

Budget Manual



Royal Government of Bhutan
Ministry of Finance

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Acronyms and Abbreviations

The acronyms and abbreviations used in this Manual are as follows:

AFD	Administration & Finance Division
AFS	Annual Financial Statement
BM	Budget Manual
CDB	Construction Development Board
DNB	Department of National Budget
DMA	Department of Macroeconomic Affairs
DNP	Department of National Properties
DPA	Department of Public Accounts
DRC	Department of Revenue & Customs
DT	Dzongkhag Tshogdu
FMS	Financial Management System
FMM	Financial Management Manual
FAM	Finance and Accounting Manual
GNHC	Gross National Happiness Commission
GT	
LC	Letter of Credit
MoF	Ministry of Finance
NA	National Assembly
NC	National Council
NSB	National Statistical Bureau
PM	Procurement Manual
PPD	Policy and Planning Division
RAA	Royal Audit Authority
RCSC	Royal Civil Service Commission
RGoB	Royal Government of Bhutan
RMA	Royal Monetary Authority
LZ	Lhengye Zhungtshog



Introduction

The Budget Manual 2016 sets out the annual budget processes of the Royal Government of Bhutan.

Chapter I introduces the structure of the Manual. Chapter I explains the concepts, principles and structure of the budget system.

The main body of this Manual consists of a description of the four phases of the budget cycle – preparation, approval, execution and accountability. Chapter II provides an outline of the budget cycle. Chapter III explains budget preparation, including the Budget Call, as well as the drawing-up of budget proposals. The approval of the budget by the Parliament is covered in Chapter IV. Chapter V covers the budget execution, mid-year review and monitoring and the Chapter VI covers the interim revisions.

Chapter VII provides a guide to the preparation of Multi Year Rolling Budgets. The Chapter VIII of this Manual provides description of the Multi Year Rolling Budget System used for budget formulation and revisions. Chapter IX contains the forms and attachments used for budgeting.



Chapter I: The Budget System

1.1 Objective of the Budgeting

- 1.1.1 One of the main objectives in financial management is to determine how well an agency has discharged its financial and resource management responsibilities. This determination requires, amongst others, a comparison of what has been accomplished in relation to fiscal policies and proposed time bound programmes of the Government. These fiscal policies and programmes are contained in the “Budget” document through which amounts of revenue to be raised and the limitations on the sums that may be expected for the respective government purposes are set.
- 1.1.2 Budgeting, essentially is determining for a future period of time what is to be done, what is to be accomplished, the manner in which it is to be done, and the cost of doing it. It requires that the broad objectives of the agency be broken down into detailed work plans for each programme/sub-programme/activity/project and for each unit of the agency. Thus, the budget is a monetary definition of the future plans of the agency.
- 1.1.3 The principal objectives of the budget system, in summary, are to:
- Provide a framework for the assessment and allocation of resources, execution, monitoring and evaluation of all government programmes/projects/activities under a comprehensive fiscal plan developed, authorised and executed in accordance with laws, rules and regulations, and the principles of sound fiscal management;
 - Provide for the budgetary status of the Government in such detail that persons entrusted by laws, rules and regulations with the responsibility can determine the adequacy of budget actions taken, authorised or proposed, as well as the true financial position of the Government; and
 - Enforce effectively the various means of raising revenues and receipts, and the limitations on the expenditure of Government funds.



1.2 Budget Concepts

1.2.1 The term “Budget” shall mean the estimates of revenues and receipts, and payments. It shall be a comprehensive financial programme of the Government during a fixed period. As such, it shall present in detail:

- a) estimated and actual revenues and receipts and expenditure of previous period(s);
- b) proposed sources of revenue and receipts and appropriations for expenditure for the forthcoming fiscal year and projections of the two subsequent years;

1.2.2 The term “Appropriation” refers to an authorisation made by law or other legislative approval, directing the payment of goods and services out of government consolidated funds for specified purposes.

