

# Quantitative Mapping of Public Procurement in Bhutan

An overview of patterns, volumes and values of public  
spending on procurement of goods, works and services

September 2015

Green Public Procurement in Bhutan

## ABOUT GPP BHUTAN

The Green Public Procurement in Bhutan project (GPP Bhutan) is an EU-funded project under the EuropeAid SWITCH-Asia Programme. It aims to establish a strategic approach to scaling-up public demand for environmentally and socially preferable goods, services and infrastructure in Bhutan. The project seeks to promote value-for-money across the asset life cycle rather than simply at the point of purchase, in order to reduce the negative environmental impacts and maximize social benefits from procurement.

The project is implemented by a consortium of five non-governmental organizations, namely the International Institute for Sustainable Development (Project Lead, Canada), the Bhutan Chamber of Commerce and Industry (Bhutan), the Royal Institute of Management (Bhutan), the Royal Society for Protection of Nature (Bhutan), and the Collaborating Centre on Sustainable Consumption and Production (Germany).

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### ABOUT THIS REPORT

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## Acronyms

ACC	Anti-Corruption Commission
BNCA	Bhutan Narcotics Control Agency
CBA	Central Budgeting and Accounting System
DACL	Drukair Corporation Limited
DHI	Druk Holding and Investments
DGPCL	Druk Green Power Corporation Limited
DPA	Department of Public Accounts
BPCL	Bhutan Power Corporation Limited
ECB	Election Commission of Bhutan
FYP	Five Year Plan
GDP	Gross Domestic Product
MOAF	Ministry of Agriculture and Forests
MOF	Ministry of Finance
MOE	Ministry of Education
MOEA	Ministry of Economic Affairs
MOFA	Ministry of Foreign Affairs
MOIC	Ministry of Information and Communications
MOLHR	Ministry of Labour and Human Resources
MOWHS	Ministry of Works and Human Settlements
NEC	National Environment Commission
NLC	National Land Commission
OBC	Object Codes
PEMS	Public Expenditure Management System
PPPD	Public Procurement Policy Division
PRR	Procurement Rules and Regulations
RAA	Royal Audit Authority
RCSC	Royal Civil Service Commission
RGOB	Royal Government of Bhutan
RUB	Royal University of Bhutan
SOE	State Owned Enterprises
TCB	Tourism Council of Bhutan
PTC	Power Trading Corporation of India

## Executive Summary

The objective of this study was to quantify and categorize public procurement expenditure of government and state-owned enterprises (SOEs) in the Kingdom of Bhutan. The specific objectives were to: i) develop a mapping report on patterns, volumes and values of public spending in Bhutan, ii) map areas of high and frequent spending, and iii) map the procurement flows in Bhutan.

Between 2008/09 to 2012/13, the Royal Government of Bhutan (RGOB) and SOEs together spent about Nu. 90.8 billion on procurement. The ministries spent Nu. 47.4 billion (52 per cent), followed by districts spending Nu. 21.8 billion (24 per cent), SOEs spending Nu. 14.5 billion (16 per cent) and autonomous agencies spending the least with Nu. 7 billion (8 per cent). The average procurement expenditure per year is about Nu. 18.2 billion, which accounts for 17.4 per cent of GDP of 2014. Of the total procurement, works accounts for Nu. 42.4 billion (47 per cent) followed by services with Nu. 22.2 billion (24 per cent), goods with Nu. 16.6 billion (18 per cent) and goods/services with Nu. 9.6 billion (11 per cent), respectively.

Procurement by ministries, districts, autonomous agencies and SOEs was categorized into goods, services, works and goods/services for the last five years. In terms of frequency of spending, works dominate the procurement expenditure for the past five years except for SOEs where the expenditure on works was very low. The Ministry of Works and Human Settlements (MOWHS) has the highest expenditure among the ten Ministries, amounting to Nu. 17 billion or 36 per cent of the spending among the ten Ministries in the five years of the 10<sup>th</sup> Five Year Plan period. At the district level, Trashigang has the highest expenditure. In terms of total procurement expenditure for the 11 autonomous agencies in the same period, Nu. 7 billion was spent on procurement of works. Specifically, the Royal University of Bhutan (RUB) ranks the highest with Nu. 3 billion. In contrast, SOEs have higher expenditure on services with Nu. 5.7 billion (39 per cent). Druk Green Power Corporation Limited (DGPCL) has the highest expenditure among the SOEs.

A significant portion of the public fund was allocated in the procurement of goods, works and services. The procurement is equally made from both current and capital expenditure with more procurement from the former. Works comprise the highest expenditure across all government agencies, ministries, districts and autonomous agencies. For the ministries, expenditure is highest in infrastructure, namely roads (including culverts, drains, etc.) buildings, and others. Professional services under services also have high expenditure. The three highest and frequent spending ministries are MOWHS, Ministry of Agriculture and Forests (MOAF) and Ministry of Health (MOH), with spending mostly dominated by works. For the district level, works have the highest expenditure across all the years of the 10<sup>th</sup> Five Year Plan. Expenditure on structure, especially buildings, roads and others have higher expenditure. Of the 20 districts, Trashigang, Mongar and Chukha are the leading districts with high expenditure mostly concentrated on works. Goods account for the second highest expenditure with major expenditure for office supplies, printing, publications, textbooks and library, and furniture. In terms of autonomous agencies, RUB has the highest overall spending followed by National Land Commission (NLC) and Tourism Council of Bhutan (TCB). Works, especially construction of buildings have been recorded as the highest expenditure area, followed by services.

Among the seven SOEs, DGPCL has recorded the highest spending which is mostly attributed to expenditure on wheeling charges, (i.e., the amount charged by one electrical system to transmit the energy of, and for, another system or systems). Bhutan Power Corporation Limited (BPCL) has the second highest procurement expenditure specifically due to purchase of electricity from Power Trading Corporation of India during winter when domestic productions plummets. Drukair Corporation Limited (DACL), the third largest spending SOE, spends highest on purchase of aviation fuel and lubricants.



Procurement expenditure is mostly sourced from government funds and an almost equal proportion is funded through external grants. For government agencies, 48 per cent of the source of expenditure is government funds, 46 per cent grants and 6 per cent loans. A large share of the national budget is spent on procurement, especially of works such as roads and other infrastructure, services such as professional services, and goods such as general tools and instruments.

On average, 51 per cent of the annual budget of the government was spent specifically on procurement in the 10<sup>th</sup> Five Year Plan. Similarly, to provide a comparative analysis, the expenditure of SOEs has also been compared with the government's annual budget. Procurement expenditure by SOEs is estimated to amount to about ten per cent of the annual budget of the government.

Calculating the average government procurement expenditure in the 10<sup>th</sup> Five Year Plan period (2008-2013), procurement expenditure accounted for 18 per cent of the total GDP. Likewise, procurement by SOEs accounts for 3 per cent of the total GDP. The combined procurement expenditure of government agencies and SOEs accounts for 61 per cent of the total annual budget of the government for the 10<sup>th</sup> Five Year Plan period (Nu. 150.9 billion). Likewise, the combined procurement expenditure of the government agencies and the SOEs equals 21 per cent of the total GDP value for the same period.

## Section 1 Introduction

Procurement is a term generally applied to all purchasing by government and broader public sector as well as private and not-for-profit organizations. Public procurement in particular is a vital activity by government and public enterprises in ensuring that they meet their mandates in providing public services. Public procurement involves large shares of government spending and GDP, which makes it all the more important that it is managed in an efficient and effective manner that contributes to sustainable development and helps meet social development objectives.

In Bhutan the Procurement Rules and Regulations 2009 (PRR 2009) provide the legal framework for public procurement practices. The Ministry of Finance (MOF) is the public agency entrusted with the development and management of procurement policy of all public agencies. Chapter 7 of financial rules and regulations of the Five Year Plans (FYPs) stressed the need for separate rules on public procurement. The drafting of a manual for procurement took place in 1998. All public agencies followed the Financial Management Manual of MOF until 2008. In 2005, the Ministry began implementing procurement reforms in five major aspects: (i) strengthening of legal framework (renewing the procurement manual and its accompanying documents e.g., standard bidding documents for goods, works and consulting services; (ii) creation of PPPD office in April 2007 under the Department of National Properties, starting with a two-member team; (iii) capacity building to build local procurement capacity implemented together with the universities in Bhutan; (iv) addressing the need for procurement grievance mechanisms (legal mechanism is still in the conceptual stage and will be aimed at improving the existing system); and (v) assessing the readiness for adopting electronic forms of government procurement (e-GP). To ensure the smooth application of procurement rules and regulations across all public agencies and to strengthen the monitoring of all public procurement aspects, the MOF created the Public Procurement Policy Division (PPPD) under Department of National Properties in 2008. Much effort has been devoted to bringing the past procurement rules and regulations of Bhutan and existing best international procurement practices into the PRR 2009. Procurement in the public sector in Bhutan is largely based on the PRR 2009, which defines procurement as the purchase of goods, services or the engagement of contractors for execution of works by procuring agencies.

Most state-owned enterprises (SOEs) fall under the main auspices of Druk Holding and Investments (DHI), which comprises 18 major companies classified into six sectors: real estate, trading, communications and transportation, financial services, manufacturing, and energy and resources. The main objective of DHI is to hold and manage the existing and future investments of the RGOB for the long term benefit of the people of Bhutan. In MOF, the Public Enterprises Division (PED) provides oversight management to SOEs to ensure that they are sustainable businesses and provide economic benefits to the country. A few SOEs that are not under DHI are overseen by PED. Although SOEs follow their own procurement manuals, much of their manuals or guidelines are based on PRR 2009.

The objective of this study is to identify quantitative leverage points in the public procurement realm in Bhutan in line with major areas of public spending. The report collects and evaluates data on public spending, identifies sectors of high and frequent procurement volumes and provides insight into expected and desired future patterns of public spending. The analysis will evaluate the market share that state consumption presents in each of the areas of frequent spending.

## Section 2 Literature Review

Procurement has been defined as the “process used by an organization to enter into supplier contracts for the purchase of goods and services” (Perera *et al.*, 2007). The definition takes into account not only the purchasing processes of governments and the public sector, but also the purchasing procedures of all organizations, including private enterprise. She further goes on to define the term “public procurement” as the processes used by governments and public sector organizations to purchase goods, services and commission infrastructure developments. According to Chartered Institute for Procurement and Supply, Australia (undated), procurement is the “business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives.” The performance of the procurement also depends upon the overall goals and visions of the country’s socioeconomic and environmental components and furthermore on the efficacy and efficiency of public procurement and tendering process (Mutava, 2014).

The 11<sup>th</sup> FYP gives special attention to “self-reliance and inclusive green socio-economic development” (11<sup>th</sup> Five Year Plan, Main Document Volume I). The 11<sup>th</sup> FYP also laid importance on the three strategic thrust areas, namely, i) inclusive social development, ii) accelerated green economic development and iii) strategic infrastructure development. The government is strongly committed to securing ecologically balanced sustainable development (Document of the World Bank, 2014). The Document of the World Bank (2014) discusses the green growth agenda in terms of development of hydroelectricity, forestry, high-end, low-impact tourism and agriculture, banning of agro-chemicals, promoting export-oriented organic agricultural products and promotion of environmentally friendly business and foreign direct investment (FDI) through green incentives (e.g., rebates in taxes and custom duties), and support for services in the areas of health, education, financial services and tourism, and to make Bhutan a carbon neutral country. Specifically, two reports have been published on the procurement of consultancy services in public sector, The Auditor General’s Advisory Series on Procurement of Consultancy Services in the Public Sector (RAA, 2013) and Report of the Public Accounts Committee to the Fourth Session of the Second Parliament (Public Accounts Committee, 2014). The reports present the assessment of legal and policy framework, enforcement of relevant rules and regulations, coordinating mechanisms of pivotal technical agencies, management and administration of consultancy contracts and delivery of final products by the consultants.

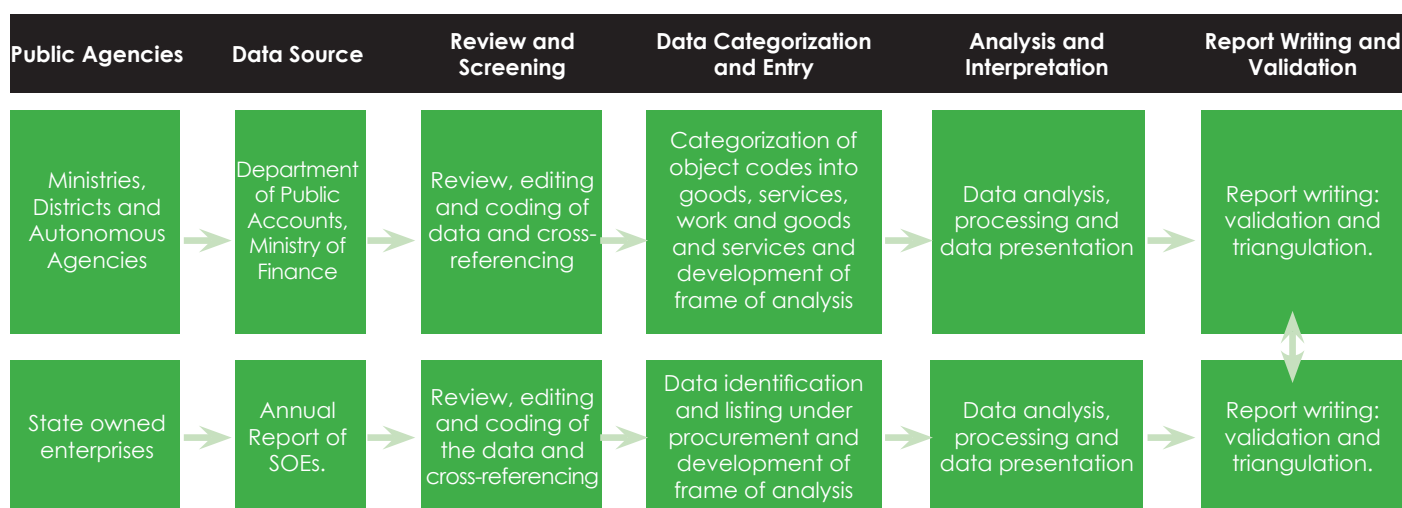
### 2.1 Methodology

#### 2.1.1 Materials

Administrative records, particularly published Annual Financial Statements of the Royal Government of Bhutan for the Year Ended 30 June (2008 to 2013,) National Budget Financial Year (2008 to 2013) of Ministry of Finance and the Audited Financial Statements of seven State-Owned Enterprises (SOEs) including DHI were referred to for analysis (Table 1). The government or public organizations follow PRR 2009, whereas the SOEs follow their own procurement guidelines. Easy access to online government data allowed the researchers to fully understand the public expenditure management system and details of the object classification. Data accessibility was a major constraint with regard to SOEs as the centralized expenditure data management system that is specific to object codes was not categorized. Specifically, the object codes of government expenditure were categorized into four subdivisions as goods, services, works and goods and services, whereas the expenditure head of SOEs expenditure was classified into the above same subdivision.

