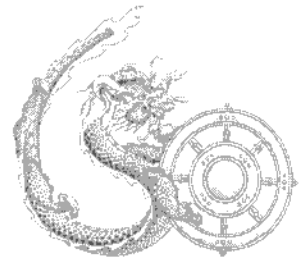




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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Call/2015-16/ 644
January 7, 2015

Subject: Budget Call Notification for Financial Year (FY) 2015-16

The Ministry of Finance hereby issues the **Budget Call** for the FY 2015-16, which is the 3rd year of the 11th Five Year Plan. All budgetary agencies (*Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs*) are required to submit budget proposals as per the **Budget Preparation Guidelines**.

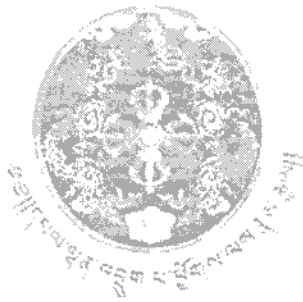
In keeping with the economic growth projections, the fiscal deficit shall be maintained at around 3% of GDP in order to avoid possible adverse impact on inflation, balance of payments, reserves, etc.

While submitting the budget proposals, the budgetary agencies shall provide a *narrative policy statement* highlighting the program targets/outputs at the Ministry/Sector level in order to deepen the linkages between the proposed budget and targets to be achieved as per the **Annual Performance Agreements (APA)**. Budgetary agencies shall ensure that the proposals are gender responsive and incorporate ECP (Environment, Climate Change & Poverty) initiatives.

The Ministry of Finance would like to emphasize that budgetary agencies should consider the implementation capacity and other constraints during the formulation of the budget. The issue of underutilization is being viewed seriously by the oversight bodies and the heads of concerned agencies will be held accountable. Persistent underutilization of budget may also affect subsequent years' budget allocation.

It is noted with concern that the annual *current expenditure* is increasing at a rate much faster than that of the annual growth in *domestic revenue*. If this trend continues, it will be difficult to meet the current expenditure from the internal resources as required by Article 14 Section 6 of the Constitution. Therefore, the MoF would like to solicit the kind support of all budgetary agencies in keeping the current budget within the ceiling provided.

Budget/Accounts officials of the agencies must ensure that the budget proposals are reviewed, discussed with their head of respective agencies *thoroughly* and that the *proposals are complete in all respects and approved by the Minister in case of the Ministries*. The agencies must ensure that their requirements are prioritized within the ceiling allotted and linked to the **APA targets**. The budget proposals shall be submitted online through the MYRB system available at www.myrbpems.bt and a hard copy with the justifications and necessary supporting documents be submitted to the DNB latest by **2nd March 2015**.



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As required by the FRR-2001, a copy of the budget proposals shall also be submitted to the GNHC Secretariat. In addition, all Dzongkhags must submit their sector budgets including the Gewogs' sector budgets to the respective Ministries to align within the Ministry's overall priorities and goals and also to avoid duplication of the programs and activities.

The *Budget Preparation Guideline* is attached for strict adherence by the respective agencies during the preparation of the FY 2015-16 budget proposals.

(Lam Dorji)
Finance Secretary

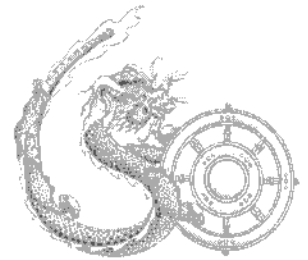
Copy to:

1. All Hon'ble Ministers for kind information and support.
2. All Ministries/Constitutional Bodies/Autonomous Agencies/Dzongkhags/ Gewogs.



