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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/Budget Notification/2022-23/012

July 4, 2022

Budget Notification for the Financial Year 2022-23

The Ministry of Finance is pleased to notify that the 7th Session of the Third Parliament has passed the Budget Appropriation Act FY 2022-23 for a total appropriation not exceeding Nu. 81,827.311 million towards *"Accelerating Economic Recovery through strategic investments in the areas of food self-sufficiency, human capital development, sustainable infrastructure development and improved social security"*. The details of budget appropriation are as below:

Sl. No	Budget	Amount (Nu. in millions)	Percent
1	Recurrent	36,340.942	44%
2	Capital	38,466.945	47%
3	Lending	1,278.900	2%
4	Repayment	5,740.524	7%

The total resources for the FY is estimated at Nu. 51,925.754 million, including internal resources of Nu.37,053.633 million and external grants of Nu. 14,872.121 million. Given the total expenditure of Nu.74,807.887 million, the corresponding fiscal deficit is estimated at Nu.22,882.133 million, which is 11.25 percent of the GDP.

It is imperative for all the budgetary bodies to take proactive measures to review and spend every amount of monies allocated wisely, exercise prudence with strong financial discipline to avoid cost overruns, un-necessary spending, prevent financial leakages and drive cost efficiencies and productivity savings in all our expenditures. Accordingly, the collective measures will contribute to achieve maximum returns from the capital investments and maintain recurrent budget within the estimated domestic revenue.

Therefore, the budgetary bodies are advised as follows:

- 1. Current Grants:** Budgetary bodies shall implement the current grants as per the Current Grants Guidelines for Central Agencies 2020 and *no additional current budget* will be entertained over and above the approved allocation during the FY. Therefore, all heads of budgetary bodies must prioritize and rationalize expenditure to contain the expenses within the approved budget.



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2. **Expenditure Rationalization-Recurrent:** In the context of the current fiscal situation, the following budget policies will be implemented. These measures are intended to promote fiscal discipline, without restricting the operational efficiency of the Government functionaries.

- a. Rationalize travels (ex-country and in-country) within the allocated budget;
- b. No hiring of private buildings for office space and new establishment;
- c. Postpone the activation of Salary Indexation till the revenue performance improves;
- d. Transfer of Civil Servants shall be without transfer benefits;
- e. Defer the option to monetize Vehicle Quota during the FY, without affecting the date of next allotment;
- f. Payment of Daily Subsistence Allowance (DSA) of Nu.2,000 per day for all in-country training shall be suspended. However, the participants shall be eligible for TA/DA based on the admissibility as per the rules. Hence, the earlier notification MoF/DNP/PPD/Notifications/2021/678 dated 20th February 2021 is hereby withdrawn;

Further, all heads of the budgetary bodies must ensure that the critical operational expenses are adequately prioritized from the controllable budget and discourage non-essential expenses to the best possible extent.

3. **Expenditure Rationalization-Capital:** In an effort towards maintaining sustainable and quality fiscal deficit, the following category of capital activities and OBCs shall remain rationalized and restricted during the FY, irrespective of funding source. *Therefore, any re-appropriation and supplementary incorporation of funds to these expenditure heads shall be restricted unless approved by the Government/Lhengye Zhungtshog.*

- a. New constructions and major renovations of offices, staff quarters and site development (construction of gates, fencing, boundary walls, etc).
- b. Procurement of pool vehicles including replacement;
- c. Activities under OBC 45.02-Training – Others (workshops, seminars, orientation, annual conference, observation of international days, awareness programs, etc.),



