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རྒྱལ་ཡོངས་འཆར་དངུལ་ལས་ཁུངས།

**DEPARTMENT OF NATIONAL BUDGET
MINISTRY OF FINANCE**

DNB/DIV-II/2013-14/108

7th October 2013

Budget Notification for Financial Year 2013-14

The Ministry of Finance hereby issues the Budget Notification for the Financial Year (FY) 2013-14, the first year of the 11th Year Plan (FYP). Guided by the principles of responsible public financial management as laid down in Sections 4 and 7 of the Public Finance Act, 2007 (PFA), the budget has been prepared with great care and caution considering the resource availability vis-à-vis programs and activities of the 11th FYP. The total budget appropriation for FY 2013-14 is Nu. 39,528.156 million as presented below:

<u>Expenditure head</u>	<u>Amount in millions</u>	<u>Percentage</u>
a. Current Expenditure	Nu. 19,160.114	48 %
b. Capital Expenditure	Nu. 16,953.751	43 %
c. Lending	Nu. 656.189	2 %
d. Repayment	Nu. 2,758.102	7 %

The fiscal deficit of Nu.4,233.002 million and resource gap of Nu.4,324.516 million represents 3.7% and 3.8 % of the GDP respectively.

The budget agencies are required to strictly adhere to the following guidelines:

- 1. Expenditure ceilings:** All budget agencies are required to remain within the expenditure limits set out in the budget appropriation.
- 2. External financing:** *Although budget provision has been kept for various activities under external financing, agencies should not carry out such activities until confirming the receipt of funds from the Department of Public Accounts (DPA).*
- 3. Under-implementation of budget:** The budget is being decided every year in close consultation with the agencies based on justifications and absorptive capacity. However, substantial portion of capital budget every year is underutilized, which is a serious concern. The head of the agencies will be accountable and answerable for cases of under-utilization.



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4. Supplementary budget/scope of capital works: Despite the provision contained in the PFA restricting the supplementary budget, agencies still submit proposals especially on the construction activities due to change in the *scope of works*. Agencies have been increasingly changing the scope of works without proper technical analysis and securing fund commitment. Henceforth, agencies shall ensure that expenditures are limited to the original estimates which should be within the budget/fund commitments. Supplementary budget shall be processed strictly as per the provision contained in the PFA.

No budgetary body shall make commitments or incur expenditure in anticipation of supplementary budget approval as provided under Sections 59 and 63 of the PFA.

5. Budget for multi-year projects: Agencies must contain the expenditures of the multi-year projects within the initial estimated costs. Expenditure should not deviate from the original estimated costs/contract amount due to reasons within the agencies' control.

6. Cost cutting measures: In order to contain the recurrent expenditure within the domestic revenue, the following cost cutting measures are being continued:

- i. The budget provisions *for office supplies, entertainment, electricity, postage, etc.* are maintained at FY 2012-13 levels;
- ii. No budget provision has been kept for co-ordination meetings and annual ministerial conferences;
- iii. *Invitations for participation in the training, workshops, seminar, etc. by multi-lateral/bilateral agencies may be accepted and participated only if they are fully funded and no partial funding from RGoB shall be entertained.*

7. Purchase of vehicles: Many agencies have proposed budget for procurement of vehicles. As long as the import restrictions continue, the Ministry of Finance will not be able to accommodate the requests for vehicle procurements.

8. Farmers' training: A budget provision of Nu.25 million is kept under the Ministry of Agriculture and Forests (MoAF) for RNR sector farmers' training including for Dzongkhags and Gewogs. The concerned Dzongkhag & Gewog RNR sectors requiring budget for any



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kind of RNR farmers' training shall carry out in consultation with the MoAF. The budget has been centralized for proper co-ordination, pooling resource persons and prioritization of trainings.