## 2.1.2 Methods

The primary data sources supplemented the secondary sources of information. The face-to-face interviews were carried out with focal persons of Department of Public Accounts and Department of National Budget under MOF and procurement managers of various SOEs. This process provided the opportunity to better understand the nature of the procurement systems of these organizations and the existing gaps in their implementation. The responses from the key informants were critical in validating and verifying the secondary data gathered for this research. The detailed procedure of data collection and processing is presented in Figure 1.



**Figure 1. Schematic representation of data source and processing procedure. Adapted from Kumar (2014).**

## 2.1.3 Data Source

The primary source of data used is the expenditure data of the public entities and SOEs maintained in their own style and system. The Government's expenditure data were principally available at the Department of Public Accounts (DPA) under MOF. Expenditure data was extracted from the Public Expenditure Management System (PEMS) and Central Budgeting and Accounting System (CBA) used by DPA. Table 1 shows the government's expenditure data source system for the 10<sup>th</sup> FYP period. For government agencies, data was obtained for 10 ministries, 20 districts and 11 autonomous agencies including the four constitutional offices. Due to limited human resources to retrieve expenditure data, the research team considered only 11 autonomous agencies for the analysis under autonomous agency category. From the 36 autonomous (list provided in Annexure 1) agencies, 27 were eliminated based on spending capability and prospects. The 11 autonomous agencies of which data was collected and analyzed are the Anti-Corruption Commission (ACC), Cabinet Secretariat, Election Commission of Bhutan (ECB), Gross National Happiness Commission (GNHC), National Environment Commission (NEC), National Land Commission (NLC), Royal Audit Authority (RAA), Royal Civil Service Commission (RCSC), Royal University of Bhutan (RUB) and Tourism Council of Bhutan (TCB).

**Table 1 Expenditure data source system for the fiscal years of 10<sup>th</sup> FYP**

Agency/Organization	Data Management System				
	FY 2008-2009	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012- 2013
10 Ministries	PEMS	PEMS	PEMS	PEMS	PEMS
20 Districts	CBA System	CBA System	PEMS	PEMS	PEMS
11 Autonomous Agencies	PEMS	PEMS	PEMS	PEMS	PEMS

Expenditure data for the last five fiscal years (FYs) of the 10<sup>th</sup> FYP (FY2008-2009, FY2009-2010, FY2010-2011, FY2011-2012, FY2012-2013) were reviewed, categorized, screened and analyzed to generate a quantitative figure of the public expenditure. The procurement expenditure data was retrieved by DPA from the CBA and PEMS and the screening was carried out with reference to all the Object Codes (OBC) for 10 ministries, 20 dzongkhags (districts) and 11 autonomous agencies.

Similarly, expenditure data for the seven SOEs were generated from the available annual reports of the respective SOEs. The annual reports provide expenditure data of the SOEs for each financial year. However, the data obtained through the annual reports do not provide detailed expenditures which are useful for categorization of procurement into goods, services and works.

#### 2.1.4 Procurement Categorization

For the ease of data analysis and interpretation, procurements were categorized as goods, services, works and goods/services. Under the PEMS and CBA expenditure management system all government expenses are categorized under Object Codes (OBC). The Current Expenditure is numbered from OBC 01.00 to OBC 33.02 and the Capital Expenditure is numbered from OBC 41.00 to OBC 71.02 (cf. Annexure 2). All expenses under the OBCs are marked by source i.e., Royal Government of Bhutan and External Source; Grant and Loan.

After consultation with DPA, all OBC under current and capital expenditure were categorized under goods, services, works, and goods/services. The categorization was classified in consultation with DPA based on their experience. The fourth category; goods/services was added since it included both goods and services and had elements of both goods and services category. The categorization was provided by DPA as provided in Annexure 3.

#### 2.2 Limitations

The study's limitations are principally associated with availability of expenditure data and authenticity of expenditure procurement category for both the government agencies and SOEs:

- Due to the time taken in retrieving data from the CBA system and PEMS, data of only 11 autonomous agencies out of 36 is included for this study. Some of the data of these 11 autonomous agencies were not complete. For instance, the expenditure data (current and capital) of ACC and ECB for the FY 2008-2009 and 2009-2010 and the Cabinet Secretariat for the FY 2010-2011 were not available. Similarly the current expenditure of the RUB for the FY 2011-2012 and 2012-2013 were not available.
- The data of 205 gewogs (blocks) is not included in this analysis due to enormity of gewog numbers. Gewog expenditures are significantly lower compared to ministries and districts. Moreover, larger expenses made at gewog level, especially infrastructure works (contracts), are undertaken by dzongkhags.
- The expenditure of SOEs are very generic and are retrieved from the annual reports. Since the annual reports do not categorize expenses into goods, services and works like the government expenditure management system, categorization was mostly adapted from government object codes and definition of goods, services and works provided in the PRR 2009.
- The SOEs data from the annual reports are based on calendar year as opposed to fiscal year for the government agencies. Therefore, the comparative analysis is provided irrespective of the expenditure period.

## Section 3 Findings on public expenditure

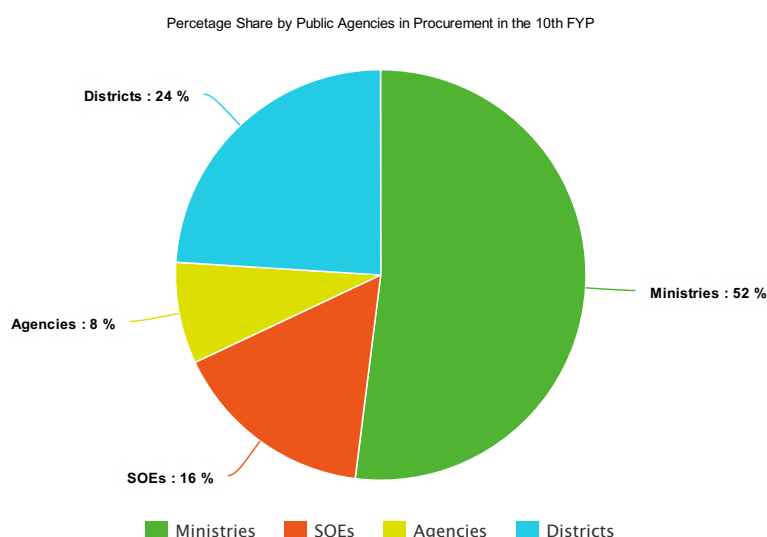
Analysis of the available data has been conducted at various levels; ministry, district, autonomous agency and SOE level. Further expenditure on goods, services, works and goods/services has been captured for the 10<sup>th</sup> FYP period except for SOEs (Table 2).

**Table 2 Expenditure on procurement category from 2008-2013 (in Million Ngultrum)**

Procurement Category	Ministries	Districts	Autonomous Agencies	SOEs	Total	% of total by Procurement Category
Goods	8,954	2,325	1,188	4,174	16,641	18%
Services	12,003	2,098	2,403	5,678	22,182	24%
Works	23,094	16,474	2,774	59	42,401	47%
Goods/Services	3,380	888	669	4,632	9,569	11%
<b>Total</b>	<b>47,431</b>	<b>21,785</b>	<b>7,034</b>	<b>14,543</b>	<b>90,793</b>	<b>100%</b>
<b>% of total by Government Agencies/ SOEs</b>	<b>52%</b>	<b>24%</b>	<b>8%</b>	<b>16%</b>	<b>100%</b>	

The government and SOEs together spent about Nu. 90.8 billion on procurement of goods, services, works, and goods/services in the period 2008 to 2013 (10<sup>th</sup> FYP period for government agencies and from 2008 to 2009 calendar year for SOEs) (cf. Table 2 and Figure 2). The ministries spent Nu. 47.4 billion (52 per cent), followed by districts spending Nu. 21.8 billion (24 per cent), SOEs spending Nu. 14.5 billion (16 per cent) and autonomous agencies spending the least with Nu. 7 billion (8 per cent). The average procurement expenditure per year in the same period roughly translates to Nu. 18.2 billion, which accounts for 17.4 per cent of GDP of 2014. The GDP for 2014 is Nu. 104 billion.

For the same period, works accounts for Nu. 42.4 billion (47 per cent) followed by services with Nu. 22.2 billion (24 per cent), goods with Nu. 16.6 billion (18 per cent) and goods/services with Nu. 9.6 billion (11 per cent), respectively.



**Figure 2. Procurement share by government agencies and SOEs from 2008 to 2013 (in per cent).**



In this section, a comparative analysis of the procurement expenditure of the government agencies and SOEs is compared with the RGoB budget and GDP of the particular year (Table 3). The procurement expenditure compared to the RGoB budget shows that on average, 51 per cent of the annual budget was spent specifically for procurement of goods, services, works and goods/services in the 10<sup>th</sup> FYP. Similarly, to provide a comparative analysis the expenditure of SOEs has also been compared with the government's annual budget. Though this analysis considered only seven SOEs, the average procurement expenditure is estimated at about 10 per cent of the annual budget of the government in the same period.

On average, the government procurement expenditure accounts for 18 per cent of the total GDP of the last five years. The spending of SOEs on procurement is significantly low compared to government agencies, accounting for only three per cent of the total GDP of the last five years. The combined procurement expenditure of government agencies and SOEs accounts for 61 per cent (Nu. 90.8 billion) to total annual budget of the government for the 10<sup>th</sup> FYP period (Nu. 150.9 billion). Likewise, the combined procurement expenditure of the government agencies and the SOEs equals to 21 per cent of the total GDP value for the same period.

**Table 3 Comparison of procurement expenditure with national budget and GDP**

Fiscal Years/ Financial Years	RGoB Budget	Government Procurement Exp.	Exp. of Govt. Procurement to National Budget	Expenditure SOEs	Exp. of SOEs to National Budget	GDP	Exp. of Govt. to GDP	Exp. of SOEs to GDP
2008-2009	21,585	8,934	41%	2,095	10%	61,221	15%	3%
2009-2010	26,304	13,298	51%	2,512	10%	72,497	18%	3%
2010-2011	31,587	15,878	50%	2,733	9%	84,950	19%	3%
2011-2012	37,923	19,178	51%	3,179	8%	97,453	20%	3%
2012-2013	33,486	18,963	57%	4,026	12%	104,378	18%	4%
<b>Total</b>	<b>150,885</b>	<b>76,251</b>	<b>51%</b>	<b>14,544</b>	<b>10%</b>		<b>18%</b>	<b>3%</b>

### 3.1 Government Agencies

#### 3.1.1 Ministries

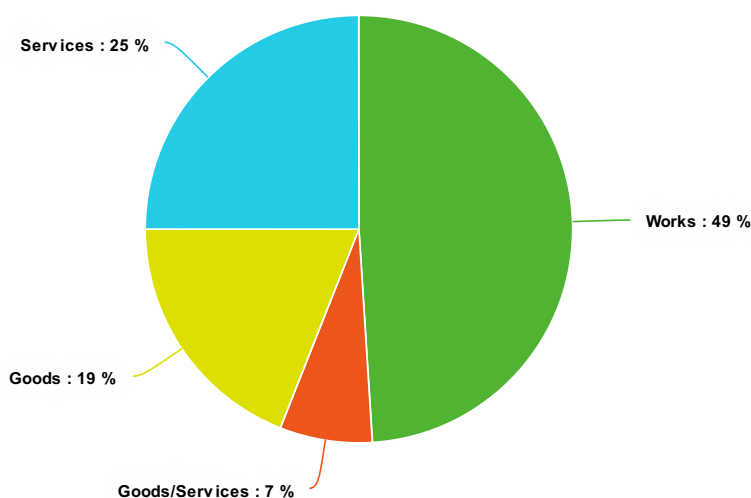
In this section, the spending of the 10 ministries in the 10<sup>th</sup> FYP period is presented. Areas of high and frequent spending are analyzed to understand the spending patterns at the ministerial level.

The total procurement expenditure of the 10 ministries in the 10<sup>th</sup> FYP period accounts for Nu. 47.4 billion, with current expenditure amounting to Nu 9.3 billion (19.5 per cent) and capital expenditure accounting to Nu. 38.2 billion (80.5 per cent). The average annual procurement expenditure of the ministries in the 10<sup>th</sup> FYP is Nu. 9.5 billion. However, the share of procurement expenditure is different over the same period, indicating a progressive increase in procurement expenditure from 13 per cent in FY 2008-2009 to 25 per cent in FY 2012-2013.

