



क्रुप'य'दस'अकर'दुव'यस'सुदस

Ministry of Finance

MoF/Budget Notification/2021-22/15

July 6, 2021

Budget Notification for the Financial Year 2021-22

The Ministry of Finance is pleased to notify that the Budget Appropriation Act for the FY 2021-22 has been passed by the 5th Session of the Third Parliament for a total appropriation not exceeding Nu. 80,483.150 million as detailed below:

Sl. No	Budget	Amount (Nu. in millions)	Percentage
1	Current	35,598.664	44 %
2	Capital	38,320.671	48 %
3	Lending	909.400	1%
4	Repayment	5,654.415	7%

The total resources for the FY is estimated at Nu. 56,765.582 million, of which internal resources is Nu. 36,240.271 million and external grants of Nu. 20,525.311 million. The fiscal deficit for the FY is estimated at Nu. 17,153.753 million corresponding to 8.59 per cent of the GDP.

While the current budget for the FY 2021-22 has increased by about 8 per cent from the previous FY due to inflation and other emerging priorities, the Government has adjusted the current budget within the estimated domestic revenue. In addition, the Government will continue to implement the following budget policies during FY:

- Rationalize travels (ex-country and in-country) within the allocated budget;
- No hiring of private building for office space and new establishment;
- Postpone the activation of Salary Indexation;
- Transfer of Civil Servants shall be without transfer benefits;
- Defer the option to monetize Vehicle Quota during the FY, without affecting the date of next allotment; and

To ensure optimal utilization of the estimated domestic revenue, the recurrent budget has been allocated as Annual Grants to the Local Governments and Block Grants to all other Budgetary Bodies. Further rationalization of the recurrent expenditure shall be carried out if the revenue performance falls below the estimates.

For the FY 2021-22, with the domestic revenue just enough to cover the recurrent expenditure, the capital budget will be financed through external grants, concessional external and domestic borrowings. In order to ensure that RGoB capital budget is provided only for critical and COVID-19 related activities, the Government has deferred all new constructions, procurement of vehicles and



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rationalized activities related to OBC 45.02-Training – Others such as workshops, seminar, orientation, annual conference, observation of international days, awareness programs etc. and OBC 55.01-Professional Services for hiring of consultancies, research, survey etc.

In addition to the above measures, Budgetary Bodies are also required to note and adhere to the following guidelines while executing the budget for FY 2021-22:

1. **Maximum Expenditure Limits:** The maximum expenditure limits authorised for all respective Budgetary Bodies by the Budget Appropriation Act for the FY 2021-22 is available at www.myrbpems.bt. Further, in keeping with the Sections 61-63 of the Public Finance (Amendment) Act of Bhutan 2012, Budgetary Bodies must ensure to implement activities within the approved allocation.
2. **Annual Performance Agreement:** While efforts have been made to deepen linkage between the APA targets and annual budget, all budgetary bodies including Local Governments are advised to revise/finalize/re-align their APA targets with the approved budget for FY 2021-22. Going forward, to align annual budget to annual performance targets, all budgetary agencies shall complete formulation of APA/APT for FY 2022-23 by end of December 2021 based on which annual budget shall be prepared. GPMD, PMO shall coordinate the preparation of APAs/APTs under the guidance of the APA review committee.
3. **Supplementary Incorporations of external funds:** Based on section 60 of the Public Finance (Amendment) Act of Bhutan 2012, supplementary incorporation of external funds shall be carried out during the course of the year. In addition, recognizing the impact of the pandemic on the implementation of the works in the FY 2020-21, the Department of National Budget will facilitate the incorporation of budget balance of on-going donor funded capital activities as notified vide MoF/DPA/e-PEMS-01/2020-21/1147 dated June 16, 2021. However, to avoid underutilization of the external funded activities, supplementary incorporation should be processed upon assessing the implementation capacity.
4. **Re-appropriations and technical adjustments:** As provisioned in Section 55 of the Public Finance (Amendment) Act of Bhutan 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 as prescribed in FRR 2016 and notification issued by the Ministry of Finance. The budgetary bodies must note that re-appropriation from **Mandatory** expenses to **Controllable** expenses shall be prohibited.



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5. **Spill-over activities:** Based on the budget proposals and consultations with the respective sectors/agencies, all the spill-over activities under the RGoB financing are adequately captured. Further, with the flexibility of annual grants in case of LGs and central agencies empowered to re-prioritize within the approved allocation, it must be ensured that the capital activities not completed during the FY 2020-21 are accorded highest priority while apportioning and re-prioritization exercise.
6. **Travels:** The Budgetary Bodies shall prioritise in-country travels and mandatory ex-country travels and manage within the approved budget.
7. **HRD Programs:** Budget for mandatory trainings and planned HRD programs has been provisioned under respective agencies and RCSC. However, any ad-hoc training will have to be approved by RCSC based on which budget incorporation shall be facilitated for implementation.
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 the Fund Release Guideline.
9. **Rush Spending:** All Budgetary Bodies are required to initiate Annual Procurement Plan (APP) to avoid last minute spending. Such an arrangement will ensure timely procurement within the approved budget and minimise wasteful expenditure by eliminating rush spending.
10. **Flagship Programmes:** In order to address issues of national priority in a concerted and holistic manner through multi-sector interventions, the government has allocated budgets for continuing implementation of the flagship programmes (Water, Tourism, Organic, Digital Drukyl, CSI Start-up, Education, Health, Waste management and Stray Dog Population management). The budget is provisioned under the Lead Agency and shall be expended as per the guidelines.
11. **Annual Grant for Local Governments:** Annual Grants to Local Governments shall be expended in accordance with the 'Annual Grants Guidelines for Local Governments, 2020' and any revision issued by MoF. The Local Governments should take into consideration the cross-cutting aspects such as gender, disaster, climate change, environment and beautification while prioritizing activities for the year. Further, the capital grant also includes a budget allocated for "Special Priority" works. To ensure that the budgets for such works are adequately apportioned from the approved capital grant, the list of activities with the amount shall be communicated to the relevant Dzongkhags/Thromdes. As per the directives of the Cabinet, the DNB shall carry out an impact assessment of the Annual Grants Allocation and review the Annual Grants Guidelines accordingly.



