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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



MoF/DNB-Budget Call/2020-21/1578

18th January 2021

Budget Call Notification for Financial Year (FY) 2021-22

In keeping with section 23 of the PFA (Amendment) Act 2012 and section 3.2 of the Budget Manual, FRR 2016, the Ministry of Finance is pleased to issue Budget Call for the FY 2021-22. Considering the challenges posed by the pandemic on the implementation of capital activities, the budgetary bodies must strive towards optimal utilization of the capital budget for the current fiscal year. In order to support resilient economic recovery, adequate level of capital outlay will be maintained for the FY 2021-22. The budget call presents the macroeconomic outlook, the resource envelope, budget outlay and guidelines for preparation of budget for the FY 2021-22.

1. **Macroeconomic Outlook:** The COVID-19 pandemic has overwhelmed the public healthcare system and impacted economic growth. Considering the economic fallout, growth for 2020 has been down-graded to -6.8 per cent. The deceleration of economic growth has impacted the revenue performance amongst others. However, for the FY 2021-22 economic outlooks are on a positive trajectory with growth projection of 3.3 per cent.

2. **Resource Envelope:** The Lhengye Zhungtshog has endorsed the resource envelope of Nu. 54,460.689 million for the FY 2021-22 as determined by the MFCC based on the macroeconomic performance and outlook. Domestic revenue is estimated at Nu. 34,641.800 million and external Grants of Nu. 19,463.200 million. The pandemic has affected the revenue performance and in keeping with the constitutional provision, recurrent budget has been adjusted within the estimated domestic revenue.

3. **Outlay:** The outlay for the FY has been estimated at Nu. 73,588.725 million, of which Capital budget is Nu. 38,946.925 million (33 per cent of the 12FYP capital outlay) and Current budget of Nu. 34,641.800 million. The fiscal deficit is estimated at Nu. 19,128.035 million which is 9.7 per cent of the Gross Domestic Product (GDP), which remains elevated as compared to the plan targets of 3 per cent due to the impact of the pandemic on the revenue performance. The fiscal deficit shall be finance through external concessional credit and internal borrowing.



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Broad allocation framework

4 Guidelines for budget formulation

While preparing the budget proposals, the budgetary bodies shall be guided by the following:

A. General Guidelines

4.0 Setting annual performance targets: Approval of current and capital budget of all budgetary agencies shall be subject to clear identification of annual performance agreement targets. All ministries, agencies and local government shall identify APA objectives, indicators and targets as prescribed in section II of APA format as attached in Annexure II. All proposed capital activities must have clear linkage to their APA indicators and targets.

4.1 Current Budget: Since the Annual/Block Grant system of allocation of recurrent budget empowers the budgetary bodies to prioritize and manage recurrent expenditure within the approved ceiling; Current Budget shall be allocated as Annual Grants to the Local Government and Block Grants to other budgetary bodies within the estimated domestic revenue. As such, budgetary bodies need not submit detail proposals except for **Pay, Allowances, PF, LE, LTC and Stipend** with detail workings to be submitted as per *Annexure I* through MYRB.

4.2 Capital Budget: Starting from the FY 2021-22, the practice of providing capital budget *Ceilings* has been discontinued. Such a reform is aimed towards ensuring that budgetary bodies receive adequate capital budget allocation for the priority activities supporting a resilient economic recovery. Therefore, it is imperative for budgetary bodies to consider their implementing capacities and other factors while proposing capital budget. All capital activities must be proposed in the order of priority that contributes to: **Employment Generation, Export Promotion, Import Substitution and Promoting ICT & Innovation**. The budgetary bodies must list the proposed activities as **Spillover, Mandatory, Regular and New emerging priorities** and submitted to DNB as per *Annexure II*. It may be noted that, all the capital budget proposals will be reviewed in keeping with the government priorities vis-à-vis contribution towards economic recovery and therefore, proposals which are non-developmental in nature may relatively receive low priority.

4.3 Spillover Activities (RGoB and External): As there is no capital budget ceiling, budgetary bodies shall prioritize and propose adequate budget for all on-going activities both under RGoB and External as spillovers.



