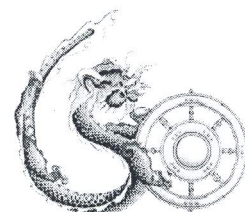




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MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Call/2018-19/ 521
12th January 2018

BUDGET CALL CIRCULAR FOR FINANCIAL YEAR (FY) 2018-19

The Ministry of Finance hereby issues the Budget Call Circular for FY 2018-19 for preparing the annual budget, according to Section 23 (b) of the Public Finance Act 2007. The budget call provides guidelines for preparing and submitting the annual budget proposal for the FY 2018-19.

Since FY 2018-19 is the first year of the 12FYP, budget ceiling has been drawn from the tentative outlay of the draft 12FYP which is estimated at Nu. 313.389 billion, of which Nu. 115.324 billion is for capital and Nu.198.064 billion is for recurrent expenditure.

The total resource available for appropriations for FY 2018-19 is Nu. **42.328** billion, of which *Nu.35.855 billion is from domestic revenue and Nu. 6.473 billion is grant.*

For the FY 2018-19, the total budget is estimated at Nu. 43.722 billion, of which capital budget is Nu.11.532 billion and current budget, is Nu. 32.190 billion representing 10% of the capital outlay and 16% of recurrent outlay respectively.

The fiscal deficit for FY 2018-19 is estimated to be Nu. 1.394 billion accounting for about 0.68% of the GDP, which is to be financed through external and domestic borrowing.

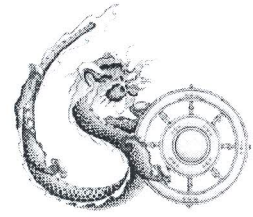
As the first FY of the 12FYP, the focus is to complete all spill-over capital activities of the 11th FYP and initiate preparatory works for the implementation of programs and activities of the 12FYP, besides regular activities.

While agencies are required to prepare and submit budget proposal through the online MYRB system (www.myrbpems.bt), agencies must also ensure to submit hard copy of necessary supporting documents to the Department of National Budget with a copy to the Gross National Happiness Commission Secretariat (GNHCS) and Government Performance Management Division (GPMD), Cabinet Secretariat.

This budget call calls for greater ownership, synergy, collaboration, and cooperation amongst all budgetary agencies in fulfilling the objectives of the Draft 12th FYP.



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The budget ceiling for each agency (*administrative unit*) is attached as annexure and all the Agencies are required to formulate budget proposals within the ceilings.

The Heads of budgetary bodies are kindly requested to submit by the **28th of February 2018**, the budget proposals, **both recurrent and capital**, for the fiscal years 2018-19.


FINANCE SECRETARY

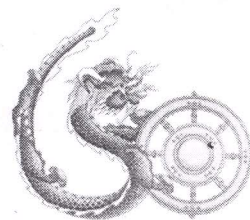
Copy to:

1. Ministers, 10 Ministries
2. Cabinet Secretary, Royal Government of Bhutan
3. Secretaries, 10 Ministries
4. Head of Constitutional Offices,
5. Head of Commissions, Autonomous agencies
6. Dasho Dzongdags,
7. Thrompons
8. Gups



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Annexure I – Budget Preparation Guidelines for FY 2018-19

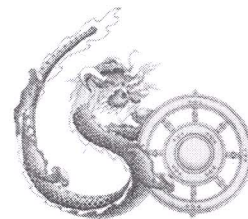
1) General guidelines:

- a. Agencies must ensure that the proposed activities are in keeping with the draft **12th FYP** and that it contributes to achieving **National Key result** as identified in the plan document. The Annual Performance Agreement must be aligned to the annual budget of the respective agency.
- b. For proper alignment and to avoid duplication of programs and activities, agencies are required to ensure that the activities proposed are within the mandate and the plan outlay of the respective agency.
- c. Agencies are requested to make special efforts to contain the rising trend in recurrent expenditure. For capital expenditure, priority must be given to investments that have the maximum impact on economic growth, employment creation and uplifting the standard of living and quality of life.
- d. All on-going donor-funded projects must be included in the proposal based on the annual work plan, implementation capacity, and fund commitments.
- e. State-owned Enterprises requiring subsidies in any form during FY must submit to the Department of Macroeconomic Affairs, Ministry of Finance the details of the amount required with proper justification along with their financial statements. The DMEA will study the proposal and accordingly recommend the same to the Department of National Budget.
- f. Thromdes requiring subsidies in any form during the FY must submit to the Department of National Budget the details of subsidies required with proper justification along with their revenue forecast and expenditure estimates for the year.
- g. For on-going activities to which advances have been released in the previous and the current FYs, agencies must ensure to maintain the same budget lines till the activities are complete and advance fully liquidated.
- h. For centrally executed programs and activities, the head of Finance Division/Services in consultation with the concerned sectors shall ensure to tag all such activities against the respective Dzongkhags and Gewogs in the MYRB system.



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- i. Any grants/donations received by the budgetary bodies from any sources shall be routed through the government budgeting process.
- j. Budgetary bodies must ensure that the budget proposal is gender inclusive and environmentally sensitive and that it also caters to the special requirement of a differently-abled section of the society.
- k. The proposal for recurrent expenditure under external grants should be for program-related expenses only and not for normal regular operation and maintenance purposes.
- l. Loan money shall not be proposed for meeting the normal operating expenses, purchase of vehicles and traveling abroad like study tours/workshop/seminars and trainings.
- m. Expenses related to time-bound projects/constructions irrespective of the nature of the expenditure must be capitalized to the extent possible and propose under the appropriate capital OBC.

