

**BUDGET REPORT
FOR FY 2023-24**



“ We have been working hard to bring about the transformational changes and improvements that we need to strengthen our governance and the economy. We are all doing this for our people, especially our youth, so that they can establish a secure, happy and prosperous future. The transformation process has started promisingly only because we have the strong support of the people. Our responsibility now is to see this process to the end and ensure that we succeed. ”

His Majesty The King's Royal Address on the 115th National Day

BUDGET FY 2023-24

HIGHLIGHTS

Economic Outlook

- » The economy exhibited a growth of 4.1 percent in 2021, an increase of 14.1 percentage points compared to the contraction of 10.1 percent in 2020.
- » The economy is poised for a gradual recovery buoyed by stronger domestic demand, continued fiscal and monetary relief measures, opening up of borders, and normalization of economic activities. As such, the economic growth is estimated to accelerate to 4.7 percent in 2022.
- » The FY 2023-24 budget is aimed at ***‘Building stronger institutions through strategic reforms while ensuring a sustainable fiscal path and smooth transition’***.

Resources

- » The total estimated resource for FY 2023-24 is Nu.53,513.2 million, a decrease of 12.4 percent from the FY 2022-23 revised resources estimate.
- » The total estimated domestic revenue of Nu.46,245.8 million for FY 2023-24 is inclusive of Nu.4,000 million being transferred from the DHI.
- » The domestic revenue excluding the transfer from DHI is estimated at Nu.42,245.8 million, which is an increase of 3.5 percent from the previous FY.
- » The estimated external grants of Nu.6,367.4 million consists of Nu.2,320.1 million from GoI, Nu.1,743 million from ADB, Nu.401.2 million from World Bank and remaining from other development partners.

Expenditure

- » Total expenditure is estimated at Nu.74,861.6 million of which recurrent allocation is Nu.45,545.9 million and capital allocation is Nu.29,315.7 million which constitutes 60.8 percent and 39.2 percent of the total expenditure respectively.
- » Of the total capital expenditure, about 27 percent is financed through internal/external grants, and 73 percent from external/internal borrowings.

Major Activities

- » Education: For education reforms Nu.180.3 million, improving access to the quality Early Childhood Care and Development Nu.234.1 million, undergraduate scholarship Nu.424 million and Nu.108.1 million to support scholarships in private colleges, Paro College of Education and master program for in service Teachers.
- » Health: For construction of 60 bedded hospital under The Pema Centre Nu.32.3 million, Nu.370.8 million is for completion of on-going construction of 65 bedded MCH at Monggar, Satellite Clinics in Motithang & Phuentsholing, expansion of microbiology in six cluster hospitals (Samtse, Dewathang, Tsirang, Wangduephodrang, Trashigang, & Bumthang), construction of water reservoir and wasteshed at Samdrup Jongkhar, Pema Gatshel, Trongsa and Zhemgang Hospital. For procurement of medical equipment Nu.1,057.5 million and Nu.63.2 million for continuing medical education and critical long-term training. Procurement of medical vehicles (Ambulance) Nu.158.4 million. For development and implementation of health electronic patient information system Nu. 136.9 million and Nu.190 million for development of national digital identity.
- » Access to 24x7 safe drinking water: Nu.527.2 million for water flagship activities in various Dzongkhags and Thromdes.
- » RNR: For million fruit trees, construction of Phangyul irrigation scheme, establishment of warehouses at Bumthang and Wangdiphodrang, integrated cold storage at Zhemgang and animal health facilities at Gelephu Nu.877.6 million and Nu.191.1 million for Bhutan for Life Projects.
- » Trade: For continuation of development of industrial parks at Dhamdum and Motanga, dry ports at Pasakha, Gelephu and Nganglam, and industrial estate at Pasakha Nu.1,094.5 million. For POL depot in eastern Bhutan Nu. 180 million.

- » Connectivity: Provision of Nu.486.6 million for improvement of Primary National Highway, Nu.400.5 million for construction and improvement of Secondary National Highway, Nu.220.3 million for completion of on-going blacktopping of seven GC roads (Chunzom – Sarpang, Bjoka – Zhemgang, Silambi – Monggar, Chhimung - Pema Gatshel, Lauri - Samdrup Jongkhar, Merak and Sakten - Trashigang), Nu.5 million to carry out the DPR for Dunga GC road and Nu.49.6 million for ongoing construction of Laya GC road, Nu.244.8 million for construction and maintenance of bridges and Nu.187 million for monsoon restoration works.
- » Energy: Nu.944.7 million for construction and installation of 17MW Sephu utility skill solar power project.
- » Religion and Culture: Nu.561 million for construction of Dzongs at Lingzhi and Sarpang and conservation/renovation of various Monasteries/Goenpas/Lhakhangs.

Debt Situation Outlook

- » As of 31st March 2023, the total public debt stood at Nu.267,401.3 million, accounting for 132.1 percent of FY 2022-23 GDP estimate.
- » The total public debt comprised Nu.240,851.3 million (119 percent of GDP) of the external debt stock and Nu.26,550 million (13.1 percent of GDP) of the domestic debt stock.

KEY BUDGET STATISTICS FY 2023-24

Resource Estimate for FY 2023-24 (Nu. in Million)	
Total Resources	53,513.242
Direct Tax	16,367.105
CIT	11,657.483
BIT	1,823.645
PIT	2,192.660
Other Direct Taxes	693.318
Indirect Tax	15,132.060
Sales Tax	5,857.755
Domestic Excise Duty	627.890
Green Tax	1,019.751
Custom Duty	712.591
Other Indirect Taxes	6,914.073
Non-Tax Revenue	14,746.611
DHI Dividend	5,042.079
Surplus Transfer RMA	800.000
Profit Transfer MHP	-
Others	8,904.532
External Grants	6,367.402
Internal Grants	488.300
Other Receipts	411.764

Macroeconomic Performance and Outlook						
Percentage Change	2019	2020	2021	2022	2023	2024
	Actual	Actual	Actual	Estimate	Projection	Projection
Total Consumption	6.0	(5.0)	32.0	14.7	3.9	2.5
Total Investment	(16.5)	(16.4)	7.6	11.9	(10.2)	(8.6)
Exports	14.4	(20.2)	16.9	3.7	0.2	2.9
Imports	(6.2)	(12.4)	28.5	25.2	(6.6)	(8.2)
GDP Growth	5.8	(10.0)	4.1	4.7	4.2	5.2

Expenditure Performance and Outlook (Nu. in Million)					
Particulars	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Estimate	Projection	Projection
Total Expenditure	71,091.817	69,156.613	76,990.264	74,861.615	70,892.759
Current Expenditure	43,515.785	34,444.717	36,447.177	45,545.947	46,622.126
Capital Expenditure	27,576.031	34,711.896	40,543.087	29,315.668	24,270.633

Debt Performance and Outlook (Nu. in Million)					
Particulars	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Estimate	Projection	Projection
Financing	11,139.803	15,031.954	15,922.050	21,348.373	1,444.898
Net Lending	745.570	3,677.617	3,674.081	2,596.467	3,363.811
Net External Borrowing	1,486.933	4,086.726	4,137.776	2,202.729	(3,206.515)
Net Internal Borrowing	8,907.300	7,267.611	8,110.193	16,549.177	1,287.602
Percent of GDP					
Total Public Debt	134.3%	136.3%	139.1%	134.9%	123.1%
Total External Debt	124.7%	121.5%	118.7%	115.4%	106.1%

Summarized Fiscal Framework (Nu. in Million)					
Particular	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Estimate	Projection	Projection
Total Resources	59,696.113	54,354.617	61,068.214	53,513.242	69,447.860
Total Expenditure	70,835.916	69,386.571	76,990.264	74,861.615	70,892.759
o/w Net Advance	(255.901)	299.958	-	-	-
Fiscal Deficit (FD)	(11,139.803)	(15,031.954)	(15,922.050)	(21,348.373)	(1,444.899)
FD % of GDP	(6.3)	(7.9)	(7.9)	(9.7)	(0.6)

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Introduction

The Budget for FY 2023-24 marks an important milestone as it is the last budget of the third Government, whose term will complete in October 2023. With the 12th Five Year Plan (FYP) concluding at the end of FY 2022-23 and the 13th Five Year Plan still under formulation, the budget for FY 2023-24 presents a unique opportunity for the Government to continue efforts to support economic recovery during the transition period. The budget has been drawn by taking into account spillover activities from the past financial years owing to disruptions caused by the COVID-19 pandemic, and activities from the reform initiatives. Accordingly, the GDP is estimated to grow at 4.7 percent.

In the last three years, much like the rest of the world, Bhutan endured economic hardship and threats to livelihood sustenance arising from the pandemic. According to the World Health Organization (WHO), there have been 766.9 million confirmed COVID-19 cases and 6.9 million people succumbed to the virus as of 24th May, 2023. While the WHO has declared that COVID-19 is no longer a global health emergency, the global economy continues to be affected by the shocks from the pandemic.

The latest forecasts of the International Monetary Fund (IMF) indicate a sharp, long-lasting slowdown, with global growth declining to 2.8 percent in 2023. The deterioration is broad-based and per-capita income growth is forecasted to be slower than it was before the pandemic. As a result, fiscal space has narrowed considerably with concerns over debt sustainability in many countries, which has been further aggravated by global financial conditions.

Nonetheless, in Bhutan under the dynamic leadership of His Majesty The King, the Government ensured minimal adverse impact from the pandemic. Through the effective implementation of the COVID-19 containment measures coupled with livelihood support and interest waivers on loans through the Druk Gyalpo's Relief Kidu (DGRK), Bhutan became one of the first countries in the world to overcome the pandemic. In addition, the implementation of phase-wise fiscal and monetary measures helped in the sustenance of livelihood and stability of businesses in the economy.

As the economy gradually recovers post pandemic, it remains susceptible to external shocks such as rising interest rates, inflationary pressure and geo-political conflicts. These disruptions coupled with internal imbalances pose risks to macroeconomic stability, which calls for appropriate policy interventions and fiscal consolidation. This would entail effective resource mobilization, implementing prudent investment and expenditure mechanisms to achieve fiscal sustainability. Therefore, the theme for the FY 2023-24 Budget is ***‘Building stronger institutions through strategic reforms while ensuring a sustainable fiscal path and smooth transition’***.

The Budget for FY 2023-24 has been formulated for the entire fiscal year considering the need to ensure smooth transition and continuation of developmental activities during the FY. The past trends suggest that in absence of Government funded development activities during the plan transition, the GDP dipped as low as 2 percent. Despite the looming macroeconomic uncertainties and fiscal challenges, the proposed budget (current and capital allocation) of Nu.74,861.6 million is almost 97 percent of the total revised Budget for FY 2022-23 which stands at Nu.76,990.3 million. This is expected to ensure better transition between the plan periods while critical and mandatory national priority activities are sustained.

In accordance with the provisions of the Public Finance Act, the Budget has been formulated based on the Budget Policy and Fiscal Framework Statement (BPFFS) and resource envelope determined by the Macroeconomic Framework Coordination Committee (MFCC). The Budget Report accordingly presents the economic overview, broad fiscal policies, budget policy and fiscal framework statement, budget allocation for the FY 2023-24, public debt situation, fiscal risks, and update on the financial position of the public sector institutions and investments.

As required by the Royal Monetary Authority Act 2010, the budget estimate for the FY 2023-24 has been vetted by the RMA with regard to the level of domestic borrowing and its impact on the external sector.

Along with the Budget Report for FY 2023-24, the Budget Appropriation Bill for FY 2023-24 and Supplementary Budget Appropriation Bill for FY 2022-23 are submitted to the House for consideration.

Chapter 1 : Economic Performance and Outlook

1.1 Overview:

The global economy showed signs of recovery largely driven by robust consumer spending and investment, trade performance surpassing pre-pandemic level, stimulating effects of fiscal and monetary measures, and easing of supply-side constraints. The global output is estimated to rise steadily and will gradually converge to its long-term trend of 3 percent. Global headline inflation surge, however, is expected to remain moderate with food and energy prices stabilizing, and as labour shortages dissipate.

The emerging and developing economies continued to gain momentum amid contained infections and higher mobility, robust remittance inflows and supportive policy stances. The recovery, however, is still fragile, uneven and subject to uncertainties and downside risks. The lagging labour market, weaker export demand, prolonged supply-side challenges, and rising concerns around financial instability constricts growth prospects.

The domestic economy in tandem with global and regional macroeconomic uncertainties is anticipated to have a marginal growth in output. However, it will be restrained by surging prices of food and non-food commodities, the exodus of skilled workers seeking better job opportunities abroad, and challenging external sector performance (balance of payment).

1.2 Global and Regional Situation:

The global economy experienced a sequence of significant and interrelated shocks which had a widespread ripple effect across various sectors. While the pandemic receded in many areas, the ongoing geopolitical conflict continues to prolong socio-economic crisis. These shocks combined with expansionary fiscal policy undertaken by Governments during and post pandemic resulted in soaring inflation, which promoted aggressive monetary tightening by major developed economies thereby hiking the interest rates. It had a global spillover effect, triggering capital flight, currency depreciations and increasing balance of payment pressures in many of the developing economies, while eroding consumer confidence and weakened investment activities.

Against this backdrop, global output decelerated to 3.4 percent in 2022 compared to 6.3 percent in 2021. In parallel, the forces which shaped the global economy in 2022 will continue to set in this year but with changed intensities. While there is moderation in global headline inflation, the risks firmly remain on the downside with the increased uncertainty resulting from the recent financial sector turmoil. With this, the global economy is expected to experience a slower growth of 2.8 percent in 2023 before rising to 3 percent in 2024 as per the IMF.

For Emerging and Developing Asia, economic recovery remains fragile, although average growth is stronger compared to other regions. For 2023, growth of 5.3 percent is estimated compared to 4.4 percent in 2022, reflecting the modest recovery of growth in China and the Indian economy to sustain a stronger growth. India is estimated to grow at 5.9 percent in 2023, slower than 8 percent in 2021 albeit higher interest rates weighing on investment and slower global growth weakening exports (World Economic Outlook, IMF, April 2023).

1.3 Domestic Growth and Outlook:

Economic growth rebounded moderately in 2021 buoyed by expansionary fiscal policy, monetary support and progressive relaxation of containment measures. Economy exhibited a growth of 4.1 percent in 2021, an increase of 14.1 percentage points compared to the contraction of 10.1 percent in 2020. The growth was driven by improvement in all the sectors on account of strong domestic demand and in tandem with global economic recovery.

With the opening up of borders and normalization of economic activities, it aided in the revival of retail trade, transport and communication. Service sector grew at 6.3 percent in 2021, contributing the most to the overall economic growth. Similarly, industry sector output increased to 2 percent with improved manufacturing production and construction activities. However, agriculture sector growth decelerated to 2.1 percent compared to 4.6 percent in 2020 attributable to unfavorable monsoon.

On the demand side, the major contributor to growth was consumption which increased by 32 percent reversing a negative 5 percent decline in 2020. Increase in total consumption reflects the release of pent-up domestic demand following the ease of pandemic restrictions. Subsequently, gross fixed capital

formation increased by 7.6 percent supported by increased Government investment to stimulate revival of the economy.

Figure 1.1 Growth Performance & Outlook

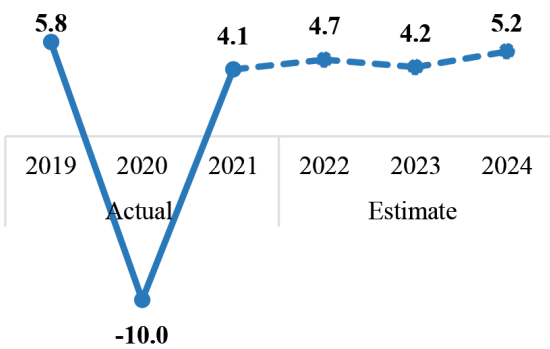


Table 1.1 Sectoral Update

Percent Change (%)	2021	2022	2023	2024
	Act.	Est.	Proj.	
GDP Growth	4.1	4.7	4.2	5.2
Agriculture	2.1	1.1	3.9	3.9
Industry	2.0	3.4	1.6	3.7
Services	6.3	5.6	5.9	6.4
Net Taxes	2.7	22.5	10.7	7.5

The economy is poised for a gradual recovery buoyed by stronger domestic demand, continued fiscal and monetary relief measures, opening up of borders, and normalization of economic activities. As such, the economic growth is estimated at 4.7 percent in 2022. A broad-based recovery was evident across all the sub-sectors with significant growth in the service sector at 5.6 percent, followed by growth in the industrial sector at 3.4 percent and agriculture sector at 1.1 percent.

On the expenditure side, growth is estimated to be led by the upsurge of consumer demand along with significant increase in imports. Gross capital formation (investment) is also estimated to have increased, indicating a targeted scale up in public infrastructure projects to support economic revival and expansion. Overall consumption in 2022 is estimated to increase by 14.7

percent and investment by 11.9 percent, contributing 36.5 percent to the GDP. Going forward, although public consumption is projected to grow by 5.6 percent in 2023 and 5 percent in 2024, the Government's fixed capital investment may decline as capital allocation would be mainly concentrated for critical and on-going projects during the plan transition phase.

Figure 1.2 Contribution to Growth (%)

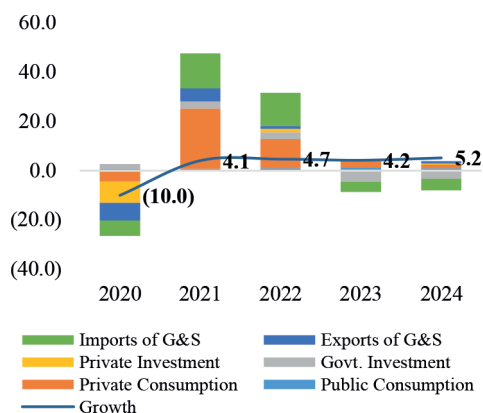


Table 1.2 GDP Estimates by Expenditure Side

Percentage Change (%)	2021	2022	2023	2024
	Act.	Est.	Proj.	
Public Consumption	3.6	5.3	5.6	5.0
Private Consumption	43.5	17.4	3.5	1.8
Govt. Investment	25.1	23.3	(32.6)	(37.5)
Private Investment	0.6	6.2	3.0	2.5
Exports of Goods & Services	16.9	3.7	0.2	2.9
Imports of Goods & Services	28.5	25.2	(6.6)	(8.2)
GDP Growth	4.1	4.7	4.2	5.2

Over the medium-term, economic growth will follow a positive trajectory supported by multiple structural changes including commissioning of various hydropower projects - Nikachhu hydro power (December 2023), and Punatsangchhu Hydropower project - II (December 2024). With the tourism sector on its path to recovery, both international and regional arrivals are expected to increase, contributing positively to the economic growth. With this, the economy is projected to grow at 4.2 percent in 2023 before rising to 5.2

percent in 2024. However, risk to outlook remains on a downside with global economic slowdown or a slowdown in India, including possible emergence of new pandemic waves. Domestic risks include prolonged financial sector strains amid limited fiscal space and delays in hydro projects, which would affect growth prospects.

1.3.1 Sectoral Performance and Outlook:

Agriculture Sector:

The agriculture sector is prioritized to achieve long-term goals for food self-sufficiency, nutritional security and income generation. Market-related interventions and policies to enhance agricultural output are continually pursued to support the growth in the sector.

As the sector is susceptible to climate related vulnerabilities and also suffers from low productivity, the agriculture sector growth is expected to decline from 2.1 percent in 2021 to 1.1 percent in 2022. As such, consolidated investments broadly focusing on building climate resilient infrastructure, capacity development and technology adoption should be pursued to boost productivity and sustain the growth in the sector.

Industry Sector:

In 2021, the recovery in the industry sector was largely driven by construction activities contributing 2.4 percent to the overall industrial growth. Growth in mining and quarry, and manufacturing sector also improved, consequently increasing the industrial growth by 2 percent in 2021 after an all-time low of -12.8 percent in 2020. The output from the electricity sector remained subdued in 2021, owing to decrease in energy generation and increase in domestic consumption.

Industry sector is estimated to grow at 3.4 percent in 2022, contributing 31.3 percent to the overall GDP on the account of broad-based improvement in all the sub-sectors. Manufacturing production will further improve, buoyed by the government's counter-cyclical programs and monetary relief measures, and it is estimated to grow at 4 percent. In the medium-term, growth of the industrial sector will be underpinned by the electricity sector as a result of greater hydropower generation with the commissioning of new hydro power plants.

Service Sector:

The service sector grew at 6.3 percent in 2021 reversing the contraction of 6.9 percent in 2020. Service sector continued to be the largest contributor to the growth with the revival in wholesale and retail trade which grew at 7.3 percent, and transport, storage and communication growth rate at 16.2 percent in 2021.

With gradual recovery in the global tourism industry supplemented by tourism promotion programs and initiatives, tourist arrival in 2023 is expected to increase as compared to 2022. This will have a positive ripple effect across the allied sectors and thus the service sector output is estimated to grow at 5.6 percent and 5.9 percent in 2022 and 2023, respectively.

Table 1.3 Sectoral Growth and Share (in %)

Percentage Change (%)	2020	2021	2022	2023	2024
	<i>Act.</i>		<i>Est.</i>	<i>Proj.</i>	
Agriculture, livestock, and forestry	4.6	2.1	1.1	3.9	3.9
Crops	5.1	2.4	0.5	5.1	4.9
Livestock production	4.6	1.8	2.0	4.2	4.4
Forestry and logging	3.3	1.7	1.0	0.2	0.3
Industry	(12.8)	2.0	3.4	1.6	3.7
Mining and quarrying	(80.4)	28.3	1.2	5.3	5.0
Manufacturing	(20.8)	2.7	4.0	3.2	8.1
Electricity and water	25.4	(3.7)	0.7	5.5	6.5
Construction	(20.6)	8.8	7.8	(5.9)	(4.3)
Services	(6.9)	6.3	5.6	5.9	6.4
Wholesale and retail trade	(7.0)	7.3	9.1	8.5	5.0
Hotel and restaurant	(73.5)	4.4	35.0	48.0	87.2
Transport, storage and communications	(14.7)	16.2	7.7	8.1	8.0
Financing, insurance and real estate	(9.2)	(1.5)	3.6	3.6	4.1
Community, social & personal services (govt)	2.7	1.0	0.8	1.1	1.1

Percentage Change (%)	2020	2021	2022	2023	2024
	<i>Act.</i>		<i>Est.</i>	<i>Proj.</i>	
Private social & recreational services	4.4	5.4	6.7	3.9	4.4
Share to GDP (in %)					
Agriculture, livestock, and forestry	19.2	19.6	20.0	20.2	20.3
Crops	10.8	11.2	11.6	11.8	11.9
Livestock production	5.7	5.9	6.0	6.1	6.3
Forestry and logging	2.6	2.5	2.4	2.3	2.1
Industry	34.7	33.0	31.3	30.6	29.8
Mining and quarrying	1.6	2.0	1.9	1.9	1.9
Manufacturing	5.9	5.9	5.9	5.8	5.9
Electricity and water	17.7	15.3	13.5	14.0	14.2
Construction	9.5	9.8	10.0	8.8	7.8
Services	43.5	44.7	45.6	46.0	46.6
Wholesale and retail trade	10.4	11.1	11.8	12.4	12.3
Hotel and restaurant	0.8	0.9	1.1	1.7	3.0
Transport, storage and communications	8.7	9.6	9.8	9.9	9.9
Financing, insurance and real estate	7.7	7.5	7.5	7.5	7.4
Community, social & personal services (govt)	15.6	15.4	15.0	14.4	13.7
Private social & recreational services	0.3	0.3	0.3	0.3	0.3
GDP Growth	(10.0)	4.1	4.7	4.2	5.2

1.3.2 Per Capita Income:

The GDP per capita, which is a measure of living standard, prosperity and overall well-being of a country, increased from USD 3,104.3 in 2020 to USD 3,358.5 in 2021. It registered an increase of 8.2 percent reflecting a growth in the economic output resulting in higher levels of household consumption. However, with the depreciation of Ngultrum against USD, the GDP per capita will be USD 3,230.1 in 2022. Likewise, Gross National Income (GNI) per capita is estimated to decline from USD 3,152.7 in 2021 to USD 3,034.3 in 2022.

1.3.3 Inflation:

Overall inflation in FY 2021-22 decreased by 2.3 percentage points compared to FY 2020-21 and stood at 5.9 percent. The decline in the rate of inflation was on account of a lower rate of increase in food prices. The increase in food prices remained subdued with easing of supply chain disruption, contributing only 40 percent to the overall inflation. Hike in non-food prices as a result of higher global prices was the main driver of the inflation contributing around 60 percent to the overall increase in inflation.

Figure 1.3 CPI Monthly Inflation Trend (YoY %)

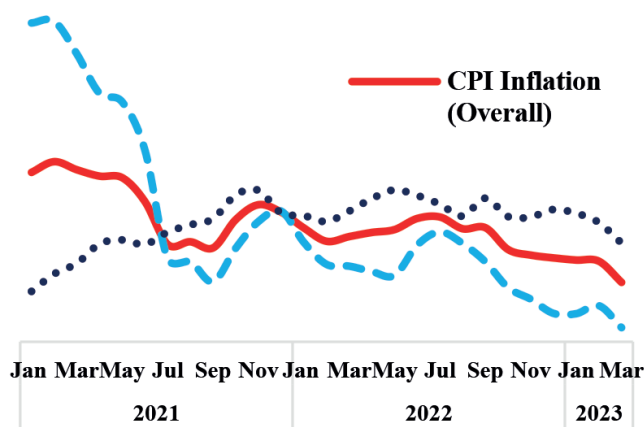
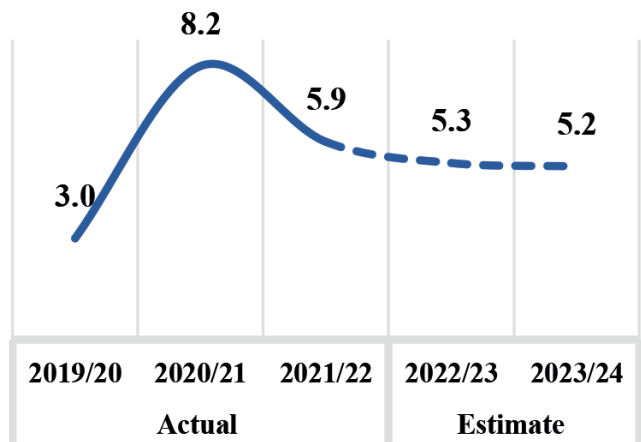


Figure 1.4 Inflation Forecast (% change)

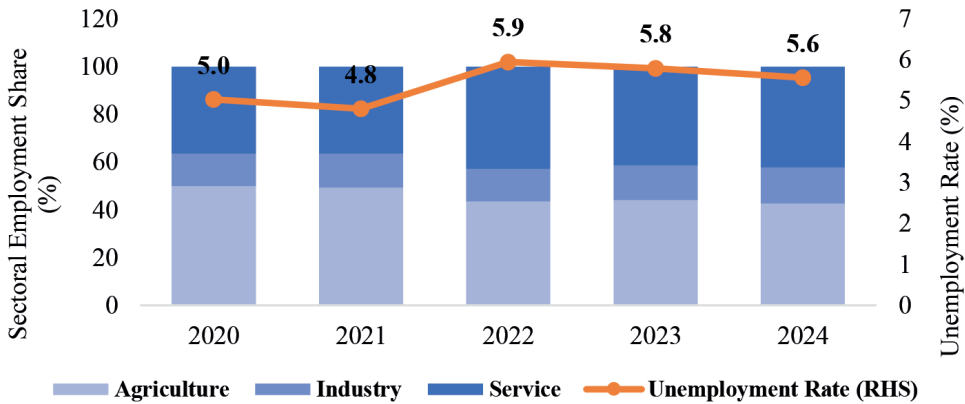


In terms of monthly inflation, it depicts a downward trend with dissipation of import price pressures from previously rising commodity prices. As of March 2023, overall inflation stood at 3.2 percent, which is a decline of 2.4 percentage points compared to the same month last year. In the medium-term, inflation is expected to decelerate as the prices of both food and non-food commodities moderate. However, any worsening of the geopolitical situation will weigh on inflationary pressure going forward.

1.3.4 Employment:

The economic downturn propelled unprecedented levels of unemployment since the pandemic aggravated the pre-existing unemployment situation. As per the Labour Force Survey Report 2022, unemployment rate rose to 5.9 percent, an increase of 1.1 percentage point compared to 4.8 percent in 2021. The increase is attributable to a greater number of people entering the job market, mis-match of skills, and scarcity of work opportunities. Similarly, the youth unemployment rate increased to 28.6 percent in 2022 compared to 20.9 percent in 2021.

Figure 1.5 Sectoral Employment Share and Unemployment Rate



In the medium-term, the unemployment situation is likely to improve with the implementation of various skilling programs initiated under the Desuung Skilling Program, National Service (Gyalsung) and various other programs. Further, with the current trend of migration for better opportunities abroad, the unemployment situation could improve, particularly youth unemployment.

1.3.5 Monetary and Credit:

In tandem with economic recovery supported by accommodative monetary and expansionary fiscal policies, the monetary and credit situation remained favorable. Money supply (M2), measured by broad money, recorded a modest growth of 9.4 percent in FY 2021-22 compared to 24.4 percent growth in FY 2020-21. The growth in the money supply was on account of increase in aggregate deposits. Total deposits which constituted 94.6 percent of the money supply components grew by 10.8 percent amounting to Nu.186,714.7 million in FY 2021-22. However, net foreign assets fell by 1 percent with decline in the reserves as a result of deterioration in balance of payment performance. The money supply is estimated to increase by 9.7 percent in the current FY and by 12.2 percent in the next FY.

