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**National Council of Bhutan**



Schweizerische Eidgenossenschaft  
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**Swiss Agency for Development  
and Cooperation SDC**

# LOCAL GOVERNANCE ASSESSMENT STUDY

PREPARED FOR THE NATIONAL COUNCIL OF BHUTAN





## FOREWORD

As enshrined in the Article 11 (2) of the Constitution of the Kingdom of Bhutan, the National Council, besides the legislative function, has the mandate to act as the House of Review. The National Council has always strived to carry out its review functions through a well-founded research and evidence-based analysis. As part of such effort, the Good Governance Committee (GGC) proposed to conduct a diagnostic study on Local Governance system in Bhutan and the mandate for the study was commissioned and funded by the Swiss Agency for Development and Cooperation (SDC), Thimphu. The findings of the report were deliberated during the 16<sup>th</sup> session of the National Council.

A study was found necessary and merited deliberation in the National Council for the following reasons:

Good governance is one of the important pillars of Gross National Happiness. Over the past four and half decades, the Royal Government has made an unstinted effort toward promoting good governance through various initiatives; and promulgation of decentralization policy is one of them. The primary objective of the decentralization policy is to devolve powers from the central to the local governments to facilitate engagement of people at grassroots in the decision making process. Citizenry's active participation in the decision making process is vital for the country's sustainable and regionally balanced socio-economic development. Towards realizing this objective, the Dzongkhag Yargay Tshogchung was instituted in 1981, followed by the Gewog Yargay Tshogchung in 1991, devolving decision making powers for planning and implementation of development activities to the Dzongkhag and Gewog level authorities respectively.

To further strengthen the legitimacy of the local government's role in the overall structure of governance, its mandate has been articulated unequivocally in Article 22 of the Constitution of the Kingdom of Bhutan. The specific powers and functions of three entities of the local government: Dzongkhag Tshogdu, Gewog Tshogde, and Thromde Tshogde are further detailed out in the Local Government Act 2009. The Rules and Regulations is also been put in place to enable smooth implementation of the Act.

Besides making policy and legal framework related interventions, equal emphasis has also been given on capacity building of the local government functionaries. At the central level, separate entities like the Department of Local Governance under the Ministry of Home and Cultural Affairs, and the Local Development Division under the Gross National Happiness Commission have been created, solely to coordinate and oversee development activities, and provide various technical backstopping to the Dzongkhag and Gewog authorities. At the local government level, continuous efforts are being made to build their capacities both in terms of human resources and infrastructure facilities.

In terms of share of the financial resources, 30% of the total annual budget is being allocated to the local governments every year. In pursuit of further empowering the local authorities, the current ruling party has introduced a scheme called, Gewog Development Grant (GDG), whereby each gewog is provided with Nu. 2.000 million that is outside of the planned annual budget. This GDG is to be utilized for community development at the discretion of the gewog authorities.

Owing to the Royal Government's invariable efforts over the past few decades, decentralization process has made a good inroad into an overall governance system. Nonetheless, there are indications that the local governments have certain shortcomings in their effective functioning. For example, during the constituency visits of the Members of Parliament (MPs), the types of issues raised by the electorates are mostly related to the development needs of the communities. As it is clearly laid down in the Constitution of the Kingdom of Bhutan and the Local Government Act 2009, the mandates of the Dzongkhag and Gewog authorities (which include both elected leaders and bureaucrats) are to take care of the developmental needs of the local communities. While it is much appreciated that the issues that are of direct concern to the local communities are being raised to the elected MPs, it is potentially not sustainable in the long run.

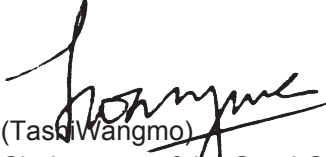
In addition, "Self-reliance and inclusive green socio-economic growth" is the national goal for the 11<sup>th</sup> Five-Year Plan. To achieve this goal, the role of the local governments has become ever more critical.

In view of the above, it was found imperative to conduct a diagnostic study to identify factors hindering the effective and efficient functioning of the local governments. The study was conducted by a team of experts (both national and international) with the support of the National Reference Group (NRG) comprising membership from the GNHC, DLG, SDC, NC Secretariat and the GGC members of the National Council of Bhutan.

