



NATIONAL BUDGET SPEECH

FY 2022-23

THE HON'BLE FINANCE MINISTER

“Accelerating Economic Recovery
&
Investing for Resiliency and Sustainability”

June 2022

Ministry of Finance

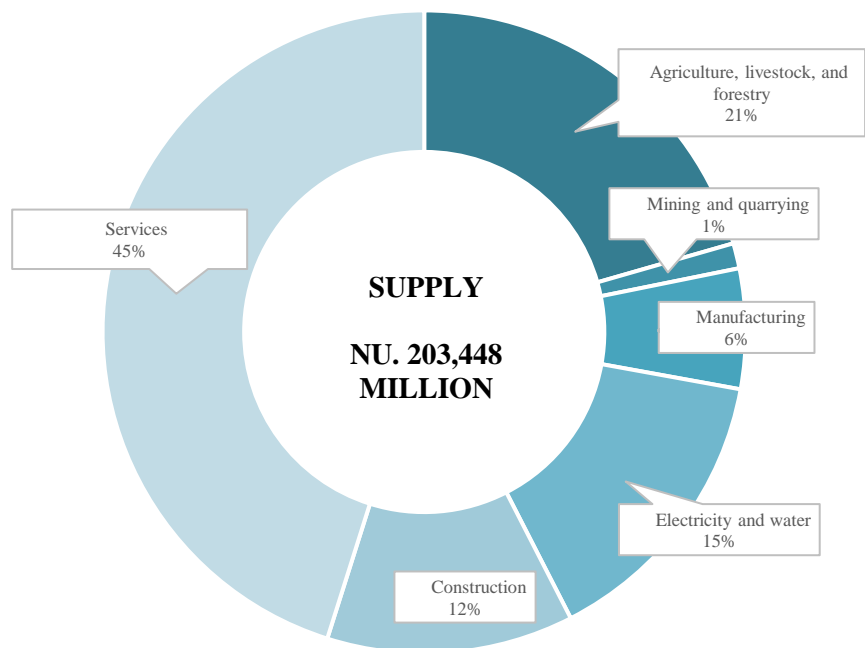
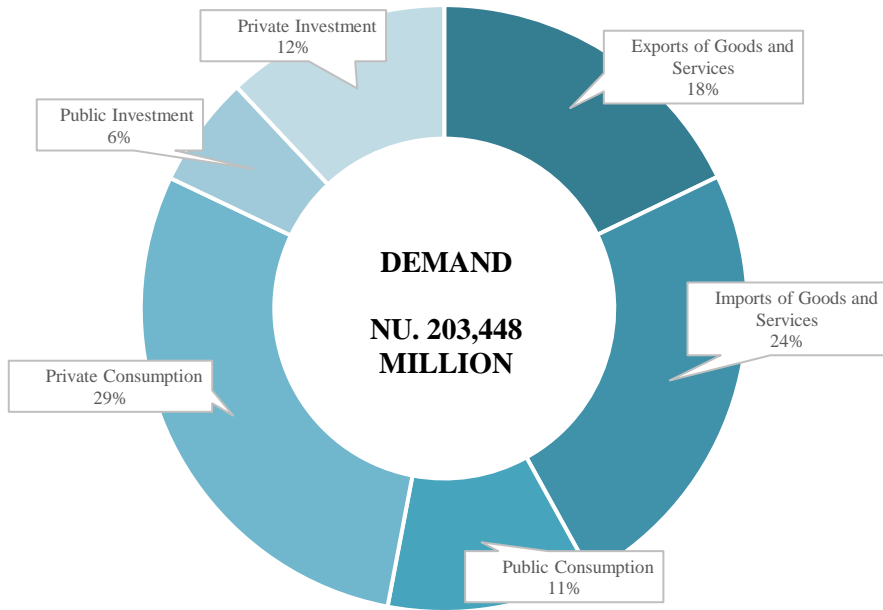


Contents

A. Introduction.....	1
B. Economic Performance and Outlook	4
B1. Economic Situation in FY 2021-22.....	4
B2. Economic Outlook for FY 2022-23.....	5
C. National Response to COVID-19.....	7
D. Economic Recovery Measures.....	8
D1. Fiscal Measures.....	8
D2. Monetary Policy Measures.....	9
D3. Policy and Regulatory Interventions.....	10
E. Transformation Initiatives	10
F. Public Financial Management Reforms.....	11
G. Fiscal Performance and Outlook.....	12
G1. Actual Fiscal Performance FY 2020-21 (Audited AFS).....	12
G2. Revised Fiscal Performance FY 2021-22.....	12
G3. Supplementary Budget Appropriation Bill	13
G4. Fiscal Statement and Targets for FY 2022-23	13
G5. Fiscal Outlook for FY 2022-23	13
H. Budget Priority Areas for FY 2022-23.....	14
H1. Policy Priorities of the Budget for Economic Recovery	15
H2. Spending Priorities for FY 2022-23.....	15
H3. Flagship Programs FY 2022-23	27
H4. Budget Appropriation Bill FY 2022-23	28
I. Selected Financial Performance of SOEs	28
J. Conclusion.....	32

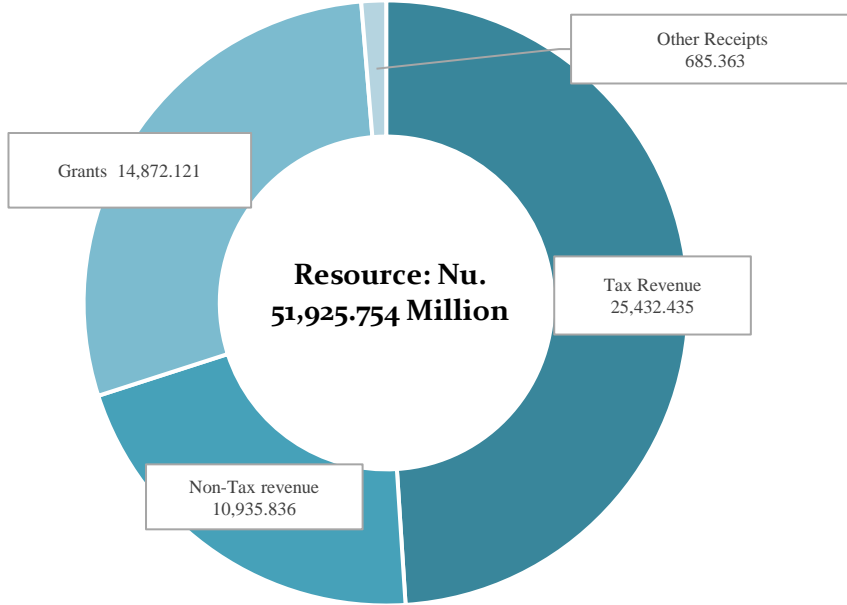


THE ECONOMY: FY 2022-23

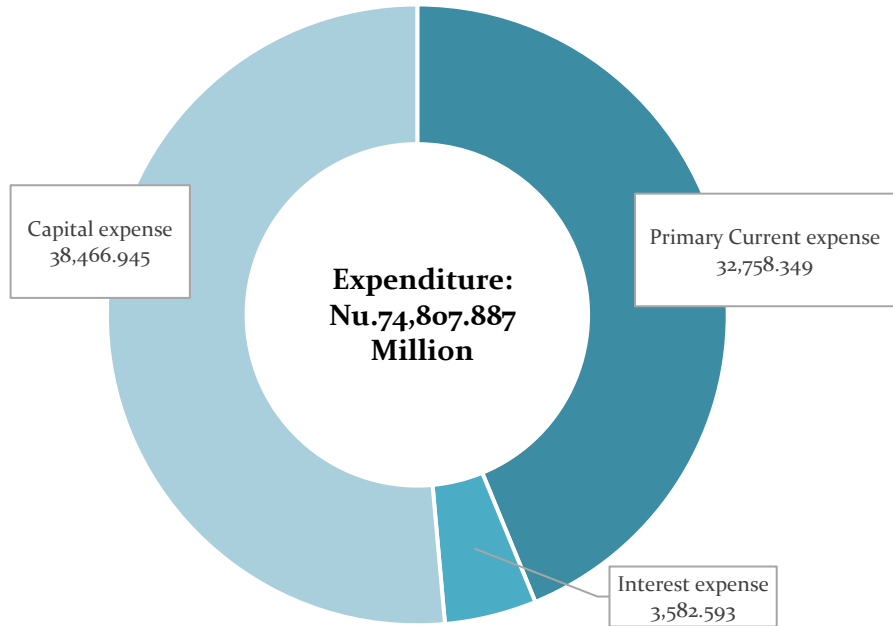


FY 2022-23: NATIONAL BUDGET

WHERE IT COMES FROM



WHERE IT'S SPENT





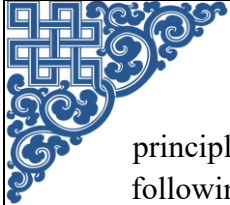
Hon'ble Speaker

Members of the House

On behalf of the Government, I have the honour to present the Annual Budget for FY 2022-23 to the House.

