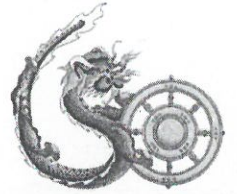




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ROYAL GOVERNMENT OF BHUTAN  
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MoF/DNB-Budget Call/2022-23/347

December 30, 2021

**Budget Call Circular for Financial Year (FY) 2022-23**

In accordance with Clause 23 (b) and 45 of the Public Finance Act 2007 (PFA) and Section 3.2 of the Budget Manual, Financial Rules and Regulation (FRR) 2016, the Ministry of Finance hereby issues the Budget Call Notification for FY 2022-23.

Given that the FY 2022-23 is the last year of the 12 FYP and considering the effective containment COVID-19 measures including the successful vaccination coverage of more than 90% of the eligible population, the resource envelope has been determined based on the current state of our economy, estimated domestic revenue, balance of committed grants, 12 FYP Plan revised outlay, changing priority and the COVID-19 containment protocols.

With the discontinuation of the budget ceiling at the agency level from FY 2021-22, the heads of the Ministries and Agencies are reminded and encouraged to lead and engage closely in the budget preparation process for effective and efficient prioritization of programs and activities, allocation of resources and greater accountability. Such efforts will also ensure that the ongoing policy initiatives and other strategic priority programs are adequately captured and sufficiently funded. Any insertion of new activities and programs after submission of the budget proposal shall be based on the approval and directives of the Lhengye Zhungtshog.

Further, in order to ensure that the scarce financial resources are effectively utilized with accountability, annual budget must be tied to results and outcomes as specified under the General Guidelines.

This Budget Call Circular delineates the macro-economic outlook, the resource envelope, budget outlay and guidelines for preparation and submission of the budget proposals for FY 2022-23.

- 1. Macro-Economic Outlook:** With the economy gaining momentum from the end of first quarter of 2021 supported by successful vaccination and continued fiscal support, there has been improvement in the industrial production and international trade. As such, the economy in 2021 is projected to grow at 3.3 percent. However, the risk of new infections with the outbreak of Omicron in the region may slow down the recovery than anticipated in the medium term impacting growth and government revenues.



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2. **Resource Envelope:** The Resource Envelope estimated for FY 2022-23 is Nu.55,240.376 million, of which Nu.36,368.270 million is estimated from domestic revenue, which indeed is forecasted at higher side and Nu.18,872.106 million in the form of grants.
3. **Outlay:** The outlay for FY 2022-23 is estimated at Nu.70,919.309 million, of which the recurrent budget is Nu.36,368.270 million and the capital budget of Nu.34,551.309 million. With the growth of current expenditure outstripping the increase in domestic revenue, rationalization measures adopted in FY 2021-22 will be continued to ensure that it is maintained within the domestic revenue. However, should the domestic revenue performance improve, the rationalization measures will be lifted immediately.
4. **Fiscal Deficit:** Based on the projected resources and expenditure, the fiscal deficit for the FY is estimated at Nu. **15,678.933 million**, which is **7.54 percent** of the GDP. The average fiscal deficit for the Plan period is expected to be around 5 percent of the GDP and shall be financed through concessional external and domestic borrowings.

The budgetary bodies are required to prepare and submit budget proposals through the online MYRB system ([www.myrbpems.bt](http://www.myrbpems.bt)) and shall follow the general and specific guidelines prescribed in the **Annexure I**. Further, to ensure optimal allocation and utilization of the scarce public resources, all the budgetary bodies are necessitated to submit the write-up or justification for each activity/sub-activity as per the prescribed format (**Annexure III**) along with the detailed cost estimates and necessary supporting documents to the Department of National Budget (DNB) with a copy to Gross National Happiness Commission Secretariat (GNHCS) and the Government Performance Management Division (GPMD), Cabinet Secretariat.

The budget proposal shall be completed in all respects and take into account all the foreseeable factors before submitting to DNB on or before March 15, 2022.

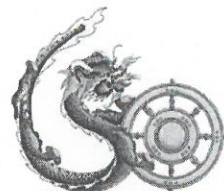
  
(Namgay Tshering)  
**Finance Minister**





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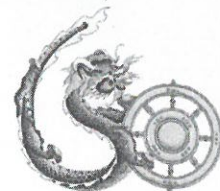
1. Hon'ble Ministers, 10 Ministries, Thimphu.
2. Heads of Constitutional Bodies and Judiciary, Thimphu.
3. Cabinet Secretary, Cabinet Secretariat, Thimphu.
4. Personal Secretary to Hon'ble Prime Minister, Gyalyong Tshogkhang, Thimphu.
5. All Secretaries of 10 Ministries, Thimphu.
6. Heads of Autonomous Agencies, Dzongdas, Thrompons and Gups.