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Budget Preparation Guidelines (BPG) for the FY 2015-16

General Guidelines:

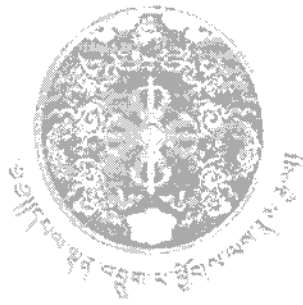
- i. All the proposals must be in line with the 11th FYP programs and should be imported into the Multi-Year Rolling Budget (MYRB) from the Planning and Monitoring System (PLaMS).
- ii. Budgetary agencies must ensure that their proposals are comprehensive in all respects and the *APA targets* are included. All activities proposed to be implemented should be included in the budget irrespective of source of funds including *Trust Funds*.
- iii. In order for the Ministry of Finance to arrive at a reasonable level of budgetary support, SOEs and Thromdes receiving subsidy must submit detailed *revenue projections* and *past year's actual expenditure and bank statement as of 31st January 2015* along with their proposals for expenditure.
- iv. Budget proposals must be prepared in keeping with the provisions of the *Public Finance Act*. The estimates should be comprehensive and realistic to avoid budget shortfall at the time of implementing the works for achieving the *APA targets*.
- v. Budget/Accounts officials must ensure that multi-year projections for both current and capital budget proposals are submitted at the time of the budget submission in MYRB system.

Specific Guidelines:

Current Budget:

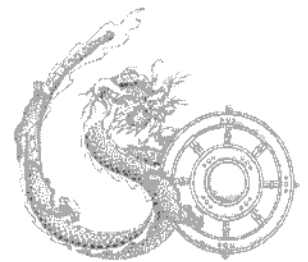
In keeping with the mandate to meet the current expenditure from domestic resources, *current expenditure budget ceilings* for all agencies have been determined. The current budget ceiling is computed for all operational budget excluding pay and allowances, PF contributions and stipend. The budget for pay and allowances shall be on actual basis. For your Ministry/Constitutional body/ Agency/Dzongkhag/Gewog, the current budget ceiling inclusive of all funding sources is set at Nu. million. In submitting the current budget proposals, budgetary agencies must observe the following:

- I. **Charging overhead cost to the program/project/activity:** In order to streamline and to capture the actual cost of activities and programs, all expenditures including travel cost directly associated to a program/project/activity should be included in the estimates of the works. This will not only give true cost of the project or activity but will also streamline



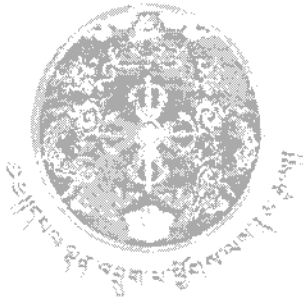
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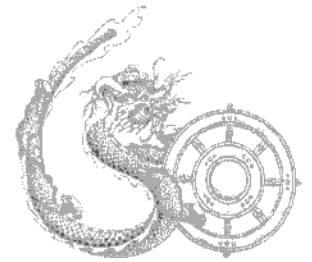
control of expenditure. Therefore, the estimates of the travel costs associated to execution of any activity/program should be charged to the activity and included in the estimates. However, the total travel budget including travel costs charged to the works should not exceed the travel budget of the FY 2014-15..

- II. Provision for *pay & allowances* of regular & temporary employees whose services are directly associated with a project/activity including operations & maintenance cost should be *charged* to that project/activity so as to capture the true cost of the project/activity.
- III. Any new externally funded projects with RGoB counterpart funding should have prior approval of the Ministry of Finance.
- IV. Budget for trainings and procurement of vehicles from RGoB and borrowings will be restricted, as also the use of loan funding for computers, office equipment and furniture.
- V. The activity titled "Provision for New Appointments" (OBC 26.01) and retirement benefits (OBC 25.01) must be proposed based on the likely staff recruitments/superannuation.
- VI. Budget for office stationeries, telephone, postage, electricity, water, etc. shall be maintained at the FY 2014-15) approved budget level.
- VII. Budget for uniforms and extension kits will be provided only for mandatory uniforms irrespective of funding.
- VIII. Budget for mandatory participation in *regional, multilateral and international meetings* should be included in the budget proposal of the relevant agencies. Participation in SAARC and BIMSTEC meetings will be proposed by the relevant agencies as per the annual programs circulated by the Ministry of Foreign Affairs.
- IX. Agencies must submit updated *inventories* of all the assets including buildings, equipment, computers, vehicles, etc. to DNP which shall be used as the basis for arriving at the maintenance budget.
- X. As the current budget ceiling covers activities which do not form part of the normal running/operational cost, all budgetary agencies must reflect them as separate activities and clearly show the workings of the budget requirement. Such proposals must be supported by clear justifications along with full description of the intended outputs and outcomes and how this will contribute to the achievement of APA and the overall 11thFYP objectives of the agency.