Table 1.4 Monetary Aggregates

% Change (YoY)	2020/21	2021/22	2022/23	2023/24	2024/25
	Act.		Proj.		
Broad Money (M2)	24.4	9.4	9.7	12.2	12.7
Net Foreign Asset	17.2	(1.0)	37.4	19.3	23.5
Domestic Credit	30.8	22.2	(16.9)	0.5	(8.0)
Credit to Private Sector	6.9	10.6	(9.2)	(1.8)	5.0
% of GDP					
Broad Money (M2)	101.6	104.6	106.9	110.6	112.9
Net Foreign Assets	55.5	51.7	66.2	72.9	81.5
Domestic Credit	46.0	52.9	41.0	38.0	31.7
Credit to Private Sector	71.1	74.0	62.6	56.6	53.9
Money Multiplier (M2/M0)	2.9	3.6	4.0	5.2	5.1

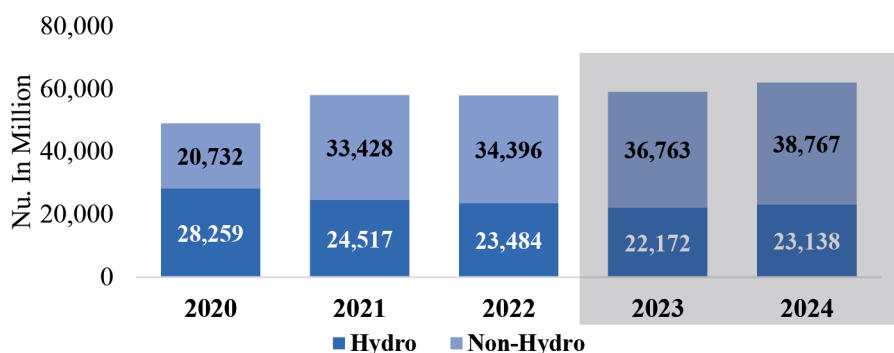
The domestic credit witnessed a growth of 8.6 percent in the FY 2021-22 due to relaxation of various prudential regulations in-terms of extension of loan tenure, enhancement of Loan-to-Value (LTV) and reduction of Loan-to-Income (LTI). The credit growth was mostly accentuated in the construction and service & tourism sectors which accounted for 27.6 percent and 25.5 percent respectively, reflecting growth in the tertiary sector and public spending. Going forward, domestic credit is projected to grow at 10.2 percent

in FY 2022-23 and 10 percent in FY 2023-24. The banking liquidity at the end of FY 2021-22 stood at Nu.24,445.5 million compared to Nu.32,225.7 million in the previous FY. The reduction was mainly on account of economic activities picking up and gradual fall in term deposits. For FY 2022-23, the overall liquidity position is estimated to fall to Nu.16,307.1 million due to the central bank mandating the financial institutions to maintain more buffers with the revision of Cash Reserve Ratio (CRR) from 7 percent to 8 percent starting October 2022.

1.4 External Sector:

On the external front, heightened vulnerability is evident with the widening of current account balance (CAB) by more than three-folds in FY 2021-22. With the deterioration of the trade deficit from 7 percent of GDP in FY 2020-21 to 24.5 percent of GDP in FY 2021-22, it has resulted in significant widening of the current account deficit to 33.9 percent of GDP in FY 2021-22. As the economy relies heavily on imports and with the pent-up demand during the pandemic, merchandise imports have soared with no sign of slowing down.

Figure 1.6 Export (Hydro vs Non-hydro)

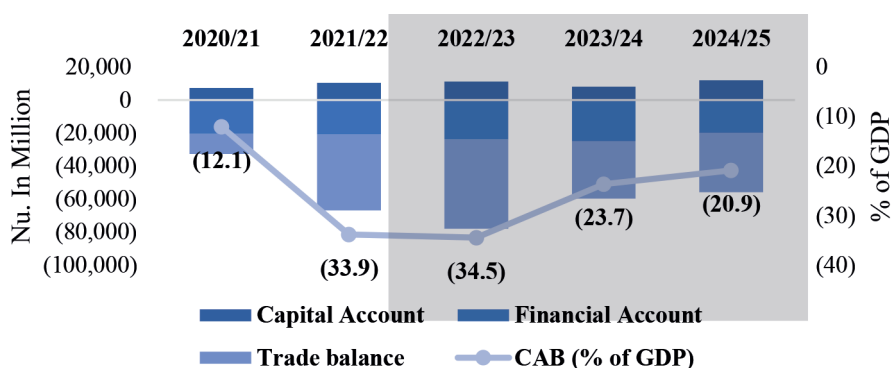


Overall merchandise imports in 2022 was recorded at Nu.118,792.3 million, an increase of 31.6 percent compared to 2021 while overall exports declined marginally by 0.1 percent amounting to Nu.57,879.9 million. The decrease in exports was due to lower hydropower export revenue from Nu.24,517.5 million in 2021 to Nu.23,484.2 million in 2022, depicting a decline of 4.2 percent. With the increasing power demand and plans for the establishment of new power-intensive industries being pursued, the internal consumption

is expected to increase. The commissioning of new hydro and solar power projects is expected to offset the impact of increased domestic demand.

For FY 2022-23, the current account deficit is expected to widen further to 34.5 percent of GDP mainly driven by significant increase in trade deficit. Trade deficit is estimated to increase to Nu.54,220.3 million in FY 2022-23 compared to Nu.46,270.7 million in previous FY. In the medium-term, the current account deficit will moderate, mainly due to decline in imports as hydro related imports will decline gradually after the completion of projects.

Figure 1.7 Balance of Payments



The export is estimated to grow at an average of 8.3 percent in the next five-years while imports will sustain a growth rate of 1.9 percent. Overall export is estimated to grow attributable to increase in the hydro power export revenue with the expected commissioning of Nikachhu hydro power in December 2023 and PHPA-II in December 2024.

1.5 Reserve Position:

Gross international reserves at the end of FY 2021-22 stood at USD 833 million, sufficient to cover 15 months of essential imports. However, over time, with the widening of the current account deficit and lower financial inflows, there was drawdown on reserves. The reserve position for FY 2022-23 is estimated at USD 689 million adequate to cover 14 months of essential imports.

In the medium-term, with the moderation in imports and implementation of export promotion efforts, the reserve position is expected to improve.

1.6 Risk and Challenges:

Downside risks to the outlook will continue to persist emanating from both external and domestic environments. Some of the possible risks and challenges based on the current update are listed below:

1.6.1. External risk:

Financial sector volatility: With the US Federal Reserve raising interest rate to an all-time high over the past decade to ease inflation post pandemic and the relatively weaker position of banking institutions during the COVID-19 pandemic combined with several other factors have contributed to financial sector instability. Furthermore, as countries globally undertake expansionary fiscal policies to ease the burden of the pandemic by undertaking more debt, including Bhutan, they become more vulnerable to shocks. Thus, should financial sector instability turn into a global financial crisis, it could dampen emerging economies and low-income countries.

Pandemic: While the World Health Organization has declared an end to COVID-19 as a global health emergency, the threats from COVID-19 as well as emergence of new viruses still continues. Disruptions arising from such threats could be detrimental to the economic growth and progress of the country.

Commodity shock: The slow post-pandemic recovery, trade war and the deteriorating geopolitical environment impacted the price of commodities, especially food and energy. While there has been moderation in the food and energy prices recently, with the above constraints still active, supply shock still remains a risk.

1.6.2. Internal risk:

Current account deficit: The widening of the current account deficit will continue to put a strain on the overall reserve, potentially leading to increased vulnerability to external shocks. With the pent-up demand and abrupt increase in economic activity, imports substantially increased and remain high as per the recent trade data. Import substitution and export promotion measures need to be stepped up to address the challenging balance of payment situation.

Inflation: Inflationary pressure is expected to persist in the short to medium term caused by the wider supply chain disruptions. Any escalation in geopolitical situations, adverse climate conditions, and movement in global commodity prices could exert pressure and amplify domestic inflation.

Gauging at both global and domestic outlook, the economy is expected to experience modest growth, while facing a range of risks and challenges. Nevertheless, the structural reforms in the economy as well as the transformation of the public sector are expected to produce positive results in the medium-term to long-term despite these risks and challenges.

Chapter 2: Fiscal Policy

2.1 Overview:

The Government's fiscal response to the impacts from the pandemic has been expansionary in terms of its scale and scope. While it has been successful in mitigating the economic impact of the pandemic, it has also resulted in a substantial increase in public debt and a weakened fiscal position. Nonetheless, the fiscal policy undertaken in the previous years had a positive fiscal multiplier effect on the overall economy, recovering the economic growth rate back to pre-pandemic level in FY 2021-22.

As the country embarks on a journey towards achieving a developed Bhutan status, it is essential to strengthen our democracy and promote reforms that can pave the way for a more prosperous future. Therefore, the theme for FY 2023-24 Budget is ***'Building stronger institutions through strategic reforms while ensuring a sustainable fiscal path and smooth transition'***. This budget aims to allocate resources strategically towards ensuring smooth transition while also considering fiscal consolidation.

2.2 Fiscal Policy Statement:

The fiscal policy statement for FY 2023-24 aims to achieve sustainable development by maintaining a sound fiscal position and investing in the future of Bhutan. The Government is committed to maintaining a sustainable fiscal path through effective public finance management, while ensuring that its policies promote macroeconomic stability and long-term economic growth.

To support the fiscal policy statement, the Government shall make necessary fiscal consolidation by focusing on revenue mobilization and ensuring prudent public expenditure. There will be greater focus on expenditure rationalization while ensuring that investments are scrutinized to ensure returns on investments.

2.3 Fiscal Policy Targets FY 2023-24:

The fiscal policy targets for FY 2023-24 shall aim to maintain fiscal responsibility by keeping the fiscal deficit within the manageable limits and

maintaining sustainable levels of public debt. Therefore, the FY 2023-24 budget aims to fulfill the fiscal objectives by setting the following fiscal targets:

- a) Contain fiscal deficit at 7 percent of GDP;
- b) Tax to GDP ratio of at least 15 percent;
- c) Recurrent expenditure to be covered by domestic revenue; and
- d) Non-hydro external debt maintained below 35% of GDP on an average of five years.

2.3.1 Fiscal Reforms

- Towards enhancing resource mobilization and strengthening revenue administration, tax policies are being reviewed to implement a robust and modernized system for taxation of income, which supports economic growth, progress and prosperity through improved efficiency and effectiveness. It is also expected to reduce tax evasion and fraud, increase compliance, and enhance the Government's revenue collection.
- Property taxes are a major source of revenue for states and municipal governments in other countries, which is still under-tapped in Bhutan. The earlier taxation system had been in place for almost three decades. Therefore, in recognition of the urgent need to focus on bringing in equity and sustain local development activities, the property tax has been revised through the Property Tax Act of Bhutan 2022.
- To ease the shortage of foreign currency reserves while promoting the local priority sectors, which have the potential to substitute imports, further amendments to the Customs Duty, Sales Tax and Green Tax rates are being undertaken. The revision is expected to address inflationary pressure on food prices and to ensure food and nutrition security through the reduction of taxes on essential food items.
- Considering the foreign currency reserve situation of the country, a moratorium on import of vehicles was imposed w.e.f. 18th August 2022 and extended by another six months from 18th February 2023 to 18th August 2023 with some relaxation.

2.4 Fiscal Performance:

2.4.1 Fiscal Year 2021-22: Performance:

As per the Audited Annual Financial Statement for the Fiscal Year 2021-22, the original budget was Nu.73,919.3 million, whereas the estimated resource was Nu.56,765.6 million. This resulted in a fiscal deficit of Nu.17,153.7 million and a financing gap of Nu.13,623.3 million. During the FY, the expenditure was revised to Nu.78,153.6 million and the resources were revised to Nu.61,260.7 million, resulting in a revised fiscal deficit of Nu.16,892.8 million and a financing gap of Nu.13,041.3 million.

Table 2.1: Fiscal Performance for the FY 2021-22

Nu.in million

Sl. No.	Particulars	Nu. in million			% Variance		
		Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
A	Resources	56,765.582	61,260.740	54,354.617	7.9	-11.3	-4.3
1	Domestic Revenue	35,600.000	35,600.000	39,043.073	-	9.7	9.7
2	Other Receipts	640.271	647.994	1,728.035	1.2	166.7	169.9
3	Grants	20,525.311	25,012.746	13,583.509	21.9	-45.7	-33.8
B	Total Expenditure	73,919.335	78,153.559	69,156.613	5.7	-11.5	-6.4
1	Current	35,598.664	35,073.045	34,444.717	-1.5	-1.8	-3.2
2	Capital	38,320.671	43,080.514	34,711.896	12.4	-19.4	-9.4
C	Advance/ Suspense (Net)	-	-	229.958	-	-	-
D	Fiscal Balance A	-17,153.753	-16,892.819	-15,031.954	-1.5	-11	-12.4
E	Financing	17,153.753	16,892.819	15,031.954	-1.5	-11	-12.4
1	Net External Borrowings	444.822	843.454	4,086.726	89.6	384.5	818.7
2	Net Internal borrowings Surplus/Deficit	13,623.345	13,041.349	8,491.067	-4.3	-34.9	-37.7
3	Net Lending	3,085.586	3,008.016	3,677.617	-2.5	22.3	19.2
4	Less: Change in Balance	-	-	1,223.456	-	-	-

Source: AFS 2021-22

At the close of the FY, the total actual expenditure reported including advances was Nu.69,386.6 million, compared to the total resources realization of Nu.54,354.6 million resulting in a fiscal deficit of Nu.15,031.9 million. Net external borrowing during the year was Nu.4,086.7 million (*borrowing Nu.9,520.8 million less repayments Nu.5,434.1 million*) and net internal borrowing was Nu.8,491.1 million, which was approximately 4.4% of GDP. The resource gap was financed through the issuance of long-term Bonds and Treasury Bills (T-Bills). The principal amount of T-Bills outstanding at the end of the FY was Nu.15,488.5 million.

2.4.2 Fiscal Year 2022-23: Revised Budget:

The resource for the FY has been revised to Nu.61,068.2 million from Nu.51,925.7 million, an increase of 17.6 percent from the approved budget. The increase in the resources is due to broad based improvement in tax collection and higher surplus transfer from the MHP (Mangdechhu Hydropower Project) amounting to Nu.4,464.4 million as compared to initial budget estimate of Nu.2,395.4 million.

Similarly, the external grants have been revised by Nu.4,225.7 million due to additional incorporations based on the commitment from the development partners.

The total budget (excluding Lending and Repayments) has been revised by Nu.2,182.4 million corresponding to 2.9 percent increase mainly on account of increase in capital expenditure by 5.4 percent.

Table 2.2: Revised Budget Summary for FY 2022-23 as of 30th April 2023

Nu. in million

Sl. No.	Particulars	Approved Budget	Revised Budget
A	RESOURCES	51,925.754	61,068.214
1	Domestic Revenue	36,368.270	40,829.224
2	Other Receipts (Net)	685.363	1,141.152
3	Grants	14,872.121	19,097.838
B	Total Expenditure	74,807.887	76,990.264
1	Current Expenditure	36,340.942	36,447.177
2	Capital Expenditure	38,466.945	40,543.087

Sl. No.	Particulars	Approved Budget	Revised Budget
C	Fiscal Balance	-22,882.133	-15,922.050
D	Financing	22,882.133	15,922.050
1	Net Lending	2,795.729	3674.081
2	Net External Borrowings	270.006	4,137.776
3	Net Domestic Borrowings	20,356.410	8,110.193
	Fiscal Balance % of GDP	-11.2%	-7.9%

The revised fiscal deficit for FY 2022-23 is estimated at 7.9 percent of GDP on account of improvement in revenue performance and expenditure rationalization. However, as per the macroeconomic framework, the fiscal deficit is expected to be lower than 7 percent of GDP based on the past utilization trend in the capital budget.

2.5 Fiscal Outlook: FY 2023-24:

Fiscal policy has become increasingly critical in macroeconomic stabilization, particularly in response to the COVID-19 pandemic. Stimulus packages provided a lifeline to vulnerable households and firms, mitigating the impact of business shutdowns and employment losses. These measures have had a significant impact on our fiscal space and spending capacities. As the economy undergoes a recovery phase following the pandemic-induced downturn, there are significant challenges in maintaining a sustainable fiscal path while simultaneously implementing vital policy responses.

The fiscal forecast for the FY 2023-24 is designed to promote economic recovery while ensuring a sustainable fiscal stance. This objective is being achieved through prudent spending in key sectors and expenditure rationalization that aligns with reform initiatives.

Total resource estimate for FY 2023-24 is Nu.53,513.2 million of which domestic revenue comprises 86.4 percent and 13.6 percent from the grants. The domestic revenue is projected to grow by 13.3 percent with the broadening of tax base and better performance anticipated in tandem with economic growth. As the 13th Five Year Plan is under formulation and commitment from the development partners are yet to be confirmed, the grants estimate for the FY 2023-24 is lower and includes only those that have been committed

to be disbursed. However, inflow of additional grants during the FY will be incorporated as supplementary incorporation.

Total expenditure for the FY 2023-24 is estimated at Nu.74,861.6 million which is 34.1 percent of GDP. From the total expenditure, Nu.45,545.9 million is allocated for recurrent expenditure and Nu.29,315.7 million for capital expenditure.

As a result of increased expenditure over resources, the fiscal deficit is estimated at Nu.21,348.4 million which is 9.7 percent of GDP. The fiscal deficit will be financed through concessional external borrowings and the balance would be raised from the domestic market.

Table 2.3: Fiscal Outlook for FY 2023-24

Nu.in million

Sl. No	Particular	FY 2023-24 Estimates
A	Resources	53,513.242
1	Domestic Revenue	46,245.776
2	Other Receipts	900.064
3	Grants	6,367.402
B	Total Expenditure	74,861.615
1	Recurrent Expenditure	45,545.947
2	Capital Expenditure	29,315.668
C	Fiscal Balance	(21,348.373)
D	Financing	21,348.373
1	Net lending	2,596.467
2	Net External Borrowings	2,202.729
3	Net Domestic Borrowings	16,549.177
E	Fiscal Balance % of GDP	(9.7)

2.6 Budget Policy and Fiscal Framework Statement (BPFFS):

The Budget Policy and Fiscal Framework Statement (BPFFS) provides a comprehensive overview of the government's macroeconomic objectives, revenue and expenditure projections, fiscal policy stance, and debt management

strategy. It serves as a critical tool for policymakers to make informed decisions on budget allocation, revenue generation, and expenditure management to achieve macroeconomic stability and growth.

The BPFES promotes transparency and accountability in fiscal management by outlining the Government's fiscal plans and objectives to the public. The BPFES for the FY 2023-24 gives retrospective analysis of the macro-fiscal outcomes of the past two fiscal years, revised estimates for the current fiscal year, and projections for the next two fiscal years. This information enables policymakers to assess the effectiveness of previous fiscal policies and to plan for future fiscal policies towards achieving the desired macroeconomic outcomes.

The BPFES for FY 2023-24 holds significant importance as it coincides with the conclusion of the 12th Five-Year Plan (FYP) and precedes the commencement of the 13th FYP. This juncture calls for a reassessment and reconfiguration of the fiscal policy to ensure the attainment of macroeconomic goals.

As per the revised estimates, the fiscal deficit at the end of the 12th FYP stands at Nu.48,222.6 million, equivalent to 5.1 percent of GDP. This represents a significant increase from the initial fiscal deficit projections of Nu.29,243.4 million, which accounts for 2.4 percent of GDP. The widening of the deficit is due to decreased domestic revenue on account of delayed hydropower commissioning and economic downturn, while the increased expenditure was towards mitigating the negative impact of the COVID-19 pandemic.

Table 2.4: Budget Policy and Fiscal Framework Statement

Nu.in million

Particular	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	Actual		Estimates	Projection	
Total Resources	59,696	54,355	61,068	53,513	69,448
1. Domestic Revenue	35,855	39,043	40,829	46,246	51,214
2. Other Receipts	8,958	1,728	1,141	412	-
3. Grants	14,882	13,584	19,098	6,855	18,234
Total Outlay	70,836	69,387	76,990	74,862	70,893
1. Recurrent Expenditure	43,516	34,445	36,447	45,546	46,622

Particular	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
	Actual		Estimates	Projection	
2. Capital	27,576	34,712	40,543	29,316	24,271
3. Advance/Suspense (Net)	(256)	230	-	-	-
Overall Balance	(11,140)	(15,032)	(15,922)	(21,348)	(1,445)
Financing	11,140	15,032	15,922	21,348	1,445
Net Lending	746	3,678	3,674	2,596	3,364
Net External borrowings	1,487	4,087	4,138	2,203	(3,207)
Net Internal borrowings	8,907	7,268	8,110	16,549	1,288
Fiscal Balance % of GDP	(6.3)	(7.9)	(7.9)	(9.7)	(0.6)

For a sustainable fiscal path and debt management, the medium-term outlook is based on a gradual fiscal consolidation to ensure macroeconomic stability and resilience for a developed economy. While the fiscal deficit in the next FY 2023-24 is elevated at 9.7 percent of GDP, the target in the medium-term coinciding with the next five year plan should be contained within 5 percent of GDP to avoid macroeconomic imbalances.

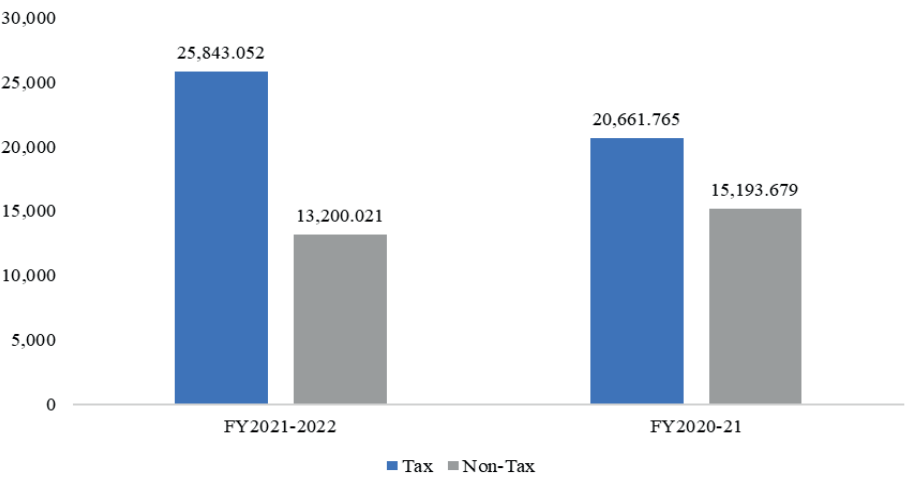
Chapter 3 : Resource Performance and Outlook

3.1 Resource Performance in FY 2021-22:

The total resource for FY 2021-22 was Nu.54,354.6 million, a decrease of 8.9 percent as compared to the previous FY. Of the total resources, 71.8 percent was domestic revenue and the remaining from grants and other receipts. During the FY, the Government received external grants of Nu.13,583.5 million, which is a decrease of 8.7 percent from the previous FY.

The domestic revenue realized during the FY 2021-22 was Nu.39,043.1 million, constituting 20.7 percent of the GDP. The domestic revenue increased by 8.9 percent compared to the previous FY, which was able to finance about 13.2 percent of the capital expenditure after meeting the entire recurrent expenditure of Nu.34,444.7 million.

Figure 3.1: Comparative tax and non-tax revenue



Tax revenue collected during the FY 2021-22 was Nu.25,843.1 million, recording an increase of 25.1 percent as compared to the previous FY. The main contributions were from Corporate Income Tax (CIT), Business Income Tax (BIT) and Personal Income Tax (PIT) registering an increase of 39 percent, 20.4 percent and 43.6 percent respectively.

The increase in CIT was attributed mainly to good performance of ferrosilicon businesses and telecommunication companies. The higher profit margin of the businesses under trading units was the main reason for the increase in the collection of the BIT. The increase in PIT collection was due to enhanced monitoring as well as the impact of the interest payment support.

The sales tax collected during the FY was Nu.5,608.7 million, an increase of 36.4 percent as compared to the last FY. The increase was mainly from goods and commodities, petroleum products, hotels and restaurants. Further, there was an additional revenue collection from tobacco products. The green tax collection for the FY 2021-22 was Nu.992.9 million, with an increase of 67.2 percent in comparison to the previous FY.

The revenue collected from the dividend was Nu.4,081.3 million, an increase of 34.3 percent as compared to last FY. The increase was mainly due to an increase in dividend from Druk Holding & Investments (DHI) of Nu.3,976.3 million and Nu.105 million from other entities.

The collection under the current revenue from the Government agencies saw a marginal increase of 15 percent whereas the increase in collection from the capital revenue was 421.2 percent as compared to the previous year's collection. The capital revenue contribution was mainly from dolomite mine bid value of Nu.200 million and gypsum mine bid value of Nu.75 million, auction of vehicles of Nu.59.7 million and coal mine bid value of Nu.50 million.

3.1.1 Tax-to-GDP Ratio:

During FY 2021-22, tax to GDP ratio was 13.7 percent, an increase of 2.2 percent as compared to the previous FY on account of improved tax performance.

3.1.2 Fiscal Incentives:

Within the framework of the fiscal incentive act, the Government provides fiscal incentives with the objective to stimulate private sector growth, generate employment opportunities and attract foreign investments. It was designed to promote thrust areas such as education, tourism, information and communication technology, manufacturing, cottage and small-scale industries

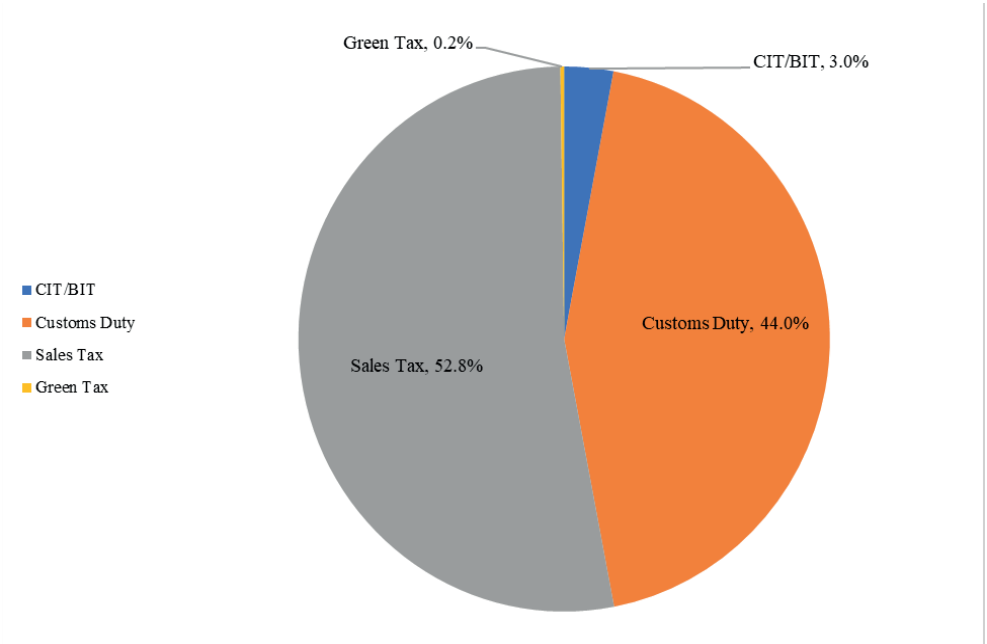
for balanced economic growth. The ‘Fiscal Incentives Act of Bhutan 2021’ was introduced on 29th November, 2021 with an objective to further stimulate the economy which was affected severely by COVID-19 pandemic.

The estimated fiscal incentives provided to entities amounted to Nu.3,312.3 million during the year 2021.

Table 3.1: Summary of fiscal incentives provided

For the year 2021		Nu.in million
CIT/BIT		120.073
Customs Duty		1,447.882
Sales Tax		1,736.929
Green Tax		7.395
Total		3,312.279

Figure 3.2: The composition of fiscal incentives provided



3.2 Revised Resource in FY 2022-23:

For FY 2022-23, the total resources saw an upward revision from the initial approved amount of Nu.51,925.7 million to Nu.61,068.2 million. The increase is about 17.6 percent attributable to the increase in both internal resources by Nu.4,916.7 million and grants by Nu.4,225.7 million.

3.2.1 Domestic Revenue:

The domestic revenue has been revised from Nu.36,368.3 million to Nu.40,829.2 million due to broad based improvement in tax collection and higher surplus transfer from the MHP.

Table 3.2: Revised Resources Summary for FY 2022-23 as of 30th April 2023

Nu.in million

SOURCES OF FINANCE	Approved Budget	Revised Budget
TOTAL RESOURCES	51,925.754	61,068.214
I. INTERNAL RESOURCES	37,053.633	41,970.376
i. Domestic Revenue	36,368.270	40,829.224
a. Tax	25,432.435	26,750.527
b. Non-Tax	10,935.835	14,078.697
ii. Other Internal Receipts	685.363	1,141.152
II. GRANTS	14,872.121	19,097.838
i. Program Grants	3,187.526	3,729.888
a. GoI (STF & PG)	3,187.526	3,729.888
ii. Project-tied Grants	11,684.595	15,367.950
a. GoI	7,788.700	9,706.523
b. Others	3,895.895	5,661.427

3.2.2 Grants:

The external grant for FY 2022-23 is expected to increase from the approved estimate of Nu.14,872.1 million to Nu.19,097.8 million. The revision is to account for the incorporation of Nu.4,225.7 million, out of which GoI constitutes Nu.2,460.2 million.