**Table 4 Expenditure and growth percentage of ministries in the 10<sup>th</sup> FYP**

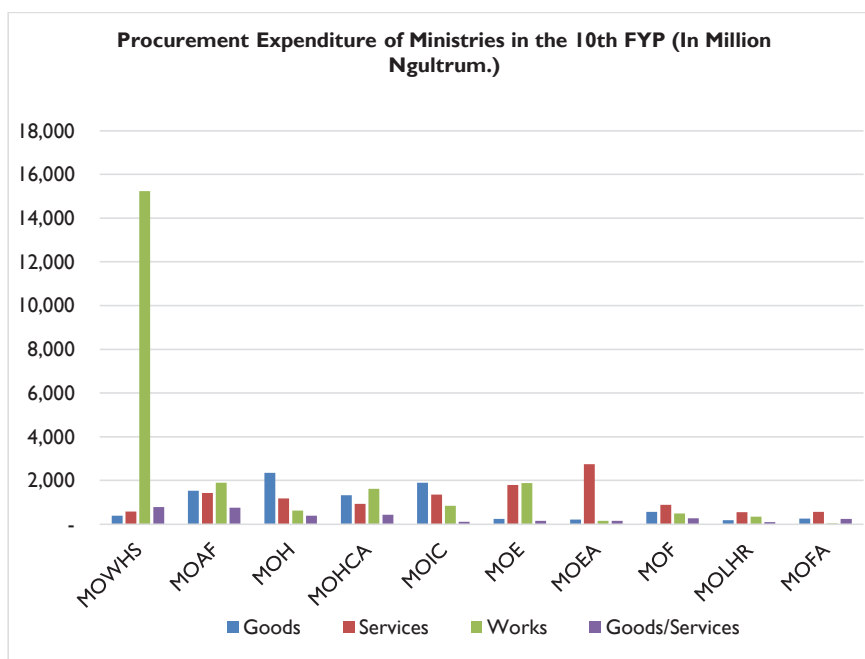
Fiscal Year	Expenditure in Million Nu.			Expenditure in %				Growth %
	Current Exp.	Capital Exp.	Total Exp.	Current	Capital	Total	Individual % of Total Exp.	
2008-09	1,430	4,794	6,223	23%	77%	100%	13%	0%
2009-10	1,667	7,273	8,940	19%	81%	100%	19%	44%
2010-11	1,785	7,471	9,256	19%	81%	100%	19%	4%
2011-12	2,201	8,998	11,199	20%	80%	100%	24%	21%
2012-13	2,186	9,626	11,813	19%	81%	100%	25%	5%
Total	9,269	38,162	47,431	20%	80%	100%	100%	

The procurement expenditure on works for the 10<sup>th</sup> FYP shows the highest spending amounting to Nu. 23.1 billion (49 per cent), which is more than the combined expenditure on services of Nu. 12 billion (25 per cent) and goods of Nu. 9 billion (19 per cent). Goods/services represent the smallest share in spending with Nu. 3.4 billion (7 per cent) as shown in Figure 3. In terms of ministry level procurement expenditure, MOWHS has the highest spending share with 36 per cent (Nu. 17 billion), followed by Ministry of Agriculture and Forests (MOAF) with 12 per cent (Nu. 5.6 billion) and Ministry of Health (MOH) with ten per cent (Nu. 4.5 billion). The rest of the ministries have procurement expenditure ranging from 2 per cent to 9 per cent with Ministry of Labour and Human Resources (MOLHR) and MOFA spending Nu. 1.2 billion and Nu. 1.1 billion, respectively. The expenditure incurred by MOWHS on works alone is almost equal to total procurement expenditure incurred by the six lowest-spending ministries namely Ministry of Information and Communication (MOIC), Ministry of Education (MOE), Ministry of Economic Affairs (MOEA), Ministry of Finance (MOF), MOLHR and MOFA (cf. Figure 4 and Annexure 3).



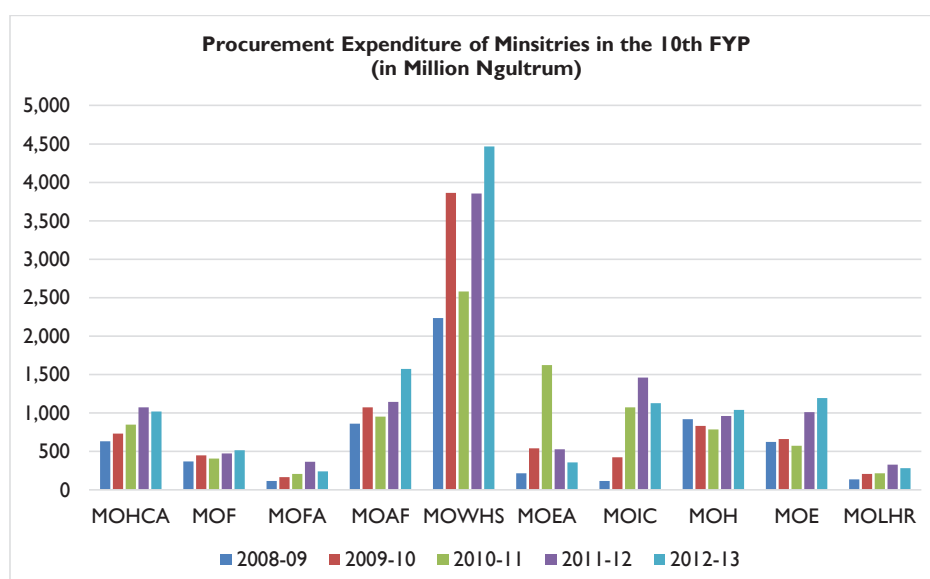
**Figure 3. Procurement expenditure of ministries by procurement category**





**Figure 4. Procurement expenditure of ministries by category in the 10<sup>th</sup> FYP**

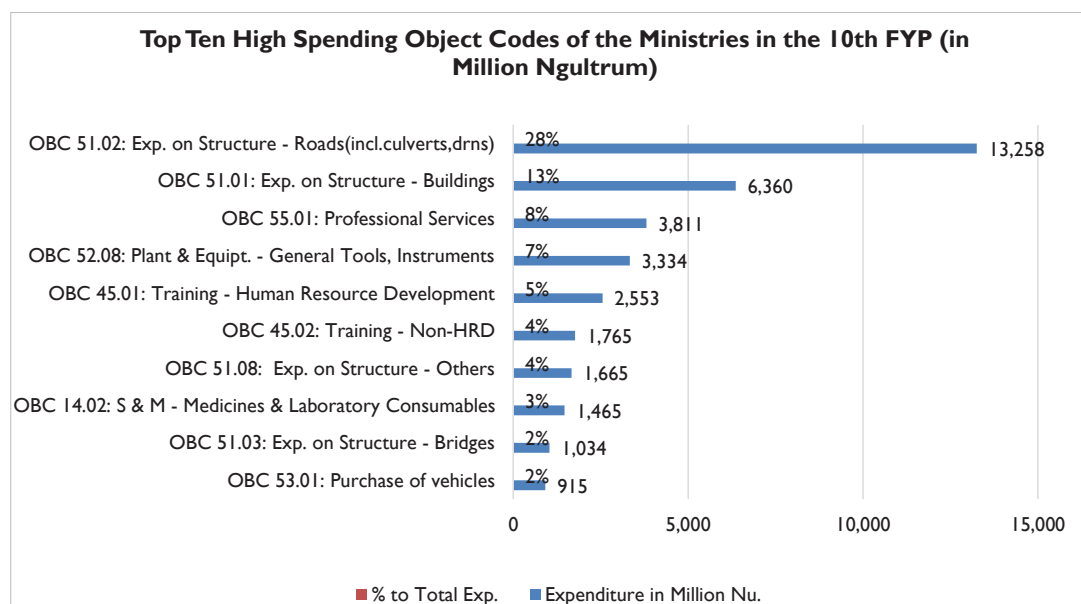
As mentioned above, the procurement expenditure has increased across all the ministries in each year of the 10<sup>th</sup> FYP (cf. Annexure 5). MOWHS has the highest procurement amongst the ministries for all the FYs with an average annual spending of Nu. 3.4 billion in the plan period (Figure 4 and 5).



**Figure 5. Procurement expenditure of ministries in 10<sup>th</sup> FYP (in Million Ngultrum)**

Procurement expenditure analysis by OBCs for the ten ministries in the 10<sup>th</sup> FYP indicate highest expenditure on works. The top ten OBCs account for 76 per cent of the total procurement expenditure of the plan period with expenditure worth Nu. 36.2 billion. Further, the top three OBCs account for 49 per cent of the total procurement expenditure with Nu. 23.4 billion. The top three high and frequent spending items are

OBC 51.02: Expenditure on Structures - Roads (including culverts, drains, etc.) with Nu. 13.3 billion (20 per cent), OBC 51.01: Expenditure on Structure - Buildings with Nu. 6.4 billion (13 per cent) and OBC 55.01: Professional Services with Nu. 3.8 billion (8 per cent). The average annual expenditure on these top three OBCs are Nu. 2.7 billion, Nu. 1.3 billion and Nu. 762 million, respectively. While the former two OBCs fall under works category, the later OBC falls under services. Figure 6 and Annexure 4 show the procurement expenditure by OBC for the top ten high spending items for the 10<sup>th</sup> FYP period.



**Figure 6. Top ten spending object codes of the ministries in the 10<sup>th</sup> FYP (in Million Ngultrum)**

In terms of budget source for procurement expenditure by the ten ministries, RGOB's budget supports 48 per cent (Nu. 22.7 billion) of the total procurement followed by an equally high share of 46 per cent (Nu. 21.8 billion) supported by external grants. Only 6 per cent (Nu. 2.9 billion) is supported through loans (Table 5).

**Table 5 Procurement expenditure of ministries by budget source in the 10<sup>th</sup> FYP**

Budget Source	Expenditure by Ministries in Million Ngultrum										Total	% of Total
	MOHCA	MOF	MOFA	MOAF	MOWHS	MOEA	MOIC	MOH	MOE	MOLHR		
RGOB	3,027	1,863	1,065	2,957	7,429	457	1,068	2,936	1,437	510	22,749	48%
Grant	1,270	343	28	2,533	7,313	2,805	3,128	1,603	2,084	657	21,765	46%
Loan	-	1	-	115	2,260	1	-	-	541	-	2,918	6%
Total	4,297	2,207	1,093	5,605	17,002	3,264	4,196	4,539	4,062	1,167	47,431	100%

### 3.1.2 Districts

In this section, the spending of the 20 districts in the 10<sup>th</sup> FYP period is presented. District-wise expenditure for the five years and the four procurement categories is presented. Areas of high and frequent spending are also analyzed to understand the spending patterns at district level.

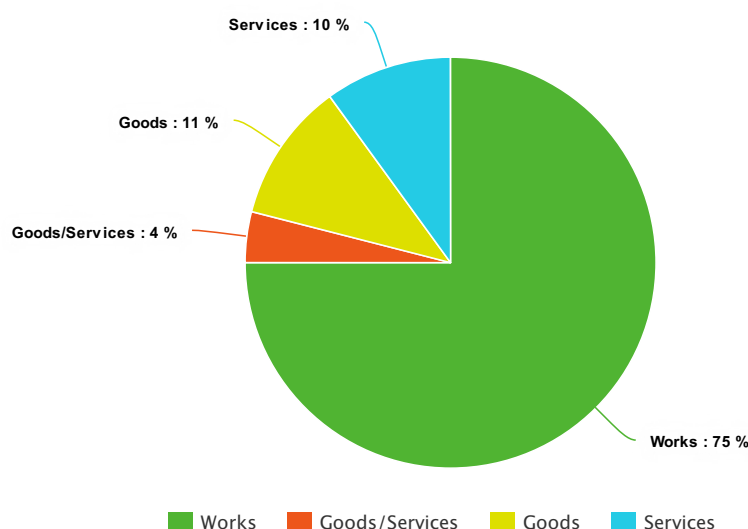
The total procurement expenditure of the 20 districts in the 10<sup>th</sup> FYP period accounts for Nu. 21.8 billion, with current expenditure accounting for Nu 3.7 billion (17 per cent) and capital expenditure amounting to Nu. 18.1 billion (83 per cent). The average annual procurement expenditure of the districts is Nu. 4.4 billion. The procurement expenditure over the five year period is progressive with a slight decrease in 2012-2013 FY.

Though the procurement expenditure for individual years shows increased expenses with ten per cent in 2008-2009 FY to 29 per cent in 2011-2012 FY, there is a sharp decrease of five percent in 2012-2013 FY with 24 per cent. The decrease in expenditure compared to the preceding year indicates a minus 18.3 per cent growth rate.

**Table 6 Expenditure and growth percentage of districts in the 10<sup>th</sup> FYP**

Fiscal Year	Expenditure in Million Nu.			Expenditure in %				Growth %
	Current Exp.	Capital Exp.	Total Exp.	Current	Capital	Total	Individual % of Total Exp.	
2008-2009	898	1,190	2,088	43%	57%	100%	10%	0%
2009-2010	1,032	1,941	2,973	35%	65%	100%	13%	42%
2010-2011	562	4,584	5,146	11%	89%	100%	24%	73%
2011-2012	610	5,761	6,371	10%	90%	100%	29%	24%
2012-2013	564	4,643	5,207	11%	89%	100%	24%	-18%
<b>Total</b>	<b>3,666</b>	<b>18,119</b>	<b>21,785</b>	<b>17%</b>	<b>83%</b>	<b>100%</b>	<b>100%</b>	

Expenditure by procurement category for the 20 districts in the 10<sup>th</sup> FYP indicates works comprise the highest spending – more than three fourth of the total expenditure in the plan period. Spending on works accounts for Nu. 16.5 billion (75 per cent) followed by Nu. 2.3 billion (11 per cent) on goods, Nu. 2.1 billion (10 per cent) on services and Nu. 888 million (4 per cent) on goods/services (Figure 7). In terms of procurement expenditure by districts, Trashigang has the highest spending with 11 per cent (Nu. 2.3 billion) of the total procurement followed by Mongar and Chukha with 8 per cent each with spending of Nu. 1.8 billion and Nu. 1.7 billion respectively. The remaining districts have procurement expenditure ranging from 1 per cent to 7 per cent. Gasa district has the lowest spending of Nu. 269 million (1 per cent). The spending by the top three districts and all other districts shows greater expenditure on works, which is explicitly visible in Figure 7 and 8.



**Figure 7. Expenditure of districts by procurement category in the 10<sup>th</sup> FYP**

Overall procurement expenditure for all the districts shows an increasing trend in the over the plan period (cf. Annexure 5). Nonetheless, there is a decline in spending in the final year of the plan period for all districts except in Thimphu and Mongar. Trashigang, Mongar and Chukha are the three highest spending districts (see Figure 9 and Figure 10).

