



PERFORMANCE AGREEMENT

BETWEEN

PRIME MINISTER AND MINISTER

Ministry Of Finance

(July 1, 2017 – June 30, 2018)

TABLE OF CONTENTS

Section 1: Vision, Mission and Objectives

Section 2: Objectives, Actions, Success Indicators and Target

Section 3: Trend Values of Success Indicators

Section 4: Description and Measurement of Success Indicators

Section 5: Requirements from other Ministries, Agencies and Dzongkhags

Preamble

The Performance Agreement is entered into between the Prime Minister and Minister, Ministry Of Finance.

The objectives of this Performance Agreement are:

- a) To establish clarity and consensus about annual priorities for the Ministry Of Finance consistent with the 11th Five Year Plan , and Governments other priorities;
- b) To make the Ministry Of Finance fully responsible for driving implementation and delivering the results against the annual priorities;
- c) To provide an objective and fair basis for evaluating the Ministry's overall performance at the end of the year;

The Performance Agreement represents an important accountability mechanism for inculcating a performance based culture at all levels of government.

THEREFORE, the parties hereto agree as follows:

Section 1: Vision, Mission and Objectives

Vision

A sustained economic growth with stable macroeconomic environment through dynamic fiscal policy and prudent fiscal discipline.

Mission

Formulate and implement dynamic fiscal policy and strengthen public financial management (PFM) for effective resource mobilization, efficient allocation, prudent expenditure and debt management with proper accountability of public resources.

Objectives

- 1) To enhance macroeconomic coordination and management
- 2) To improve efficiency and effectiveness of mobilization of resources.
- 3) To improve efficiency and effectiveness of allocation of resources.
- 4) To strengthen accountability, transparency, efficiency and effectiveness in PFM Governance
- 5) To enhance efficiency and effectiveness of public service delivery
- 6) To ensure full utilization of Budget
- 7) To enable effective and efficient ICT Service delivery
- 8) To implement National Integrity and Anti-Corruption Strategy (NIACS)

Section 2: Objectives, Success Indicators & Target

Objective	Weight	Action	Success Indicator	Unit	Weight	Excellent [100%]	Very Good [90%]	Good [80%]	Fair [70%]	Poor [60%]
To enhance macroeconomic coordination and management	25	Ensure sustained economic growth	Real GDP Growth	Percent	3	≥ 6.1	< 6 ≥ 5	< 5 ≥ 3.5	< 3.5 ≥ 2	< 2
		Contain fiscal deficit	Fiscal deficit as percent of GDP	Percent	4	≤ 4	> 4 ≤ 5	> 5 ≤ 5.5	> 5.5 ≤ 6	> 6
		Maintain non-hydro debt to GDP at 35% or below	Percentage variation from the target of 35%	Percent	3	Within target	5% above HT	7% above HT	8% above HT	9% above HT
		Ensure international reserve to cover 12 months of essential imports at all times	Number of months of essential imports	Number	3	≥ 23	< 23 ≥ 20	< 20 ≥ 18	< 18 ≥ 16	< 16
		Maintain primary balance at a sustainable level	Timeline by which updated value of "essential imports" is defined	Date	2	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017	Jan. 2018
		Operationalize Economic Early Warning System	Primary balance to GDP	Percent	4	≥ -2	< -2.5 ≥ -2	< -2.8 ≥ -2.5	< -3 ≥ -2.8	< -3
		Maintain debt service to exports within LIC DSA threshold (25%)	Number of economic reports published	Number	3	3	2	-	-	1
		Develop a Plan to finance resource gap in the Budget	Percentage of variation from threshold (25%)	Percent	3	Within TH	5% above TH	7% above TH	9% above HT	10% above HT
		Implement the Public Private Partnership Policy	Status of Plan development	Status of Work	2	Developed and implemented	50%	Draft	No draft	Not initiated
		Enhance domestic revenue	Number of PPP Project implemented	Number	3	1	1 (50% discussed)	-	-	1 (explore)
					3	≥ 17	< 17 ≥ 16	< 16 ≥ 14	< 14 ≥ 12	< 12

