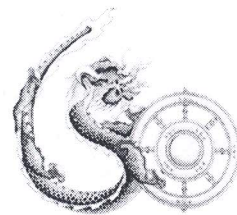




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MoF/Budget Notification/2018-19/007

9<sup>th</sup> July, 2018

**Budget Notification for the Financial Year 2018-19**

This to notify that the Budget Appropriation Act for FY 2018-19 has been passed by the Parliament with total appropriation of Nu.36,317.924 million as detailed below:

<u>Expenditure Head</u>	<u>Amount in millions</u>	<u>Percentage</u>
Current Expenditure	Nu. 29,075.167	80.06%
Capital Expenditure	Nu. 5,386.149	14.83 %
Lending	Nu. 14.440	0.04%
Repayment	Nu. 1,842.168	5.07 %

The total estimated resources is Nu.38,082.670 million of which Nu.35,854.998 million is domestic revenue and Nu. 2,227.672 million is from external sources. The estimated fiscal balance is positive Nu.3,621.354 million which is about 1.76% of the GDP.

As per the Appropriation Act, the approved current expenditure shall be applied for the financial year 2018-19, while the *capital expenditure shall be applied from 1<sup>st</sup> July to 31<sup>st</sup> Dec 2018* for a period of six months only. Further, as the capital budget is exclusively provided for *spill over, critical regular* and *on-going donor* funded activities and loan re-payment, no budget is provided for new activities from the draft 12FYP.

As such, the budgetary agencies are required to prepare Budget Utilization Plan accordingly and refrain from implementing new activities from the draft 12FYP in anticipation of the budget approval.

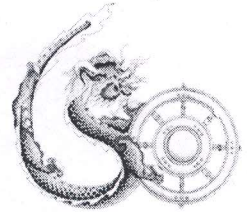
In keeping with section 24 of the PFA 2007 (amendments 2012), the Ministry of Finance mandates all budgetary bodies to make necessary adjustment to make optimal use of the approved capital budget. Further, MoF would like to reiterate the following:

- 1. Expenditure limits:** The maximum expenditure limit authorized by the Budget Appropriation Act for FY 2018-19 is available at [www.myrbpems.bt](http://www.myrbpems.bt). It may be noted that the *Public Finance Act 2007 (amendments 2012)* and the *Financial Rules and Regulations 2016* prohibit agencies to carry



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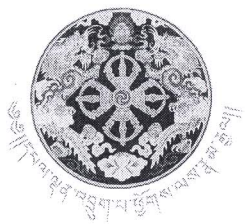


out activities for which there is no budget provision or make commitments that have financial implications beyond the limits authorised by the Budget Appropriation Act.

Therefore, budgetary bodies are reminded to strictly refrain from carrying out activities for which there is no budget provision and also limit expenditure to the approved budget. Any requirement over and above the Budget Appropriation Act must be communicated to MoF prior to committing or carrying out the activity. The Ministry of Finance shall not be responsible for any complication arising out of the non-compliance of the below-mentioned provisions.

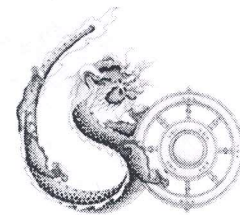
- i. **Section 61 of the Public Finance Act 2007 (amendments 2012)** - *“Budgetary bodies shall expend public money only in accordance with an appropriation under the Budget Appropriation Act”.*
  - ii. **Section 62 of the Public Finance Act 2007 (amendments 2012)** - *“No budgetary bodies shall carry out activities for which there is no provision in the Budget Appropriation Act or other lawful authority”.*
  - iii. **Section 63 of the Public Finance Act 2007 (amendments 2012)** - *“No budgetary bodies shall make commitments that have financial implications beyond the limits authorised by the Budget and Appropriation Act.”*
2. **Supplementary budget under RGoB:** Section 58 of the Public Finance Act 2007 (amendments 2012) states that *“Budgetary bodies shall not seek supplementary appropriation except when circumstances significantly change, and the Lhengye Zhungtshog has endorsed the change.”* Therefore, no supplementary or additional budget shall be considered unless the circumstances change significantly and that the change is duly endorsed by the Lhengye Zhungtshog.
3. **Incorporation of externally funded activities:** In keeping with section 60 of the PFA 2007 (amendments 2012), supplementary incorporation of the externally funded activities for which there is all required government approvals shall be considered. However, to maintain sanctity of the budgetary system and prevent the proliferation of budget, incorporation of external fund shall be:
- i. Processed only after the first month of the fiscal year.
  - ii. Subject to fund receipt and balance thereof.





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iii. Based on the implementation capacity of the requesting agency and all such request must clearly indicate the linkage of the activity to objectives.