**For kind information of:**

1. Hon'ble Dasho Gyalpoi Zimpon, HM Secretariat, Thimphu.
2. Personal Secretary of Hon'ble Prime Minister, Gyalyong Tshogkhang, Thimphu.



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**Annexure I: Guidelines for Budget preparation for FY 2022-23**

The budgetary bodies shall be guided by the following principles while preparing the budget proposals:

**A. General Guidelines**

- i. **Alignment of APA/APT and budget** In order to ensure strong alignment of APA/APT and annual budget, all the agencies are required to FIRST formulate clear APA/APT targets led by the head of agencies. All the proposed activities in the budget must be aligned to the respective APAs/APTs targets. To ensure this, beginning fiscal year 2022-23, section II of APA/APT must have activities identified under each APA/APT SI and target. Agencies must FIRST formulate APA/APT as per the format prescribed in **Annexure V** before preparing the budget in MYRB. Further, all the budgetary bodies must note that the budget discussion will be preceded by the assessment of draft APAs/APTs for budget allocation by **the High Power Committee (HPC) chaired by the Hon'ble Prime Minister**;
- ii. **External funded Programs and Activities (Grant and Loan)** In keeping with Section 7.5 of the Budget Manual, FRR 2016 and to avoid implementation delays, all the budgetary bodies must propose the required funds during the FY for all ongoing external funded programs and activities. *Further, any commitment of the RGoB financing in the form of counterpart funding and provision for any duties and taxes for ongoing in-kind assistance must be adequately proposed in the budget*;
- iii. **Finance Committee** The Head of the Agencies are advised to convene Finance Committee (FC) meeting for dissemination of budgetary guidelines, soliciting timely proposals, and for ensuring that proposals are transparent, realistic and achievable within the FY. In addition, the submission of budget proposals to DNB, MoF shall be upon endorsement by the respective Finance Committee;
- iv. **Mainstreaming Cross Cutting Issues** Budgetary bodies are reminded to ensure that the budget proposal are inclusive of cross cutting issues such as Gender, Environment, Climate, Disaster and Poverty (GECDP);
- v. **Fiscal Transfers**
  - All the proposals from State Owned Enterprises (SOEs) requiring financial support from the Government shall be routed through the Department of Macroeconomic Affairs (DMEA), MoF. The agencies must submit details of their revenue performances along with the financial statements for the past two years and projections for the FY



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- with adequate justification, based on which DMEA shall review the proposals and recommend the same to DNB. The SOEs shall use the prescribed format (**Annexure IV**) for capital budget write up and justification;
- The budgetary bodies including those supported through fiscal transfers and generate revenues must submit the revenue projections, past year's actual expenditure and bank statement of all the deposit accounts (CD & Fixed accounts) as of 31<sup>st</sup> January 2022.

**B. Current Budget**

- i. The current budget will be allocated in the form of Annual/Block Grants within the estimated domestic revenue as:
  - a. **Mandatory Expenses** While the budget for mandatory expenses are to be proposed through the MYRB system, all the budgetary bodies are required to submit the detailed workings for pay and allowances, PF, LE, LTC, stipend, and retirement benefits (employees due for superannuation) as per the **Annexure II**;
  - b. **Controllable Expenses** No proposals shall be required to be submitted for this head.
- ii. **Non-budgetary Agencies** Those requiring budgetary support under RGoB financing for O&M must submit their request with adequate justification along with detailed workings and estimations.

- C. **Capital Budget** In order to derive maximum returns on investment and achieve the development objectives in an effective and efficient manner, all the budgetary bodies shall submit the justification for proposal at the sub-activity level in the prescribed format as per the **Annexure III**. This simplified standard format will replace the normal budget write-up and is expected to help and guide budgetary bodies to prioritize programs and activities for effective investment decision making.