Objective	Weight	Action	Success Indicator	Unit	Weight	Excellent [100%]	Very Good [90%]	Good [80%]	Fair [70%]	Poor [60%]
To improve efficiency and effectiveness of mobilization of resources.	20	Enhance domestic revenue	Actual domestic revenue	Nu. (Million)	3	> 34,000	<32,500	<30,000	<28,500	<28,000
		Improve efficiency in RGoB spending on most commonly used goods	Percentage of total expenditure covered by domestic revenue	Percent	2	≥60	< 60 ≥57	< 57 ≥ 55	< 55 ≥ 50	< 50
		Increase annual earnings from the SOEs	Rebate collection in million	Nu. (Million)	2	≥4	< 4 ≥ 3	< 3 ≥ 2	< 2 ≥ 1	< 1
		Develop concept paper for introduction of GST in the Kingdom	Percentage increase of dividend transfer from SOEs	Percent	2	≥ 2.5	< 2.5 ≥ 2	< 2 ≥ 1.5	< 1.5 ≥ 1	< 1
To improve efficiency and effectiveness of allocation of resources.	15	Enhance capital budget utilization	Timeline by which concept document on GST is submitted to Cabinet.	Date	3	Jan. 2018	Feb. 2018	March 2018	April 2018	May 2018
		Strengthen budget implementation monitoring	Percentage of capital budget utilized	Percent	6	100	< 100 ≥ 95	< 95 ≥ 90	< 90 ≥ 85	< 85
		Propose legislation to strengthen Accounting and Auditing System in the country	Percentage variance between budget and expenditure including advances	Percent	6	≤ 10	> 10 ≤ 15	> 15 ≤ 20	> 20 ≤ 25	> 25
		Strengthen institutional capacity of Internal Audit	Number of Budget monitoring report	Number	3	4	3	2	1	0
		Roll out E-GP system on pilot basis	Timeline by which a Bill to establish AASBB as standard setter is submitted to Cabinet	Date	4	30/08/2017	Sept. 2017	Oct. 2017	Nov. 2017	Dec. 2017
		Implement Government Inventory System	Number of internal audit reports	Number	3	32	30	28	24	22
To strengthen accountability, transparency, efficiency and effectiveness in PFM Governance	15	Implement Government Inventory System	No. of agencies piloted with the roll out	Percent	4	4	3	2	1	0
			Number of agencies fully using Government Inventory System	Number	4	50	40	30	20	10

Objective	Weight	Action	Success Indicator	Unit	Weight	Excellent [100%]	Very Good [90%]	Good [80%]	Fair [70%]	Poor [60%]
To enhance efficiency and effectiveness of public service delivery	15	Enhance automation of tax services	Percentage of taxpayers using RAMIS	Percent	4	>65	65-60	60-55	55-50	< 50
		Develop National Pension Policy	Timeline by which draft is submitted to GNHC	Date	3	July 2017	August 2017	Sept 2017	Oct. 2017	Nov. 2017
		Submit Insolvency Bill of Kingdom of Bhutan 2017 to Cabinet	Time by which bill is submitted to Cabinet	Date	4	December 2017	Jan. 2018	Feb. 2018	March 2018	April 2018
		Develop e-payment system	Timeline by which e-payment road map is developed	Date	2	Oct. 2017	Nov. 2017	Dec. 2017	Jan. 2018	Feb. 2018
To ensure full utilization of Budget	5	Ensure full utilization of annual Budget	Percentage of budget utilization	Percent	5	100	-	-	-	less than 100
		Enhance basic ICT skills of non ICT staff members.	Percentage of non ICT staff trained.	Percent	1	50	45	40	35	30
To enable effective and efficient ICT Service delivery	3	Improve LAN and internet services.	Acceptable downtime of LAN and internet connectivity per incidence	Days	1	1	1.5	2	2.5	more than 2.5
		Ensure compliance to e-GIF standards	Percentage compliance to e-GIF standards	Percent	1	100	-	-	-	-