A. Introduction

1. Hon'ble Speaker, it is once again a privilege for me to present to the August House and to the people of Bhutan on the highlights of the Budget for FY 2022-23. The Budget for FY 2022-23 is formulated in keeping with the vision of our beloved Monarchs, aspirations of the people of 20 dzongkhags and expectations from the private sector.
2. The world witnessed a major health crisis and economic disruption by the outbreak of the COVID-19 pandemic since 2020. During the past two years, the outbreak tragically claimed around 14.9 million lives. The massive shock of the pandemic and the large-scale containment measures have plunged the global economy into its worst recession since the great depression.
3. While our economy and the livelihood of individuals have been adversely impacted, Bhutan has been fortunate to have been shielded from some of the most devastating consequences. This has been possible due to the leadership of His Majesty The King and the efforts of the Royal Government to provide timely and substantive support to individuals and businesses and adoption of comprehensive health measures.
4. Under His Majesty The King's prescient leadership, the implementation of the interest payment support and the income support through the Druk Gyalpo's Relief Kidu (DGRK) and the timely implementation of the various Fiscal and Monetary measures mitigated the adverse impact of the pandemic on the economy. The economy therefore, was able to remain afloat without any major social and economic disruptions.
5. Globally, the production and supply chain disruptions from the pandemic and the ongoing Russia-Ukraine conflict have caused shortages of essential items such as fuel and cereals. The rising prices of essential items have led some countries to shortages of international reserves. The Government will ensure sufficient reserves are maintained to meet the Constitutional requirement. Various programmes to increase domestic production of cereals have been implemented in the country to reduce imports.
6. This is particularly important in the current context of social and political upheavals that are ensuing in neighbouring countries such as Sri Lanka.
7. Taking a quick glance at the past macro-fiscal performance and the various public financial management reforms undertaken thus far, such initiatives have not only strengthened the fundamentals of our macroeconomic policies but also enhanced public financial management



principles. Some of the key areas of reforms will be highlighted and informed to the House in the following sections.

8. Supported by emerging evidence and viral characteristics and efficacy of the vaccines, the country transitioned to Phase II of COVID-19 management from 4th April, 2022. In Phase II of COVID-19 management, the Reverse Isolation Facilities have been established in all 20 Dzongkhags for the elderly population and comorbid patients with dedicated medical professionals and personal caregivers under Royal Command. This is a testimony of His Majesty The King's benevolence and care for the vulnerable citizens.

9. As the country transitioned to Phase II of COVID-19 management, it is of paramount importance to ensure economic fallout from the past two years does not derail the Phase IV measures under fiscal and monetary measures. As such, the Government has rolled out Phase IV fiscal, monetary and regulatory measures in support of economic recovery.

10. At this critical time, we need to direct more resources to relieve people's hardship and provide businesses with adequate levers to stabilize the economy and maintain public confidence.

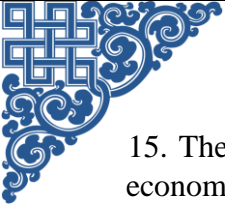
11. With this in mind, this year's Budget will continue to adopt an expansionary fiscal policy with initiatives mainly focusing on the theme ***“Accelerating Economic Recovery through strategic investments in the areas of food self-sufficiency, human capital development, sustainable infrastructure development and improved social security.”***

12. The above objective will be further reinforced by the following key budget principles:

- a) *Recurrent budget will be met from available domestic revenue at all times and controllable recurrent budget is provided as annual block grant to agencies;*
- b) *Agencies to ensure strategic capital investment in order to realize the desired outcome;*
- c) *The FY 2022-23 budget will ensure the optimum use of available domestic resources whilst ensuring non-essential imports are minimized;*
- d) *The LGs must align their local priorities with the overall national priorities, i.e., Water, Road, Agriculture, Health and Education to ensure better harmonization of priorities; and*
- e) *The budget FY 2022-23 is made more people centric, while at the same time inculcating the sense of ‘fundamental duty to the state’ as a citizen of this country.*

13. Drawing the valued aspirations from The Royal Kasha on the Civil Service Reform, various Transformation Initiatives are undertaken to lay a strong foundation to bring about economic transformation in the country. The Transformation Initiatives has been initiated to ensure that normal budgeting anomalies are rectified and national priorities are carried beyond the Plan period. The Budget for the FY 2022-23 also includes the activities from the Transformation Initiatives.

14. The culmination of these reforms and initiatives in the Budget is expected to make the economy grow at the rate of 4.5 percent during the year.



15. The Government has also initiated the formulation of the next Plan with renewed focus on economic recovery and to mitigate the production and supply disruptions from the pandemic and global events.

16. In keeping with the provisions in the Constitution and the Public Finance Act (Amendment) thereof, the Budget Report presents the economic overview, broad fiscal policies, budget policy and fiscal framework statement, budget allocation for the FY 2022-23, public debt situation, fiscal risks, and update on the financial position of the public sector institutions and investment.

17. Along with the Budget Report for FY 2022-23, Budget Appropriation Bill for FY 2022-23 and the Supplementary Budget Appropriation Bill for FY 2021-22 are submitted to the House for consideration.




B. Economic Performance and Outlook

Hon'ble Speaker,

May I now report on the economic performance for FY 2021-22.

B1. Economic Situation in FY 2021-22

1. Regions across the globe have been facing a double-shock as the pandemic triggered a demand shock and supply disruptions while economies were recovering. Since the pandemic hit two years ago, unprecedented measures have been taken to address the initial shock waves. While some economies bounced back fairly quickly, the ability of countries to withstand the economic damage and control the disease varies widely- as does the speed of the economic recovery.
2. Amidst this environment, supply disruptions and energy price hikes triggered a supply shock that the war in Ukraine now exacerbates. Energy and food prices have become major inflation drivers, putting pressure for monetary stimulus to be withdrawn while the recovery is still nascent in many economies.
3. In Bhutan, the economy has made significant progress in terms of per capita income and witnessed unprecedented expansion over the last four decades. Inflation remained in single digits while macro-fiscal stability remained strong. With the expected commissioning of two mega power plants, the medium-term outlook also appeared bright.
4. However, the COVID-19 pandemic significantly dampened the short and medium-term growth prospects as the implementation of strict public health measures resulted in significant disruptions of economic activities. The economy experienced the worst full-year recession of -10.1 percent in 2020.
5. Economic activity began to return in the first quarter of 2021 as COVID-19 spread slowed and containment measures were gradually eased. Domestic demand steadily recovered and consumer confidence returned. Growth in wholesale and retail commerce, as well as hotels and restaurants also improved. In this context, the economy is projected to rebound and grow at 3.7 percent in 2021.
6. However, the rise in inflation in 2021 was largely due to supply-side bottlenecks and a stronger than anticipated rebound of demand and increase in both food and non-food prices. Food prices contributed to about 60 percent and non-food contributed to 40 percent of the overall inflation rate in 2021.



7. With the build-up of inflationary pressure and imported food prices continuing to rise, the overall inflation in 2021 peaked at 7.4 percent, an increase of 1.7 percentage points compared to 5.6 percent in 2020.

8. Further, after the largest contraction on record in 2020, the unemployment rate rose to an all-time high of 5 percent (16,660 persons) in the same year. However, in parallel with robust economic recovery and implementation of numerous skilling programs such as Dessung Skilling Programme, Skills Development Plan (SDP), Entrepreneurship Courses, Build Bhutan Project (BBP), and Youth Engagement and Livelihood Programs (YELP), the unemployment situation slightly improved to 4.8 percent (16,254 persons) in 2021.

B2. Economic Outlook for FY 2022-23

Hon'ble Speaker,

1. As the economy was on the verge of recovery supported by high rates of booster vaccines and the lifting of additional pandemic-related restrictions, rays of hope were evident until the global economic fallout of the Russia-Ukraine conflict which continues to weigh heavily on the economy through increased energy and commodity prices.

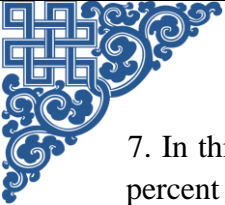
2. However, we remain hopeful and reinforce our commitment to devote all-out efforts in stepping up the work in support of the economy. With this, we are positive that our economy will put up a better performance during this financial year and achieve the targets set in this budget.

3. While upside risks to inflation and external shocks remain, growth prospects have improved against the backdrop of rapid vaccination roll-outs backed by swift and strong policy responses by the Government and transition to Phase II of COVID-19 management.

4. Resumption of economic activities began in the first quarter of 2021, restoring mobility and leading to an increase in government spending. Manufacturing output grew, as industrial production improved.

5. The terms of trade also saw an improvement with exports (excluding hydropower) increasing to an all-time high at 61 percent during 2021 as compared to its previous years. This increase is one of the highest compared to any pre-pandemic years.

6. Similarly, as an import driven economy, a key aspect to ascertain the level of economic activities taking place in the economy is imports. Overall imports witnessed a substantial increase of almost 36 percent in 2021 as compared to 2020. With the initial deceleration in GDP growth during 2020, the year 2021 exhibited positive economic outlook as economic activities started to pick up. Going forward, both exports and imports are expected to expand owing to improved trade and strong foreign and domestic demand.