The donor wise details of incorporation during the FY are as highlighted in Table 3.3.

Table 3.3: Summary of Grants Incorporation

Nu.in million

Sl. No.	Donors	Amount
1	Asian Development Bank (ADB)	183.284
2	Bhutan Foundation (BF)	84.369
3	European Union (EU)	161.700
4	Global Fund to fight Aids, Tuberculosis & Malaria (GFATM)	19.782
5	Government of Austria (GoA)	80.343
6	Government of India (GoI)	2,460.185
7	Green Climate Fund (GCF)	255.379
8	Swiss Development Organization (Helvetas)	16.444
9	International Fund for Agricultural Development (IFAD)	2.290
10	SAARC Development Fund (SDF)	1.967
11	Save the Children (SCF)	12.808
12	The Netherlands	7.000
13	United Nations Children's Fund (UNICEF)	122.673
14	United Nations Development Program (UNDP)	54.072
15	UN Environmental Program (UNEP)	32.405
16	UN Population Fund (UNFPA)	19.424
17	World Bank (WB)	193.510
18	World Food Program (WFP)	71.076
19	World Health Organization (WHO)	99.328
20	World Wildlife Fund (WWF)	11.557
21	Other Development Partners	336.121
	Total	4,225.717

3.3 Resource Estimates for FY 2023-24:

The total estimated resource for FY 2023-24 is Nu.53,513.2 million, a decrease of 12.4 percent from the revised resource estimate of Nu.61,068.2 million for FY 2022-23. This is mainly due to reduction in grants with the completion of 12th FYP and the resources for 13th FYP yet to be mobilized.

3.3.1 Domestic Revenue:

The total estimated domestic revenue of Nu.46,245.8 million for FY 2023-24 is inclusive of Nu.4,000 million being transferred from the DHI earmarked to meet the expected pay revision resulting from the recommendation of the 6th Pay Commission. The domestic revenue excluding the transfer from DHI is estimated at Nu.42,245.8 million, which is an increase of 3.5 percent from the previous FY. The projected growth is expected from higher tax revenue mainly on account of increase in corporate tax from the DGPC with the corporatization of the MHP, property tax and revenue from royalty.

3.3.2 Grants:

For FY 2023-24, the external grant is estimated at Nu.6,367.4 million which comprises project-tied and program grants from the development partners. The major portion of the external grant is from the GoI consisting of bridge finance for Project-tied Assistance, Trade Support Facility (TSF), Small Development Project (SDP) followed by ADB, EU, GCF and others.

Table 3.4: Summary of Grants for FY 2023-24

Nu.in million

Sl. No.	Donors	Amount
1	Asian Development Bank (ADB)	1,742.962
2	Bhutan Foundation (BF)	117.510
3	European Union (EU)	327.080
4	Global Fund to Fight Aids, Tuberculosis & Malaria (GFATM)	41.401
5	Government of Austria (GoA)	62.619
6	Government of India (GoI-PG, TSF, PTA, SDP)	2,320.099
7	Green Climate Fund (GCF)	283.172
8	Swiss Development Organization (Helvetas)	16.640
9	International Fund for Agricultural Development (IFAD)	36.693
10	SAARC Development Fund (SDF)	6.530
11	Save the Children (SCF)	8.801
12	The Netherlands	18.000
13	United Nations Children's Fund (UNICEF)	187.917
14	United Nations Development Program (UNDP)	7.459
15	UN Environmental Program (UNEP)	32.022

Sl. No.	Donors	Amount
16	UN Population Fund (UNFPA)	27.945
17	World Bank (WB)	401.242
18	World Food Program (WFP)	56.065
19	World Health Organization (WHO)	118.459
20	World Wildlife Fund (WWF)	12.762
21	Other Development Partners	542.024
	Total	6,367.402

3.4 Tax Buoyancy for the Medium-term:

Tax buoyancy refers to the responsiveness of tax revenue to changes in the overall economic activity of a country. It measures the degree to which tax revenue increases/decreases in response to increase/decrease in the Gross Domestic Product. A tax is said to be buoyant if the tax revenues increase more than proportionately in response to a rise in national income or output. If buoyancy is greater than 1, it indicates growth in tax revenue is more than the growth in income or GDP, which could also imply better compliance, strengthened administration and the growing ability to pay.

Table 3.5: Tax Revenue and Buoyancy

Nu.in million

Particulars	2022/23 (Revised)	2023/24 (Estimate)	2024/25 (Projected)
Domestic Revenue (DR)	40,829.224	46,245.776	51,213.860
DR Growth	4.6	13.3	10.7
DR Buoyancy	0.6	1.5	1.0
Tax Revenue (TR)	26,750.527	31,499.165	34,710.104
TR Buoyancy	0.5	1.9	1.0

Domestic revenue performance is expected to improve in tandem with economic growth. As a result, tax revenues are projected to respond positively during FY 2023-24 and FY 2024-25 with a buoyancy of 1.9 and 1.0 respectively. Similarly, domestic revenue buoyancy of more than one reflects market confidence to generate positive economic activities.

Chapter 4 Expenditure

4.1 Revised Budget for FY 2022-23:

The approved budget appropriation of Nu.81,827.3 million has been revised to Nu.84,144.7 million owing to incorporation of external funded activities during the FY. Accordingly, the total expenditure has increased by 2.9 percent from Nu.74,807.9 million to Nu.76,990.3 million.

Table 4.1: Revised Budget Summary as of 30th April 2023

Nu.in million

Particulars	Approved	Revised
Expenditure	74,807.887	76,990.264
i. Recurrent Expenditure	36,340.942	36,447.177
ii. Capital Expenditure	38,466.945	40,543.087
Repayments	5,740.524	5,740.524
i. External	5,740.524	5,740.524
On Lending	1,278.900	1,413.900
Grand Total	81,827.311	84,144.688

4.1.1 Recurrent Expenditure:

The recurrent expenditure is maintained within Nu.36,340.9 million as per the Budget Appropriation Act for FY 2022-23. However, the increase of recurrent budget by Nu.106.2 million is on account of channeling Thromdes' internal revenue and corresponding recurrent expenses through the Government Budget and Accounting System.

4.1.2 Capital Expenditure:

The capital expenditure has been revised from Nu.38,466.9 million to Nu.40,543.1 million due to net supplementary incorporation of Nu.2,317.4 million as detailed in Table 4.2. The incorporations and technical adjustments were carried out in line with the relevant provisions of the Public Finance (Amendment) Act of Bhutan 2012.

Table 4.2: Summary of net supplementary incorporations*Nu.in million*

Particulars	Amount
Incorporation of external grants	4,225.717
Incorporation of internal grants	455.789
Incorporation of loans	135.871
Total incorporation	4,817.377
Less: Adjustment during the mid-year budget review	2,500.000
Net Supplementary Incorporation	2,317.377

4.2 Supplementary Budget Appropriation Bill:

The Supplementary Budget Appropriation Bill for FY 2022-23 amounting to Nu.2,317.4 million is submitted to the House for consideration. The total budget appropriation for FY 2022-23 is revised from Nu.81,827.3 million to Nu.84,144.7 million.

4.3 Budget Estimates for FY 2023-24:

As the 13 FYP is still under formulation with outlay and resources yet to be determined, the budget for FY 2023-24 is aimed at ensuring completion of on-going activities and continuity of critical public service delivery. In addition, while the allocation for the Gewogs against its 12th plan outlay has been exhausted, the annual grant allocation to Gewogs has been maintained at 19 percent of the 12 FYP outlay to promote local economic development and growth, and support efficient service delivery.

Further, as part of the larger transformation in public services, FY 2023-24 also includes the implementation of Pay Structure Reform Act of Bhutan 2022 that seeks to enhance effectiveness and efficiency through adoption of a clean wage system. In addition, FY 2023-24 as a transitional year between the two plan periods and taking into consideration the on-going initiatives towards building a stronger economy, the overall budget has been accordingly adjusted to deliver and respond to emerging national priorities.

Accordingly, a total budget estimate of Nu.74,861.6 million is allocated, comprising Nu.45,545.9 million for recurrent expenses and Nu.29,315.7 million for capital expenditure. The recurrent budget will continue to be

allocated as block grants under mandatory and controllable heads to ensure optimal utilization of resources and drive fiscal prudence.

Similar to previous FYs, given that the estimated domestic resources are barely adequate to cover the recurrent expenses, the sources of financing for the capital budget for the FY is through grants and mostly from deficit financing that is planned to be mobilized from domestic market and concessional external borrowings. As such, all the proposals related to office constructions/renovations, staff quarters/residences, boundary walls, gates and fencing have been deferred and the allocation for non-developmental activities related to training, awareness, workshops, sensitization have been limited to critical requirements essential for public service delivery.

4.4 The Budget Appropriation FY 2023-24:

The total budget appropriation for FY 2023-24 is estimated at Nu.85,522.5 million, of which Nu.45,545.9 million is for recurrent expenses (about 53.2 percent) and Nu.29,315.7 million is for capital expenditure (about 34.3 percent). Further, Nu.9,152.1 million is for principal repayment (10.7 percent) and Nu.1,508.8 million is for on-lending (1.8 percent).

Table 4.3: Budget Appropriation for FY 2023-24

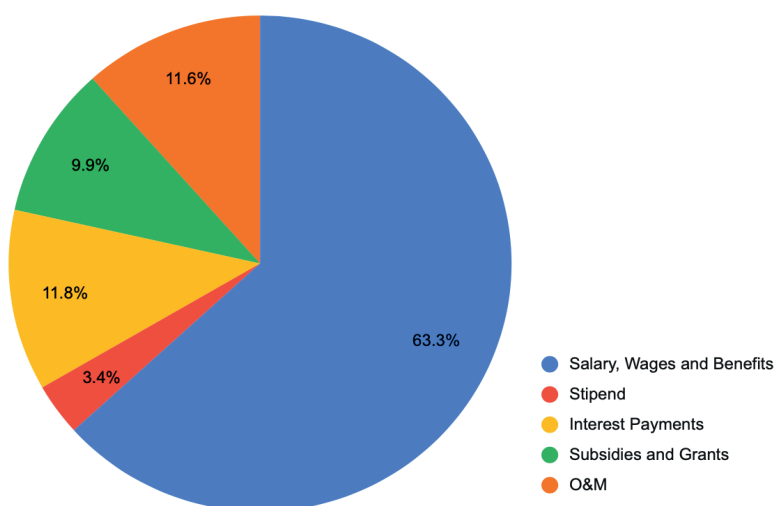
<i>Nu.in million</i>	
Particulars	Amount
Expenditure	74,861.615
Current Expenditure	45,545.947
Capital Expenditure	29,315.668
Repayment	9,152.111
External	6,152.111
Internal	3,000.000
On lending	1,508.810
Grand Total	85,522.536

4.4.1 Recurrent Expenditure:

The recurrent expenditure for FY 2023-24 is estimated at Nu.45,545.9 million, which is about 25 percent increase from the approved recurrent budget of FY 2022-23. The increase in recurrent expenditure is due to implementation of Pay Structure Reform Act of Bhutan 2022 effective from July 2023, provision for pay revision resulting from the recommendations of the 6th Pay Commission and interest payments.

Of the total recurrent budget, the allocation for interest payment is Nu.5,384.6 million consisting of Nu.3,334.6 million for external interest payment and Nu.2,050 million for domestic borrowings. The recurrent budget also includes provision for the National Assembly Election.

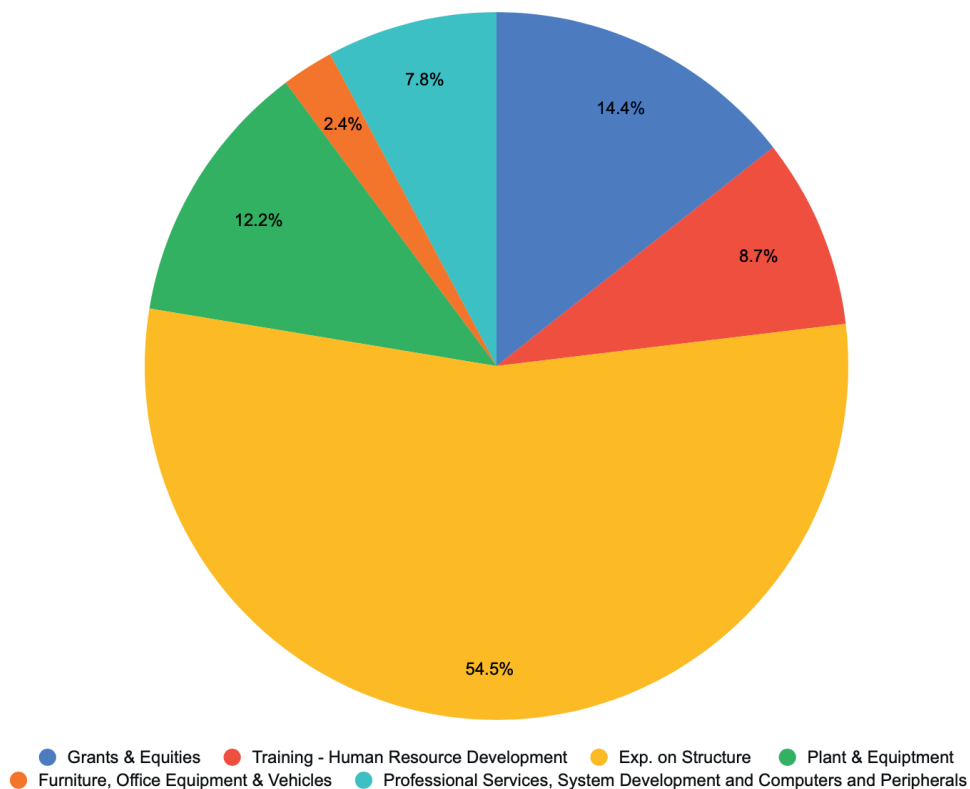
Figure 4.1: Components of Recurrent Expenditure



4.4.2 Capital Expenditure:

The estimated capital budget for FY 2023-24 is Nu.29,315.7 million constituting about 39.2 percent of the total expenditure. Of the total, about 27 percent is financed through grants and 73 percent through borrowings. Further, the Government will continue to make concerted efforts to mobilize additional grants and concessional external borrowings to reduce internal borrowings and improve the foreign currency reserve.

Figure 4.2 Components of Capital Expenditure



4.4.3 On-Lending:

The total on-lending estimated for FY 2023-24 is Nu.1,508.8 million comprising of Nu.712 million for the DHI-Phuentsholing Township Development including additional financing under the ADB funding and Nu.796.8 million for the NHDCL - Green and resilient affordable housing sector project under ADB funding.

4.4.4 Repayment:

For FY 2023-24, the repayment for both external and internal borrowings amount to Nu.9,152.1 million, which is for the loans availed by the Government for financing investments and on-lending to SOEs including MHP loan.

4.5 Sector Allocation:

Of the total allocation of Nu.85,522.5 million for FY 2023-24, the Social Services have been allocated the highest share with Nu.24,591.2 million corresponding to 28.8 percent, followed by Economic and Public Services with Nu.22,827.2 million comprising of 26.7 percent. The list of major capital activities under each sector are provided in Annexure 6.

Table 4.4: Summary of sector allocation for FY 2023-24

Nu.in million

Sectors	Current	Capital	Total	% Share
I. Social Services	14,446.847	10,144.398	24,591.245	28.8%
Health	5,078.472	4,823.633	9,902.105	11.6%
Education	9,368.375	5,320.765	14,689.140	17.2%
II. Economic and Public Services	6,993.993	15,833.229	22,827.222	26.7%
Renewable Natural Resources	3,659.346	3,158.539	6,817.885	8%
Mining & Manufacturing Industries	569.593	2,210.026	2,779.619	3.2%
Roads/Transport	1,027.650	5,800.828	6,828.478	8%
Housing & Community	596.616	2,605.372	3,201.988	3.7%
Communications and Technology	744.486	1,041.409	1,785.895	2.1%
Energy	396.302	1,017.055	1,413.357	1.7%
III. Religion & Cultural Services	738.515	680.097	1,418.612	1.7%
IV. Law and Order Services	2,405.822	241.777	2,647.599	3.1%
V. General Public Services	15,576.111	2,416.167	17,992.278	21%
Sub-Total	40,161.288	29,315.668	69,476.956	81.2%
VI. National Debt Services	5,384.659	10,660.921	16,045.580	18.8%
Debt Servicing	5,384.659	9,152.111	14,536.770	17%
Lending	-	1,508.810	1,508.810	1.8%
Total	45,545.947	39,976.589	85,522.536	100%

4.5.1 Social Services

4.5.1.1 Health sector:

Given that access to basic public health services is the foundation for productive and fulfilling lives towards building a strong economy, the health sector will continue to receive priority in the budget allocation.

Accordingly, Nu.9,902.1 million has been provisioned in FY 2023-24 constituting 11.6 percent of the total allocation. The provision consists of Nu.5,078.5 million for recurrent expenses and Nu.4,823.6 million for capital expenditure. From the total capital allocation, Nu.1,344.9 million is under the Ministry of Health, out of which, Nu.370.7 million is for completion of on-going infrastructure development such as construction of 65 bedded MCH at Monggar, Satellite Clinics in Motithang & Phuentsholing, expansion of microbiology lab in six cluster hospitals (Samtse, Dewathang, Tsirang, Wangduephodrang, Trashigang, & Bumthang), construction of water reservoir and wasteshed at Samdrup Jongkhar, Pema Gatshel, Trongsa and Zhemgang Hospitals. In addition, Nu.32.3 million is allocated to initiate the construction of a 60 bedded hospital under The Pema Centre.

To provide adequate health facilities in the communities, a sum of Nu.257.1 million has been provisioned under respective Dzongkhags to ensure completion of Tashichholing Hospital in Samtse, Nagor Hospital in Monggar, Drujeygang hospital in Dagana and Laya Primary Health Centre in Gasa.

Further, Nu.158.4 million is also provisioned for procurement of Mobile Medical Vehicles to enable timely referral of patients to health facilities where medical professionals and services are available. Similarly, to enable all health facilities to provide quality and timely health services, a capital budget of Nu.1,433.4 million is provisioned under the National Medical Services. From the total capital budget, Nu.1,057.5 million is provisioned for procurement of medical equipment to ensure equipment remains functional at all times.

In addition, towards the development of quality health care professionals, a sum of Nu.51.6 million and Nu.11.6 million is kept for continuing medical education and critical long-term training respectively.

4.5.1.2 Education sector:

Towards improving the quality of education, the sector is allocated with Nu.14,689.1 million corresponding to 17.2 percent of the total allocation. From the total budget of Nu.14,689.1 million, the Ministry of Education and Skills Development is provisioned with Nu.833.4 million under recurrent expenses and Nu.1,896.3 million for capital expenditure. Some of the major initiatives include improving access to quality Early Childhood Care and Development (ECCD) for which a sum of Nu.234.1 million is allocated. Similarly, implementation of education reform will be continued in FY 2023-24 with a total budget provision of Nu.180.3 million for enhancement of STEM education, curriculum reform, supply of ICT equipment and internet connectivity for schools.

In support of human resource development, Nu.424 million is allocated for undergraduate scholarships to pursue higher education in top universities within and outside Bhutan. The 395 students affected due to discontinuation of arts and humanities courses in RUB Colleges from academic year 2023 will be able to continue their tertiary education through scholarship programs, funded by the Government with a budget of Nu.25 million and Nu.4.3 million allocated to the MoESD and the RUB respectively. Additionally, Nu.78.8 million is allocated for master's programs to be implemented through mixed mode for in-service teachers to upgrade their qualifications as well as to ensure the teacher subject requirement in schools.

The budget also includes Nu.176.3 million for execution of Transformative Initiatives and improvement of infrastructure under the colleges of the RUB and Nu.37 million under Bhutan Qualifications and Professionals Certification Authority for ensuring professionalism and good clinical practice among counselors, medical and health professionals, accreditation of higher education institutions, training and certification of TVET programs.

4.5.2 Economic and Public Services:

4.5.2.1 Renewable Natural Resources (RNR) Sector:

In order to enhance food security and sustainable rural livelihood, promote sustainable utilization of arable and pasture land resources and management of natural resources, Nu.6,817.9 million is allocated to the RNR sector.

The sector allocation includes the budget provision of Nu.877.6 million kept under the Ministry of Agriculture and Livestock for implementation of Million Fruit Trees, construction of Phangyul irrigation scheme, establishment of warehouses at Bumthang and Wangduephodrang, construction of integrated cold store at Tingtibi, Zhemgang, construction and upgradation of animal health facilities for Regional Veterinary Hospital at Gelephu etc.

In addition, Nu.191.1 million is allocated for implementation of Bhutan for Life Project including Nu.21.1 million for creation and maintenance of plantation.

4.5.2.2 Mining and Manufacturing Sector:

Considering the importance of the mining and manufacturing sector and its contribution to the GDP, Nu.2,779.6 million has been allocated to the sector. Some of the major activities under the sector include Nu.1,094.5 million for continuation of infrastructure development for industrial parks at Dhamdum and Motanga, dry port at Pasakha, Gelephu, and Nganglam and industrial estate at Pasakha and Nu.180 million for POL depot for eastern Bhutan.

4.5.2.3 Tourism

Given that tourism is recognized as an important sector, the Government continues to pursue and promote Bhutan as a high-end tourism destination through creating an enabling environment for a vibrant tourism industry. As such, the Department of Tourism (DoT) is allocated Nu.144.7 million towards promoting Bhutan in the regional and international market. Some of the major activities include Nu.52.1 million for promotion of tourism through various events and platforms, Nu.27 million for development and enhancement of tourism facilities at selected sites and Nu.30.7 million for development of ecotourism master plan and ecotourism concession framework and sustainable financing mechanism.

4.5.2.4 Vocational Training and Employment

In order to build a competent and adequate skilled workforce and ensure gainful employment opportunities for a cohesive and vibrant economy, the Department of Workforce Planning and Skills Development (DWPSD) under the Ministry of Education and Skill Development (MoESD) and Department of

Employment & Entrepreneurship under the Ministry of Industry, Commerce and Employment (MoICE) will continue to implement programs towards strengthening vocational training institutes and enhancing the employability of job seekers. The allocation for some of the key programs include Nu.51 million for Youth engagement and livelihood program, Nu.40.6 million for entrepreneurship development training, Nu.128.4 million for implementation of Skills Development Program, Dual Training Program and modular courses by Technical Training Institutes (TTIs) and Institute of Zorig Chusum and Nu.27.4 million for construction of TTI in Thimphu,

4.5.2.5 Roads/Transport Sector:

To support safe and efficient movement of people and goods, the roads and transport sector is allocated Nu.6,828.5 million constituting 8 percent of the allocation.

The sector allocation includes a budget provision of Nu.486.6 million for improvement of Primary National Highway, Nu.400.5 million for construction and improvement of Secondary National Highway, Nu.220.3 million for completion of on-going blacktopping of seven GC roads and Nu.49.5 million to continue the construction of Laya GC road.

In addition, to ensure that roads are open to traffic, Nu.187 million is provisioned for monsoon restoration works.

4.5.2.6 Housing and Community Sector:

Towards fostering socio-economic development through provision of sustainable urban amenities such as water supply, sewerage services, street lighting, water drainage, housing and others, a sum of Nu.3,201.9 million has been recommended for the sector.

The major activities under the sector consist of Nu.366.8 million to facilitate the completion of on-going construction of permanent quarantine centres at Dhamdum (Samtse), Amochu (Phuentsholing), Dekiling (Sarpang) and Motanga (Samdrup Jongkhar), Nu.527.2 million to ensure access to 24x7 safe drinking water in Thromdes and Dzongkhags, Nu.30 million for renovation of centenary farmers' market in Thimphu, Nu.89 million for Changzamtok Park, Nu.61.3 million for preparation of design codes for Thimphu Thromde

and Geo database for urban centres development. In addition, Nu.110 million is also allocated for the mass timber pilot project initiated to showcase the use of regenerative and green construction materials by the construction industry. Further, Nu.25.1 million is allocated for completion of the integrated vegetable market sheds in Gelephu and Samdrup Jongkhar Thromdes.

4.5.2.7 Communications and Technology Sector:

As part of the Transformation Initiatives, the Government established a GovTech Agency through the Civil Service Reform Act of Bhutan 2022 to pursue the vision of a technologically advanced nation with empowered citizens and a thriving digital economy. Accordingly, Nu.1,785.9 million is allocated to the communications sector including Nu.988.8 million under the GovTech Agency for driving the digital transformation to enhance effectiveness and efficiency of the Whole-of-Government system.

The allocation includes provision to complete the ongoing activities implemented under the Digital Drukylul Flagship program such as Nu.136.9 million for development and implementation of Health Electronic Patient Information System and Nu.190 million for development of National Digital Identity.

Furthermore, to enhance and support the initiative of connecting fiber optic to 90 percent of the Dzongkhags/Thromde homes, a sum of Nu.46 million is earmarked for enhancement of GovNet and DrukREN, and Nu.20 million for enhancement of Government data center. To encourage space science and technology in empowering the lives of Bhutanese, Nu.30 million is provisioned for development of satellites.

4.5.2.8 Energy Sector:

Realising the importance of energy security, the energy sector continues to undertake sustainable development, utilization and management of renewable energy resources with deployment of modern state-of-the-art technologies/systems.

To support the objective of achieving energy security for economic prosperity, social progress and the well-being of Bhutanese, a sum of Nu.1,413.3 million is allocated to the energy sector in FY 2023-24.

The budget provision consists of Nu.944.7 million for construction and installation of 17 MW Sephu utility scale solar power project, Nu.13.6 million to carry out the feasibility study for Development of Integrated Multipurpose Hydropower Project in Parochu Basin, Nu.27.4 million for Alternative Energy Pilot Project and Nu.9.1 million for installation, testing and commissioning of 21 KW solar at Shangsa Lunana.

4.5.3 Religion and Cultural Services:

A total budget of Nu.1,418.6 million is allocated to the Religion and Cultural Services to drive a holistic approach towards preservation and promotion of the country's rich cultures and traditions.

Of the total allocation, Nu.492.4 million is for the continuation of ongoing construction of Dzongs at Lingzhi and Sarpang and conservation of various Lhakhangs/Monasteries/Goenpas. In addition, Nu.68.5 million is provisioned under the Dratshang Lhentshog for renovation works implemented by various Rabdeys.

4.5.4 Law and Order Services:

Towards creating a safe, just and equitable society through an improved judicial system, a total budget of Nu.2,647.6 million is allocated under Law and Order for FY 2023-24.

Some of the initiatives implemented under the sector are geared towards reduction of crime rates through strengthening the judicial system and enhancement of border security. As such, Nu.45.9 million is allocated to support construction of ongoing correction facilities (prisons) at Tanalum, Gasa and Monggar and Nu.19.4 million for construction of a fully equipped forensic lab. Similarly, Nu.31.7 million is also provisioned for completion of Dzongkhag/Drungkhag courts at Paro and Sakten. In addition, Nu.61.7 million is provisioned for construction of municipality walls at Sarpang and Gelephu and for completion of municipality wall near Pugli gate.

4.5.5 General Public Services:

To ensure efficient and effective public service delivery, the General Public Services sector is allocated Nu.17,992.3 million corresponding to 21 percent

of the total allocation. Of the total, Nu.15,576.1 million is for recurrent and Nu.2,416.2 million is for capital.

Some of the major activities under the sector include Nu.328.5 million for procurement of software and hardware for eCMS and Nu.67.6 million for Phase II of Bhutan Integrated Revenue Management System (BIRMS) under MoF, Nu.32.3 million for construction and furnishing of Kutshab's Residence in RBE, Delhi and Nu.18 million for construction of State Guest House under Cabinet Secretariat.

4.5.5.1 Human Resource Development:

Based on the areas of critical HRD needs proposed by the budgetary agencies and endorsed by the RCSC, a sum of Nu.304.8 million is provisioned under the respective agencies for FY 2023-24. Of the total, Nu.76.8 million is provisioned under RCSC and the remaining budget under the relevant budgetary agencies.

4.5.5.2 Sports:

To develop, promote and protect the Olympic Movement in the country, Nu.15.2 million is provisioned for the Bhutan Olympic Committee during the FY 2023-24. The major activities include Nu.4.4 million for scholarship for students participating in national level sports and Nu.4.5 million for construction of Indigenous Museum Pavilion, and restructuring of archery ground at Changlimithang.

4.5.5.3 Local Governments (LGs):

The total budget allocation for the LGs in the FY 2023-24 is Nu.18,689.5 million, of which Nu.13,585.5 million is for recurrent and Nu.5,103.9 million is for capital. The capital budget allocation consists of Nu.2,293.2 million for Dzongkhags, Nu.539.1 million for Thromdes and Nu.2,271.6 million for Gewogs.

The capital allocation to Gewogs will continue to be provided as a block grant. For the coming FY, the allocation of Nu.2,271.6 million will be provided in two tranches, i.e. 50 percent for immediate implementation upon budget approval by the Parliament, and the remaining balance to be made available

subject to availability of resources and fulfillment of performance criteria by the Gewogs on the utilization of the first tranche as per the revised Annual Grant Guidelines.

Furthermore, to ensure the completion of on-going farm road improvement (GSB and drainage) under Phase II Priority I, Nu.532 million is allocated under the specific activities of the respective Dzongkhags.