1.3 Budget Principles

1.3.1 Government agencies shall not spend more than what has been authorised, and they shall use funds only for purposes specified in the approved budget. They are prohibited from spending or committing payments in anticipation of future budget approval. The budget concepts and principles shall be based on:

- a. The concept of balance, i.e. limiting money spent to resources available;
- b. Maintaining fiscal deficits at the sustainable level as determined in the macroeconomic framework.
- c. The concept of budgeting as per programme budget model based on functions/programmes/activities/projects. The focus shall be upon the general character and relative importance of the work to be done or upon the service to be rendered, rather than upon the things to be acquired;
- d. Budget control and accountability, defining responsibilities and goals of the various levels of organisation in relation to



the fiscal limits within which tasks are accomplished. Each organisational level shall be accountable to the next higher level for its work accomplishments and utilisation of funds; and,

- e. The concepts of frugality and prioritisation, indicating that the government shall live within its means and shall prioritise its activities accordingly. Agencies must, consciously and deliberately, define what it can achieve within its institutional resources and constraints.

1.4 Structure of the Budget

1.4.1 The structure of the budget shall, unless otherwise specified, be in accordance with the Programme Budget Model, and encompass the following aspects:

- a. That the programme classification of the budget be based on the functional and organisational classification of the Government. In general, a “function” is considered as an objective of identifiable service.
- b. That a programme is a collection of government activities that share a common set of objectives. It is described as the highest level of classification of work to be performed by an agency, in carrying out its assigned functions and tasks;
- c. That a programme is further sub-divided into identifiable work/function related sub-programmes required for fulfilling the assigned programme;
- d. That the sub-programmes are then divided into discrete activities or projects;

1.4.2 Since the programme budget is result oriented by nature, it includes the concept of performance budgeting according to which the allocation of resources and spending thereof shall be linked to the expected results and actual outcomes. Emphasis shall move from the categories of spending to achieving specific measurable outcomes.



1.4.3 Thus the resources shall be allocated primarily on the basis of considerations like “what is sought to be achieved by an activity and how does it contribute to the overall aims and objectives of a programme?” The heads of line agencies shall establish performance indicators in their respective sectors in co-ordination with the Ministry of Finance (MoF) and Gross National Happiness Commission (GNHC).

1.5 Classification of Government Expenditure and Receipts

1.5.1 *Government expenditures* shall be classified into 4 categories, namely:

- a. ***Current Expenditure*** – These include appropriations for the purchase of goods and services for current consumption or for benefits expected to terminate within the fiscal year. Examples are personnel emoluments, medical benefits, special allowances, travel, utilities, rental of property, supplies and materials, maintenance of property, maintenance of vehicles, operating expenses, retirement benefits, interest on loans, etc.
- b. ***Capital Expenditure*** – These include appropriations for the acquisition of goods and services, the benefits of which extend beyond the fiscal year and which add to the assets of the Government. Examples are acquisition of land and buildings, land improvements, buildings and structures, plants, equipment and tools, vehicles, etc.
- c. ***Lending*** – These include loans to individuals and organisations.
- d. ***Repayment*** – Repayment of principal amounts is treated as a means of financing, not a budgetary transaction. Payment of interest on loans is charged to current expenditures.

1.5.2 These categories shall be further classified for the purpose of assessing and monitoring the resource allocation and general macro-economic implications of the budget transactions as follows:

- a. ***Functional Classification*** – Whereby expenditures are classified according to the main purposes or functions of the



outlays, such as agriculture, health, education, economic services, general public services, etc.

- b. **Economic Classification** – Whereby expenditures are classified according to the kinds of transactions and their impact on markets (for goods and services and financial markets) and income distribution, e.g. current and capital, and
- c. **Object classification** – a display of expenditures that identifies the types of goods or services acquired or transfer payments made. It is also called line-item classification. Detail object classification is presented in the Finance and Accounting Manual.

