



དངུལ་ཆེན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



MoF/Budget Call-Notification /2010-11/ 3542  
22<sup>nd</sup> December 2009

**Budget Call Notification for the Financial Year 2010-11**

This is to notify all Ministries, Autonomous Bodies, Dzongkhags and Gewogs (herein after referred to as the spending agencies) to submit the budget proposals for the Financial Year (FY) 2010-11 of the Tenth Five-Year Plan (10FYP). It is estimated that internal revenue of Nu. 15,076.613 million will be available for appropriation in the FY 2010-11 to meet the current expenditure, debt servicing, counterpart financing, and contribution to capital expenditure. Major portion of the capital expenditures will continue to be dependent on external donor assistance. In keeping with the financial sustainability policy of the Government, a fiscal deficit of about 4.3% of GDP is projected. Given these parameters, it is important to maintain Government spending within the overall estimated range to avoid operating deficits, maintain fiscal deficits at sustainable limits, maintain outstanding debt at internationally accepted threshold, and to maintain investments in socio-economic sectors at the same levels.

All the spending agencies are requested to follow the general guidelines given as under:

1. The budget proposals shall include the approved plans and programmes of the 10FYP. Where internet lease line connections are available, the budget proposals must be prepared online through the Multi-Year Rolling Budget (MYRB) system available online at [www.mof.gov.bt/myrbpems](http://www.mof.gov.bt/myrbpems). For this purpose, Budget/Accounts Officers will be provided with User-ID and rights to operate the system by the Department of National Budget (DNB).
2. All the spending agencies are requested to submit budget proposals taking into considerations the provisions of the Public Finance Act 2007, Section 58, where supplementary budget is restricted once the budget is passed by the National Assembly.



དངུལ་ཅིན་ཕྱན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



Therefore, activities to be prioritized in terms of urgency, timing and implementation to ensure that there will be no budget shortfall at the time of implementing the budgeted works.

3. Further, once the budget is approved, under the existing rule, creation of new activity or activities and object of expenditure code(s) is restricted. It is therefore critical for the spending agencies to have thorough internal discussions involving all stakeholders to ensure that all *spillover activities are included in the budget proposals*. Moreover, in order to enable the implementing agencies to complete their proposed capital programs within the same FY, the spending agencies shall submit capital budget proposals along with estimates, drawings, designs, necessary clearances for farm roads, land acquisition, compensation for land, buildings etc. as proof of readiness to implement the proposed activities.

In addition to the above general guidelines, while submitting the budget proposals for the FY 2010-11, the following specific budget preparation guidelines which may kindly be observed:

**1. Recurrent Budget Ceiling:**

In keeping with the Article 14, Section 6 of the Constitution of Bhutan and the Government's fiscal policy of meeting the recurrent expenditure with domestic revenue, the MoF has worked out a recurrent expenditure ceiling. For your Ministry/Agency/Dzongkhag/Gewog, the recurrent budget ceiling is set at Nu.....

- (i) The recurrent budget ceiling includes the activities which do not form part of the normal running/operational cost. All the spending agencies are requested to reflect them as **separate activities** and clearly show the workings of the budget requirement. Budget requirements of such nature should be supported by clear justifications with full





དངུལ་ཅིན་ལྷན་ཁག་།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



description of the intended outputs and outcomes which should contribute to the overall achievement of 10FYP objectives of your agency;

- (ii) The spending agencies must use standard rates as a guide to prepare the budget proposal of your respective sectors. The standards developed for the preparation of budget proposal is purely for calculating a rational figure for activity(ies) in the budget proposal;
- (iii) Any cost pertaining to the contract employees appointed for time bound projects should be charged to the project;
- (iv) The spending agencies must submit the updated inventories of all the assets including buildings, equipment, furniture, computers and vehicles;
- (v) The spending agencies are also requested to include retirement benefits provision of the civil servants who are due for superannuation during the FY 2010-11. Budget requirement for gratuity payment will be considered in addition to the budget ceilings;
- (vi) The procurement of the following items are not permitted as part of the cost reduction measures undertaken by the MoF and the budget proposals must not include such estimates:
  - a. Bags and stationery items for conferences and workshops;
  - b. In excess of Nu.0.060m per laptop and allowed only for professional works.;
  - c. Under regular office supplies: External hard drive (except for IT personnel), scissors & scale (except for procurement, engineering and finance sections), newspapers/magazines subscriptions (except for Department heads and above), briefcases, sleeping bags, water boilers, wishing cards, diaries and printing of calendars;



