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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
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MoF/Budget Notification/2024-25/24

July 16, 2024

Budget Notification for the Financial Year 2024-25

The Ministry of Finance is pleased to notify that the 1st Session of the Fourth Parliament has passed the Budget Appropriation Act for Financial Year 2024-25 for a total appropriation not exceeding Nu.97,628.839 million.

The details of budget appropriations for FY 2024-25 are as under:

Sl. No.	Broad Expenditure Classification	Nu. in million	
		Amount	Percent
1	Recurrent	50,809.905	52.0 %
2	Capital	38,241.268	39.2 %
3	Lending	2,395.626	2.5 %
4	Repayment	6,182.040	6.3%
	Total	97,628.839	

The budget for FY 2024-25, the 1st financial year of the 13th FYP, has been diligently formulated in consultation with the budgetary agencies. The 13th FYP has been approved with an outlay of Nu.512.283 billion to pursue the overarching goal for a Developed Bhutan with strong focus on People, Progress and Prosperity.

The total estimated resources for FY 2024-25 is **Nu.73,182.049 million** including internal resources of **Nu.56,660.426 million** and external grants of **Nu.16,521.623 million**. Considering the total expenditure of **Nu.89,051.173 million** against the estimated resources of **Nu.73,182.049 million**, the fiscal deficit is **Nu.15,869.124 million** corresponding to **5.2% of the GDP**.

With the objective to ensure sustainable fiscal path and promote fiscal discipline, the following key fiscal targets have been identified for FY 2024-25:

1. Contain fiscal deficit within 5% of GDP;
2. Maintain recurrent budget within 90% of the internal resources; and
3. Maintain central government debt below 45% of GDP.

All heads of the budgetary bodies must exercise prudence and diligence to prevent wasteful expenditure, avoid cost overruns and drive efficiencies in all spending, more than ever, in pursuit of **"Accelerating Prosperity and Social Transformation"**.

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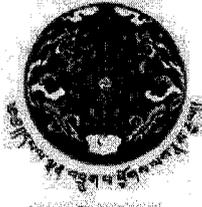
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The following guidelines are issued for strict adherence and compliance during the implementation of the approved budget for FY 2024-25:

1. **Expenditure Limit:** All the budgetary bodies shall remain within the expenditure limit as authorized by Budget Appropriation Act for FY 2024-25 and **refrain from carrying out any activity 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."

These provisions are notified to ensure compliance and proper execution of the approved budget. Therefore, **budgetary bodies shall refrain from seeking any post facto approvals or make budget requests after works have been executed.**

2. **Recurrent Budget:** To ensure smooth delivery of public services, the recurrent budget for controllable expenses has been allocated based on affordability within the estimated internal resources. In deference to 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, shall continue to be in force.*
3. **Transfer Benefits:** The budgetary agencies may facilitate the transfers of public servants, if critically required, but remaining within the approved controllable budgets of the respective agencies. As such, given that the available resources are fully allocated, no additional budget for meeting the expenses on transfer benefits of the public servants shall be considered during the FY.
4. **Implementation of Ad-hoc and Unplanned Activities During the FY:** To ensure timely completion of the sector priorities, the Government has made efforts to allocate budget within the available external grants committed for the plan period and to the maximum extent of the targeted fiscal deficit. With no separate provision earmarked for ad-hoc and unplanned activities with the Ministry of Finance, the heads of the



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budgetary agencies shall exercise due diligence and judgment to respond to emerging priorities by reprioritizing within the approved budget.

5. **Leave Encashment Provision:** In line with the Section 48 (2) of the Pay Revision Act of Bhutan 2023 and Section 24 of the Notification on the Pay Structure Reform and Pay Revision of the Public Servants July 2023, a provision earmarked under the General Reserve shall be transferred to compensate the leave balance determined after the encashment/leave availed in FY 2023-24. Considering the anticipated positive cash flow towards the end of FY, the leave encashment equivalent to a maximum of one month's minimum pay scale of the position held currently shall be disbursed in the last quarter of FY 2024-25.
6. **Centralization of Internet Charges:** With centralization of the internet connectivity services of all the budgetary agencies under GovTech Agency from FY 2022-23, the payment of internet charges will continue to be through GovTech. 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.
7. **Distribution/Supply of Free Handouts:** No budgetary body shall distribute and supply free handouts such as seeds, seedlings, household items, CGI sheets, etc. to individuals since such distributions pose long term sustainability issues to public finance. This shall be applicable to activities/projects implemented under all funding sources.
8. **Human Resource Development and Foreign Travels:** Any supplementary incorporation/re-appropriations for HRD-related activities not included in the approved budget under external funding shall require RCSC endorsement.

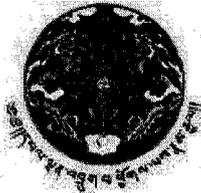
However, for re-appropriations under RGoB funding, the budgetary agencies shall comply as follows:

- a. Shall be allowed from controllable expenditure to training code (45.01) subject to fulfillment of required approval process and subject to confirmation that remaining recurrent budget is adequate to cover the operational expense for the rest of the FY. Further, it must be noted that any foreign travel for participation in seminars, workshops, conferences, study tours and trainings that have bearing on RGoB funding must be limited to unavoidable engagements that are critical at the national level. Moreover, to minimize the cost and cater to larger numbers of participants and maximize the impact of training, the heads of the budgetary agencies shall organize the required capacity building programs in the training institutes available within the country.