Objective	Weight	Action	Success Indicator	Unit	Weight	Excellent [100%]	Very Good [90%]	Good [80%]	Fair [70%]	Poor [60%]
To implement National Integrity and Anti-Corruption Strategy (NIACS)	2	Conduct face to face sensitization program on Ethics and Integrity Tools by concerned TOT participants (Gift Rules & its management, Asset Declaration Rules & its management, Conflicts of Interest Declaration & its management, Code of Conduct and Grievance Redress Mechanism)	Employees sensitized on the following Ethics and Integrity Management Tools- Gifts, Conflicts of Interest, Code of Conduct, Asset Declaration and Grievance Redress Mechanism	Percent	2	Above 90	89-80	79-70	69-60	59 and below

Section 3: Trend values of success indicators

Objective	Action	Success Indicator	Unit	Actual Values [FY 2013-14]	Actual Values [FY 2014-15]	Target Values [FY 2015-16]	Projected Values [FY 2016-17]	Projected Values [FY 2017-18]
To enhance macroeconomic coordination and management	Ensure sustained economic growth	Real GDP Growth	Percent	4	6.1	7	6.3	6.1
	Contain fiscal deficit	Fiscal deficit as percent of GDP	Percent	3.8 (surplus)	1.5 (surplus)	1.3	4.9	-4
	Maintain non-hydro debt to GDP at 35% or below	Percentage variation from the target of 35%	Percent	Below HT	Below HT	Below HT	Below HT	Within HT
	Ensure international reserve to cover 12 months of essential imports at all times	Number of months of essential imports	Number	20.3	22.5	22.2	23.2	≥ 23
	Maintain primary balance at a sustainable level	Timeline by which updated value of "essential imports" is defined	Date	NA	NA	NA	NA	Sept. 2017
	Operationalize Economic Early Warning System	Primary balance to GDP	Percent	5.7	3.1	0.2	-3.7 (projected)	≥ -2
To improve efficiency and effectiveness of mobilization of resources.	Maintain debt service to exports within LIC DSA threshold (25%)	Number of economic reports published	Number	NA	NA	NA	NA	1
	Develop a Plan to finance resource gap in the Budget	Percentage of variation from threshold (25%)	Percent	26.7	19.4	14	17	Within HT
	Implement the Public Private Partnership Policy	Status of Plan development	Status of Work	NA	NA	NA	NA	Developed and implemented
		Number of PPP Project implemented	Number	NA	NA	NA	NA	1

Objective	Action	Success Indicator	Unit	Actual Values [FY 2013-14]	Actual Values [FY 2014-15]	Target Values [FY 2015-16]	Projected Values [FY 2016-17]	Projected Values [FY 2017-18]
To improve efficiency and effectiveness of mobilization of resources.	Enhance domestic revenue	Total domestic revenue as percent of GDP	Percent	20.7	20	19	18.6	≥ 18
		Actual domestic revenue	Nu. (Million)	23,244.6	25,141	28,075	29,957	> 31,000
		Percentage of total expenditure covered by domestic revenue	Percent	67	69	63	55(projected)	≥57
		Rebate collection in million	Nu. (Million)	1.8	2	2.5	3	≥4
		Percentage increase of dividend transfer from SOEs	Percent	2	2	2	2.5	≥ 2.5
To improve efficiency and effectiveness of allocation of resources.	Develop concept paper for introduction of GST in the Kingdom	Timeline by which concept document on GST is submitted to Cabinet.	Date	NA	NA	NA	NA	Jan. 2018
		Percentage of capital budget utilized	Percent	75	80	95	95	100
		Percentage variance between budget and expenditure including advances	Percent	10	10	6	10	≤ 10
		Number of Budget monitoring report	Number	NA	NA	4	4	4
		Timeline by which a Bill to establish AASBB as standard setter is submitted to Cabinet	Date	NA	NA	NA	NA	30/08/2017
To strengthen accountability, transparency, efficiency and effectiveness in PFM Governance	Strengthen institutional capacity of Internal Audit	Number of internal audit reports	Number	NA	NA	30	31	32