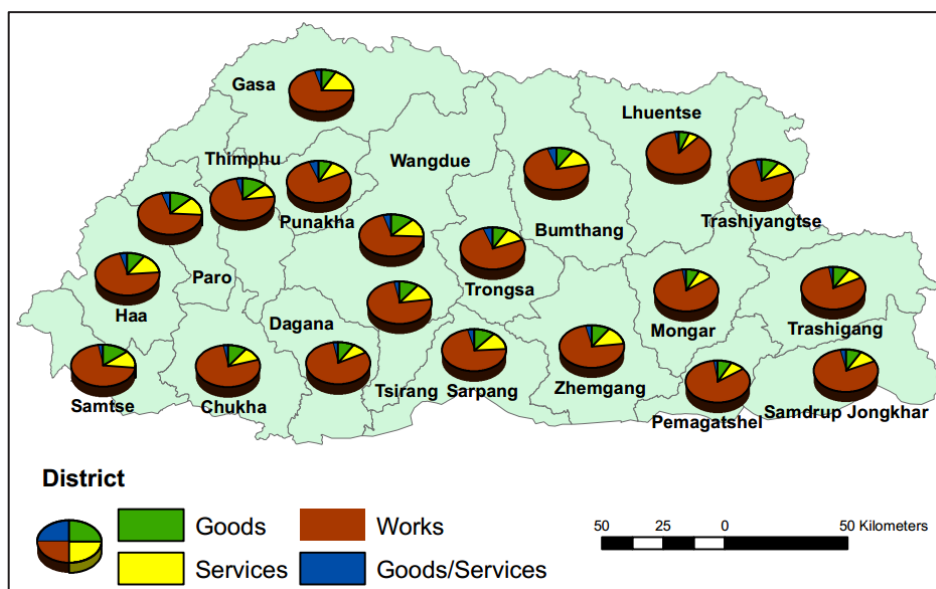


Figure 8. District level procurement expenditure in the 10th FYP (in per cent)

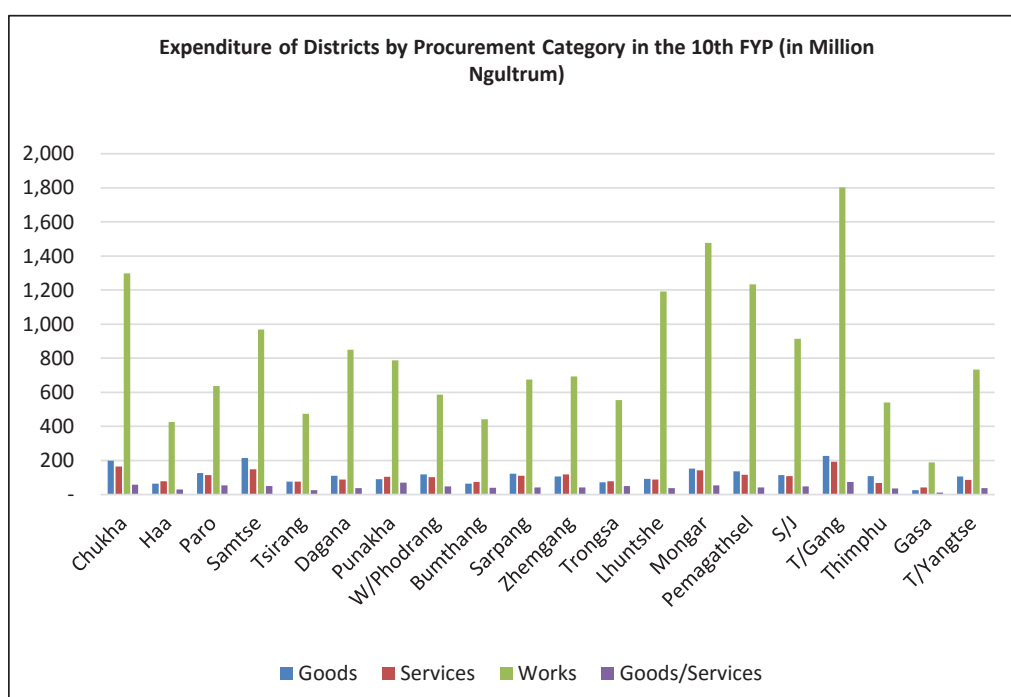
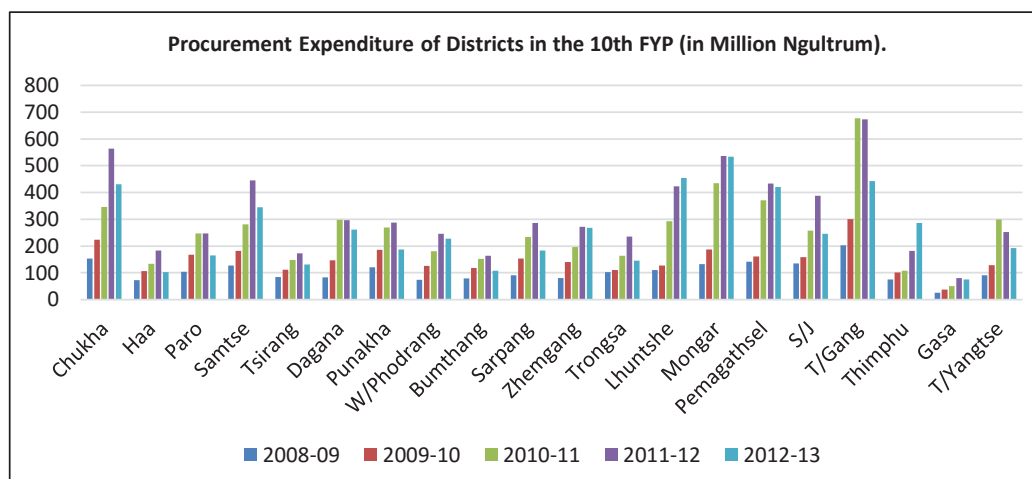
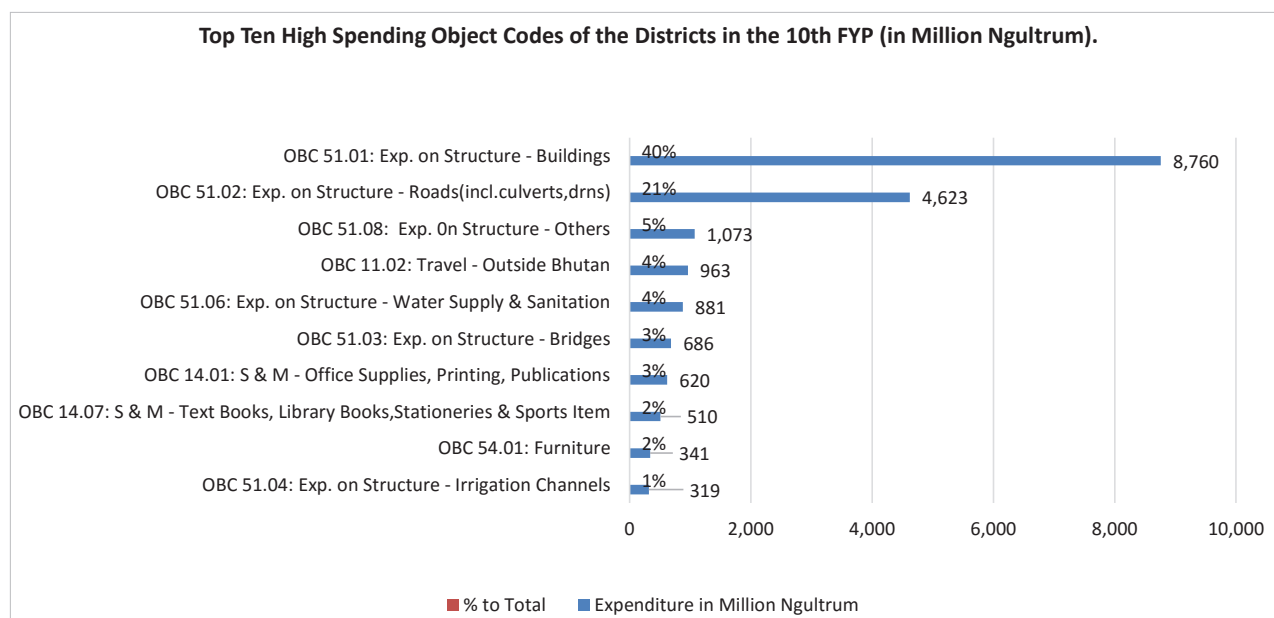


Figure 9. Expenditure of districts by procurement category in the 10th FYP (in Million Ngultrum).



**Figure 10. Procurement expenditure of districts in the 10th FYP (in Million Ngultrum)**

In Figure 11, procurement expenditure analysis by OBC for the 20 districts in the 10<sup>th</sup> FYP period indicates the highest expenditure on works. Annexure 7 provides detailed procurement expenditure by all OBC for the 20 districts in the 10<sup>th</sup> FYP. The top ten OBCs account for 86.2 per cent of the total procurement of the plan period with expenditure worth Nu. 18.8 billion. The top three highest spending OBCs account for 66 per cent of the total procurement with Nu. 14.5 billion. All the top three OBCs fall under the works category. The top three high and frequent spending items are OBC 51.01: Expenditure on Structure - Buildings with Nu. 8.8 billion (40 per cent), OBC 51.02: Expenditure on Structure - Roads (including culverts, drains, etc.) with Nu. 4.6 billion (21 per cent) and OBC 51.08: Expenditure on Structure - Others with Nu. 1.1 billion (5 per cent). The average annual expenditure on the top three items are Nu. 1.8 billion, Nu. 925 million and Nu. 215 million, respectively.



**Figure 11. Top ten spending object codes of 20 districts in the 10<sup>th</sup> FYP (in Million Ngultrum)**

In terms of budget source for procurement expenditure by the 20 Districts, RGOB's budget supports 62 per cent (Nu. 13.5 billion) of the total procurement followed by 36 per cent (Nu. 7.8 billion) supported by external grants (see Table 7). Only 2.5 per cent (Nu. 547 million) is supported by loans.

**Table 7 Procurement expenditure of districts by budget source in the 10<sup>th</sup> FYP (in Million Ngultrum)**

Districts	Budget source			Total
	RGOB	Grant	Loan	
Chukha	1,160	545	14	1,719
Haa	343	256	-	599
Paro	552	380	-	932
Samtse	1,004	376	-	1,380
Tsirang	397	250	3	649
Dagana	597	469	19	1,086
Punakha	749	302	-	1,051
W/Phodrang	568	286	1	854
B/Thang	417	202	-	620
Sarpang	543	406	-	949
Z/gang	545	381	33	959
Trongsa	486	262	9	757
Lhuntshe	717	620	72	1,409
Mongar	1,056	675	94	1,825
P/gathsel	980	483	65	1,528
S/Jongkhar	745	377	65	1,187
T/Gang	1,353	841	104	2,297
Thimphu	533	219	-	753
Gasa	180	88	-	269
T/Yangtse	560	335	69	964
Total	13,485	7,753	547	21,785
% of Total	62%	36%	2%	100%

### 3.1.3 Autonomous Agencies

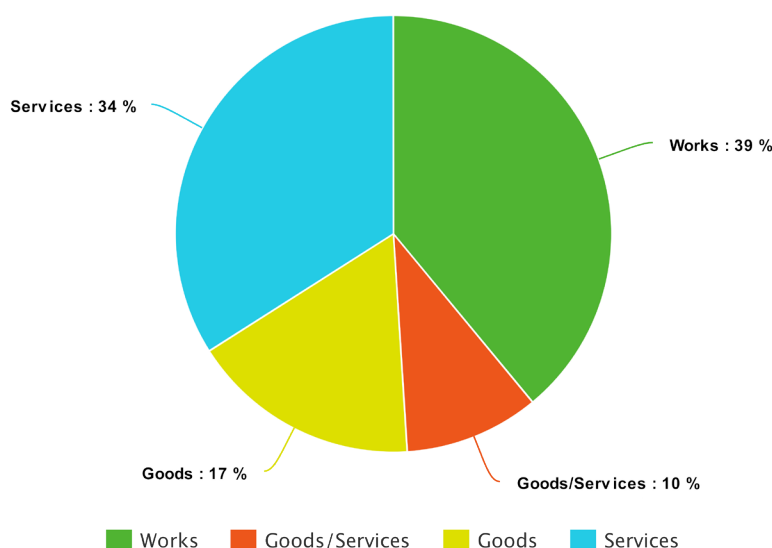
This section deals with the spending of 11 autonomous agencies in the 10<sup>th</sup> FYP. Areas of high and frequent spending are analyzed to understand the spending patterns at agency level.

The total procurement expenditure of the 11 agencies in the 10<sup>th</sup> FYP period amounts to Nu. 7 billion, with current expenditure amounting to Nu. 1.4 billion (21 per cent) and capital expenditure amounting to Nu. 5.6 billion (79 per cent). The average annual procurement expenditure of the 11 agencies is Nu. 1 billion. The procurement expenditure indicates progressive spending with 72 per cent in 2008-2009 FY growing to 84 per cent in 2011-2012 FY.

