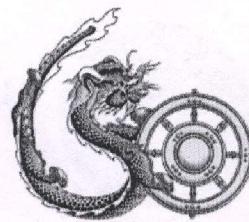




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MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Call/2017-18/535

9th January 2017

Subject: Budget Call Notification for Financial Year (FY) 2017-18

The Ministry of Finance is pleased to issue the Budget Call for FY 2017-18, final year of the 11th Five Year Plan (FYP). All the budgetary agencies (Ministries, Constitutional Bodies, Judiciary, Autonomous Agencies, Dzongkhags and Gewogs) are required to submit budget proposals as per the Budget Preparation Guidelines as annexed.

All budget proposals must be prepared and submitted as per the approved 11th FYP programmes, subsequent revisions endorsed during the Mid Term Review of the respective agencies, and other priority programmes approved by the Government. In order to strengthen performance accountability, the agencies shall ensure that the *proposed activities are aligned to the objectives and targets laid out in the draft Annual Performance Agreement (APA) of the respective agencies*. In addition, budgetary agencies shall ensure that the proposals are gender responsive and integrate/mainstream environment, climate change, disaster and poverty initiatives.

As per the macro-fiscal projection for FY 2017-18, the total resource envelope available for appropriations is Nu.43,624.301 m, of which Nu.30,853.370 m is estimated from domestic resources, Nu.12,770.931 m from various multilateral and bilateral development partners in the form of programme and project-tied assistance and Nu.962.955 m as recovery of loans. On the outlay side, Nu.26,782.384 m is estimated for current expenditure and Nu.27,769.314 m for capital expenditure. Based on the projected resource and expenditure, the fiscal deficit for FY 2017-18 is estimated at Nu.9,964.442 m and Resource Gap at Nu.10,935.353 m, which is about 5.54 % and 6.08 % of the GDP respectively.

The capital ceiling provided in the Budget Call is only for RGoB funding and the programmes and activities proposed under donor funded projects will be allocated over and above the



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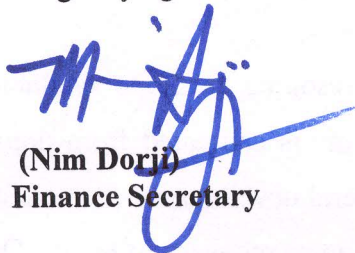


ceiling, subject to donor fund availability and the implementation capacity. As such, all Finance Officers of the agencies must ensure that budget proposals are reviewed, discussed and endorsed by Ministers and Secretaries in case of Ministries and for autonomous agencies, by the Heads of respective agencies. While preparing the budget, agencies are reminded to consider the implementation capacity and keep the proposals within the **given ceiling**.

The budget proposals shall be submitted through online MYRB system www.myrbpems.bt and a hard copy with necessary supporting documents be submitted to the Department of National Budget (DNB) latest by 28th February, 2017 with a copy to Gross National Happiness Commission Secretariat (GNHC) and Government Performance Management Division (GPMD), Cabinet Secretariat.

To ensure that the Dzongkhags' and Gewogs' sector budget are aligned to the respective ministry's APA objectives and to avoid overlapping of programs and activities implemented at various levels, it is advised to submit their sector budget proposals to the respective Ministries.

The Budget Preparation Guidelines developed based on the existing policies, rules & regulations and feed-back received from the Agencies are annexed for strict compliance by all budgetary agencies.


(Nim Dorji)
Finance Secretary

Copy to:

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



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Budget Preparation Guidelines for FY 2017-18

General guidelines:

1. Since FY 2017-18 is the final year of the 11th FYP, agencies are advised to give priority for completion of on-going activities.
2. Budgetary agencies must ensure that the proposals are linked to objectives and targets of the respective draft APA and avoid budgeting at division/section/unit level.
3. Agencies must include all on-going donor funded projects in the proposal based on the implementation capacity and fund availability.
4. To avoid implementation delays, agencies must ensure that all donor funded projects that have been signed and releases confirmed by the donors are included in the proposal.
5. Budget proposal of the Field Division operating under one LC should be proposed under that particular field office. For eg: the budget proposal for territorial divisions/regional offices covering multiple Dzongkhags should be proposed only under that particular field office.
6. State Owned Enterprises, Thromdes and agencies that generate revenue must submit revenue projections, past year's actual expenditure and bank statement as of 31st January 2017 along with the budget proposals. Similarly, agencies that are allowed to retain the revenue must submit the status of fund balance and its utilization plan along with their budget proposal.
7. Agencies that receive block grant for Operation and Maintenance (O&M) and operates a reserve fund account must also submit the status of fund balance as of 31st January 2017 under such accounts to assess the requirement for capital expenditure.
8. Budget proposals must be prepared in keeping with the provisions of the Public Finance Act. The estimates should be realistic to avoid any budget shortfall during the implementation. On the contrary, substantial amount of budget also remain underspent or underutilized at the end of every financial year. Therefore, agencies must ensure that budget proposals are prepared cautiously.