7. In this context, the economy is projected to rebound and grow at 3.7 percent in 2021 and 4.5 percent in 2022 with signs of improved economic performance. The following are the key economic sectors that attributed to the above economic growth.

8. Agricultural sector remained as the silver lining of the economy during the pandemic with the implementation of various programs under ECP to boost agriculture and livestock production for food self-sufficiency, nutritional security and income generation. With the major transformative pathways undertaken to achieve food security and steady supply of high-quality essential produce, the agricultural sector is estimated to gradually grow at 3.3 percent and 2.3 percent in 2021 and 2022 respectively.

9. Industry sector was severely hit by the pandemic, recording a contraction of 13.1 percent in 2020 from a positive growth of 2 percent in 2019. The impact would have been much higher had it not been the hydropower sector, which remained unaffected by the pandemic. In 2021 the industry sector is estimated to grow at 4.9 percent and 4.1 percent in 2022 as construction activities pick up with the surge in capital spending and relaxation in labour imports.

10. The service sector which is mainly driven by tourism, finance and government services recorded a negative growth of 6.9 percent in 2020 as compared to positive growth 13.2 percent in the previous year. In line with the drastic fall in tourist arrival, the performance of sub-sectors including hotels & restaurants and transportation were also severely affected. Wholesale & retail trade, and financing, insurance and real estate services were also impacted due to supply chain disruptions at the border and poor performance of the financial sector. Service sector is estimated to grow to 3.1 percent in 2021 due to broad-based improvement in all the sub-sectors despite being weighed down by international travel restrictions. With the gradual opening of the tourism sector and no mobility restrictions imposed, the consumer demand will be elevated thereby accelerating the overall service sector output by 5 percent in 2022.

11. Hon'ble speaker, while global economic scenarios are changing overnight, we remain firm in expressing that inflation will return to its pre-pandemic rates if supply-side disruptions dissipate and global food and energy prices stabilize. Under the baseline scenario, annual inflation is forecasted to fall to 5.2 percent in 2022 and 3.5 percent in 2023, returning to its pre-pandemic level.

12. Similarly, improvement in unemployment rate is anticipated with labour supply and demand gradually improving over the medium term, the unemployment rate is projected to subside further in the coming years. However, the speed of employment recovery will be slower than anticipated and would take a minimum of three years to reach at pre-pandemic level.



C. National Response to COVID-19

Hon'ble Speaker,

1. The National Resilience Fund supported the grant of the Druk Gyalpo's Relief Kidu in the form of income support for individuals directly affected by the pandemic and interest payment support for individuals and business entities.

C1. Income Support

1. The DGRK income support has benefitted 58,659 individuals over the last two years. 5,761 applicants have received for all 25 months (April 2020 – April 2022), and a total amount Nu. 4,594.580 million has been disbursed till April 2022.

C2. Interest Payment Support

1. The DGRK interest payment support (IPS) granted Nu.14,230 million between April 2020 and December 2021. Including the 50 percent support from the financial service providers for the first three months, a total interest payment support of Nu. 16,110 million has been provided to 139,096 loan accounts.

C3. COVID-19 Related Expenditure

1. Since the onset of the pandemic, the Government has incurred various expense related to COVID-19. As of date, the total cumulative expenditure incurred for COVID-19 related activities amounts to Nu. 8,158.384 million.

2. Starting from FY 2019-20, the Government has incurred Nu. 1,850.730 million for PPE, non-drugs and flu clinics. Nu. 1,062.405 million has been spent on essential food and fuel, Nu. 1,747.558 million has been incurred on quarantine logistics and food, Nu. 1,276.617 million on structures such as roads/temporary shelters, Nu. 1,549.186 million on other COVID-19 related miscellaneous expense, and Nu. 671.879 million on vaccines.



D. Economic Recovery Measures

Hon'ble Speaker,

1. The economic recovery measures focus on ensuring a rapid recovery of the economy within a period of 1 year through monetary, fiscal and regulatory reforms. The recovery measures have been reviewed based on our strategic actions and priorities to address the social and economic impacts of COVID-19 on the economy. This will enable the key stakeholders and all our partners to coordinate and target available resources to contain the scale of the likely downturn and to stimulate demand and confidence during the recovery.

2. In view of the above, may I highlight on the key recovery measures as specified below:

D1. Fiscal Measures

- Since the onset of the pandemic, the Government has rolled out various targeted measures to mitigate adverse economic and financial impacts. The policy response broadly followed relief measures to business entities and individuals in support of their continuation and sustenance gearing towards a resilient recovery.
- To continue the efforts in support for the economic sectors, the Government reviewed and passed the new Fiscal Incentives Act of Bhutan (FIAB) 2021, which provides various incentives under direct and indirect tax categories in view of the current economic situation.
- Further, the Government provided time extension to settle taxes due without levying 24 percent penal interest to the tour operators. The time extension shall be until tourism business resumes in the country without any mandatory quarantine for tourists or extension up to 31st December 2022 whichever is earlier.
- To uplift and support small and micro businesses in the rural areas, the Government provided tax exemptions for small and micro businesses in the rural areas up to 31st December 2024.
- Having considered the ordeal undergone by the tourism and allied sectors, the Government waived off the payment of monthly rent and other charges for tourism related business entities leasing government property. This resulted in a loss of revenue by almost Nu. 51.365 million for the government.
- Similarly, the Government also extended our support to the industries through the waiver of electricity charges and deferment of demand charges. As a result, Nu. 280 million has been forgone as revenue.



D2. Monetary Policy Measures

- To cushion the impact of the pandemic, accommodative monetary measures in various phases were provided for immediate socio-economic relief to the people and also to the financial sectors to avert the risk of build-up non-performing loans.
- Some of the measures that were rolled out and implemented under Phase I, II and III of the monetary measures includes i) deferment of loan repayments ii) term based soft working capital facility for tourism related business iii) term based soft working capital to industries, and iv) soft term loans as bridging loans.
- In order to continue supporting the impacted sectors, the Monetary Measure Phase IV shall be implemented through three Windows (Covering past NPL, present credit portfolio and future credit):

a) Resolution of Past Non-performing Loans (NPLs)

The NPLs shall continue to be guided by the current NPL Resolution framework with improved policies and Judiciary support. It will be resolved either through Debt Restructuring or Foreclosure in line with the existing rules and regulations.

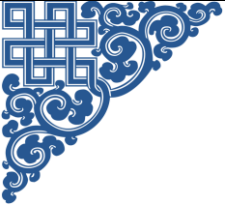
b) Targeted Support Measures for Existing Loans

The MM Phase IV includes the following Eight Targeted Support Measures – with loan EMI deferments extended over 1 to 2 years based on sector risks or severity of impact from the pandemic crisis:

- i. Deferment of Loan Repayment from 1 to 2 years
- ii. Partial Repayment (50 percent of instalment) from 1 to 2 years
- iii. Extension of Maturity Period up to 3 years (in addition to the deferred period)
- iv. Change in repayment frequency (Monthly, Quarterly or Half Yearly Repayment)
- v. Conversion of overdraft facility to term loans
- vi. Splitting of loans into multiple accounts
- vii. Transfer of loans to third party
- viii. Extension of gestation period up to 2 years depending on the progress of the project

c) Credit Support for Economic Recovery

- i. New Credit Reforms promoting improved or reformed End-to-End Credit Eco-system
- ii. Enhanced Judiciary Support to expedite NPL resolution

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- iii. Extension of Loan term for ‘Hotels & Restaurants’: The maximum loan term for the construction or setting-up of hotels and restaurants shall be up to 30 years (excluding gestation period). It shall be applicable for both existing loans as well as new loans.

D3. Policy and Regulatory Interventions

Regulatory and policy reforms play a critical role in ensuring a quicker and stronger economic recovery. A multidisciplinary approach to regulatory reforms will complement the fiscal and monetary interventions leading to better economic performance, job creation, innovation and new businesses. It is also expected to boost domestic and foreign investor confidence thereby stimulating the much-needed investments from the private sector during time of recovery. The regulatory reforms are:

- i. *New business investments shall be allowed to commence operations through registration (without requiring to obtain clearance except for those under the prohibited and controlled list);*
- ii. *Reduce Turn Around Time (TAT) by all agencies by 50 percent and;*
- iii. *Adopt a regulatory sandbox system for innovative projects not covered under current regulations.*

E. Transformation Initiatives

Hon’ble Speaker,

1. In addition to the above economic measures and stimulus, targeted sectors and areas have been identified under the Transformation Initiative focused mainly on areas such as energy, technology, infrastructure, water and food.
2. The Transformation Initiative is to lay a strong foundation to bring about economic transformation in the country. Each Transformation Initiative captures the key outcomes and deliverables, key strategies, major activities and institutional restructuring interventions.
3. The overall Transformation Initiatives is estimated at Nu. 45,132.700 million for a period of 10 years. Of the total, Nu. 1,130.620 million is projected for FY 2022-23 to initiate the programs.



