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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



DNB/Budget Notification/2012-13/20

30 July 2012

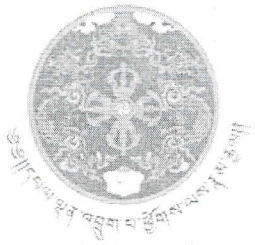
Budget Notification for the Financial Year (FY) 2012-13

The budget for the FY 2012-13, the final year of the Tenth Five Year Plan (10FYP) has been passed by the Parliament. Total budget appropriation for the FY 2012-13 is Nu. 38,044.196 million, and the breakup is as follows:

<u>Expenditure</u>	<u>Amount in millions</u>
a. Current expenditure	Nu. 18,262.630
b. Capital expenditure	Nu. 16,252.919
c. On-lending	Nu. 1,009.632
d. Repayments (principal)	Nu. 2,519.015

As is the usual practice, all budgetary agencies are hereby notified to strictly adhere to the provisions of Public Finance Act 2007 (PFA) and amendments thereto and the Financial Rules and Regulations 2001 (FRR-2001). In addition, taking into consideration the experiences of budget implementation from the earlier years, the following guidelines are issued for compliance:

- 1. Budget limits:** The budget appropriation for FY 2012-13 of the respective spending agencies is available at www.myrbpems.bt. It specifies the expenditure limits approved by the Parliament. All spending agencies are required to remain *within the appropriated limits* set for the FY.
- 2. Expenditure rationalisation:** In keeping with the expenditure rationalization directives of the Government to keep the budget deficit near zero, the budget for the FY 2012-13 has been reduced in all budgetary agencies as follows:



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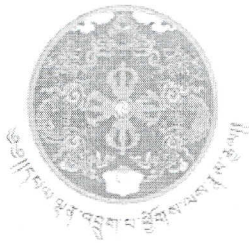


- i. *Hospitality and entertainment budget is reduced by 20% from FY 2011-12 levels;*
- ii. *Budget for in-country travel is reduced by 10% from that of FY 2011-12;*
- iii. *Budget for advertisement is reduced from FY 2011-12 allocations;*
- iv. *The budget for office stationery, telephone, postage, electricity, etc. has been capped at FY 2011-12 levels;*
- v. *For farmers' training and study tours, Nu.23 m has been provisioned under MoAF - no provision kept in the Dzongkhags and Gewogs.*
- vi. *Further, no provision has been kept for the following:*
 - a. *Maintenance of buildings (except for minimal provision under schools, hospitals and BHUs);*
 - b. *Maintenance of computers;*
 - c. *Extension kits, linens (except for few service areas);*
 - d. *Purchase of furniture and computers (except for schools)*

There will be *no new purchase of vehicles, no staff quarter constructions, no activities related to fencing, compound wall and gate constructions* during the year.

Agencies are also required to note that no budget has been allowed for holding any type of *annual conferences* this year.

These measures have been taken in view of the balance of payments situation in the country and the need for the government to keep the expenditures low, especially in some of the unproductive areas. Government agencies are requested to keep their spending within the available budget and be mindful of the financial situation in the country. The Ministry of Finance does not expect any agency to submit representations for consideration of the reduced allocations as there is no room for any additional funds.



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Attention is also drawn to the cost control measures notified vide Circular No. MoF/R-Circular/2012/694 dated 13 June 2012 and such notifications issued by the Government from time to time in the past.

- 3. Use of locally available materials:** In view of the BoP situation, budgetary agencies are expected to use locally available materials for constructions, school furniture, etc.
- 4. Work plan:** All budgetary agencies are requested to draw up proper work plans to complete the budgeted activities by December 2012. In drawing up the work plan, the agencies must give priority to complete the spill-over works first and ensure that no works are spilled over to the 11FYP.

The focus for the second half of the FY should be on consolidation of the 10FYP activities. The work plan must be submitted to the Department of National Budget (DNB) *by 30th August 2012*. Budget/Accounts Officers in the respective agencies will coordinate the submission of work plans to the DNB.

- 5. Quarterly progress report:** Budget/Accounts Officers shall monitor execution of capital budgets and submit implementation progress reports quarterly to the DNB. The first quarterly progress report should reach DNB by 31st of October 2012, second quarter report by 31st January 2013, third quarter report by 30th April 2013 and last quarter report by 31st July 2013.
- 6. Mid-year budget review:** The DNB will carry out a mid-year budget review in December/January to ascertain the status of budget implementation, based on which the budget re-alignments, where necessary, will be considered.