Objective	Action	Success Indicator	Unit	Actual Values [FY 2013-14]	Actual Values [FY 2014-15]	Target Values [FY 2015-16]	Projected Values [FY 2016-17]	Projected Values [FY 2017-18]
To strengthen accountability, transparency, efficiency and effectiveness in PFM Governance	Roll out E-GP system on pilot basis	No. of agencies piloted with the roll out	Percent	NA	NA	NA	NA	4
	Implement Government Inventory System	Number of agencies fully using Government Inventory System	Number	NA	NA	NA	NA	50
	Enhance automation of tax services	Percentage of taxpayers using RAMIS	Percent	50	50	60	60	>65
To enhance efficiency and effectiveness of public service delivery	Develop National Pension Policy	Timeline by which draft is submitted to GNHC	Date	NA	NA	NA	NA	July 2017
	Submit Insolvency Bill of Kingdom of Bhutan 2017 to Cabinet	Time by which bill is submitted to Cabinet	Date	NA	NA	NA	NA	Dec. 2017
	Develop e-payment system	Timeline by which e-payment road map is developed	Date	NA	NA	NA	NA	Oct. 2017
		Timeline by which PEMS is upgraded to version 3 compatible for e-Payment	Date	NA	NA	NA	NA	Feb. 2018
To ensure full utilization of Budget	Ensure full utilization of annual Budget	Percentage of budget utilization	Percent	NA	NA	NA	NA	100
To enable effective and efficient ICT Service delivery	Enhance basic ICT skills of non ICT staff members.	Percentage of non ICT staff trained.	Percent	NA	NA	NA	NA	50
	Improve LAN and internet services.	Acceptable downtime of LAN and internet connectivity per incidence	Days	NA	NA	NA	NA	1
	Ensure compliance to e-GIF standards	Percentage compliance to e-GIF standards	Percent	NA	NA	NA	NA	100

Objective	Action	Success Indicator	Unit	Actual Values [FY 2013-14]	Actual Values [FY 2014-15]	Target Values [FY 2015-16]	Projected Values [FY 2016-17]	Projected Values [FY 2017-18]
To implement National Integrity and Anti-Corruption Strategy (NIACS)	Conduct face to face sensitization program on Ethics and Integrity Tools by concerned TOT participants (Gift Rules & its management, Asset Declaration Rules & its management, Conflicts of Interest Declaration & its management, Code of Conduct and Grievance Redress Mechanism)	Employees sensitized on the following Ethics and Integrity Management Tools- Gifts, Conflicts of Interest, Code of Conduct, Asset Declaration and Grievance Redress Mechanism	Percent	NA	50	70	80	Above 90

Section 4: Definition of Success Indicators

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
Real GDP Growth	Growth rate of the value of goods and services produced in the economy in a particular period. Growth indicates performance of the economy. Growth rate will be calculated on a fiscal year basis.	As per the international methodology. Calculated on a fiscal year basis.	Annually	NSB/MFCTC
Fiscal deficit as percent of GDP	To keep the economy's fiscal deficit at an acceptable level. Fiscal balance is difference between total government outlay and total resources. The negative fiscal balance indicates fiscal deficit and positive is fiscal surplus.	Annual budget exercise and macroeconomic framework (MEF)	Annually	Annual Budget Report / MFCTC
Percentage variation from the target of 35%	Maintaining non-hydro debt to GDP at a sustainable debt so that total public debt does not exceed acceptable threshold.	Debt Sustainability Analysis prepared by the Ministry on a periodic manner	Quarterly	Debt Situation Report of DPA
Number of months of essential imports	The international reserves of the economy to cover essential imports for 12 months at all times as required by the Constitution.	Reserve position from RMA and the essential import requirement	Annually	RMA's reserve position/ DRC's trade statistics
Primary balance to GDP	The difference between total revenue (including grants) and total expenditure before interest payment. The surplus or deficit of primary balance indicates the fiscal position if there was no debt outstanding and therefore no interest to be paid off.	Annual Budget exercises	Annually	Budget reports/MFCTC files
Number of economic reports published	Early Warning System can generate report to be used for economic decision making	Report publication by DMEA	Annually	DMEA