**4. Re-appropriations and technical adjustments:** Section 55 of the Public Finance Act 2007 (amendments 2012) states that “*A budgetary body may re-appropriate funds and make technical adjustments based on the Financial Rules and Regulations issued by the Ministry of Finance from time to time.*” In compliance to the above provision, MoF, through Section 7.2 of the FRR 2016 has laid down a schedule of delegations of financial power and therefore, agencies are required to strictly comply with the following with respect to re-appropriation and technical adjustments:

- I. As capital budget is approved for six months for spill over, critical regular and on-going donor funded activities only, no budget shall re-appropriated to new activities.
- II. Budget balance under *pay and allowances, PF, Stipend, and Retirement Benefits* shall not be construed as savings and hence, re-appropriation from such heads is strictly prohibited.
- III. Reappropriation from on-going activities shall not be considered unless the activity from which reappropriation sought is completed in all respects.

**5. Ex-country Travel:** Budget for ex-country travel is provided only for mandatory obligation of participation under international conventions, treaties and other bilateral or multilateral agreements. It may be noted that provision of budget for ex-country travel in itself is not an approval to travel abroad and therefore, budgetary bodies must seek political clearance from the Ministry of Foreign Affairs in keeping with the MFA’s Notification issued vide no. MFA/FS/16/2018/474 dated 4<sup>th</sup> June 2018.

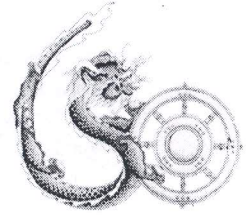
As per the Cabinet directives issued vide letter no C-3/4/32 dated 22<sup>nd</sup> August 2013 and notified vide MoF circular no. DNB/R/2013/053 dated 23<sup>rd</sup> August 2013, no top-up shall be allowed to ex-country travel funded through external sources irrespective of the nature of travel and position level. Therefore, agencies are advised to accordingly plan ex-country travel executed through external funding.

**6. In-country Travel budget for Gewogs:** Unlike in the past, in-country travel budget for Local Government members (including Gaydrungs and drivers) is provided under respective Gewogs.



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**7. Autonomous/Central Schools:** In order to strengthen financial management and promote proper system of accounting for the Autonomous and Central schools, the annual grants shall be provided as follows:

- I. Provision for 'pay and allowances', 'stipend' and 'PF' is structured as one activity under the Dzongkhag LC. The Dzongkhag/Thromde administration shall be responsible for disbursement of these provisions and shall not be transferred to the CD accounts of Autonomous and Central Schools.
- II. On transfers of teachers outside one's jurisdiction, the Dzongkhag/Thromde administration must arrange to transfer pay, allowance and PF to the recipient agency's budget based on the Last Pay Certificate issued by the relieving agency.
- III. The budget for other heads shall be provided as current grant under OBC 21.01. This budget shall be executed through CD account by respective schools as being practiced currently. The management of the Autonomous and Central Schools are required to strictly follow the FRR 2016 and PRR 2009 while operating the CD accounts.
- IV. Budget allocated should be utilised for the purpose intended and schools are not allowed to incur expenses in anticipation of savings. MoF shall not entertain request for additional budget due to such lapses.
- V. Savings, if any, must be ascertained prior to committing/incurred expenses. All such savings shall only be utilized in the next financial year.

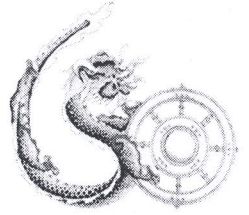
**8. Budget Utilization Plan:** For ensuring timely release of funds and to enable proper cash management, all budgetary bodies are required to submit realistic quarterly Budget Utilization Plan (BUP) to the Department of Public Accounts (DPA) within one month from the date of receipt of budget approval. The bank account wise BUPs are to be prepared and submitted through PEMS. Agencies are reminded to plan BUP systematically and avoid last minute spending.

**9. Fund Release:** Fund release shall be made by DPA based on the on-line release request and the quarterly BUP submitted by respective agencies. As such, agencies are required to update the BUP on quarterly basis.

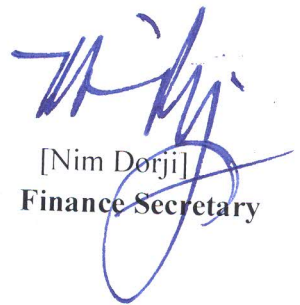


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The Budget Appropriation Act 2018-19 has been passed by the Parliament in cognizance of the importance attached to continue and complete the on-going as well as critical regular activities besides maintaining the continuity of the Government. Therefore, budgetary agencies must ensure that allocated budget is optimally and prudently used for the purposes intended.

  
[Nim Dorji]  
Finance Secretary

Copy to:

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