



དཔལ་ལྷན་འབྲུག་གཞུང་། དངུལ་རྩིས་ལྷན་ཁག། རྒྱལ་ཡོངས་འཆར་དངུལ་ལས་ཁུངས།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
DEPARTMENT OF NATIONAL BUDGET
THIMPHU : BHUTAN



F/MoF/Budget Notification /2015-16/ 002

July, 01 2015

Budget Notification for Financial Year (FY) 2015-16

This is to notify all the budgetary agencies that the budget for the FY 2015-16 has been passed by the Parliament with the total appropriation of Nu. 50,713.707 million as presented below:

<u>Expenditure head</u>	<u>Amount in millions</u>	<u>Percentage</u>
a. Current Expenditure	Nu. 23,871.321	47 %
b. Capital Expenditure	Nu. 23,476.845	46 %
c. Lending	Nu. 342.000	1%
d. Repayment	Nu. 3,023.541	6 %

The budget has a fiscal deficit of Nu. 4,486.703 million and resource gap of Nu. 4,089.738 million, representing 3.2% and 2.9 % of GDP respectively.

The FY 2015-16, being the midyear of the 11th FYP, is the most important period for the Government to intensify the implementation of programs and activities, and hence, the allocation for the FY consists of the highest share of the capital plan outlay.

While implementing the budget, the budgetary agencies are required to strictly adhere to the following guidelines:

- 1. Expenditure limits:** The approved budget specifies the expenditure limits of each spending agency. All budget agencies are required to keep their spending within the expenditure limits set out in the Budget Appropriation Act.
- 2. Supplementary budget/scope of capital works:**

As per Section 59 of the Public Finance Act (PFA), no budgetary agency shall make expenditure commitments or incur expenditure in anticipation of supplementary budget. Also,



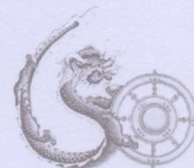
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budgetary agencies are prohibited from carrying out activities for which there is no provision in the Budget Appropriation Act or other lawful authority, or committing works that have financial implications beyond the limits authorized in the Budget Appropriation Act (PFA sections 62 and 63).

3. **External financing:** External grant for the FY 2015-16 is estimated at Nu. 14,872.764 million and is based on the commitments and implementation plan of the budgetary agencies. However, implementation shall commence only upon receipt of funds and agencies should keep execution costs within the committed amount for the program/activity by the donor. No award of work shall be given for execution until fund receipts have been confirmed.
4. **Annual Performance Agreement (APA):** The budget for the FY has been prepared in close consultation with the agencies keeping APA/11th FYP as the basis for FY 2015-16. Agencies are therefore advised to implement activities in order to fulfill the APA/11th FYP targets and appropriations should be used for intended purposes only.
5. **Under-implementation of budget:** The budget for the FY has been formulated in close consultation with the budgetary bodies based on the implementation plan, absorptive capacity assurance and donor fund disbursement schedules. Therefore, heads of agencies should ensure that there is fullest implementation possible with minimum budget underutilization. The concerns of underutilization have been raised by oversight agencies and heads of budgetary agencies shall be answerable for the underutilization of their budget allocation.
6. **Budget for multi-year projects:** In case of multi-year projects/works, budget proposal in the first year of implementation should have total estimated cost of the projects/works and concerned agencies should seek financial commitment for the total estimate and not just the FY's requirement. The budget in the following years of the multi-year projects shall be within the initial estimated costs.



