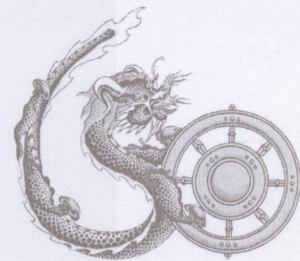




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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Call/2016-17/ 812

December 22, 2015

Subject: Budget Call Circular for Financial Year (FY) 2016-17

The Ministry of Finance hereby announces the **Budget Call** for the FY 2016-17, the 4th year of the 11th Five Year Plan (FYP). All budgetary agencies (*Ministries, Constitutional Bodies, Autonomous Agencies, Dzongkhags and Gewogs*) are required to submit budget proposals as per the **Budget Preparation Guideline**.

While preparing the budget proposals, budgetary agencies should keep in mind that there are only two FYs left to complete the 11th FYP programs. At the same time agencies should consider the implementation capacity and other constraints during the formulation of the budget. The issue of underutilization is being viewed seriously and the heads of concerned agencies will be held accountable. Further, budget proposals should aim at fulfilling the targets and objectives enumerated in Annual Performance Agreement (APA). As Domestic revenue should cover the part of capital expenditure in addition to recurrent expenditures, budgetary agencies should control current expenditures and proposals should be kept within the ceilings provided.

Further, MoF would like to remind agencies of the challenges faced by the Government such as maintaining fiscal deficit at sustainable level (3% of GDP), sustaining recurrent expenditures by domestic revenue, meeting the expenditure on unforeseen disasters caused by natural calamities, filling the resource vacuum due to phasing out of donor support, maintaining the value of hard currency reserve equivalent of 12 months' of national essential imports, etc.

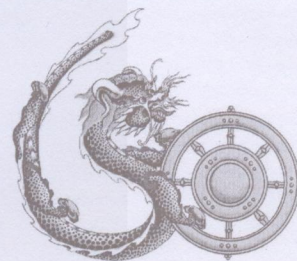
The budget for FY 2016-17 is expected to generate economic growth of about 6-7% and contain fiscal deficit of about 5% of GDP considering the possible adverse impact on inflation, balance of payments, reserves, etc.

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*



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Ministries. The agencies must ensure that their requirements are prioritized within the ceiling allotted. 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 29th February **2016**.

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 budgetary agencies.

(Namgay Dorji)
Finance Minister

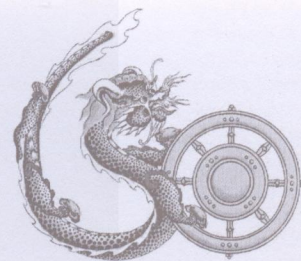
Copy to:

1. All Hon'ble Ministers for kind information and support.
2. All Ministries/Constitutional Bodies/Autonomous Agencies/Dzongkhags/Gewogs.
3. PS to Hon'ble Prime Minister, Gyalyong Tshogkhang.



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Budget Preparation Guidelines (BPG) for the FY 2016-17

General Guidelines:

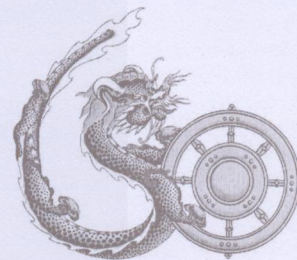
- i. As supplementary budget is not permissible, estimates must be prepared comprehensively to avoid budget short fall during implementation.
- ii. All the proposals must be in line with the 11th FYP programs and linked to annual objectives and targets outlined in the APA. The Budget/Accounts officers therefore should select the objectives in MYRB system while proposing budget for the activities.
- iii. *Budget proposals for external assistance projects:* Agencies are advised not to propose the whole project cost in one FY unless the whole project can be completed. Proposal should be only for those projects for which the agreements have been signed and release of fund is confirmed for implementation.
- iv. Some agencies do not propose even the confirmed donor assistances and rely on supplementary incorporation. In order to avoid ad-hoc supplementary incorporation during the FY and to reduce administrative burden, agencies must propose 12 months' activities based on the bi-annual 18 months' approved plan and expenditure plan of donor agencies.
- v. Prior approval of the Ministry of Finance is required for RGoB counterpart funding of any new externally funded projects.
- vi. SOEs and Thromdes receiving subsidy must submit detailed *revenue projections, past year's actual expenditure and bank statement as of 31st January 2016* along with their proposals for expenditure. This will help MoF to estimate and provide reasonable level of budget support.
- vii. Agencies that generate any kind of revenue must submit annual revenue statement for FY 2014-15 and FY 2015-16 (till December 2015) and projections for FY 2016-17.

