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རྒྱལ་ཡོངས་འཆར་དྲུག་ལས་ཁུངས་།

**DEPARTMENT OF NATIONAL BUDGET
MINISTRY OF FINANCE**

DNB/Budget Notification/2010-11/001

5th July, 2010

Budget Notification for Financial Year (FY) 2010-11

This is to notify all budget agencies that the Budget for the Financial Year has been passed by the National Assembly. The total approved budget for the FY 2010-11 is Nu. 35,803.543 million.

Agencies may start implementation of the budget. While implementing the budget, agencies are to adhere to the following guidelines:

1. *Expenditure limit:* The approved budget specifies the expenditure limits of each spending agency. All agencies are required to keep their expenditures within the limits set. For your agency, the total approved budget for the FY is indicated below:

Current Nu.....

Capital Nu.....

Total Nu.....

2. *Supplementary budget:* As per the Public Finance Act (PFA) 2007, no supplementary budget can be provided. However, for the following purposes, budget will be provided through technical adjustments from the reserves maintained with the Ministry of Finance:

- a. New appointments;
- b. Transfer grant for transferred employees; &
- c. Retirement benefits.

The co-financing of donor projects will continue to be provided as authorized under Section 60 of the PFA.

Further, all agencies are reminded to adhere to the provision of Section 59 of the PFA 2007 which states that “no budgetary body shall make commitments or incur expenditure in anticipation of supplementary budget approval”.



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3. *Under-implementation of budget:* The budget for the financial year has been framed based on the proposals from the agencies and subsequent discussions. However, high under-utilization of capital budget every year has been observed. In the FY 2008-09, 35.28% of the revised budget was not spent. The Government is very concerned about this situation because of its direct bearing on the implementation of 10th FYP programs. This matter has been viewed very seriously by the National Assembly also. The status of capital budget implementation of your agency for the past several FYs is provided in **Annexure I**. This has been felt necessary to be given in order to remind the spending agencies of their past performance and to ensure timely implementation of the budgets for the FY 2010-11.

It may be noted that the DNB will monitor the budget, and those agencies, the spending capacities of which are limited, will receive lesser budgets in the subsequent financial years. The heads of the agencies will be fully accountable for under-utilizations or for expenditure irregularities.

4. *Multi-year Rolling Budget (MYRB) System:* The budget for the FY 2010-11 is prepared in the MYRB web-based system for the first time through application of standard formula. The standard formula was designed to enable the concerned agency to effectively arrive at a figure with greater degree of accuracy and to avoid discrepancies in budget allocation. The approved budget will be accessible by the agencies through the MYRB system. The Department of National Budget and the spending agencies will monitor the implementation of budgeted activities through the same system.
5. *Transportation cost for medicines & stationeries:* The transportation costs of medicines, equipment and stationeries for hospitals, BHUs and schools respectively have to be charged to the cost of the respective items of budget heads. No separate provision for transportation has been incorporated for these.
6. *Costs-cutting measures:* Reference may be made to the Ministry of Finance's notification MoF/R-Circular/2009/4568 dated 9th April, 2009 concerning the cost cutting measures. While other areas are being looked into, agencies are reminded to take note of the reduced budgets in the following areas as per the notification issued by the Ministry of Finance vide MoF/R-Notification/2009-10/11850 dated 8th June, 2010:

- a. *Office supplies & stationeries:* The budget for office supplies & stationeries in the FY 2010-11 has been reduced to 50% of the revised budget of the FY2009-10.



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Agencies should use the approved budget judiciously and adopt measures to reduce costs. There will be no additional budget provided for the purpose, and the agencies have to ensure that bills for office supplies do not spill over to the next financial year.

- b. *Frequency of annual ministerial conferences & meetings:* Conferences and meetings may be held at the most on a biennial basis (i.e. not more than once in two years) irrespective of the sources of funding. Accordingly, where such conferences and meetings have been held in the FY 2009-10, no budget has been kept for such purposes in the FY 2010-11. Unless they are absolutely necessary, spending agencies are advised to further reduce the frequency of meetings and workshops.
- c. *Purchase of vehicles:* Pending the review of the pool vehicles system, all proposals for new purchases have been kept on hold. No budget is provided except for school buses, ambulance & police vehicles and municipal trucks etc.

7. *Re-appropriations and technical adjustments:* Agencies may carry out budget re-appropriations as per the revised *delegation of financial powers* issued by the Ministry of Finance vide notification MoF/R-Notification/2010/11183 dated 21st April, 2010. The activities and budgets have been finalized after thorough discussions with agencies, and therefore, deviations of activities in the course of the financial year are not expected. All agencies are advised not to refer any cases to the Ministry of Finance except for the delegation that is specifically related to the Ministry of Finance.

Budget monitoring: As per Section 23(h) of the PFA 2007, the Ministry of Finance is responsible to monitor the performance of budgetary bodies and state enterprises on the basis of their strategic plan, budget and financial indicators. The DNB, with the involvement of field Budget Officers, will carry out a mid-year budget review to ascertain the status of budget implementation. Budget Officers/Accounts Officers, in close consultation with the head of the budgetary bodies, shall prepare work plans and submit reports in timely manner as mentioned below:

- a. *Work plan for capital works:* The work plan in the attached format should reach the Department of National Budget within 31st July, 2010;
- b. *Quarterly progress report:* Progress reports should reach the Department of National Budget within the first week after the closure of the quarter ending September, December, March & June;



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8. *Activities supported by Trust Funds:* All agencies are hereby informed that any activity funded through Trust Funds should be routed through the budgetary process. This is to ensure comprehensive budgeting and expenditure recording of the government resources.
9. *Assistance "In Kind":* The Royal Government receives substantial amount of assistance in the form of goods and services. All such assistances are to be captured in both budget and accounts as "IN KIND" assistance. Non-reporting of such receipts results in under-reporting of the assistance actually received. Spending agencies are advised to incorporate the assistance in the budget before processing for IMPORT LICENCES and reflect corresponding expenditure in the accounts during the financial year.
10. *Farm roads:* As in the FY 2009-10, the Government has approved Nu. 200 million as a pool provision for farm roads. Dzongkhags and Gewogs requiring additional funds for farm road works will be supplemented from this pool provision based on work progress for the on-going works and readiness to implement for new constructions. However, any new farm roads proposed should be in the approved 10th FYP.
11. *Outreach clinics (ORCs):* The budget for ORCs has been kept under the respective Gewogs' budget. In addition, Nu. 10 million has been kept as reserves with the DNB. Funds will be transferred from this reserve to Gewogs upon request and readiness to take up the work.

While implementing the approved budgets, all Ministries, Autonomous Agencies, Dzongkhags and Gewogs are to strictly adhere to the Public Finance Act 2007, Financial Rules and Regulations 2001 (FRR-2001), procurement rules and any other Circulars and Notifications issued from the MoF.

This Notification is available on the MoF website www.mof.gov.bt.

(Lam Dorji)
Finance Secretary

Copy to:

1. All Heads of Ministries/ Autonomous Agencies/ Dzongkhags and Gewogs
2. Budget Officers/Accounts Officers.