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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE



MoF/Budget Notification/2020-21/ 02
29th June, 2020

Budget Notification for the Financial Year 2020-21

This is to notify that the 3rd Session of the Third Parliament passed the Budget Appropriation Act, 2020 for a sum not exceeding Nu. 73,989.881 million as detailed in the following table:

Sl. No.	Budget	Amount in million	Percentage
1	Current	32,900.000	44.47 %
2	Capital	36,251.122	48.99 %
3	Lending	1,214.399	1.64 %
4	Repayment	3,624.360	4.90 %

The total resources for the financial year is estimated at Nu. 53,822.073 million of which Nu. 33,679.225 million is estimated as internal resources and Nu. 20,142.848 million is external grants. The fiscal deficit for the financial year is estimated at Nu. 15,329.049 million which is 7.36 percent of the GDP.

Due to the COVID-19 situation, the domestic revenue for FY 2020-21 is estimated to fall by 14 percent as compared to the last financial year. Therefore, in keeping with the constitutional requirement of having to meet the cost of recurrent expenditure from internal resources, the current budget for FY 2020-21 has been appropriated within the estimated internal resources.

In accordance with the Budget Appropriation Act for FY2020-21, the following temporary budgetary policies will be implemented during the FY 2020-21 in order to ensure that the recurrent expenditure is covered by the domestic revenue:

- Rationalize in-country and ex-country travels;
- Defer payments of Leave Travel Concession (LTC) towards the end of FY except for those completing terms or superannuating: The MoF shall notify during the course of the year for payment of LTC;
- Prohibit hiring of private buildings for office space;
- Postpone activation of Salary Indexation to next FY;
- Transfer of Civil Servants shall be without transfer benefits; and
- Defer the option to monetize Vehicle Quota during the FY without affecting the date of next allotment.



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As required by the Section 9 of the Budget Appropriation Act 2020, recurrent expenditure shall be further revised based on the revenue performance. In addition to the above measures, budgetary bodies are also required to note / adhere to the following instructions while executing the budget for FY 2020-21:

- 1. Expenditure limits:** The Maximum expenditure limit as authorized by the Budget Appropriation Act for FY 2020-21 for respective Administrative Units is available at www.myrbpems.bt. It may be notified that the Public Finance (Amendment) Act 2012 prohibits agencies to carry out activities for which there is no budget provision or make commitments that have implications beyond the limits authorized by the Budget Appropriation Act.
- 2. Supplementary Incorporations:** As empowered by section 60 of the Public Finance (Amendment) Act of Bhutan 2012, MoF shall consider incorporation of external funds during the course of the year. However, such incorporations shall be limited to new projects signed after the submission of the budget proposal to the Department of National Budget.
- 3. Re-appropriations and technical adjustments:** As provisioned in Section 55 of the PFA (Amendment) 2012, budgetary bodies may re-appropriate or make technical adjustments within the approved budget. However, such re-appropriation/technical adjustments must be in conformity with delegation of financial powers prescribed in FRR 2016 or relevant Guidelines issued by the Ministry of Finance. The budgetary bodies must note the following with respect to re-appropriation and technical adjustment:
 - Re-appropriation from *Mandatory* expenses to *Controllable* expenses shall be prohibited.
 - Re-appropriation from on-going capital activities to new activities shall not be considered unless the on-going activity is completed in all aspects.
- 4. Budget for Spillover activities:** Capital activities not completed due to Covid-19 situation within the FY 2019-20 must be accorded top priority to enable continued implementation of the activity. While Local Governments shall make such arrangement within the approved capital grant by apportioning budget to the spill over activities first, the central agencies shall make such arrangement by reprioritizing within the approved capital activities. The MoF shall facilitate internal adjustments for central agencies.
- 5. Travels:** The budgetary bodies shall note the following regarding travels:



