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MoF/DPBP-Budget Call/2026-27/654

December 29, 2025

Budget Call Notification for the Financial Year 2026-27

In accordance with Sections 23(d) and 45 of the Public Finance Act 2007 (PFA) and Section 3.2 of the Budget Manual, Financial Rules and Regulations (FRR) 2016, the Ministry of Finance (MoF) is pleased to issue the Budget Call Notification for FY 2026-27.

Within the overall framework of the 13th FYP and based on the macroeconomic and fiscal outlook, the Macroeconomic Framework Coordination Committee (MFCC) has projected the following resources and expenditure outlay, which has been endorsed by the 70th Session of the Fourth Lhengye Zhungtshog held on December 12, 2025.

The total resources of Nu.110,807.935 million estimated for FY 2026-27 consists of internal resource projection of Nu.77,715.727 million and external grants of Nu. 33,092.207 million. With the total estimated expenditure of Nu.135,266.363 million (Nu.73,946.155 million for Capital Expenditure and Nu.61,320.208 million for Recurrent Expenditure) corresponding to 26 percent of the 13th FYP Outlay, the fiscal deficit is expected to be Nu.24,458.429 million corresponding to 6.20 percent of the GDP. The deficit financing will be mobilized through external and domestic borrowings.

To ensure that the fiscal deficit remains at a sustainable level, capital budget ceilings for RGoB and external financing have been established for each agency, based on approved plan outlays and the implementation capacity of prioritized programs. Budgetary agencies must take a proactive role in the budget preparation process to facilitate effective resource allocation, strengthen accountability, and secure adequate funding for ongoing policy initiatives and strategic priority programs within the approved ceilings. Any proposals for additional activities submitted after the initial budget submission to the MoF will require the approval and directives of the Lhengye Zhungtshog.

Furthermore, to address the rising fiscal deficit, all budgetary agencies shall submit budget proposals that focus on projects and activities designed to stimulate economic growth while containing the deficit. In this context, and in continuation of the Enlightened Entrepreneurial Bureaucracy initiative, budgetary agencies are required to review operating models and identify innovative approaches that enhance sustainability.



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In addition, to ensure efficient use of public resources and achievement of the 13th FYP outcomes, the Annual Work Plan and Budget (AWPB) must be aligned with the Key Deliverables, endorsed by the Government for FY2026-27.

Furthermore, Key Performance Indicators (KPIs) for mandatory and controllable recurrent budgets should be developed and submitted, with a clear focus on the agency's core objectives. A standardized format is enclosed to facilitate the preparation of proposals.

The budget proposal must be prepared in strict adherence to the budget preparation guidelines attached as *Annexure I* and submitted through the MYRB system (www.myrbpems.bt) **no later than March 10, 2026**.

For assistance and clarification, the focal officers in the Department of Planning, Budget and Performance (DPBP) shall remain available to provide support and guidance.

(Lekey Dorji)

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For Kind information of:

1. Dasho Gyalpoi Zimpon, HM Secretariat, Thimphu.
2. Personal Secretary to Hon'ble Prime Minister, Gyalong Tshogkhang, Thimphu.

Copy to:

1. Hon'ble Ministers, all Ministries, Thimphu.
2. Chief Justice of Bhutan, Royal Court of Justice, Thimphu.
3. Heads of all Constitutional Bodies, Thimphu.
4. Cabinet Secretary, Cabinet Secretariat, Thimphu.
5. Secretaries of all Ministries, Thimphu.
6. Heads of Autonomous Agencies.
7. All 20 Dzongdags, 4 Thrompons and 205 Gups.
8. Heads of Finance Divisions of all budgetary agencies.
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Annexure I- Budget Preparation Guidelines for FY 2026-27

The Budgetary Bodies should adhere to the following principles when formulating budget proposals:

1. Recurrent Budget:

- i. **Key Performance Indicators and Targets:** The recurrent budget shall be allocated through an Annual Block Grant, strictly within the estimated domestic revenue in the form of Mandatory and Controllable budget heads. The recurrent budget for mandatory, controllable and specific activity/program must be substantiated with KPIs aligned with the organization's strategic goals and concrete deliverables for FY 2026-27 to guide the allocation of the recurrent budget.
- ii. **Mandatory Budget Heads:** The proposal for mandatory budget heads shall include Pay & Allowances, PF contribution, stipend and retirement benefits (for employees due for superannuation during the FY), and interest payment based on repayment schedule. These shall be submitted through the MYRB system and correspondingly, submitted with comprehensive workings. The format for Pay and Allowances, PF contribution is shared in the soft copy.
- iii. **Controllable Budget Heads:** As in the previous years, the controllable budget shall be determined and allocated to strictly meet regular operational and maintenance (O&M) requirements, based on the historical expenditure trends, and internal resources. Agencies shall be required to demonstrate efficiency gains and value-for-money improvements to justify continued or enhanced allocations, with the objective of maximising return on public expenditure.