The findings of the study confirm numerous strategic and operational shortcomings with the current local governance system; and accordingly recommendations are proposed for consideration of the Royal Government. It is my sincere hope that the findings and recommendations highlighted in the Report will be of great help to the Royal Government's relentless effort towards strengthening the local governance system.

Once again, we would like to thank the SDC for funding this study, and the National Reference Group members for their relentless support and cooperation rendered while carrying out the study. We would also like to thank all the Ministries, Departments, and Local Governments who made time to attend the Focus Group Discussions. The same gratitude and appreciation go to the members of communities who showed up for the meetings and interviews, leaving their important farm work behind. Last but not least, we would like to thank the team from the HELVETAS for delivering a comprehensive report on time.

May I wish everyone a Happy New Year 2016!



(Tashi Wangmo)  
Chairperson of the Good Governance Committee  
National Council of Bhutan

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## Abbreviations

ACG	Annual Capital Grant
BDBL	Bhutan Development Bank Limited
BNEW	Bhutan Network for Empowering Women
CC	Community Centre
CCP	Community Contracting Protocol
CRC	Citizen Report Card
CSO	Civil Society Organization
DLG	Department of Local Governance
DPO	District (Dzongkhag) Planning Officer
DT	Dzongkhag Tshogdu
FGD	Focus Group Discussion
FO	Finance Officer
FYP	Five-Year Plan
GAO	Gewog Administrative Officer
GDG	Gewog Development Grant
GGC	Good Governance Committee
GNHC	Gross National Happiness Commission
GT	Gewog Tshogde
iGNHaS	Institute for Gross National Happiness Studies
LDD	Local Development Division
LG	Local Government
LGSDP	Local Governance Sustainable Development Program
LGSP	Local Government Support Programme
MDG	Millennium Development Goal
MP	Member of Parliament
MoAF	Ministry of Agriculture and Forests
MoF	Ministry of Finance
MoHCA	Ministry of Home and Cultural Affairs
MTR	Mid-Term Review
MYRB	Multi-Year Rolling Budget
NC	National Council
NMES	National Monitoring and Evaluation System
Nu	Ngultrum
OSR	Own Source Revenue
PEMS	Public Expenditure Management System
PLaMS	Planning and Monitoring System
RGoB	Royal Government of Bhutan
RNR	Renewable Natural Resources
SDC	Swiss Agency for Development and Cooperation
SDP	Small Development Project
SOP	Standard Operating Procedure
SWOT	Strengths, Weaknesses, Opportunities & Threats
ToR	Terms of Reference

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### Disclaimer

The views and opinions expressed in this report are those of the authors and do not necessarily reflect the official policy or position of the client, HELVETAS Swiss Intercooperation, or the Swiss Agency for Development and Cooperation SDC.

Every effort has been made to ensure information in this report is accurate and complete. However, HELVETAS Swiss Intercooperation gives no warranty and accepts no responsibility for the accuracy or completeness of the material presented in this report.



# EXECUTIVE SUMMARY

The Local Governance Assessment Study, which was carried out between July and October 2015, provides a comprehensive analysis of the decentralized system of governance and the performance of Local Governments in Bhutan.

## Scope of assessment study

Good governance is one of the four pillars in Bhutan's development philosophy of Gross National Happiness. The process of decentralization and strengthening democratic local governance is therefore seen as a cardinal means to achieve this vision. The LG Act, the 10<sup>th</sup> and 11<sup>th</sup> FYP (FYP), and the establishment of the GGC in the NC, strongly manifests this commitment of the Royal Government of Bhutan. Consequently, much emphasis and efforts have been made to promote key good governance principles such as Effectiveness & Efficiency, Transparency, Accountability, Participation, and Equity.

Although much progress has been made over the past decade or so, the GGC has pointed out some nascent challenges to decentralization and local governance pertaining to utilisation of budgets, citizen's engagement, and administrative mechanisms and processes. A range of reviews of different governance programmes and initiatives also indicate that decentralization policies and processes have not yet been fully integrated into the way LGs function. Recognising the significance of these issues, this Local Governance Assessment Study was therefore planned and conducted with the intension to provide a comprehensive analysis of local governance progress, opportunities and challenges, and to make recommendations under four clusters of topics: (i) development achievements of Dzongkhags; (ii) roles and responsibilities of LGs; (iii) quality of local governance and service delivery; and (iv) capacities and limitations of LGs and stakeholders.

