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MoF/Budget Notification/2023-2024/01

July 7, 2023

Budget Notification for the Financial Year 2023-2024

The Ministry of Finance is pleased to notify that the 9th Session of the Third Parliament has passed the Budget Appropriation Act for Financial Year 2023-24 for a total appropriation not exceeding Nu. 85,522.536 million.

With the conclusion of 12th Five Year Plan (FYP) at the close of FY 2022-23 and 13th FYP still under formulation, the FY 2023-24 budget has been passed for the entire FY towards ***"Building a stronger institution through strategic reforms while ensuring a sustainable fiscal path and smooth transition"***.

The details of budget appropriation are as under:

Sl.No	Broad Expenditure Classification	Amount (Nu. in million)	Percent
1	Recurrent	45,545.947	53.26 %
2	Capital	29,315.668	34.28 %
3	Lending	1,508.810	1.76 %
4	Repayment	9,152.111	10.70 %

The total estimated resources for FY 2023-24 is **Nu.53,513.242 million** including internal resources of **Nu.47,145.840 million** and external grants of **Nu.6,367.402 million**. Considering the total expenditure of **Nu.74,861.615 million** against the estimated resources of Nu.53,513.242 million, the fiscal deficit is estimated to be **Nu.21,348.373 million** corresponding to **9.7 percent of the GDP**.

Given the current macro fiscal outlook and the need to ensure that the economy remains on a sustainable path, the FY 2023-24 budget has prioritized activities and programs that are critical, mandatory and spillover in nature. In addition, the recurrent budget for mandatory and controllable expenses has been allocated within the available internal resources. As such, heads of the budgetary bodies must continue to exercise prudence with strong financial discipline to prevent wasteful expenditure, avoid cost overruns and drive efficiencies in all spending.

The following guidelines are issued for strict adherence and compliance during the implementation of the approved budget:

- 1. Expenditure limit:** In order to ensure smooth continuation of spillover, critical and mandatory activities, the allocation to the budgetary bodies have been made to the maximum possible fiscal deficit. Therefore, all the budgetary bodies shall remain within the expenditure limit as authorized by Budget Appropriation Act for FY 2023-



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24 and refrain from carrying out activities for which there is no budget allocation as per the following provisions of the Public Finance Act 2007 and Amendment thereto:

- a. **Section 61:** "Budgetary bodies shall expend public money only in accordance with an appropriation under the Budget Appropriation Act."
- b. **Section 62:** "No budgetary bodies shall carry out activities for which there is no provision in the Budget Appropriation Act."
- c. **Section 63:** "No budgetary bodies shall make commitments that have financial implications beyond the limits authorized by the Budget and Appropriation Act."

In view of the importance of proper execution of the approved budget and to ensure fiscal discipline, these provisions are notified every year. Therefore, budgetary bodies must ensure compliance and refrain from seeking any post facto approvals or requesting for funds after the works have been executed given the current financial situation.

2. **Recurrent Budget:** To ensure smooth delivery of public services, the recurrent budget for controllable expenses has been allocated based on the restructuring of agencies as per the Civil Service Reforms Act of Bhutan 2022. Further, given the challenging macro fiscal situation and recognizing the Constitutional requirement of having to meet the cost of recurrent expenditures from internal resources, all the budgetary bodies shall continue to exercise prudence and drive cost efficiencies to remain within the allocated block grant for Controllable Expenses. As such, the **Government Expenditure Rationalization Initiatives** issued vide MoF Notification no.MoF/DNB/Notification/2022-23/308 dated September 1, 2022 must continue to be implemented.
3. **Budget provision for Pay Revision:** The budget for implementation of Pay Structure Reform Act of Bhutan 2022 have been adequately captured in the mandatory allocation of the respective budgetary agencies. However, with regard to the provision for the implementation of Revision of Pay Act of Bhutan 2023, agencies are requested to work out the budget implications based on the notification being issued by the MoF and submit the budget requirement to enable the Department of Planning, Budget and Performance for transfer of budget within February 2024.
4. **Retirement Benefits:** The Annual Current Grants do not include budget provisions for retirement benefits. Therefore, the budget requirements for separations/resignations must be submitted with detailed workings and required documents and clearances to the Department of Planning, Budget & Performance during the FY.