However, those activities that do not constitute regular O&M shall not be entertained under the controllable budget. Such non-routine activities shall be proposed separately as specific activities supported by detailed estimates and clearly defined KPIs and targets.
- iv. **Budget Proposals Financed through Retained Revenue maintained under Current Deposit (CD) Accounts:** Budgetary agencies with CD account operations shall ensure that all budget proposals are fully aligned



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with the agency strategic objectives and are proposed under the respective FICs, strictly based on realistic revenue projections for FY 2026-27. Proposals shall conform to the approved CD account guidelines, Annual Work Plan, KPIs and targets aligned to the organizational strategic goals. This is intended to optimize the use of available resources, strengthen value for money, and prevent duplication of budget allocation from multiple sources. *Any supplementary incorporation resulting from under budgeting or inaccurate estimates during the FY shall be restricted. Likewise, releases shall be based on the available fund balance in the CD account.*

- v. **Non-budgetary Agencies:** Those agencies requiring RGoB financing for O&M must submit the proposals through the Department of Macro-Fiscal and Development Finance, MoF. These submissions should include detailed workings/estimates, a comprehensive financial plan, key performance indicators, actual revenues realized in previous FYs, and realistic revenue projections for FY 2026-27.

2. Capital Budget:

- i. **Alignment of the Budget Proposal to 13th FYP, Key Deliverables and Annual Work Plan (AWP):** To enable effective monitoring of financial and physical progress, budgetary agencies must ensure that all proposed activities align with the 13th FYP and contribute to the achievement of the specified KPIs and targets. Accordingly, agencies are required to prepare and submit the budget proposals based on the Key Deliverables approved by the Government and the Annual Work Plan, *using the prescribed format attached to this budget notification.*

The capital budget ceiling for your agency by source of financing is as follows:

RGoB: Nu..... million;

External (including project tied loans): Nu..... million.

Please note that the external financing ceiling is not confined to the indicative figure and may be proposed based on committed funds and the implementation capacity.

- ii. Budgetary agencies shall prioritize and expedite the implementation of all approved donor-funded initiatives to ensure full and timely utilization of



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committed external funds and the achievement of the intended outputs and outcomes within the agreed implementation timelines. All proposals must be comprehensively and accurately reflected in the budget submission. Supplementary budget allocations shall not be permitted during the fiscal year for any donor funded projects approved and signed prior to the submission of the budget proposal, and any omission or under provision shall be treated as a lapse of the agency.

iii. Additionally, agencies must adhere to the following Budget Policy:

- a. Priority to be accorded for Completion of ongoing projects, programs and activities.
- b. Emerging national priorities must be included and integrated into agency proposals, ensuring alignment with the approved budget ceiling and the 13th FYP outlay.
- c. All proposals for recovery and reconstruction of critical public infrastructure damaged by disaster must be prioritized within the allocated ceiling since financing during the FY shall be only for immediate relief and response efforts.
- d. In order to ensure better coordination and avoid duplication of resources, all budgetary agencies are directed to consult the Department of Tourism for activities related to tourism development prior to submitting the budget proposals to the Ministry of Finance. This is in line with the notification issued by the Department of Tourism vide DoT/ISD-012025-26/6238 dated November 27, 2025.
- e. Procurement of vehicles irrespective of funding shall be permitted only for utility vehicles such as ambulance, school bus, RBP vehicles, garbage & fire trucks, cesspool, and compactors on replacement.
- f. To streamline and reflect the true cost of works, goods, and services, budgetary agencies are required to estimate and include the tax components (Customs Duty, Excise Tax, and GST) in the budget proposals, irrespective of the funding source. In cases where the goods, services, or works are tax-exempt under the project agreement, agencies must propose the tax component under RGoB funding.