F. Public Financial Management Reforms

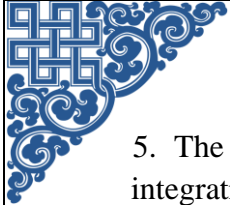
Hon'ble Speaker,

1. Emanating from the Royal Commands, the Government has initiated Public Financial Management Reforms in taxation, expenditure, procurement and financing. The reforms are initiated to overcome challenges arising from the pandemic and as a precursor to greater economic transformation by creating an enabling environment for greater private sector participation, improved public service delivery, and to finally enhance economic revival for macroeconomic stability.

2. Under taxation, the multiple Customs Duty rates have been simplified to 10 percent to make goods from other countries more competitive and provide the end consumers with diverse choices. Through such initiatives, the overall import from COTI (country other than India) have increased substantially at 24 percent during 2021. Previously the year-on-year import from COTI remained at an average of 8 percent annually, thus the choice to the traders as well as end consumers remained narrow and limited. With simplified CD rate at 10 percent, the overall CD revenue is estimated at Nu. 486 million during FY 2021-22 which is marginally below pre-pandemic levels, however, the CD revenue is estimated to grow at Nu. 640 million during FY 2022-23 with enhanced trade from countries other than India.

3. Under the Expenditure reform, the recurrent budget continues to be provided in Annual Block Grant entrusting accountability and responsibility of budget utilization to the budgetary agencies while the Local Government continues with Capital Budget provided in Annual Grants. The Capital Budget for all the Budgetary Agencies are aligned with the Annual Performance Agreements (APA). The Government has implemented the Public Investment Management to enhance public financial management, ensure high quality infrastructure and foster economic growth.

4. Under procurement, the Government has implemented the Simplified Procurement Rules and Regulations (SPRR) to minimize administrative burden and enhance implementation of the budgetary activities. The SPRR is assisted by the electronic Government Procurement (e-GP) to streamline and maximize the use of digital platforms. The Government approved a One Time Special Advance up to 20 percent on the remaining work balance. The Government also amended the Liquidity Damage rate at 0.05 percent for every day of delay to the maximum of 10 percent of the initial contract price with effect from 1st January, 2022 to the contractors. These initiatives were implemented to ensure the construction works in hand are completed on time with quality.



5. The e-PEMS (electronic Public Expenditure Management System) is in the process of integration with the Zhiyog Electronic System (ZES) for complete integration for reliable information. The Government has also implemented the e-DATS (electronic Daily Allowance & Travel System) and the processing of the vehicle quota for the public servants has been made smoother and faster through the introduction of the electronic Vehicle Quota System (e-VQS).

6. The Government has approved the formulation of the Public Financing Policy which will subsume all the Policies that are currently fragmented with ownership by different agencies. Policies such as the Public Debt Policy, the Economic Development Policy and Public Private Partnership Policy will be subsumed in the Public Financing Policy to ensure holistic, transparent and efficient financing to promote a sustainable socio-economic development in the country.

7. The Government has also initiated the development of domestic bond market which will help our economy once it graduates from Low Income Country status to Middle Income Country. This initiative will aim towards achieving the growing financing requirements of the Government and also enhance and build the current nascent capital market in Bhutan.

G. Fiscal Performance and Outlook

Hon'ble Speaker,

May I now present on the performance and outlook of our public finance.

G1. Actual Fiscal Performance FY 2020-21 (Audited AFS)

1. As required by section 13 (a) of the Public Finance (Amendment) Act 2012, the Audited Annual Financial Statement for the FY 2020-21 has been tabled along with the Budget report for consideration by the House.

G2. Revised Fiscal Performance FY 2021-22

1. The resource position for the FY has been revised down to Nu. 60,288.165 million from the approved budget of Nu. 56,765.582 million. The increase in the revised budget is mainly attributed to the increase in external grants.

2. The total budget excluding Lending and Repayments has been revised upward from Nu. 73,919.335 million to Nu. 77,786.268 million. The upward revision is about 5.2 percent mainly on account of increase in capital expenditure.

3. With this revision, the fiscal deficit is estimated at 9.3 percent of GDP amounting to Nu. 17,498.103 million.



G3. Supplementary Budget Appropriation Bill

Hon'ble Speaker,

The Supplementary Budget Appropriation Bill for FY 2021-22 amounting to Nu. 3,866.933 million is submitted to the House for consideration. The total budget appropriation for FY 2021-22 is revised from Nu. 80,483.150 million to Nu. 84,350.083 million with the incorporation of external funded activities and projects including COVID-19 related activities.

G4. Fiscal Statement and Targets for FY 2022-23

Hon'ble Speaker,

1. In view of the finite resources, the Government's fiscal policy continues to be sustainable and responsive to the challenges brought about by the pandemic to help the economy regain its growth momentum amid the expected negative growth in 2020.

2. The fiscal policy for FY 2022-23 is designed to support economic recovery and gradually aims towards consolidation by enhancing domestic revenue mobilization and prioritizing expenditures.

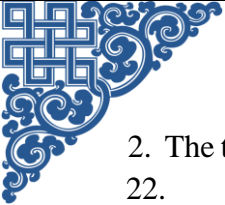
3. Considering the various initiatives under the economic recovery measures primarily underpinned by fiscal, monetary, regulatory/policy interventions, the fiscal outlook is expected to improve in the medium-term. As a result, the Government shall ensure to achieve and maintain the fiscal targets within sustainable levels.

4. Therefore, the FY 2022-23 Budget aims to fulfill the fiscal objectives by setting the following fiscal targets:

- a) *Contain fiscal deficit below 5 percent during FY 2022-23 to achieve the Mid-Term Review target of 5 percent;*
- b) *Minimum GDP growth of 4.5 percent;*
- c) *Tax to GDP ratio of at least 12 percent;*
- d) *Recurrent expenditure to be covered by domestic revenue; and*
- e) *Non-hydro debt maintained below 35 percent of GDP.*

G5. Fiscal Outlook for FY 2022-23

1. Total resource is estimated at Nu. 51,925.754 million, of which domestic revenue is estimated at Nu. 36,368.270 million for FY 2022-23. Within the domestic revenue, tax revenue constitutes 70 percent and non-tax revenue constitutes 30 percent.

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2. The tax revenue during FY 2022-23 is expected to grow by 10 percent as compared to FY 2021-22.
 3. Total expenditure for the FY 2022-23 is estimated at Nu. 74,807.887 million which constitutes 37 percent of GDP. From the total expenditure, Nu. 36,340.942 million is allocated for recurrent expenditure and Nu. 38,466.945 million for capital expenditure.
 4. The fiscal deficit for the FY 2022-23 is estimated at Nu. 22,882.133 million, which is 11.25 percent of the GDP.
 5. With net lending of Nu. 2,795.729 million, the net financing requirement amounts to Nu. 20,086.404 million, which will be financed through net external borrowings of Nu. 270.006 million and net internal borrowings of Nu. 20,356.410 million. Therefore, total public debt stock is estimated at Nu. 268,708.500 million for FY 2022-23 which is 132.1 percent of GDP.

H. Budget Priority Areas for FY 2022-23

Hon'ble Speaker

1. Having outlined the macro-fiscal context for this budget, we have carefully reflected on a theme that would resonate with our strategies to protect lives and livelihoods during this period of the COVID-19 pandemic, cushion the vulnerable and support the economic recovery process for job creation and sustained growth.
2. In this respect, the Government has formulated this year's budget on the theme ***“Accelerating Economic Recovery through strategic investments in the areas of food self-sufficiency, human capital development, sustainable infrastructure development and improved social security.”***
3. Hon'ble Speaker, based on the above theme, allow me to elaborate on the next section of my Statement which will give highlights of the policy priorities of the Government and the strategies geared towards achieving the budget theme.



H1. Policy Priorities of the Budget for Economic Recovery

Hon'ble Speaker,

The Government will undertake the following targeted strategic interventions to accelerate economic recovery process after what the economy underwent during the past 2 years:

- First, the utmost priority for an economy to progress and develop is to ensure macroeconomic stability to foster a secure and sustainable economic path; For this, investments in human capital development will be critical, thus, this year's budget focuses primarily on investing and developing the existing human capital base.
- Second, scaling up development of critical infrastructure in the country such as roads, energy, water, and technology which will result not only in short-term economic gains but also set strong and robust economic base for the future;
- Third, enhance investments in key economic sectors for broad based sustainable recovery by leveraging agricultural productivity, facilitating the growth of CSIs, creating enabling environment for the growth of manufacturing industries, and opening of tourism sector;
- Finally, expand the existing work geared towards improving access to quality social services in health and education.

H2. Spending Priorities for FY 2022-23

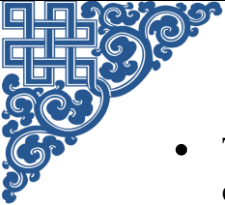
Hon'ble Speaker,

Let me now turn to the highlights of the Government spending priorities for the new financial year. In view of the revenue mobilization challenges and significant expenditure demands, spending in the FY 2022-23 will focus on critical areas with the highest impact on the well-being of the Bhutanese people and in support of economic recovery process. Therefore, the total capital budget for FY 2022-23 is estimated at Nu. 38,466.945 million and following are some of the key priority activities in achieving the overall theme of FY 2022-23 budget:

1) Quality Education for All

Hon'ble Speaker,

- Education has been one of the key sectors which has greater impact on the society and economy as a whole. Therefore, the Government continues to work towards improving the quality of education besides enhancing the access to sustainable education and lifelong learning through continuous reform and development of policies, curriculum and assessments, and improving basic school infrastructure.