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12. **Current Grants to Central Agencies:** Current Grants for the Central Agencies shall be strictly implemented as per the Annual Grant Guidelines for Central Agencies 2020.
13. **Finance Committee:** The Finance committee (FC) shall be responsible for all matters pertaining to budgeting including the decision to apportion from the Annual or Block Grants to respective activities. For efficient functioning, the FC shall be guided by the ToR.
14. **Budget provision for new appointments and retirement benefits:** The Annual and Current Grants do not include the budget provision for the new appointments and retirement benefits. However, all budgetary bodies shall submit for such request to DNB during the course of the year upon exhaustion of budget for pay and allowances and fulfilment of necessary documentation and clearances for retirement benefits.
15. **Work Charge:** To ascertain the total cost of the project or activity, any associated cost such as pay and allowances, travel cost, and operation costs shall be charged to the activity irrespective of financing sources. However, agencies shall refrain from charging expenses that are not directly related to the activity. Any cases of irregularities observed by the RAA, the accountability shall be fixed on the approving authority.
16. **Procurement of stationeries for schools:** On the procurement of stationeries for schools, budget has been provisioned as part of respective Dzongkhag's and Thromde's "Mandatory expenses" under Object Classification (OBC) 14.11:- 'S & M- School Stationeries for students'. Accordingly, the Dzongkhags and Thromdes must ensure to apportion the budget from OBC 14.11 under the mandatory expenses to education sector. Further, it may be noted that re-appropriation to other OBCs is prohibited.
17. **Hiring of Hotels and Vehicles:** The Budgetary Bodies shall follow the application of the 'Revised Standard Rates for Food and Lodging and Hiring of Vehicles, July 2021' for conducting any official meetings/conferences/retreats/workshops.
18. **Award of Repair & Maintenance of Government Buildings to Specialized Firms:** Award of Repair and Maintenance works of the Government Buildings for FY 2021-22 directly to the Specialized Firms under Build Bhutan Project shall be as per the Executive Order of the Lhengye Zhungtshog vide Order No. C-3/70/2020/660 dated August 7, 2020. Further, all the Budgetary Bodies are required to submit the details of Repair & Maintenance works that need to be outsourced to the Department of National Properties.



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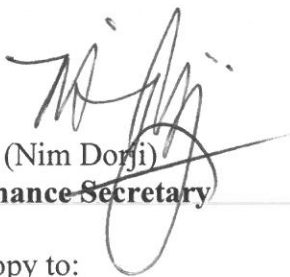
19. **Budget Monitoring Tool (BMT):** Starting FY 2021-22, all the Budgetary Bodies are required to submit the Work Plan (both Physical and Financial Plan) of all the capital activities through BMT. The “Financial Plan” shall be used as one of the basis for the monthly BRF through e-PEMS by the Department of Public Accounts as per Fund Release Guideline. Since, BRF has been tagged with BMT, capital budget release shall be withheld if the work plan for the capital activities are not updated in the BMT. Also “Work Progress” of all the capital activities shall be updated in the BMT at the end of every quarter within first 15 days of the start of next quarter. Further, the “Work Progress” updated till the 2nd quarter in the BMT shall become the basis to provide information on both financial and physical progress of the capital activities while carrying out the Mid-year Budget Review exercise.
20. **Mid-year Budget Review:** In order for DNB to facilitate and consider necessary technical adjustments in timely manner, all agencies must take the Mid-year Budget Review exercise seriously and ensure to provide the information correctly. Further, the Mid-year Budget Review conducted by the Budgetary Bodies must be endorsed by the Finance Committee and shall submit online using BMT. Mid-year Budget Review shall be carried out subsequent to Mid-year APA/APT review to align revision of financial resources to annual performance target revisions.
21. **Maintenance Budget for GC roads:** The Controllable expenses of respective Gewogs include the budget provision for the maintenance of Gewog Connectivity Roads (GC). Therefore, Gewogs shall be responsible for maintenance of the GC roads in coordination with the respective Dzongkhag and other agencies wherever relevant.
22. **Expenditure Rationalization:** In keeping with the constitutional requirement of having to meet the recurrent expenditure from internal resources, the recurrent budget has been adjusted within the estimated domestic revenue. Therefore, all the budgetary bodies must rationalize and ensure to limit the recurrent expenses within the approved budget.
23. **Cluster Finance Services:** In the regions where cluster finance services have been established, the head of the cluster finance service shall ensure to facilitate and coordinate in the dissemination of any budget related information to the respective field offices.
24. **Disaster Relief and Response:** To ensure proper accounting and reporting of expenditure for immediate disaster relief and response, *New Object Code (OBC): 43.01: Disaster, Relief and Response* has been created. Hence, the budget for COVID-19 containment measures shall be provided under the newly created OBC. However, the Budgetary Bodies shall refrain re-appropriating budget provided under the new OBC to regular activity.



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The Budget Report and Budget Appropriation Act for FY 2021-22 can be down-loaded 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. The 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