2) Specific Guidelines

a. Recurrent Budget:

The Constitution of the Kingdom of Bhutan mandates the Government to meet the cost of recurrent expenditure from the internal resources of the country. Therefore, it is important that agencies exercise financial prudence and propose what is absolutely necessary to deliver the core mandates.

The current budget ceiling irrespective of the funding source for..... is Nu..... It, however, excludes pay and allowances, PF contributions, retirement benefits, travel-outside and provision for new appointments.

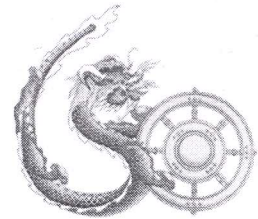
The budgetary agencies must observe the following while preparing the current budget:

- i. *Pay and allowance*: Estimates for pay and allowance should be based on actual number and types of employees existing in the agency. The agency should, however, also provision of new recruits as approved by the RCSC during the year. For those under time-bound projects, the provision for their pay and allowances must be captured under the respective projects.



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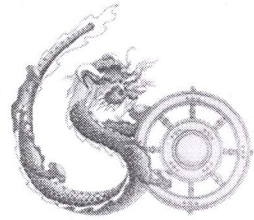


- ii. *Travel- In-country:* In view of the Audit observations and recommendation thereto, the Ministry of Finance will consider a certain amount of 'Travel' budget under "General Administration and Direction services" to each Administrative Unit to meet ad hoc and unplanned travel expenses. The budget estimates of all planned and programmed travels must be proposed under separate activity. For example, budget estimates under OBC 11.01 for "monitoring and evaluation of programs" must be proposed as a separate activity and not club under "General Administration and Direction Services." **The MoF will not accept travel in-country prepared on the incremental basis without proper rationale.**
- iii. *Travel-outside Bhutan:* Budget for ex-country travel shall be provisioned under 'Reserve' and thus no budgetary body shall propose budget for ex-country travel under OBC 11.02. The Ministry of Finance, based on the approval from the competent authority, shall make the budget available as and when required.
- iv. *Retirement Benefits:* Agencies must ensure to propose retirement benefits for all civil servants due for superannuation during FY 2018-19.
- v. *Maintenance of Property Vehicle:* Agencies must submit an updated vehicle inventory to justify budget proposal under maintenance of vehicles. Vehicles which are not on the inventories list and those that are more than 15 years shall not receive the maintenance budget.
- vi. *Rental of properties- Vehicles:* No separate budget for Rental of property-vehicle shall be considered. Agencies requiring to hire vehicles due to specific nature of the job must ensure to have an adequate provision within the specific program/activity to cater to such needs.
- vii. *Rental of properties- Building:* Agencies must provide a copy of lease agreement to support the proposal of budget for rental of offices. However, agencies must ensure that the lease agreements are drawn as per the rates approved by the DNP.
- viii. *Supplies and Materials- Uniforms, Extension kits, and Linens:* Budget for uniforms and extension kits should be proposed only for mandatory requirement irrespective of funding sources.
- ix. *Supplies and Materials- Office supplies, Printing, Publications:* With the Government's initiative to go paperless and success indicators therein, the budget for S&M-office supplies, printings and publications must decrease. Therefore, agencies are advised to



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factor in the benefit of paperless initiatives and accordingly reduce budget estimates for office supplies like paper, printer cartridges, and photocopy toners.

- x. *Operating Expenses- Electricity:* Budget estimates for electricity charges must be based on actual consumption within the office premises. Therefore, budget estimates for Op. Exp- electricity/Propulsion charges must include expenses related to one's respective offices and not for other institutions.
- xi. *Subscriptions to International Organizations:* All expenses related to 'subscriptions to International Organizations shall be budgeted under the Ministry of Foreign Affairs and thus other agencies are not required to propose budget for such obligations. The Ministry of Foreign Affairs (MFA) must ensure to include estimates for all international subscriptions and other monetary obligations of the Government of Bhutan owing to MoUs and other international conventions.

b. Capital Budget:

The capital budget ceiling for.....is Nu.....million under RGoB funding and Nu.under external funding.

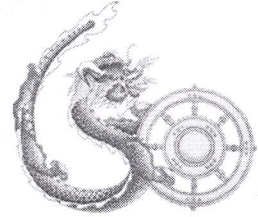
The following guidelines should be observed while preparation of capital budget:

- i. *Spill-over Activities:* All on-going activities (both RGoB and external funded) must be adequately captured in the proposal.
- ii. *Maintenance of Roads:* Major maintenance of roads, especially that of resurfacing national and Dzongkhag highways must be capitalized and accordingly propose under OBC -Exp. on Structure- Roads (51.02).
- iii. *Training- HRD, and Others:* Unless there is an external support, no agencies shall propose budget for Human Resource Development and others under OBC 45.01 and 45.02. For those on-going programs under RGoB funding, the concerned agency must ensure to capture the required funding for FY 2018-19 in their budget proposal.
- iv. *Furniture and Office Equipment:* Proposals to procure furniture, equipment, and computers must be limited to replacing unserviceable ones only. MoF will make necessary arrangement for new requirements owing to joining of new people and new establishments.



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- v. *For Information and Communication infrastructure:* - to optimize **ICT** investments, minimize duplication, and to align ICT investment to the National ICT Plan, agencies are required to consult the Ministry of Information and Communications for all ICT related investments and obtain their endorsement before submitting the proposal to MoF.
- vi. *Purchase of Vehicle:* In keeping with the Government's initiative to rationalize pool vehicle and directives thereof, no budget for the purchase of vehicles shall be proposed under RGoB funding.
- vii. *Construction of fencing wall:* In order to make optimum use of limited resources and to avoid unproductive spending, except for major security reasons, construction of boundary walls shall not be entertained.