- 9. Dzongkha development:** A budget provision of Nu.10 million has been kept centrally with the Dzongkha Development Commission (DDC) for Dzongkha development activities. Budgetary agencies should carry out activities pertaining to Dzongkha development in consultation with the DDC.
- 10. Gewog Development Grant:** A budget of Nu. 2 million per Gewog for 205 Gewogs is kept with MoF, which will be transferred to Gewogs after finalization of the Grant utilization guidelines. The Grant shall be utilised strictly as per the guidelines.
- 11. Procurement of restricted items:** Although there are limits set within which procurement of laptops, specialized equipment, etc. can be procured, agencies continue to approach the Ministry of Finance for procurements above the limits justifying the need for higher specifications. Henceforth, this responsibility will rest with the agencies and should be within the budget availability.
- 12. Monitoring of performance:** In order for the Department of National Budget (DNB) to monitor the budgetary performance of the agencies, Budget/Accounts Officers are required to submit work plans and progress reports in close consultation with the head of budgetary bodies as per the timeline provided below:
 - a. Submission of work plan for capital budgets:** The work plan should reach the Department of National Budget *by 30th October 2013*.
 - b. Submission of progress report for capital budget:** For the FY 2013-14, agencies shall send half -yearly progress reports until December 2013. The report should reach the DNB *by 31th January, 2014*. Thereafter, the quarterly progress report should reach the DNB within one month after the closure of the quarter.
 - c. Submission of financial report:** Each budgetary body shall provide the Portfolio Minister and the Ministry of Finance with half-yearly financial report (stipulated in



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Sections 35 and 36 of the PFA). The report may be submitted as per the format given in the website (www.mof.gov.bt).

- d. Submission of physical performance report:** The Portfolio Minister shall present a half yearly report against the portfolio performance intentions specified in the Budget to the Lhengye Zhungtshog (stipulated in Section 72 of PFA).
- e. Mid-Year budget review:** The DNB will carry out a mid-year budget review to ascertain the status of budget implementation, based on which the budgets will be re-aligned to finance emerging new priorities by way of technical adjustments. The budgetary agencies are required to attend to this exercise seriously. If the budget provided is not required or the budgeted activity cannot be carried out, agencies must intimate the DNB immediately, without waiting for the Mid-Year budget review.

13. Activities supported by Trust Funds: Spending agencies are hereby informed that any activity funded through the Trust Funds should be routed through the budgetary process. This will ensure comprehensive budgeting and expenditure recording of the government funds.

14. 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 the budget and accounts as “IN KIND assistance”. Non-reporting of such receipts results in under reporting of the assistance actually received. Therefore, spending agencies are advised to get the assistance incorporated in the budget before processing for IMPORT LICENSE and reflect corresponding expenditure in the accounts during the financial year.

15. Farm roads: A minimum of two years of project planning, budgeting and implementation cycle for new farm roads shall be followed as per the guidelines for Farm Road Constructions issued by MoAF. The first year shall be devoted for preparatory works such as, obtaining social & environmental clearances, finalization of the alignments, drawing, designs, cost estimates and approvals of competent authority. On completion of these



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formalities, budget for the farm roads construction may be proposed in the second year through annual budget proposals.

16. Fund release forecast: To ensure efficient cash flow management, all budgetary bodies are required to submit their *fund release forecast* for the F.Y. 2013-14 individually for all LCs and PLCs as per the attached format (Annexure-1) to the **DPA**. The subsequent fund releases shall be subject to the *fund release forecast* which will be used as the basis, in addition to the Circular No. MoF/DPA/RMD/73 dated 1st July 2009. Further, the DPA shall monitor the fund release utilization status while processing the subsequent release of funds.

The budget for the FY has been finalised after discussion and taking into consideration the resource situation as well as the spending capacities of each agency. While implementing the budgets, spending agencies are required to strictly adhere to the provisions of the PFA, Financial Rules and Regulations 2001 (FRR-2001), Procurement Manuals and other Circulars and Notifications issued from time to time.

All Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs are requested to abide by the notification in the implementation of the budget.

(Lam Dorji)

Finance Secretary

Copy to all:

1. Heads of Constitutional Bodies.
2. Secretaries of all Ministries.
3. Heads of Autonomous Agencies.
4. Dzongdags and Gups.
5. Budget Officers/Accounts Officers.



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LC/PLC Account No.:

Annexure-1

Name of the Agency:

Fund Release Forecast For FY 2013-14

Ngultrum in millions

Financing	Month																							
	July		August		Sept		Oct		Nov		Dec		Jan		Feb		March		April		May		June	
	C	K	C	K	C	K	C	K	C	K	C	K	C	K	C	K	C	K	C	K	C	K	C	K
RGoB financing																								
Total (C+K)																								
External financing																								
Total (C+K)																								

Note:

C- Current

K- Capital

RGoB financing/External financing- Total fund forecast for all activities under the particular LC/PLC A/c

(Name & Signature of Head of Finance Section)

Date: dd/mm/yyyy