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- and OBC 55.01- Professional Services for hiring of consultancy;
- d. Procurement of furniture, equipment, and computers with exceptions to educational institutions and health facilities.
4. **Centralization of Internet Charges:** With the internet bandwidth demand aggregation initiative led by the Department of Information Technology and Telecom (DITT), the payment of the internet charges will be through DITT and budgetary bodies shall not be required to apportion the budget for making payment for internet charges starting July 2022. Those budgetary bodies not included in the single payment system of DITT shall be intimated separately.
5. **New establishments and Creation of Posts:** Until the on-going reforms and transformation initiatives are finalized, all the budgetary bodies are advised to put on hold the creation of new establishments and positions.
6. **Implementation of ad-hoc and un-planned activities:** The heads of budgetary bodies shall ensure to meet the budget requirement for any ad-hoc and unplanned activities from the approved budget, unless otherwise approved by the Government/Lhengye Zhungtshog.
7. **Re-appropriations and technical adjustment:** In line with Section 55 of the Public Finance Act, 2007, Budgetary Bodies may re-appropriate or make technical adjustments within the approved allocations except to expenditure heads under Sl. No. 3. However, such re-appropriation/technical adjustments must be in conformity with the delegation of financial powers as prescribed in Financial Rules and Regulations (FRR).
8. **Completion of Tendering Process:** In order to ensure that there is no rush of spending during the last quarter of the FY and to maintain quality of expenditure, all the budgetary bodies are required to initiate Annual Procurement Plan (APP) and complete all tendering processes (*from publication all the way through Contract Signing*) for the approved budget latest by end of the 2nd quarter of the FY. With this, the notification issued by DNP vide no. MoF/DNP/PMDD-05/2021-2022/1367 dated May 19, 2022 is hereby withdrawn.



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9. **Non-essential imports:** All the budgetary bodies are strongly advised to minimize non-essential imports and prioritize domestically produced materials for works and goods to the extent possible.
10. **Centralized Procurement:** For smooth implementation of centralized procurement of computers and peripherals, common procurement of ICT devices (computers) requirement must be submitted to DNP by 31st August 2022 & 31st January 2023 and transfer the allocated budget to DNP as deposit work while submitting formal request. In addition, heads of budgetary bodies are advised to enforce allotment of one computer/laptop per person irrespective of funding as per the notification vide MoF/R-Circular/2009/4568 dated 9 April 2009.
11. **Human Resource Development:** In order to ensure implementation of need-driven capacity development programs, the budget for Training-HRD has been provisioned under RCSC and respective budgetary bodies for ONLY critical HRD requirements based on the RCSC's endorsement and funding confirmation by GNHC. Similarly, in case of supplementary incorporations for HRD related activities during the FY, prior endorsement of the RCSC is mandatory, based on which the budget incorporation will be facilitated for implementation.
12. **High altitude and Difficulty allowance:** Specific allowances are provided to compensate and motivate public servants working in difficult environments and conditions. Therefore, the heads of budgetary bodies shall ensure that the payment of such allowances are made only to those public officials for the duration actually stationed in a high-altitude and difficult area.
13. **Compensation for structures:** Any budget requirement in respect of compensation arising from acquisition of land or destruction of property as a result of construction of roads or any other infrastructure should form a part of the program/activity and must be ensured to meet it from within the approved budget as notified in the budget call notification except for the ad-hoc and priority acquisition by the government during the FY.
14. **Responsibilities of the heads of budgetary body:** For smooth implementation of the FY 2022-23 budget, the heads of budgetary bodies shall be responsible for managing the financial and related matters including the procurement and disposal of assets as per the provisions under



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Chapter 3 of the Public Finance Act, 2007.

15. Provisions specific to LGs:

- a. **Implementation of Annual Grants:** The Local Government will continue to receive RGoB funds in the form of Annual Grants and shall be guided by the Annual Grants Guidelines 2022 (Annexure I).
- b. **Granular Sub-Base (GSB) for farm road, Phase II- Priority I:** The budget for GSB Phase II has been provisioned with the respective Dzongkhags under external grants and RGoB contribution amounting to Nu. 3,190.563 million.

The Dzongkhags to complete all designs, drawings and estimates in close consultation with respective Gewogs, as per the *"Guidelines for laying Granular Sub-Base for farm roads"* issued by the MoWHS (Annexure II). Any upward revision in the estimates from the approved budget shall be adjusted from within the approved allocation for GSB or the Annual Grants of the respective Dzongkhags/Gewogs.