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
Percentage of variation from threshold (25%)	Debt service ratio as per the international definition to be maintained at the desire and acceptable level. This ratio shows how much of country's export revenue is used to service the debt.	Records of debt servicing made. Exports of goods and services information	Annually	Debt figures from DMEA/Export figures from BOP file/DRC/RMA
Timeline by which updated value of "essential imports" is defined	Value of essential imports is to be determined. With change in time, the content and value of the essential imports need to be updated and redefined	Value of essential imports used by the MoF/RMA in the economic indicators/files	Annually	MFCTC Files
Status of Plan development	Resource Gap in the Budget has to be financed through Cash Management. There needs to be a proper plan to effectively finance the Resource Gap to ensure smooth flow of cash for expenditures.	Plan published and being used by DPA	Annually	DPA, MoF
Number of PPP Project implemented	PPP Policy has been approved by the Government. It has to be implemented now. Number of projects implemented on a PPP model	From DMEA project implementation status	Annually	DMEA (ICGD)
Total domestic revenue as percent of GDP	The total revenue as percentage of GDP shows the strength of the domestic economy	Revenue from DRC and GDP from NSB/ MFCTC	Annually	Revenue report/ MFCTC
Actual domestic revenue	The total domestic revenue in millions of Nu.	Revenue collections data from DRC	Annually	DRC/Revenue file of MFCTC
Percentage of total expenditure covered by domestic revenue	Coverage of total expenditure by the domestic revenue.	Budget reports for expenditure and revenue file for domestic revenue.	Annually	Budget reports / MFCTC files
Rebate collection in million	Rebate collection from RGoB's spending on the commonly used goods - like cement	Information collected from manufacturers and sellers of goods	Annually	Statements from producers and sellers
Percentage increase of dividend transfer from SOEs	Government had invested huge amount in SOEs and SOEs contribute to the national revenue in form of tax and dividend.	Dividend transfer from SOEs	Annually	Dividend transfer - actual

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
Timeline by which concept document on GST is submitted to Cabinet.	To enact Law on GST, concepts and background documents will be submitted to Cabinet.	Evidence of submission	Annually	DRC, MoF
Timeline by which e-payment road map is developed	E-payment system will be developed to improve the service of fund release to the recipient and beneficiaries of the budget/fund.	evidence of system development	Annually	DPA
Timeline by which PEMS is upgraded to version 3 compatible for e-Payment	The version of the PEMS must be upgraded to make it compatible with the e-payment system.	up gradation of system- evidence	Annually	DPA
Percentage of capital budget utilized	Effective utilization of approved capital budget. It assesses the efficiency of the expenditure planning and monitoring.	Annual budgetary processes	Annually	Budget Reports/MFCT C Files
Number of internal audit reports	Reports produced by internal auditors in ministries, Dzongkhags and agencies. Reports would be internal.	Reports from CCA	Annually	CCA, MoF
No. of agencies piloted with the roll out	With the system developed, it will have to be implemented across agencies (on pilot basis) under the Government.	Evidence of implementation	Annually	Reports from PPPD, DNP
Number of agencies fully using Government Inventory System	All agencies shall maintain the system to record their inventory	Implementation by user agencies	Annually	DNP, MoF
Percentage of taxpayers using RAMIS	Revenue Administration and Management Information System (RAMIS) is online system to pay taxes. Sales Tax module and income tax modules are already online along with revenue module. However, customs module is yet to be launched.	Taxpayers who use the online systems will be known from the total taxpayers and the number of conventional payers.	Annually	DRC, MoF
Percentage variance between budget and expenditure including advances	This indicates the efficiency of implementation and monitoring of the activities of the Budget.	Annual budget process/information	Annually	DNB