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- g. The proposal for undertaking feasibility studies for infrastructure projects, for which the Project Concept Note (PCN) has been cleared by the Finance Committee (FC), must be included within the budget proposal. The feasibility study must ensure assessment of the technical, economic, and financial viability prior to implementation.
 - h. The construction of new offices, general buildings like meeting halls, and staff quarters shall be restricted; however, projects with confirmed external grant financing can be considered, subject to a comprehensive needs assessment along with efficiency and sustainability analysis to manage the operating costs after completion.
 - i. To address thin spreading of limited resources resulting in sub-standard quality of goods, works and services, all the LGs are advised to prioritize planned activities in adherence to the Annual Grant Guidelines 2024 and the subsequent notification on Restriction on Construction of Community Meeting Halls at Chiwog Level issued vide letter no. MoF/DPBP/2025-26/466 dated October 24, 2025 unless exceptions are explicitly approved by the MoF.
 - j. All donor-funded projects implemented by LGs but managed by central agencies must be proposed in close consultation with the PMU/Central Agencies and aligned with the project's approved AWPB.
 - k. Construction of non-essential infrastructure and facilities such as gates, guest houses, fencing and boundary walls, games and sport facilities (with exception to educational institutes), particularly where the beneficiary group is limited, shall be restricted.
 - l. All infrastructure and activities that can be undertaken by the private sector (e.g. swimming pools, futsal facilities, guesthouses, eco-lodges, etc.) shall not be budgeted for or implemented by government budgeting agencies, regardless of the source of funding.
- iv. **HRD Programs:** Towards optimization of HRD investments across all budgetary agencies irrespective of the source of funding, any budget proposal for capacity development of the civil servants must be as per RCSC's SOP circulated vide letter no. RCSC/HRD-C3/2024/1342 dated October 8, 2024. In addition, those budgetary agencies outside the purview of RCSC shall be required to submit the HRD master plan upon receipt of endorsement by the respective Board/Council/Commission. However, it should be noted that



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budget proposals if any shall be subject to availability of resources and within the prescribed ceiling.

- v. **ICT Projects/Activities:** Budgetary bodies should submit ICT-related activity/project proposals only with endorsement/approval from the GovTech Agency.
- vi. **Budget Proposal for Heritage and Religious Sites:** Those agencies (including LGs) implementing/undertaking activities related to heritage and religious sites must continue to strictly comply with the notification issued by the Ministry of Home Affairs, vide notification no. CHAA/PPD(37)/2023/430 dated November 13, 2023.

3. General Guidelines:

- i. **External Funded Programs and Activities (Grant and Loan):** In view of the section 7.5 of the Budget Manual 2016, all the budgetary bodies must propose the required funds during the FY for all ongoing external funded programs and activities to avoid implementation delays. Further, any commitment of the RGoB financing in the form of counterpart funding and provision for any duties and taxes for new and ongoing projects and activities must be adequately proposed in the budget.
- ii. **Finance Committee:** All the Budgetary Agencies are required to ensure that the proposals of Budget Estimates forwarded to the Ministry of Finance for consideration, are reviewed, scrutinized and prioritized by the respective Finance Committees.
- iii. **Mainstreaming Cross Cutting Issues:** Budgetary bodies shall ensure that budget proposals systematically address cross-cutting priorities, including gender, environment, climate change, disaster risk, and poverty (GECDP), while explicitly promoting inclusiveness for persons with disabilities.
- iv. **Fiscal Transfer:** The budget proposals from those State Owned Enterprises (SOE) supported by the Government shall be routed through the Department of Macro-fiscal and Development Finance (DMDF), MoF. Such budget proposals shall not contain any activities or projects that compete or can be done by the private sector. The proposal must be



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prepared in alignment with the KPIs endorsed by the Board and submitted along with the revenue projections, past year's actual expenditure and bank statement of all the deposit accounts (CD & Fixed accounts) as of January 31, 2026.