In the event of underutilization of the funds, the re-appropriation to other activities shall not be allowed and underutilization shall automatically lapse.

In addition to all the above, all the budgetary bodies are also reminded to adhere to the following regular guidance while executing the budget for the FY 2022-23:

- I. **Expenditure Limits:** The maximum expenditure limits authorized by Budget Appropriation Act for the FY 2022-23 are available at www.myrbpems.bt. In keeping with the Section 61-63 of the Public Finance (Amendment) Act of Bhutan 2012, budgetary bodies must ensure to implement activities within the approved allocations.
- II. **Annual Performance Agreement:** While efforts have been made to deepen the linkage between APA targets and the annual budget, all budgetary bodies including Local Governments are advised to re-align their APA targets with the approved budget for the FY 2022-23.
- III. **Budgetary Release Forecast (BRF):** All budgetary bodies are required to submit realistic monthly BRF through e-PEMS as per the Fund Release Guidelines in close coordination with the program/project or implementing coordinators. The dealing officials including the Head of



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Finance shall be held accountable for any disruption in delivery of financial services due to non-submission of BRF.

- IV. **Finance Committee:** The Finance committee (FC) shall continue to play a pivotal role in strengthening the public financial management and promoting financial thrift by enhancing efficiency in the use of public resources. Hence, all matters pertaining to budgeting including the decision to apportion budget from the Annual or Block Grant and accounting thereof must be endorsed by the respective Finance Committees. Further, any budget revisions during the FY requiring MoF's interventions have to be endorsed by the respective FC.
- V. **Budget provision for retirement benefits:** The Annual and Current Grants also do not include the budget provision for retirement benefits. However, all budgetary bodies shall submit such request to DNB during the course of the year with detailed workings along with necessary documentation and clearances for retirement benefits.
- VI. **Work Charge:** Only associated costs such as pay and allowances, travel costs, and operation costs shall be work charged to the activity/program irrespective of financing sources.
- VII. **Cost and time overrun:** One of the common issues observed across the budgetary bodies is the cost and time overrun of the project/activity. As such, budgetary bodies are advised to ensure completion of prerequisite formalities such as designs, drawings, cost estimates, necessary clearances, and tendering processes for timely implementation of project/activity and minimize cost overruns to the extent possible.
- VIII. **Budget Monitoring Tool (BMT):** The budgetary bodies are mandated to submit both the Physical and Financial Work Plans of all the capital activities through the Budget Monitoring Tool (BMT). The "Financial Plan" shall be used as a basis for preparation and submission of BRF. In addition, the "Quarterly Work Progress" of all the capital activities updated in the BMT within the first 15 days after the end of every quarter shall be used as a basis for tracking the progress of the work by DNB.
- IX. **Mid-year Budget Review:** The "Work Progress" updated up till the 2nd quarter in the BMT shall be the basis for carrying out the Mid-year Budget Review exercise. Therefore, the budgetary



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bodies shall ensure to complete the apportionment/re-appropriations of grants/budget prior to the conduct of the Mid-year budget review. Any budget adjustments for new activities/OBC after the mid-year budget review shall be restricted.

The Budget Report and Budget Appropriation Act for FY 2022-23 can be downloaded from the MoF website (www.mof.gov.bt) and the budget appropriation of the respective budgetary bodies can be accessed through www.myrbpems.bt.

(Namgay Tshering)
Finance Minister

Copy to:

1. Hon'ble Prime Minister, Gyalyong Tshogkhang, for kind information.
2. The Hon'ble Ministers for kind information.
3. The Hon'ble Auditor General, Royal Audit Authority, Thimphu.
4. The Head of Constitutional Bodies.
5. All Government Secretaries.
6. The Offtg Cabinet Secretary, Gyalyong Tshokhang, Thimphu.
7. The Head of Autonomous Agencies.
8. The Dzongdags, Thrompons and Gups.
9. The Head of Finance Division, all budgetary bodies.

For the kind information of: Hon'ble Dasho Gyalpoi Zimpon, Office of the Gyalpoi Zimpon, Thimphu.