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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG

MoF/DPBP-Budget Call/2023-24/ 563

January 31, 2023

Budget Call Notification for Financial Year 2023-24

In keeping with Clause 23(d) and 45 of the Public Finance Act 2007 (PFA) and Section 3.2 of the Budget Manual, Financial Rules and Regulations (FRR) 2016, the Ministry of Finance hereby issues the Budget Call Circular for FY 2023-24.

The FY 2023-24 covers the last four months of the 12 FYP period ending October 2023 and eight months of the next Five Year Plan (FYP) period which is still under formulation. Therefore, the resource envelope has been drawn based on the medium term fiscal framework and the bottom-up estimation of programs and activities likely to spill over including external funded projects and those critical for public service delivery.

In order to ensure that all on-going, spill over and critical program/activities are sufficiently funded for FY 2023-24, the heads of the Budgetary Bodies are urged to lead and engage closely in the budget preparation process. This will also help to minimize ad-hoc requests and reduce administrative burden at all levels during the FY.

In addition, all the activities proposed must be tied to results and KPIs as specified under the general guidelines to ensure quality of expenditure and proper management of limited public resources.

This Budget Call Circular presents the macroeconomic outlook, the resource envelope, budget outlay and guidelines for preparation of budget for the FY 2023-24.

- 1. Macroeconomic Outlook:** While the pandemic and geo-political tension weigh on the near-term outlook, the economy is expected to grow at an average of 5 percent in the medium-term mainly driven by recovery in services, manufacturing, and hydropower. Hydropower generation capacity is expected to double, supporting growth, the current account balance, and the fiscal position. The fiscal deficit is expected to moderate as pandemic-related measures are gradually phased out and revenue reforms deepen. The current account deficit and reserve coverage are expected to improve from declining hydropower-related imports and rising hydropower exports. However, there are downside risks to the medium-term outlook with the forecasted recession in the global economy growth forecast, increasing food and energy prices, and the modest upturn in tourism.



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2. **Resource envelope:** The Resource Envelope estimated for FY 2023-24 is Nu.53.056 billion consisting of Nu.43.235 billion from domestic revenue and Nu.9.821 billion projected as grants.
3. **Outlay:** The outlay for FY 2023-24 is estimated at Nu.72 billion, of which Nu.41.153 billion is recurrent and Nu.30.847 billion is estimated as capital budget.
4. **Fiscal Deficit:** Based on the projected resources and expenditure, the fiscal deficit for the FY is estimated at Nu.18.944 billion corresponding to 8.56 percent of the GDP. The deficit financing will be explored through concessional external /domestic borrowings.

With the implementation of restructuring of the Civil Service Reform Act of Bhutan 2022, new Administrative Unit Codes have been created in the MYRB system for those budgetary agencies that have been restructured/merged/renamed from FY 2023-24.

Therefore, all the Budgetary Bodies are required to prepare and submit budget proposals through the online MYRB system (www.myrbpems.bt) **under new Administrative Unit Codes, wherever applicable** and shall follow Guidelines prescribed in the **Annexure I**. The Budgetary bodies are required to prepare budget proposals as per the attached format which is also available in soft copies for ready reference. The focal officers in DPBP are available for any support and clarification required towards preparation of the budget and assignment of new Administrative Unit Codes.

The last date for submission of the budget proposal is March 15, 2023.

(Namgay Tshering)
Finance Minister

Copy to:

1. Hon'ble Ministers, all Ministries, Thimphu.
2. Heads of Constitutional Bodies and Judiciary, Thimphu.
3. Cabinet Secretary, Cabinet Secretariat, Thimphu.
4. Personal Secretary to Hon'ble Prime Minister, Gyalong Tshogkhag, Thimphu.
5. All Secretaries of all Ministries, Thimphu.

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6. Heads of Autonomous Agencies, Dzongdags, Thrompons and Gups.

For kind information of:

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



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Annexure I: Guidelines for Budget Preparation for FY 2023-24

The Budgetary Bodies shall be guided by the following principles while preparing the budget proposals:

1. Current Budget: The current budget will be allocated in the form of Annual/Block Grants within the estimated domestic revenue as:

a. Mandatory Expenses:

- i. The proposal for mandatory expenses shall include pay and allowances, PF contribution, stipend, retirement benefits for those employees due for superannuation during the FY and interest payments;
- ii. The budget for mandatory expenses are required to be proposed through the MYRB system with separate submission of detailed workings for pay, allowances and PF contribution based on the Pay Structure Reform Act of Bhutan 2022, stipend, retirement benefits (employees due for superannuation during the FY) and interest payment based on repayment schedule (DMDF);
- iii. The estimation for pay and allowances shall be submitted as per the format circulated to the agencies vide letter No. MoF/DPBP/Div-S&C/2022-23/462 dated December 23, 2022.

b. Controllable Expenses: No proposals shall be required to be submitted for this head. The allocation will be based on the new structure of the agencies and remaining within the internal resources.

c. Thromdes/National Seed Centre: In order to enhance transparency, uniform application of financial rules and regulations and capture holistic expenditure reporting through the use of MYRB and ePEMS, the Thromdes and National Seed Centre must ensure to propose current budget based on the revenue forecast under the relevant mandatory and controllable OBCs through MYRB against the specific FIC allotted.



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- d. Non-budgetary Agencies** Those in need of budgetary support under RGoB financing for O&M must submit their request with adequate justification along with detailed workings and estimations.

2. Capital Budget: Given that the 13th FYP is still under formulation and the need to pursue fiscal consolidation in view of medium term macroeconomic outlook, the FY 2023-24 will focus on facilitating completion of spill over activities including on-going externally financed projects and continuation of program/activities for ensuring uninterrupted delivery of public services.