- v. **Deposit Works and Direct Allocation to LGs:** Pursuant to the Ministry of Finance notification restricting deposit works, central agencies shall not seek or effect mid-year budget transfers to Local Governments (LGs), schools, hospitals, or Public Health Clinics (PHCs). Central agencies that customarily retain budgets but subsequently transfer funds shall be required to plan and coordinate in advance with the concerned LGs, schools, hospitals, or PHCs or any competent implementation authority, and reflect such activities in the annual budget proposal as direct allocations to the respective entities. Ad-hoc or in-year budget transfers will not be approved or regularized. Failure to comply with this requirement shall be treated as a planning lapse and may result in rejection of transfer requests and adjustments to future budget ceilings. All budgetary agencies are hereby directed to note that deposit works are strictly prohibited.
- vi. All budgetary bodies are required to assess and, where feasible, outsource activities with inherent commercial viability to the private sector, with the dual objective of improving efficiency and creating business opportunities for the private sector.
- vii. **Formulation of Medium-Term Budget Framework (MTBF)/Medium-Term Forward Estimates:** To strengthen fiscal discipline and improve the efficiency of resource allocation, all budgetary bodies, including Local Governments, shall prepare and submit forward estimates for two outer years (FY 2027-28 and FY 2028-29) at the output level as per the format provided below. Forward estimates shall be prepared under the two broad economic classifications (Current and Capital) in the format prescribed below. Agencies are expected to approach this exercise with due rigor and seriousness, as forward estimates are a critical input into medium-term fiscal planning, expenditure prioritization, and determination of future budget ceilings. Estimates that are unrealistic, poorly substantiated, or inconsistent with approved plans risk



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compromising budget credibility, may influence future allocations, and could trigger closer scrutiny during budget appraisal. Agencies shall ensure that forward estimates are policy-consistent, realistic, and clearly linked to outputs and expected results.

Estimates by Outputs

Specify Name of Outputs	FY 2027-28			FY 2028-29		
	Current	Capital	Total	Current	Capital	Total
Output 1.....						
Output 2.....						
Total at AU level)						

Key Performance Indicators/Targets

Name of Outputs	Key Performance Indicators	Baseline/ Target Achieved FY 2025-26	Medium Term Targets	
			FY 2026-27	FY 2027-28
Output 1				
Output 2				

- 4. Specific Guidelines for Local Governments (LGs) on Capital Budget:** The Local Government capital RGoB ceiling is set at 25% of the RAF outlay in addition to the committed donor funded programs (HICDP, PTA, GCF, IFAD, EU etc).

To ensure optimal prioritization and facilitate prompt implementation following the budget approval, LGs shall submit a tentative Annual Work Plan (including the donor funded projects) aligned with the Local Government Key Result Areas (LGKRAs). Further, the Annual Grants Guidelines 2024 shall be referred to while formulating the Annual Work Plan and Budget for FY 2026-27.

The LGs shall also note the following:

4.1 RGoB Financing:



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- i. The budget required for completion of the ongoing and spillover activities must be accorded priority within the RAF ceiling.
- ii. In line with Section 8 of the Budget Appropriation Act for FY 2025-26 and Section 10 of the Annual Grant Guidelines for LGs 2024, the 25 percent of the respective RAF outlay endorsed by the Government for the FY 2026-27 shall be allocated to the Gewogs as follows:
 - a. 70 percent of the annual capital grant allocation for immediate implementation; and
 - b. Balance 30 percent upon assessment of performance of the FY2025-26 capital budget utilization.

Therefore, AWP of the Gewogs must be prepared accordingly, capturing total cost of critical and priority activities within the 70 percent of the grant allocation.

- iii. To address thinly spreading of limited resources resulting in sub-standard quality of goods, works, services from inadequate provisioning of budget, all the LGs are advised to ensure adequate budget to complete the activity and avoid unnecessary budget fragmentation within the RAF ceiling for FY 2026-27.

4.2 External Financing:

- i. The LGs must ensure to propose on-going donor funded projects & activities within the committed fund, contract amount and implementation capacity.
- ii. All the donor funded projects implemented by the LGs but managed by the central agencies must be proposed in close consultation with the PMU and approved Annual Work Plan and Budget of the project.

4.3 Recurrent Budget for Thromdes: In order to determine the level of budget support, Thromdes are reminded to submit:

- i. Details of revenue realized for the past 2 years;
- ii. Revenue & expenditure estimates for the FY 2026-27; and




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iii. Details or statement of CD/FD accounts, if any.

LGs shall ensure that budget proposals are deliberated and endorsed by the Dzongkhag/Gewog/Thromde Finance Committee prior to final review and endorsement by DT/GT/TT before submission to DPBP, MoF.


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