1.5.3 **Government Receipts** shall be classified broadly as:

- a. Taxes and Duties
- b. Fees and Income from property and enterprises
- c. Proceeds from sale of land and other capital assets
- d. Recovery of on-lending
- e. Grants from multilateral and bilateral sources
- f. Borrowings
- g. Receipts from other sources

1.6 Fiscal Balance

1.6.1 The fiscal balance is determined by comparing revenues and expenditures.

1.6.2 Overall Balance: (Taxes + fees and income from property and enterprises + proceeds from sale of land and other capital assets + recovery of on-lending + grants) – (current expenditures + capital expenditures + lending). When the balance is negative, there is a fiscal deficit; when it is positive, there is a surplus. A fiscal deficit must be financed by borrowing (domestic and/or external) or creation of more money; a surplus results in debt repayments.

1.6.3 Resource Gap: (Taxes + fees and income from property and enterprises + proceeds from sale of land and other capital assets + recovery of on-lending + grants + project tied borrowing) – (current expenditures + capital expenditures + lending + repayments) The term resource gap differs from the fiscal deficit to the extent that net project-tied borrowing, i.e. borrowings net of repayments, is also added to receipts and deducted from expenditures. When the balance is negative, the resource gap is normally financed by domestic borrowing.



1.7 Fiscal Year

1.7.1 The Fiscal Year, which is the Government's accounting period, runs from 1st July up to 30th June. The budgets are closed on 30th June. Unutilised/unexpended balances of appropriations at the end of a fiscal year shall automatically lapse.

1.8. Legislative Requirements Concerning the Budget

1.8.1 The Constitution of the Kingdom of Bhutan and Public Finance Act establish the following conceptual basis for the national budget:

- a) Public money shall not be drawn from the Consolidated Fund except through appropriation in accordance with the law.
- b) The level of public debt shall be contained such that it will not create undue burden on future generations and threaten national solvency.
- c) The Government shall ensure that the cost of current expenditures is met from internal resources of the country.
- d) Any expenditure not included in the budget, or in excess of the budget appropriation, as well as the transfer of any fund from one part of the budget to another, shall be made in accordance with law.

1.9 Relationship to Five Year Plan

- a. Programs and policies proposed in the budget shall be consistent with the five-year plan.
- b. The Budget may be constrained by fiscal policy to allow less spending than the total program assumed in the Plan.
- c. Ministries will present budgets within budget constraints and will be evaluated for their performance compared to the funded five-year plan.

1.10 Responsibilities of the Ministry of Finance

1.10.1 The Ministry of Finance is responsible for implementing the budget process including preparing the Budget Policy and Fiscal Framework Statement, the Budget



1.10.2 Appropriations Bill, supplementary appropriation bill and the annual Budget Report. The Ministry of Finance' specific responsibilities include the following:

- a) Facilitating the coordination of macro-economic policies;
- b) Setting rules, procedures, and standards for effective, efficient, and transparent system of budget formulation, approval, execution, and accountability, financial management and internal control systems and monitoring the performance of such systems;
- c) Compiling the budget documents consistent with the five year plan and the macro-economic policies;
- d) Monitoring the effectiveness and efficiency of program implementation and management of budgetary bodies and state enterprises; and
- e) Ensuring that the budgeting and accounting systems of Government are reliable and produce timely and accurate information.

1.11 Responsibilities of the budgetary body

1.11.1 The budgetary body is responsible for:

- a) Coordination, preparation and finalization of the budget proposal;
- b) Ensuring that budget proposals are in accordance with Budget Call guidelines and within the ceilings prescribed by the Ministry of Finance;
- c) Participating in budget discussion;
- d) Ensuring budget implementation as per Appropriation Act and financial rules and regulations;
- e) Conduct Mid-Year Budget review in consultation and coordination with the Department of National Budget (DNB);
- f) Submit quarterly progress report to DNB.