## Methodology

The Local Government Assessment Study has been completed by application of a mixed methodology comprising:

- desk review of available information and data;
- on-site research and interviews with central agencies, LGs and community groups
- triangulation & completion of data collection and analysis

Across the country, more than 450 persons have either been interviewed, consulted and/or submitted online answers. Combined with the background documents, this has provided a solid basis for a holistic quantitative and qualitative analysis and adjacent conclusions related to political, administrative and fiscal decentralization. In accordance with the **main findings** below, the recommendations of the assessment study propose operational revisions of existing LG policies, processes and practices. But it also suggests more fundamental and strategic propositions that will require policy reforms.

## **Main findings**

### **Blend of decentralization types and centralized approaches muddling the pathway for devolution and autonomy of LGs**

A myriad of legal frameworks, guidelines, manuals, and rules & regulations that spell out the mandate of LGs and how they should perform and coordinate their functions, have been put in place. However, the assessment found that these are not always implemented and/or interpreted consistently across LGs and central agencies. The different approaches and practices indicate that different types of decentralization are in fact adapted including delegated, deconcentrated, and devolved systems of governance. At the same time, some central agencies are still following a centralistic approach which further complicates the decentralization process and hinders the establishment of well-functioning, capacitated and autonomous LGs.

### **Need for stronger policy consolidation, strategic planning framework and support for decentralization**

The Royal Government of Bhutan has nevertheless made remarkable advancements towards establishing an effective fiscal transfer system with the introduction of an ACG System and the popular GDGs. Extensive capacity development supports have also been provided to Local Government officials, and citizens' engagement in local governance processes has enhanced. Notwithstanding these achievements, the assessment also found that there is room for further improvements, including instituting a stronger policy- and strategic planning framework. It, therefore, recommends putting in place a comprehensive decentralization policy and implementation plan that can stalwartly guide the decentralization process in years to come. In the same vein, it was found that there is need to have a strongly mandated, autonomous and well-resourced central level secretariat that can effectively oversee and support the decentralization processes.

### **Uniformity blocking optimal frame conditions for LGs**

The principles of “uniformity” and “one size fits all” are dominant in the Bhutanese system of decentralized governance. This is exemplified in management of human resources, formulation of LG plans, and financial management systems and processes. While this is an administratively convenient and politically safe approach, it may not be the best way of creating good frame conditions for LGs to provide public services. More tailor-made and contextualised approaches to local governance and local development need to be considered in the future.

### **Weak social accountability and complaints mechanisms hindering effective state-citizen dialogue**

Both Local Governments and citizens acknowledge and appreciate the increased mutual engagement that decentralization has brought about. This is especially related to participatory planning processes and the implementation of community contract protocols. There is nevertheless a need to strengthen the spaces for dialogue and for processes to hold LGs to account, most importantly by putting in place effective complaints and redressal mechanisms. This in turn requires improvements in citizen's access to information and more effective communication systems of LGs. Stronger efforts also have to be done to address the needs of women and youth and amplifying their voice and leadership in local governance.

**Provision of quality public services has its challenges**

Considering the availability of financial and human resources, and the nascent stage of the decentralization process, LGs are performing reasonably well in terms of providing public services to the people. Nevertheless, a range of administrative and financial challenges need to be addressed to further improve the provision of quality public services to the communities such as: insufficient vertical and horizontal coordination in-between Central and Local Government agencies; rigid planning and budgeting framework for FYP; cumbersome decision making processes and management information systems; weak social accountability and public complaints mechanisms; and low levels of own source revenue generation.

**Introduction of LG achievement profiling tool**

At present, there is absence of an easy-to-use tool which can serve as baseline and in a simple manner profile the achievements in the field of local governance. Such a tool is not meant to replace, but rather complement, the existing Government Performance Management System. While instruments such as PLaMS, PEMS and Annual Performance Agreements measure and check the specific progress of local administrations, a new tool is proposed to provide a general profiling and overview of development achievements of local governance. The tool is anchored in the key pillars of Gross National Happiness and comprises 11 related indicators. Applying the tool to create a baseline shows regional differences and varying degrees of development of Dzongkhags, reconfirming the need to depart from a uniform model of decentralized local governance towards more tailor-made, contextualised approaches to local governance and local development.