Table 4.5: Allocation for the LGs in FY 2023-24

Nu.in million

Category	Recurrent	Capital			Grand Total
	RGoB	RGoB	External	Total	
Dzongkhags	11,092.121	1,492.760	800.434	2,293.194	13,385.315
Gewogs	803.172	2,271.605	-	2,271.605	3,074.777
Thromdes (including Thromdes schools and City Bus Services)	1,690.246	432.024	107.141	539.165	2,229.411
Total	13,585.539	4,196.389	907.575	5,103.964	18,689.503

4.5.5.4 Legislative, Judiciary and Constitutional Bodies:

National Assembly: The National Assembly of Bhutan is allocated a budget of Nu.107.7 million for FY 2023-24. Of the total, Nu.103.3 million is for recurrent and Nu.4.4 million is for capital. The capital budget allocation is for purchase of laptops and printers for the new Parliamentarians.

National Council: The National Council of Bhutan is allocated a budget of Nu.77.9 million for FY 2023-24. Of the total, Nu.76.6 million is for recurrent and Nu.1.3 million is for capital. The capital budget allocation is for purchase of furniture and equipment for the new Parliamentarians.

Judiciary: The Judiciary is allocated a budget of Nu.316.2 million for FY 2023-24. Of the total, Nu.276.5 million is recurrent and Nu.39.2 million is for capital. The capital budget includes provision for completion of on-going constructions of the District Court at Paro, Sakten Dungkhag Court and capacity development of legal professionals.

Anti-Corruption Commission: The Anti-Corruption Commission is allocated a budget of Nu.130.7 million for FY 2023-24. Of the total, Nu.107.5 million is recurrent and Nu. 23.2 million is capital. The capital allocation includes Nu.7.2 million for short term specialized training on anti-corruption studies and prevention.

Election Commission of Bhutan: The Election Commission of Bhutan has been allocated a budget of Nu.22.9 million to meet the recurrent expenses. In addition, a budget provision of Nu.444.3 million is earmarked under the General Reserve to meet the expenses for the upcoming National Assembly Election 2023 and Nu.20 million for Bye Election.

Royal Audit Authority: The Royal Audit Authority has been allocated a budget of Nu.184.1 million, of which Nu.169.3 million is for recurrent and Nu.14.8 million for capital. Some of the major capital activities include Nu.8.3 million for rewiring and replacement of electrical fitting and electrical transformer for the head office in Thimphu and Nu.3 million for outsourcing of audit services.

Royal Civil Service Commission: The Royal Civil Service Commission has been allocated a total budget of Nu.193.9 million for FY 2023-24. Of the total Nu.82.6 million is for recurrent and Nu.111.3 million is for the capital. Some of the major capital activities include Nu.57.7 million for cost sharing and other HRD programs, Nu.19.1 million for Nehru Wangchuck Scholarship and Nu.4.8 million for Civil Service Awards.

National Service: With the adoption of the Gyalsung Act of the Kingdom of Bhutan 2022, the National Service has been allocated a budget of Nu.943.4 million for FY 2023-24. Of the total allocation, Nu.48.1 million is for recurrent and Nu.895.3 million is for the capital. Some of the major capital activities include construction and development of facilities for various skills development in community security, ICT, home security, food security and basic military training programs.

4.6 Transfers: Grants, Subsidies and Contingent Liability:

A total budget of Nu.1,049.7 million has been provisioned for transfers as grants, subsidies and contingent liability for FY 2023-24, of which Nu.851.4

million is for recurrent and Nu.198.3 million for capital. Table 4.7 provides the details on the transfers.

Grants: The allocation of Nu.124.3 million as grants comprise of Nu.100 million for the Druk Gyalpo Relief Fund and Nu.24.3 million as support to the Bhutan Chamber of Commerce and Industry (BCCI), Bhutan Red Cross Society, Bar Council and Alternative Dispute Resolution Center.

Subsidies: The total amount of Nu.675.3 million for subsidies include Nu.396.3 million for domestic power tariff, Nu.220.8 million for Bhutan Broadcasting Service Corporation Limited (BBSCL), Nu.54.1 million as operational subsidy for community service centers under the National CSI Development Bank and Nu.3.9 million as price support to the Bhutan Agro Industries Limited (BAIL).

In addition, a sum of Nu.138.3 million is provisioned for interest subsidy on account of purchase of Aircrafts by Drukair, loan availed for establishment of integrated Agro Processing Plant at Lingmithang-BAIL and NHDCL debt servicing for Phuentsholing Housing Complex. Further, Nu.83.9 million is also allocated for Rural Life and House Insurance Scheme.

Contingent Liability: The allocation of Nu.27.8 million is provisioned under contingent liability to pay off any claims that may be raised in the event the guarantee provided to National Credit Guarantee Scheme is invoked for the non-performing loans.

Table 4.6: Details of the Grants, Subsidies and Contingent Liability for FY 2023-24

Nu. in million

Sl. No.	Particulars	Recurrent	Capital	Total
	A. GRANTS			
1	Druk Gyalpo Relief Fund	-	100.000	100.000
2	Bhutan Chamber of Commerce and Industry (BCCI)	10.500	-	10.500
3	Support to Bhutan Red Cross Society	6.495	-	6.495
4	Support to Bhutan Alternative Dispute Resolution Center (ADRC)	4.750	-	4.750
5	Support to Bar Council	2.565	-	2.565
	Total Grants (A)	24.310	100.000	124.310

Sl. No.	Particulars	Recurrent	Capital	Total
	B: Subsidy			
1	Bhutan Broadcasting Service Corporation Limited	170.564	50.304	220.868
2	Domestic Power Tariff- BPC	396.302	-	396.302
3	Operational subsidy for community service centers (National CSI Development Bank)	54.148	-	54.148
4	Price support to Bhutan Agro Industries Limited (BAIL)	-	3.990	3.990
	Sub-total SoE	621.014	54.294	675.308
1	Interest subsidy for third aircraft-Drukair	35.110	-	35.110
2	Interest subsidy for purchase of ATR42-600-Drukair	40.000	-	40.000
3	Interest subsidy for loan availed for establishment of integrated Agro Processing Plant at Lingmithang-BAIL	10.480	-	10.480
4	Subsidy to NHDCL Debt Servicing for Phuentsholing Housing Complex	52.760	-	52.760
	Sub-total Interest	138.350	-	138.350
1	Rural House Insurance Scheme- RICBL	-	16.200	16.200
2	Rural Life Insurance -RICBL	67.730	-	67.730
	Sub-total Others	67.730	16.200	83.930
	Total Subsidy (B)	827.094	70.494	897.588
	C: Contingent Liability			
1	National Credit Guarantee Scheme (National CSI Development Bank)	-	27.819	27.819
	Total Contingent Liability (C)	-	27.819	27.819
	Grand Total (A+B+C)	851.404	198.313	1,049.717

4.7 General Reserve:

As part of the annual budget, certain budget provision is maintained as General Reserve under the Ministry of Finance for funding unforeseen, unavoidable and ad-hoc priorities.

In the FY 2023-24, a total of Nu.15,562.4 million is maintained under the General Reserve, of which Nu.8,647.4 million is for current and Nu.6,915 million for capital activities.

The allocation of Nu.5,300 million under national contingency includes Nu.1,500 million for the GSB Phase III, Nu.1,000 million for chain link fencing to address human wildlife conflict, and Nu.250 million for subsidy to support agriculture sector. The General Reserve for FY 2023-24 has increased by about 47 percent as compared to FY 2022-23 mainly due to provision kept for Pay Revision, National Assembly Election in 2023 and 2024 and other National Contingencies.

The transfer of budget from specific provision shall be subject to fulfillment of established procedures and criteria and the Guidelines of the General Reserve.

Table 4.7: Details of General Reserve

Nu.in million

Sl. No.	Particulars	Current	Capital	Total
1	New Appointment and Establishment	6,538.000	30.000	6,568.000
2	Hospitality and Entertainment	15.000	-	15.000
3	Retirement Benefits	680.056	-	680.056
4	Third Country Travel	50.000	-	50.000
5	National Events	100.000	100.000	200.000
6	Adhoc Works	500.000	1,000.000	1,500.000
7	Rehabilitation Programme	-	70.000	70.000
8	Disaster Contingency	200.000	385.000	585.000
9	National Assembly Election	444.321	30.000	474.321
10	Bye Election	20.000	-	20.000
11	Retirement Benefits for NA Members	100.000	-	100.000
12	National Contingency	-	5,300.000	5,300.000
	Total	8,647.377	6,915.000	15,562.377

4.8 Gender Responsive Budgeting:

Gender responsive planning and budgeting (GRPB) has been recognised as one of the most pragmatic strategies to accelerate investments for gender equality and women's empowerment.

Over the years, there have been several positive developments at the policy as well as institutional level that have facilitated adoption of changes in planning and budgeting processes, making them more gender responsive.

To continue and support the ongoing efforts of the Government towards addressing gender gaps, Nu.647.5 million has been provisioned under various agencies to implement activities in FY 2023-24.

Table 4.8: Gender related allocation during FY 2023-24

Nu.in million

Sl. No.	Agency	Name of Activity	Amount
1	MoESD	Multi-sector response and community engagement in prevention of GBV through RESPECT module	1.700
2		Review and develop National Gender Equality Policy (NGEP) action plan	2.300
3		Provide support to shelter service providers and reintegration program for women and children	0.800
4		Parents and Caregivers access to train and support and prevent violence at home community and schools	0.739
5	MoENR	Conduct gender mainstreaming awareness trainings	0.426
6		Women empowerment and leadership training for 48 Community Forest Management Groups (CFMGs)	0.300
7		Promote women/girl lead ecotourism	1.500
8		Establish women lead savings group	0.300
9	MoICE	M&E system incorporating gender, youth and vulnerable groups developed and implemented	3.277
10	MoH	Construction of 65 bedded Mother and Child Hospital (Monggar)	172.000
11		Pre-validation assessment of mother and child transmission of HIV/Hepatitis and Syphilis	2.120
12		Competency based training on management of pregnancy and childbirth related complications	0.800

Sl. No.	Agency	Name of Activity	Amount
13	MoHA	Feasibility studies in pilot areas focusing on poverty reduction and benefit to youth and women	7.100
14		Capacity building of youth and women groups on income generation through community-based tourism (CBT)	2.200
15		Targeted village level social vulnerability assessment including gender	7.400
16	NMS	Procurement of equipment and furniture for Gyaltsuen Jetsun Pema Wangchuck Mother and Child Hospital	422.536
17	JSWSL	Development of child friendly judicial proceedings	1.740
18		Provision of legal aid through human dignity clinic	0.240
19	RUB	Extension of comprehensive sexuality education to colleges	0.835
20		Course on social policy	0.900
21	RBP	Establishment of new women and children protection desk and child protection care in high crime zone division	0.896
22	LGs	Construction of 120 bedded girls hostel (Monggar)	4.528
23		Construction of boys hostel with warden’s quarter at Peljorling HSS (Samtse)	2.091
24		Supply of women friendly labour saving machinery-mini tillers (Chhukha, Haa, Samtse, Sarpang)	9.500
25		Supply of bush cutter to gender friendly HHs to reduce use of herbicide (Chhukha)	1.100
26		Supply of improved power threshing machinery as gender responsive technology (Chhukha)	0.180
Total			647.508

4.9 Climate Co-benefits:

As a country located in the ecologically fragile eastern Himalayas with a majority of the population dependent on agriculture, and the economy heavily reliant on hydropower and tourism, climate change has serious implications for Bhutan's socio-economic development.

Recognizing the increasing vulnerability and Bhutan's commitment to remain carbon neutral, continued efforts are made towards prevention, mitigation, and adaptation to climate change. As a result, integration of environment, climate change, and disaster risk reduction has been encouraged in all aspects of development planning since the 11th FYP. In addition, climate budget tagging has been initiated in the four economic sectors since FY 2022-23 viz. Ministry of Agriculture and Livestock (MoAL), Ministry of Infrastructure and Transport (MoIT), Ministry of Industry, Commerce and Employment (MoICE), and Ministry of Energy and Natural Resources (MoENR).

The allocation recommended under these four ministries has been assessed in terms of relevance towards creating an enabling environment for climate change mitigation and adaptation. Accordingly, activities or programs designed to reduce the negative impact of climate change are categorized under mitigation, while activities programmed to build resilience and strengthen the ability to adapt or absorb the negative impacts/stresses of climate change are classified under the adaptation category. Similarly, the third category comprises activities intended to enhance the knowledge, skills, and technologies of the stakeholders to deliver reports on adaptation and mitigation actions. The activities that do not have any direct or indirect relevance to the domains of climate change actions forms the "No Relevance" Category.

As such, it indicates that 75 percent of the budget allocated for these agencies in FY 2023-24 is related to mitigation, adaptation, and creating an enabling environment.

Table 4.9: Climate co-benefits related allocation during FY 2023-24
Nu.in million

Agency	Capital Allocation	Climate Budget Tagging			
		Mitigation	Adaption	Enabling Environment	Not Relevant
MoAL	877.581	39.164	275.551	10.470	552.396
MoICE	1,617.138	254.400	278.451	831.556	252.731
MoIT	3,237.331	1,445.100	812.241	122.500	857.493
MoENR	1,338.228	1,006.980	98.575	95.453	137.218
Total	7,070.278	2,745.643	1,464.818	1,059.979	1,799.838
<i>As % of total allocation</i>		<i>39%</i>	<i>21%</i>	<i>15%</i>	<i>25%</i>

4.10 Budget Appropriation Bill:

Based on the resources and priorities of the budgetary agencies, a total of Nu.85,522.5 million is submitted to the House as the ***Budget Appropriation Bill for FY 2023-24*** for consideration.

The total budget appropriation includes recurrent budget of Nu.45,545.9 million, capital budget of Nu.29,315.7 million, on-lending of Nu.1,508.8 million and repayment of Nu.9,152.1 million.

Chapter 5: Public Debt

5.1 Overview:

Bhutan started borrowing from external sources in the early 1980s mainly from the multilateral financial institutions (ADB, IDA & IFAD) and the first bilateral loan was availed in 1974 from Government of India (GoI) for the Chhukha Hydropower project. Since then, loans have been availed from Austria, Japan (JICA), Kuwait (KFAED) and Denmark to invest in critical projects and programs in the country. The country's major borrowings have been for investment in hydropower projects, which have led to rapid economic growth in the country. In addition, the Government has also been borrowing for investment in other social projects and programs, the borrowings for such projects and programs have mainly been from external concessional windows.

For a resource-constrained economy like Bhutan, prudent borrowing for investment in critical infrastructures can promote socio economic growth over a medium to long term period. However, reckless borrowing for spending on unproductive and poorly executed projects and programs can lead to rapid accumulation of public debt without economic and social returns, which could jeopardize the fiscal sustainability and the macroeconomic stability.

Thus, this chapter presents the public debt situation and its debt trajectory along with its associated indicators. In addition, the chapter also presents the debt servicing, and the Government's financing requirement along with the financing outlook and the strategy for the medium term.

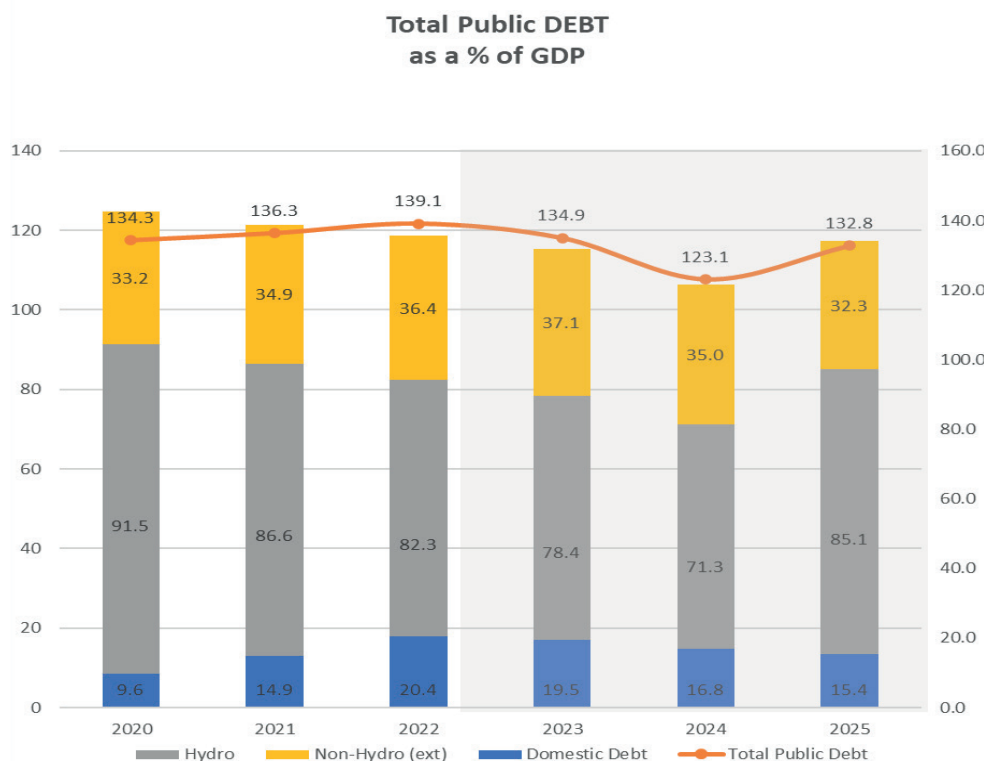
5.2 Total Public Debt and its Trajectory:

As of 31st March 2023, the total public debt stood at Nu.267,401.3 million, accounting for 132.1 percent of GDP for FY 2022-23. Of the total public debt stock, Nu.240,851.3 million (119 percent of GDP) is external debt and Nu.26,550 million (13.1 percent of GDP) is domestic debt.

The hydropower debt at Nu.167,739.8 million constitutes 69.6% of total external debt and 82.8% of GDP. The non-hydro debt at Nu.73,111.5 million constitutes 30.7% of total external debt and 36.1% of GDP.

The Public Debt Policy 2016 requires the Non-Hydro debt stock to be within 35% of GDP during a five-year plan period. The average non-hydro debt ratio to GDP for the past four years (including 31st March 2023) of the 12th FYP is 31.5% and is, therefore, within the threshold. A major share of the public debt comprises the external debt mainly on account of borrowings for hydropower development in the country and availability of concessional borrowings from development partners. Figure 5.1 depicts the total public debt for past years and the projected debt trajectory for the medium term.

Figure 5.1: Total Public Debt as a percent of GDP



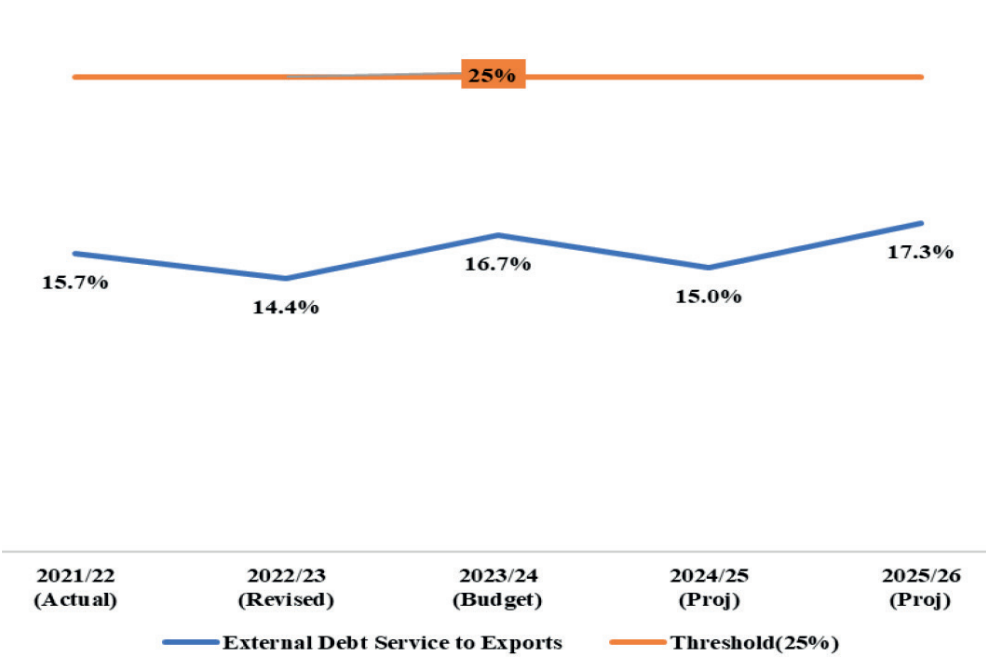
In FY 2023-24, the total public debt is estimated at 134.9 percent of GDP. With regard to the non-hydro external debt, it is expected to reach 36.4 percent of GDP in FY 2022-23 and 37.1 percent of GDP in FY 2023-24 respectively. Similarly, the domestic debt which forms a marginal portion of the public debt is expected to grow in the foreseeable future.

5.3 External Debt Indicators:

The Public Debt Policy 2016 prescribes thresholds for several external debt indicators to ensure that the country’s debt is sustainable. This section presents the key external debt indicators as measured against their threshold prescribed by the Policy.

External Debt Service to Export Ratio: The ratio of external debt service to exports measures how much of the country’s export earnings will be used for servicing its external debt obligations. The Public Debt Policy sets the threshold of this ratio at 25 percent. Figure 5.2 presents the external debt service to export ratio for five years.

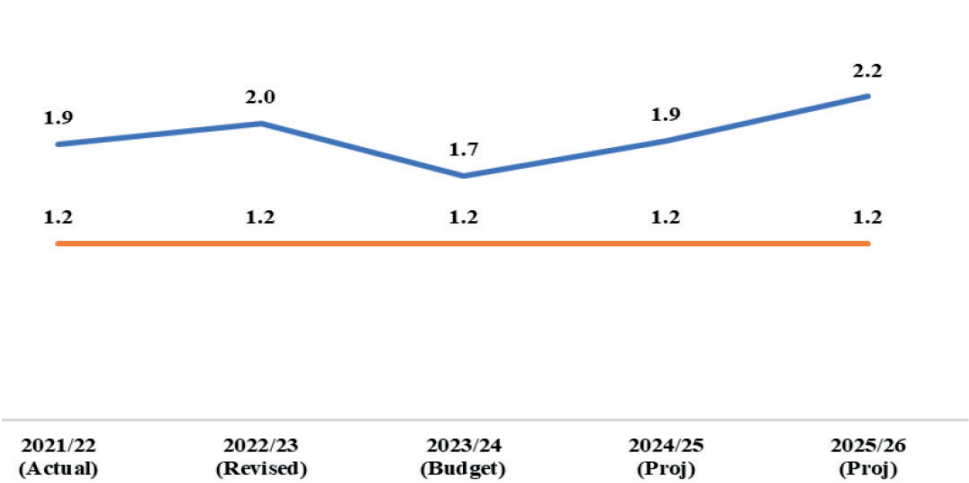
Figure 5.2: External debt service to exports ratio



The external debt service to export ratio is expected to remain within the 25 percent threshold. The commissioning of the Nikachhu Hydroelectric project in December 2023 and Puna II in December 2024 will increase exports but will also increase the debt servicing. However, the growth in export earning is expected to outweigh the growth in debt servicing.

Hydro Debt Service Coverage Ratio: This ratio measures coverage of annual hydropower debt service by operating profits of hydropower plants. The hydro debt service coverage ratio should not be less than 1.2. Figure 5.3 presents the ratio for the recent two years and outlook for the medium term.

Figure 5.3: Hydro Debt Service Coverage Ratio



In FY 2023-24, the expected debt service coverage ratio is 1.7 while in the medium term, its coverage ratio is projected to improve beyond 2, which would be an ideal debt coverage ratio.

5.4 Financing for FY 2023-24:

The gross financing need (GFN) is the sum of fiscal deficit, on-lending and principal repayments. For FY 2023-24, the GFN is estimated at Nu.32,009.3 million, which will be financed through principal recoveries and borrowings (external concessional windows & domestic market). In keeping with the public debt management objectives, the Government will resort to external concessional borrowings to lower the cost of funds and complement the balance of payment. The Government will source the balance from the domestic market to facilitate development of the capital market. The gross financing requirement and sources of funds of financing for the FY 2023-24 are presented in Table 5.1

Table 5.1 Financing Statement*Nu.in million*

FINANCING (fiscal deficit)	21,348.373
A. Net Acquisition of Financial Assets (Net Lending)	2,596.467
On-lending	1,508.810
Principal Recoveries	4,105.277
B. Net Incurrence of Liabilities (Net Borrowing)	18,751.906
B1. Net External Borrowing	2,202.729
Borrowing	8,354.840
Repayment	6,152.111
B2. Net Domestic Borrowing	16,549.177
Borrowing	19,549.177
Repayment	3,000.000

While the fiscal deficit for FY 2023-24 is estimated at Nu.21,348.4 million, the gross financing need (GFN) for the FY is Nu.32,009.3 million.

To meet the GFN for FY 2023-24, the Government will use principal recoveries of Nu.4,105.3 million and source Nu.8,354.8 million from external concessional windows. The remaining Nu.19,549.2 million will be sourced from the domestic market through issuance of long-term government bonds.

5.4.1 Borrowings:

External Borrowings:

All the external borrowings are concessional loans from multilateral Financial Institutions such as ADB, World Bank, and IFAD. The loans from these institutions are available at highly concessional terms, with a nominal interest rate (0.75 percent to 1.5 percent), long grace period (8-10 years), and long repayment period (24 - 30 years). The planned external borrowings for FY 2023-24 are presented in Table 5.2.

Table 5.2: External Budgetary Borrowings for FY 2023-24*Nu.in million*

Project and Programs	Funding Agency	Amount
A. Project-tied borrowings		
SASEC Transport, Trade Facilitation and Logistics Project (Loan 3421-BHU(SF))	ADB	199.444
Phuentsholing township development project	ADB	373.000
Secondary towns urban development project	ADB	235.060
Phuentsholing township development project-additional financing (loan)	ADB	339.000
Green resilience affordable housing sector project	ADB	796.810
Water flagship program support project.	ADB	47.600
COVID-19 emergency response and health systems preparedness project	IDA	1.800
PforR Bhutan human capital recovery and resilience project	IDA	612.867
Covid-19 Emergency response & health systems preparedness project-additional financing	IDA	413.594
Commercial agriculture & resilient livelihoods enhancement programme (CARLEP-Loan)	IFAD	135.665
Total project-tied borrowings		3,154.840
B. Program borrowings		
Fiscal sustainability and green recovery program	ADB	2,800.000
Development policy credit	IDA	2,400.000
Total program borrowings		5,200.000
Total external borrowings		8,354.840

The external borrowing for FY 2023-24 is estimated at Nu.8,354.8 million, of which Nu.5,200 million is program borrowings and Nu.1,646 million is project-tied borrowings. The program borrowings are for financing the Government's budgetary activities, whereas Nu.1,508.8 million of the project-tied borrowings are for on-lending to SOEs.

Domestic borrowings: The Government resorts to domestic borrowing when the principal recoveries and external concessional financing are inadequate to meet the GFN. In FY 2023-24, the principal recoveries could

meet 12.8 percent of the GFN and the external concessional borrowings is expected to meet only 26.1 percent of GFN. Therefore, 61.1 percent (Nu.19,549.2 million) has to be financed from the domestic market through issuance of long-term financial instruments. The need to source financing from the domestic market is increasing every year and availability of liquidity in the market is a concern. This may impose certain risks and challenges in the implementation of the approved budget.

5.4.2 Debt Servicing:

The total debt servicing (interest and principal payments) in FY 2023-24 is projected at Nu.14,536.8 million, of which interest payment is Nu.5,384.6 million and principal repayment is Nu.9,152.1 million. The details of debt servicing are presented in Table 5.3.

Table 5.3: Projected debt servicing in FY 2023-24

Nu.in million

Category	Interest	Principal	Debt Servicing
1. External			
ADB	835.546	1,500.000	2,335.546
World Bank	404.413	900.000	1,304.413
IFAD	34.000	146.111	180.111
GOA	43.000	680.000	723.000
JICA	4.000	140.000	144.000
GoI (for MHP)	2,013.700	2,786.000	4,799.700
Total External Debt Servicing	3,334.659	6,152.111	9,486.770
2. Domestic			
T-Bonds for Financing	1,450.00	3,000.00	4,450.000
T-Bills for Cash Management	600.00	-	600.000
Total Domestic Debt Servicing	2,050.000	3,000.00	5,050.000
Total Debt Servicing (External & Domestic)	5,384.659	9,152.111	14,536.770

The external debt service for FY 2023-24 is estimated at Nu.9,486.8 million of which more than 50 percent is on account of debt servicing for the MHP loan.

Domestic debt servicing accounts to 34.7 percent of total debt service in FY 2023-24. The spike in domestic debt service is owing to the redemption of the first 3-year government bond issued in September 2020 amounting to Nu.3,000 million.

5.4.3 On-Lending and Principal Recoveries:

On-lending refers to government borrowing funds from external/domestic sources and relending to another borrower, typically domestic entities such as State-Owned Enterprises (SOEs) to provide financing support. Similarly, the principal recovery is the reversal process where the government is recovering from the SOEs based on an amortization schedule. The difference between on-lending and principal recoveries is known as net-lending where negative net-lending indicates surplus resources for the Government and vice versa. The net-lending in FY 2023-24 is estimated at negative Nu.2,596.5 million. The details of net lending calculations are presented in Table 5.4.