Chapter II: The Budget Cycle

2.1 Outline of the Budget Cycle

2.1.1 The budget cycle shall consist of the following phases:

A. Budget Preparation

Activity	Prime Agencies Responsible	Period
Forecasts of Receipts and Expenditures	Macroeconomic Fiscal Framework Coordination Committee (MFCC)	November & March
Endorsement of Resource Envelope	Lhengye Zhungtshog	November – December
Budget Call	Ministry of Finance	December /January
Preparation and Submission of Budget Proposals	All Agencies	January-February
Budget Discussions	All Agencies and Ministry of Finance	March & April
Budget Report Preparation and Finalization.	Ministry of Finance	April-May
Budget Report Submission to Lhengye Zhungtsog	Ministry of Finance	May

B. Budget Approval

Activity	Prime Agencies Responsible	Period
Presentation of National Budget Report along with the Appropriation Bills to the National Assembly	Ministry of Finance	June
Presentation of National Budget Report to the National Council	Ministry of Finance	June



Activity	Prime Agencies Responsible	Period
Discussion of the National Budget Report	Parliament	June
Approval of Budget Appropriation Bill	Parliament	June

C. Budget Execution

Activity	Prime Agencies Responsible	Period
Budget Notification	Ministry of Finance	July
Implementation of Budgeted Activities	All Agencies	Year round

D. Budget Accountability

Activity	Prime Agencies Responsible	Period
Submission of Quarterly Financial/Physical Progress Reports to DNB	All Agencies	Quarterly
Mid-Year Review of the Budget	Ministry of Finance and all Agencies	December/January
Monitoring of Financial/Physical Progress	DNB and All Agencies	Year round

E. Interim Revisions

Activity	Prime Agencies Responsible
Technical Adjustment	Ministry of Finance
Supplementary Budgets	Parliament/ Ministry of Finance



Chapter III: Budget Preparation

3.1 Forecasts of Receipts and Expenditures

3.1.1 The macro-fiscal framework is prepared by the Macroeconomic Framework Coordination Committee (MFCC) chaired by Finance Secretary currently consisting of representatives from Ministry of Finance (MoF) and its relevant Departments, the Royal Monetary Authority (RMA), the relevant Departments of Ministry of Economic Affairs (MoEA), the National Statistical Bureau (NSB), the Gross National Happiness Commission (GNHC) and Tourism Council of Bhutan (TCB). The MFCC is supported by the Macroeconomic Framework Coordination Technical Committee (MFCTC) with members from the above mentioned agencies.

3.1.2 The Department of Macroeconomic Affairs (DMA) of the MoF serves as the Secretariat to both Committees. The MFCC updates its macro-fiscal forecast on quarterly basis.

3.1.3 In order to provide a basis for the formulation of the budget for the next fiscal year, an estimate of the expected receipts and a forecast of expenditure shall be worked out as follows:

- a. The DRC shall prepare an estimate of the internal receipts from tax and non-tax sources;
- b. The GNHC shall prepare estimates of receipts of external grants and estimates of mandatory counterpart contribution;. The DMA shall prepare estimates for loans, loan recoveries, borrowings and debt servicing requirements;
- c. Taking the estimated amounts of counterpart contributions and debt servicing into consideration, the DNB shall prepare a forecast of the overall expenditures of the Government.

3.2 The Budget Call

3.2.1 On the basis of the resource envelope endorsed by the Lhengye Zhungtshog, the MoF shall issue the Budget Call, which shall include highlights of financial policies and specific macroeconomic information. The purpose of the Budget Call shall be:



- a. To provide the Agencies with guidelines for the preparation of their budgets, including instructions for completing the requisite budget forms, as well as any new policy initiatives and changes;
- b. To set a timetable for the preparation and submission of budget proposals by the Agencies.

3.3 Budget Preparation and Submission by Agencies

3.3.1 Based on the Budget Call guidelines and their sectoral plans, priorities and implementing capacity, the Agencies shall prepare budgets for different programs and projects.

3.3.2 The Policy and Planning Divisions (PPDs) shall be responsible for keeping the direction of the budgets in line with the Five Year Plan. The Finance Division/Finance Section of all Agencies shall be responsible for arranging the preparation and endorsement of the proposed budget estimates of their respective Agencies and ensuring timely submission.