དངུལ་ཆེན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



## 2. Capital Budget

The capital budget must be proposed based on the implementation and absorptive capacity. The following guidelines may kindly be observed for the preparation of capital budget:

- (i) Capital budget ceilings have been provided for all the spending agencies. For your agency, the ceiling is Nu.
- (ii) The ongoing activities that will not be completed within the current FY should be given **priority over new activities** and proposed as **spillover works**. Such activities have to be clearly indicated as **spillover works** in the **Budget Form III**;
- (iii) All externally funded projects/activities with secured funding sources must be reflected in the budget proposal. At the same time, the spending agencies must also seriously review their implementation capacity and prepare realistic proposals that can be implemented within the FY 2010-11;
- (iv) It is assumed that all the agencies have adequate furniture, office equipment and computers. Therefore, no budget shall be provided in the FY 2010-11 for procurement of furniture, office equipment and computers except for new appointees and new establishments.;
- (v) The capital budget ceilings for Dzongkhags and Gewogs do not apply to the Education Sector related works. However, the Dzongkhags should prepare the Education budget proposals in consultation with the Ministry of Education seriously assessing their implementation capacity;
- (vi) As an initiative to provide standard facilities for all Gewogs in terms of farm roads, Gups offices and RNR Centres, budget proposals for such activities from Gewogs, within the framework of the 10FYP, will be provided over and above the given ceiling;





དངུལ་རྩིས་ལྷན་ཁག །

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



- (vii) There are certain activities where the funds are kept in the Dzongkhags as well as in the concerned Ministries. Such activities includes farmers' trainings and study tours, supply of computers, seeds and seedlings, extension kits, tools and equipment etc. These activities may be supported through externally funded projects from the concerned ministries. Therefore, the concerned spending agencies are requested to ensure that there is no double budgeting for the same activity(s) in the Dzongkhags and respective Departments/Ministries while preparing the budget proposals.
- (viii) There are many centrally executed programs and activities that do not form part of the Dzongkhags' and Gewogs' annual budgets. In order to capture such programs and activities under the respective local governments for reporting to the National Assembly, the concerned central agencies need to submit a list of activities in the attached format (**Annexure I**).

### 3. Disaster related Reconstruction Activities

The unprecedented scale of the natural disasters that hit the country in May and September 2009 has created the requirement for a substantial amount of resources for reconstruction activities. While the Government is soliciting further support from various donors, some adjustment from the 10FYP budget may be inevitable. The implementation of these reconstruction activities, especially in the 6 eastern Dzongkhags is also expected to stretch the absorptive capacity of the affected Dzongkhags.

While the concerned Dzongkhags and sectors may include the requirement of funds for reconstruction activities in the budget proposal, it is requested that efforts be made to adjust them from the capital budget ceiling itself. If the Government is able to mobilize more resources, those will be made available over the ceiling provided.



དངུལ་ཅིན་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG



#### 4. 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.

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.

#### 5. Budget Submission Date and Other Requirements

All the spending agencies shall submit the budget proposals for the FY 2010-11 through MYRB system both in soft and hard copies to the DNB latest by Monday the 15<sup>th</sup> February, 2010. 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 the sectoral budgets including the Gewogs sectoral budgets to the respective sector Ministries.

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 the Ministry of Finance website <http://www.mof.gov.bt/dnb/notification.php>.

Lam Dorji  
Secretary

Copy to:

- 1 Hon'ble Ministers for kind information and support.
- 2 All Secretaries/Heads of Autonomous Bodies/Dzongkhags/Gewogs