Table 5.4: Net Lending

Nu.in million

On-lending & Recoveries	Amount
A. On-lending to:	
DHI-for Phuentsholing Township Development Project (ADB)	712.000
NHDCL-for Green & Resilient Affordable Housing Project	796.810
Total on-lending	1,508.810
B. Principal recoveries from:	
Bhutan Development Bank Limited	29.513
Bhutan Power Corporation Limited	125.909
Basochu Hydropower Plant	145.325
Dagachu Hydropower Corporation	605.374
Tangsibji Hydro Energy Limited	313.792
Mangdechhu Hydropower Plant	2,785.005
Drukair	25.358
NCSIDBL	75.000
Total Principal Recoveries	4,105.277
Net Lending	-2,596.467

In FY 2023-24, the Government will on-lend Nu.1,508.8 million, of which Nu.712.0 million is to DHI for Phuntsholing Township Development Projects, and Nu.796.8 million to NHDCL for financing Green Resilience Affordable Housing Sector project. All on-lending is financed through concessional borrowings from the ADB.

The total principal recovery for FY 2023-24 is estimated at Nu.4,105.3 million. Around 67.8 percent of the principal recovery is from the MHP and the rest 32.2 percent is from other SOEs as shown in Table 5.4 above.

5.5 Medium-term Financing Strategy

5.5.1 Financing Strategy:

The Government will continue to explore borrowing from external concessional windows to meet the financing requirement in the medium term. The borrowings from concessional windows should help lower the Government's financing cost in keeping with the objectives of the Public Debt Policy 2016.

In the medium term, based on the financing need and availability of concessional loans from external sources, the Government will also have to borrow from the domestic market by issuing long-term government bonds and short-term T-Bills. Apart from meeting the financing requirements of the Government, the issuance of T-Bills and long-term Government bonds will support development of the domestic capital market.

The Government will ensure that the financing strategies for the medium term are implemented with a high degree of prudence to minimize risks of default, prevent crowding out of private sector lending and maintain the country's public debt at sustainable level.

Table 5.5: Medium-term financing outlook

Nu.in million

	2021-22 (Actual)	2022-23 (Revised)	2023-24 (Budget)	2024-25 (Projection)	2025-26 (Projection)
Financing (fiscal deficit)	15,031.954	15,922.050	21,348.373	1,444.899	(1.243)
A.Net Acquisition of Financial Asset	(3,677.617)	(3,674.081)	(2,596.467)	(3,363.811)	(2,977.782)
On-lending	259.402	1,413.900	1,508.810	800.000	800.000
Principal Recoveries	3,937.019	5,087.981	4,105.277	4,163.811	3,777.782
B. Net Incurrence of Liabilities	11,354.337	12,247.969	18,751.906	(1,918.913)	(2,979.026)
B.1 Net External	4,086.726	4,137.776	2,202.729	(3,206.515)	(5,684.826)
Borrowing	9,520.802	9,878.300	8,354.840	2,622.008	1,812.892
Repayment	5,434.076	5,740.524	6,152.111	5,828.523	7,497.718
B.2 Net Domestic	7,267.611	8,110.193	16,549.177	1,287.602	2,705.800
Borrowing	7,280.781	8,110.193	19,549.177	1,287.602	2,705.800
Repayment	13.170	-	3,000.000	-	-

Chapter 6: Fiscal Risk

6.1 Overview:

Fiscal risk is generally defined as actual outcomes deviating from what was expected during the time of budget formulation or other forecasts. Fiscal risk arises from macroeconomic shocks (General Fiscal Risk) and/or realization of contingent liabilities (Specific Fiscal Risks) in Bhutan's case. In absence of adequate savings or surplus, such downside risks can exert unexpected spending pressures or revenue losses often requiring immediate and ad hoc adjustments which lead to disruptive macro-fiscal outcomes. The failure to identify, measure, disclose, and prepare for such fiscal risk can cause additional Government obligations, larger public debts, and occasionally, refinancing difficulties and eventually crises.

In this section, various risks and challenges that could pose fiscal uncertainty have been evaluated. Mainly the impact of shock on economic growth, primary balance, export, exchange rate and contingent liability on public debt has been assessed.

6.2 Macroeconomic Risks:

Bhutan in tandem with global and regional macroeconomic growth outlook is anticipated to grow at 4-5 percent during the next few years. The expansionary fiscal policy has stimulated growth during the post pandemic period, however, structural imbalance in the economy still persists making the economy still vulnerable to various risks and challenges. Internal factors such as surging prices of food and non-food commodities, lagging labour market including exodus of skilled workers seeking better job opportunities abroad, and challenging external sector situation (looming current account deficit and depleting reserves) poses downside risks. Risk from external factors will slow global post pandemic recovery, trade war, deteriorating geopolitical environment causing rise in price of commodities especially food and energy.

The following macroeconomic risk for Bhutan has been evaluated in the present value (PV) of debt to GDP ratio as per the Debt Sustainability Analysis (DSA) and shown in graph below:

GDP growth shock - Bhutan's economic growth is susceptible to both internal and external factors as highlighted above. A GDP growth shock of negative 1 and 2 Standard Deviation (SD) escalates the PV of debt to GDP to 128 percent and 135 percent respectively, as compared to the baseline ratio of 119 percent during 2023. Similarly, in 2024 the ratio also deteriorates to 131 percent and 148 percent as compared to the baseline of 112 percent.

Primary Balance Shock - Government revenues are dependent on economic performance and resource mobilization. Any fall in domestic revenue or unexpected increase in expenditures can affect primary balance. A negative 1 and 2 SD on primary balance will deteriorate the PV of debt to GDP ratio to 120 percent and 121 percent respectively as compared to the baseline ratio of 119 percent during 2023. Similarly, the ratio for 2024 deteriorates to 114 percent and 116 percent respectively as compared to the baseline ratio of 112 percent.

Export Shock - Export growth is crucial against the backdrop of increasing outflows (imports) and depleting reserves. Bhutan's export largely constitutes hydro-electricity followed by metal and chemical products, food, wood and rubber. However, export growths have remained low which in turn reflects the slow private sector growth. An export shock of negative 1 and 2 SD during 2023 escalates the PV of debt to GDP ratio to 124 percent and 128 percent respectively as compared to the baseline ratio of 119 percent. The ratio worsens to 122 percent and 131 percent respectively as compared to the baseline ratio of 112 percent during 2024.

Exchange Rate Shock – Exchange rate depreciation can put pressure on the government debt denominated in foreign currencies. A 10 percent and 20 percent exchange rate depreciation can increase the PV of debt to GDP ratio to 128 percent and 138 percent respectively as compared to the baseline of 119 percent during 2023. Similarly, the ratio deteriorates to 119 percent and 126 percent respectively during 2024.

Combination of all GDP, Primary Balance, Export and Exchange Rate Shock: A combination of all macroeconomic shocks explained above including growth shock, primary balance shock, export shock and exchange rate shock on debt has been examined and shown below. A negative 1 SD on GDP growth, Primary Balance and Export combined with a 10 percent depreciation on exchange rate deteriorates the PV of debt to GDP ratio to

128 percent in 2023 and 127 percent in 2024 compared to its baseline 119 percent and 112 percent respectively. Further, a negative 2 SD combined with 20 percent exchange rate depreciation worsens the debt to GDP ratio to 135 percent in 2023 and 136 percent in 2024.

Figure 1. GDP growth shock on Debt

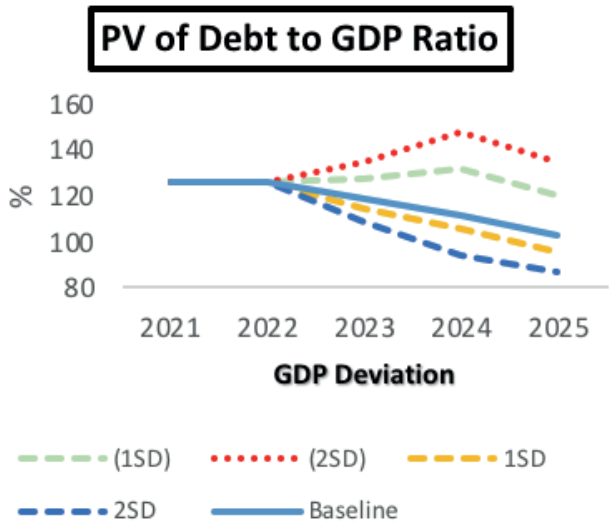


Figure 2. Primary Balance shock on Debt

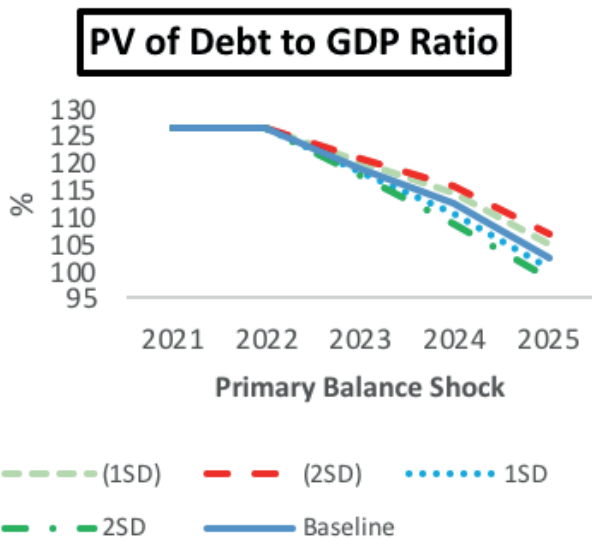


Figure 3. Export Growth shock on Debt

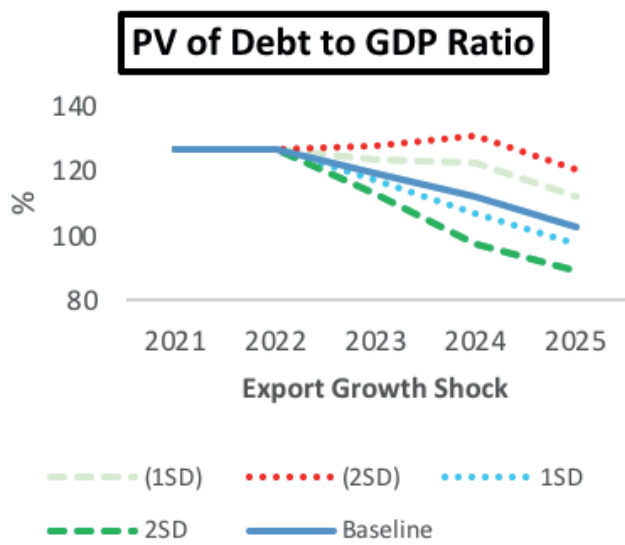


Figure 4. Exchange Rate shock on Debt

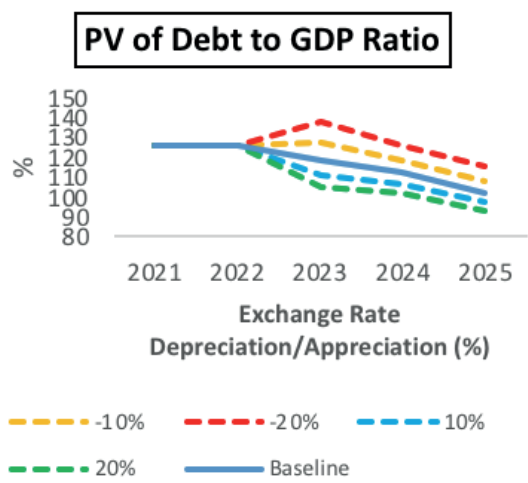
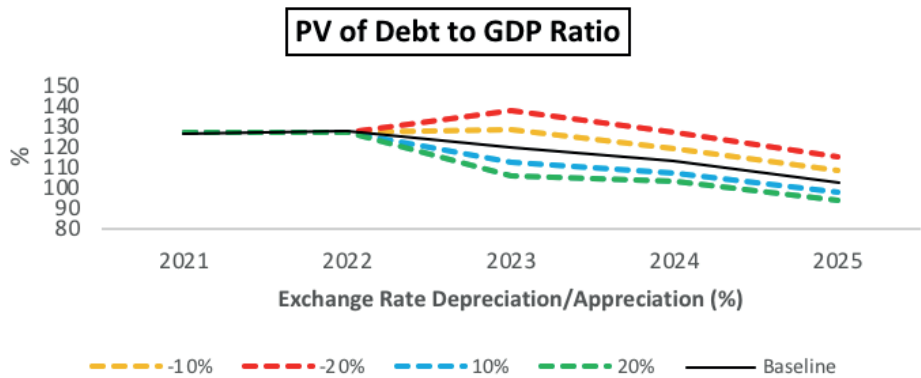


Figure 5. Combination of GDP, PB, Export and Exchange Rate on Debt



6.3 Specific Fiscal Risks:

Specific fiscal risks are classified under two categories – Contingent liability and other risks. Contingent liability in Bhutan comes through various (including implicit and explicit guarantees) SOEs and related public institutions. Further, realization of contingent liabilities or other uncertain events can also arise from the bailout of a public corporation or the collapse of a bank. Each of these events can entail both immediate and on-going costs to the Government.

6.3.1 Contingent Liability:

The fiscal risks arising from contingent liability are summarized in table below as explicit and implicit liabilities under domestic and external borrowing. Explicit external liabilities are guarantees issued to SAARC Development Fund on behalf of Drukair Corporation Ltd. for financing the purchase of new ATR 42-600. Explicit domestic liabilities are guarantees issued to National Pension and Provident Fund on behalf of Druk Air Corporation Ltd. for financing the purchase of new Aircraft A320 Neo, National Housing Development Corporation Ltd. for affordable housing project in Phuntsholing, Bhutan Development Bank Ltd. for OESD loan scheme to youth and to Bank of Bhutan on behalf of Bhutan Agro-Industries Ltd. for setting up of an integrated agro-based industry in Lingmithang, Monggar, and to various participating financial institutions under the National Credit Guarantee Scheme. Implicit domestic liabilities in the forms of guarantees issued for various DHI and SOE companies are also shown in Table 6.1 below.

Table 6.1 Contingent Liabilities*Nu.in million*

	Explicit	Implicit
External	2,146.559*	-
Domestic	2,921.620*	4,834.300**

*As of 31st March 2023 **As of June 2022

6.3.2 Others:

Other risks in the form of natural disaster and resurgence of pandemic like COVID-19 continue to pose downside risk to the fiscal projections and sustainability.

6.4 Fiscal Risk Assessment Matrix:

The summary of all the fiscal risk discussed above and the likelihood of its realization is presented in the Table 6.2 below.

Table 6.2 Fiscal Risk Assessment Matrix for FY 2023-24

Fiscal Risks	Base Value	Shock Magnitude/ Realization	Shock Value	Occurrence Likelihood
1. Macroeconomic Risks				
1.1 GDP Growth	4.70%	-1SD	-2.27%	High
1.2 Primary Balance	-5.12%	-1SD	-2.70%	Moderate
1.3 Export Growth	4.66%	-1SD	-4.59%	Moderate
1.4 Exchange Rate	1USD=80Nu	-10%	1USD=88Nu	Moderate
1.5 Combination of All (1.1 to 1.4)		-1SD&-10%		Low
2. Specific Fiscal Risks				
2.1 Contingent Liabilities				
2.1.1 External Explicit	Nu.2,146.559 M	<10% of Total		Moderate
2.1.2 Domestic Explicit	Nu.2,921.620 M	<10% of Total		Low
2.1.3 Domestic Implicit	Nu.4,834.300 M	<10% of Total		Low
2.2 Others (Disaster/ Natural Calamities)				Moderate

High Risk - GDP growth shock is categorized as high risk because of the current macroeconomic situation especially from the external sector challenges wherein goods and service balance remain negative and elevated (inflows are low and outflows increasing) leading to fast depleting reserves.

Moderate Risk- Primary Balance is categorized as moderate risk owing to the fiscal consolidation path and the increasing repayments of interests. Export growth is categorized as moderate as industries are struggling to export and export itself is susceptible to other GDP shocks and exchange rate shocks. Exchange rate depreciation is categorized as moderate especially against the backdrop of recent increase in the interest rate by the Fed and the likely capital flight from developing countries into the USA and the USD appreciation against other currencies including INR and Nu.

Realizations of about less than 10 percent of the total External Explicit Contingent Liabilities are categorized moderate owing to the current low air transport turnover/income generation against the backdrop of low tourist arrivals and overall international movements in and out of Bhutan.

Natural Calamities and Other Disasters are also considered moderate as Bhutan is susceptible to climate change and other natural disasters like earthquakes, windstorms, Glacial Lake Outburst Flood.

Low Risk- The occurrence of all GDP growth shock, Primary Balance shock, Export growth shock and Exchange rate depreciation is considered low for Bhutan. Similarly, the realization of 10 percent of the total Domestic Explicit and Domestic Implicit Contingent Liability is low risk.

Chapter 7: Financial Position of Public Sector Institutions and Investments

7.1 Overview:

The State-Owned Enterprises (SOEs) play a strategic role in providing infrastructure and ensuring efficient public services, and constitute a major part of the economy. While the primary objective of SOEs is to operate as a successful business, they also deliver social mandates to produce and/or deliver goods and services that may not be profitable. A fundamental challenge that many SOEs under the Ministry of Finance (MoF) face is to achieve both commercial and social objectives. The social goals often carry financial cost, making it difficult to evaluate SOE's financial performance.

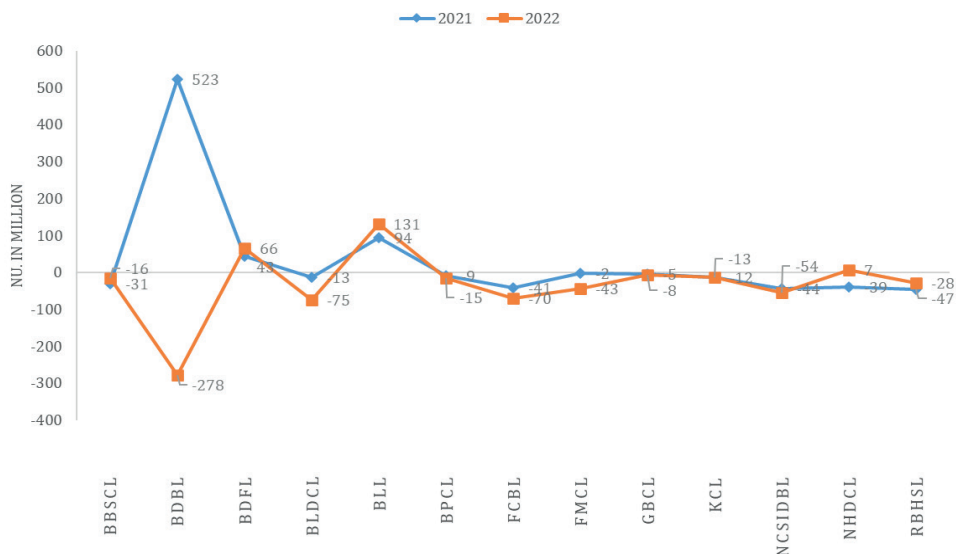
7.2 SOEs under the Ministry of Finance:

Under the MoF, there are thirteen SOEs (eleven wholly-owned and 2 majority-owned). Of the eleven wholly-owned SOEs in 2022, the Royal Bhutan Helicopter Services was merged with the Druk Air Corporation as a transformation initiative. The initiative is a reform aimed to enhance operational efficiency, reduce the SOEs sector size, measures to track fiscal support, and strengthen financial oversight.

7.2.1 SOE Performances:

During the year 2022, SOEs contributed Nu.245.5 million in the form of tax and dividends. The tax contribution decreased to Nu.92.5 million as compared to Nu.201 million in 2021 which is attributed to the losses incurred by 9 SOEs. However, the dividend contribution increased from Nu.110 million in 2021 to Nu.153 million in 2022 due to improved revenue performance of Bhutan Lottery Limited and Bhutan Duty Free Limited. As of December 2022, the combined net asset of SOEs stands at Nu.8,480 million, a decrease of 10 percent as compared to the previous year.

Figure 7.1: Profit/loss after tax



7.2.2 Subsidies to SOEs:

In the FY 2021-22, Nu.700.8 million was transferred as subsidies to SOEs. The subsidy transfer in FY 2022-23 is estimated at Nu.412.3 million, which is a decrease of 41.2 percent as compared to the previous year. The decrease was mainly on account of reduction of operational subsidy to FCBL and FMCL.

Nevertheless, the Government is undertaking a phased approach to reduce subsidy support for the SOEs, emphasizing the need for their financial sustainability. Additionally, the initiative to address the financial discipline and shift from a social mandate mindset to a business-oriented concept will play a crucial role in ensuring the long-term financial sustainability of the SOEs. By adopting a more business-focused approach, the SOEs can optimize their operations, enhance efficiency, and make informed financial decisions to secure their viability in the competitive market landscape.

Figure 7.2: Summary of Subsidy



Table 7.1: Summary of Subsidies to SOEs

Nu.in million

SOEs	2021/22 (Actual)	2022/23 (Estimate)	2023/24 (Projection)
Bhutan Agro Industries Ltd.	5.579	14.459	14.47
Bhutan Broadcasting Service	235.71	182.77	220.87
Food Corporation of Bhutan Ltd.	177.50	88.12	
Farm Machinery Corporation Ltd.	75.71	-	-
National Housing Development Corporation Ltd.	59.61	53.96	52.76
Green Bhutan Corporation Ltd.	22.59	22.59	
National CSI Development Bank Ltd.	124.13	50.45	54.15
Subsidy amount	700.82	412.35	342.25

7.3 Druk Holding & Investment (DHI) and Subsidiaries:

DHI is the commercial investment arm of the Government guided by a Royal Charter. DHI is a holding company which holds centralized ownership over its portfolio of the SOEs on behalf of the Government with the MoF owning 100 percent of shares in DHI. DHI is mandated to play a role in promoting a resilient and diversified economy.

The SOEs under DHI fall under three categories: (i) Wholly-owned (100 percent ownership by DHI), (ii) Controlled (more than 50 percent shares), and (iii) Linked companies (20-50 percent shares).

7.3.1 DHI- Standalone Performance:

In FY 2022, DHI's revenue increased by 26 percent to Nu.10,565.6 million, from Nu.8,357 million in 2021. The increase was mainly due to the increase in dividends from subsidiary companies by 27 percent from Nu.8,025.7 million in FY 2021 to Nu.10,171 million in FY 2022 as shown in Table 7.2 below.

Correspondingly, expenditure also increased by 36 percent to Nu.207 million in 2022 from Nu.152.2 million in 2021. The increase was mainly caused by an increase in employee related costs.

Table 7.2: Dividend Income from Subsidiaries

Nu.in million

Particulars	31-Dec-20	31-Dec-21	31-Dec-22
Dividend income from Subsidiaries			
State Trading Corporation of Bhutan Ltd.	13.76	-	22.94
Bank of Bhutan Ltd.	-	-	-
Bhutan Telecom Ltd.	771.76	1,550.00	2,022.00
Druk Green Power Corporation	5,132.99	5,600.00	5,110.00
Druk Air Corporation Ltd.	3.00	-	-
State Mining Corporation Ltd.	316.44	364.55	1,793.34
National Resources Development Corporation Ltd.	-	9.00	-
Bhutan Power Corporation Ltd	412.14	460.59	1,012.27
Penden Cement Authority Ltd.	-	-	-
Thimphu Tech Park Ltd.	2.20	22.31	57.60
Wood Craft Centre Ltd.	3.00	1.50	-
Menjong Sorig Pharmaceuticals Corporation Ltd.	-	-	3.80
Sub-Total	6,655.30	8,007.95	10,021.95
Dividend income from Associates and Portfolios			
Bhutan Ferro Alloys Ltd.	-	19.30	115.78
Bhutan National Bank Ltd.	3.38	-	-
Dividend income from KKR	-	-	17.87
Dividend income from investment abroad	-	-	15.43
Sub-Total	3.38	19.30	149.08
Grand Total	6,658.68	8,027.24	10,171.03

During the year, DHI contributed Nu.7,089.8 million to the domestic revenue in the form of taxes (Nu.3,112.8 million) and dividend (Nu.3,977 million), which is an increase of 29 percent as compared to the previous year mainly on account of increase in dividend from the Bhutan Telecom, BPC, SMCL, BFAL, and investment from abroad. The total revenue (taxes and dividend combined) contribution from the DHI amounted to 17.4 percent of the total domestic revenue.

Table 7.3: Tax and Dividend Pay-out of DHI

Nu.in million

Particulars	2020	2021	2022
Corporate Income Tax (CIT)	2,089.84	2,454.06	3,112.81
Dividend Payout (DP)	4,532.00	3,021.00	3,977.00
% Change in DP	10.5%	-33.3%	31.6%
Total Revenue from DHI	6,621.84	5,475.06	7,089.81
% Share to Domestic Revenue	19.9%	15.9%	17.4%

In 2022, the total assets of the DHI grew by 11% to Nu.77,184.1 million from Nu.69,312.5 million in 2021. It was mainly attributed to an increase in capital work in progress (Nu.2,956.4 million) and long-term financial assets (Nu.2,526.5 million).

Table 7.4: Financial Position of DHI Standalone

Nu.in million

Particulars	31-Dec-20	31-Dec-21	31-Dec-22
Non-current Assets	59,541.34	63,377.67	70,703.19
Current Assets	6,609.18	5,934.84	6,480.95
Total Assets	66,150.52	69,312.51	77,184.14
Equity	63,681.64	65,872.53	70,468.04
Non-current liabilities	1,443.56	1,689.82	4,531.87
Current liabilities	1,025.32	1,750.15	2,184.23
Total Equities & Liabilities	66,150.52	69,312.51	77,184.14

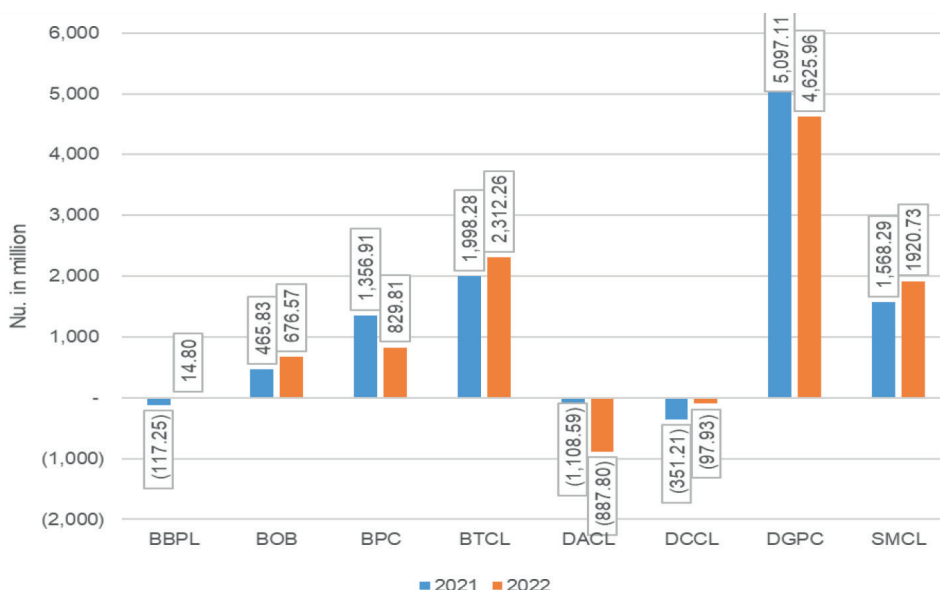
7.3.2 Performance of subsidiary companies:

As a Group (where subsidiary companies' revenues and expenditure are consolidated) DHI generated a gross revenue of Nu.62,206.8 million, an increase of 12 percent from Nu.55,447.7 million in FY 2021. The increase in

revenue is attributed to an increase in revenue from State Mining Corporation Limited, Bhutan Power Corporation Limited, and Drukair Corporation Limited.

The profit after tax, however, decreased by 5 percent to Nu.11,073.5 million from Nu.11,650.9 million reported in FY 2021. Nonetheless, a total of Nu.8,010.7 million was remitted as the Group CIT for the year. The SMCL also contributed Nu.495.1 million as Royalty and License fee. Similarly, DGPC made a royalty pass through payment of Nu.2,348.7 million to MoF in FY 2022.

Figure 7.3: Profit/loss after tax for DHI subsidiaries companies



7.3.3 Subsidies to DHI Companies:

The subsidies provided to DHI companies include the interest subsidy (Drukair Corporation Limited (DACL) and subsidies channeled to citizens via companies (Bhutan Power Corporation Limited (BPCL) and Royal Insurance Corporation of Bhutan Limited (RICBL)). In FY 2021-22, total subsidies transferred to DHI companies amounted to Nu.1,656.9 million. The subsidy of Nu.1,471 million was channeled through the BPCL for domestic power tariff, Nu.103.8 million was provided to the DACL and Nu.82.2 million channeled through the RICBL for rural house and life insurance.