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- b. Re-appropriation of funds from **mandatory, and activity tied current allocation** and other capital allocation to HRD/foreign travel shall not be allowed.
9. **Restriction of Re-appropriation:** In line with section 55 of the Public Finance Act, 2007, the budgetary bodies may re-appropriate and make technical adjustments based on the Financial Rules and Regulations 2016. In addition, to prevent **rushed spending** and curtail **wasteful expenditure**, the budgetary bodies must complete any required re-appropriations/technical adjustments by end of third quarter i.e. 31st March, 2025. In addition, agencies are advised to complete the verification and submission of bills for procurement of goods/works/services to respective Finance Divisions/Cluster Finance not later than June 15, 2025.
10. **Non-Essential Imports:** To promote the use of domestically produced/available materials for works and goods, it is strongly advised to minimize import of non-essential materials.
11. **Vehicles:** Budget for procurement of vehicles is allocated only for exceptional cases such as ambulances, fire fighting, National Service and special purposes in the FY 2024-25. 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**.
12. **Supplementary Incorporation:** Incorporation of supplementary budget for external funded activities **signed after the formulation of the FY 2024-25 budget** shall be facilitated based on fund commitments and budget utilization plan. Therefore, requests for supplementary budget incorporation must be supported with a copy of the signed MoU and annual work plan agreed between development partners and implementing agencies.
13. **Completion of Tendering Processes:** The budgetary bodies must complete the tendering process from initiation of annual procurement plan to award and contract signing through electronic Government Procurement (e-GP) System latest by the end of 2nd quarter of the FY. In addition, 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 is available on the e-GP website at www.egp.gov.bt.



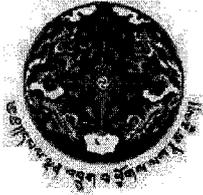
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14. **Centralized Procurement of Computers and Laptops:** The Department of Procurement and Properties (DPP) is in the process of reviewing the centralized procurement of computers and any changes hereafter will be notified separately. Till such a time, budgetary bodies 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, 2024 and January 31, 2025. The payment mechanism shall be as per the instruction 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 shall ensure that each person is allotted one computer/laptop, regardless of the funding source, as stated in the notification MoF/R-Circular/2009/4568 dated April 9, 2009.
15. **Budget Release Forecast (BRF):** All budgetary bodies are required to submit realistic 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 MoF.
16. **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.
17. **Budget for Cost and Time Overrun:** All the budgetary bodies must refrain from awarding additional work and avoid cost overrun resulting in additional budget implications. As such, cost escalations leading to budget implication must be prioritized and managed within the approved budget of the respective agency. Budgetary agencies must adhere to project management concepts of time, specifications and costs.
18. **New Block Grant Allocation:** In order to promote process efficiency, all the budgetary bodies have been allocated block grants under current and capital as follows:
- a. **New Appointments/Retirement Benefits for Ad-hoc Separation:** To meet the pay and allowances of new appointments and retirement benefits for ad-hoc separations during the year, the provision allocated under OBC 26.01 shall be

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apportioned to required OBCs (OBC 1.01, OBC 2.01, OBC 24.03, and OBC 25.01). Such appointments shall only be as per the existing staff strength approved/recruited by RCSC/relevant Council/Board.

- b. **Operational Capital Budget:** Similarly, a block grant for capital budget (OBC 56.01) has been allocated for the procurement of office equipment, furniture, computers, and crucial office renovations at the agency level. Given this flexibility, all the agencies must prioritize the requirement from this allocation and avoid re-appropriating from other capital OBCs to office equipment, furniture, computers, and crucial office renovations.

19. **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 Committees.

20. **Construction, Improvement and Maintenance of Dzongkhag Roads:** Based on the Lhengye Zhungtshog directives issued vide letter No.C-3/142/2023/1619 dated 1st May 2023, the mandate of Dzongkhag roads has been transferred to the Department of Surface Transport (DoST). Accordingly, the budget has been provisioned as below:

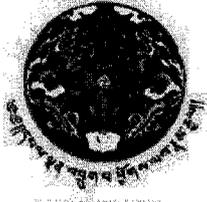
- a. **Maintenance of Dzongkhag Roads:** Nu.168.895 million for routine maintenance of Dzongkhag roads has been allocated to the Department of Surface Transport.
- b. **Improvement of Dzongkhag Roads:** Nu.867.380 million is allocated to the Department of Surface Transport for improvement of Dzongkhag Roads.

Henceforth, it will be the responsibility of the DoST to ensure that these roads are maintained adequately and keep them functional at all times. However, Dzongkhags and Gewogs, as principal stakeholders, must monitor and evaluate after repair and maintenance works on these roads.