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- 4.4 Work charge:** In order to capture the total cost of implementing a project or an activity, budgetary bodies shall capture or include all relevant associated costs such as travel expenses for monitoring and supervision, etc, among others while estimating the cost of a project/activity. This is to ease the pressure on recurrent budget of the respective agencies.
- 4.5 External funded programs/activities (Grant and Loan):** To facilitate completion of the externally financed projects as per the commitments and agreements signed, budgetary bodies shall accord priority for all externally funded programs/activities and ensure to incorporate in the budget proposal to avoid duplications.
- 4.6 Fiscal Transfers:** State-Owned Enterprises (SOEs) and Non-budgetary bodies requiring budgetary support must submit their requests with adequate justifications through the Department of Macroeconomic Affairs (DMEA), MoF. The agencies shall submit details of their revenue performances for the past two years and projection for the FY.
- 4.7 Budget line:** For uniformity and standards, budgetary bodies shall maintain the same budget lines for all on-going activities until completed in all respect and advances fully liquidated.
- 4.8 Pre-requisite studies:** All new proposals must be supported with pre-requisite studies such as drawings, designs, cost estimates, and necessary clearances. New proposals without supporting documents shall not receive priority.
- 4.9 Budget for Non-developmental activities:** Generally, budgetary bodies must propose activities which directly contribute to the country's socio-economic development. Unless otherwise justified with reasons substantiating the requirement, no budget shall be proposed for non-developmental activities (Eg: Fencing, Gates, furniture, computers, equipment etc).
- 4.10 Budget for HRD:** The budgetary bodies shall not propose any budget under RGoB for long-term and short-term trainings, except for external grant funded HRD programs.
- 4.11 Budget for procurement of pool vehicles:** Budgetary Bodies shall not propose budget for procurement of pool vehicles, except for specialized vehicles.
- 4.12 Endorsement of Finance Committee:** The Finance Committee shall ensure that budget proposals are realistic, implementable and submitted online within the timeline upon endorsement.



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B. Specific guidelines for Local Governments (LGs)

1. **Current Budget:** As the Current Budget of the LGs shall be provided as Annual Grants, the LGs shall propose budget for **Pay, Allowances, PF, LE and LTC and Student Stipend** based on the actual calculations and submit through MYRB system. The workings shall be submitted separately as per *Annexure I*.
2. **Capital Budget:** The Capital Budget for the LGs shall comprise of the following:
 - a. **Capital Budget funded by RGoB:** While the Capital Budget for the LGs shall be provided as Annual Grants, the LGs shall propose their budgets through MYRB to serve as the basis for determining a realistic Annual Grant.
 - b. **Capital Budget funded externally:** For all externally funded capital activities, the proposals shall be submitted through MYRB. Priority shall be accorded for completion of the ongoing projects (Eg: Ongoing PTA projects) and adequate budget to be earmarked for spillover works, if any. If there is change in the priority, the LGs must discuss with GNHC to seek their concurrence to re-programme the fund (especially the projects supported under Small Development Program and Program Grant under GoI support).
 - c. **Alignment of LG activities with that of central agencies:** The LGs while proposing new capital works must ensure that there is no duplication of activities with that of central agencies. For example, the Dzongkhag Agriculture and Livestock sectors must ensure that the Dzongkhag activity doesn't duplicate with the activities proposed under Department of Agriculture and Livestock. This will ensure minimal wastage of resources and the resources could be channeled for newer emerging priorities.
3. **Gewog CMI budget:** The Dzongkhags shall continue to propose budget for both Dzongkhag and Gewog CMI under respective sectors of the Dzongkhag. CMI activities shall be as per the approved list of the 12FYP.
4. **Thromde Budget:** In order to determine the level of budget support, Thromdes are required to submit details of revenue realized for the past two years and estimates for the FY2021-22.



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5. **Avoiding Duplications:** LGs to ensure minimal duplication in the annual work plan between Dzongkhags and Gewogs. Wherever applicable, the Dzongkhag will supplement Gewog work plan.
6. **Endorsement of Finance Committee:** The budget proposal shall be deliberated and endorsed by the Dzongkhag/Gewog/Thromde Finance Committee and submit to DT/GT/TT for final approval and submission to DNB, MoF.

The budget for the FY2021-22 shall be submitted through MYRB system (www.myrbpems.bt) and budgetary bodies shall be required to submit 'budget write up' for all capital activities to the Department of National Budget (DNB) with a copy endorsed to the Gross National Happiness Commission (GNHC) and the Government Performance Management Division (GPMD).

The budget proposal shall be completed in all respect and submitted to DNB on or before 15th March 2021.

[Nim Dorji]

Finance Secretary

Copy to:

1. The Hon'ble Finance Minister for kind information.
2. The Heads of Ministries/Judiciary/Constitutional Bodies/Autonomous Agencies/Dzongkhags/Gewogs/Thromdes.