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5. **Transfer Benefits:** Given the current fiscal situation, the budget for transfer of public servants is not provisioned in the FY 2023-24 budget. However, budgetary agencies may facilitate the transfers if critically required but remaining within the approved controllable budget of the respective agencies. As such, no additional budget for meeting the expenses on transfer benefits of the public servants shall be considered during the FY.
6. **Implementation of ad-hoc and unplanned activities during the FY:** With the available resources fully allocated, the heads of the budgetary bodies must exercise due diligence and judgment to respond to emerging priorities through reprioritization exercise within the approved budget and defer the implementation of projects that are less urgent in the short term. Therefore, budgetary bodies must note that there is absolutely no fiscal space to accommodate and facilitate additional budget for new activities under RGoB financing.
7. **Distribution/supply of free handouts:** It has been observed that budgetary agencies have been distributing and supplying free handouts such as seeds, seedlings, household items, CGI sheets, etc., to individuals without analysis of impact, economic returns and sustainability. Henceforth, budgetary bodies shall refrain from distribution and supply of free handouts irrespective of funding source.
8. **Human Resource Development:** The budget for Training-HRD has been provisioned under RCSC and respective budgetary agencies for ONLY critical HRD requirements with secured/committed RGoB and external funding based on RCSC's endorsement. Any supplementary incorporation for HRD-related activities under external funding and re-appropriations to implement critical training, irrespective of funding, shall be subject to RCSC endorsement.
9. **Undergraduate Scholarships:** In order to ensure transparency and proper reporting of budget and expenditure for undergraduate scholarships, a new OBC "45.03 Training-Undergraduate Scholarship" has been created in the MYRB system. Accordingly, budgets related to undergraduate scholarships implemented by the Ministry of Education and Skills Development (MoESD), Ministry of Finance (MoF) and Bhutan Olympic Committee (BoC) have been allocated under the new OBC. As such, those budgetary bodies implementing undergraduate scholarships must use this OBC for budgeting and accounting purposes from FY 2023-24.
10. **Compensation for structures:** Any budget requirement arising in respect to compensation from land acquisition or demolition of properties as a result of any infrastructure development executed as part of the approved budget should be met from the approved budget of the activity of the respective agencies..
11. **Centralization of Internet Charges:** With centralization of the internet connectivity services of all the budgetary agencies under GovTech Agency from FY 2022-23, the



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payment of internet charges will continue to be through GovTech Agency. As such, budgetary bodies shall not be required to apportion the budget for internet charges except for a few budgetary agencies not included in the demand aggregation list.

12. Non-essential imports and Foreign travel: Being mindful of the Balance of Payment situation, it is strongly advised to minimize import of non-essential materials and provide priority for the domestically produced/available materials for works and goods. Similarly, any foreign travel for participation in seminars, workshops, conferences, study tours and trainings that have a bearing on RGoB funding and foreign reserves must be limited to unavoidable engagements that are critical at the national level.

13. Vehicles: In view of the existing moratorium on the import of vehicles due to current foreign currency reserve position and tight fiscal situation, no budget has been allocated for procurement of pool vehicles in FY 2023-24. However, any matter related to pool vehicles irrespective of type of vehicle (Electric or Fossil Fuel) and acquisition modality (purchase or received through donation/gifts) must be in line with **Chapter VII of the Revised Property Management Rule 2022**.