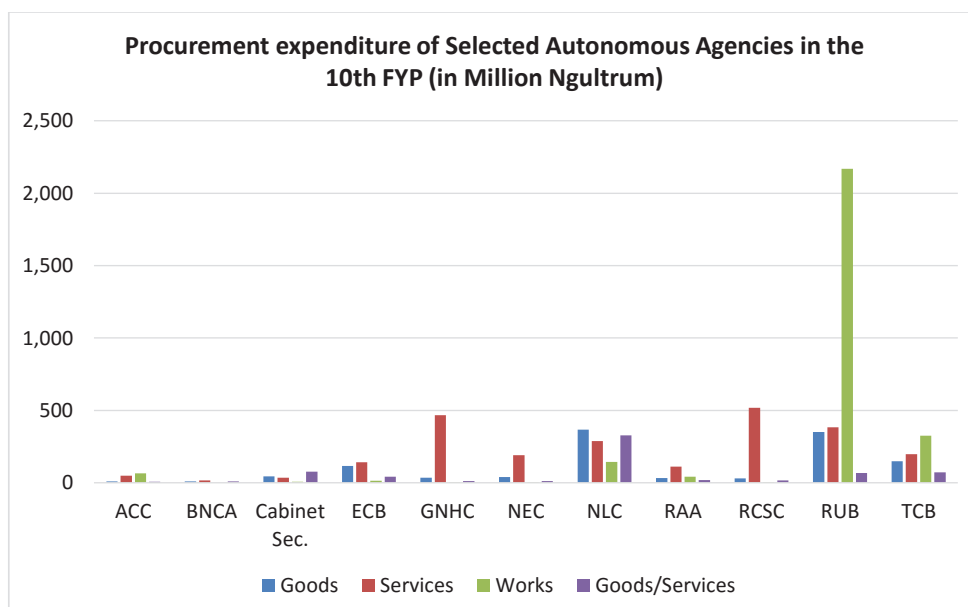
**Table 8 Expenditure and growth percentage of selected autonomous agencies in the 10<sup>th</sup> FYP**

Fiscal Year	Expenditure in Million Nu.			Expenditure in %				Growth %
	Current Exp.	Capital Exp.	Total	Current	Capital	Total	Individual % of Total Exp.	
2008-2009	235	598	833	28%	72%	100%	12%	0%
2009-2010	255	1,261	1,516	17%	83%	100%	21%	82%
2010-2011	322	1,284	1,606	20%	80%	100%	23%	6%
2011-2012	284	1,455	1,740	16%	84%	100%	25%	8%
2012-2013	348	990	1,338	26%	74%	100%	19%	-23%
<b>Total</b>	<b>1,446</b>	<b>5,588</b>	<b>7,034</b>	<b>21%</b>	<b>79%</b>	<b>100%</b>	<b>100%</b>	

Expenditure by procurement category for the 10<sup>th</sup> FYP shows works with the highest spending amounting to Nu. 2.8 billion (39 per cent). Unlike the ministries and the districts, expenditure on services also accounts for an almost equal proportion of the total expenditures as works. Services account for Nu. 2.4 billion (34 per cent), followed by goods with Nu. 1.2 billion (17 per cent) and goods/services with Nu. 669 Million (10 per cent) (Figure 12). In terms of procurement expenditure by the 11 autonomous agencies, RUB has the highest share of spending with 42 per cent (Nu. 3 billion), followed by National Land Commission (NLC) with 16 per cent (Nu. 1.1 billion) and Tourism Council of Bhutan (TCB) with 11 per cent (Nu. 747 million). Procurement expenditure by the remaining autonomous agencies ranges from less than one percent to eight per cent. The expenditure incurred by RUB on works alone is almost equal to the total procurement expenditure incurred by the eight lowest spending autonomous agencies (Figure 13).

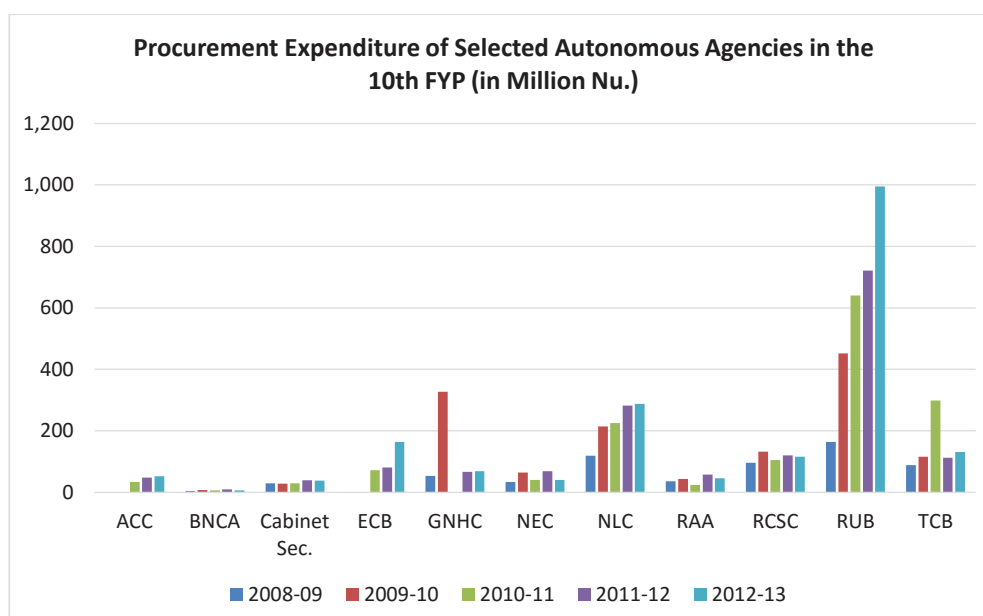


**Figure 12. Expenditure of selected autonomous agencies by procurement category in the 10<sup>th</sup> FYP (in percentage)**



**Figure 13. Expenditure of selected autonomous agencies by procurement category in the 10th FYP (in Million Ngultrum)**

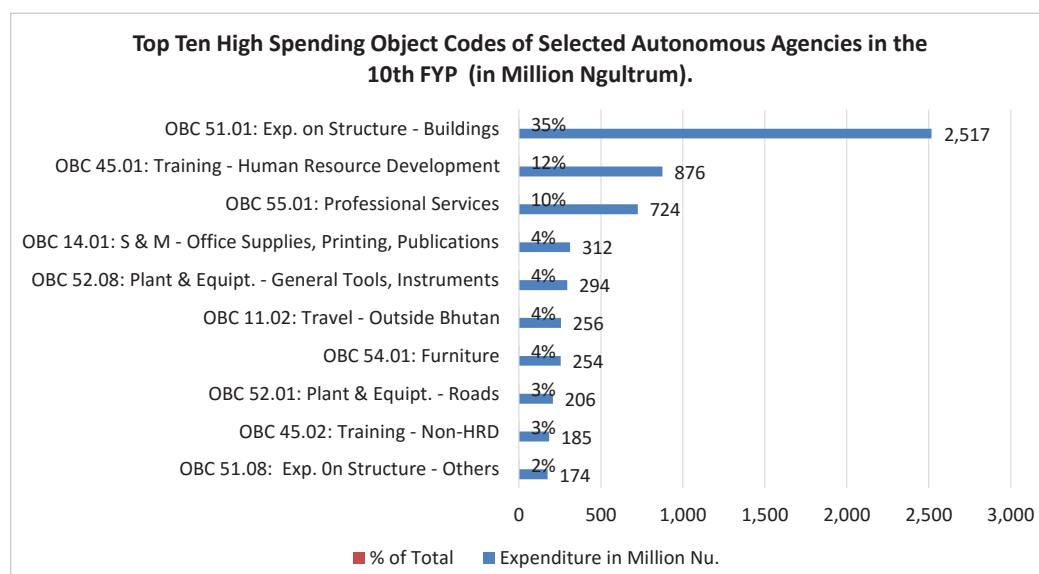
The procurement expenditure for the majority of the 11 autonomous agencies indicates an increment with variations in spending of a few autonomous agencies in the 10<sup>th</sup> FYP period. RUB has the highest procurement amongst the 11 autonomous agencies across all years with an average annual spending of Nu. 594 million in the plan period (cf. Figure 14 and Annexure 6). RUB is also the highest and most frequent spending autonomous agency.



**Figure 14. Procurement expenditure of selected autonomous agencies in the 10<sup>th</sup> FYP (in Million Nu.)**



Procurement expenditure analysis by OBCs for the 11 autonomous agencies in the 10<sup>th</sup> FYP period indicates the highest expenditure on works. The top ten OBCs accounts for 82 per cent of the total procurement during the plan period with expenditure worth Nu. 5.8 billion. The top three OBCs account for 57.9 per cent of the total procurement expenditure with Nu. 4.1 billion. The top three high and frequent spending items are OBC: 51.01: Expenditure on Structures - Buildings with Nu. 2.5 billion (35 per cent), OBC 45.01: Training - Human Resource Development with Nu. 876 million (12 per cent) and OBC: 55.01: Professional Services with Nu. 724 million (10 per cent). The average annual expenditure on these top three items are Nu.503 million, Nu. 175 million and Nu. 145 million, respectively. The top spending OBC falls under works category and the following two fall under services category. Figure 15 shows the procurement expenditure by OBC for the top ten high spending OBCs in the 10<sup>th</sup> FYP period. Annexure 9 shows detailed procurement expenditure of autonomous agencies by OBC in the 10<sup>th</sup> FYP.



**Figure 15. Top ten spending object codes of autonomous agencies in the 10<sup>th</sup> FYP (in Million Nu.)**

In terms of budget source for procurement expenditure by the 11 autonomous agencies, grants support 57 per cent (Nu. 4.1 billion) of the total procurement followed by RGOB's budget with 43 per cent (Nu. 3 billion). Loans account for less than 1 per cent of expenditure by the 11 autonomous agencies (Table 9).

**Table 9 Procurement Expenditure of selected autonomous agencies by budget source in 10<sup>th</sup> FYP**

Budget Source	Expenditure by Autonomous Agencies (in Million Ngultrum)											Total	% of Total
	ACC	BNCA	Cabinet Sec.	ECB	GNHC	NEC	NLC	RAA	RCSC	RUB	TCB		
RGOB	19	26	152	303	267	53	1,085	112	76	445	495	3,034	43%
Grant	115	9	16	14	255	193	62	95	495	2,572	252	4,078	57%
Loan	-	-	-	-	-	2	-	-	-	-	-	2	0%
Total	134	35	168	317	522	248	1,147	207	571	3,017	747	7,114	100%

### 3.2 State-owned enterprises

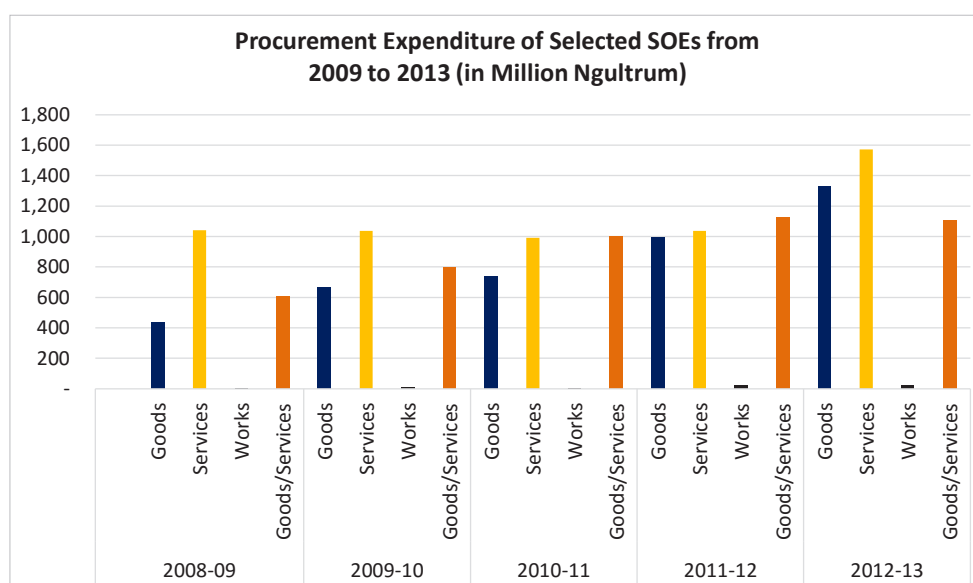
In this section, the spending of the seven SOEs of the past five financial years (2009 to 2013) is presented. Efforts are being made to present SOE-wise expenditure of the last five years and the four procurement categories. Areas of high and frequent spending are analysed to understand the patterns at SOE level.

The overall expenditure of the seven major SOEs adds up to Nu. 56.3 billion for the period from 2009 to 2013. Druk Green Power Corporation Ltd. (DGPCL) is the consistently highest spending SOE in all the past five years with a total expenditure of Nu. 25.6 billion, equivalent to 45 per cent of the five year total for all SOEs. DHI Infra is the least spending SOE, although it started operations only in 2011. The total expenditure of DHI Infra from 2011 to 2013 was Nu. 32 million. The overall expenditure for the period has been very progressive with 86 per cent growth percentage (cf. Table 10).

**Table 10 Expenditure and growth percentage of selected SOEs from 2009 to 2013 (in Million Ngultrum)**

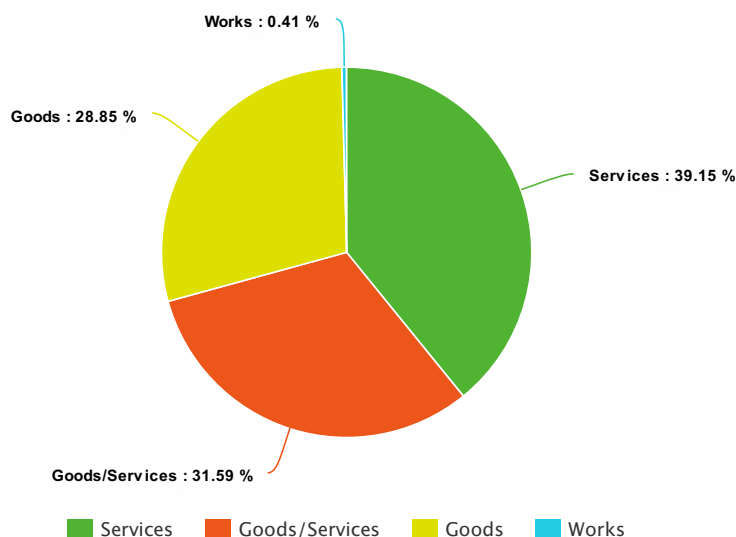
SOEs		DGPCL	BPCL	NRDCL	BTL	DACL	DHI	DHI Infra	Total	% of Total
Calendar Years	2009	4,321	1,480	224	516	927	68	0	9,545	0%
	2010	5,302	1,569	250	534	1,147	45	0	10,858	14%
	2011	5,348	1,795	275	1,145	1,469	52	4	12,099	11%
	2012	5,143	5,019	363	1,402	2,340	132	11	16,422	36%
	2013	5,534	5,048	366	1,655	2,889	218	17	17,740	8%
Total		25,648	14,911	1,479	5,252	8,772	515	32	56,609	
% of Total		45%	26%	3%	9%	16%	1%	0%	100%	

In this section, attempts have been made to segregate the procurement expenditure of the SOEs into goods, services, works and goods/services. The total procurement expenditure of the seven SOEs in the past five years accounts for Nu. 56.6 billion with highest expenditure in 2013 with Nu. 17.7 billion, which is equivalent to 10 per cent of the total five year expenditure.



