE

- viii. Agencies must submit updated *inventories* of all the assets including buildings, equipment, computers, vehicles, etc. for maintenance budget.
- ix. As the recurrent budget ceiling covers activities which do not form part of the normal running/ operational cost, all budgetary agencies must reflect them as separate activities and clearly show the workings of the budget requirement. Such proposals must be supported by clear justifications along with full description of the intended outputs and outcomes and how this will contribute to the overall achievement of the 11th FYP objectives of your agency.

Capital Budget:

The capital ceiling is set at 18 % of the total 11th plan outlay. Within 18% of the ceiling, the RGoB ceiling is set at Nu. million only, for your Ministry/ Constitutional body/ Agency/Dzongkhag/Gewog, and the rest shall be from external financing.

The following guidelines should be adhered to for the preparation of capital budget:

- i. New activities irrespective of funding sources must be prioritized for FY 2014-15 as per 11th FYP documents.
- ii. Budget for major works will be considered only with supporting documents, viz: proper estimates, drawings, designs, and necessary clearances. This is to ensure that the agencies are ready to start the works on receipt of the budget approval.
- iii. With respect to the estimates for *multiyear projects*, the agencies should provide the total cost of project along with the budget requirements in each FY in MYRB at the activity level.
- iv. All related *recurrent expenses of time-bound projects/constructions* should be capitalized and booked as expenditure to that project/construction. Such expenses may include *salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses etc.*
- v. Budget for non-developmental capital activities such as *furniture, office equipment and computers* must be limited to a minimum need in order to provide space for developmental activities.



ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE

- vi. The capital budget ceiling for Dzongkhags and Gewogs do not include for works related to the *Education sector*. Therefore, Dzongkhags should prepare the Education sector budget proposals in consultation with the Ministry of Education. They should then be consolidated with the Dzongkhag budget and submitted through the MYRB system.
- vii. There are many *centrally-executed programmes and activities* that do not form part of the Dzongkhags' and Gewogs' annual budgets. In order to capture such programmes and activities under the respective local government for reporting to the National Assembly, the concerned Budget/Accounts officers are required to carry out necessary *tagging* at the time of activity creation in the MYRB system.
- viii. Agencies must propose spillover activities and maintain the *same budget line for spillover activities* and keep the previous year's budget lines open for the completed activities at least for the next two years for any pending adjustment of advances.
- ix. Budget proposal for *farm road constructions* should be as per the guidelines for farm road development 2013.