14. Centralized Procurement of computers and laptops: The Department of Procurement and Properties (DPP) will continue to oversee and manage the centralized procurement of computers (laptops and desktops) for all budgetary bodies. Therefore, the respective agencies are advised to submit requisitions based on the approved budget **using Form-I included in the ICT guidelines 2021** to the DPP no later than July 31, 2023 and January 31, 2024. The payment mechanism shall be as per the instruction that will be issued by DPP. In addition, to ensure prudential allotment (*using Government Inventory Management system at www.gims.gov.bt*) and replacement of computers/laptops the head of the agency shall strictly follow the ICT Guidelines 2021 available at www.mof.gov.bt. Further, the heads of the agencies must ensure that each person is allotted one computer/laptop, regardless of funding, as stated in the notification MoF/R-Circular/2009/4568 dated April 9, 2009.

15. Re-appropriation and technical adjustment: In line with section 55 of the Public Finance Act, 2007 and to prevent rush spending and curtail wasteful expenditure, the budgetary bodies shall ensure to complete any required re-appropriations/technical adjustments by end of third quarter i.e. 31st March, 2024.

16. Supplementary Incorporation: Incorporation of supplementary budget for external funded activities signed after the formulation of the FY 2023-24 budget shall be facilitated based on fund commitments and utilization plan. Therefore, requests for supplementary budget incorporation must be forwarded to the Department of Planning, Budget and Performance based on the MoU and annual work plan agreed between development partners and implementing agencies.



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- 17. Completion of Tendering Processes:** The budgetary bodies must complete tendering processes from initiation of annual procurement plan to award and contract signing through electronic Government Procurement (e-GP) System by the end of 2nd quarter of the FY. In addition, starting from FY 2023-2024, the e-Invoice generated from the e-GP shall be accepted for processing the payment without having to submit the original paper invoice. A separate guideline for e-Invoice shall be circulated and made available through the e-GP website at www.egp.gov.bt
- 18. Budget Release Forecast (BRF):** All Budgetary Bodies are required to submit realistic monthly BRF through e-PEMS as per the Fund Release Guidelines in consultation with the respective implementing partners. The dealing officials including the Head of Finance shall be accountable for any disruption in delivery of financial services due to non-compliance with the requirement. Any change in the fund release mechanism during the FY shall be conveyed by the MoF.
- 19. Work Charge:** In order to ascertain and capture the exact cost of the program/project/activity under the work charge mechanism, ePEMS has been enhanced to facilitate the booking of expenditure at the sub-Object Code level under the major capital Object Codes(OBCs). Any associated costs of capital expenditure incurred for pay and allowances, travel, operational costs, etc., shall be accordingly recorded under relevant sub-object codes for the respective work charged capital activities. Therefore, the Head of Finance services shall ensure appropriate booking of expenditure against work charge activities.
- 20. Finance Committee:** All matters pertaining to budgeting including the decisions to apportion budget from Annual or Block Grant & requiring MoF's intervention for budget revisions during FY must be endorsed by the respective Finance Committee.
- 21. Budget for cost and time overrun:** Any cost overrun due to change in scope of work, deviation from original plan and cost escalation leading to budget implication must be prioritized and managed within the approved budget of the respective agency. Further, in cognizance of resource constraint, budgetary bodies must refrain from awarding additional work without a secured budget.
- 22. Budget Monitoring Tool (BMT):** All Budgetary Bodies are mandated to submit both physical and financial work plans for all capital activities through the Budget Monitoring Tool (BMT). The financial plan shall be used as a basis for preparation and submission of BRF. The quarterly work progress of all capital activities shall be updated in the BMT within the first 15 days after the end of each quarter.
- 23. Mid-year Budget Review:** The work progress updated till the 2nd quarter in the BMT shall be the basis for carrying out Mid-year budget review. The budgetary bodies shall

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ensure to complete the apportionment/re-appropriation of budget prior to the conduct of Mid-year budget review. Any budget adjustments for new activities/Object Codes must be completed before March 31, 2024.

24. Responsibilities of the heads of the budgetary body: To ensure the smooth implementation of the programs & activities during the current FY, the heads of the budgetary bodies shall be responsible for managing the financial and related matters including procurement and disposal of the assets as per the provisions under Chapter 3 of the Public Finance Act, 2007.