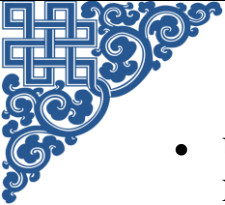
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- This budget continues to prioritize education as the most important segment of public expenditure. For this financial year, Nu. 13,316.135 million has been allocated for the education sector at 16 percent of the total budget. Out of which, Nu. 4,167.457 million is allocated as capital expenditure and Nu. 9,148.678 million as current expenditure. The ministry of education has been allocated a budget of Nu. 2,074.420 million, followed by Nu. 8,950.478 million for schools under Local Government, and Nu. 2,291.237 million for universities and institutes.
 - Some of the major activities includes education reform to equip students with the competency required in the 21st century for which budget of Nu. 332.500 million is allocated. Additionally, in our pursuit towards enhancing STEM education as the foundation for technological advancement and skills development, a sum of Nu. 150 million is being allocated.
 - Further, to implement the Bhutan Baccalaureate learning process in 22 schools based on the practices at the Royal Academy, Pangbisa, Nu. 100 million has been allocated to equip schools with ICT equipment supplies and internet connectivity.
 - To support school infrastructure development and ensure safe learning in our schools, the Government has allocated Nu. 1,224.695 million for infrastructure development in schools.
 - Some of the infrastructure development activities and proposed budget includes Nu. 30.663 million for Dorokha Central School, Samtse, Nu. 27.133 million for Pakshikha Central School, Chhukha, Nu. 21.500 million for Tendu Central School, Samtse, Nu. 17.610 million for Damphu Central School, Tsirang, Nu. 15 million for Nangkor Central School, Pema Gatshel, Nu. 27.363 million for Minjiwoong Central School, Samdrup Jongkhar, Nu. 18.509 million for Gomdhar Central School, Samdrup Jongkhar, Nu. 16.859 million for Martshalla Central School, Samdrup Jongkhar, Nu. 16.944 million for Laya Lower Secondary School, Gasa, and Nu. 250 million for Gyalposhing College of Information and Technology.
 - In addition, under the education flagship Programme, out of the total allocation of Nu. 900 million, Nu. 598.648 million have been utilized till FY 2021-22. For FY 2022-23, Nu. 80 million is provisioned to support development of ICT skills and knowledge for laboratory assistants to enrich technology driven education which has become integral part of our lives in the 21st century.



2) *Public Healthcare*

Hon'ble Speaker,

- A strong healthcare system has become a must for the country due to unpredictable events, such as the COVID-19 pandemic. Further with the rapid change in healthcare, it is important for the country to adapt to changing technologies. Hence, the Government will continue to prioritise public health to build national resilience in our preparation for any uncertainties.
- Therefore, the process of healthcare budgeting differs based on the emerging situations and varies from year on year. Accordingly, for FY 2022-23, Nu. 10,572.400 million is provisioned for the Health Sector which is about 13 percent of the total budget. Out of the total budget allocated for health sector, Nu. 5,107.422 million pertains to capital expenditure and Nu. 5,464.978 million for current expenditure. The Ministry of Health has been allocated a budget of Nu. 5,194.474 million, Nu. 1,963.989 million for JDWNRH and Nu. 3,352.887 million for LGs (BHUs).
- For the current financial year, in continuation with our fight against the pandemic, a total budget of Nu. 538.124 million has been provisioned for the containment measures. Of the total, Nu. 432.570 million is for procurement of vaccines for all populations, Nu. 73 million is for procurement of test kits and Nu. 32.554 million for flu clinics, procurement of ventilators, etc. Further, Nu. 301 million is provisioned for procurement of hospital equipment and maintenance.
- In addition, Nu.160.631 million is also provisioned for construction of a 60 bedded Pema Center, a hospital with a noble vision to cater to mental health and wellbeing.
- Further, Nu. 63.500 million is provisioned to construct four satellite clinics for decongestion and steps towards taking health services to the door in places such as Motithang, Babena, Simtokha and Debsi.
- For Diagnostic and curative measures through dissemination of health information which is crucial for improvement of general health, a budget of Nu. 118.298 million is provisioned. A sum of Nu. 84.500 million is also provisioned for procurement of Cardiac Catheterization laboratory under JDWNRH.
- In order to ensure that healthcare facilities are made available in the furthest dzongkhags, a budget of Nu. 65.180 million is provided for the construction of BHU at Laya and Nu. 3.901 million for the construction of BHU at Lhuentse.

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- Under the Health Flagship Program, the initial approved budget for the Flagship is Nu.1,109.572 and the expenditure as of May, 2022 is Nu. 485 million. There are three main programs under this flagship:
 - i. Stomach Cancer programme has been initiated in all 20 Dzongkhags (Mass H. Pylori eradication program: So far around 150,000 people screened for H. Pylori infection and 50,000 people treated for infection).
 - ii. Endoscopy Program: Around 25,000 endoscopies done so far and 332 stomach cancers detected so far.
 - iii. Cervical Cancer Program: Program initiated in 11 Dzongkhags: Around 25,000 women screened through pap smear and 30,000 women screened using HPV test. Around 187 cervical cancers were detected.
 - iv. Breast Cancer Program: Around 17,000 women screened for breast cancer and 44 breast cancer detected so far.

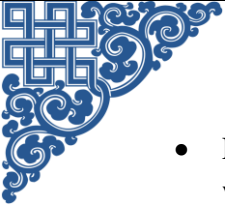
3) Agriculture and Food Security

Hon'ble Speaker,

- The Government will continue to drive modernization in agriculture sector in improving food security and safety by increasing productivity, providing logistics facilities and storage centers.
- Investments in RNR sector is critical from the perspective of food and nutrition security, enhancing productivity for commercialization, import substitution and for conservation and management of natural forest resources and biodiversity.
- Therefore, for FY 2022-23, a budget of Nu. 7,075.557 million which is 9 percent of the total budget is allocated for agriculture and food security. Out of the total budget, Nu. 3,590.730 million is allocated for Ministry of Agriculture and Forests, Nu. 3,265.727 million for Local Governments and Nu. 219.100 million for National Environment Commission.
- Under the RNR sector, the Government will make major investments in three broad areas i.e., agriculture input, processing, and marketing.

Agriculture Input

- In order to enhance productivity and reduce the incidence of human wildlife conflict, the Government will be providing chain link fencing to the farmers for which a budget of Nu. 500 million is earmarked for supply of chain link fencing to Dzongkhags benefiting 7,596 households across the country. Similarly, to promote vegetable production during the lean season Nu. 88.400 million will be allocated for the supply of low-cost poly house in the identified priority areas.

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- Learning from the pandemic, in the event when there is market disruption the Government will trigger the market led incentive scheme (buy back) for which the budget will provided as and when required.
 - As a part of agriculture development initiative, the Government will allow the gewogs to buy farm machineries from the allocated annual capital grant. Further, to improve the quality of life of highlanders, a budget of Nu. 41.291 million is allocated for implementation of a highland development program.
 - The Government continues to support the RNR sector in stabilizing the farm production and increase in crop yields and quality through construction and renovation of irrigation schemes with total allocation of Nu. 99.266 million. Some of the key activities under this includes construction of Phangyul irrigation scheme budgeted at Nu. 50 million and renovation of Phenthey Yurwa irrigation channel at Talo and Toebisa, Punakha at Nu. 26.880 million.

Processing

- In order to facilitate efficient marketing through value addition a total of Nu. 134.300 million is allocated for construction of integrated cold stores with pack houses, construction of export facilitation centers, establishment of semi processed peach and plum jam enterprises.

Market Facilitation

- To ensure a tech-enabled agriculture for sustained security and prosperity, a total budget of Nu. 382.230 million is provided for the key activities such as:
 - establishment of export facility centers/pack house at Phuentsholing, Gelephu, Samtse and Nganlam;
 - establish potato washing, drying, grading, processing and packing facilities at Gangtey, Khaling and Bumthang.
 - establish tech-driven large scale commercial farm at Gangtokha, Nichula, Dagana, Zomlithang, Phutshothang and Samdrup Jongkhar; and
 - commercialization of Asparagus and strawberry farms.