3.3.3 Dzongkhags and Gewogs shall prepare their budget proposals in accordance with their Five Year Plan and submit to DNB and sector budget proposals to the respective sectors at the centre. The sectors shall ensure that the proposed budget are in line with sector's plan objectives and if there are any inconsistencies, the DNB/GNHC shall be informed. The budget proposals of the Dzongkhags shall be endorsed by DT and Gewogs' by GT and DT.

3.3.4 In addition, the following specific guidelines shall be observed during the preparation of the budget proposals by all Agencies:

- a. The budget submission for all agencies shall include a narrative policy statement with clear linkage between proposed budget and program targets/outputs at the Ministry / Sector level. (See Appendix I for Instructions for Narrative Budget Submissions and Appendix II for a Sample Narrative Budget Justification.)



- b. Adequate justifications and explanations must be prepared for all major proposals. In the justification, the emphasis shall be on the activities to be taken up and targets to be achieved rather than on the objects of expenditure;
- c. Flagship projects, (i.e. projects of national importance) as well as grant-assisted projects with or without counter-part support from the Government and projects financed by committed loans shall be given higher priority;
- d. Shall consider gender, environment, climate change, disaster and poverty (GECDP) issues which are cross-cutting in nature and highlight in the policy statement.
- e. Activities or projects that address specific commitments of the Government under any international, bilateral or domestic forum must be identified prominently.
- f. New externally assisted activities or projects shall be included in the proposals only if the projects are signed, committed fund received and are expected to start within the fiscal year.;
- g. Agencies shall evaluate their capacity for implementation within their institutional infrastructure and other constraints: availability of donor financing, administration and procurement lead-time while preparing the budget estimates. Data will be provided comparing budget proposal to actual performance for the prior year and the current year. Implementation issues and corrective action will be documented;
- h. Justifications for the capital budget should address the purpose of the program towards achieving intended targets and outcomes. In line with the Five Year Plan. (See Appendix III for Instructions for Submission of Capital Budget Proposals and Appendix IV for the Capital Budget Justification Format.)



- i. Proposals/estimates for any activity or project the execution of which extends beyond the budget (fiscal) year shall be limited to the amount to be expended within the fiscal year. The amount required in the succeeding fiscal year(s) shall be projected in the annual budget proposals of such years(s). The preparation of forward estimates under the rolling budget mechanism is expected to facilitate such multi-year budgetary estimations.
- j. Capital budget justifications shall include the estimated current budget requirements upon completion of the project for the two succeeding budget years.
- k. Agencies shall identify and apply the most cost effective methods in estimating for the activities and projects proposed;
- l. Provisions, in the form of counter-part financing approved by the MoF for projects financed by external sources, shall be incorporated in the budget proposals.
- m. The activities or projects shall be within the overall Government mandate of their functions and shall be within the scope of the relevant Five Year Plan.

3.3.5 A set of each completed budget proposal shall be submitted to the DNB and GNHC.

3.3.6 The narrative justification shall be duly signed by the Head of the Agency. With this signature, he/she declares to have completed the forms sincerely and accepts responsibility for the proposal.

3.4 Budget Discussions

3.4.1 Once all the budget proposals have been received the DNB shall call meetings with all Agencies to discuss the budget.



3.4.2 Generally, no detailed discussions shall take place on current expenditure estimates, except in the case of new activities.

3.4.3 Wherever relevant concerned central agencies shall be consulted on the Dzongkhag/Gewog proposals, in terms of prioritisation and scope. The GNHC/DMA shall advise on donor assisted programmes and activities and shall participate in the budget discussions.