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
Number of Budget monitoring report	Reports on the physical and financial monitoring of activities in the Budget by the Department of National Budget.	Reports submitted to higher authority in the Ministry/Department	Annually	DNB
Timeline by which a Bill to establish AASBB as standard setter is submitted to Cabinet	To legitimize AASBB as the standard setter and a regulatory body backed by an act of Law. A bill will be submitted to the Cabinet for consideration to be submitted to the Parliament. This may require presentation and seeking approval of the Cabinet	Approval correspondences Cabinet	Annually	AASBB/Cabinet
Timeline by which draft is submitted to GNHC	A national pension policy will be developed in consultation with the NPPF. It will be submitted to the GNHC for policy screening and approval by the Government	Evidence of submission to GNHC	Annually	MoF/GNHC
Time by which bill is submitted to Cabinet	Bill being drafted will be readied and submitted to the Cabinet which will decide whether to submit to the Parliament	evidence of submission	Annually	PPD, MoF
Percentage of budget utilization	This indicator measures the amount of variation between revised budget and expenditure of an agency in a fiscal year	Through analysis of annual budget and expenditure	Annually	MYRB
Percentage of non ICT staff trained.	This success indicator measures the percentage of staffs other than ICT professional provided with training on basic ICT skills. This will reduce the turn around time of providing basic troubleshooting services. The training will be provided by ICT Division	Admin records on trainings conducted	Biannually	Ministries/Age nces/Thromde s/Dzongkhags

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
Acceptable downtime of LAN and internet connectivity per incidence	<p>This success indicator measures the minimum downtime of LAN and internet connectivity in Ministries/Agencies/Thromde/Dzongkhag administration office. If the downtime is caused by incidents which are out of ICT Division's control, ICT Division should maintain a record of such incidences and provide periodic report to DITT. This downtime does not include the travel time for ICT officers working in Dzongkhag need to travel to gewogs/CC to rectify connectivity issues.</p>	Ministries/Agencies/Thromdes/Dzongkhag records	Monthly	Ministries/Agencies/Thromdes/Dzongkhags
Percentage compliance to e-GIF standards	<p>This success indicator measures and ensures that Ministries/Agencies/Thromdes/dzongkhags comply to e-GIF standards in all ICT related activities.</p>	records of e-GOV review meetings	Biannually	Ministries/Agencies/Thromdes/Dzongkhags

Success Indicator	Description	Data Collection Methodology	Data Collection Frequency	Data Source
<p>Employees sensitized on the following Ethics and Integrity Management Tools- Gifts, Conflicts of Interest, Code of Conduct, Asset Declaration and Grievance Redress Mechanism</p>	<p>This indicator will measure the proportion of employees sensitized through face to face sensitization program on the above mentioned Ethics and Integrity Management Tools.</p> <p>The indicator will assess both the proportion of employees sensitized and the level of awareness created among the employees on the tools. Of the total weightage (100 percent), 40 percent is assigned on the delivery part and 60 percent on the level of awareness created. Further 40 percent weightage is apportioned as: 1) No. of tools sensitized – 5 tools (10%); 2) Mode of Delivery - face to face sensitization program (10%);3) Duration - one day or more (10%); and 4) Percent of employees sensitized – 80 & above (10%). The agencies will report on the above weightage (40 percent) using the standard form developed by ACC.</p>	<p>Supporting documents from the agencies Questionnaire based desk survey</p>	<p>Annually</p>	<p>All agencies that sign APA.</p>

Section 5: Requirements from other Ministries, Agencies & Dzongkhags

Organisation Name	Relevant Success Indicator	Requirement from the Organisation	Justification for the Requirement	Requirement detail	Impact (If Not Met)
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Whereas,

I, the Minister, Ministry Of Finance, commit to the Prime Minister, the Government and the people of Bhutan to deliver the results described in this Annual Performance Agreement.

I, the Prime Minister, commit to the Minister, Ministry Of Finance, on behalf of the Government and the people of Bhutan, to provide the necessary fund and resources for delivery of the results described in this Annual Performance Agreement.

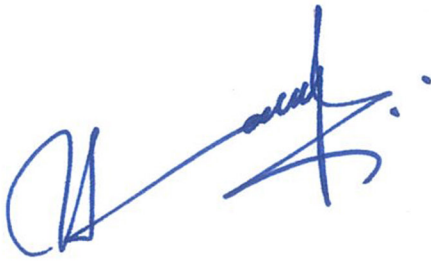
SIGNED:



Tshering Tobgay
Prime Minister of Bhutan

11.8.17

Date



Namgay Dorji
Minister

11.8.17.

Date