



DNB/Budget-Notification/2016-17/ 074
July, 11 2016

Budget Notification for the Financial Year (FY) 2016-17

This is to notify all the budgetary agencies that the budget for the FY 2016-17 has been passed by the Parliament. The total appropriation for the FY is Nu. 54,828.228 million and the detail is presented below:

i. Current Expenditure :	Nu. 25,387.034 million	46.30 %
ii. Capital Expenditure :	Nu. 26,497.330 million	48.33%
iii. Lending :	Nu. 120.766 million	0.22 %
iv. Repayment :	Nu. 2,823.098 million	5.15 %

The fiscal deficit and resource gap for FY 2016-17 are Nu. 8,375.722 million (5.31% of GDP) and Nu. 7,631.475 million (4.84% of GDP) respectively.

The budget for FY 2016-17 has been formulated based on implementation trend of the past three years and the government's priorities to complete 11th FYP programs within the remaining period of the plan. The total capital budget is about 28 % of the 11th Five Year Plan (FYP) capital outlay and agencies must intensify the implementation of capital programs and activities.

While implementing the budget, agencies are required to strictly adhere to the following guidelines:

- 1. Expenditure limits:** The approved budget specifies the expenditure limits of each spending agency. All budget agencies are required to keep their spending within the expenditure limits set out in the budget appropriation.
- 2. Under-implementation of budget:** The government and other oversight bodies are concerned about repeated under-utilization of budget by agencies. The heads of the agencies should underscore the under-utilization cases through continuous monitoring and ensure implementations that match the budget allocations. Budget allocations of the agencies were made after consultations on the absorptive capacity.

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3. **Annual Performance Agreement (APA):** The budget for the FY has been aligned to the APA targets towards fulfilling the objectives of the agencies. Agencies are therefore advised to implement activities accordingly and budget used for the purposes intended.
4. **Dzongkhag Development Grant (DDG):** From FY 2016-17, Government has introduced "DDG" of Nu.7 million for each Dzongkhag to deepen the process of decentralization and empower local Government in decision making. *The grant shall be implemented strictly as per the "DDG" guidelines being issued separately.*
5. **Gewog Development Grant (GDG):** The Gewogs shall continue to strictly follow the GDG guidelines while implementing the activities from GDG of Nu. 2 million. It should be noted that the budget shall not be released for GDG activities initiated outside of the GDG guidelines.
6. **Budget for Human Resource Development (HRD) in Dzongkhags:** A budget provision of Nu. 100 million has been allocated in Dzongkhags from FY 2016-17 for capacity development of civil servants in Dzongkhags and Gewogs. All the Dzongkhags and Gewogs should follow due procedures for implementation of the training budget.
7. **External financing:** Implementation of externally financed projects shall commence only upon receipt of funds. The agencies should confirm the receipts from the Department of National Budget/GNHC/Department of Public Accounts before initiating works under external financing.
8. **Activity based booking of expenditure:** The efforts of activity based budgeting will be continued and agencies shall continue to charge the associated expenditures to relevant activities irrespective of current or capital nature of expenditures.
9. **Deposit Works:** Most of activities budgeted centrally in the past but carried out as deposit works by Dzongkhags/Thromdes are now allocated to the respective Dzongkhags/Thromdes. Dzongkhags and Thromdes are therefore requested to note those activities and coordinate with central agencies for any technical support during implementations.





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10. Grants Recipient agencies: Agencies receiving subsidy and grants from the Government must strive to enhance their internal revenues. This is because it will be difficult for the Government to provide subsidy.

11. Supplementary budget/scope of capital works: As per Section 59 of the Public Finance Act (PFA), no budgetary agency shall make expenditure commitments or incur expenditure in anticipation of supplementary budget. Also as per Sections 62 and 63, budgetary agencies are prohibited from carrying out activities for which there is no provision in the Budget Appropriation Act or other lawful authority or committing works that have financial implications beyond the limits authorized by the Budget Appropriation Act.

These important provisions are notified every year through the budget notifications.

Reminder:

- a) *No budgetary agency shall deviate from the above provisions of the PFA while implementing the budget.*
- b) *In cases of works where the estimates/contract amount is higher than the approved budget or that the works cover more than one financial year, no commitment should be made nor tenders initiated until funding commitment for the entire work is secured and the total scope of the work has been approved by the Government.*
- c) *The agencies should seek funding clearance from MoF/Government for any type of activities before carrying out and committing for expenditures.*

12. Budget for multi-year projects: For implementation of multi-year projects/works, if total cost of project is going to be more than the budget provision, agencies should seek approval for the total cost before the start of the work.

13. Use of external borrowings: No provision has been considered for operation and maintenance, procurement of vehicle, furniture, conducting training, study visits,



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road shows, etc. from external borrowings. This should be strictly implemented during the execution of projects funded from external borrowings.

14. Implementation of ICT projects: Initiation and implementation of any ICT projects should be routed through Department of Information Technology and Telecom (DITT) for review and endorsement by e-Government Governance Committee instituted to avoid duplication and inconsistency in the IT system of the agencies.

15. Monitoring of performance: In order for the DNB to monitor the implementation of activities, Finance Personnel are required to submit work plans and progress reports in consultation with the head of agencies as per the timeline provided below:

- a. **Submission of work plan for capital budgets:** The work plan of the capital budget should reach the DNB by **15th August 2016**.
- b. **Submission of progress report for capital budget:** As part of the continuous monitoring exercise, agencies should submit quarterly progress reports to DNB. *The report should reach DNB by 1st November 2016 for the First quarter, 1st February 2017 for the Second quarter, 1st April 2017 for the Third quarter and 1st August 2017 for the Final quarter.*

16. Constitutional Mandate as spelt out in Article 14: The increase in current expenditure is higher compared to increase in domestic revenue over the years and it would be difficult to contain recurrent expenses within the internal resources of the country in future if the trend continues. Agencies are therefore advised to apply cost cutting measures wherever possible through effective and efficient use of resources.

17. Budget provision for vehicles: No budget provision for maintenance has been made for the vehicles which are more than 15 years and were in surrendered list. Agencies are advised to strictly follow government directives on surrendering of vehicles.

18. Object Codes 45.01 and 45.02 for trainings: Currently trainings are interpreted as "45.01 for trainings outside" and "45.02 for in-country trainings". There is a need

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to have a clear distinction between the object codes “45.01” and “45.02” depending on the types and processes involved in processing training. Therefore, the Ministry of Finance would like to provide clarification as follows for strict compliance:

- a. **OBC 45.01:** To be used for long term courses and short term trainings to enhance knowledge and skills irrespective of in-country or ex-country. They are normally included in annual HRD plan of agencies approved by RCSC and require fulfillment of training formalities such as HRM approval, security clearance and audit clearance.
- b. **OBC 45.02:** To be used for informal trainings such as farmers' training, orientation program, training of dancers, on-the job trainings, training of instructors, creation of awareness workshops and seminars. This will not require the fulfillment of training formalities necessary under OBC 45.01.

While implementing the budgets, spending agencies are required to strictly adhere to the provisions of the PFA, Financial Rules and Regulations 2001 (FRR-2001), Procurement Manuals and other Circulars and Notifications issued from time to time.

(Namgay Dorji)

Finance Minister

Copy to:

1. All Ministers for kind information
2. Heads of Constitutional Bodies
3. Secretaries of all Ministries
4. Heads of Autonomous Agencies
5. Dzongdags and Gups
6. Budget/Accounts officers