3.5 Preparation and finalisation of National Budget Report

3.5.1 National Budget Report for the Fiscal year shall include:

- a) Operational results of the budget for the prior year: This section of the Budget Report will provide summary of Annual Financial Statement for the prior year outlining the actual outcome of the Government's budgetary operations prepared by Department of Public Accounts.
- b) Report on past macroeconomic development: The DMA, MoF in consultation with various stakeholders shall compile and prepare this section of the Report to provide a snapshot of the macroeconomic performance of the prior year.
- c) Revised budget estimates for the current year: The DNB in consultation with DRC and DPA shall prepare the revised estimates highlighting revised status of the government's Receipt and Payments.
- d) Overview of budget estimates and Appropriation Bills for the next fiscal year: The DNB shall prepare budget estimates and Appropriation Bills for the new fiscal year. This section of the report shall highlight the fiscal policies, resource available, expenditure outlay and sectoral allocations for the year.
- e) Tax measures: The DRC shall prepare Tax Measures for the new fiscal Year. This section highlights the tax reforms to be initiated.
- f) Macroeconomic outlook in the medium term: DMA shall compile and prepare the macroeconomic situation report in coordination with relevant agencies and highlight key challenges of the economy over the medium term.



- g) Report on State Owned Enterprises and Companies with Government Shareholdings: The DMA MoF, shall prepare report on State Owned Enterprises and linked companies' performance, Government Portfolios and ongoing projects and Investments.
- h) Report on the National Pension and Provident Fund (NPPF) and the Royal Monetary Authority (RMA): The DMA, MoF shall prepare this section of the report to highlight:
 - a. The financial statement of the RMA and,
 - b. Performance and future plans and activities of the NPPF.
- i) Report on Trust Funds: DMA, MoF shall prepare the status of the trust funds supporting various plans and policies of the Government.
- j) Budget Report submission to Lhengye Zhungtshog:

3.5.2 After the completion of preparation of National Budget Report and Appropriation Bills, the MoF shall submit this report to Lhengye Zhungtshog for endorsement.



Chapter IV: Budget Approval – Legislative Authorization

4.1 Approval by the Parliament

- 4.1.1 The Minister of Finance shall present the Annual National Budget Report and Budget Appropriation Bills to the Parliament in line with the Public Finance Act

4.2 Interim expenditure for continuity of Government

- 4.2.1 When the Budget Appropriation Bill has not been passed by Parliament before the start of a financial year, the respective appropriation for the preceding fiscal year shall be applied for the following until the new budget have been approved:
- a) Meeting the recurrent expenditures necessary to maintain continuity of Government;
 - b) Meeting expenditures for ongoing donor financed projects that have all the required Government approvals; and
 - c) Meeting the requirements for repayment of loans.



Chapter V: Budget Execution:

5.1 Budget Notification

- 5.1.1 The MoF shall publish the Budget Report once it has been passed by the Parliament. The MoF shall issue a Budget Notification to provide the Agencies with their approved budget details’.

5.2 Unauthorised Diversion of Funds

- 5.2.1 Activities for which there is no provision in the budget shall not be carried out. Incurring of unbudgeted expenditures and diversion of funds towards unauthorised activities shall constitute a budget offence, for which the Head of the office and the Finance Division shall be liable and accountable
- 5.2.2 Prior approval of the DNB must be sought before taking up any work which involves cost escalations, deviations from the original plan or change in the scope of work, where the amount involved exceeds the delegated powers. This formality should precede any request for funds.



Chapter VI: Budget Accountability and Reporting

6.1 Accountability and Reporting

6.1.1 The budget accountability phase shall involve the following activities:

1. Submission of Financial and Physical Plan and Progress Reports
2. All agencies are required to submit physical and financial work plans to DNB upon receipt of the Budget Notification.

6.1.2 All agencies are required to prepare and submit quarterly financial and physical progress reports. (See Appendix V for Instructions for Quarterly Progress Reports and Appendix VI for the format for Quarterly Progress Reports.)

6.1.3 The reports shall give an overview of the progress and a forecast of likely position in the next periods. From the reports it should be clear if the programs are on schedule and if the activities can be implemented on time, within budgets and within set goals. The reports will identify any instances of underutilization of funds. Where there are issues concerning the progress of programs, projects and activities, the agencies shall recommend corrective action within their overall budget, or report the budgetary gaps to the Ministry of Finance. The DNB will review quarterly financial and physical progress performance reports and accordingly take necessary actions.

