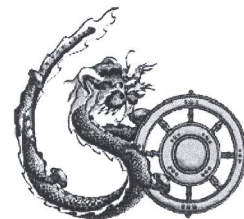




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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Notification/2017-18/ 022

19 July 2017

Budget Notification for the Financial Year (FY) 2017-18

The Ministry of Finance is pleased to notify that the Budget and Appropriation Bill for FY 2017-18 has been passed by the 9th session of the 2nd Parliament.

As per the Budget and Appropriation Act 2017, the total budget appropriation for FY 2017-18 is Nu. 60,777.871 million. The details are presented below:

<u>Expenditure Head</u>	<u>Amount in millions</u>	<u>Percentage</u>
Current Expenditure	Nu. 28,569.671	47.01
Capital Expenditure	Nu. 29,346.039	48.29
Lending	Nu. 41.840	0.06
Repayment	Nu. 2,820.321	4.64

Of the total resources, Nu. 34,700.335 million is from estimated domestic revenue and Nu. 16,702.538 million is external grants. The fiscal deficit and resource gap have been maintained at 2.47% (Nu. 4,447.371 million) and 2.66% (Nu. 4,795.610 million) of the GDP respectively which shall be financed through external and domestic borrowings.

The budget for FY 2017-18 being the final year of the 11th FYP focuses on completion of all priority activities of the 11th FYP. The maximum expenditure limits authorized by the Budget and Appropriation Act is available for each budgetary body at www.myrbpems.bt.

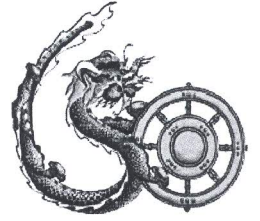
In keeping with the statutory mandate of having to prudently manage the financial resource of the country and by the authority bestowed upon by section 24(b) of the Public Finance Act 2007 and amendment thereto, the Ministry of Finance issues the following notification for strict compliance by the Budgetary Bodies:

- 1. Annual Performance Agreement:** For deepening the linkage between APA targets and annual budget, all the budgetary bodies are advised to revise/finalize/re-align



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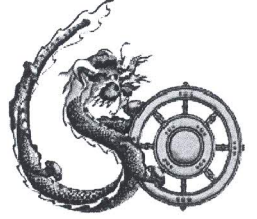
the APA targets with the **approved** budget for FY 2017-18 before signing the agreement.

2. **Budget Utilization Plan (BUP):** For ensuring timely release of funds for activities budgeted under RGoB funding and to enable proper cash management, all budgetary bodies are required to submit realistic quarterly Budget Utilization Plan to the Department of Public Accounts (DPA) within one month from the date of receipt of budget approval. BUP for the subsequent quarters should be submitted during the last week of the previous quarter. The bank account-wise BUPs are to be prepared and submitted through PEMS.
3. **Annual Procurement Plan:** The Electronic Government Procurement (e-GP) has been launched on 21st June 2017 by Hon'ble Prime Minister. For using the e-GP, all the budgetary bodies are required to prepare an annual procurement plan (APP) as per the format prescribed by Government Procurement and Property Management Division, DNP. The APP shall be based on the approved budget.
4. **On-going multi-year activities:** Agencies implementing multi-year projects/activities (*like construction of Dzongs, schools, roads, hospitals, office buildings etc.*) that cannot be completed under any circumstances during the FY must ensure to capture the remaining fund requirements in the 12th FYP outlay along with the cost escalations if any.
5. **Supplementary Incorporation of donor funds:** To avoid unnecessary budget inflation and underutilization, agencies are advised to seek supplementary incorporation based on the implementation capacity and not on the full committed amount. Agencies may note that such incorporations shall be based on receipt and fund balance available with the DPA.
6. **Under-utilization of budget:** The budget for FY 2017-18 has been formulated in close consultation and with assurance from the implementing agencies that the activities will be fully completed. Therefore, the "**accountability**" for any under-utilization of budget shall fully vest with the head of the agencies.



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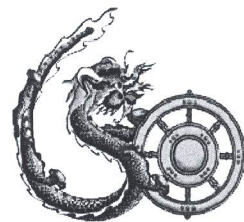


7. **Spillover works:** Since budget is allocated for activities to be completed within the FY as FY 2017-18 is the final year of the 11th FYP, agencies shall ensure that these activities do not spill-over to the 12th FYP.
8. **Tender amount exceeding the approved budget:** In case of works, where tender amount exceeds the approved budget, agencies shall secure additional fund before awarding the work or making commitments. The Ministry of Finance shall not provide additional fund for non-compliance.
9. **Rationalization of expenditure:** Some government agencies, citing disturbances and irregular participation of officials, hold '**Retreats/Seminars/workshops**' outside Thimphu thereby unnecessarily escalating the cost. In order to curtail wasteful expenditure, agencies must refrain from organizing such events outside their jurisdiction.
10. **Implementation of ICT projects:** Initiation and implementation of any ICT projects should be routed through Department of Information Technology and Telecom (DITT) for proper coordination and adherence to Bhutan ICT policy.
11. **Surrender of pool vehicles:** As per Government directives, pool vehicles that are more than 15 years old are to be surrendered to MoF and thus no budget provision will be allocated for such vehicles. Agencies with such vehicles are directed to surrender them by 30th September, 2017. No re-appropriation of budget to MoP-Vehicles shall be allowed.
12. **Purchase of Project Vehicles:** Agencies entering into bilateral/multi-lateral agreements (grants/loans) with donors shall seek MoF approval for purchase of project vehicle. As per the Government directives procurement of project vehicles shall be only for time bound projects and the maintenance budget including drivers pay and allowances shall be met from the project. The vehicles are to be surrendered to MoF upon completion of the project.
13. **Vehicles provided in-kind by the donors:** Agencies receiving vehicles as in-kind assistance should seek prior approval of the Ministry of Finance as it has financial implications on account of green tax and operation and maintenance cost.



