

ECONOMIC AND FINANCE COMMITTEE'S REVIEW REPORT ON NATIONAL BUDGET FOR FINANCIAL YEAR 2020-21



JUNE 6, 2020

COMMITTEE MEMBERS:

1. Hon'ble Kinley Wangchuk, Athang Thedtsho Constituency, Chairperson
2. Hon'ble Ganesh Gimary, Phuntshopelri Constituency, Dy. Chairperson
3. Hon'ble Dorji Wangdi, Panbang Constituency
4. Hon'ble Jurme Wangchuk, Drujeygang Tseza Constituency
5. Hon'ble Garja Man Rai, Sergithang Tserang Toed Constituency
6. Hon'ble Kinga Penjor, Gangzur Minjey Constituency
7. Hon'ble Tek Bhadur Rai, Shompangkha Constituency
8. Hon'ble Bimal Thapa, Kilkhorthang Mendrelgang Constituency
9. Hon'ble Passang Dorji, Bartsham Shongphu Constituency
10. Hon'ble Rinzin Jamtsho, Kengkhar Weringla Constituency
11. Hon'ble Gyembo Tshering, Bardo Trong Constituency
12. Hon'ble Choki Gyeltshen, Membi Tsaenkhar Constituency
13. Hon'ble Dupthob, Bumdeling Jamkhar Constituency

Economic and Finance Committee's review report on National Budget for Financial Year 2020-21

Introduction

At the feet of the Glorious Golden Throne, I, on behalf of the thirteen Hon'ble Members of the Economic and Finance Committee would like to sincerely thank the Hon'ble Speaker for bestowing me the opportunity to present the Budget Review Report.

Before introducing the report, I would like to address the House on the global health crisis the world is facing, a crisis far graver than what we have seen. COVID-19 has impacted nearly every country in the world, however due to His Majesty's farsighted leadership our nation is able to successfully prevent COVID-19 taking tolls on Bhutanese lives.

During the national address on National Resilience Fund delivered on 10th April, 2020, His Majesty commanded that, "in times of normal conditions, while making national choices, we must carefully examine and weigh the difference between sufficiency and insufficiency, the important and the unimportant, benefits and costs by deliberating over long-term rather than short-term interests. I have repeatedly urged that as a small landlocked country with very limited resources, we should manage them extremely well." Further, His Majesty's emphasized on the government's effort in effectively implementing the 12FYP to the maximum possible extent. (Pg.17 & 21)

The annual budget 2020-21 is deliberated in this unusual circumstance, to consider extraordinary responses to address the threat that our nation faces – the threat to our Country's health and to our economy. From the day the first case was traced, tracked and quarantined until today, His Majesty the King and the Government of the day has worked tirelessly leading to the introduction of the National Resilience Fund providing relief and economic stability to all the affected citizens and the communities. Considering the current situation, the Committee commends the government's collective effort towards ensuring prompt yet strict measures of containment and risk mitigation.

As per Article 14(8) of the Constitution and section 47 of the Public Finance (Amendment) Act 2012, on 1st June 2020 the Minister of Finance presented the Budget Appropriation Bill 2020-21, Supplementary Budget Appropriation Bill 2019-20, and Annual Financial Statements 2018-19.



Subsequently, as per Section 240 of the National Assembly (Amendment) Act of Bhutan 2014, the House has referred the reports and bills to our Committee. I, hereby, have the honour to introduce the Hon. Members of the Economic and Finance Committee:

1. Hon'ble Kinley Wangchuk, Athang Thedtsho Constituency, Chairperson
2. Hon'ble Ganesh Gimary, Phuntshopelri Constituency, Dy. Chairperson
3. Hon'ble Dorji Wangdi, Panbang Constituency
4. Hon'ble Jurmi Wangchuk, Drujeygang Tseza Constituency
5. Hon'ble Garja Man Rai, Sergithang Tsirang Toed Constituency
6. Hon'ble Kinga Penjor, Gangzur Minjay Constituency
7. Hon'ble Tek Bhadur Rai, Shompangkha Constituency
8. Hon'ble Bimal Thapa, Kilkhorthang Mendrelgang Constituency
9. Hon'ble Passang Dorji, Bartsham Shongphu Constituency
10. Hon'ble Rinzin Jamtsho, Kengkhar Weringla Constituency
11. Hon'ble Gyembo Tshering, Bardo Trong Constituency
12. Hon'ble Choki Gyeltshen, Menbi Tsaenkhar Constituency
13. Hon'ble Dupthob, Bumdeling Jamkhar Constituency

The Committee is supported by two Committee Secretaries:

1. Kanjur Wangmo
2. Tshering Yangzom

1. Basis of Review Budget Reports

The Committee reviewed the Budget Reports in keeping with the provisions of the Constitution of the Kingdom of Bhutan, Public Finance Act, National Assembly (Amendment) Act 2014 and the Terms of Reference of the Committee 2018.