6.2 Midyear Review of the Budget

6.2.1 The MoF shall conduct a Mid-Year Review to check if the budget implementation is on track. The Review shall be based on the reports submitted by the respective agencies.

6.2.2 The Mid-Year Review shall include revision of budget for current and capital expenditures, including re-allocation among budgetary bodies shifting resources from underutilizing organizations to other ministries or agencies where required.

6.2.3 Portfolio ministers shall provide a half-yearly report comparing portfolio performance to plans specified in the Budget including



underutilization, re-appropriations and other budget adjustments, within the period and in the form prescribed by the Ministry of Finance.

6.3 Monitoring

6.3.1 The DNB shall be responsible for monitoring the performance of Agencies during the Fiscal Year.

6.3.2 The DNB shall monitor the efficiency and effectiveness of utilization and disposition of funds in achieving the output and goals as determined in the budget proposal. The purpose of this exercise is to check if the physical progress of capital expenditures is consistent with the budget plan and whether the activities carried out are consistent with the approved budget. Monitoring will be based on the quarterly reports received from the project managers and Heads of Agencies.

6.3.3 Monitoring shall be done as a combination of analysis of reports and actual site visits.



Chapter VII: Interim Revisions

7.1 Interim Revisions of the Budget

7.1.1 Generally, Government agencies cannot spend more than what the Parliament has appropriated, and they are expected to use funds only for purposes specified in the budget. However, during the fiscal year, need for revisions may occur due to changing circumstances. Such revision shall be carried out as per the provisions of PFA.

7.1.2 The revisions undertaken shall be incorporated in the Revised Budget and appropriation bills, which shall be presented to the subsequent Parliament for ratification.

7.2 Re-appropriations

7.2.1 Re-appropriation refers to the transfer of funds from one budget head to another.

7.2.2 All cases of re-appropriations shall be approved by the authorities delegated with suitable financial powers before incurring any expenditure against the re-appropriated provisions. Cases of ex-post-facto sanctions shall not be accepted.

7.2.3 Agencies are authorised to internally re-appropriate budget as per the schedule of delegations of the financial powers laid down in the Budget Manual (Appendix VII). The schedule of Delegation of Powers shall be revised by MoF as and when required. The most important rules for budget agencies are that no re-appropriations shall be made:

- a. From capital to current;
- b. From personal emoluments or provident funds;
- c. To new object codes

7.3 Transfer of Funds - Deposit Works

7.3.1 The approved budgets of Agencies may contain specific funds for work that will not be carried out by the Agency itself but by another Agency.



- 7.3.2 With Budget Form VI, the Agencies should indicate how much work or time they need from other Agencies, with the corresponding budgets and funds. As soon as the project phase in which the work is needed is reached, the principal Agency transfers the funds according to the rules laid down in the Chapter on Suspense – Deposit Works in the FAM. As soon as the budget is transferred, the supplying Agency can start the work.

7.4 Transfer of Appropriations – Personnel

- 7.4.1 When personnel are transferred from one Agency to another, the transferring/ receiving Agency shall request the reliving agencies to transfer the budget for the personnel emoluments and other related cost along with copy of the LPC to reallocate the budget for the personnel emoluments and other related costs through MYRB System.



7.5 Incorporation of External Assistance

- 7.5.1 As the budget of the RGoB is formulated on a comprehensive basis, any expenditure that is incurred by and for the Government, irrespective of the source of funding, shall be subject to the prescribed budget process.
- 7.5.2 For the externally funded projects formulated and approved during the course of the year, for which budget has not been incorporated, concerned Agencies shall submit a request for budget incorporation to the DNB, through the GNHC/DMA/DPA. The intervention of these agencies at this stage is required to confirm the budget request in terms of the proposed activities and their costs vis-a-vis the project agreement/work plan/budget. Any commitment of the RGoB, whether financial or procedural, should have been stipulated in the project document, and details conveyed to the DNB for information and reference. MoF concurrence is required for any commitment of the RGoB co-financing.
- 7.5.3 In respect of on-going programmes and activities, implementing agencies shall ensure that the funds required for the fiscal year is included in the budget proposals.

