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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Notification/2019-20/ 02

July 8, 2019

Budget Notification for the Financial Year 2019-20

This is to notify that the Budget Appropriation Act for the FY 2019-20 has been passed by the Second Session of the Third Parliament, with a total appropriation of Nu.64,826.725 million as detailed below:

<u>Expenditure Head</u>	<u>Amount in millions</u>	<u>Percentage</u>
Current Expenditure	Nu.34,652.765	53.45%
Capital Expenditure	Nu.26,544.542	40.95%
Lending	Nu.323.085	0.50%
Repayment	Nu.3,306.333	5.10%

The total resource for the financial year is estimated at Nu. 54,619.197 million, of which Nu.43,299.071 million is estimated as domestic revenue, Nu.10,934.307 million and Nu. 385.819 million is expected as external and internal grants respectively. The fiscal deficit for the financial year is estimated at Nu.6,578.110 million, which is about 3.04% of the GDP.

Through this notification, the Ministry of Finance (MoF) would like to further reiterate the importance of the Royal Address of the 111th National Day, where His Majesty the Druk Gyalpo highlighted that *"As a developing country, we have limited resources. We must manage our available resources wisely, minimise waste and ensure that all our resources are directed at improving the wellbeing of the people, and fulfilling our national vision."* Therefore, the agencies are required to ensure that the approved budget for FY 2019-20 is implemented in keeping with the Royal address. Further, the Ministry of Finance would like to underscore the following:

- 1. Expenditure limits:** The maximum expenditure limit authorized by the Budget Appropriation Act for FY 2019-20 is available at www.myrbpems.bt. It may be notified that the *Public Finance (Amendment) Act 2012 and the Financial Rules and Regulations (FRR) 2016* prohibit agencies to carry out activities for which there is no budget provision or make



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commitments that have financial implications beyond the limits authorised by the Budget Appropriation Act.

- **Section 61 of the PFA (Amendment) 2012** - *“Budgetary bodies shall expend public money only in accordance with an appropriation under the Budget Appropriation Act.”*
- **Section 62 of the PFA (Amendment) 2012** - *“No budgetary bodies shall carry out activities for which there is no provision in the Budget Appropriation Act or other lawful authority.”*
- **Section 63 of the PFA (Amendment) 2012** - *“No budgetary bodies shall make commitments that have financial implications beyond the limits authorised by the Budget and Appropriation Act.”*

However, should there arise a need to carry out activities for which there is no provision or make commitments beyond the limits authorized by the Budget Appropriation Act for FY 2019-20, budgetary bodies must re-prioritize within the approved budget and seek approval of the MoF as per Financial Rules and Regulations (FRR) 2016.

- **Supplementary/additional budget under RGoB:** Section 58 of the PFA (Amendment) 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 under RGoB financing shall be considered unless the circumstances change significantly and that the change is duly endorsed by the Lhengye Zhungtshog.
- **Incorporation of externally funded activities:** In keeping with section 60 of the PFA (Amendment) Act 2012, the MoF will consider supplementary incorporation of the externally funded activities for which there is all required government approvals. However, to maintain the sanctity of the budgetary system and to prevent proliferation of ad-hoc activities, incorporation of external funds shall be limited to new projects signed after the submission of



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budget proposals to the Department of National Budget, and subject to actual fund receipt and balance thereof.

- **Re-appropriations and technical adjustments:** As provided by Section 55 of the PFA (Amendment) 2012, budgetary bodies may reappropriate or make technical adjustment within the approved budget. However, such reappropriation/technical adjustments must be in conformity with delegation of financial powers prescribed in FRR 2016. The budgetary agencies must note the following with respect to re-appropriation and technical adjustments:

- Re-appropriation from the budget allocated on actual basis (*Pay and Allowances, PF, Stipend, Retirement Benefits*) is prohibited. Balance budget under these heads shall not be construed as savings;
- Re-appropriation from on-going activities to new activities shall not be considered unless the activity from which re-appropriation sought is completed in all aspects; and
- Re-appropriation from RGoB funded activities to any HRD programs shall be prohibited.

2. Travel In-country: All in-country travels shall be planned and costed on a quarterly basis to ensure that in-country travel is within the approved budget. The Head of Agency shall be responsible and accountable for ensuring the proper usage of in-country travel budget and remaining within the approved budget.

3. Travel In-country for Cabinet Ministers and equivalent post holders: For meeting the in-country travel cost of the Hon'ble Prime Minister, Cabinet Ministers and Equivalent Position Holders, budget has been kept with the respective agencies. For FY 2019-20, Nu.3.00 million has been kept with Cabinet Secretariat and Nu.1.500 million with each Ministries and relevant agencies. As such, the agencies are required to book the in-country travel related expenditure against the allocated budget. Similarly, the budget for Hospitality and Entertainment (H&E) of Cabinet Ministers and Equivalent Position Holders shall be allocated to the respective agencies as and when the H&E guidelines is approved by the Cabinet.