## INTRODUCTION

### History of Decentralization in Bhutan

Bhutan's political system has transitioned into a democratic constitutional monarchy after years of planning, which included preparing a written Constitution, establishing new organizations such as the Election Commission and the Anti-Corruption Commission to oversee citizen participation in elections and to promote transparency and accountability, and introducing party based elections. Alongside the democratic processes, reforms in decentralization have started with the establishment of Dzongkhag Yargay Tshogdu (now Dzongkhag Tshogdu - DT) and Gewog Yargay Tshogchung (now Gewog Tshogde - GT) which were governed by the DYT and GYT Chathrim. These local government bodies have been decentralized with increasing administrative and financial authority, and a gradual increase in the number of staff strength within a uniform framework. With the revision of the Chathrim in 2002, decentralization to an elected LG took on greater significance when the responsibility of presiding over the DT was transferred from the Dzongkhag administration to an elected head of a Gewog. Decentralized Gewog-based planning was introduced in the 9<sup>th</sup> FYP (2002-2007) where LGs developed their FYP based on activities identified by people at Gewog level. The same process was used in the formulation of subsequent FYPs with an important difference, the allocation of formula based annual grants to LGs to fund their plans. While there are challenges, the grants system is generally seen to provide objectivity and certain predictability over resources for LGs. Additionally, LGs now have access to GDGs, a system which provides greater financial flexibility over a fixed sum of annual funds for all Gewogs.

The LG Act, 2007, was a significant milestone in deepening local governance reforms by providing an overarching legal framework for LGs, and reassigning functions and responsibilities from the centre to Dzongkhags and Gewogs. The administrative, financial and regulatory functions of LGs were further clarified in the LG Act, 2009, although there continues to be an unclear demarcation of inter-governmental roles and authority. The Act also gives greater impetus to Thromdes, which were earlier established under a separate Municipal Act, 1999. The first LG elections under the new form of governance for all 205 Gewogs and 4 large urban centre category of Thromdes was done in 2011, after over two years of delay caused largely due to discussions and disagreements on identifying and demarcating different classifications of Thromdes. This debate still continues today with also some expressions of concern over whether the country is ready with the human and financial resources to have twenty Dzongkhag Thromdes and several Yenlag Thromdes.

Bhutan's overall development philosophy of Gross National Happiness encompasses four pillars, which includes the promotion of good governance. A function of LGs as mentioned in the LG Act, 2009, is to promote an environment that is conducive for people's happiness. The process of decentralization and democratic local governance falls within this overall objective to promote good governance, and the current FYP of the country identifies five areas of focus: public service delivery improved; democracy and governance strengthened; gender friendly environment for women's participation; corruption reduced; safe society; and needs of vulnerable groups addressed. In keeping with these areas, recent reforms include public service delivery at local levels through service delivery points (Community Centres) in the Gewogs run by the private sector;

here, final authority remains with central agencies but services can be accessed more easily at Gewog level. Gender and women's engagement is a topic receiving growing attention although the numbers in elected LG positions remains low. Local governance based on greater civil society participation and social accountability is also being tried out; however, the full benefits of decentralization on local empowerment and citizen's participation is not fully realized yet.

## Rationale for Local Governance Assessment

The National Council of Bhutan (NC), which is also referred to as the House of Review has several committees, one of which is the GGC. Among other functions, these committees are tasked with reviewing and recommending alternative policy options and providing a forum for discussions on current issues in the country. In this capacity, the GGC had observed several issues in the functioning of LGs ranging from unclear mechanisms of resolving development and administrative matters to budget under-spending. The current status of decentralization in the country and feedback from governance programme reviews also indicated that decentralization policies and processes were not yet embedded in the way LGs functioned, including citizen engagement in local governance and accountability mechanisms.