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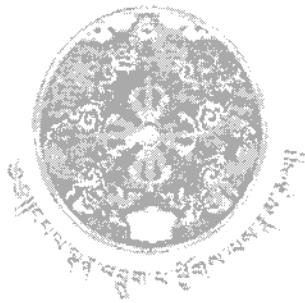
- XI. The budget proposal of agencies operating under one LC shall be submitted under one direction services.

Capital Budget:

The capital ceiling is set at 24 % of the total 11th plan outlay. Within the 24% ceiling, the RGoB funding ceiling is set at Nu. million only, for your Ministry/ Constitutional body/ Agency/Dzongkhag/Gewog, and the rest shall be from external financing.

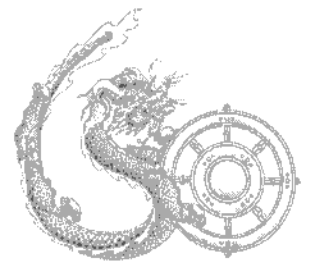
The following guidelines should be adhered to for the preparation of the capital budget:

- i. Programs/activities irrespective of funding sources must be prioritized as per 11th FYP and the *APA targets*.
- ii. Budget for major works will be considered only with proof of preparedness for implementing the works, such as estimates, drawings, designs, and necessary clearances.
- iii. With respect to the estimates for *multi-year projects*, the agencies should provide the total cost of project along with the budget requirements in each FY in MYRB at the activity level.
- iv. All related *current expenses of time-bound projects/constructions* should be capitalized and booked as expenditure of that project. Such expenses include *salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses etc.*
- v. Budget for non-developmental capital activities such as *furniture, office equipment and computers* must be limited to the bare minimum in order to provide space for developmental activities.
- vi. The capital budget ceiling for Dzongkhags and Gewogs do not include works related to the *Education sector*. Therefore, Dzongkhags should prepare the Education sector budget proposals in consultation with the Ministry of Education. They should then be consolidated with the Dzongkhag budget and submitted through the MYRB system.
- vii. There are many *centrally-executed programs and activities* in the Gewogs and Dzongkhags that do not form part of their annual budget. In order to capture such programs and activities in the budget of the respective Gewogs and Dzongkhags, while presenting the National Budget Report to the Parliament and to create awareness about the budgetary allocation the respective local governments are receiving, the concerned



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Budget/Accounts officials are required to carry out necessary *tagging* at the time of activity creation in the MYRB system.

- viii. Agencies must propose spillover activities and maintain the *same budget line for spillover activities* and keep the previous year's budget lines open for the completed activities at least for the next two years for any pending adjustment of advances.
- ix. The budget proposal for construction of farm roads should be in line with the farm road implementation modalities adopted by the Government from FY 2014-15 and should be as per the priority lists provided by Ministry of Agriculture and Forests.
- x. Towards promoting gender equality and women empowerment, the RGoB is initiating gender responsive planning and budgeting in three ministries, i.e. Agriculture and Forests, Education and Health. These Ministries are required to provide a narrative policy statement in their proposals with the following information:
 - a. Ministry's policies and Key Result Areas (KRAs) stating how they contribute to gender related goals with examples of physical and financial data if available;
 - b. Priority issues that needs to be addressed to promote gender equality;
 - c. Indicate 2-3 relevant interventions/strategies/activities.
