

expenditure is estimated at EUR 869.64 million, which is 7% increase from the previous FY. Capital expenditure of EUR 450.83 million, 33% of the 12FYP outlay- highest annual allocation during the plan period and recurrent expenditure of EUR 418.81 million.

The MoF annually prepares all **key budgetary documents** such as Executive budget proposal (Budget Report), enacted budget (Budget Appropriation Bill), in-year reports (Quarterly Budget Performance Reports), mid-year report (Mid-Year Budget Review), year-end report [Audited Annual Financial Statements (AFS)], audit report (Annual Audit Report (AAR)), and citizen information (Budget Report Summary and Budget Infographics). All documents, except for the ‘mid-year budget review’, are published and all documents are prepared in a timely manner, although there were delays as regards two of four in-year reports during 2020-21.

The **Budget Report** is consistent with international good practices including gender and climate change aspects. The budget for gender related activities in 2020-21 was EUR 6.817 million. For FY 2021-22, EUR 10.18 million has been allocated for climate change- and EUR 6.817 million for gender- related activities. In addition, EUR 0.395 million has been allocated to the National Commission for Women and Children (NCWC). The **Budget Report** of **2021-22** for the first time included a section on climate co-benefits. Gender responsive budgeting had already been included as part of the Budget Report for the past few years. In order to deepen fiscal decentralisation and provide flexibility in the budget execution, the budget for Dzongkhags and Thromdes has been provided as annual grants from 2020-21, similar to the Gewogs.

The **Royal Audit Authority (RAA)** as the Supreme Audit Institution (SAI) of Bhutan is responsible to audit and report on the economy, efficiency and effectiveness in the use of Public resources as per Article 25.1 of the Constitution of the Kingdom of Bhutan. The Royal Audit Authority (RAA) publishes Annual Audit Report (AAR). AAR are further presented to the Parliament and to the Public Accounts Committee and finally made available to the public within twelve months of the year-end.

As part of the PFM reform programme, **internal controls and capacity of the accountability institutions** are being strengthened. This is being done by enhancing internal audit, supporting the Accounting and Auditing Standard Board of Bhutan (AASBB), establishing professional accountancy organisation and building capacity of parliamentary committees. Staff shortage is a challenge especially in Internal Audit units, AASBB, and procurement departments.

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to **reduce poverty** in Bhutan.

The Specific(s) Objective(s) (Outcomes) of this action are:

- 1 Strengthened local governance and decentralisation.
- 2 Strengthened gender mainstreaming including at local level
- 3 Strengthened digitalisation of public services, especially education.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are

Induced Outputs

- 1.1 contributing to Outcome 1 : Improved efficiency of LGs in the delivery of services