25. Provisions specific to Local Governments:

- a. **Annual Grants:** The LGs shall continue to receive annual grants for recurrent and capital expenditure and shall be expensed in compliance to the Annual Grant Guidelines 2023. The capital grant allocation under RGoB financing to Dzongkhags and Thromdes is only for spillover and on-going activities. The activities under external financing are provisioned based on the fund commitment and balance thereof.
- b. **Capital Grants for Gewogs:** In line with the Budget Appropriation Act FY 2023-24, the utilization of capital grant allocation to the Gewogs shall be as follows:
 - i. In the first phase, 50 percent of the approved grant shall be apportioned for implementation. *To ensure that the activities implemented in the first phase is fully funded and complete, the whole cost of the activity must be apportioned from within the 50 percent allocation.* The release of remaining balance shall be subject to fund mobilization and fulfillment of performance criteria on the utilization of the first tranche as per the revised Annual Grants Guidelines 2023.
- c. **GC Roads Maintenance Budget:** The mandatory allocation for Gewogs includes the budget for maintenance of GC roads estimated based on the standard costing of Ministry of Infrastructure and Transport Nu.30,000/km/per annum. With the past FYs experience reflecting the diversion of GC road maintenance budget to other O&M expenditure heads, the budget is now provisioned under a new mandatory Object Code (OBC) 15.10 with restrictions to re-appropriate in order to ensure that GC roads are optimally maintained. In addition, in the event of any policy change during the FY, the budget shall be accordingly transferred to the responsible/implementing agency.
- d. **GSB Phase II Priority I:** The budget for those GSBs allocated in FY 2022-23 that were formally surrendered to MoF in FY 2022-23 has been re-provisioned in the respective Dzongkhag's budget for FY 2023-24. The Dzongkhags shall



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continue to implement these GSBs in close consultation with Gewogs as per the "Guideline for laying Granular Sub-Base for farm roads" issued by the Ministry of Infrastructure and Transport (erstwhile MoWHS). Any upward revision in the estimates from the approved budget shall be adjusted from within the allocation for GSB or annual grants of respective Dzongkhags/Gewogs. As such, no additional budget beyond respective approved outlay shall be made available from the MoF during the FY. Further, utilization of savings upon completion of GSB shall be subject to MoF approval.

- e. **Maintenance of Gewog Utility Vehicle:** Budget for maintenance of gewog utility vehicles must be met from the controllable budget allocation of the respective gewogs. Given the resource constraint, Gewogs are advised to rationalize and meet any additional budget requirement through re-prioritization from other controllable expenditure heads.
- f. **Annulment of Section 5.2.5 of the Annual Grants Guidelines 2022:** The Dzongkhags and Gewogs shall note the annulment of Section 5.2.5 of the Annual Grant Guidelines 2022 that states "*Towards achieving the national goal of food nutrition security, Gewogs may prioritize procurement of heavy earth moving and agricultural machineries from the allocated annual grants, where genuinely required, upon approval of the respective Gewog Tshogde (GT)*". This section is being withdrawn as the capital grant allocation in FY 2023-24 is made in light of a tight fiscal situation, and with the 13 FYP outlay and resources yet to be determined, while ensuring the continuity of critical public service delivery.
- g. **H&E Budget for Gewogs:** Expenses for hospitality and entertainment for Gewogs shall not be apportioned from the controllable expenses as it is to be met out of the retained revenue within the ceiling of Nu. 0.020 million per annum as prescribed in the Guidelines on Operations of Gewog Current Deposit Account 2022.

The Budget Report for FY 2023-24 can be downloaded from www.mof.gov.bt and the budget appropriation of the respective budgetary bodies can be accessed through www.myrbpems.bt


Namgay Tshering



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4. The Hon'ble Auditor General, Royal Audit Authority, Thimphu.
5. The Head of Constitutional Bodies, Thimphu.
6. The Cabinet Secretary, Gyalyong Tshogkhang, Thimphu.
7. All Government Secretaries, Thimphu.
8. The Head of Autonomous Agencies.
9. The Dzongdags, Thrompons & Gups.
10. The Head of Finance Division, all budgetary bodies.