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9. For the on-going activities for which advances has been released in the previous and the current FYs, finance officers must ensure to maintain the same budget lines till the activities are complete and advances fully liquidated.
10. Prior approval of the Ministry of Finance is required for any counterpart funding from RGoB for externally funded projects.
11. Agencies must submit the factual and updated inventories of all the assets including land, buildings, equipment, computers, vehicles etc. for the purpose of assessing the maintenance budget requirement.
12. In order to capture the centrally executed programs and activities in the budget of the respective Dzongkhags and Gewogs, finance officers of the Agencies/Ministries taking up such programs/activities should ensure to carry out necessary tagging of activities in the MYRB.
13. Budget proposals related to ICT projects (system development, server procurements, etc.) shall be submitted along with endorsement of Department of Information and Technology (DITT).
14. Towards promoting gender equality and continue with the efforts of Gender Responsive Planning and Budgeting, the three pilot agencies i.e. Ministry of Agriculture & Forests, Health and Education after discussion with National Commission for Women & Children (NCWC) are required to provide 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 example of physical and financial data if available;
 - b. State priority issues that needs to be addressed to promote gender equality;
 - c. List specific 2-3 activities with budget requirement to address the issue in Sl.No. (b).
15. A minimum of Nu.1.00 million each has been allocated as capital budget ceiling from RGoB resources for those Gewogs that have exceeded the 11th FYP outlay. This ceiling has been considered mainly to cover the maintenance cost of common minimum facilities and to complete other important 11th FYP activities, if any.



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Specific Guidelines

Current Budget:

The current budget ceiling for all the agencies have been determined in keeping with the Constitutional requirement of having to meet the current expenditure from the domestic resources. The current budget ceiling of Nu.....million for your agency is inclusive of all the donor funds and covers activities which do not form a part of normal running/operational cost. However, it excludes pay and allowances, PF contributions and stipend. While preparing the current budget proposal, agencies are requested to follow the guidelines below:

1. Provision for pay and allowances of regular & temporary employees whose services are directly associated with a project/activity including rental of property-vehicles and operations & maintenance cost should be work charged so as to capture the actual cost of the project/activity.
2. Provision for new appointments must be proposed for the likely recruitment based on the approved strength by the RCSC.
3. Agencies must ensure to propose retirement benefits of those civil servants due for superannuation in FY 2017-18.
4. No separate budget for Rental of property-vehicle shall be considered. However, agencies required to hire vehicles due to the specific nature of job should be work charged.
5. With the introduction and implementation of paperless operation in most Government Offices, there should be no increase in budget for office stationaries and postages.
6. Budget for uniforms and extension kits should be proposed only for mandatory requirement irrespective of funding.
7. The proposal for recurrent expenditure under external grants and borrowings should be only for program related expenses and not for normal regular operation and maintenance.



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8. To avoid double budgeting and payment thereof for Subscriptions to International Organizations, agencies having such obligations should in consultation with the Ministry of Foreign Affairs (MFA) ensure to include it in the proposal of MFA.
9. Budget for mandatory participation in regional, multilateral and international meetings should be included in the budget proposal of the relevant agencies. Participations in SAARC/BIMSTEC meetings will be proposed by the relevant agencies as per the annual programmes circulated by the Ministry of Foreign Affairs.

Capital Budget:

The capital budget ceiling for your Agency is Nu.....million. While the proposal for donor funded activities will be considered over and above the ceiling, the agencies must ensure that the proposals are based on donor fund availability and within the implementation capacity.

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

1. The capital budget ceiling for the Ministry of Education (MoE) includes the works/activities of the Dzongkhag/Thromde education sector implemented by the Dzongkhags/Thromdes. Therefore, the Dzongkhags/Thromdes should prepare the education sector budget in consultation with the MoE.
2. Priority to be given for the completion of on-going activities. Agencies should not propose/initiate new activities that are likely to spill over to 12th FYP unless approved by the Government.
3. All the related current expenses of time-bound projects/constructions should be capitalized to the extent possible and propose under the appropriate capital OBC. Such expenses include salary and wages of project employees, travel, utilities, supplies, rentals, maintenance, operating expenses etc.
4. Agencies must keep the proposal for non-developmental capital works (procurement of furniture, equipment, computers) to the minimum unless required for new establishments.



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The proposal for new establishments if any, should be accompanied by office orders from the competent authority.

5. Agencies must refrain proposing budget from loan-funded projects for regular/normal establishment of offices and trainings.
6. No budget will be allowed to top up the GDG/DDG initiated activities that are not in the 11th FYP.

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