4) Human Capital Development and Skilling

Hon'ble Speaker,

- In order to respond to challenges posed by the pandemic and to enhance the country's economic resilience post-pandemic, the Government has formulated a range of plans and strategies. Many strategies have been developed and introduced to enhance the resilience of the Bhutanese workforce through provision of upskilling and reskilling programs attuned to the needs of the emerging economy.
- Given its importance, the Government has identified technical and vocational training, HRD and other employment generating schemes as one of the game changers to meet the labour demand in the economy.
- The Skills Development Plan (SDP) is one of the strategies initiated to address the shortage of skilled workforce in different economic sectors through provision of relevant and high-quality training aligned to the needs of the country through review and development of curriculum, procurement of training materials and tools and equipment for public institutions, and conducting entrepreneurship development training. For this project a total of Nu.333.777 million has been allocated for FY 2022-23.
- Moreover, to address the unemployment issue, the Ministry of Labour and Human Resources (MoLHR) has been allocated Nu.1,627.656 million for FY 2022-23. Through this allocation, the Government will continue the programs to strengthen the vocational training institutes by equipping the institutes with required training materials, engagement of candidates with employers to gain hands-on experiences, and will continue with the Youth Engagement and Livelihood Program for which a budget of Nu. 118 million has been allocated.
- Under the Build Bhutan Project, Nu. 81.333 million has been provided for programs to skill youths by developing assessment resources and conducting national assessment through Recognition of Prior Learning and engaging the candidates with employers.
- Additional major activities include Nu. 480.909 million Skills Development Project, Nu. 150.999 million for augmentation of existing TTIs and IZCs to Vocational Colleges, and Nu. 333.777 million for skills development plan emphasizing on enhancing increased and equitable access to TVET programs, improving quality and relevance of TVET provision and transforming TVET through effective leadership and governance.
- In order to ensure need-driven capacity building programs, for critical HRD training Nu. 544.351 million is provisioned in FY 2022-23.



5) Sustainable Infrastructure Development

Hon'ble Speaker,

- The Government continues to expand critical infrastructure especially in roads to create an enabling environment for economic recovery and employment creation. The economy needs reliable infrastructure to connect supply chains and efficiently move goods and services across the country and outside borders.
- Towards this end, a budget of Nu. 8,979.609 million has been provided which comprise 11 percent of the total budget.
- The allocation includes a budget provision of Nu. 1,500 million for Granular Sub-base (GSB phase II second priority) and Nu. 3,190.562 million provisioned under the respective Dzongkhags for GSB phase II-first priority. In addition, it also includes the total budget provision of Nu. 444.103 million for blacktopping of Gewog Centre (GC) roads under various Dzongkhag.
- Further, the sector allocation also includes works related to the Primary National Highway (PNH) of total Nu. 863.681 million. Some of the major activities include pavement strengthening of Gomphu Pangbang PNH (Nu. 49.500 million), Improvement of Tingtibi Phophel PNH (Nu. 60.000 million), Pavement strengthening on Jumja Raudak PNH (Nu. 81.695 million), Improvement Works on Sengor Dramaling PNH (Nu. 194.150 million), Improvement works on Ura Yongkola Rothpashong PNH (Nu. 167.070 million).
- In addition to the above, a budget of Nu. 86.787 million for FY 2022-23 has been provided for activities such as upgradation of highways to District HQ: Buyang to Trashhi Yangtse and preparation of Regenerative construction materials & technology.
- A total budget of Nu. 244.941 million is provided for Secondary National Highway (SNH) for which some of the major activities are Improvement works on Tshelingore Khothakpa SNH (Nu. 94.000 million), and Construction of Diana Zam at Samtse to Sipsu SNH (Nu.72.801 million).



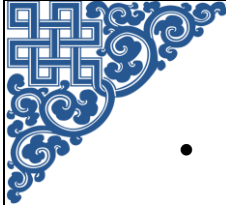
6) Mining and Manufacturing Industries

Hon'ble Speaker,

- In our pursuit towards rebounding our economy to pre-pandemic levels and also as we embark on an arduous journey for a 21st century economy, this particular sector is vital given its wide outreach and catalyst between the private sector and the Government.
- Hence, for FY 2022-23, the budget allocated for the sector is Nu. 3,097.226 million consisting of 4 percent of the total budget.
- Some of the major activities include development of Dry port at Pasakha, Gelephu and Nganglam (Nu. 516.199 million), Establishment of Industrial Estates and Parks at Dhamdhum, Pasakha, Bjemina, Jigmeling and Motanga (Nu. 218.821 million), and Export diversification under brand Bhutan (Nu. 20 million).
- To ensure an uninterrupted supply of petroleum and LPG during emergency situations, Nu.114.404 million is provisioned for construction of Eastern and Central Bhutan POL depot.
- Given the vast majority of the business in Bhutan fall under CSI, the Government continues to support CSI sectors with an allocation of Nu. 170.649 million under the CSI flagship program.
- Further, in support of the CSIs, as of April 2022, the Government through the National CSI Bank disbursed Nu. 2,774.979 million to 8470 number of individuals under different economic sectors.
- In addition, the Government through the NCGS credit facility disbursed Nu. 898.010 million as loans to 216 projects as of April, 2022 to various sectors including CSIs.

7) Tourism

- The tourism sector is one of the major sources of employment and revenue besides earnings in convertible currency. The pandemic has severely impacted the sector with the travel restrictions and border closure announced in 2020. During the standstill of the tourism sector, the Government had supported this sector under the Economic Contingency Plan and the displaced employees received income support under the Druk Gyalpo Relief Kidu.

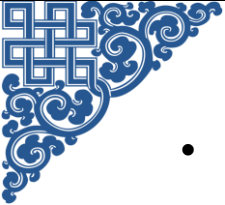
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- For FY 2022-23, the sector has been allocated with a budget of Nu. 123.462 million. The major activities under the sector are development of roadside amenities, training and re-skilling in tourism and hospitality, enhancement of Tashel system and digitization of tourism products, establishing ecotourism guidelines and certification system, etc.

8) Urban development, housing and public amenities sector

- For FY 2022-23, the Government continues to recognize the need for adequate urban infrastructure, housing and public amenities in order to provide a sense of security and quality of life to the residents. Therefore, total Nu. 4,690.887 million has been allocated for Urban development, housing and public amenities sector.
- Additionally, Nu. 1,653.600 million is allocated under the water flagship program for major urban water supply schemes, rural water supply schemes and irrigation schemes including Desuung National Service Water projects. The water flagship program is under implementation across 20 Dzongkhags and 4 Thromdes.
- Around 170 water supply schemes of different sizes have been completed and are benefiting the communities. 37 schemes have been launched through the Desuung National Service Project, of which 22 schemes have been completed and handed over to communities across 20 Dzongkhags.

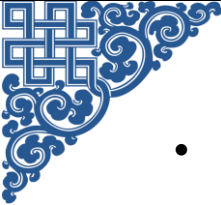
9) Communication and ICT Sector

- Hon'ble Speaker, communication being one of the key instruments in contributing towards the socio-economic development of the country, the Government strives to support in creating a robust ICT ecosystem.
- Apart from providing basic ICT infrastructure, efforts are being made towards digitizing public service delivery through improving the quality of telecom and satellite services, enhancing ICT professionalism, and creating an enabling business environment for the ICT sector.
- For FY 2022-23, Nu. 2,111.565 million is provisioned to the communication sector, which constitutes about 3 percent of the sector allocation. To transform the country into a smart and inclusive society, Nu. 661.803 million is allocated under the Digital Drukyl flagship program.

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- Further to strengthen government data center infrastructure for the whole of the government initiative some of the major activities include enhancement of digital transformation and innovation in the use of ICT and media (Nu.70 million), maintenance of Druk Research and Education Network (DrukRen) and data center (Nu. 23.314 million), and identified designated agency as Datahub owner for Single Source of Truth (Nu. 10 million).
 - In keeping with the digital transformation pace and to raise awareness and interest in space science and technology in empowering and improving the lives of the Bhutanese people, Nu. 41 million to build in-house 3U and 5U satellites is provisioned.
 - Allocations under this sector also includes runway resurfacing and extension at Bumthang Domestic Airport (Nu. 57.049 million), development of runway end safety area at Yonphula Domestic Airport (Nu. 57.467 million), establishment of electronic vehicle charging stations in 14 Dzongkhags (Nu. 14.251 million).
 - In addition, Nu. 78.289 million is allocated for rural communication project phase VI to enhance universal connectivity of communication services, and Nu. 54.372 million for the procurement of mobile radio frequency monitoring equipment.
 - The Royal Bhutan Helicopter Services Ltd. inaugurated its new base at Bumthang Domestic Airport to provide emergency services to Gelephu and Mongar Regional Hospital. Depending on how the tourism sector evolves, the Royal Bhutan Helicopter Services Limited is currently exploring leasing of a helicopter or adding one more helicopter to this existing fleet.
 - Further, a budget of Nu. 501.783 million is being provided for activities which includes establishment of National Cybersecurity Agency, provide National Digital Identity for all citizens and residents, and establish a robust payment platform for domestic and international payments.

10) Energy sector

- Bhutan has a significant potential for renewable and sustainable energy. The Hydropower project is the backbone of the Bhutanese economy and the highest contributor to the country's GDP growth.
- Further, sustainable renewable energy is also gaining momentum in the country. Towards the achievement of reliable and energy security through diversified mode, the sector has been allocated Nu. 1,201.793 million.