a. Constitutional Principles and Provisions

The Constitution mandates, among others, that:

- i. Public monies are allocated for specific purposes,
- ii. Raise loans and grants as per law,
- iii. Exercise proper management of monetary system and public finance,
- iv. Ensure debt servicing do not place undue burden on future generations,
- v. Recurrent expenditures are met from internal resources
- vi. Maintain a minimum foreign currency reserves adequate to meet the cost of not less than one year's essential imports.
- vii. Promote equitable distribution of public facilities among individuals and people among living in different parts of the Kingdom



- viii. Ensure that all Dzongkhags are treated with equity on the basis of different needs so that allocation of national resources results in comparable socio-economic development.
- ix. Endeavour to achieve economic self-reliance and promote open and progressive economy.

b. Principles and Provisions of the Public Finance Act

In addition, the Public Finance Act, requires and reiterates to:

- i. Follow a sound system of public finance based on the principles of efficiency, economy, effectiveness, equity, sustainability, transparency and accountability.
- ii. Over the medium term, recurrent operating deficit to be maintained near zero.
- iii. Prevent material loss and write offs, unauthorized expenditure, irregular expenditure and wasteful expenditures.
- iv. Ensure that state owned enterprises operate as successful businesses and in the medium term operate in similar terms of return as private businesses.

c. The Committee also kept very close to mind the following important aspects in reviewing the Reports:

- i. National Response to COVID-19
- ii. National Resilience Fund
- iii. Economic Contingency Plan
- iv. Common Minimum Infrastructure
- v. Flagship programs:
 - (a) Water
 - (b) Digital Drukyl
 - (c) Health
 - (d) Education
 - (e) National Organic
 - (f) Tourism
 - (g) CSI Development
 - (h) Waste and Stray Dog Management

d. Terms of Reference of the Committee

The Terms of Reference of the Committee requires to:

- a. The Committee shall review, deliberate and debate on National Budget, National Financial Statements and any other fiscal matters and submit recommendations and resolutions to the Parliament,
- b. The Committee may review and reallocate the budget to achieve balanced development as per Article 9 (8) of the Constitution.



- c. The Committee shall present its reviewed Budget Report within ten working days after the introduction by the Finance Minister in the House.

However, due to the current COVID-19 situation demanding public health protocol of social distancing, the overall Session duration has been reduced and eventually the Committee also received only three working days to review the two bills and one financial statement.

2. Consultation with Stakeholders

The Committee held a consultation meeting with the Secretary and officials of the Ministry of Finance wherein the Committee sought clarifications on various issues. Also, the Committee conducted consultations with five stakeholders based on a significant amount of budget allocated towards the flagship programs and the Common Minimum Infrastructure budget. The Committee felt the need to review the budget based on needs in view of COVID-19 impacting the country's economic situation, being mindful of the current and the future developmental activities.

3. Committee's Observation and Recommendation

A. Supplementary Budget 2019-20

Observation:

In the earlier sitting of the same session, the Supplementary Appropriation Bill was submitted and adopted to meet the expenditure on account of revision of pay and allowances for the Royal Bhutan Police, Khesar Gyalpo University of Medical Sciences of Bhutan, Jigme Singye Wangchuck School of Law, revision of stipend, subsidies to State Owned Enterprises (SOEs) and expenditures for Parliamentary Committees and Secretariat services of the National Assembly of Bhutan. While the budget for other activities stand as adopted, due to COVID-19 and the restrictions on internal travels, the budget for Parliamentary Committees and Secretariat services has become irrelevant.

Recommendation:

The Committee recommends the budget of Nu.5 million adopted in the Supplementary Budget to be considered withdrawn and surrendered to the Ministry of Finance.

B. Alternative economic scenario and trajectory

Observation:

The Annual Budget Report 2020-21 highlights the government's intervention to stimulate economic growth and improved GDP growth projections of 5.3 percent in 2021 based on the "no community transmission" scenario. However, the Committee observed that the government has not mentioned an alternative economic scenario and trajectory.



Recommendation:

The Committee recommends the government to adjust and tailor their approach of prioritization of budgeted activities, project the economic growth and determine necessary interventions in the ‘scenario of local transmission’.

C. Re-prioritization of flagship programs**Observation:**

The economic growth projection for 2020 was 6.9 percent. However, due to COVID-19, growth trajectory is expected to fall to -1.1 percent. Considering the steep fall in the economic growth, the budget allocation to the flagship programs especially activities like waste and stray dog management is felt unproductive at this hour.

Recommendation:

The Committee recommends the Government to revisit and re-prioritize the activities under the flagship program and allocate the budget to more productive sectors that would contribute to the revival of the economy.

D. Common Minimum Infrastructure (CMI)**Observation:**

The CMI budget allocation for Dzongkhags for blacktopping of GC roads and maintenance/laying base course (soling) for farm roads and construction of new Chiwog farm roads have been re-worked and re-adjusted (new annexures 1 and 2 submitted below).