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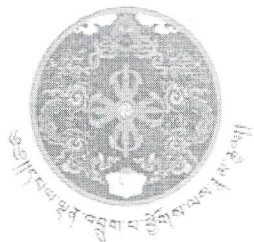


7. Supplementary budget: As per Section 59 of the PFA, agencies shall not initiate any works or make any commitments without the budget or start incurring expenditures in anticipation of supplementary budget. Spending must be kept within the approved budget.

Important note: *In cases where the contract amount is higher than the approved budget, prior approval from the Ministry of Finance (MoF) must be obtained before the work is awarded. In the past, it was noticed that some agencies, Dzongkhags and Gewogs have been awarding works for amounts much higher than what is budgeted, leading to unnecessary complications at a later stage. This was particularly the case with the activities funded under the SDP. This type of situation will no longer be accepted.*

With respect to the budget incorporation of externally funded activities for which agreement is signed or fund is received during the FY, such incorporation will be strictly based on the implementation capacity of the agency concerned.

8. Re-appropriation of fund: The budget allocated for the specific purpose should not be diverted. Re-appropriations from the budgeted activity shall be carried out only after completion of that activity and confirming the savings available. Once re-appropriated, no re-appropriation shall be permitted back to the same activity. The MYRB system has in-built automatic check on such re-appropriations and this is done to discourage the agencies from manipulating the budget and avoid frequent re-appropriations. In other words, re-appropriations shall be carried out after thorough examination of the needs and budget savings only, preferably only one within the FY and that too towards the end of the FY.



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9. Land compensation: Budget for land compensation is not provided to the agencies. Such budget shall be provided on a case-by-case basis upon ascertaining the completion of land acquisition formalities.

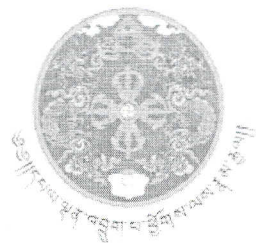
10. Disaster related budget: As the present practice of routing budget requests through the Department of Disaster Management (DDM) has been found to be inconvenient, henceforth, the disaster affected agencies may send such requests directly to the DNB with copies to the DDM.

11. Appointments and transfers: The agencies' budget includes provisions for new appointments. *In view of the BoP/financial position, budgetary agencies should limit new appointments to the extent of the budget provision only as no additional funds will be provided.*

To reduce time, cost and errors, the MoF had decentralized fund transfer of transferred employees to the budgetary bodies from FY 2010-11. However, it seems most of the agencies are not adhering to this arrangement and MoF has been receiving repeated complaints. Budget and accounts officers should ensure that the budget is transferred at the time of issuing the LPC.

Before finalizing the transfer of employees, budgetary agencies should ensure that there is sufficient budget to cover their transfer benefits like transfer grant, TA, transport of personal effects. Extra budget allocation will not be provided to cover the costs of such cases.

12. Activities supported by Trust Funds: Budgetary agencies are reminded that activities funded through the Trust Funds shall be strictly implemented in accordance with the budgetary processes of the Royal Government. This is to ensure comprehensive budgeting, expenditure recording and reporting.



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13. Assistance "In-Kind": The Royal Government receives substantial amount of assistance in the form of goods and services. All such assistances received are to be captured in both budget and accounts as "IN-KIND assistance". Non-reporting of such receipts results in under reporting the assistance actually received. All project management units of the budgetary agencies are advised to get such assistance incorporated in the budget by giving the information to the concerned accounts units before processing for IMPORT LICENSE for receipt of goods or processing of visa for the consultants paid by the donors directly. The accounts unit will ensure that it is budgeted and expenditure reflected in the accounts during the financial year.

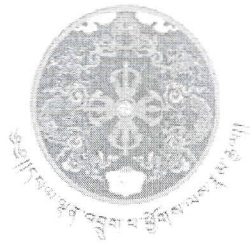
14. Community contract: In order to promote community participation and to expedite development activities, the Government had amended the procurement rules vide notification No.MoF/PPPD-08/2009-2010/147 dated 10 June 2010 as follows:

'In case of works whose estimated value is not more than Nu.1.5 million, the work can be awarded to the local community as endorsed by the GT at the estimated cost'.

Dzongkhags and Gewogs are reminded to use this provision.

Finally, the MoF requests all Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs to abide by this notification in the implementation of the budgeted activities of FY 2012-13.


(Lam Dorji)
Secretary



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Copy to:

1. All Heads of Ministries/Constitutional Bodies/Autonomous Agencies.
2. All Dzongdags, Dzongkhag Administrations.
3. All Gups, Gewog Administrations.
4. Budget Officers/Accounts Officers of all budgetary agencies.