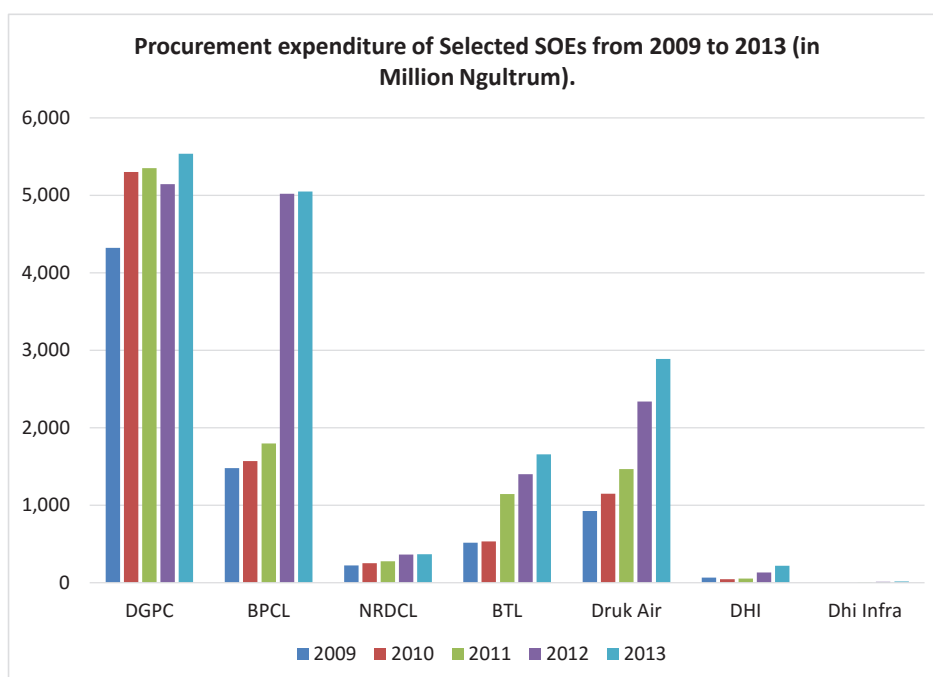
**Figure 16. Procurement expenditure of selected SOEs (in Million Ngultrum)**

In figure 17, the expenditure by procurement category from 2009 to 2013 shows services with the highest expenditure amounting to Nu. 5.7 billion (39 per cent) followed by goods/services with Nu. 4.6 billion (32 per cent) and goods with Nu. 4.2 billion (29 per cent). Works category has the least spending with Nu. 59.4 million (less than 1 per cent).



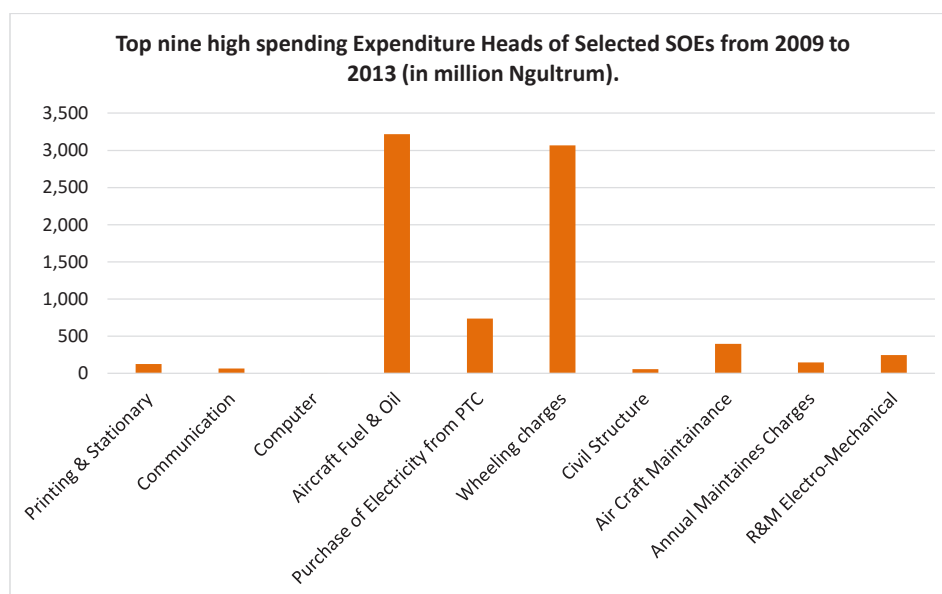
**Figure 17. Expenditure of selected SOEs by procurement category from 2009 to 2013 (in percentage)**

For SOEs, procurement expenditure has increased over the last five years. Detailed expenditures of the seven SOEs are presented in Annexure 8 for reference. DGPCL has the highest procurement among the seven SOEs for all the past five years with a total spending of Nu. 25.6 billion. This accounts for 45 per cent of the total. The average procurement expenditure of DGPCL is Nu. 5.1 billion per calendar year of the past five years. Bhutan Power Corporation Limited's (BPCL) procurement expenditure is second highest with Nu. 14.9 billion, equivalent to 26 per cent followed by Drukair Corporation Limited (DACL) spending Nu. 8.8 billion, equivalent to 15 per cent of the total (Figure 18). DGPCL and BPCL and DACL are therefore the highest and most frequently spending SOEs among the seven SOEs.



**Figure 18. Procurement expenditure of selected SOEs in the 10<sup>th</sup> FYP (in Million Ngultrum)**

Procurement expenditure analysis by category for the seven SOEs in the last five years indicates the highest expenditure is on services (cf. Figure 17). The top nine expenditure categories accounts for 55 per cent of the total procurement with expenditure worth Nu. 8.1 billion. The top three expenditure categories accounts for 48 per cent of the total procurement expenditure with Nu. 7 billion. The top three high and frequent spending expenditure items are; purchase of air craft fuel and oil (Nu. 3.2 billion); wheeling charges (Nu. 3.1 billion); and purchase of electricity from Power Trading Corporation of India (Nu. 737 million).



**Figure 19. Top nine high spending of selected SOEs by category from 2009 to 2013**

## Section 4 Discussion

The quantitative mapping of public procurement of the RGOB in the 10<sup>th</sup> FYP shows that a significant portion of public funds is allocated to the procurement of goods, services and infrastructure. Both current and capital expenditures are used for procurement, the majority of which through current expenditure. The findings show that works have the highest expenditure across all government agencies. The top three high spending Object Codes are OBC 51.02: Expenditure on Structure - Roads (including culverts, drains, etc.) with Nu 17.9 billion (23.4 per cent), followed by OBC: 51.01: Expenditure on Structure - Buildings with Nu. 17.6 billion (23.1 per cent) and OBC: 55.01: Professional Services with Nu. 4.5 billion (6 per cent). The combined expenditure of OBC 51.02 and OBC 51.01 accounts for 46.5 per cent of the 11 agencies (Nu. 35.5 billion).

For the ministries, expenditure is highest in infrastructure, namely roads (including culverts, drains, etc.), buildings and others. Professional services under services also have high expenditure. The three highest and frequent spending ministries are MOWHS, MOAF and MOH, with spending mostly dominated by works. As evident from Table 1, ministries contribution accounted for 52% of the total expenditures aggregating to Nu. 47.4 billion from 2008-2013. This is mainly due to the high procurement expenditure incurred on works with Nu. 23.1 billion, where the most spending went towards infrastructure.

The contribution by districts to the total expenditure is second highest, accounting for 24 per cent of the total expenditure aggregating to Nu. 21.8 million from 2008 to 2013. Procurement expenditure at the district level for the same period is dominated by works with Nu. 16.5 billion, the large expenses being incurred on buildings and roads. Works at the district level have the highest expenditure across all the years of the 10<sup>th</sup> FYP. Expenditure on construction, especially buildings, roads and others have higher expenditure. Of the 20 districts, Trashigang, Mongar and Chukha are the districts with the highest expenditure, most of it concentrated on works. Goods account for the second highest expenditure with major expenditure composed of office supplies, printing, publications, textbooks and library, and furniture.

Although the trend is similar for autonomous agencies where works have high spending with Nu. 2.8 billion, the overall contribution is the lowest, accounting for only 8 per cent of the total expenditure. In particular, RUB has the highest overall spending followed by NLC and TCB. Works, especially the construction of buildings has been recorded highest spending followed by services.

Contribution by SOEs to total expenditure ranks third, accounting for 16 per cent of the total expenditure aggregating to Nu. 14.5 billion. In terms of procurement by category, services have shown the highest with Nu. 5.7 billion, which is different for the ministries, districts and autonomous agencies. The major expenditure component under services is wheeling charges. Of the seven SOEs, DGPCL has recorded the highest spending, which is mostly attributed to expenditure on wheeling charges. BPCL has the second highest procurement expenditure specifically due to purchase of electricity from Power Trading Corporation of India during winter when domestic production is all time low. DACL, the third largest spending SOE, spends highest on purchase of aircraft fuel and oil.

The Royal Audit Authority of Bhutan's (RAA, 2013) special study on the procurement of consultancy services in the public sector and the Public Accounts Committee (2014) reveals that a significant proportion of government's expenditure was made on procuring consultancy services (2007-2008 to 2011-2012) amounting to Nu. 4.6 billion. From this study, a similar trend is observed with most agencies spending a substantial amount on procurement of services. For instance, procurement of professional services was the third highest spending object code in the ministries accounting for 8 per cent with Nu. 3.8 billion. Similarly in autonomous agencies, procurement of professional services ranked third with 10 per cent of the total procurement expenditure with Nu. 724 million. The trend of procurement of services in SOEs is not very different than government agencies revealing the highest procurement with 39 per cent amounting to Nu. 5.7 billion.

Comparing the RGOB agencies and SOEs frequent area of expenditure with the global scenario, it provides a similar picture. The areas of frequent public expenditure presented in the project summary document (SWITCH-Asia Promoting Sustainable Consumption and Production) are: **Goods:** Air conditioning, office ICT, vehicles, indoor and outdoor lighting, paper, office supplies, fuel, furniture, and apparel. **Services:** Management consultancy services, IT consultancy services, software, services and data centres, electricity, couriers and postal, fleet and vehicles, waste handling, catering (food and beverages), and landscaping. **Works:** Commercial building, residential building, airports, schools, correctional facilities, power plants and distribution grids, water treatment facilities, sewage treatment plants, municipal/hazardous waste management facilities, and roads.

In line with the above global areas of frequent public expenditure, for Bhutan too, the areas of frequent expenditures for goods are office supplies, printing, publications, text books, and library, furniture and general tools. For services the areas of frequent public expenditure are on procurement of professional services, wheeling services, purchase of electricity and aircraft fuel. For works the areas of frequent public expenditure are construction of buildings, roads, bridges and other structures.

Procurement expenditure is mostly sourced from government funds and almost equal proportion is funded through external grants. For the government agencies, 48 per cent of the source of expenditure is from government funds, 46 per cent from grants and only 6 per cent is from loans.

## Section 5 Conclusion

Procurements for ministries, districts, autonomous agencies and SOEs were categorized into goods, services, works and goods/services for the last five years. Ministries have the highest procurement expenditure (52 per cent) followed by districts (24 per cent), SOEs (16 per cent) and autonomous agencies (8 per cent). In terms of frequency of spending, works dominate the procurement expenditure for the past five years except for SOEs where the expenditure on works was very low. Among ministries, MOWHS has the highest expenditure with 36 per cent (Nu. 17 billion) of total ministerial spending. At the district level, the trend is similar with works receiving the highest expenditure. Trashigang has the highest expenditure amongst the districts. In terms of total procurement expenditure for the 11 autonomous agencies in the same period, Nu. 7 billion was spent on procurement of works. Specifically, RUB ranks the highest with Nu. 3 billion. In contrast, SOEs have higher expenditure on services with Nu. 5.7 billion (39 per cent). DGPCL has the highest expenditure among SOEs.

Based on the experience from data collection and retrieval from this research study, it was found that all government agencies have standard expenditure management systems that are sufficiently specific to identify procurement categories and types. The expenditure data is centrally managed and stored with the Department of Public Accounts, MOF. On the other hand, SOEs have their own data management system that is not necessarily centralized. This inconsistency in data collection did not allow the study to present a proper set of consolidated statistics. The SOEs style of auditing is also different for different years since the audit is conducted by various firms each year. Nonetheless, the analysis provides a fair picture of the national procurement expenditure and procurement at the goods, services and works level.

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# Glossary of Terms

**Autonomous agency:** Government agency which is not under the direct purview of the Royal Civil Service Commission (RCSC)

**Capital expenditure:** Government spending on infrastructure (roads, bridges, hospitals, schools, etc.).

**Central Budgeting and Accounting System(CBA):** The centralised budgeting system, prior to launch of Multi-year Rolling Budget(MYRB) and Public Expenditure Management System (PeMS) that managed both annual budget and expenditure by all the Government agencies.

**Constitutional offices:** refers to the four offices viz. Royal Audit Authority (RAA), Anti-Corruption Commission (ACC), Royal Civil Service Commission (RCSC) and Election Commission of Bhutan (ECB) mandated with safeguarding certain specific provisions of the constitution.

**Consultant:** individual/firm specialising in supply of specialised services to the Government such as: management services; IT services.

**Consultancy contract:** a legal agreement between a consultant and a procurer to carry out specialised services for the Government such as: management services; IT services.

**Current expenditure:** Government expenditure on day to day running of the Government (include salaries, emoluments etc.).

**Dzongkhag:** Bhutanese term for district

**Gewog:** Bhutanese term for administrative block or sub-district

**Goods:** items procured by the Government, for instance, air conditioning, office ICT, vehicles, indoor and outdoor lighting, paper, office supplies, fuel, furniture, and apparel.

**Ngultrum:** Bhutanese Currency (1 USD = 64 BTN)

**Object codes:** categorization of Government expenses in the accounting system under different heads such as: expenses on structure (roads, buildings, bridges, others); professional services; plant and equipments; training; medicines and laboratory consumables; and purchase of vehicles.

**Procurers:** refers to Government agencies engaging in procurement of goods, works or services.

**Procurement Rules and Regulations (PRR):** set of rules and regulations that apply to all Government agencies when engaging in procurement of goods, works and services so as to ensure transparency, uniformity, economy and efficiency, and fair and equal access to suppliers, consultants and contractors.

**Public Expenditure Management System (PEMS):** current online Government accounting system that controls and monitors the accounts of all the agencies.

**Public procurement:** processes used by governments and public sector organizations to purchase goods, services and commission infrastructure developments.