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7. **Purchase of vehicles:** Many agencies have proposed budget for procurement of vehicles. However, as the issue of pool vehicles is still under review, no budget allocation has been considered for procurement of pool vehicle for the FY 2015-16, except for ambulances, utility vehicles in municipalities and school buses. In keeping with the existing Government directives on vehicle procurements, the MoF will not entertain any requests for new vehicle purchases.
8. **Gewog Development Grant (GDG):** The GDG budget allocations are kept in the Gewogs as in past and should be *strictly implemented as per the GDG guidelines*. The activities planned under GDG should have been allocated with adequate financing to complete those activities and topping up of budget from other sources will be very difficult and will not be considered.
9. **Restriction on the use of loan funds:** The allocation for operation and maintenance, procurement of vehicle, furniture, conducting training, study visits, road shows, etc. from loan funding is restricted and this should be strictly implemented.
10. **Implementation monitoring:** As per Section 23(h) of the PFA, the Ministry of Finance is responsible to monitor the performance of budgetary bodies on the basis of their strategic plans, budget appropriations and output indicators. To monitor the implementation of activities, Budget/Accounts Officers are required to endorse a copy of the ***Budget Utilization Plan (BUP)*** and physical and financial progress reports in consultation with the heads of budgetary bodies as per the timeline provided below:

(i) ***Capital budget utilization plan***

Month/Year	Date	Remarks
August 2015	15 th	No report, no budget release



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(ii) *Submission of quarterly reports*

Quarters	Month/Year	Date	Remarks
1 st	September 2015	30 th	No report, no budget release
2 nd	December 2015	31 st	
3 rd	March 2016	31 st	
4 th	May 2016	15 th	

a. **Mid-year budget review:** Based on the physical and financial progress reports of budgetary bodies, DNB will carry out a mid-year budget review in December to ascertain the status of budget implementation. This will facilitate the adjustment of budget allocation of an agency during the year to incorporate emerging priorities. However, this exercise should not be considered as an avenue for obtaining additional allocation. The budgetary agencies are required to attend to this exercise seriously.

11. Cost cutting measures: The current expenditure is increasing over the years and it is a concern of the Government. In order to contain the recurrent expenditure within domestic revenue, the agencies should take measures to control expenditures through the following measures.

- controlling pool vehicle movements;
- making optimal use of Google Apps;
- avoiding unnecessary procurement of office equipment;
- travel where it is necessary and pooling vehicle for group travels;
- controlling extravaganza in entertainment, scheduling meetings either before or after the lunch time;
- restricting the printing of calendars, diaries, post cards, etc.;
- sharing resources (printers, photocopier, fax, telephone etc);



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12. Object Codes 45.2 and 45.1 (Trainings): Some agencies have misinterpreted and used expenditure code of **45.01** for booking of expenditures for ex- country training and **45.02** for in-country trainings. Hereafter, all budgetary bodies should use the codes strictly as given below:

- i. **45.01:** For formal trainings acquiring the certificates such as certificate training, diplomas, and masters including study tours requiring RCSC approval under annual HRD plan of the respective agencies, and completion of HR formalities. This is irrespective of outside or in-country trainings;
- ii. **45.02:** For non-formal training such as farmers' training, orientation programme, trainings of mask and traditional folk dancers (Dzongkhags), on-the job training, and seminars.

Reiterating that;

- a) No budgetary agencies shall deviate from the PFA provisions while implementing the budget.
- b) In case of the works where the estimates/contract amount is higher than the budget appropriation, prior approval should be sought for shortfall of appropriation from DNB, MoF before the execution of works.
- c) Activities executed under GDG should have commitment for complete work and there will be no re-appropriation or topping of budget for the activities executed under GDG fund.
- d) Budget is not a sanction for payment, and due process has to be completed before making any payment.



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The budget for the FY has been finalized after comprehensive discussion and every efforts has been made to accommodate the requirement of the agencies to ensure that priority programmes and activities of the 11th FYP receives adequate allocation for its implementation. While implementing the budgets, spending agencies are required to strictly adhere to the provisions of the PFA, Financial Rules and Regulations (FRR), 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 implementation of the budget.

(Namgay Dorji)
Finance Minister

Copy to:

1. All Ministers for kind information
2. Heads of Constitutional Bodies
3. Secretaries of all Ministries
4. Heads of Autonomous Agencies
5. Dzongdags and Gups
6. Budget/Accounts Officers.