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- Some of the major activity include construction of 17.38 MW Sephu Solar PV project (Nu.876.075 million), development of hydrogen road map as an alternative source of energy (Nu.17.530 million) and preparation of DPR for Kuri-Gongri hydropower project (Nu. 40 million).

11) Religion and Cultural services

- This sector will continue to restore, build and conserve structures and sites which hold rich traditional and cultural significance to support the continuity and development of significant cultural expression. To this end, a budget of Nu. 1,769.313 million is allocated in FY 2022-23 under the sector.
- During FY 2022-23, the sector targets to complete two major Dzong constructions – Re-construction of Wangduephodrang and Re-construction of Drukgyel Dzong for which a budget of Nu. 146 million is allocated.
- Similarly, two major restoration works (Tango and Chari Monastery) are also targeted to be completed with the budget allocation of Nu.132.983 million.
- Further, a sum of Nu.395.600 million has been allocated for the on-going constructions of Lingzhi and Sarpang Dzongs, conservation of Lhakhangs (Pangrizampa, Chimi Lhakhang, and Lhakhang at Rajgir, India) and conservations of Monasteries (Sangchoekhor and Rigsum Goenpa).

12) Law and Order services

- The sector aims towards enhancing the judicial accessibility, strengthening administration of justice and legal services, providing legal education, strengthening the border management, and strengthening a safe and secure society. Towards achieving the aforementioned objectives, a sum of Nu. 3,228.064 million has been allocated under the sector for FY 2022-23.
- As envisaged in the 12th FYP, the RBP has been allocated with the sum of Nu. 28.394 million for ongoing construction of a fully equipped forensic laboratory and purchase of cameras and accessories for safe cities to strengthen the scientific methods of detecting and curbing crimes through forensic science, CCTV and biometrics among others.
- Further, a total of Nu. 89.943 million is allocated for construction of the municipality wall near Pugli gate, Jitti border check post to Ratan workshop, below Rinchending Goenpa and along the Jharna segment at Phuentsholing.



13) General Public Services

- For FY 2022-23, the total budget of Nu. 15,182.745 million is provisioned under the General Public Services.
- The general public sectors include services such as Local Governments, Finance, Foreign, Constitutional Bodies, Immigration, Civil Registration and Census, and Autonomous agencies.

14) Sports

- For FY 2022-23, in order for the Government to continue support on sports services, Nu. 73.326 million is provisioned under the Bhutan Olympic Committee (BoC).
- Of the total, the major activities are Nu. 35.959 million for construction of multi-sports halls at Haa and Paro and Nu. 8.895 million for Construction of Indigenous Museum Pavilion, and Restructuring of Archery Ground at Changlimithang.
- Further, through the NCGS, 9 futsal grounds have been supported with a loan disbursement amounting to Nu. 36.560 million spread across various dzongkhags.

15) Local Governments (LGs)

- For FY 2022-23, the budget allocation for LGs is Nu. 22,769.208 million of which Nu. 12,745.172 million is for recurrent and Nu. 10,024.036 million is for capital.
- The Local Governments (Dzongkhags, Gewogs and Thromdes) shall continue to receive the budget in the form of annual grants pertaining to RGoB financing. With respect to the external funded activities, the budget is provided as project-tied. The LGs will receive 26 percent of the total capital budget. However, considering the centrally executed activities of Nu.7,795.476 million by various central agencies, the actual budget allocation to LGs is about 46 percent of the total allocation.
- During this financial year, the LGs must align their local priorities with overall national priorities, i.e., Water, Road, Agriculture, Health and Education to ensure better harmonization of priorities;



H3. Flagship Programs FY 2022-23

Hon'ble Speaker,

Let me now report on the flagship programs to be undertaken during this financial year.

1. From the total 12th FYP outlay of Nu. 10,000.000 million for flagship programs, Nu. 4,422.082 million has been expended thus far. For FY 2022-23, Nu. 3,130.319 million has been provisioned for the various flagship programs:

- a) Water and Irrigation: A total of Nu. 1653.600 million has been allocated to ensure access to drinking and irrigation water for households through multiple water projects in rural and urban areas.
- b) Digital Drukyl: In order to harness the power of ICT to transform Bhutan into a smart society, Nu. 661.803 million has been provisioned for development of digital identity, digital schools, electronic patient information system, Government Initiated Network etc.
- c) Waste and Stray Dog Management: Nu. 162.639 million has been apportioned for enhancing waste management facilities and Accelerated Stray Dog Management and Rabies Control Program.
- d) Health: With the objective to lower incidences of gastric, cervical, and breast cancers through early detection, screening, and timely treatment, Nu. 238.240 million has been budgeted for the health flagship program.
- e) Startup and CSI Development: For the Startup and CSI Development Program Nu. 170.649 million has been earmarked for product development standards, establishment of business incubation centers, providing training to CSIs on packaging, digital marketing etc.
- f) Organic: Nu. 97.590 million has been provisioned for the Organic Flagship Program which aims to produce ginger, turmeric, buckwheat, and lemongrass for export and domestic market with end-to-end interventions.
- g) Education: To enhance the ICT skills and knowledge of students, Nu. 80.000 million has been apportioned for the construction of computer labs, training of teachers, distribution of desktops etc.
- h) Tourism: Nu. 51.120 million has been allocated for the Tourism Flagship with the aim of increasing the contribution of tourism to the national economy and rural livelihood through balanced and regional spread of tourism.
- i) For the National Day Footprint Flagship program, a total of Nu. 14.678 has been provisioned for FY 2022-23.



H4. Budget Appropriation Bill FY 2022-23

Hon'ble Speaker,

1. Based on the resources and the priorities of the Government, a total budget of Nu. 81,827.311 million is submitted to the House as a Budget Appropriation Bill for FY 2022-23 for consideration.
2. The Budget Appropriation Bill includes Nu. 36,340.942 million for current expenditure, Nu. 38,466.945 million for capital expenditure, Nu. 5,740.524 million for principal repayment, and Nu. 1,278.900 million for on-lending.

I. Selected Financial Performance of SOEs

Hon'ble Speaker,

1. As required by the Public Finance Act, I would like to briefly present the annual reports on the State-Owned Enterprises and other Public Sector Institutions. With the pandemic at the forefront of the collective minds, the Government's primary goal is to ensure the uninterrupted supply of essential goods and services to citizens. Thus, State-Owned Enterprises (SOEs) under the MoF have operated under broad social mandates and primarily fulfill non-commercial social objectives through the delivery of public goods and services. SOEs during the pandemic have delivered more with less, under high public expectations and scrutiny.
2. During the pandemic, most SOEs are exposed to additional operational and financial stress in ensuring uninterrupted public service delivery under circumstances for which they are not necessarily equipped. Nevertheless, SOEs played a critical role during the COVID-19 and will continue to do so in the post-pandemic world.
3. Under the MoF, there are fifteen SOEs (eleven wholly owned, 2 majority-owned, and 2 minority shareholding). The MoF has initiated a reform study aimed to reduce the SOEs sector size, measures to track fiscal support and strengthen financial oversight.

I. Performance of SOEs under MoF

1. During the year 2021, SOEs contributed Nu. 311.042 million in the form of tax (Nu. 201.042 million) and dividend (Nu. 110 million). As of December 2021, the combined net asset value of SOEs is Nu. 11,387.361 million which was an increase of 15 percent as compared to the previous year.
2. In the FY 2020-21, Nu. 398.7 million was transferred as subsidies to SOEs, which is an increase of 24.7 percent as compared to previous year.



II. Performance of DHI

1. In the year 2021, DHI generated a gross revenue of Nu. 8,336.803 million, an increase by 12 percent from Nu. 7,443.526 million in 2020.
2. During the year, DHI contributed Nu. 5,475.060 million to the domestic revenue in the form of taxes (Nu. 2,454.06 million) and dividend (Nu. 3,021 million).

III. Subsidies to DHI Companies

1. The subsidies provided to the DHI companies include the interest subsidy (Drukair Corporation Limited (DACL) and subsidies provided to citizens through Bhutan Power Corporation Limited (BPCL) and Royal Insurance Corporation of Bhutan Limited (RICBL).
2. In FY 2020-21, total subsidies transferred to the DHI companies amounted to Nu. 1,693.635 million. The subsidy of Nu. 1,496.282 million was provided to citizens through BPCL as subsidy for rural electricity which has benefitted 208,530 consumers. DACL was provided with interest subsidy of Nu. 116.622 million and Nu. 80.731 million was provided as rural house and rural life insurance scheme for RICBL.

IV. State-Owned Enterprise's Debt under DHI

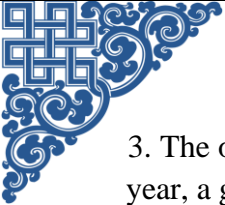
1. The overall debt of SEs have increased from Nu. 39,821.749 million to Nu. 39,871.880 million in the year 2021. The increase was mainly due to an increase in borrowing for DGPC by 7.1 percent, DACL by 8.3 percent and PCAL by 16.7 percent.

V. Sovereign Guarantee

1. The Government provided guarantees to state enterprises to facilitate borrowing at concessional terms. The guarantee was provided to finance the priority sectors and socially beneficial projects.
2. As of 31st December 2021, the Government guaranteed the borrowing of Nu. 2,026.890 million and USD 49.6 million to the SEs.