**Services:** specialised services procured by the Government such as: management consultancy services; IT consultancy services; software; services and data centres; electricity; couriers and postal; fleet and vehicles; waste handling, catering (food and beverages); and landscaping.

**Standard Bidding Document (SBD):** standard document required to be used by the PRR 2009 for the procurement of goods and works in the National Bidding processes that are financed in whole or in part by the RGoB.

**State Owned Enterprise (SOE):** a company that is fully owned by the Government and is directly under Druk Holding and Investments (DHI), for instance, Druk Air.

**Supplier:** refers to any business entity that supplies goods, works or services to the Government.

**Sustainable Development:** development that meets the needs of the present generation without compromising the ability of the future generations to meet their own needs.

**Works:** infrastructure development works undertaken by the Government such as: public building; airports; schools; correctional facilities; power plants and distribution grids; water treatment facilities; sewage treatment plants; municipal/hazardous waste management facilities; and roads.

# Annexures

## Annexure 1 List of Autonomous Agencies including Constitutional Offices

	Agency
<b>A</b>	<b>Constitutional Bodies</b>
1	Judiciary
2	Royal Civil Service Commission
3	Anti-Corruption Commission
4	Election Commission
5	Royal Audit Authority
<b>B</b>	<b>Autonomous Agencies</b>
1	His Majesty's Secretariat
2	Secretariat of His Majesty the Fourth King
3	National Assembly of Bhutan
4	National Council
5	Royal Privy Council
6	Council for Religious Affairs
7	Cabinet Secretariat
8	Office of the Attorney General
9	Gross National Happiness Commission
10	National Land Commission
11	National Environment Commission
12	Dzongkha Development Commission
13	National Statistics Bureau
14	Centre for Bhutan Studies
15	Royal Institute of Management
16	Royal University of Bhutan
17	Royal Education Council
18	Bhutan Council for School Examinations & Assessment
19	Royal Institute of Law & Bhutan National Legal Institute
20	University of Medical Sciences of Bhutan
21	Bhutan Narcotic Control Agency
22	Drug Regulatory Authority
23	Bhutan InfoComm and Media Authority
24	Bhutan Standard Bureau
25	National Commission for Women and Children
26	Bhutan Olympic Committee
27	Tourism Council of Bhutan
28	Royal Institute of Tourism and Hospitality
29	Jigme Dorji Wangchuck National Referral Hospital
30	Bhutan Broadcasting Service
31	Civil Society Organisation Authority

## Annexure 2 Categorization of procurement: Goods, Services, Works and Goods/Services

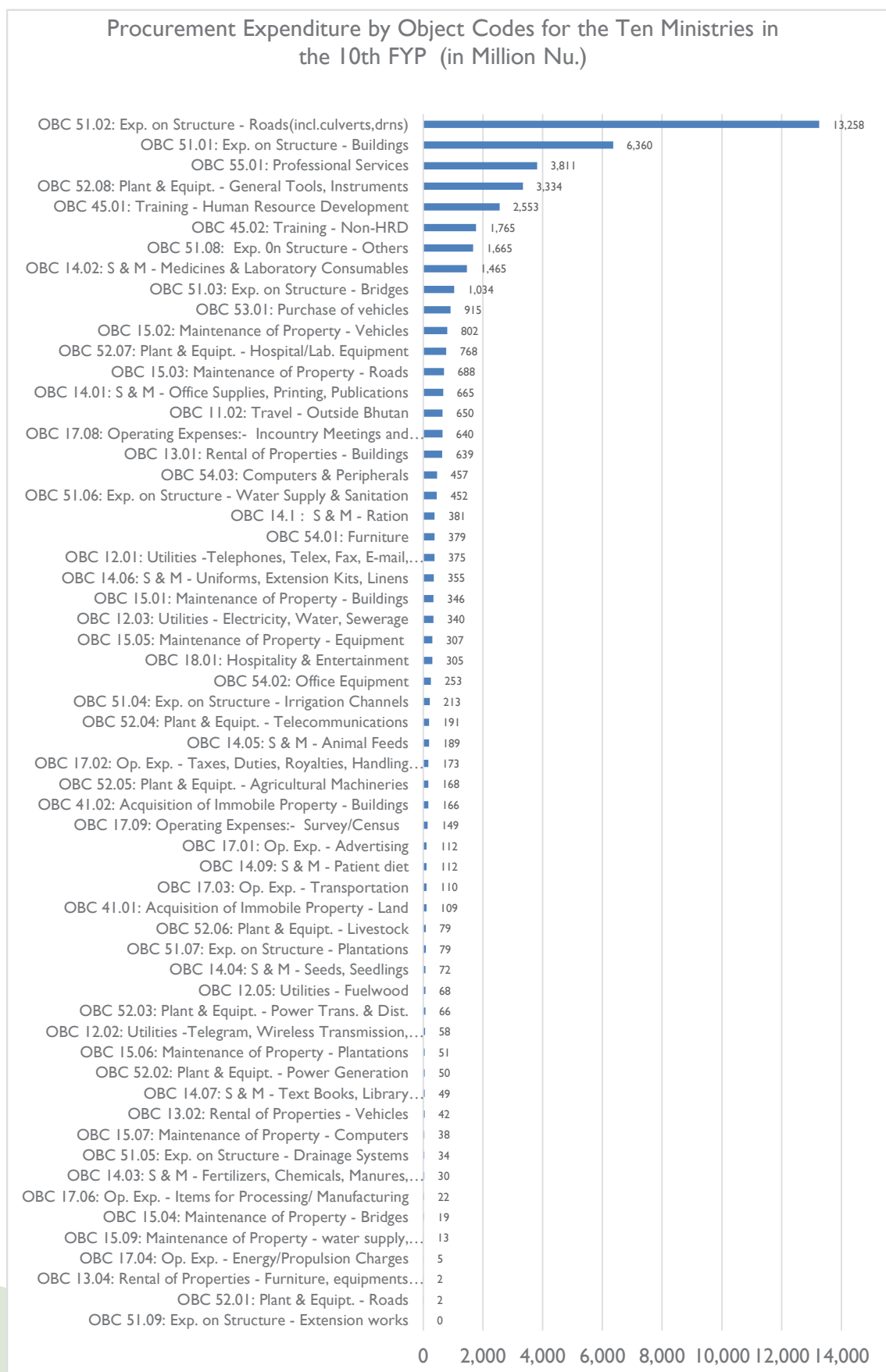
Current Expenditure				Capital Expenditure			
SL	Category	OBC	OBC title	SL	Category	OBC	OBC title
1	Goods	14.01	S & M - Office Supplies, Printing, Publications	1	Goods	41.01	Acquisition of Immobile Property - Land
2	Goods	14.02	S & M - Medicines & Laboratory Consumables	2	Goods	41.02	Acquisition of Immobile Property - Buildings
3	Goods	14.03	S & M - Fertilizers, Chemicals, Manures, Inoculants	3	Goods	52.02	Plant & Equipmt. - Power Generation
4	Goods	14.04	S & M - Seeds, Seedlings	4	Goods	52.03	Plant & Equipmt. - Power Trans. & Dist.
5	Goods	14.05	S & M - Animal Feeds	5	Goods	52.04	Plant & Equipmt. - Telecommunications
6	Goods	14.06	S & M - Uniforms, Extension Kits, Linens	6	Goods	52.05	Plant & Equipmt. - Agricultural Machineries
7	Goods	14.07	S & M - Text Books, Library Books, Stationeries & Sports Item	7	Goods	52.06	Plant & Equipmt. - Livestock
8	Goods	14.09	S & M - Patient diet	8	Goods	52.07	Plant & Equipmt. - Hospital/ Lab. Equipment
	Goods	14.1	S & M - Diet / Ration	9	Goods	52.08	Plant & Equipmt. - General Tools, Instruments
9	Services	11.02	Travel - Outside Bhutan	10	Goods	53.01	Purchase of vehicles
10	Services	12.01	Utilities -Telephones, Telex, Fax, E-mail, Internet	11	Goods	54.01	Furniture
11	Services	12.02	Utilities -Telegram, Wireless Transmission, Postage	12	Goods	54.02	Office Equipment
12	Services	12.03	Utilities - Electricity, Water, Sewerage	13	Goods	54.03	Computers & Peripherals
13	Services	12.05	Utilities - Fuelwood	14	Services	45.01	Training - Human Resource Development
14	Services	13.01	Rental of Properties - Buildings	15	Services	45.02	Training - Non-HRD
15	Services	13.02	Rental of Properties - Vehicles	16	Services	55.01	Professional Services
16	Services	13.04	Rental of Properties - Furniture, equipments & land	17	Works	51.01	Exp. on Structure - Buildings
17	Services	17.01	Op. Exp. - Advertising	18	Works	51.02	Exp. on Structure - Roads(incl. culverts, drns)
18	Services	17.02	Op. Exp. - Taxes, Duties, Royalties, Handling Charges, Bank Charges	19	Works	51.03	Exp. on Structure - Bridges
19	Services	17.03	Op. Exp. - Transportation	20	Works	51.04	Exp. on Structure - Irrigation Channels

20	Services	17.04	Op. Exp. - Energy/ Propulsion Charges	21	Works	51.05	Exp. on Structure - Drainage Systems
21	Goods / Services	15.01	Maintenance of Property - Buildings	22	Works	51.06	Exp. on Structure - Water Supply & Sanitation
22	Goods / Services	15.02	Maintenance of Property - Vehicles	23	Works	51.07	Exp. on Structure - Plantations
23	Goods / Services	15.03	Maintenance of Property - Roads		Works	51.08	Exp. On Structure - Others
24	Goods / Services	15.04	Maintenance of Property - Bridges	24	Works	51.09	Exp. on Structure - Extension works
25	Goods / Services	15.05	Maintenance of Property - Equipment	25	Goods / Services	52.01	Plant & Equipt. - Roads
26	Goods / Services	15.06	Maintenance of Property - Plantations				
27	Goods / Services	15.07	Maintenance of Property - Computers				
28	Goods / Services	15.09	Maintenance of Property - water supply, sewerage, playfield				
29	Goods / Services	17.06	Op. Exp. - Items for Processing/ Manufacturing				
30	Goods / Services	17.08	Operating Expenses:- In- country Meetings and celebration				
31	Goods / Services	17.09	Operating Expenses:- Survey/Census				
32	Goods / Services	18.01	Hospitality & Entertainment				

### Annexure 3 Ministry wise Procurement Expenditure for the 10 FYP (in million Ngultrum)

Procurement Category	Fiscal Years	MOHCA	MOF	MOFA	MOA	MOWHS	MOEA	MOIC	MOH	MOE	MOLHR
Goods	2008-2009	328	118	17	247	70	46	34	478	55	40
	2009-2010	325	113	25	354	158	62	308	435	60	80
	2010-2011	147	29	12	205	18	22	6	330	10	17
	2011-2012	297	166	166	341	91	57	802	609	55	24
	2012-2013	234	141	40	378	50	23	750	502	58	20
<b>Sub Total</b>		<b>1,331</b>	<b>566</b>	<b>260</b>	<b>1,525</b>	<b>388</b>	<b>210</b>	<b>1,900</b>	<b>2,354</b>	<b>238</b>	<b>182</b>
Services	2008-2009	90	162	65	218	97	117	48	171	214	67
	2009-2010	118	181	86	260	102	414	68	213	394	82
	2010-2011	201	221	129	325	143	1,541	953	330	375	123
	2011-2012	236	153	149	299	163	408	190	232	409	133
	2012-2013	278	171	136	328	78	260	98	231	395	149
<b>Sub Total</b>		<b>923</b>	<b>888</b>	<b>565</b>	<b>1,430</b>	<b>583</b>	<b>2,740</b>	<b>1,357</b>	<b>1,177</b>	<b>1,787</b>	<b>554</b>
Works	2008-2009	98	47	4	295	1,939	36	18	221	330	13
	2009-2010	213	114	10	333	3,466	34	24	113	162	24
	2010-2011	433	99	5	262	2,265	22	98	48	159	57
	2011-2012	444	85	1	317	3,436	24	442	40	518	151
	2012-2013	421	146	7	694	4,137	40	253	194	709	92
<b>Sub Total</b>		<b>1,610</b>	<b>491</b>	<b>28</b>	<b>1,900</b>	<b>15,242</b>	<b>157</b>	<b>835</b>	<b>616</b>	<b>1,878</b>	<b>337</b>
Goods / services	2008-2009	114	41	28	103	130	15	14	51	25	18
	2009-2010	74	39	46	126	136	30	23	70	43	21
	2010-2011	66	57	58	158	155	37	18	77	29	17
	2011-2012	95	68	50	189	165	40	25	81	30	20
	2012-2013	86	58	58	173	201	34	25	113	32	18
<b>Sub Total</b>		<b>434</b>	<b>262</b>	<b>240</b>	<b>750</b>	<b>787</b>	<b>156</b>	<b>105</b>	<b>392</b>	<b>158</b>	<b>95</b>
<b>Grand Total</b>		<b>4,297</b>	<b>2,207</b>	<b>1,093</b>	<b>5,605</b>	<b>17,001</b>	<b>3,263</b>	<b>4,196</b>	<b>4,539</b>	<b>4,062</b>	<b>1,168</b>