Therefore, a local governance assessment was planned with the intension of providing a comprehensive analysis of local governance progress, opportunities and challenges, and to make recommendations under four clusters of topics: (i) development achievements of Dzongkhags; (ii) roles and responsibilities of LGs; (iii) quality of local governance and service delivery; and (iv) capacities and limitations of LGs and stakeholders.<sup>1</sup> The objectives and process for the assessment was prepared under the guidance of a National Reference Group consisting of members from the GGC of the NC, its Secretariat, the Department of Local Governance (DLG), the GNHC, and the funder Swiss Agency for Development and Cooperation SDC.

## Methodology of Assessment

This Assessment study was conducted between July and September 2015 by a team of three national and international experts. In-country consultations mostly took place during August 2015 and consisted of national level consultations and a local level assessment. National level consultations were led by the overall consultancy team leader while the local level assessment was carried out in two teams led by consultancy team members and consisting of members from the National Reference Group.

Throughout the assessment the Reference Group played a key role in guiding the consultancy team. Specifically, the group acted as the sounding board for the methodology, approaches and tools, validated the sampling size and selection of dzongkhags and gewogs, and a part of the group fully participated in the local level assessment. The National Reference Group also provided feedback to the draft report and supported its finalization.

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<sup>1</sup> The exact content of the four clusters are spelled out in the ToR of the Assignment in Annex 1.

In order to effectively conduct the LG study the assessment followed a three-step approach consisting of:

1. Analysis of available information & data
  - a. Desk review prior, during & after field visit
2. Interviews with key resource persons & groups
  - a. Individual interviews with relevant key resource persons
  - b. FGDs
  - c. Community meetings
3. Triangulation & completion of data collection
  - a. On-site data collection
  - b. Online survey to reach control audience

One of the main obstacles in the desk review and report writing phase was the accessibility to and availability of reliable statistical data which was necessary for the sample selection based on a set of indicators; profiling of the Dzongkhags; and providing an overview of budgets, releases and expenditures of grants to LGs. A mix of assessment tools was used to ensure qualitative data collection and to allow for disaggregated analysis in accordance with the clusters spelled out in the Terms of Reference (ToR). The tools and respective methodological considerations are presented below:

#### *Semi-structured interviews*

A set of pre-formulated questions were used to loosely structure Focus Group Discussions (FGD) that were conducted with representatives from national level agencies and LG officials from Dzongkhags and Gewogs. However, the assessment also posed additional questions in order to follow the natural flow of the discussions. The questions reflected a hybrid between the analytical categories presented in the ToR as well as an adaptation of the Helvetas Local Governance Performance Appraisal tool. Overall, the FGDs generated a wealth of information and most interviews had a wide participation of LG officials. There was, however, a tendency towards the elected LG officials doing most of the talking. The assessment study balanced this by posing direct questions to the LG staff in order for them to elaborate on their perspectives and experiences.

#### *Citizens' perception survey*

The assessment study conducted 14 community meetings in order to get the citizens perceptions on the public services and quality of local governance. For this purpose an adapted Citizen Report Card (CRC) exercise was applied. A first CRC was conducted in Shaba community with the purpose to test the tool and to align their mode of facilitation. Consequently a few questions were adjusted since their pilot showed that the initial formulations were not easy to understand for community members. Typically citizen report card exercises are designed to assess the quality of individual public services and are conducted at household level. However, in order to cover a high sample size of community responses within a short time frame, as well as covering a wider range of local governance questions the tool was adapted accordingly. For each of the questions there were brief qualitative discussions on the subject matter followed by voting. The summary CRC results are presented in the report whilst the individual community CRCs are illustrated in Annex 5. Respondents were generally not familiar with the CRC tool. During the voting, by show of hands, there was initially a tendency to concur with the majority and during the first community meetings some confusions arose in the prioritization process. This was particularly prominent when citizens

were asked to prioritize the four most important services, and to assess the accessibility and quality of services.

#### *Structured online survey*

With the purpose to supplement the responses from visited LG units and reach out to more Dzongkhag and Gewog LG officials, the assessment study also developed a questionnaire, which was sent out electronically to Gups, GAOs, DPOs and FOs. The questions, albeit different than from the semi-structured interviews, equally reflected a hybrid between the analytical categories presented in the ToR as well as an adaptation of the Helvetas Local Governance Performance Appraisal tool. The main challenge to adopting this methodology was that not all LG units have reliable Internet access. Furthermore, the online survey was conducted in the middle of the busy period for 11<sup>th</sup> FYP Mid Term Reviews, which may also be an explanation to why only 34 responses were received from DPOs, FOs, Gups and GAOs.