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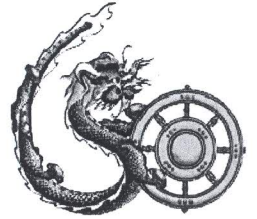


- 14. Use of external borrowings:** Any agencies entering into loan agreement with international financial institutions must bear in mind that the use of loan money for operation and maintenance, establishment cost, training, study visits, road shows, purchase of project vehicles, etc. are restricted.
- 15. Mid-Year Budget Review:** The budget for the FY was prepared in consultation with budgetary bodies based on the APA targets and 11th FYP priorities. Therefore, no re-appropriations and technical adjustments shall be considered. However, as required by the PFA 2007 and amendment thereto, DNB will carry out mid-year budget review in consultation with budgetary bodies to cater to such requirements. Budgetary bodies must take the mid-year budget review exercise seriously as no budget re-appropriations and technical adjustments request will be considered after the MTR. All revisions should be completed before the final release deadline set by DPA.
- 16. Re-appropriations to non-plan /ad-hoc activities:** In order to achieve the 11th FYP targets, the agencies shall refrain from seeking re-appropriations to non-plan/ad-hoc activities during the FY.
- 17. Re-appropriations from the budget allocated on the actual basis:** Agencies should not construe budget balances from the budget allocated on an actual basis as "savings". Therefore, no re-appropriations will be considered from such heads (Pay and Allowances, PF, Stipend, Retirement Benefits etc.).
- 18. Fund Release:** Fund release for all RGoB funded activities shall be made by the DPA based on the online release request submitted by the agencies, which should be as per the BUP. The release for externally funded activities shall be based on the availability of donor fund balance. The subsequent release of funds shall be based on the utilization of previous fund releases.
- 19. Deadline for Fund Release:** For facilitating smooth implementation of the activities and proper closure of books of accounts, all fund releases shall be completed by the 15th of June every FY.



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20. Dzongkhag Development Grant (DDG) and Gewog Development Grant (GDG):

For activities under DDG and GDG, the Dzongkhags/Gewogs are to note the following:

- a. During the recent Performance Audit of GDG (April 2016), the Royal Audit Authority has observed non-compliance to the guidelines as one of the major issues. Therefore, the Dzongkhags and Gewogs are advised to propose and implement the activities in accordance with the guidelines and align to APA objectives.
- b. Accountability for non-compliance of the guidelines shall be fixed on the Dzongkhag Administration for DDG and Gup for GDG as provided in the guidelines.
- c. There shall be no top-up from any sources either through re-appropriation or supplementary incorporation for any non-planned activities implemented under DDG/GDG.
- d. In order to facilitate timely implementation of the DDG/GDG activities and easing budget incorporation and fund releases, Dzongkhags/Gewogs are required to submit DDG/GDG proposals to DNB only upon **finalization** of the activities.

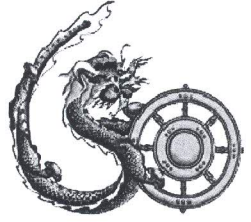
21. Clarification on OBC 45.01 and 45.02 for training: Despite repeated clarifications on OBC 45.01 and 45.02, agencies still continue to use these two OBCs as training Ex-country and training-In country. The clear distinction between the two is as below:

- a. *OBC 45.01 Training-Human Resource Development:* To be used for formal training/courses (both long-term and short-term) included in annual HRD plan approved by RCSC and requires fulfillment of training formalities such as HRC approval, security clearance, and audit clearance.
- b. *OBC 45.02 Training-Others:* To be used for informal training such as farmers' training, training of dancers, on-the-job training, training of instructors, awareness workshops and seminars where fulfillment of training formalities are not required.



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22. Training- HRD and Travel- Outside: Budget under RGoB funding for training and travel outside are provided only for mandatory activities obliged by way of international conventions, treaties, and other requirements. Invitation for participation in the training, workshops, seminars etc., by multilateral or bilateral agencies, may be accepted and participated only if they are fully funded. Hence, no re-appropriation and additional budget shall be permitted to these OBCs irrespective of savings within the approved budget.

23. Prohibitions Relating to Appropriation and Expenditure: The Ministry of Finance would like to strongly **reiterate** the need for the budgetary bodies to strictly adhere to the following sections of the PFA 2007 and Amendment thereto:

- a. **Section 61:** *"Budgetary bodies shall expend public money only in accordance with an appropriation under the Budget and Appropriation Act"*.
- b. **Section 62:** *"No budgetary bodies shall carry out activities for which there is no provision in the Budget and Appropriation Act or other lawful authority"*.
- c. **Section 63:** *"No budgetary bodies shall make commitments that have financial implications beyond the limits authorized by the Budget and Appropriation Act."*

These provisions are notified every year given the importance of proper execution of the approved budget. Agencies shall strictly observe these provisions, as it does not allow any ex-post-facto approvals.

As all the budgetary bodies will be gearing towards completing the on-going activities/programs of the 11th FYP, the Ministry of Finance would like to reiterate the importance of judicious use of approved budget in order to achieve the APA and 11th FYP targets.


[NimDorji]
Finance Secretary

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1. The Hon'ble Ministers for kind information.
2. The Heads of Constitutional Bodies for information.
3. The Secretaries of all Ministries.
4. The Heads of Autonomous agencies.
5. The Dzongdags and Gups.
6. The Directors of Directorate Services, all Ministries.
7. The Head of Finance, all agencies.