VI. Performance of National Pension and Provident Fund

1. NPPF recorded a total membership of 65,890 as of 30th June 2021, representing about 8.5 percent of the population. The number of pensioners grew from 7,634 in FY 2019-2020 to 8,294 in FY 2020-2021.
2. In the FY 2020-21, a total of Nu. 4,293.040 million was received as a monthly contribution toward the pension and provident fund, an increase of 6.4 percent against the previous contribution of Nu. 4,033.470 million.


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3. The overall payout was Nu. 1,619.180 million against Nu.1,496.850 million from the previous year, a growth of 8.1 percent.
 4. In FY 2020-21, the surplus for the year ended June 30th 2021 was Nu. 2,822.110 million compared to Nu. 2,100.310 million in the previous year.
 5. The total fund grew from Nu. 41,034.230 to Nu. 46,488.920 million registering a growth of 13.29 percent and it is estimated to reach Nu. 50,535.970 million by the end of June 2022.

VII. Hydropower

Hon'ble Speaker,

I would like to take this privilege to report on the performance of the hydropower sector.

1. The total installed capacity of the country stands at 2,334 MW, which is 6.3 percent of the total estimated hydro-power potential of the country.
2. The hydropower projects involve huge investments and are implemented outside Five Year Plans and annual budgets of the Government. Loan disbursements for hydropower projects are recorded in the total debt stock and reported to the Parliament through the audited Annual Financial Statements.
3. The financing modality of the Inter-Governmental (IG) and Joint Venture (JV) projects are defined in the bilateral agreements, which empowers the project authorities to implement and disburse funds directly to the projects as per the work progress.
4. Punatsangchhu-I hydroelectric project (1,200MW) is expected to be commissioned in March, 2025. However, considering the number of critical issues with regard to the construction of dam and its structural integrity and long-term performance, the RGoB had approved the engagement of international independent experts to review the long-term dam stability and safety including preparation of Barrage DPR Option in June 2020.
5. As of February 2022, Nu. 81,903.000 million has been disbursed and 87.41 percent of the works have been completed for Puna I.
6. Punatsangchhu - II hydroelectric project (1,020 MW) is currently scheduled to be commissioned in 2023/24. The project cost as per the DPR/bilateral agreement was Nu. 37,778.000 million.
7. However, the project has been submitted for second Revised Cost Estimate (RCE) to the Government of India in 2020. The second RCE is expected to increase from the first RCE of Nu. 72,906.200 million to about Nu. 89,000.000 million.
8. As of February 2022, total of Nu. 74,459.230 million has been disbursed and 91.28 percent of the works of the project has been completed for Puna II.



9. The Kholongchhu Hydroelectric Project (600 MW) is the first joint venture project between DGPC and a public-sector undertaking (PSU) of India and was cleared for construction in 2014. As of February 2022, total of Nu. 4,508.546 million has been disbursed.

10. Tangsibji Hydro Energy Limited (THyE), is a 100 percent subsidiary company of DGPC which was incorporated on April 25, 2014 for the implementation of the 118 MW Nikachhu HEP. The overall progress of the project was impacted due to the manpower shortages due to Covid-19 pandemic and adverse geological conditions at various work fronts.

11. Therefore, the project completion date was extended from December 2021 to June 30, 2023 as per the Concession Agreement. As of February 2022, the project has spent Nu. 10,133.817 million and the overall project progress stands 80.10 percent.

VIII. Royal Monetary Authority of Bhutan

Hon'ble Speaker,

Let me now highlight the performance of Royal Monetary Authority.

1. The primary objective of the RMA is to formulate and implement monetary policy with a view to achieve and maintain price stability in the economy.
2. The RMA is also required to advise the Government on monetary and fiscal policy and other critical economic issues for overall macroeconomic development.
3. The overall financial position for the FY 2020/21 stood at Nu. 117,642.500 million, which was a growth of 14.1 percent from Nu. 103,138.100 million in the FY/2019/20. The growth in financial position was mainly contributed by the increase in foreign Assets.

IX. Foreign Direct Investment

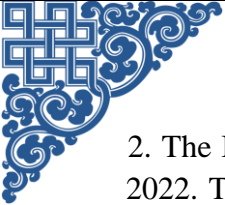
1. As of December 31, 2021, there were a total of 96 FDI projects worth Nu. 43,329.320 million. Hospitality sector constitutes 38 percent of these FDI projects followed by IT/ITES at 22 percent.
2. Investments from within Asia remain the top source at 65 percent share. Within Asia, 55 percent of the projects in the country are from India followed by Singapore with 16 percent.

X. Government Non-Budgetary Funds

Hon'ble Speaker,

There are eight Government Non-Budgetary Fund Accounts established under the Royal Charter and other relevant laws, rules and regulations.

1. The details of the Fund's position are provided in the National Budget Report; however, I would like to inform the August House that the Bhutan Trust Fund for Environmental Conservation has a fund balance of Nu. 4,294.230 million as of 31st March 2022. The fund source includes interest and dividends from investments, and realization of capital gains.



2. The Bhutan Health Trust Fund has a fund balance of Nu. 3,608.705 million as of 31st March 2022. The fund supports the Government through supply of essential drugs and primary health care.

3. The Universal Services Fund has a fund balance of Nu. 122.810 million as of 31st March 2022. The mobile license fee paid by Bhutan Telecom Limited and Tashi InfoComm Limited is the main source of the fund.

4. The Bhutan Economic Stabilization Fund has a fund balance of Nu. 825.454 million as of 31st March 2022. Currently the fund is invested in the form of fixed deposits with the State Bank of India, Hasimara, West Bengal and will be maturing on August 3, 2022.

J. Conclusion

1. Hon'ble Speaker, I must state that the preparation of this budget required a lot of balancing acts. It has not been an easy process considering the prevailing external shocks from the pandemic and the current ongoing conflict in Russia-Ukraine. I am confident that the plans that we have laid in this budget will be realized to achieve the envisaged economic recovery that will lead to improvement of the welfare of the Bhutanese people.


2. The budget that I have presented today has articulated additional measures that the Government plans to undertake to further boost economic recovery. In light of the challenges in mobilization of additional resources and rising expenditure demands, spending in this year's budget will focus on critical areas with the highest impact that will have benefit across our economy.

3. This can only be achieved through our collective efforts and unity as we must stand high and stand firm to see clearly the big picture, better understand the long-term development trends, have a good grasp of the economic patterns, concentrate on the key issues and map out the long-term plans, while remaining steadfast against fluctuations in the short-term.

4. Therefore, in the face of the profound changes worldwide, unseen in a century and the complex external environment, we must plan ahead and get well-prepared to guard against risks, so as to consolidate our development path and achievements in fulfilling the aspirations of a developed Bhutan.

5. While every fascinating story is full of twists and turns, every success is prompted by the strength gained from overcoming setbacks. We deeply believe that under the benevolent leadership and guidance of His Majesty The King, we can overcome setbacks and achieve success by firm determination and faith to navigate through this difficult times.

6. Hon'ble Speaker, with the above inspiration and determination, I would like to submit the Budget Appropriation Bill for FY 2022-23 and Supplementary Budget Appropriation Bill for FY 2021-22 for the expeditious consideration of the House.



7. The Government, on behalf of the people would like to pay tribute to His Majesty The King, His Majesty The Drukgyal Zhipa, Her Majesty The Gyaltsuen, and members of The Royal Family for their concern with respect to the welfare of the Bhutanese people and continued guidance to safeguard the nation from the pandemic.

8. The Government would like to submit immense gratitude to His Holiness the 70th Je Khenpo, Zhung Dratshang and other religious organizations for the special prayers, Kurims and invoking Sangaymenlha and other protecting deities to prevent the spread of the virus and keep our country safe.

9. The Government also offers felicitations to His Holiness and the Zung Dratshang for successful completion of 400 years of Zhung Dratshang for the benefit of the nation and for all sentient beings through his blessings and Kurims.

10. The Government would like to acknowledge the services rendered by the health professionals, Armed Forces, Desuups and Volunteers serving in the forefront to protect the Bhutanese people from COVID-19.

11. The Royal Government of Bhutan (RGoB) would like to thank the Government of India for all the assistance and support, in particular granting of COVID-19 vaccines which has helped to achieve 94 percent vaccine coverage of the eligible population. The Government would also like to thank all multilateral and bilateral development partners. In addition, the Government would also like to express appreciation to all the individuals and entities who have made contributions to the COVID-19 Response Fund.

12. The Government acknowledges all the multi-sectoral task forces for ensuring effective containment measures, uninterrupted supply of essential food and non-food items during this unprecedented time.

13. The COVID-19 pandemic has brought the country together to overcome one of the greatest challenges of our times. All this has become possible due to the outstanding leadership and steadfast resolve of His Majesty The King, who continues to remain at the forefront of all endeavors in these difficult times.

14. May the guardian deities of the glorious Palden Drukpa forever bless and protect the people and the nation with perpetual peace, prosperity and happiness.