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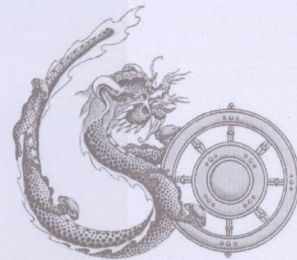


- viii. Budget/Accounts officials must ensure that multi-year projections for both current and capital budget proposals are submitted at the time of the budget submission in MYRB system.
- ix. Multi-year activity/construction for which budget allocation has been made in the past will receive priority within the ceiling provided and should be reflected as “ongoing”.
- x. *Charging overhead costs to the program/project/activity/construction:* In order to streamline and capture the actual cost of activities and programs, overhead costs including travel 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/activity but will also streamline control of expenditure. The current expenditure to the extent above should not be reflected under general services.
- xi. Agencies must submit updated inventories of all the assets including buildings, equipment, computers, vehicles, etc., which shall be used as the basis for arriving at the maintenance budget.
- xii. The e-Government Governance Structure was established by the Government for effective implementation of e-Gov Masterplan and to ensure clear visibility and accountability of ICT spending. Therefore, to avoid duplications and inconsistencies by budgetary agencies, all ICT projects should be routed through Department of Information Technology and Telecom (DITT) for review and endorsement by e-Government Governance Committee.
- xiii. Construction, renovation and additional structures for Lhakhangs and cultural sites should have clearance from the Department of Cultural Services, MHCA. Therefore, no budget shall be considered without such clearances.



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Specific Guidelines:

Current Budget:

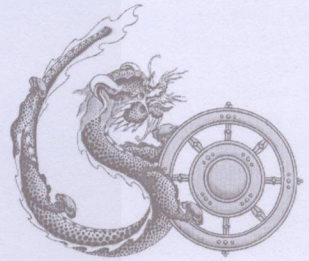
The current budget ceiling excludes pay and allowances, PF contributions and stipend. They shall be provided on actual basis. For your Ministry/Constitutional body/Agency/Dzongkhag/Gewog, the current budget ceiling inclusive of all funding sources is set at Nu. million. Agencies must observe the following guidelines:

- I. The ceiling must be strictly maintained.
- II. Budget for office stationaries, utilities(telephone, postage, electricity and water), entertainment, etc. shall be maintained at the FY 2015-16 approved budget level.
- III. Provision for pay & allowances of regular & temporary employees whose services are directly associated to a project/activity including operation & maintenance costs should be charged to that project/activity.
- IV. Budget for uniforms and extension kits will be provided only for mandatory requirements irrespective of funding sources.
- V. 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.
- VI. The recurrent expenditure under external grants and borrowings should be only for the program related expenses. Use of grants and borrowings for normal/regular operational and maintenance cost will be not permitted.
- VII. The budget proposal of agencies operating under one LC shall be submitted under one direction services.



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Capital Budget:

The overall capital ceiling is set at about 27% of the total 11th plan outlay, of which the RGoB ceiling is set at Nu. million only, for your Ministry/Constitutional body/Agency/Dzongkhag/Gewog, and the rest shall be from external sources.

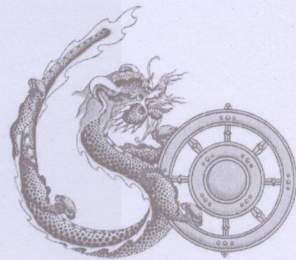
The following guidelines should be adhered to for the preparation of the capital budget:

- i. Priorities must be given to the on-going activities and maintain the same budget line.
- ii. Budget proposal for constructions/major renovations should be accompanied by estimates, drawings, designs, and necessary clearances. Budget will be considered only upon confirmation of readiness to implement the work.
- iii. Use of RGoB fund for procurement of vehicles and trainings are not permitted.
- iv. Constructions of office buildings and staff quarters in urban areas, gates and fencing are restricted.
- v. Use of borrowings for training, computers, office equipment and furniture are not permitted.
- vi. No budget should be proposed to top up the GDG initiated activities which are not in the 11th FYP.
- vii. All related overhead costs of time-bound projects/constructions should be capitalized and form part of the expenditure of that project. Such expenses include salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses etc.
- viii. 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.



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- ix. The capital budget ceiling for Dzongkhags and Gewogs do not include activities 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.
- x. 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 in the priority list of Ministry of Agriculture and Forest.
- xi. Budgetary agencies shall ensure that the proposals are gender responsive and mainstreaming ECDP (Environment, Climate Change, Disaster & Poverty) initiatives. Towards promoting gender equality and to continue with the efforts of Gender Responsive Planning & Budgeting, the three pilot agencies i.e. Ministries of Agriculture & Forests, Health and Education, through an internal consultative process in which NCWC is also associated, are required to provide narrative policy statement in their proposals with the following information:
1. Ministry's policies and Key Result Areas (KRAs) stating how they contribute to gender related goals with examples of physical and financial data available,
 2. Priority issues that needs to be addressed to promote gender equality.
- xii. There are many **centrally-executed programs and activities** for the Gewogs and Dzongkhags that do not form a part of their annual budget. In order to capture such programs and activities in the budget of the respective Gewogs and Dzongkhags in the National Budget Report, the concerned Budget/Accounts officials are required to carry out necessary **tagging** at the time of activity creation in the MYRB system.

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