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a personal name.

Recommendation

Annexure 1: Capital Budget for Dzongkhags including CMI allocation for Gewogs for FY2020-21 Nu. million

Sl	Agencies	Current	Capital				Grand Total (Current + Capital)
		RGoB	RGoB	External		Total	
				Dzongkhag	Gewog CMI		
1	Chhukha	721.945	69.450	380.661	180.026	630.137	1,352.082
2	Haa	273.002	74.000	115.548	2.562	192.110	465.112
3	Paro	669.901	160.119	97.977	-	258.096	927.997
4	Samtse	909.189	76.042	384.233	92.903	553.178	1,462.367
5	Tsirang	440.727	64.095	160.715	64.774	289.584	730.311
6	Dagana	482.351	128.043	170.812	46.678	345.533	827.884
7	Punakha	532.781	57.342	209.452	12.600	279.394	812.175
8	Wangdue Phodrang	596.054	52.666	249.065	-	301.731	897.785
9	Bumthang	335.890	65.293	144.543	-	209.836	545.726
10	Sarpang	539.893	61.948	341.747	109.096	512.791	1,052.684
11	Zhemgang	432.544	102.800	139.501	220.318	462.619	895.163
12	Trongsa	328.996	73.281	201.135	-	274.416	603.412
13	Lhuentse	321.331	61.301	266.652	-	327.953	649.284
14	Mongar	673.905	65.422	318.076	71.303	454.801	1,128.706
15	Pema Gatshel	469.009	58.080	178.194	81.628	317.902	786.911
16	Samdrup Jongkhar	525.937	32.918	216.169	68.624	317.711	843.648
17	Trashigang	969.054	64.081	205.301	58.896	328.278	1,297.332
18	Thimphu	331.546	173.924	99.541	12.646	286.111	617.657
19	Gasa	164.808	70.394	89.294	13.340	173.028	337.836
20	Trashie Yangtse	417.056	34.844	221.884	-	256.728	673.784
	Total	10,135.918	1,546.043	4,190.500	1,035.394	6,771.937	16,907.855

Annexure 2: Capital Budget for Thromdes including CMI allocation for FY2020-21

Nu. million

Sl.	Agencies	Current	Capital				Grand Total (Current + Capital)
		RGoB	RGoB	External		Total (Capital)	
				Thromde	Under MoWHS		
1	Thimphu	795.906	467.890	650.217	1.986	1,120.093	1,915.999
2	Phuntsholing	169.763	249.865	181.531	137.500	568.896	738.659
3	Gelephu	132.084	53.933	309.391	-	363.324	495.408
4	Samdrup Jongkhar	91.442	71.933	303.615	2.500	378.048	469.490
	TOTAL	1,189.194	843.621	1,444.754	141.986	2,430.361	3,619.555

Gewog CMI of Nu.42.597 million provisioned for Ngangla Gewog of Zhemgang Dzongkhag also to be changed to Phangkhar Gewog of the same Dzongkhag.

E. Digital Drukyul

Observation:

The Committee has observed that a substantial budget of Nu. 1171.620 million is provisioned for Digital Drukyul. In view of this, it has conducted a hearing on the project and reviewed the various components and stages of their implementation. The Committee observed that while the services are largely procured from local vendors, there are areas of concern on the involvement of international vendors.

Recommendation:

The Committee recommends the government to ensure prudence in expenditure, ensuring information protection and cyber security and future operational integrity and ownership.

F. Allocation to Tourism Sector

Observation:

Tourism sector is one of the key drivers of the economy. However, COVID-19 has significantly impacted the sector. The Government has allocated Nu.345.671 million aimed towards revival of tourism through various programs. However, the Committee has observed deficiencies in the program in terms of innovation, spread and priorities.

Recommendation:

The Committee recommends the government to review and re-adjust the program in the context of innovation, spread and priorities.

4. Submission for endorsement:

The Committee concluded that the Budget for the Financial Year as proposed by the Government is justified as it would ensure macro-economic stability, smooth transition and revival of economic growth. Given this justification, the Committee submits the following for endorsement by the House:

- a. The Budget 2020-21 with Budget Appropriation Bill (2020-21) amounting to Nu. 73,989.881 million with current budget of Nu.32,900 million and capital budget of Nu.41,089.881 million.
- b. The Supplementary Budget Appropriation Bill 2019-20 amounting to the Supplementary appropriation of Nu.1,031.062 million submitted in this sitting and Nu.898.277 million tabled as Supplementary Appropriation Bill for FY 2019-20 in the earlier sitting.

5. Conclusion:

The Committee remains mindful of the efforts and cooperation provided by all budgeting agencies, particularly the Ministry of Finance.

We thank the Ministry of Finance for providing all necessary assistance during the course of review of the Annual Budget FY 2020-21.