7.6 Budget Head for Booking of Prior Year Advances

- 7.6.1 It is often necessary to create budget lines to book prior year adjustments in cases where advances are released in one fiscal year and actual booking of expenditure is done in the next fiscal year. In such cases, the concerned Agencies shall request the DNB for creation of a budget line for booking of prior year advances to the extent of actual adjustment bill received.
- 7.6.2 Such budget lines shall be allowed only if the booking proposed is for the same purpose for which the budget was provided, and advances made, in the previous year(s).
- 7.6.3 Adjustment for cash refund against previous years' advances where there is no budget line in the fiscal year, zero budget line will be provided.



Chapter VIII: Multi Year Rolling Budget

8.1 Guides to Preparation of the Multi Year Rolling Budget

8.1.1 The preparation of the annual budget requires a perspective beyond the year in question. Very few decisions taken by Government have an impact that does not transcend the present year. An annual budget that is supplemented by projections for the coming years contains information that will forewarn the policy-makers of funding gaps, expenditure trends, etc.

8.1.2 The Government shall therefore introduce a three-year rolling budget as the Medium Term Framework for development planning and aid co-ordination. This means that the government's spending plans shall be spread over three years. On an annual basis, the projected spending plans shall be reviewed, adjusted and rolled over to include an additional year. However, only the current year's budget shall be authorised by the Parliament and the remaining two years shall be indication of allocations.

8.1.3 A medium-term financial planning framework provides the linkage between a perspective planning system and the annual budget. A medium-term framework is essential both for aggregate fiscal discipline and for strategic prioritisation.

8.1.4 The total budget of multi-year programs, activities or projects shall be estimated in the first year. Budget estimates for the two years succeeding the budget year shall be entered in the MYRB System during the budget formulation stage.

8.1.5 The MYRB shall provide:

- a. an update of RGoB's development priorities over the medium term;
- b. an indication of likely resource gaps;
- c. a link between annual budgeting, resource mobilisation and five year planning;
- d. a framework for resource mobilisation by the /MoF/GNHC, and development planning by sector agencies and Dzongkhags/Gewogs; and
- e. a tool for government agencies to plan and reprioritise with greater certainty about future resource allocations than in



the past. It also provides the legislative body and the society at large with clear signals of Government's spending intentions.

8.1.6 The procedure for preparation of the MYRB shall, generally, be as follows:

- a. The DNB shall issue guidelines for preparation of the MYRB at the time of the annual Budget Call. The annual budget, retained in its current form, shall be supplemented by expenditure projections for the next two years, which would include pipeline projects, indication of possible donor financing, spill-over projects, etc.
- b. The relevant government Agencies shall prepare their budgets and submit to DNB following the normal channel of communication for the budget. However, in addition to the prescribed procedures the formats for preparing the annual budget proposals, Agencies shall provide outer-year estimates in the MYRB System



Chapter IX: Forms and Attachments

9.1 Appendix: Forms

9.1.1 The appendix to the BM contains the forms used for budgeting, releases and inventory. The financial reporting forms such as the monthly accounts are part of the FAM.

9.1.2 Object Classification of Expenditure

Detailed Object Codes with Explanations

Budget Form No. II	Budget Summary by Object Classification
Budget Form No. III	Schedule of budget appropriations
Budget Form No. IV	Forward Estimates – (Rolling Budgets)
Budget Form No. V	Expected External Assistance
Budget Form No. VII	Write-up for Activities Proposed
Budget Form No. VIII	Request for Supplementary Budget
Budget Form No. IX	Request for Re-appropriations

Asset Inventory Forms

Inventory Form No. I	Inventory of Buildings
Inventory Form No. II	Inventory of Vehicles
Inventory Form No. III	Inventory of Furniture
Inventory Form No. IV	Inventory of Equipment
Inventory Form No. V	Inventory of Chadi/Mask Dance items