## Annexure 4 Procurement Expenditure by Object Codes for the Ministries in 10 FYP (in Million Ngultrum)





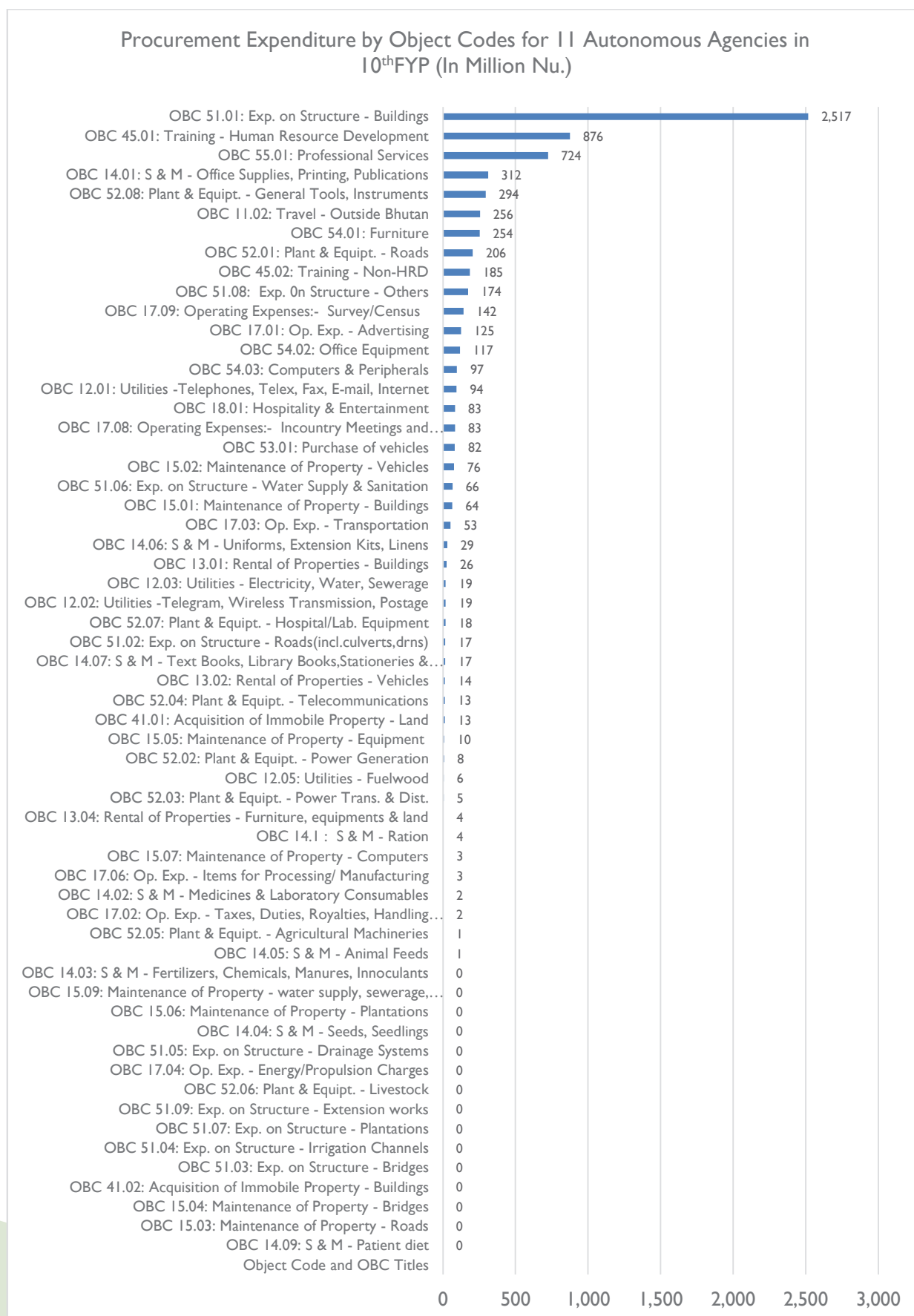
## Annexure 5 District wise Procurement Expenditure for the 10 FYP (in million Ngultrum)

Procurement Category	Fiscal Years	CHUKHA	HAA	PARO	SAMTSE	TSIRANG	DAGANA	PUNAKHA	W/PHODRANG	B/THANG	SARPANG	ZHEMGANG	TRONGSA	LHUNTSE	MONGAR	P/GATSHEL	S/JONGKHAR	T/GANG	THIMPHU	GASA	T/YANGTSE
Goods	2008-2009	18	11	33	23	15	16	16	17	13	16	15	12	12	22	17	16	30	16	5	10
	2009-2010	28	7	17	19	9	14	15	19	8	15	14	10	9	17	16	11	32	6	3	13
	2010-2011	47	14	20	53	15	23	26	19	15	44	23	14	26	35	53	26	54	13	4	17
	2011-2012	66	17	32	71	21	33	19	19	17	30	31	17	24	33	25	28	64	29	10	19
	2012-2013	41	15	25	48	16	24	14	44	12	17	23	18	22	45	26	34	48	44	4	47
Sub Total		200	64	127	214	75	110	90	118	64	122	106	72	92	152	137	115	228	109	25	106
Services	2008-2009	50	24	38	40	24	26	32	33	23	33	31	25	23	40	34	34	58	22	12	27
	2009-2010	65	29	46	54	32	42	44	40	28	38	38	31	34	58	44	39	76	27	16	38
	2010-2011	15	10	10	18	6	6	9	7	8	10	15	7	7	11	12	9	20	6	4	7
	2011-2012	23	11	11	16	8	8	12	9	9	10	16	9	10	12	17	11	23	7	6	9
	2012-2013	11	5	9	20	5	5	7	12	6	18	18	7	14	21	9	16	15	7	4	6
Sub Total		164	79	114	148	75	87	104	101	75	110	118	79	88	142	115	109	193	68	42	87
Works	2008-2009	79	33	25	57	42	35	53	14	39	35	28	59	70	64	86	76	105	33	6	49
	2009-2010	122	65	97	97	66	86	111	57	76	90	82	62	77	104	94	98	178	63	16	69
	2010-2011	274	104	208	201	122	261	223	146	118	172	153	134	254	373	298	214	587	83	39	267
	2011-2012	457	148	191	348	139	242	243	205	126	238	213	187	381	478	379	339	569	135	62	215
	2012-2013	366	76	117	265	105	226	156	165	82	140	217	113	410	457	376	187	363	227	65	132
Sub Total		1,298	426	638	968	474	850	787	587	441	675	693	555	1,192	1,476	1,234	914	1,802	541	189	733
Goods/ Services	2008-2009	7	6	9	7	4	6	19	10	4	7	6	6	5	7	4	10	10	5	2	5
	2009-2010	9	6	8	12	5	5	15	9	6	10	6	7	8	7	7	10	14	5	3	7
	2010-2011	10	6	10	10	5	7	11	8	10	9	7	9	6	16	9	9	16	7	3	8
	2011-2012	18	7	13	11	6	14	14	13	11	9	12	22	9	12	12	10	17	11	3	11
	2012-2013	13	6	14	11	6	6	10	7	8	8	10	7	8	12	10	9	17	8	3	7
Sub Total		58	30	54	50	25	38	70	48	40	42	41	51	37	54	42	49	74	35	13	39
Grand Total		1,719	599	932	1,380	649	1,086	1,051	854	620	949	959	757	1,409	1,824	1,528	1,187	2,297	753	269	964

## Annexure 6 Autonomous Agency wise Procurement Expenditure for the 10FYP (in million Ngultrum)

Procurement Category	Fiscal Years	ACC	BNCA	Cabinet Secretariat	ECB	GNHC	NEC	NLC	RAA	RCSC	RUB	TCB
Goods	2008-2009	-	1	1	-	12	3	3	4	6	16	6
	2009-2010	-	1	3	-	15	10	34	10	2	39	6
	2010-2011	3	2	10	35	-	6	126	5	5	72	114
	2011-2012	5	4	19	24	2	9	124	12	8	50	13
	2012-2013	3	1	10	57	5	11	80	3	11	174	11
Sub Total		11	9	44	116	35	40	366	33	32	352	149
Services	2008-2009	-	3	13	-	38	28	42	27	89	74	32
	2009-2010	-	6	9	-	310	52	68	29	129	107	35
	2010-2011	14	2	1	30	-	31	21	14	98	100	47
	2011-2012	15	3	4	39	59	53	76	23	105	55	44
	2012-2013	21	3	9	74	59	28	80	20	98	46	41
Sub Total		50	16	36	143	466	192	288	112	519	383	199
Works	2008-2009	-	-	1	-	1	-	49	2	-	48	34
	2009-2010	-	-	0	-	-	-	1	3	-	282	35
	2010-2011	16	-	5	1	-	1	8	2	0	449	130
	2011-2012	25	-	-	5	-	1	23	18	2	615	52
	2012-2013	24	-	-	10	-	0	66	18	-	774	75
Sub Total		65	-	7	16	1	1	145	43	2	2,169	327
Goods/ Services	2008-2009	-	1	14	-	2	2	25	4	1	25	17
	2009-2010	-	1	15	-	2	2	111	3	1	24	40
	2010-2011	2	3	12	6	-	2	71	3	2	18	8
	2011-2012	3	2	16	13	5	6	60	5	6	1	4
	2012-2013	4	2	19	24	4	2	61	5	6	-	5
Sub Total		8	9	76	43	13	13	328	19	17	68	73
Grand Total		134	35	163	317	515	247	1,128	207	569	2,971	747

## Annexure 7 Procurement Expenditure by Object Codes for 11 Autonomous Agencies in 10 FYP (In Million Ngultrum)



## Annexure 8 SOE wise Procurement Expenditure from 2008 to 2013 (in million Ngultrum)

SOEs and Expenditure Heads	Calendar Years				
	2009	2010	2011	2012	2013
<b>Druk Green Power Corporation</b>					
Operation & Maintenance Expenses	806.08	954.58	959.03	876.00	1,132.08
Employees' Remuneration & Benefits	458.22	530.58	608.15	677.39	707.68
Other Expenses	89.91	105.98	331.12	196.01	337.14
Purchase of Energy	111.03	233.87	67.18	110.30	214.93
Interest on Borrowings	1,151.15	1,320.24	1,183.97	998.13	895.94
Depreciation	1,704.30	2,156.77	2,198.54	2,284.97	2,246.18
<b>Sub Total</b>	<b>4,320.69</b>	<b>5,302.02</b>	<b>5,347.98</b>	<b>5,142.81</b>	<b>5,533.96</b>
<b>Bhutan Power Corporation</b>					
Purchase of Power	779.29	897.45	939.04	1,158.99	1,151.66
Employee Cost	434.66	489.67	539.64	632.17	674.72
Operation and Maintenance Expenses	120.86	139.71	150.43	185.79	245.87
Administration and Other Expenses	41.62	40.07	67.82	-	-
Finance Charges	112.66	78.11	98.33	150.00	169.69
Depreciation & amortization expenses	-	-	-	638.52	713.89
Other Expenses	-	-	-	81.09	90.87
Prior period adjustments	(9.48)	(76.01)	-	-	-
Construction material consumed & sub-contracting charges	-	-	-	2,172.41	2,001.13
<b>Sub Total</b>	<b>1,479.61</b>	<b>1,569.00</b>	<b>1,795.25</b>	<b>5,018.97</b>	<b>5,047.84</b>
<b>Natural Resources and Development Corporation Ltd</b>					
Administration Expenses	18.55	15.20	18.05	23.92	63.24
Reforestation Expenditure	3.35	3.75	4.22	5.64	-
Payments to Employees	72.70	74.38	93.37	121.63	-
Production Expenses	106.23	127.61	130.47	174.77	-
Selling and Distribution Expenses	23.42	29.50	29.08	37.35	4.38
Cost of Sales	-	-	-	-	298.62
Income Tax Expenses	-	-	-	-	-
<b>Sub Total</b>	<b>224.25</b>	<b>250.44</b>	<b>275.19</b>	<b>363.31</b>	<b>366.23</b>
<b>Bhutan Telecom Limited</b>					
Stores And Spares Parts	27.04	28.53	74.64	104.57	87.62
Employee Cost	188.49	156.41	200.77	242.40	262.41
Repairs & Maintenance	98.23	122.95	103.04	134.66	152.37
Admin & Gen. Expenses	127.41	119.91	118.68	234.63	264.51
International Payment	74.89	106.19	88.46	135.33	188.51
Loss On Forex Flux	-	0.32	85.94	25.98	76.99
Depreciation	-	-	473.40	524.42	622.24
<b>Sub Total</b>	<b>516.06</b>	<b>534.32</b>	<b>1,144.93</b>	<b>1,402.01</b>	<b>1,654.64</b>

<b>Druk Air Corporation Ltd</b>					
Flight Operation Costs	524.89	589.11	942.60	1,139.36	1,417.37
Flight Equipment Maintenance and Overhaul	93.73	86.45	118.24	-	-
Employees Remuneration & Benefits	139.08	139.43	182.25	239.29	274.84
Commissions Paid	21.23	26.71	49.83	-	-
Passenger and Cargo Service	53.73	58.98	80.71	-	-
General Administration	61.31	78.33	104.19	-	-
Marketing and Sales Promotion	2.42	3.43	3.41	-	-
Duty Free Shop Expenses	10.50	13.83	27.62	-	-
Lease Expenses	8.78	146.54	1.02	-	-
Foreign Exchange Fluctuation (Gain)/Loss	9.41	(21.38)	(41.34)	-	-
Other operation costs	-	-	-	246.54	402.64
Aircraft maintenance costs	-	-	-	185.26	209.53
Other maintenance costs	-	-	-	3.64	7.26
Other costs	-	-	-	247.45	294.10
Depreciation	-	25.72	-	278.49	283.50
Loss of rent on fixed assets	1.19	0.07	-	-	-
Rotable Spares & Misc. Assets Scrapped & written off	0.96	0.09	-	-	-
<b>Sub Total</b>	<b>927.24</b>	<b>1,147.31</b>	<b>1,468.52</b>	<b>2,340.03</b>	<b>2,889.24</b>
Druk Holding and Investment	0.00	0.00	0.00	0.00	0.00
Employees' Remuneration and Benefits	12.87	24.51	28.50	44.01	50.73
Financial Expenses	-	7.18	-	47.59	128.04
Other Expenses	53.75	12.25	20.78	35.31	28.38
Depreciation	1.27	1.34	2.73	4.66	7.90
Operation & Maintenance	-	-	-	0.38	3.08
DHI Infra	0.00	0.00	0.00	0.00	0.00
Employees' Remuneration & Benefits	-	-	1.32	7.17	5.36
Other Expenses	-	-	1.79	2.99	1.05
Depreciation	-	-	0.87	0.74	10.53
<b>Sub Total</b>	<b>67.90</b>	<b>45.28</b>	<b>56.00</b>	<b>142.85</b>	<b>235.07</b>
<b>Grand Total</b>	<b>7,535.75</b>	<b>8,848.38</b>	<b>10,087.87</b>	<b>14,409.97</b>	<b>15,726.97</b>

## Annexure 9 Procurement Expenditure by Object Codes for 11 Autonomous Agencies in 10 FYP (In Million Ngultrum)