During initial consultations the National Reference Group expressed a preference for a significantly larger sample size (even a nationwide assessment) than proposed by the assessment team. The sample was therefore increased from covering 7 to 14 Dzongkhags and 14 corresponding Gewogs and 13 communities. In order to cover the increased geographical areas the modality of the assessment was changed and the assessment team was split into two. It was agreed that a further significant increase in the sample size would not add value to the results since the interviewed Dzongkhags constituted 25% of the total number and 7.5% of the 205 Gewogs. An additional 22 Gewogs answered through the online survey, bringing the total to 37, or 18.1% of all Gewogs.

To arrive at a diagnostic study that is sufficiently representative and reachable within the agreed timeframe of the assignment, a careful selection of *sample* Gewogs and Dzongkhags was made based on a clear set of criteria. These criteria included:

- Geographical representation of Dzongkhags<sup>2</sup> with 4 from the western, 7 from the central, and 3 from the eastern regions;
- Balanced representation of Gewogs with low, medium and high values on the criteria of: poverty estimates, LG performance (largely financial performance), population density, and Gewog characterization (rural, semi-urban, urban); a total of 19 Gewogs were covered.

At the national level, the assessment study conducted 11 interviews and FGDs with various central government stakeholders<sup>3</sup>, while at the local level it covered 15 Gewogs and 2 Thromdes across 14 Dzongkhags. Interviews at local level included:

- 5 Dzongkhag level FGDs with Dzongdas, DPOs, FOs, education officers, census officers and RNR sector heads,
- 2 with Thromdes where Thrompons, Thromde Thuemis, officiating executive secretaries, planning officers, and administrative officers participated;
- 14 FGDs at Gewog level with Gups, Mangmis, Tshogpas, GAOs, Gewog accountants, Gaydrungs, RNR sector staff, and community centre operators; and
- 13 citizens' groups totalling 271 persons.

<sup>2</sup> Based on the National Statistical Bureau's zonation method used in the "Bhutan Multiple Indicator Survey" of dividing the 20 Dzongkhags into three clusters – west (Chhukha, Haa, Paro, Punakha, Samtse, Thimphu, Gasa) central (Trongsa, Bumthang, Wangdue, Dagana, Sarpang, Tsirang, Zhemgang) and east (Trashigang, Trashi Yangtse, Mongar, Lhuentse, S. Jongkhar, Pema Gatsel).

<sup>3</sup> See Annex 2.

The gender distribution of the interviewees at the LG level was skewed towards men, with only 19% of the 106 LG respondents being women. It is suggestive of the larger gendered participation in LGs in the country. As for the online survey, all Gups and GAOs responding were male while respectively 21% and 50% of responses came from female DPOs and DFOs. For the citizens' groups too, there were 62% men. This gender imbalance was in contrast to the general composition of Zomdue meetings where women were reported to participate equally in terms of numbers. As for age groups, 23% of community members were 18-29 years, 45% 30-49 years and 32% 50 years and above.

Profiling of community members by gender and age group						
Community	Total #	# Men	# Women	18-29	30-49	50+
Deothang	18	17	1	4	11	3
Drametse	12	6	6	3	7	2
Kilkhorthang	15	12	3	0	9	6
Nangkhor	22	12	10	2	6	14
Samkhar	21	9	12	5	10	6
Samtenling	20	16	4	6	7	7
Samtse	16	15	1	4	9	3
Shaba	10	9	1	1	1	8
Shompangkha	20	16	4	6	4	10
Tang	14	8	6	5	6	3
Tsamang	18	7	11	4	11	3
Tseza	70	33	37	17	33	20
Ugyentse	15	8	7	5	8	2
<b>Total</b>	<b>271</b>	<b>168</b>	<b>103</b>	<b>62</b>	<b>122</b>	<b>87</b>
<b>Percentage</b>	<b>100%</b>	<b>62%</b>	<b>38%</b>	<b>23%</b>	<b>45%</b>	<b>32%</b>

