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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG

MoF/Budget Notification/2009-10/ 2390
January 30, 2009

Budget Call Notification for Financial Year 2009-10

The Ministry of Finance is pleased to notify all the Ministries, Autonomous Bodies, Dzongkhags and Gewogs to submit budget proposals for the Financial Year 2009-10 (FY 2009-10), corresponding to the second year of the Tenth Five-Year Plan (10FYP).

The budget proposals must be submitted in line with the approved 10FYP programmes and as per the requirements of the Financial Rules and Regulations – 2001 (FRR-2001). Besides, the budget proposals shall support Government priorities such as providing better rural access i.e. connecting road access to every gewog; providing electricity for all; providing safe drinking water; connecting all gewogs with telecommunication services, and such other priority programmes.

While submitting the budget proposals, the agencies are requested to clearly spell out their mandates, policies, priorities and what they hope to achieve (outputs) through the budget being proposed. Any new initiatives proposed to be undertaken to support Government directives may also be spelt out separately.

Before submitting the budget proposals, the agencies are advised to have thorough budget discussions at all levels (Section/Division/Department) within the agency to prioritize activities. This is because, *once the budget allocation is finalized and approved, supplementary budget will have to comply with the provisions contained in Chapter IV of the Public Finance Act, 2007.*

The following specific budget preparation guidelines may kindly be observed.

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1. Recurrent Budget Ceiling:

In keeping with the Royal Government's fiscal policy of meeting the recurrent expenditure from domestic revenue and considering the overall resource availability, the Ministry of Finance has worked out budget ceiling applicable to each and every agency. For your Ministry/Agency/Dzongkhag/Gewog, the budget ceiling, including all sources of funding is set at Nu.....million. For the Ministry, Department-wise ceiling is also given as **Annexure I**.

- (i) The recurrent budget ceiling of Nu. ----- million does not include the activities which do not form part of your normal running/operational cost. You are requested to reflect them as **separate activities** and clearly show how the budget requirement is worked out. Budget requirements of such nature should be supported with clear justifications and full description of the intended outputs and outcomes which should contribute to the over all achievement of 10FYP objectives of your agency.
- (ii) Agencies are requested to submit their budget proposals using the formula applicable to your agency as given in **Annexure II**. Any budget proposal submitted without using the formula will not be accepted. For Dzongkhags and Gewogs, formula is given sector-wise and is included in the Dzongkhag's formula.
- (iii) The Ministry of Finance would like to clarify that the formula is given to facilitate budget preparation only and shall not be taken as either an entitlement or restriction. For instance, in order to arrive at the travel budget, if we have asked you to take 30 days for DSA calculation, this should not be taken as an entitlement to claim DSA for 30 days, nor should it be treated as the upper limit for individual travel. The number of days is given just to compute DSA component of the total travel budget.
- (iv) Any staff appointed specifically for a project, their pay & allowances must be capitalized and charged to that project.
- (v) Agencies must submit the inventories of all the assets including buildings, equipment, furniture, computers and vehicles, especially for the proposed maintenance budget.

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- (vi) Budget agencies are also requested to include gratuity provision for the civil servants who are due to superannuate during the FY 2009-10. The budget ceiling does not include the provision for gratuity payment of voluntary resignations. Any such proposal will be accepted in addition to the budget ceilings and provided by the DNB separately.

2. Capital Budget

The capital budget must be proposed based on the implementation and absorptive capacity of the budgetary bodies. For the FY 2009-10, agencies can propose upto 18% of the 10FYP capital outlay. The ceiling is broken down into RGoB and donor financed activities as follows:

- (i) Total capital budget ceiling Nu.
- RGoB Nu.
 - Donors Nu.
- (ii) The ceiling is for both new and ongoing activities and programs;
- (iii) The activities that are currently implemented and which will not be completed within the current financial year should be **prioritized** and proposed as **spillover**. Such activities have to be clearly indicated as spillover works in the remarks column of the Budget Form III **to ensure that such works are not excluded from the budget**.
- (iv) The externally funded projects/activities must be included in the budget proposal. However, such proposals shall be made only for those activities where funding is committed and giving due consideration to the absorptive capacity of the implementing agencies.
- (v) It is assumed that all the agencies have the required furniture, office equipment and computers etc. Therefore, budget shall be provided for procurement of furniture, office equipments and computers only for new appointments, new establishments and schools.

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དངུལ་རྩིས་ལྷན་ཁག།
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG

- (vi) The Dzongkhags, in order to avoid double budgeting shall crosscheck with the concerned line Ministries before proposing budgets for farmers' training and study tours, supply of computer, supply of seeds and seedlings, extension kits, tools and equipment, etc. It is possible that such activities are supported through externally funded projects of the concerned sector Ministries.
- (vii) The capital budget ceiling for Dzongkhags & Gewogs does not include the education sector. It shall be the responsibility of the Ministry of Education to compile and submit Education Sector budgets for all Dzongkhags and Gewogs within 18% of the sector's 10th FYP allocations.
- (viii) New construction related proposals shall be considered for budget incorporation in FY 2009-10 only if the following documents are produced:
- Approved drawings and estimates;
 - Proof of land acquisition;
 - Environmental clearance; and
 - Annual work plan along with quarterly financial projections
- (ix) The budget proposals for roads (national highways, feeder or farm roads), be it for new constructions, rehabilitations, or maintenance, the number of Kms shall be mentioned specifically. Similarly, for construction, rehabilitation and maintenance of water supply and irrigation channels, the number of schemes shall be mentioned clearly.

3. Trust Fund Supported Activities & Quasi-Corporations

In order to have a comprehensive budgeting and expenditure recording of the government funds, all Trust Funds' supported activities must be routed through the normal budgetary process and therefore must be included in the budget proposal.

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ROYAL GOVERNMENT OF BHUTAN
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All the Quasi-Corporations who receive subsidy from the government are requested to submit expected revenue statements together with their projected expenditure. Both revenue and expenditure projections are subject to scrutiny by the Ministry of Finance.

4. Budget Submission Date

All Ministries, Autonomous Bodies, Dzongkhags and Gewogs shall submit the budget proposals for the FY 2009-10 both in soft and hard copies to the Department of National Budget latest by **Monday the 16th March, 2009**. As required under FRR-2001, a copy each of the budget proposals shall also be submitted to the GNH Commission Secretariat. In addition, all Dzongkhags are requested to submit a copy of the sector-budgets to the respective sector Ministries.

The budget proposals shall be submitted using **computerized budget and accounting system (BAS)**. All the formula calculations and supporting annexure used to arriving at the proposed amount to various object codes in the budget proposals must also be submitted in soft copy.

All are requested to comply with the above budget preparation guidelines. The budget preparation guidelines and additional forms are available and can be downloaded from our website <http://www.mof.gov.bt/dnb/2009-2010> Budget Notification. It shall be the responsibility of the budget officers in the Ministries and Dzongkhags to coordinate, compile and submit the budget proposals in time. Where there are no budget officers, the heads of finance will assume the role of budget officers.


(Lam Dorji)
Finance Secretary

Copy to:

1. All Heads of Ministries/Autonomous Bodies/Dzongkhags/Gewogs
2. Secretary, GNH Commission.