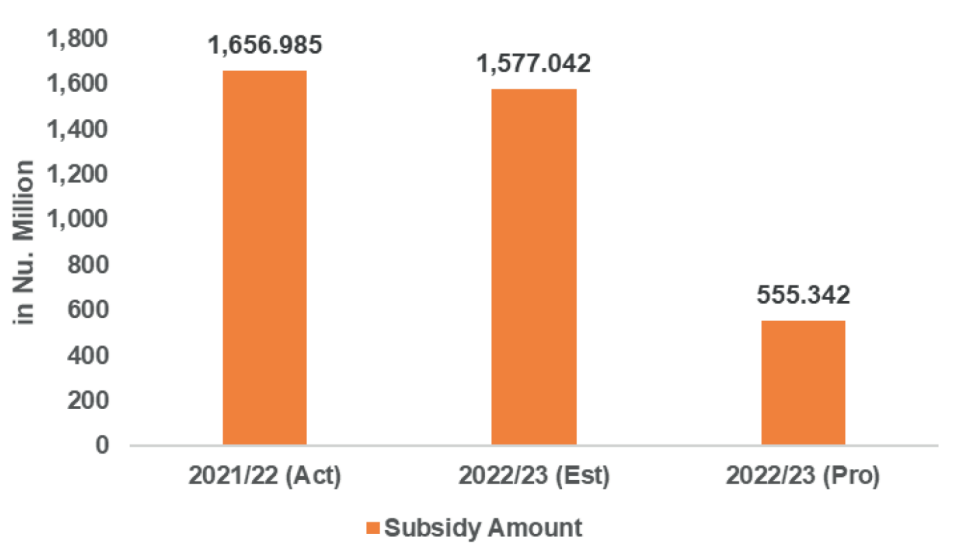
In the FY 2022-23, the subsidies to DHI companies are expected to decline by about 5 percent and in the subsequent year, it is further expected to decline by 65 percent mainly contributed by revision in domestic electricity tariff as shown in the table below.

Table 7.5: Subsidy to DHI Subsidiaries

Nu.in million

DHI Subsidiaries	2021/22 (Actual)	2022/23 (Estimate)	2022/23 (Projection)
Bhutan Power Corporation Ltd.	1,471.000	1,406.436	396.302
Druk Air Corp. Ltd.	103.758	86.606	75.110
Royal Insurance Corporation of Bhutan Ltd.	82.227	84.000	83.930
Subsidy Amount	1,656.985	1,577.042	555.342

Figure 7.4: Subsidy to DHI Subsidiaries



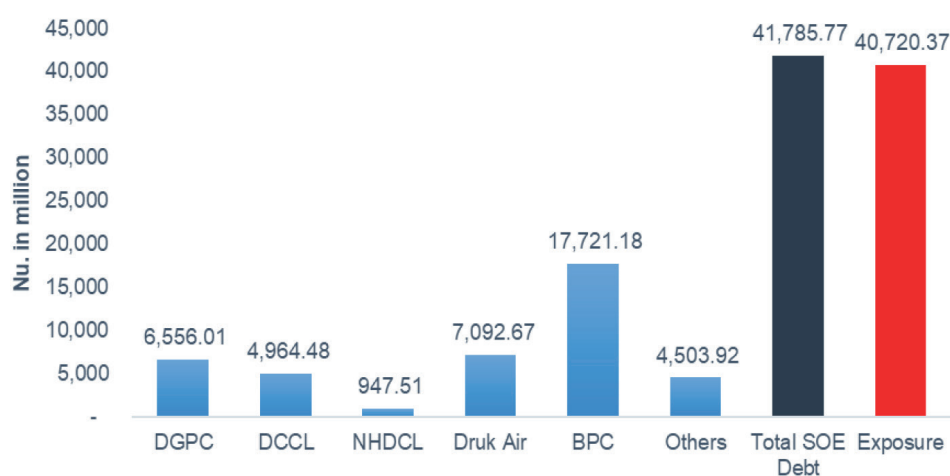
7.3.4 State-Owned Enterprises' Debt:

The overall SOE Debt increased from Nu.39,359.9 million to Nu.41,785.7 million in the year 2022. The increase was due to an increase in borrowing by the BPC by 37 percent for transmission lines and rural electrification projects.

Table 7.6: Summary of SOE Debt*Nu.in million*

Particulars	2020	2021	2022
Short-term	4,538.47	3,945.74	5,466.31
Long-term	31,310.72	35,414.22	36,319.47
Total SOE Debt	35,849.19	39,359.96	41,785.77

In terms of exposure, based on the shareholding pattern, the Government's share of SOEs debt was 97.5 percent of the total SOE debt amounting to Nu.40,720.4 million.

Figure 7.5: SOE's Debt and Government Exposure

7.3.5 Sovereign Guarantee:

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. As of 31st December 2022, the Government guaranteed the borrowing of Nu.4,988.1 million to the SOEs showing an explicit contingent liability to the extent of the guaranteed amount.

Table 7.7: Summary of Sovereign Guarantee as of 31st December 2022

Nu. in million

Name of the beneficiary	Issue date	Issued by	Guaranteed Amount		Years	Outstanding Amount
Guaranteed by Government			USD	Nu.		Nu.
National Housing Development Corporation Ltd.	11-09-17	NPPF		890.00	20	678.41
Bhutan Agro Industries Ltd.	05-06-17	BOBL		166.00	20	145.37
Bhutan Development Bank Ltd.	09-03-18	NPPF		521.00	5	56.65
Drukair Corp. Ltd.	11-02-19	NPPF	36.60		11	2,692.59
Drukair Corp. Ltd.	13-08-19	SDF	13.00		10	834.96
National Credit Guarantee Scheme	Multiple dates	BOB, NCSI, BDB		580.14		580.14
Total			49.60	2,157.14		4,988.14

Similarly, DHI has guaranteed Nu.8,423.4 million to its subsidiaries in 2022 as shown in the table 7.8 below, which is an implicit contingent liability to the Government:

Table 7.8: Summary of Sovereign Guarantee under DHI

Nu. in million

Sl. No.	Subsidiaries	Guaranteed Amount	Outstanding Amount
1	Azista Bhutan Healthcare Ltd.	81.20	60.02
2	Bhutan Power Corporation Ltd.	2,000.00	880.82
3	Construction Development Corporation Ltd.	722.41	702.64
4	Drukair Corp. Ltd.	1,700.00	1,136.26
5	Dungsam Cement Corporation Ltd.	4,840.14	4,640.86
6	DHI Private	672.00	651.75
7	Koufuku International Ltd.	24.00	24.26
8	National Resources Development Corporation Ltd.	170.00	145.18

Sl. No.	Subsidiaries	Guaranteed Amount	Outstanding Amount
9	State Mining Corporation Ltd.	80.00	32.22
10	State Trading Corporation of Bhutan Ltd.	40.00	42.19
11	Thimphu Tech Park Ltd.	109.09	107.24
	Total	10,438.84	8,423.44

7.3.6 Medium-term Outlook of SOEs:

During FY 2022-23, the contribution from the CIT and dividend transfer from SOEs is likely to increase considering new measures undertaken in tandem with economic growth.

Table 7.9 Medium-term CIT and Dividend Transfer Outlook

Nu.in million

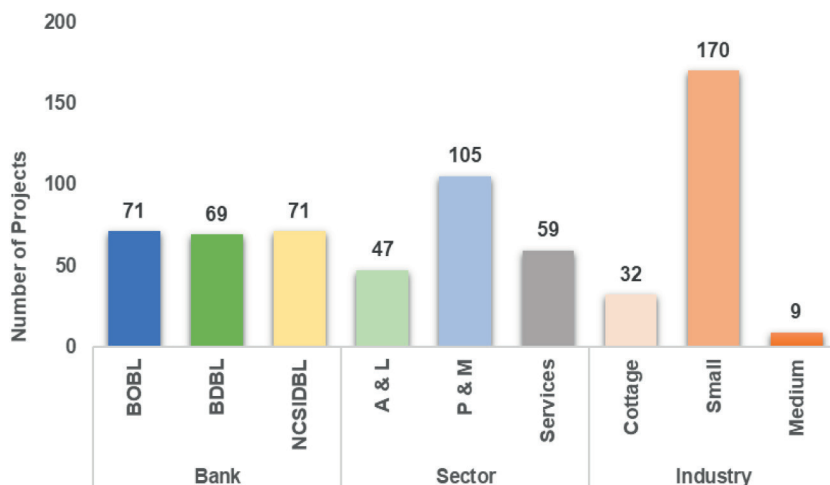
Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Actual	Estimate	Projection	Projection
Dividend Transfer					
MoF-SOE	19.000	120.000	130.000	144.460	165.030
DHI	3,021.000	3,977.000	3,600.000	5,042.080	7,903.450
Sub total	3,040.000	4,097.000	3,730.000	5,186.540	8,068.480
CIT Contribution					
MoF-SOE	14.817	201.447	191.135	220.730	234.961
DHI	2,089.000	2,463.050	3,113.430	2,909.340	3,287.095
DGPC	2,270.493	2,159.110	2,139.120	2,209.208	2,458.410
BPC	177.521	378.670	330.262	465.527	478.599
Sub total	4,551.830	5,202.277	5,773.947	5,804.806	6,459.065
Grand Total	7,591.830	9,299.277	9,503.947	10,991.346	14,527.545

7.4 National Credit Guarantee Scheme (NCGS):

As of 31st December, 2022, 211 projects have been approved amounting to a loan of Nu.842.5 million and the Government guarantee coverage stands at Nu.533.7 million. Of the total approved projects, 71, 69, and 71 projects are with the BOBL, the BDBL, and the NCSIDBL respectively. In the economic sector, 47 projects were approved under agriculture and livestock, 105 in production and manufacturing, and 59 in services. In terms of industry

category, 32 projects are approved under the cottage, 170 under small, and 9 under medium category.

Figure 7.6: Projects approved by NCGS



Budget provision for NCGS: A dedicated Support Facility is being hosted at the NCSIDBL to ensure that loans provided under NCGS are closely monitored. The Support Facility also handholds and guides approved projects with NCGS guarantee. The potential guarantee claims under NCGS has been projected and provisioned in the Budget.

7.5 National Pension and Provident Fund:

7.5.1 Operational Highlights:

As of 30th June 2022, the NPPF's active members stood at 68,221 (about 9 percent of total population) registering a growth of 4 percent. Similarly, the number of pensioners grew from 8,294 in FY 2020-21 to 8,821 in FY 2021-22, registering a growth of 6.4 percent.

The total contribution received in FY 2021-22 has increased by 6.1 percent to Nu.4,556.2 million as compared to FY 2020-21. Likewise, the total payout for pension & provident fund in FY 2021-22 also recorded a substantial increase of 58.7 percent to Nu.2,569.7 million, of which Nu.867.5 million as pension pay out and Nu.1,702.2 million as provident fund refunds.

7.5.2 Financial Highlights:

The surplus for the year ended 30th June 2022 was Nu.2,130.6 million compared to Nu.2,820.5 million in the previous year. The decrease in surplus was due to poor economic performance owing to COVID-19 pandemic and non-declaration of dividend by investee companies and fall in the fair value of equity holdings.

The NPPF fund size grew from Nu.46,489 million to Nu.51,356.3 million in FY 2021-22, which is an increase of 10.5 percent from the previous year. In FY 2021-22 investment portfolio grew by 6.1 percent to Nu.46,090.4 million as compared to the previous year.

Table 7.10: NPPF's Financial Performance and Outlook

Income statement			<i>Nu.in million</i>
Particulars/Year	30-06-2021 (Actual)	30-06-2022 (Actual)	30-12-2022 (Projection)
Revenue	3,001.960	2,331.144	1,706.607
Operating Expense	179.850	200.540	159.942
Net profit	2,822.110	2,130.604	1,546.665
Balance sheet			<i>Nu.in million</i>
Total assets	46,488.920	51,356.257	52,602.675
Total liabilities	238.560	992.722	742.054
Members Fund	46,250.370	50,363.535	51,860.621
Key indicators			
<i>Operating margin (%)</i>	<i>94.01%</i>	<i>91.40%</i>	<i>90.63%</i>
<i>Rate of return to member</i>	<i>8.00%</i>	<i>6.77%</i>	<i>6.77%</i>

Since NPPF caters to the public servants, it is understood that the pension fund is implicitly guaranteed by the State. Given that the sustainability of the pension fund is increasing, the Government also carries the risk of the contingent liabilities arising from the pension scheme administered by NPPF, although no such risks exist in the short to medium term.

7.6 Hydropower:

The Bhutan Power System Master Plan 2040 has estimated 37 gigawatts (GW) from 155 sites out of which 33 GW from 90 sites is identified as the techno-economically feasible with design energy of 154.1-terawatt hour (TWh).

With the commissioning of the 720 MW Mangdechhu Power Plant in 2019, 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 as shown in Table 7.11:

Table 7.11: List of Power Plants in Operation in the Country

Sl. No	Power Plant	Installed Capacity (MW)	Design Energy (MU)	Year of Commissioning
1	Chukha	336	1,800	1986-1988
2	Kurichhu	60	400	2001
3	Basochhu (Stage I)	24	105	2002
4	Basochhu (Stage II)	40	186	2004
5	Tala	1,020	4,865	2006-2007
6	Dagachhu	126	360	2015
7	Mangdechhu	720	3,008	2019
8	Mini and Micro Hydel	8.098	-	-
9	Rubesa, Wind farm	0.600	-	2016
Total		2,334.698	10,724.320	

The Druk Green Power Corporation (DGPC) including Mangdechhu Hydropower Plant generated 10,752.23 MU of electricity in 2022, of which 3,294.73 MU was consumed domestically and 7,819.40 MU was exported to India. Of the overall gross revenue of Nu.27,886.9 million earned from the sale of energy, Mangdechhu alone earned Nu.12,541.6 million during the year 2022. The cumulative bi-annual repayment and interest payment of Nu.6,962.510 million and Nu.5,033.8 million respectively was made till date for the Mangdechhu Hydropower Plant. Further, the export tariff of Chhukha hydropower plant was revised from Nu./Rs.2.55 per unit to Nu./Rs.3.00 per unit.

Currently, a total of six projects are in various stages of construction and upon fully commissioning, the six hydropower plants would add an installed capacity of 2,442 MW of hydro-power in the country as shown in the Table 7.12:

Table 7.12: Hydropower Plants under construction

Sl. No.	Power Plant	Installed Capacity	Design Energy	Expected Year of Commissioning
		(MW)	(GWh)	
1	Punatsangchhu I	1,200	5,544	2028
2	Punatsangchhu II	1,020	4,245	2024
3	Nikachhu	118	492	2024
4	Yungichhu	32	158	2025
5	Burgangchhu	54	261	2025
6	Suchhu	18	77	2025
Total		2,442	10,777	

7.6.1 Financing Modality:

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.

The financing modality of the Inter-Governmental (IG) 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.

As per the bilateral agreement, projects developed under the IG mode are handed over to the RGoB by the project authority within two years of commissioning the projects.

The existing projects under implementation are financed through IG arrangement and others as given in the Table 7.13 below:

Table 7.13 Financing modality of ongoing hydro-power projects

Sl. No.	Projects	Installed capacity	Financial Modality
		(MW)	
1	Punatsangchhu I	1,200	40% Grant and 60% Loan from GoI
2	Punatsangchhu II	1,020	30% Grant and 70% Loan from GoI
3	Nikachhu	118	35% Equity and 65% Loan from ADB
4	Yungichhu	32	30% Equity and 70% Debt
5	Burgangchhu	54	30% Equity and 70% Debt
6	Suchhu	18	30% Equity and 70% Debt

7.6.2 Financial Progress of On-going Projects:

The progress of the projects under construction are as follows:

Punatsangchhu - I Hydroelectric Project: The Punatsangchhu-I hydroelectric project (1,200 MW) was initially expected to be commissioned in March, 2025 with the current Revised Estimated Cost (REC) of Nu.93,755.7 million (March 2013 Price Level). Due to pending decisions on construction of Dam/Barrage, the work is on hold at the present dam site. As per the decision of the two Governments and subsequent 23rd PHPA-I Authority Meeting held on 24th November 2022 in Thimphu, an 8-Member Inter-Governmental Group (IGG) was constituted on 16th January 2023 to review the Dam and Barrage option so as to find a technically safe and cost-effective way forward. The IGG is still discussing and expected to submit their report to the two Governments by June 2023.

As of April 2023, Nu.85,296.5 million has been disbursed and 87.7 percent of the works have been completed.

Punatsangchhu - II Hydroelectric Project: The Punatsangchhu - II hydroelectric project (1,020 MW) is currently scheduled to be commissioned in 2024. The project cost as per the DPR/bilateral agreement was Nu.37,778 million (March 2009 PL). However, the project has been submitted for the 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.72,906.2 million (March 2015 PL) to about Nu.94,456.8 million (2020 PL).

As of April 2023, a total of Nu.79,752.6 million has been disbursed and 94.7 percent of the works of the project has been completed.

Nikachhu HEP (Tangsibji Hydro Energy Limited): 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 total project cost is estimated at Nu.11,964.6 million. The overall progress of the project was impacted due to continued adverse geological conditions and with heavy ingress of water at HRT Face 6 and Face 7, which are the most critical activities driving the project completion timeline. Moreover, the excavation progress in Face 6 and 7 could not be achieved as anticipated owing to poor rock mass during the excavation. This had severely hampered the excavation progress thereby delaying the project completion. The project is scheduled for commissioning by the end of 2023.

As of April 2023, the project has spent Nu.11,903.8 million and the overall project progress stands at 92.6 percent.

Phase I Small Hydropower Projects (104 MW): The Phase-I consisting of three small hydro projects with a total installed capacity of 104 MW (54 MW Burgangchhu, 32 MW Yungichhu, and 18 MW Suchhu) are currently under construction and a total fund requirement of Nu.9,320 million is projected. These projects are envisaged to be commissioned between 2024 and 2025.

While the implementation of the small hydro Phase I projects has been initiated using DGPC's own internal resources, DGPC is actively exploring to mobilize balance fund requirements through various financial institutions and other investment opportunities.

7.6.3 Projects in Pipeline:

The Government is in the process of exploring and developing more hydropower projects to achieve the energy security as follows:

The RGoB will resume implementation of the 600MW Kholongchhu HEP. The Joint Venture has been closed and the DGPC has bought the shares of SJVNL in January 2023. Currently, the discussions on debt financing for the Project is in progress.

The DPR preparation of the 2,640MW Kuri-Gongri HEP is being undertaken with WAPCOS Limited, India as the consultant. The presentation of the draft DPR by the consultant will take place within May 2023 to the stakeholders of Bhutan.

The update of the DPR of Dorjilung HEP is currently being undertaken by the DGPC through the technical assistance from the World Bank. The update is expected to be completed by December 2024. Concurrently, the World Bank has been requested to take the lead in coordinating consortium financing for the Project.

The DPRs for 404MW Nyera Amari HEP and 180MW Bunakha reservoir HEP have been completed. To take the project implementation forward, the ADB has been requested for project structuring. The Nyera Amari HEP and Bunakha Reservoir HEP will have an annual energy generation of 1,599 million units and 719 million units respectively.

The Feasibility Study (FS) of the Gongri HEP and Jerichhu Pumped Storage Power Plant (PSPP) integrated scheme is being carried out by the DGPC. The integrated project envisages making use of the project component of Gongri project as the lower reservoir. The development of a Reservoir/Pumped Storage type of Hydropower project will play a critical role in enhancing energy security, managing power deficits, and maintaining grid stability besides enabling industrial growth.

The feasibility study of five projects under Phase-2 small hydropower projects with a total installed capacity of 181 MW (90 MW Jomori, 45 MW Gamri-I, 26 (18+8) MW Druk Bindu I&II, and 20 MW Begana) is currently on-going and is expected to be completed by June 2023. Once the feasibility studies are completed, the construction of these projects is planned to commence immediately.

7.7 Royal Monetary Authority:

The primary objective of the RMA as stipulated in Chapter 2, Section 7 of the RMA Act 2010 is to formulate and implement monetary policy with a view of achieving and maintaining price and financial stability. The RMA in pursuance of its objectives undertake various functions; the one in particular is to act as banker, adviser and financial agent to the Royal Government.

7.7.1 Financial Highlights:

The overall financial position grew by Nu.77.4 million to reach Nu.117,720 million as of June 30, 2022, mainly on account of increased foreign currency assets. During the FY 2021-22, the net profit grew by Nu.5,720 million as compared to a loss of Nu.1,292 million in the preceding year. The increased foreign exchange revaluation gain by Nu.5,970 million followed by increased realized gain on sale of foreign currency assets by Nu.799.6 million and increased interest income on foreign currency financial assets by Nu.339 million contributed to an overall net profit of Nu.4,429 million on June 30, 2022. On the other hand, the overall operating expenses decreased by Nu.9.4 million. As a result, the distributable profit during the FY 2021-22 amounted to Nu.1,620 million after revaluation gain transfer of Nu.2,880 million to revaluation reserve as enshrined in Section 23-24 of the RMA Act 2010.

Meanwhile, as part of RMA's continuous effort to, and particularly considering the need to be supportive through the heightened economic uncertainties, the RMA contributed Nu.2,000 million to the NRF from the General Reserve while equally emphasized on rebuilding the General Reserves by ploughing back 50 percent of the surplus during the FY 2021-22 to the General Reserve. The RMA transferred the remaining surplus of Nu.810.6 million to the Government.

7.8 Foreign Direct Investment (FDI):

A total of eight FDI projects worth Nu.356.3 million were approved in the year 2022 indicating a decline by Nu.357 million. As of December 2022, the country saw a total of 101 FDI projects worth Nu.4,362 million. The hospitality sector constitutes 36 percent of these FDI projects followed by IT/ITES at 22 percent. Investments from Asia remain at the top with 67 percent followed by 16 percent from Europe. Within Asia, 51 percent of the projects in the country are from India followed by Singapore at 15 percent and Thailand at 10 percent.

The FDI companies in Bhutan employed a total number of 4,601 Bhutanese as of December 2022. The service sector employed 65 percent of the employees while the manufacturing sector employed 35 percent.

Tax contribution by the FDI companies has increased by 63 percent recorded at Nu.1,304 million in the income year 2021 against Nu.760 million in 2020.

However, tax contribution is yet to reach the pre-pandemic level from the operating FDI companies.

7.9 Government Non-Budgetary Funds:

The fund status of the Government Non-Budgetary Funds as on 31st March 2023 is provided in the table below.

Table 7.14 Fund Status of Government Non-Budgetary Funds
Nu.in million

Sl. No.	Non-Budgetary Funds	Amount
1	Bhutan Trust Fund for Environmental Conservation	5,411.689
2	Bhutan Health Trust Fund	3,958.006

7.9.1 Bhutan Trust Fund for Environmental Conservation

The Bhutan Trust Fund for Environmental Conservation was established in 1992 and incorporated in 1996 through the Royal Charter. The fund was established with an initial funding of USD 21 million in collaboration with the United Nations Development Program and World Wildlife Fund to finance the environmental conservation programs and initiatives in Bhutan.

Currently, the fund is invested in both the offshore and local market. The fund has earned net income of Nu.7.9 million during the year while expenditure amounted to Nu.52.6 million. The fund balance as on 31st March 2023 was Nu.5,411.7 million.

7.9.2 Bhutan Health Trust Fund (BHTF)

The Bhutan Health Trust Fund was established and officially launched on 12th May 1998 and it is governed by the Royal Charter issued on 3rd August 2000. It was established to assist the Government in providing primary health care services and ensuring a sustainable and uninterrupted supply of vaccines, essential drugs, and related equipment.

To ensure sustainability and continued support to the Royal Government, the Trust Fund has invested in diversified portfolios such as Fixed Deposits in local banks, Savings in local and international banks, Immediate Fixed Term

Annuity Scheme (IFTAS) and stocks with Bhutan National Bank Limited and General Insurance Corporation.

The sources of fund include interest received from its investment, 1 percent health contributions, and the grants received from the donors. Expenditure of the fund includes operational cost and support to RGoB for procurement of vaccines, essential drugs, and related equipment.

Total receipt during the year was Nu.435 million while the expenditure amounted to Nu.277 million. The fund position as of 31st March 2023 was Nu.3,958 million.

Conclusion

With the successful completion of the 12th FYP and as the Government term comes to an end in October 2023, the FY 2023-24 Budget is tabled in the Parliament as a transitional budget with a focus on 'Building stronger institutions through strategic reforms while ensuring a sustainable fiscal path and smooth transition'.

The Budget for the FY 2023-24 has been formulated for the whole fiscal year to ensure economic recovery and to avoid a GDP downturn during the transition period. The Budget has also been formulated for the whole year as the new Government will be formed only in February 2024 with no possibility of holding a parliament session before June 2024.

The budget allocation of Nu.85,522.5 million during a fiscally challenging period is a bold move by the Government. The budget includes spill over activities and activities from the reform initiatives to lay the foundation for a Developed Bhutan. The estimated economic growth of 4.7 percent during the year is modest but expected to propel further economic growth and development in the coming fiscal years. Given the budget allocation, the Government urges all the budgetary bodies to ensure optimal utilization of the allocated budget to stimulate growth, generate employment and encourage private sector participation.

Based on the resource envelope, the Budget Appropriation Bill for FY 2023-24 and Supplementary Budget Appropriation Bill for FY 2022-23 are submitted for the expeditious consideration of the House.

As the Government tables the last Budget, the Government on behalf of the people would like to pay tribute to His Majesty The Druk Gyalpo, His Majesty The Fourth Druk Gyalpo, Her Majesty The Gyaltsuen, and Members of the Royal Family for their unwavering concern for the welfare of the Bhutanese people and continued guidance in navigating us through the COVID-19 pandemic.

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 successfully overcome the pandemic and for keeping our country safe.

The Government would like to acknowledge the services rendered by the Health professionals, Armed Forces, Desuups and Volunteers during the COVID-19 pandemic.

The Government also would like to take this opportunity to thank the development partners for supporting Bhutan during the difficult period of the pandemic and for the successful implementation of the 12th FYP. The Government is confident that the development partners will continue to support Bhutan in its journey of development especially as Bhutan graduates from the LDC category in December 2023 and aspires to achieve the status of a Developed Bhutan by 2034.

The Government would also like to thank all the Parliamentarians, particularly the third National Council Members, Political Parties, Civil Servants and the People of Bhutan for their undying support and cooperation.