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- a. **In-country:** The Budgetary bodies shall prioritize in-country travels and manage its expenses within the approved budget.
 - b. **Ex-country:** Ex-country travel shall only be implemented upon the approval of the Cabinet. However, the expenses shall be met within the approved current grant of the respective budgetary bodies.
6. **Purchase of Vehicle:** Purchase of Government vehicles will be restricted until further notice unless approved by the Cabinet as notified vide Cabinet letter no. C-3/49/2020/458 dated 14th February 2020.
 7. **HRD Programs:** In keeping with its priority, the Government provisioned adequate budget for both on-going and new HRD programs under respective agencies. However, implementation of such programs, especially the new HRD programs whether ex-country and in-country shall be carried out with prior approval of the Cabinet.
 8. **Budgetary Release Forecast (BRF)/Fund Release:** For ensuring timely release of funds and to enable proper cash flow management, all budgetary bodies are required to submit realistic BRF through e-PEMS to the Department of Public Accounts as per Fund Release Guideline.
 9. **Rush Spending:** It has been observed that the budgetary bodies are either booking expenditure or rushing to utilize budget during the last quarter of the FY. This is resulting in wasteful expenditure besides negatively impacting the cash flow of the Government. Therefore, budgetary bodies are required to plan their procurement properly to avoid last minute spending. The Department of Public Accounts shall institute proper mechanisms through e-PEMS to prevent rush spending.
 10. **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 Start-up, Education, Health, Waste management and Stray Dog Population management) 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.
 11. **Annual Grant for Local Governments:** In keeping with the Constitution of the Kingdom of Bhutan, the Government decided to up-scale the system of providing budget in the form of annual grants to Dzongkhags and Thromdes like the Gewogs. Annual Grants to Local Governments shall be expended according to the 'Annual Grants Guidelines for Local Governments, 2020' issued by the Ministry of Finance. It may also be informed that the Local Governments should take into consideration the cross cutting aspects such as gender,



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disaster, climate change, environment and beautification while prioritizing activities for the year.

12. **Current Grants to Central Agencies:** Current Budget for all Central Agencies has been allocated in the form of Block Grants and it shall be expended as per the Annual Grant Guidelines for Central Agencies 2020.
13. **Finance Committee:** All budgetary bodies shall institute Finance Committee to decide on apportionment of budget provided as annual grants for Local Governments and current grant (block grant) for central agencies as per Annual Grants Guidelines for Local Governments and Current Grant Guidelines for Central agencies, 2020
14. **Budget provision for new appointments:** Budget for new appointments is not included in the Annual Grants and therefore, budgetary bodies shall submit requisition as and when there are new appointments during the course of the year.
15. **Provision for retirement benefits:** Provision for retirement benefits is not included in the Annual Grants and therefore, budgetary bodies shall submit requisition as and when necessary based on the actual retirement benefits.
16. **Work Charge:** It has been observed that some agencies are misusing/abusing the ‘work charge’ concept by charging expenses that are not directly related to the activity. The Ministry of Finance would like to reiterate **that expenses charged to an activity must be directly related to that activity and that agencies shall refrain from charging irrelevant expenses to an activity.** It may be informed that the Royal Audit Authority shall audit and any expenses not directly related to the activity shall be considered irregular and accordingly accountability shall be fixed on the approving authority.
17. **Central and Autonomous Schools:** Budget for central and autonomous schools are included in the Annual Grants of the Local Governments to be implemented through MYRB and e-PEMS under appropriate budget lines of the respective schools. The existing practice of transferring funds to the concerned schools in the form of grants shall be discontinued. Further, as no Budget has been provisioned for procurement of uniform, beddings and stationeries, schools shall refrain from procuring these items during the year.
18. **Maintenance Budget for GC roads:** The Budget for maintenance of Gewog Connectivity Roads (GC), calculated at the rate of Nu. 30,000 per kilometer is included in the Current Grant of respective Gewogs. Therefore, Gewogs shall be responsible for maintenance of the GC roads in coordination with the respective Dzongkhags and other agencies wherever relevant.



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19. Expenditure Rationalization: The MoF would like to reiterate that the Government has allocated entire internal resources available for the year as current budget and that any additional expenditure over and above the approved current budget will lead to breaching the Constitutional requirement of having to meet the cost of recurrent expenditure from the internal resources. Therefore, budgetary bodies must rationalize recurrent expenditure and limit their expenses within the approved budget. The Ministry of Finance shall review revenue performance of the year and accordingly notify agencies according to the budgetary policies highlighted in the Budget Appropriation Act, 2020.

The Budget Report and Budget Appropriation Act for FY 2020-21 can be downloaded from the MoF website (www.mof.gov.bt) and budget appropriation of the respective budgetary bodies can be accessed through www.myrbpems.bt.


[Nim Dorji]
Finance Secretary

Copy to:

1. Hon'ble Prime Minister, Gyelyong Tshogkhang, 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 for all Ministries.
5. The Head of Autonomous Agencies.
6. The Dzongdags, Thrompons and Gups.
7. The Head of Finance Division, all Budgetary Bodies