As such, while preparing the annual budget proposal for the capital programs, the budgetary bodies shall consider the following specific parameters;

1. To ensure that the annual budget is aligned to the strategic goals and core mandate of the respective agencies, all the budgetary bodies shall be required to submit clear corresponding KPIs, based on which the proposals will be assessed/reviewed for recommendations. All capital activities proposed (irrespective of the financing source and spill overs) without the corresponding KPIs shall not be considered for deliberations and recommendations. The sub-activity wise budget proposal must be submitted as per the format attached as **Annexure-II** consisting of *Section I* for KPI identification and *Section II* for aligning the budget proposal to the annual KPI along with the other key information.
2. Ensure to propose on-going and spill over activities for both the RGoB and external financing. The spill over activities must be supported by work orders/contract amount and work duration to substantiate the implementation duration of the activity.
3. The proposal for any Transformative Initiatives (Water, ICT, Energy, Food and Infrastructure) must be backed by comprehensive pre-feasibility study as detailed below:
 - a. Indicate the reasons why the project/activities is being undertaken through identification of problems (Project Rationale);
 - b. Set out the expected outputs and outcomes of the project/activities- potential social and economic profitability, social and environmental sustainability etc.;
 - c. Any other available alternatives to the project and analysis of such alternative solution;



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- d. Preliminary estimates of total investment cost and future operating/recurrent costs and economic and financial analysis;
 - e. Risk forecast and mitigation plan;
 - f. Implementation plan of the project/activities.
4. The budget for critical activities must be adequately justified. Such activities include those proposals without which it will have bearing on public service delivery.
 5. Budgetary agencies are encouraged to find sustainable solution to provision of public services such as exploring possibility of revenue generation (eg. charging fee for laboratory services), wherever feasible, rather than looking at service delivery as a mere cost centre.
 6. All the budgetary agencies must ensure to propose activities with committed resources as well as those in the pipeline for resource mobilization based on annual implementation plan to avoid supplementary incorporation immediately after the approval of the budget;
 7. Proposal for capacity building programs irrespective of source of funding shall be supported by RCSC endorsement. However, RGoB financing for HRD shall be only for continuation of on-going programs and critical requirements.
 8. All the ICT related programs/activities to be proposed only upon endorsement by the Govt.Tech. Proper economic/financial analysis must be done to ensure technology investments are sustainable as well as self-liquidating, wherever possible.
 9. Further, the following activities will continue to be rationalized to create fiscal space for other urgent and emerging priorities. However, the external financed activities shall be as per the approved project document and signed Annual Work Plan:
 - a. Workshops, seminars, training and new consultancy services.
 - a. Any new constructions of offices, temples and monastery, staff quarters & residences, gates, boundary walls and fencing.
 - b. Procurement of furniture, equipment, computers and Chadi items.
 - c. Procurement of pool vehicles shall be restricted irrespective of financing sources.



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- d. Any subsidies will have to be rationalised and agencies must submit strategies to phase out.

3. General Guidelines

- i. **External funded Programs and Activities (Grant and Loan):** In Keeping with the Section 7.5 of the Budget Manual, FRR 2016 and to avoid implementation delays, all the budgetary bodies must ensure to include the required funds for the FY for ongoing external funded programs and activities. Further, any commitment of the RGoB financing in the form of counterpart funding and provision for any duties and taxes for ongoing in-kind assistance must be adequately proposed in the budget;
- ii. **Finance Committee:** The Head of the Agencies are advised to convene a Finance Committee (FC) meeting for dissemination of budgetary guidelines, soliciting timely proposals, and to ensure that proposals are transparent, realistic and achievable during the FY. Further, the submissions of the budget proposals by the budgetary bodies to DPBP, MoF shall be upon endorsement by the respective Finance Committee;
- iii. **Mainstreaming Cross Cutting Issues:** Budgetary agencies are reminded to ensure that the budget proposals are inclusive of cross cutting issues such as Gender, Environment, Climate, Disaster and Poverty (GECDP);
- iv. **Fiscal Transfers**
 - a. All the State Owned Enterprises (SoEs) requiring financial support from the Government shall route all the budget proposals through the Department of Macro Fiscal and Development Finance (DMDF), MoF. Details of their revenue performances along with the financial statements for the past two years and projections for the FY with adequate justification must be submitted, based on which DMDF shall review the proposals and recommend the same to DPBP.
 - b. The Budgetary Bodies those supported through fiscal transfers and generate revenues must submit the revenue projections, past year's actual expenditure and bank statement of all the deposit accounts (CD & Fixed accounts) as of 31st January 2023.



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

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

4.1. RGoB Financing:

- a. **Gewog:** The Annual Capital Grants will be allocated to Gewogs at the FY 2022-23 level. However, Gewogs shall submit the KPIs planned to be achieved for the FY as per the **Annexure II (section I)**.
- b. **Dzongkhag/Thromde:** Similar to the central agencies, Dzongkhags and Thromdes shall ensure to propose budgets for the ongoing, spill over and critical activities. The Dzongkhags & Thromdes shall submit the endorsed list of activities with detailed information in the prescribed format as per the **Annexure II (Section I and II)**.

4.2. External Financing:

- a. The LGs must propose an adequate budget for completion of the on-going and spill over activities within the committed fund based on the contract amount, expenditure reported in the past FYs, implementation capacity and anticipated work completion duration.
- b. The LGs shall use the prescribed format “**Annexure II**” to submit the budget write up or justification for the proposed external funded activities.
- c. In order to determine the level of budget support, Thromdes are reminded to submit:
 - a. Details of revenue realized for the past 2 years;
 - b. Revenue & expenditure estimates for the FY 2022-23;
 - c. Details or statement of CD/FD accounts, if any;

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

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