21. **Fund Utilization of Current Deposit Account:** The funds accumulated in the respective CD accounts are consolidated in the Budget Fund Account under the respective allotted financing codes (FICs). For the utilization of the accumulated fund, efforts have been made to capture the estimated requirement in the budget of the respective agencies, however, those requirements not captured shall be incorporated in line with the CD Guidelines/SOP and utilized as per the existing financial rules and regulations.

22. **Deposit Works:** With the increasing concerns on the outstanding advances due to deposit works, the budgetary agencies are hereby directed to implement deposit works

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only for those activities/projects lacking in-house technical capacities and skills (specialized works). As such, the budgetary bodies must ensure to implement the activities/projects under which the budget/plan is provisioned.

23. Closed Works: The budgetary agencies shall settle the closed works account within one month after the close of the FY except for cases under legal disputes as provided under the Financial Rules and Regulations 2016.

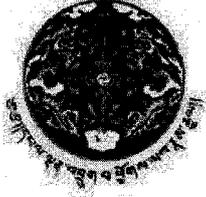
24. Provisions Specific to State Owned Enterprises/Fiscal Transfers: The State Owned Enterprises that receive funds from RGoB by way of fiscal transfers such as subsidies, equity injection, and grants shall prepare an Annual Work Plan as per the approved budget for the Fiscal Year and submit to the Department of Macro-Fiscal and Development Finance (DMDF) by July 31, 2024. The Department of Treasury Accounts shall release the budget based on the recommendation and endorsement of the progress report by DMDF.

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 with the Annual Grant Guideline 2024. The capital allocation under the RGoB block grant is for implementing activities to achieve the seven key deliverables identified for the Local Government in the 13th FYP.

b. **Clinical Services:** In line with the restructuring of services and departments under the Health Sector transformation initiative, the budget for all clinical services (Hospitals & BHUs) has been allocated under the National Medical Services. However, the respective Dzongkhags and Thromdes shall apportion the operation and management budget including pay and allowances for District Health Officers only.

c. **Small Development Project (SDP):** The Government has allocated Nu.1.5 billion in FY 2024-25: Nu.11.25 million each for Dzongkhags, Nu.56.25 million each for Thromdes, and Nu.5.122 million each for Gewogs. However, during the FY, the LGs shall be required to formulate the proposals focusing on Chiwog roads, irrigation, drinking water supply, waste management and sanitation facilities, bridges, tourism development, land management, flood protection, and chain link fencing and submit to OCASC, Cabinet Secretariat for endorsement. The budget shall be apportioned for implementation only upon endorsement of the activities and programs.

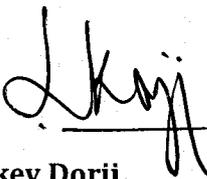


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- d. **Implementation of Performance Based Grants for Gewogs:** In line with the Budget Appropriation Act for FY 2024-25, the performance of the capital block grant allocated in FY 2024-25 shall form the basis for allocation of block grant in FY 2025-26. The criteria for performance assessment of the Block Grant is issued as part of the Annual Grant Guideline 2024.
- e. **H&E Budget for Gewogs:** With the implementation of the Property Tax Act of Bhutan 2022 requiring the payment of rural land and house taxes to be deposited to the Royal Government Revenue (RGR) Account maintained by the Department of Revenue and Customs, the budget for hospitality and entertainment of the Gewog Administration has been factored in the controllable budget allocation of Gewogs. Therefore, the Gewogs shall apportion Nu.0.020 million for H&E from Gewogs' controllable budget of FY 2024-25.
- f. **Allocation of Chain-link Fencing Budget:** Based on the priority crop and severity of human wildlife conflict, Nu.637.5 million has been allocated under 20 Dzongkhags and Nu.45 million under MoAL for chain link fencing. However, the implementation of chain link fencing will be subject to identification of sites by the Dzongkhag/Gewogs following the guideline and specific criteria prescribed by MoAL.

The Budget Report for FY 2024-25 can be downloaded from www.mof.gov.bt and the budget appropriation of the respective budgetary bodies can be accessed through www.myrbpems.bt.

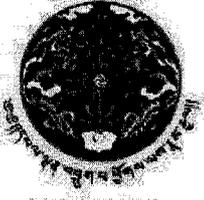

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For kind information:

1. Hon'ble Dasho Gyalpoi Zimpon, Office of the Gyalpoi Zimpon, Thimphu.

Copy to:

1. Hon'ble Prime Minister, Galyong Tshogkhag, Thimphu.
2. Hon'ble Chief Justice, Supreme Court, Thimphu.
3. Hon'ble Speaker, NA and Chairperson, NC, Thimphu.
4. Hon'ble Ministers, All Ministries, Thimphu.
5. Hon'ble Auditor General, Royal Audit Authority, Thimphu.
6. Heads of the Constitutional Bodies, Thimphu.
7. The Cabinet Secretary, Galyong Tshogkhag, Thimphu.
8. All Government Secretaries, Thimphu.



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9. Heads of all Autonomous Agencies, Thimphu.
10. Dzongdags, Thrompons & Gups.
11. Heads of Finance Divisions of all Budgetary Bodies.

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