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

Annexures

Annexure A: Revised Budget Summary for FY 2022-23 as of 30th April 2023

Nu.in million

SOURCES OF FINANCE	Approved Budget	Revised as of April 30, 2023
TOTAL RESOURCES	51,925.754	61,068.214
I. INTERNAL RESOURCES	37,053.633	41,970.376
i. Domestic Revenue	36,368.270	40,829.224
a. Tax	25,432.435	26,750.527
b. Non-Tax	10,935.835	14,078.697
II. Other Receipts	685.363	1,141.152
III. GRANTS	14,872.121	19,097.838
i. Program Grants	3,187.526	3,729.888
a. GoI (STF &PG)	3,187.526	3,729.888
ii. Project-tied Grants	11,684.595	15,367.950
a. GoI	7,788.700	9,706.523
b. Others	3,895.895	5,661.427
I. Total Expenditure	74,807.887	76,990.264
i. Current Expenditure	36,340.942	36,447.177
ii. Capital Expenditure	38,466.945	40,543.087
OVERALL BALANCE	(22,882.133)	(15,922.050)
FINANCING	22,882.133	15,922.050
a. Net Lending	2,795.729	3,674.081
i. Principal recoveries	4,074.629	5,087.981
Less lending	1,278.900	1,413.900
b. Net external borrowings	(270.006)	4,137.776
i. Project-tied Borrowings	2,670.018	2,805.889
ii. Program Borrowings	2,800.500	7,072.411
Less repayment	5,740.524	5,740.524
c. Net internal borrowings (Surplus/Deficit)	(20,356.410)	(8,110.193)
i. Internal borrowings	(20,356.410)	(8,110.193)
GDP	203,448.620	202,431.862
Net internal borrowings % of GDP	-10%	-4%
Fiscal balance % of GDP	-11.2%	-7.9%

Annexure B: Budget Summary for FY 2023-24

Nu.in million

Particulars	Amount
TOTAL RESOURCES	53,513.242
I. INTERNAL RESOURCES	47,145.840
i. Domestic Revenue	46,245.776
a. Tax	31,499.165
b. Non-Tax	14,746.611
ii. Other Receipts (BHTF Nu. 444 m, BTFEC Nu.44.300 m, Ad-hoc Nu.7.4 m, Pling Terminal Nu.26 m, Thimphu Thromde Nu.219.018 m, NSC Nu.159.346 m)	900.064
II. EXTERNAL RESOURCES	6,367.402
i. Program Grants	737.933
a. GoI (PG Nu.36 m & TSF Nu.701.933 m)	737.933
ii. Project-tied Grants	5,629.469
a. GoI	1,582.166
b. Others	4,047.303
TOTAL EXPENDITURE	74,861.615
i. Current Expenditure	45,545.947
ii. Capital Expenditure	29,315.668
OVERALL BALANCE/FISCAL DEFICIT	-21,348.373
FINANCING	21,348.373
a. Net Lending	2,596.467
Principle recoveries	4,105.277
Less lending	1,508.810
b. Total external borrowings	8,354.840
i. Project-tied Borrowings	3,154.840
ii. Program Borrowings (ADB \$35 m +WB \$30 m) @ Nu. 80/ USD	5,200.000
Less repayment (External)	6,152.111
Less repayment (Internal)	3,000.000
Total internal borrowings	-19,549.177
GDP estimates	219,505.093
Fiscal balance % of GDP	-9.7%

Annexure 1: Budget allocation for Dzongkhag excluding CMI allocation for Gewogs for FY 2023-24

Nu. in million

Sl. No.	Name of Dzongkhag	Recurrent	Capital		Total (Recurrent + Capital)
		RGoB	RGoB	External	
1	Chhukha	749.974	24.300	27.063	801.337
2	Haa	297.394	6.050	24.900	328.344
3	Paro	781.414	57.060	0.000	838.474
4	Samtse	969.341	239.087	57.545	1,265.97
5	Tsirang	499.857	9.300	35.749	544.906
6	Dagana	500.429	69.400	31.421	601.25
7	Punakha	651.491	12.945	1.090	665.526
8	Wangdue	645.522	39.954	3.766	689.242
9	Bumthang	389.077	7.251	0.000	396.328
10	Sarpang	581.697	118.478	22.010	722.185
11	Zhemgang	462.16	24.923	22.676	509.759
12	Trongsa	352.182	20.275	42.268	414.725
13	Lhuntse	347.872	18.650	28.086	394.608
14	Monggar	733.503	47.411	37.485	818.399
15	Pema Gatshel	536.286	71.328	54.485	662.099
16	Samdrup Jongkhar	561.408	53.960	110.901	726.269
17	Trashigang	1,065.79	66.600	30.703	1,163.10
18	Thimphu	348.413	14.150	0.000	362.563
19	Gasa	164.084	42.805	0.000	206.889
20	Tashi Yangtse	454.225	16.800	29.411	500.436
	Total	11,092.121	960.727	599.599	12,612.407

Annexure 2: Budget allocation for Thromdes for the FY 2023-24

Nu.in million

Sl. No.	Name of Thromde	Recurrent	Capital			Total (Recurrent + Capital)
		RGoB	RGoB	Thromde (External)	Total	
1	Thimphu Thromde	1,239.158	354.843	82.000	436.843	1,676.001
2	Phuentsholing Thromde	173.477	42.081	-	42.081	215.558
3	Gelegphu Thromde	141.735	26.550	20.133	46.683	188.418
4	Samdrup Jongkhar Thromde	135.876	8.550	5.008	13.558	149.434
	Total	1,690.246	432.024	107.141	539.165	2,229.411

Annexure 3: Budget allocation for Gewogs including CMI allocation under Dzongkhags for FY 2023-24

Nu.in million

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
1	Samphelling Gewog, Chhukha	3.678	16.460	1.740	18.200	21.878
2	Bongo Gewog, Chhukha	4.260	18.893	8.000	26.893	31.153
3	Chapchha Gewog, Chhukha	3.720	8.972	-	8.972	12.692
4	Doongna Gewog, Chhukha	4.887	8.114	9.570	17.684	22.571
5	Geling Gewog, Chhukha	3.722	9.425	14.720	24.145	27.867
6	Darla Gewog, Chhukha	4.116	30.776	0.500	31.276	35.392
7	Getana Gewog, Chhukha	5.211	7.919	15.954	23.873	29.084
8	Bjagchhog Gewog, Chhukha	3.625	10.151	-	10.151	13.776
9	Loggchina Gewog, Chhukha	4.344	12.575	0.500	13.075	17.419
10	Maedtakha Gewog, Chhukha	4.120	4.991	-	4.991	9.111
11	Phuentsholing Gewog, Chhukha	3.779	22.568	5.000	27.568	31.347
12	Bji Gewog, Haa	3.501	8.136	-	8.136	11.637
13	Kartshog Gewog, Haa	3.625	6.867	1.000	7.867	11.492
14	Sangbay Gewog, Haa	3.765	10.096	27.254	37.350	41.115
15	Samar Gewog, Haa	3.305	6.518	1.500	8.018	11.323
16	Uesu Gewog, Haa	3.458	6.080	-	6.080	9.538
17	Gakidling Gewog, Haa	3.396	9.871	15.000	24.871	28.267
18	Dopsharri Gewog, Paro	3.717	9.174	-	9.174	12.891
19	Dokar Gewog, Paro	3.719	9.544	-	9.544	13.263
20	Doteng Gewog, Paro	3.846	5.325	-	5.325	9.171
21	Hoongrel Gewog, Paro	3.656	2.256	-	2.256	5.912
22	Lamgong Gewog, Paro	3.832	13.072	-	13.072	16.904
23	Loongnyi Gewog, Paro	3.647	9.582	-	9.582	13.229
24	Nagya Gewog, Paro	3.859	14.477	-	14.477	18.336
25	Sharpa Gewog, Paro	3.651	14.641	-	14.641	18.292

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
26	Tsento Gewog, Paro	3.540	14.170	-	14.170	17.710
27	Wangchang Gewog, Paro	4.063	12.743	-	12.743	16.806
28	Norgaygang Gewog, Samtse	4.288	24.918	5.000	29.918	34.206
29	Pemaling Gewog, Samtse	3.683	15.768	7.293	23.061	26.744
30	Sangngachhoeling Gewog, Samtse	3.668	15.467	5.000	20.467	24.135
31	Norboogang Gewog, Samtse	3.629	15.085	-	15.085	18.714
32	Duenchukha Gewog, Samtse	4.031	15.009	-	15.009	19.040
33	Dophoogchen Gewog, Samtse	3.679	22.295	-	22.295	25.974
34	Doongtoed Gewog, Samtse	4.391	9.109	-	9.109	13.500
35	Yoeseltse Gewog, Samtse	3.729	15.357	-	15.357	19.086
36	Namgaychhoeling Gewog, Samtse	3.668	17.884	13.477	31.361	35.029
37	Tendruk Gewog, Samtse	3.646	22.237	2.800	25.037	28.683
38	Ugyentse Gewog, Samtse	3.709	6.998	-	6.998	10.707
39	Phuentshogpelri Gewog, Samtse	4.513	21.357	-	21.357	25.870
40	Samtse Gewog, Samtse	3.610	18.540	-	18.540	22.150
41	Tashichhoeling Gewog, Samtse	3.506	14.289	-	14.289	17.795
42	Tading Gewog, Samtse	3.394	26.435	-	26.435	29.829
43	Patshaling Gewog, Tsirang	3.504	7.476	-	7.476	10.980
44	Doonglagang Gewog, Tsirang	3.961	9.287	-	9.287	13.248
45	Barshong Gewog, Tsirang	3.600	8.247	-	8.247	11.847
46	Gosarling Gewog, Tsirang	3.490	8.669	-	8.669	12.159
47	Rangthangling Gewog, Tsirang	3.486	9.696	-	9.696	13.182
48	Kilkhorthang Gewog, Tsirang	3.592	10.904	-	10.904	14.496

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
49	Mendrelgang Gewog, Tsirang	3.822	8.217	-	8.217	12.039
50	Sergithang Gewog, Tsirang	4.114	9.150	-	9.150	13.264
51	Pungtenchhu Gewog, Tsirang	3.862	8.621	-	8.621	12.483
52	Semjong Gewog, Tsirang	3.748	7.376	-	7.376	11.124
53	Tsholingkhar Gewog, Tsirang	3.629	10.144	-	10.144	13.773
54	Tsirangtoed Gewog, Tsirang	4.017	9.219	-	9.219	13.236
55	Dorona Gewog, Dagana	3.972	7.716	-	7.716	11.688
56	Drukjeygang Gewog, Dagana	4.000	14.056	-	14.056	18.056
57	Gesarling Gewog, Dagana	3.517	6.873	-	6.873	10.390
58	Gozhi Gewog, Dagana	3.487	10.191	-	10.191	13.678
59	Karna Gewog, Dagana	3.464	13.083	10.000	23.083	26.547
60	Khebisa Gewog, Dagana	4.065	12.618	-	12.618	16.683
61	Lagyab Gewog, Dagana	4.645	6.139	-	6.139	10.784
62	Tashiding Gewog, Dagana	3.612	11.290	-	11.290	14.902
63	Tsendagang Gewog, Dagana	3.612	10.254	-	10.254	13.866
64	Tsangkha Gewog, Dagana	4.388	8.585	-	8.585	12.973
65	Tseza Gewog, Dagana	3.589	7.407	-	7.407	10.996
66	Karmaling Gewog, Dagana	3.652	6.912	-	6.912	10.564
67	Lhamoizingkha Gewog, Dagana	3.565	10.732	-	10.732	14.297
68	Nichula Gewog, Dagana	4.014	7.802	-	7.802	11.816
69	Chhuboog Gewog, Punakha	3.635	10.115	-	10.115	13.750
70	Goenshari Gewog, Punakha	3.594	6.814	-	6.814	10.408
71	Guma Gewog, Punakha	3.649	13.266	-	13.266	16.915

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
72	Kabisa Gewog, Punakha	3.796	9.573	-	9.573	13.369
73	Lingmukha Gewog, Punakha	3.848	5.555	-	5.555	9.403
74	Shelnga-Bjemi Gewog, Punakha	3.910	7.693	-	7.693	11.603
75	Talog Gewog, Punakha	3.946	7.439	-	7.439	11.385
76	Toedwang Gewog, Punakha	4.013	6.970	-	6.970	10.983
77	Dzomi Gewog, Punakha	3.753	8.434	-	8.434	12.187
78	Barp Gewog, Punakha	3.678	12.699	-	12.699	16.377
79	Toepaisa Gewog, Punakha	3.738	9.620	-	9.620	13.358
80	Bjednag Gewog, Wangdue Phodrang	3.588	9.601	2.470	12.071	15.659
81	Dangchhu Gewog, Wangdue Phodrang	4.128	7.495	4.901	12.396	16.524
82	Darkar Gewog, Wangdue Phodrang	3.643	11.568	8.000	19.568	23.211
83	Gangteng Gewog, Wangdue Phodrang	3.930	9.034	25.433	34.467	38.397
84	Gasetshogongm Gewog, Wangdue Phodrang	3.807	11.208	-	11.208	15.015
85	Gasetshowogm Gewog, Wangdue Phodrang	3.826	4.088	-	4.088	7.914
86	Kazhi Gewog, Wangdue Phodrang	3.716	9.163	-	9.163	12.879
87	Nahi Gewog, Wangdue Phodrang	3.998	5.589	-	5.589	9.587
88	Nyishog Gewog, Wangdue Phodrang	4.096	9.514	11.197	20.711	24.807
89	Phangyuel Gewog, Wangdue Phodrang	3.573	5.870	4.108	9.978	13.551
90	Phobji Gewog, Wangdue Phodrang	4.088	8.959	-	8.959	13.047
91	Ruebisa Gewog, Wangdue Phodrang	4.014	8.861	2.163	11.024	15.038
92	Saephoog Gewog, Wangdue Phodrang	3.592	8.281	-	8.281	11.873

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
93	Athang Gewog, Wangdue Phodrang	3.734	8.564	10.000	18.564	22.298
94	Theedtsho Gewog, Wangdue Phodrang	3.612	16.127	-	16.127	19.739
95	Chhoekhor Gewog, Bumthang	3.626	16.539	-	16.539	20.165
96	Chhumig Gewog, Bumthang	3.560	9.995	-	9.995	13.555
97	Tang Gewog, Bumthang	4.157	9.398	-	9.398	13.555
98	Ura Gewog, Bumthang	3.695	7.087	-	7.087	10.782
99	Samtenling Gewog, Sarpang	3.672	10.335	-	10.335	14.007
100	Chhuzaggang Gewog, Sarpang	3.913	11.366	-	11.366	15.279
101	Dekidling Gewog, Sarpang	3.642	17.700	-	17.700	21.342
102	Chhudzom Gewog, Sarpang	5.197	15.522	24.600	40.122	45.319
103	Taraythang Gewog, Sarpang	3.941	3.440	-	3.440	7.381
104	Gelegphu Gewog, Sarpang	3.604	13.964	-	13.964	17.568
105	Gakidling Gewog, Sarpang	3.579	14.678	-	14.678	18.257
106	Jigmedchhoeling Gewog, Sarpang	3.973	19.111	-	19.111	23.084
107	Umling Gewog, Sarpang	4.013	7.394	-	7.394	11.407
108	Senggey Gewog, Sarpang	4.083	8.305	-	8.305	12.388
109	Shompangkha Gewog, Sarpang	3.642	5.608	-	5.608	9.250
110	Serzhong Gewog, Sarpang	3.863	7.747	-	7.747	11.610
111	Bardo Gewog, Zhemgang	4.320	15.680	-	15.680	20.000
112	Bjoka Gewog, Zhemgang	4.563	10.029	54.613	64.642	69.205
113	Nangkori Gewog, Zhemgang	4.662	13.893	-	13.893	18.555

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
114	Ngangla Gewog, Zhemgang	3.495	12.887	-	12.887	16.382
115	Phangkhar Gewog, Zhemgang	3.525	10.339	-	10.339	13.864
116	Shingkhari Gewog, Zhemgang	3.902	12.172	-	12.172	16.074
117	Trong Gewog, Zhemgang	3.601	12.934	-	12.934	16.535
118	Goshing Gewog, Zhemgang	3.803	12.013	-	12.013	15.816
119	Draagteng Gewog, Trongsa	3.469	14.565	10.000	24.565	28.034
120	Korphoog Gewog, Trongsa	4.213	6.786	-	6.786	10.999
121	Langthil Gewog, Trongsa	5.017	15.425	4.500	19.925	24.942
122	Nubi Gewog, Trongsa	4.835	15.075	9.000	24.075	28.910
123	Tangsibji Gewog, Trongsa	3.476	8.275	1.000	9.275	12.751
124	Gangzur Gewog, Lhuentse	3.531	14.142	19.000	33.142	36.673
125	Jarey Gewog, Lhuentse	4.165	8.168	15.100	23.268	27.433
126	Khoma Gewog, Lhuentse	3.653	11.809	10.000	21.809	25.462
127	Kurtoed Gewog, Lhuentse	5.026	6.030	13.000	19.030	24.056
128	Minjei Gewog, Lhuentse	3.736	8.264	18.797	27.061	30.797
129	Maenbi Gewog, Lhuentse	3.602	11.426	7.000	18.426	22.028
130	Maedtsho Gewog, Lhuentse	4.293	7.555	14.900	22.455	26.748
131	Tsaenkhar Gewog, Lhuentse	3.523	13.617	7.500	21.117	24.640
132	Balam Gewog, Monggar	3.945	6.223	5.000	11.223	15.168
133	Chhaling Gewog, Monggar	3.697	11.430	-	11.430	15.127
134	Chagsakhar Gewog, Monggar	3.944	9.196	13.855	23.051	26.995
135	Dramedtse Gewog, Monggar	4.098	12.752	3.334	16.086	20.184

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
136	Drepoong Gewog, Monggar	4.124	8.603	-	8.603	12.727
137	Gongdue Gewog, Monggar	4.468	11.088	-	11.088	15.556
138	Jurmed Gewog, Monggar	4.065	11.309	2.028	13.337	17.402
139	Kengkhar Gewog, Monggar	4.689	11.603	5.802	17.405	22.094
140	Monggar Gewog, Monggar	3.848	17.842	-	17.842	21.690
141	Ngatshang Gewog, Monggar	3.699	8.826	4.665	13.491	17.190
142	Saling Gewog, Monggar	3.726	11.353	-	11.353	15.079
143	Sherimuhoong Gewog, Monggar	4.042	12.754	7.230	19.984	24.026
144	Silambi Gewog, Monggar	5.449	10.181	26.126	36.307	41.756
145	Thangrong Gewog, Monggar	4.200	10.610	-	10.610	14.810
146	Tsakaling Gewog, Monggar	3.900	11.320	-	11.320	15.220
147	Tsamang Gewog, Monggar	4.179	8.483	8.841	17.324	21.503
148	Narang Gewog, Monggar	4.131	9.335	-	9.335	13.466
149	Chongshing Gewog, Pema Gatshel	4.039	8.208	-	8.208	12.247
150	Chhimoong Gewog, Pema Gatshel	4.376	7.382	5.101	12.483	16.859
151	Dungmaed Gewog, Pema Gatshel	3.698	8.882	-	8.882	12.580
152	Khar Gewog, Pema Gatshel	3.958	8.883	-	8.883	12.841
153	Shumar Gewog, Pema Gatshel	3.454	12.791	-	12.791	16.245
154	Yurung Gewog, Pema Gatshel	4.140	7.844	-	7.844	11.984
155	Zobel Gewog, Pema Gatshel	3.452	9.717	4.000	13.717	17.169
156	Dechhenling Gewog, Pema Gatshel	4.508	15.258	-	15.258	19.766
157	Norboogang Gewog, Pema Gatshel	3.538	12.143	-	12.143	15.681

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
158	Nanong Gewog, Pema Gatshel	4.415	11.519	-	11.519	15.934
159	Chhoekhorling Gewog, Pema Gatshel	4.263	6.367	-	6.367	10.630
160	Phuentshothang Gewog, Samdrup Jongkhar	3.873	13.721	6.632	20.353	24.226
161	Pemathang Gewog, Samdrup Jongkhar	3.707	7.980		7.980	11.687
162	Gomdar Gewog, Samdrup Jongkhar	3.845	16.664	17.630	34.294	38.139
163	Wangphoog Gewog, Samdrup Jongkhar	3.998	13.814	15.297	29.111	33.109
164	Langchenphu Gewog, Samdrup Jongkhar	3.544	6.536	16.620	23.156	26.700
165	Lauri Gewog, Samdrup Jongkhar	4.617	20.848	46.432	67.280	71.897
166	Martshala Gewog, Samdrup Jongkhar	4.099	13.754	14.879	28.633	32.732
167	Dewathang Gewog, Samdrup Jongkhar	3.579	10.455	-	10.455	14.034
168	Orong Gewog, Samdrup Jongkhar	4.219	12.796	6.520	19.316	23.535
169	Samrang Gewog, Samdrup Jongkhar	3.381	3.608	-	3.608	6.989
170	Serthig Gewog, Samdrup Jongkhar	4.374	11.847	-	11.847	16.221
171	Bartsham Gewog, Trashigang	4.425	9.334	1.940	11.274	15.699
172	Bidoong Gewog, Trashigang	4.042	7.797	4.290	12.087	16.129
173	Kanglung Gewog, Trashigang	3.575	16.821	1.810	18.631	22.206
174	Kangpara Gewog, Trashigang	4.678	12.852	13.420	26.272	30.950
175	Khaling Gewog, Trashigang	3.901	12.401	2.760	15.161	19.062
176	Lumang Gewog, Trashigang	4.206	18.415	3.420	21.835	26.041
177	Merag Gewog, Trashigang	4.726	12.506	43.805	56.311	61.037
178	Yangnyer Gewog, Trashigang	4.283	12.339	8.670	21.009	25.292
179	Phongmed Gewog, Trashigang	3.915	12.810	1.590	14.400	18.315

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
180	Radhi Gewog, Trashigang	3.734	12.712	2.030	14.742	18.476
181	Sagteng Gewog, Trashigang	5.124	21.977	37.081	59.058	64.182
182	Samkhar Gewog, Trashigang	3.962	13.040	2.250	15.290	19.252
183	Shongphoog Gewog, Trashigang	3.722	11.667	3.060	14.727	18.449
184	Thrimshing Gewog, Trashigang	4.051	10.102	1.700	11.802	15.853

Sl. No.	Name of Gewog	Recurrent	Capital			Total (Re-current + Capital)
		RGoB	RGoB (Annual Grant)	Gewog CMI under Dzongkhag	Total	
185	Udзорong Gewog, Trashigang	4.398	13.154	13.500	26.654	31.052
186	Soe Gewog, Thimphu	3.822	3.136	-	3.136	6.958
187	Chang Gewog, Thimphu	3.584	13.234	-	13.234	16.818
188	Darkarla Gewog, Thimphu	3.761	6.867	-	6.867	10.628
189	Genyen Gewog, Thimphu	4.481	4.729	-	4.729	9.210
190	Kawang Gewog, Thimphu	3.770	15.254	-	15.254	19.024
191	Lingzhi Gewog, Thimphu	3.710	5.025	-	5.025	8.735
192	Maedwang Gewog, Thimphu	3.667	15.150	-	15.150	18.817
193	Naro Gewog, Thimphu	4.782	3.459	-	3.459	8.241
194	Khamaed Gewog, Gasa	3.633	3.980	-	3.980	7.613
195	Khatoed Gewog, Gasa	3.654	3.321	-	3.321	6.975
196	Laya Gewog, Gasa	4.532	12.956	-	12.956	17.488
197	Lunana Gewog, Gasa	3.801	10.783	-	10.783	14.584
198	Boomdeling Gewog, Trashhi Yangtse	3.700	16.194	-	16.194	19.894
199	Jamkhar Gewog, Trashhi Yangtse	3.783	6.813	-	6.813	10.596
200	Khamdang Gewog, Trashhi Yangtse	3.923	17.274	-	17.274	21.197
201	Ramjar Gewog, Trashhi Yangtse	4.012	8.950	-	8.950	12.962
202	Toedtsho Gewog, Trashhi Yangtse	3.974	12.005	-	12.005	15.979
203	Tongmizhangsa Gewog, Trashhi Yangtse	3.922	9.047	-	9.047	12.969
204	Yalang Gewog, Trashhi Yangtse	4.002	12.507	-	12.507	16.509
205	Yangtse Gewog, Trashhi Yangtse	3.568	12.888	-	12.888	16.456
	Total	803.172	2,271.605	772.908	3,044.513	3,847.685

Annexure 4: Budget allocation for Legislative, Judiciary and Constitutional Bodies for the FY 2023-24

National Assembly Services

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current Grants including pay and benefits	103.301	-
2	Procurement of computers	-	3.000
3	Procurement of printer and table fan	-	0.612
4	Procurement of chair and heaters	-	0.783
	Total	103.301	4.395

National Council Services

Nu in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current Grants including pay and benefits	76.615	-
2	Procurement of furniture and office equipment	-	1.288
	Total	76.615	1.288

Judiciary

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current grants including pay and benefits	276.478	-
2	Construction of Sakteng Dungkhag Court	-	10.056
3	Construction of Paro Dzongkhag Court	-	21.669
4	Maintenance of Courts and Drangpon residences	-	0.000
5	Renovation of Samtse Dzongkhag Court	-	2.000
6	Capacity development	-	0.000
7	Masters for Judicial officers	-	2.700
8	Master for Court Registrars LLM	-	1.000
9	Enhancement of Case Management System and E Litigation System	-	1.500
10	Procurement of computer and office equipment	-	0.790
	Total	276.478	39.715

Anti-Corruption Commission

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current grant including pay and benefits	107.491	-
2	IT services and system strengthened	-	1.000
3	Installation of IT server	-	1.300
4	Installation and setup of DVR and cameras	-	0.600
5	Short term training for specialized training on anti-corruption studies and prevention	-	7.256
6	Translation of ACC annual report	-	0.100
7	Implement ACC media and communication strategy	-	0.600
8	Concertina wire for Phuentsholing regional office	-	1.000
9	Procurement of modular UPS for server room in Thimphu	-	2.300
10	Procurement of precision air conditioner	-	1.000
11	Procurement of network accessories and air conditioner for server room in Phuentsholing	-	0.350
12	System studies in vulnerable areas and conduct corruption risk management	-	0.500
13	Observational studies conducted	-	0.600
14	Second scoping studies conducted	-	3.000
15	Journal articles on Anti-Corruption and values published	-	0.200
16	Implementation of Youth Integrated Program	-	0.762
17	Conduct thematic session	-	0.556
18	Development of IEC material	-	0.720
19	Administration and management of asset declaration	-	0.500
20	Comply to United Nation Convention against corruption requirement	-	0.850
	Total	107.491	23.194

Election Commission of Bhutan

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current grant including pay and benefits	22.978	-
	Total	22.978	-

Royal Audit Authority

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current grant including pay and benefits	169.265	-
2	Rewiring and replacement of electrical fittings and transformer	-	8.300
3	Replacement of End of Life ICT equipment	-	3.500
4	Outsourcing of audit service for Civil Society Organisation and religious bodies	-	3.000
	Total	169.265	14.800

Royal Civil Service Commission

Nu.in million

Sl. No.	Name of Activities	Recurrent	Capital
1	Current grant including pay and benefits	82.647	-
2	Nehru Wangchuck Scholarship	-	19.150
3	Cost sharing and other HRD program	-	57.744
4	Onboarding of commonly availed services and enhancement set conduct 35 of set advocacy to LGs empathy skill training	-	1.000
5	Executive forum	-	0.670
6	Bhutan executive service training	-	4.660
7	Hiring of consultancy for leadership program	-	10.000
8	Talent management and review technical category PMS	-	12.000
9	BCSR amendment in line with Civil Service Reform Act	-	1.000
10	Future leader monitoring program (FLMP)	-	0.260
11	Civil service award	-	4.803
	Total	82.647	111.287

Annexure 5: Economic classification of expenditure for the FY 2023-24

Nu. in million

OBC	Object Classification	Appropriation
RECURRENT EXPENDITURE		
1.01	Pay and Allowances	19,213.866
2.01	Other Personnel Emoluments	441.385
3.01	Medical Benefits - In Country	10.000
3.02	Medical Benefits - India	30.000
3.03	Medical Benefits - Outside India	50.000
4.01	Special Allowance	72.800
4.02	Special Allowance - Kidu/Pensioners	1.129
5.01	Stipends	1,566.223
7.02	Current Grant	6,469.349
11.01	Travel – In country	48.825
11.02	Travel - Outside Bhutan	55.000
11.03	Travel - (LTC/Leave Travel Concession)	25.906
12.01	Utilities -Telephones, Telex, Fax, E-mail, Internet	14.370
12.02	Utilities -Telegram, Wireless Transmission, Postage	0.600
12.03	Utilities - Electricity, Water, Sewerage	11.237
12.05	Utilities - Fuelwood	4.100
13.01	Rental of Properties - Buildings	6.960
13.02	Rental of Properties - Vehicles	1.300
14.01	S & M - Office Supplies, Printing, Publications	15.200
14.03	S & M - Fertilizers, Chemicals, Manures, Inoculants	0.250
14.04	S & M - Seeds, Seedlings	0.700
14.05	S & M - Animal Feeds	7.100
14.06	S & M - Uniforms, Extension Kits, Linens	0.300
15.01	Maintenance of Property - Buildings	28.830
15.02	Maintenance of Property - Vehicles	0.514
15.05	Maintenance of Property - Equipment	0.350
15.07	Maintenance of Property - Computers	0.100
17.01	Op. Exp. - Advertising	0.200

OBC	Object Classification	Appropriation
17.02	Op. Exp. - Taxes, Duties, Royalties, Fees, Handling Charges, Bank Charges	9.754
17.08	Op. Exp. – In country Meetings and Celebrations	7.700
18.01	Hospitality & Entertainment	28.500
21.01	Current Grants - Individuals/Non-profit Orgs.	220.847
21.02	Current Grants - Sungchop	552.840
22.02	Current Grants - Non-Financial Institutions	827.094
24.03	Contributions - Provident Fund	1,751.856
25.01	Retirement Benefits	38.726
26.01	General Provisions	8,647.377
31.01	Interest Payment - Internal	2,050.000
31.02	Interest Payment - External	3,334.659
	TOTAL CURRENT EXPENDITURE	45,545.947
	<i>CAPITAL EXPENDITURE</i>	
42.01	Capital Grant	3,664.356
45.01	Training - Human Resource Development	304.857
45.02	Training - Others	2,244.687
51.01	Exp. on Structure - Buildings	4,304.381
51.02	Exp. on Structure - Roads (incl.culverts,drns)	2,021.264
51.03	Exp. on Structure - Bridges	428.582
51.04	Exp. on Structure - Irrigation Channels	223.230
51.05	Exp. on Structure - Drainage Systems	1.650
51.06	Exp. on Structure - Water Supply & Sanitation	766.640
51.07	Exp. on Structure - Plantations	282.655
51.08	Exp. on Structure - Others	1,234.173
52.02	Plant & Equipt. - Power Generation	907.750
52.03	Plant & Equipt. - Power Trans. & Dist.	0.800
52.04	Plant & Equipt. - Telecommunications	112.206
52.05	Plant & Equipt. - Agricultural Machineries	27.905
52.06	Plant & Equipt. - Livestock	73.861

OBC	Object Classification	Appropriation
52.07	Plant & Equipt. - Hospital/Lab. Equipment	1,702.622
52.08	Plant & Equipt. - General Tools, Instruments	742.023
53.01	Purchase of Vehicles	608.820
54.01	Furniture	43.771
54.02	Office Equipment	46.743
54.03	Computers & Peripherals	41.226
55.01	Professional Services	1,772.888
56.01	General Provisions	6,915.000
57.01	System Development	486.195
61.01	Capital Grants - Individuals/Non-Profit Orgs.	108.491
61.02	Capital Grants - Sungchop	4.569
62.02	Capital Grants - Non-Financial Institutions	66.504
63.01	Acquisition of Equities/Shares	177.819
	TOTAL CAPITAL EXPENDITURE	29,315.668
65.02	Loan - Enterprises	1,508.810
	TOTAL LENDING EXPENDITURE	1,508.810
	REPAYMENT EXPENDITURE	
70.01	Repayment of Debt Principal - Internal	3,000.000
70.02	Repayment of Debt Principal - External	6,152.111
	TOTAL REPAYMENT EXPENDITURE	9,152.111
	TOTAL BUDGET APPROPRIATION	85,522.536

Annexure 6: Major capital activities under various sectors for the FY 2023-24

I. Health Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
Local Government			
1	Construction of 20 bedded Tashichholing hospital, Samtse (spillover)	200.000	RGoB
2	Construction of Drujeygang hospital, Dagana (spillover)	20.000	RGoB
3	Construction of Nagor hospital, Dagana (spillover)	17.100	RGoB
4	Construction of Laya PHC (spillover)	20.000	RGoB
Ministry of Health			
5	Construction of satellite clinic at Motithang and Phuentsholing (spillover)	52.930	ADB
6	Construction of water reservoirs and burial pits for BHU I, II and hospitals in Pemagatshel, Samdrup Jongkhar, Trongsa and Zhemgang	77.870	ADB
7	Expansion of microbiology laboratory services in six cluster hospitals	67.967	WB
8	Construction of 65 bedded Mother and Child Hospital Monggar (spillover)	172.000	GoI
9	Construction of 60 bedded hospital, The Pema Centre, Thimphu	32.343	RGoB
10	Procurement of mobile medical units vehicles including green tax	158.352	ADB/ RGoB
11	Procurement of medical and laboratory equipment	366.462	WB/ADB
12	Procurement of medical kits and supplies	34.840	UNICEF
National Medical Services			
13	Procurement of medical equipment	375.000	RGoB/ Korea
14	Procurement of equipment for Mother and Child Hospital, JDWNRH	422.536	RGoB
15	Procurement of equipment for additional Wings, JDWNRH	260.000	RGoB
16	Continuing medical education and LTT	63.175	RGoB