In formulating the capital budget proposal, agencies shall be guided by the following:





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- i. All the budgetary bodies must ensure that the priority is accorded for completing ongoing/spillover works for both RGoB and external financing. No request for additional funds under RGoB financing will be entertained during the FY unless matching savings are identified to meet the requirement. Further, budgetary bodies are also encouraged to access information through the Budget Monitoring Tool (BMT) for assessing spillover activities.
- ii. Budgetary bodies are advised to propose priority activities based on emerging government needs/policy shift subject to implementation plan and utilization capacity;
- iii. Any new constructions and major renovations of offices, staff quarters/residences, gates, boundary walls and fencing to be de-prioritized and deferred;
- iv. Workshops, seminars, trainings, new consultancy services under RGoB financing shall continue to be rationalized;
- v. Proposals for procurement of furniture, equipment, computers and Chadi items must be limited to the extent possible for creating fiscal space to accommodate developmental activities;
- vi. The proposal for procurement of pool vehicles shall be rationalized;
- vii. In order to ensure that HRD budget allocations are within the overall civil service HRD plans and priorities, budgetary bodies are required to prepare and submit the annual HRD work plan to RCSC for endorsement before submitting budget proposals, irrespective of the funding;
- viii. In line with the Government Executive Order No. C-2/2019/321 dated October 31, 2019, all the budgetary bodies should ensure to obtain prior approval of the Department of Information Technology & Telecom (DITT) for all technology/ICT related projects without exceptions. **Further, to enable and facilitate expenditure information for system development/enhancement, budgetary bodies are advised to use newly created OBC 57.01 (System Development).**
- ix. To capture the true cost of the activity / project, the budgetary bodies must continue to apply the work charge concept where applicable and appropriate. The total estimated cost for an activity or project must be inclusive of all overhead and associated cost and should be reflected in details in **Annexure III**.



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- x. The budgetary bodies must maintain the same budget lines for all on-going activities until completed in all respects and advances fully liquidated.

**D. Specific guidelines for Local Governments (LGs) on Capital Budget**

The Capital Budget for the LGs shall comprise of the following:

**RGoB financing:**

- a. **Gewog:** The RAF allocation shall be provided in the form of Annual Grants and shall be 26 percent of the RAF allocation;
- b. **Dzongkhags/Thromdes:** Both RGoB funded RAF and CMI allocation shall be provided in the form of Annual Grants and shall be determined by the Government based on the fiscal position;

The Annual Grants may be proposed as a lump sum amount under OBC 42.01- Capital Grant based on the proposals reviewed by the Finance Committee. However, the Dzongkhag & Thromde shall submit the endorsed list of activities along with justifications in the prescribed format as per the **Annexure III**.

**External financing:**

- i. The proposal for external funded activities shall be submitted in detail through the MYRB system;
- ii. The LGs must ensure to propose adequate budget for completion of the on-going and spillover activities as per the agreement and implementation capacity. Concurrence shall be sought from GNHC for new external funded activities or re-prioritization, if any;
- iii. The Dzongkhags shall continue to propose budgets for both Dzongkhag and Gewog CMI under respective sectors of the Dzongkhag;
- iv. The LGs shall use the prescribed format "**Annexure III**" to submit the budget write up or justification for the proposed external funded activities.



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In order to determine the level of budget support, Thromdes are reminded to submit:

1. Details of revenue realized for the past 2 years;
2. Revenue & expenditure estimates for the FY 2022-23;
3. Details or statement of CD/FD accounts, if any;

LGs shall ensure that budget proposals are deliberated and endorsed by the Dzongkhag/Gewog/Thromde Finance Committee before submitting to DT/GT/TT for final review and approval for submission to DNB, MoF.

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## Annexure II

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## Annexure II

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## Annexure II

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## Annexure II

Pay and Allowance Details for Gewogs for the FY 2022-23											
Sl.	Name of the Employee	Designation	Basic Pay	Increment	Allowances					Nu. in Million	
					House Rent	High Altitude	Difficulty Area	Communication Allowance	LE	Total Pay & Allowances	Lump sum Annual (TADA)
1		Gup							-	-	
2		GAO							-	-	
3		Manam							-	-	
4		Gaydang							-	-	
5		Tshogpa							-	-	
6		Tshogpa							-	-	
7		Tshogpa							-	-	
8		Tshogpa							-	-	
9		Tshogpa							-	-	
10		Driver							-	-	
11		Care Taker							-	-	
12									-	-	
13									-	-	
14									-	-	
Total					-	-	-	-	-	-	-

Note:


1. Communication Allowance & Lumpsum Annual (TA/DA) is eligible for elected LG officials
2. House Rent & LTC is eligible for non elected LG officials only