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4. **Travel-Outside Bhutan:** Budget for ex-country travel is provided only for mandatory travels required by way of international conventions, treaties and other bilateral or multilateral agreements. All ex-country travel (*frequency and composition of the delegations*) must be planned in keeping with the approved budget under respective administrative units.
5. **Budget Utilization Plan (BUP):** For ensuring timely release of funds and to enable proper cash management, all budgetary bodies must submit realistic quarterly BUP through ePEMS to the Department of Public Accounts within one month from the date of receipt of budget approval.
6. **Fund Release:** All fund releases shall be based on the on-line release request and the quarterly BUP submitted by the respective agencies. The Department of Public Accounts shall not entertain any fund release outside the BUP.
7. **Last Minute Rush Spending:** It has been observed that the budgetary bodies are either booking expenditure or rushing to use budget during the last quarter of the FY. Such rush spending is contributing to wasteful expenditure and huge drawdown on cash flow. Therefore, budgetary bodies are required to use the annual procurement plan to avoid last minute spending on unnecessary items.
8. **Gewog Annual Grants (GAG):** The budget for the Gewogs has been allocated as Annual Grants (AG) to deepen decentralization with enhanced flexibility in its usage to achieve APA targets. The GAG consists of current and capital grants provided under OBC 21.01 and 61.01 respectively and shall be expended as per the GAG guidelines issued by MoF.
9. **Dzongkhag Development Grant (DDG):** In view of the benefits of the DDG at the grassroots level, the government has increased the amount from Nu. 7 million to Nu. 10 million per Dzongkhag per year. The DDG shall be utilized as per the guidelines issued by the MoF.
10. **Finance Committee (FC):** Towards promotion of financial thrift, Finance Committees have been constituted at the agency levels with Terms of Reference. All budgetary bodies are urged to route all matters relating to budget and accounts through the



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committee and hence, MoF shall not entertain any request that is not endorsed by the FC.

- 11. Flagship Programmes:** In order to address issues of national priority in a concerted and holistic manner through multi-sector interventions, flagship programmes (Water, Tourism, Organic, Digital Drukyl, CSI and Start-up) have been approved by the Government for implementation during the FY. The budget for these flagship programmes are provisioned under the Lead Agency and shall be expended as per the guidelines.
- 12. Common Minimum Infrastructure (CMI):** The government has allocated budget for CMI to promote and achieve balanced and equitable socio-economic development for local governments. While the CMI budget for Dzongkhags and Thromdes are provisioned under respective administrative units, CMI budget for Gewogs are provisioned under respective Dzongkhags and shall be implemented by the Dzongkhags.
- 13. Budget Utilization (Mandatory Indicator):** In addition to the capital budget, current budget has also been included for assessment of budget utilization for evaluation of Annual Performance Agreement (APA) from this FY. Therefore, budgetary agencies are advised to ensure the implementation of activities as per the approved budget. The manual for evaluation of budget utilization has been revised and issued for reference.
- 14. Alignment of APA targets with approved budget:** Since the Budget Appropriation Act for FY 2019-20 is passed by the Second session of the Third Parliament, the agencies are required to align the APA targets with the approved budget in order to avoid the issue of not achieving APA target due to lack of budget.
- 15. Work Charge:** To ascertain actual cost of the project, any associated costs (pay & allowance and other operating costs) shall be work charged to the activity irrespective of funding sources. However, ex-country travel and training from the work charged activities under RGoB financing shall be prohibited.
- 16. Transfer of Funds:** DNB has been receiving additional fund request for pay & allowances from some agencies at the end of FY due to non-transfer of funds by



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relieving agencies. Therefore, agencies are once again reminded to comply with the fund transfer process for transferred employees as per the FRR 2016.

17. Central Schools: Since the free items provided in the central schools are under review by the Government, the Ministry of Education and Dzongkhags shall not carry out the procurement till further notice.

18. Adjustment of Prior Year's Advance: Agencies must ensure to have adequate budget balance for sanctioning advances to avoid problem of inadequate budget balance for adjustment in subsequent FY.

Lastly, MoF would like to urge all budgetary bodies to utilize the budget judiciously for the intended purposes to achieve the 12FYP targets and realising the Gross National Happiness.

The Budget Report and the Budget Appropriation Act for FY 2019-20 can be downloaded from the MoF website.



[Nim Dorji]

Finance Secretary

Copy to:

1. Hon'ble Prime Minister, Geylyong Tshongkhag, for kind information;
2. The Hon'ble Ministers for kind information;
3. The Head of Constitutional Bodies for information;
4. The Cabinet Secretary and Secretaries of all Ministries;
5. The Head of Autonomous Agencies;
6. The Dzongdags, Thrompons and Gups; and
7. The Head of Finance Division, all Budgetary Agencies.