II. Education Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
Local Government			
1	Infrastructure development at Dorokha CS, Tendu CS and Peljorling HSS under Samtse Dzongkhag	40.672	GoI
2	Infrastructure development at Tsirangtoe CS, Mendrelgang CS and Damphu CS under Tsirang Dzongkhag	16.971	GoI
3	Infrastructure development at Nagor MSS under Monggar Dzongkhag	12.228	GoI
4	Infrastructure development at Nangkor CS under Pemagatshel Dzongkhag	6.569	GoI
5	Infrastructure development at Orong CS, Minjiwoong CS and Gomdar CS under Samdrup Jongkhar Dzongkhag	83.71	GoI
6	Infrastructure Development at Boomdelling LSS under Trashiyangtse Dzongkhag	4.15	GoI
Ministry of Education and Skills Development			
7	M Ed (Dzongkha, Science & Mathematics, English & Geography, Inclusive education and Primary)	77.780	RGoB
8	Implement new UG scholarships in India	129.850	GoI
9	Implement new UG scholarship under Kings scholarship placed in top rate colleges and universities	231.080	RGoB
10	Implement new UG scholarship under APEMS	32.550	RGoB
11	Implement new UG scholarship at Royal Thimphu College	19.200	RGoB
12	Implement UG scholarship under Queens Endowment for Cultural Studies	11.340	RGoB
13	Undergraduate scholarship for arts and humanities	25.000	RGoB
14	Construction of additional facilities at Luanana PS, Gasa	16.233	RGoB
15	Construction of additional facilities at Pemathang LSS, Samdrup Jongkhar	6.000	RGoB

Sl. No.	Name of Activities	Amount	Funding
16	Construction of additional facilities at Jigmecholing PS, Sarpang	5.000	RGoB
17	Construction of additional facilities at Sakteng LSS, Trashigang	5.000	RGoB
18	Construction of additional facilities at Tarpheel PS, Trashiyangtse	10.000	RGoB
19	Project monitoring and management PTA projects	8.935	GoI
20	Bridge Bhutan Project 2023	14.400	UNESCO
21	Strengthen competency of teachers in digital pedagogy	10.000	World Bank
22	Professional Development of teachers	70.000	GoI
23	Implementation of Bhutan Professional Standards for Teachers	8.000	GoI
24	Establishment of 45 ECCD centres phase I	82.500	World Bank
25	Training of ECCD facilitators in two week basic ECCD certificate	15.100	World Bank
26	Establishment of 15 large integrate centres and 60 small ECCD centre phase II	112.500	World Bank
27	Training of focal monitors from ECCD parent schools on QMT	7.880	World Bank
28	Professional development programme for education leaders	10.000	GoI
29	Construction of Chhundu armed force public school	100.000	RGoB
30	Procurement of vocational club equipment and it equipment for TVET schools	9.354	ADB
31	Construction of rehab school	11.000	RGoB
32	Strengthening school intranet	40.000	World Bank
33	CodeMonkey implementation	31.400	RGoB

Sl. No.	Name of Activities	Amount	Funding
34	Supply of computers and training of teachers	9.000	World Bank
35	STEM education reform in science and math	15.000	RGoB
36	Replication of teaching and learning	15.000	RGoB
37	STEM teacher recruitment pay airfare and other expenses	16.000	RGoB
38	Refurbishment of kitchens and stores in selected schools including provision of cooking and storage	13.740	WFP
39	Construction of kitchens and stores in selected schools	23.862	WFP
40	Implementation of SDP by public institutes	7.400	World Bank
41	Implementation of SDP DTP and modular courses by TTIs and IZCs	128.360	World Bank
42	Procurement of training materials and equipment for TTIs and IZCs	65.004	World Bank
43	Carry out advocacy and awareness on TVET skilling program	8.425	World Bank
44	Review and development of curriculum and CBLM	18.800	World Bank
45	Recruitment of trainers	15.000	World Bank
46	SDB skills training and education pathways upgradation project	27.350	ADB
47	Procurement of tools and equipments for TTIs under ADB support	68.600	ADB
48	Critical skills training for 200 job seekers	11.200	ADB
49	Professional services supervision of works and detailed engineering designs for TTIs	13.870	ADB
50	Renovation, remodeling and maintenance of TTIs and IZCs at Ranjung and Thimphu	8.610	GoI
51	Construction of facility technology workshop at TTI Khuruthang	75.000	RGoB
Royal University of Bhutan			
52	Setting up of digital studio at Sherubtse College	5.100	RGoB
53	Transformative initiatives at CST	92.807	RGoB
54	HRD capacity building for faculties	26.000	GoI

III. RNR Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
Local Government			
1	Support for water tank reinforce pipes, Haa	5.000	World Bank
2	Construction of Nacheychu irrigation channel at Serghithang Gewog, Tsirang	17.000	GCF
3	Support automation in existing greenhouse, Dagana	7.200	World Bank
4	Renovation of Chhukam irrigation scheme under Dorona Gewog, Dagana	5.000	GCF
5	Renovation of Tashilingtoe Toshiba and Salapong irrigation channel, Zhemgang	6.000	GCF
6	Renovation of Longchu irrigation channel at Samcholing Village under Dragteng Gewog, Trongsa	15.000	GCF
7	Construction of Creedigang irrigation channel in Nabji Village, Trongsa	25.000	GCF
8	Support for chain link fencing	6.000	CARLEP
Ministry of Agriculture and Livestock			
9	Supply installation and commission of LN2 production Plant	11.400	IFAD
10	Establishment of potato warehouse with washing drying grading and packaging in Bumthang (EU)	54.240	EU
11	Establish support RNR based enterprise EU	10.000	EU
12	Construction of integrated cold stores along with centralized pack house (spill over)	70.000	World Bank
13	Construction of EFC Pasakha Phuentsholing (EU)	25.000	EU
14	Construction of warehouse at Jangchey, Gangtey Gewog, Wangdue Phodrang Dzongkhag	24.400	GEF
15	Establishment of integrated cold store (ICS) at Tingtibi, Zhemgang	20.000	GEF
16	Export facilitation centre at Nganlam (Spillover)	16.400	IFAD
17	Construction and upgradation of animal health facilities for RVH and EC	37.100	EU

Sl. No.	Name of Activities	Amount	Funding
18	Gyalsung site communities supported with fruits and vegetable production Inputs	10.000	EU
19	Construction of Phangyul irrigation scheme spill over	111.000	RGoB
20	Production and supply of high value fruits seedlings	77.000	RGoB
21	Seeds and seedlings engagement of youths transportation and nursery	20.000	EU
22	Bhutan for Life project	191.062	BFL

IV. Mining and Manufacturing Industries Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
1	Development of POL depot for eastern Bhutan (spillover)	180.000	GoI TSF
2	Development of Pasakha dry port (spillover)	147.563	GoI TSF
3	Construction of infrastructure for Gelephu Dry Port (spillover)	170.000	GoI TSF
4	Construction of infrastructure for Nganglam dry port (spillover)	195.870	GoI TSF
5	Development of Dhamdum industrial park	411.930	RGoB
6	Development of Motanga industrial park	149.150	RGoB
7	River training works including embankment at Pasakha industrial estate	20.000	RGoB
8	Youth engagement and livelihood program	51.020	RGoB
9	Conduct entrepreneurship development training	40.560	World Bank
10	Development and enhancement of tourism facilities at selected sites	27.000	RGoB
11	Promotion of tourism through various events and platforms	52.100	RGoB
12	Development of eco-tourism masterplan and eco-tourism concession framework and sustainable financing mechanism	30.702	GEF

V. Road Sector

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
	Primary National Highway		
1	Construction of Gayzam Chhu and Lerizam on Tralingthang to Dramaling road	15.000	RGoB
2	Resurfacing on Nangar Ura on Semtokha Trashigang PNH 01 (6 km)	18.427	RGoB
3	Improvement works of Sengor Dramaling PNH	152.082	GoI-PTA
4	Road widening along Kurizampa to Gonrizomsa	14.421	RGoB
5	Construction of bridge at Dorjilung	30.000	RGoB
6	Improvement of Tingtibi Phophel PNH and rectification of pavement along Gomphu Panbang PNH	96.000	RGoB
7	Formation cutting of Dorokha to Dhamdum	20.000	RGoB
8	Widening black topping and construction of permanent structure from Tshergom to Neykhang (spill Over)	23.200	RGoB
	Secondary National Highway		
9	Construction of Dalbari Dagapela SNH	20.000	The Netherlands/ RGoB
10	Construction of Khuru Kuenphen Zam	90.000	GoI-PTA
11	Construction of Daina Bridge on Samtse to Sipsu	15.550	GoI-PTA
12	Blacktopping of Haa Samtse SNH	125.000	RGoB
	Gewog Connectivity Road/farm roads		
13	Construction of Laya GC Road from Tongchudra to Taktsemakha 6Km and Construction of Bridge at Tongchudra	49.577	RGoB
14	Construction of Pangzam on the Phegari farm road under Thrimshing Gewog	50.000	RGoB
15	Black topping of Pling Nangrey and Chokhorling Farm Road (spillover)	22.108	RGoB
	Local government		
16	Improvement of Farm Roads (GSB Phase II, Priority I) spillover in 68 Gewogs	532.033	RGoB

Sl. No.	Name of Activities	Amount	Funding
17	Blacktopping of Chhunzom GC Road, Sarpang	24.600	GoI-PTA
18	Blacktopping of Bjoka GC Road, Zhemgang	54.613	GoI-PTA
19	Blacktopping of Silambi GC Road, Monggar	26.126	GoI-PTA
20	Blacktopping of Chhimung GC Road, Pema Gatsel	5.101	GoI-PTA
21	Blacktopping of Lauri GC Road, Samdrup Jongkhar	31.820	GoI-PTA
22	Blacktopping of Merak GC Road, Trashigang	41.975	GoI-PTA
23	Blacktopping of Sakteng GC Road, Trashigang	36.041	GoI-PTA
24	Construction of Farm Road from Phogchire to Chhimung, Pema Gatsel	11.032	GoI-SDP

VI. Housing and Community Amenities Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
Ministry of Infrastructure and Transport			
1	Access to 24x7 safe drinking water	527.210	RGoB
2	Construction of quarantine centers at Dhamdum, Amochu, Dekiling and Montanga	366.277	RGoB
3	Preparation of design codes for Thimphu Thromde and its peri urban areas	35.000	RGoB
4	Geo database for urban centers Development	26.300	RGoB
5	South action area plan for Thimphu	11.300	RGoB
6	Renovation of centenary farmers market	30.000	RGoB
7	Preparation and review of CCAP and other Local Area Plans for TSP	20.000	RGoB
8	Development of Changzamtog park	89.000	RGoB
9	Implementation of transport master plan	50.000	RGoB
10	Mass timber technology though pilot project demonstration (TI)	110.000	RGoB
Local Government			
11	Construction of integrated vegetable market shed in Gelephu	20.133	GoI
12	Construction of integrated vegetable market shed with car parking in Samdrup Jongkhar	5.008	GoI

VII. Communication Sector

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
1	Replacement of end of life equipment and upscale resources	20.000	RGoB
2	Procurement and testing of satellite components subsystem	30.000	RGoB
3	Health sector development- electronic patient information system	136.890	RGoB/ ADB
4	Development of border management system	115.000	RGoB
5	National digital identity	190.000	RGoB
6	Development of GST (Bhutan integrated taxation system)	73.770	RGoB
7	TWAN core router and switches replacement for government data centre	26.000	RGoB
8	Develop 1000 deep tech professional and train 50% of population on digital literacy	24.750	RGoB
9	Establishment of STT (single source of truth) for public data and develop data policy and regulations	20.500	RGoB

VIII. Energy Sector

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
1	Construction and installation of 17 MW Sephu solar power project	944.690	RGoB / ADB
2	Feasibility study for development of integrated multipurpose hydropower project in Parochu Basin	27.412	AREPP/ RGoB
3	Engineering and design supply and installation testing and commissioning of 21 KW Solar at Shangsa, Lunana	9.060	RGoB/ BFL

IX. Religion and Culture Services Sector

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
Ministry of Home Affairs			
1	Dzong construction Project Sarpang (spillover)	130.000	GoI
2	Lingzhi Dzong conservation project (spillover)	30.000	RGoB
3	Sangchoekhor monastery restoration project (spillover)	60.000	GoI
4	Tango monastery restoration project (spillover)	44.500	RGoB
5	Chari Goenpa restoration project (spillover)	57.000	RGoB
6	Rigsum Goenpa restoration Project (spillover)	46.890	GoI
7	Lhakhang construction at Rajgir Bihar India (spillover)	38.000	RGoB
8	Chhimi Lhakhang redevelopment project (spillover)	15.168	RGoB
9	Pangrizampa Lhakhang restoration project (spillover)	7.335	RGoB
10	Samchoeling Palace restoration project (spillover)	40.000	RGoB
11	Kuengarabten Palace project (spillover)	23.500	RGoB
Dratshang Lhengtshog			
12	Construction of Thangka conservation centre (spillover)	10.000	RGoB
13	Construction of Drasha at Karbji Chorten Ngyingpo, Punakha	11.164	RGoB
14	Development of infrastructure, Samdhen Rigpai Pelkhang	7.000	RGoB
15	Construction of Tshamkhang and Thuenchim at Langka Goenpa	10.500	RGoB

X. Law and Order Sector

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
1	Construction of 50 bedded prison cell for solitary confinement in Tanalum (spill over)	26.108	RGoB
2	Construction of Police Station cum lockup at Gasa (spill over)	10.817	RGoB
3	Construction of office and lockup at Mogngar (spill over)	9.020	RGoB
4	Construction of fully equipped forensic lab installation, validation and development of national crime and incident reporting system (spill over)	19.400	GoA
5	Construction of 18 units low cost family quarter at Legokha Paro phase I	5.000	RGoB
6	IPS and foundation courses in India and other training activities	6.550	RGoB
7	Procurement of CCTV cameras and accessories for safe city	6.200	RGoB
8	Purchase of service delivery vehicles	22.014	RGoB
9	Construction of municipality wall from Sarpang Chu to Akho Chu Sarpang	25.600	RGoB
10	Construction of municipality wall from big Aieepoli to Paitha Chu near Tukra basti at Gelephu	14.000	RGoB
11	Construction of municipality wall from main gate to big Aieepoli at Gelephu	12.310	RGoB
12	Construction of municipality wall near Pugli gate (spill over)	9.820	RGoB
13	Construction of Paro Dzongkhag court (spill over)	21.669	GoA
14	Construction of Sakteng Dungkhag court (spill over)	10.056	RGoB

XI. General Public Service Sector

Nu.in million

Sl. No.	Name of Activities	Amount	Funding
1	Procurement of hardware and software, eCMS	328.532	RGoB/ ADB
2	Subscription to World Bank shares	150.000	RGoB
3	Design and develop Implementing and roll out for Phase II, BIRMs	67.647	RGoB
4	Procurement of software for BIRMs	11.617	RGoB
5	Maintenance works at Gyelyong Tshokhang Area	9.300	RGoB
6	Maintenance at Lhengye Densa	8.500	RGoB
7	E tool system development	7.000	RGoB
8	Construction of Kutshab's Residence with furnishing , MFAET	32.306	RGoB
9	Procurement of equipment for Raven House	2.284	RGoB
10	Bhutan executive services training (BEST), RCSC	4.660	RGoB
11	Hiring of consultancy for leadership program, RCSC	10.000	RGoB
12	Talent management and review technical category PMS, RCSC	12.000	RGoB
13	Civil service awards, RCSC	4.803	RGoB
14	Construction of state guest house, Cabinet Secretariat	18.000	RGoB
15	Commission and conduct evaluation, Cabinet Secretariat	5.900	RGoB
16	13th Plan formulation, Cabinet Secretariat	4.000	RGoB
17	Conduct second scoping studies, ACC	3.000	RGoB
18	Rewiring and replacement of electrical fitting and transformer, RAA	8.300	RGoB
19	Outsourcing audit of civil society and religious organizations, RAA	3.000	RGoB
20	Replacement of end life (EOL) ICT equipment, RAA	3.500	RGoB

XII. Human Resource Development

Nu. in million

Sl. No.	Name of Activities	Amount	Funding
Royal Civil Service Commission			
1	Cost sharing and other HRD program	57.744	RGoB
2	Nehru Wangchuk Scholarship	19.150	GoI
Ministry of Education and Skills Development			
1	M Ed (Dzongkha, Science & Mathematics, English & Geography, inclusive education and Primary)	77.780	RGoB
2	Diploma in ECCD programme - 1st cohort	6.240	IDA
3	TVET school instructions training in technical trade	5.550	ADB
4	Regional international linkages	5.880	ADB
5	B Ed. Primary at PCE (mixed mode)	1.090	RGoB
6	International youth exchange in India, Japan and Nepal	1.400	RGoB
7	Trainers training in technical trade and development of IZC professionals	3.400	ADB/ RGoB
KGUMBS			
1	Observational study on COVID-19 vaccine immunogenicity and reactogenicity in Bhutan	8.600	Bhutan Foundation
2	Student and faculty exchange program for PG residents	7.720	RGoB
3	Masters of science in integrative medicine	0.200	RGoB
National Medical Services			
1	HRD program for doctors, nurse and technologists	51.581	RGoB
Ministry of Infrastructure and Transport			
1	Training of aviation professionals	18.500	RGoB
Anti-Corruption Commission			
1	Short term specialized training on Anti-Corruption studies, education and prevention	7.256	RGoB
Royal Bhutan Police			

Sl. No.	Name of Activities	Amount	Funding
1	IPS and foundation courses in India and other training activities	6.550	RGoB
Bhutan Civil Aviation Authority			
1	ICAO mandatory training, seminar and conferences	5.000	RGoB
2	License proficiency check and training for flight operation inspectors for fixed wing	1.600	RGoB
3	Mandatory training and meetings.	2.573	RGoB
Judiciary			
1	Masters for Judicial officers/Court Registrars LLM	3.700	GoA
Office for Attorney General			
1	Master degree program for legal officer at Australia	1.600	GoA
National Centre for Hydrology and Meteorology			
1	Capacity building of officials in cryosphere monitoring and assessment	2.590	World Bank
2	Capacity building for flood risk assessment	1.200	World Bank
Ministry of Health			
1	Training on procurement & financial management and environment safeguard/ ex-country training for 2 laboratory staff on influenza cell culture	2.730	ADB/ CDC
MoENR			
2	Implementation of institutional strengthening	1.000	UNEP

Annexure 7: Direct and Indirect Shareholding in State Enterprises and Linked Companies

Nu. in million

Direct Shareholding		% Holding	2021		2022	
Sl. No.	Corporations/ Sector		No. of Shares	Value (Nu. m)	No. of Shares	Value (Nu. m)
I	Agriculture	-	-	607	-	629
1	Bhutan Livestock Development Corp. Ltd	100%	4,739,007	474	4,739,007	474
2	Farm Machinery Corporation Ltd	100%	683,220	68	904,220	90
3	Green Bhutan Corporation Ltd	100%	644,440	64	644,440	64
II	Industry	--	-	26	-	26
1	Kuensel Corporation Ltd	51%	2,550,000	26	2,550,000	26
III	Services	-	--	3,977	-	4,054
1	Food Corporation of Bhutan	100%	15,000	15	15,000	15
2	Bhutan Lottery Ltd	100%	600,000	60	600,000	60
3	Bhutan Duty Free Ltd	100%	1,155,441	116	1,155,441	116
4	Bhutan Postal Corporation	100%	235,952	24	235,952	24
5	Bhutan Broadcasting Service Limited	100%	1,308,351	131	1,308,351	131
6	Royal Bhutan Helicopter Services Ltd	100%	6,070,474	607	6,070,474	607
7	National Housing Development Corp Ltd	100%	541,309	541	541,309	541
8	Bhutan Development Bank Ltd	97%	60,031,700	600	60,031,700	600
9	National CSI Development Bank	100%	18,837,903	1,884	19,599,908	1,960
IV	Holding Company	-	-	49,272	-	49,184
1	Druk Holding & Investments Ltd	100%	492,720,600	49,272	491,841,200	49,184
	Total	-	-	53,882	-	53,892

Annexure 8: Revenue and profitability of State Enterprises and Linked Companies

Nu. in million

Direct Shareholdings Corporations /Sector	Total Revenue		Total Expenses		Profit Before Tax		Net Profit	
	2021	2022	2021	2022	2021	2022	2021	2022
Agriculture	622	475	645	600	-27	-126	-21	-125
Bhutan Livestock Development Corp. Ltd	309	207	323	282	-13	-75	-13	-75
Farm Machinery Corporation Ltd	287	243	290	283	-7	-40	-2	-43
Green Bhutan Corporation Ltd	26	26	32	36	-7	-11	-5	-8
Industry	150	121	153	131	-2	-10	-12	-13
Kuensel Corporation Ltd	150	121	153	131	-2	-10	-12	-13
Services	6,918	6,490	6,551	6,026	367	450	448	-257
Food Corporation of Bhutan	2,479	2,228	2,521	2,298	-41	-70	-41	-70
Bhutan Lottery Ltd	702	954	569	768	133	187	94	131
Bhutan Duty Free Ltd	190	262	129	168	61	94	42	66
Bhutan Postal Corporation	224	184	225	199	-1	-15	-9	-15
Bhutan Broadcasting Service Limited	290	264	312	279	-22	-16	-31	-16
Royal Bhutan Helicopter Services Ltd	101	76	131	92	-30	-17	-47	-28
National Housing Development Corp Ltd	187	229	217	201	-30	15	-39	7
Bhutan Development Bank Ltd	2,583	2,120	2,242	1,794	341	325	523	-278
National CSI Development Bank	161	172	205	227	-44	-54	-44	-54
Holding Company	8,357	10,557	152	201	8,205	10,356	5,742	7,242
DHI	8,357	10,557	152	201	8,205	10,356	5,742	7,242
Total	16,047	17,643	7,500	6,958	8,542	10,670	6,157	6,848

Shareholding through DHI Corporations / Sector	Gross Revenue		Total Expenses		Profit Before Tax		Net profit	
	2021	2022	2021	2022	2021	2022	2021	2022
Agriculture	764	755	757	781	7	-25	1	-28
Natural Resource Development Corp.	764	755	757	781	7	-25	1	-28
Industry	26,352	26,831	16,051	16,844	10,306	9,987	7,101	6,883
Penden Cement Authority Limited	943	546	1,024	770	-81	-223	-94	-228
Bhutan Board Products Limited	233	260	232	240	6	20	7	15
Bhutan Ferro Alloys Limited	3,941	3,923	2,776	3,018	1,166	905	911	669
Dungsam Cement Corporation Limited	2,864	3,288	3,132	3,386	-268	-98	-268	-98
Dungsam Polymers	179	191	185	178	-6	13	-7	4
Druk Green Power Corporation	12,509	12,026	5,180	5,483	7,329	6,543	5,097	4,626
Koufuku International Pvt. Ltd	56	85	59	96	-4	-11	-5	-12
Construction Development Corp. Ltd	1,312	1,065	1,375	1,046	-64	19	-67	21
Menjong Sorig Pharmaceuticals Corporation Ltd.	77	78	70	74	7	4	9	8
Druk Metallurgy Ltd.	9	0	61	0	-51	0	-51	0
Azista bhutan Healthcare Ltd.	0	5	0	40	0	-36	0	-43
State Mining Corporation Ltd	4,229	5,365	1,958	2,513	2,271	2,852	1,568	1,921
Services	28,332	34,620	21,375	27,866	6,085	5,991	4,549	4,219
State Trading Corporation of Bhutan	3,162	3,231	3,049	3,152	112	79	80	57
Bhutan Telecom Ltd.	5,383	5,886	2,440	2,563	2,943	3,323	1,998	2,312

Shareholding through DHI Corporations/ Sector	Gross Revenue		Total Expenses		Profit Before Tax		Net profit	
	2021	2022	2021	2022	2021	2022	2021	2022
Drukair Corporation Ltd.	808	2,045	2,315	3,192	-1,508	-1,146	-1,126	-888
Bhutan Power Corporation	10,877	14,851	8,996	13,660	1,880	1,191	1,357	830
Thimphu TechPark Ltd.	233	158	147	155	86	3	85	3
Bank of Bhutan Ltd.	1,654	1,876	941	894	713	982	482	677
Bhutan National Bank Ltd.	1,446	2,006	731	891	715	1,116	530	831
Royal Insurance Corporation of Bhutan Ltd.	4,770	4,566	2,755	3,360	1,143	444	1,143	396
Total	55,448	62,207	38,183	45,491	16,398	15,953	11,651	11,073

Annexure 9: Summary of Assets, liabilities and net-worth of State Enterprises and linked Companies
Nu. in million

Direct Shareholdings	Total Assets			Total Liabilities			Net Asset		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Agriculture	1,141	1,054	1,000	413	520	561	727	692	439
Bhutan Livestock Development Corp. Ltd	641	551	521	288	201	245	353	350	276
Farm Machinery Corporation Ltd	444	422	410	118	304	311	326	276	99
Green Bhutan Corporation Ltd	56	81	70	7	15	5	49	66	65
Industry	331	265	243	111	85	75	220	180	168
Kuensel Corporation Ltd	331	265	243	111	85	75	220	180	168
Services	37,217	41,170	40,575	28,105	32,698	32,702	9,112	8,503	7,872
Food Corporation of Bhutan	1,542	1,511	1,461	590	600	619	953	912	842
Bhutan Lottery Ltd	129	266	323	17	66	72	112	200	251
Bhutan Duty Free Ltd	191	228	267	14	22	36	177	206	231
Bhutan Postal Corporation	464	550	531	281	302	297	182	248	233
Bhutan Broadcasting Service Limited	554	543	612	542	557	655	12	-14	-43
Royal Bhutan Helicopter Services Ltd	714	686	663	70	88	93	644	598	570
National Housing Development Corp Ltd	4,223	2,957	2,934	1,193	1,131	1,066	3,030	1,827	1,868
Bhutan Development Bank Ltd	27,893	31,591	31,016	25,348	28,725	28,746	2,545	2,866	2,270
National CSI Development Bank	1,507	2,838	2,768	51	1,207	1,117	1,456	1,661	1,651
Total	38,689	42,489	41,818	28,629	33,303	33,338	10,060	9,375	8,480

Direct Shareholdings	Total Assets			Total Liabilities			Net Asset		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Shareholding through DHI									
Agriculture	999	886	926		240	298	695	646	629
Natural Resource Development Corp.	999	886	926	304	240	298	695	646	629
Industry	73,516	77,578	76,523	20,563	21,682	21,573	52,953	55,886	54,950
Penden Cement Authority Ltd.	1,665	1,906	2,047	747	739	876	918	1,167	1,171
Bhutan Ferro Alloys Ltd.	2,185	2,405	2,454	1,011	493	421	1,174	1,912	2,033
Bhutan Board Products ltd.	761	843	1,078	97	105	137	664	571	941
Dungsam Cement Corporation Limited	9,669	9,320	8,522	7,119	7,265	7,113	2,550	2,198	1,409
Dungsam Polymers Limited	162	157	153	111	113	110	50	44	44
Druk Green Power Corporation	56,028	56,273	56,353	9,306	9,699	10,266	46,722	46,574	46,087
Koufuku International Pvt. Ltd	81	88	83	32	40	47	48	51	36
Construction Development Corp. Ltd	1,441	2,260	1,993	1,497	1,387	1,116	-56	883	877
Menjong Sorig Pharmaceuticals Corporation Ltd.	167	177	183	14	15	17	153	163	166
Druk Metallurgy Ltd.	0	945	0	0	686	0	0	259	0
Azista bhutan Healthcare Ltd.	0	349	434	0	217	295	0	133	139
State Mining Corporation Ltd	1,358	2,856	3,223	628	925	1,176	730	1,931	2,048
Services	208,087	234,734	255,579	168,720	191,574	210,616	39,367	43,159	44,963
State Trading Corporation of Bhutan	1,324	1,160	1,448	879	586	800	445	574	648

Direct Shareholdings	Total Assets			Total Liabilities			Net Asset		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Bhutan Telecom Ltd.	7,207	7,450	7,580	1,724	1,606	1,459	5,483	5,844	6,121
Drukair Corporation Ltd.	9,630	9,177	9,835	6,792	7,448	8,280	2,838	1,729	1,555
Bhutan Power Corporation	35,035	35,799	42,118	20,369	20,402	25,996	14,666	15,397	16,121
Thimphu TechPark Ltd.	654	578	435	345	354	265	309	224	170
Bank of Bhutan Ltd.	87,186	100,680	107,603	80,028	92,456	99,029	7,158	8,224	8,574
Bhutan National Bank Ltd.	46,067	56,647	63,506	39,753	49,013	55,663	6,314	7,634	7,843
Royal Insurance Corporation of Bhutan Ltd.	20,984	23,243	23,055	18,830	19,709	19,124	2,154	3,535	3,930
Total	282,602	313,198	333,028	189,587	213,497	232,487	93,015	99,691	100,541