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## Nu. In million

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FY 2022-23 Capital Budget Proposal Write up format																						
<b>1. Administrative Information</b>																						
<b>1.1: Sub-Activity Name</b>	Mention Sub-Activity name: Eg, Construction of Higher Secondary School at Laya																					
<b>2. Rationale, Objectives and Scope</b>																						
<b>2.1: Assessment of Need</b>	-Describe the problem/issues that the proposed sub-activity will address -If the activity is not implemented, what would be the likely impact on the community?																					
<b>2.2: Sub-Activity Description</b>	<b>Infrastructure:</b> Quantify in terms of kms/no. of room/floors /20 bedded hostel/hospital etc. with exact location/sites. <b>Non-Infrastructure:</b> Procurement, Training, Professional service, etc.																					
<b>3. Implementation Cost and Financing</b>																						
<b>3.1: Financing</b>	Choose financing																					
<b>3.2: Total Estimates</b>	Total estimated cost including all over head /associated costs during the execution of the activity. <b>Total Estimates:</b> Nu..... million Double click below to provide detail cost bifurcation:  Detail cost bifurcation																					
<b>3.3: Budget proposed for the Financial Year</b>	Indicate total budget proposed for the FY 2022-23 under respective OBC. Choose OBC                      Nu.....million Choose OBC                      Nu.....million Choose OBC                      Nu.....million Choose OBC                      Nu.....million Choose OBC                      Nu.....million																					
<b>3.4: Activity implementation plan</b>	Financial plan for each FY: <table border="1"> <thead> <tr> <th colspan="6"></th> <th>Nu. In millions</th> </tr> <tr> <th>FY 2018-19 (Actual Expdt)</th> <th>FY 2019-20 (Actual Expdt.)</th> <th>FY 2020-21 (Actual Expdt)</th> <th>FY 2021-22 (Projected expdt)</th> <th>FY 2022-23 (Estimated budget)</th> <th>FY 2023-24 (Estimated budget)</th> <th>FY ..... (Estimated budget)</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>							Nu. In millions	FY 2018-19 (Actual Expdt)	FY 2019-20 (Actual Expdt.)	FY 2020-21 (Actual Expdt)	FY 2021-22 (Projected expdt)	FY 2022-23 (Estimated budget)	FY 2023-24 (Estimated budget)	FY ..... (Estimated budget)							
						Nu. In millions																
FY 2018-19 (Actual Expdt)	FY 2019-20 (Actual Expdt.)	FY 2020-21 (Actual Expdt)	FY 2021-22 (Projected expdt)	FY 2022-23 (Estimated budget)	FY 2023-24 (Estimated budget)	FY ..... (Estimated budget)																
<b>3.5: Implication on recurrent cost</b>	Indicate likely annual implication on recurrent cost upon completion of the activity: 1. O& M cost: Choose an item. If "Yes" indicate amount Nu.... 2. HR cost: Choose an item. If "Yes" indicate amount Nu....																					



	If "No", mention how you are going to manage the recurrent cost for both?
<b>4. Implementation Readiness</b>	
<b>4.1: Feasibility study</b>	Have you carried out the feasibility study? Choose an item.
<b>4.2. Drawing and Designs</b>	Indicate whether all Drawings/designs are ready & finalized: Choose an item.
<b>4.3: Clearances</b>	Indicate status of all clearances required for the implementation of the activity are obtained: <input type="checkbox"/> Environment <input type="checkbox"/> Culture <input type="checkbox"/> Forest <input type="checkbox"/> Community
<b>5. Linkages</b>	
<b>5.1: Linkages to Agency program</b>	Indicate to which AP (Agency Programs) the sub-activity contributes to?
<b>5.2: Linkages to APA</b>	Indicate relevant objective & SI of the proposed sub-activity. <b>Objectives:</b> <b>Success Indicator:</b>
<b>6. Beneficiary</b>	
<b>6.1: Targeted beneficiaries</b>	Identify the target group (Community/Civil servants/Schools/Gender/Youths). Indicate the numbers of beneficiaries (e.g., no. of household, population, students, teachers, patients, employees, etc.)
<b>6.2: Employment impact</b>	Provide approximate estimates of number of people that will be temporally or permanently employed by the /in the project during the investment and operating period.
<b>6.3: Environment and climate impact</b>	Provide preliminary analysis of the environment impacts during the construction and operating period of the project/activity. What are some of the environment and climate benefit of the proposed sub-activity?
<b>7. Project Risk and uncertainty</b>	
<b>7.1: Key risk</b>	Identify the key risks associated with the proposed sub-activity during implementation and after completion.
<b>7.2: Risk mitigation measures</b>	Identify the measures plan to mitigate or address the key risks identified.

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