Table 1: Profiling of Community Members



Table 2 below illustrates the different Gewogs, Class A Thromdes, Dzongkhags and community groups, which were covered during the assessment study:

# of Dzongkhags, Gewogs and Thromdes covered		# of Meetings with LGs & communities			
Gewog/ Thromde A	Dzongkhag	Citizens	Gewog	Thromde A	Dzongkhag
15	14	13	14	2	5
Deothang Drametse Gelephu Jigmecholing Lungnyi Langthel Nangkhon S. Jongkhar Samkhar Samtenling Shaba Tang Tsamang Ugyentse Khamoed	Bumthang Dagana Gasa Mongar Paro Samtse Sarpang S. Jongkhar Thimphu Trashigang Trongsa Tsirang Wangdue Zhemgang	Deothang Drametse Kilkhorthang Nangkhon Samkhar Samtenling Samtse Shaba Shompangka Tang Tsamang Tseza Ugyentse	Deothang Drametse Drugyelgang Jigmecholing Lungnyi Langthel Nangkhon Samkhar Samtenling Shaba Tang Tsamang Ugyentse Khamoed	Gelephu S. Jongkhar	Dagana Gasa Trashigang Wangdue Zhemgang

Table 2: Overview of Covered Dzongkhags, Gewogs, and Communities

## Structure of the Report

The report is structured into four main parts. The *Current Status of Decentralization* (political, administrative and fiscal) in the country is assessed, taking into account Bhutan's decentralization and democratization history that has set the local governance context for today. *Local Governance Performance* is discussed under two headings: overall development achievements of Dzongkhags – drawn largely from Dzongkhag key performance indicators in the 11<sup>th</sup> FYP – and the quality of local governance and service delivery, based on discussions with LGs and citizens' perceptions. *Conclusions* drawn from the overall assessment looking closer at opportunities and challenges for LGs in Bhutan's decentralization process. Finally, *Recommendations* arising from the analysis are presented in the last chapter. They are separated into strategic and operational recommendations.

## CURRENT STATE OF DECENTRALIZATION

After an introductory presentation of different types of decentralization, this section looks into the progress and current state of political, administrative and fiscal decentralization in Bhutan. Accordingly, analytical clusters 2 and 4 are assessed, namely (ii) roles and responsibilities of LGs and other agencies; and (iv) capabilities and limitations of LGs and other stakeholders. The assessment is mainly based on the FGDs and online survey responses from Dzongkhags and Gewogs and complemented by inputs from the community meeting discussions and from national level interviews.

### Categories of Decentralization

When assessing LGs in the context of Bhutan's decentralized system of governance, it is important first to describe and distinguish between the main categories of decentralization. The main types include political, administrative, fiscal and market decentralization.<sup>4</sup>

Political decentralization aims to give citizens or their elected representatives more power in public decision-making. It is often associated with pluralistic politics and representative government, but it can also support democratization by giving citizens, or their representatives, more influence in the formulation and implementation of policies. The underlying assumption is that decisions made with greater participation will be better informed and more relevant to diverse interests in society than those made only by national political authorities. The concept implies that citizens are empowered to better know their political representatives and entitlements and allows elected officials to better know the needs and desires of their constituents.

Administrative decentralization seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to lower levels of government. The three major forms of administrative decentralization, each with different characteristics, are called *deconcentration*, *delegation*, and *devolution*.

*Deconcentration* is often considered to be the “weakest” form of decentralization. It redistributes decision making authority and financial and management responsibilities among different levels of the central government. It can merely shift responsibilities from central government officials in the capital city to those working in regions, districts or counties, or it can create strong field administration or local administrative capacity under the supervision of central government ministries.

*Delegation* is a more extensive form of decentralization. Through delegation central governments transfer responsibility for decision-making and administration of public functions to semi-

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<sup>4</sup> “The Online Sourcebook on Decentralization and Local Development”, [http://www.ciesin.org/decentralization/Entryway/english\\_contents.html](http://www.ciesin.org/decentralization/Entryway/english_contents.html).

autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Governments delegate responsibilities when they create public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units. Usually these organizations have a great deal of discretion in decision-making. They may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.

A third type of administrative decentralization is *devolution*. When governments devolve functions, they transfer authority for decision-making, finance, and management to quasi-autonomous units of LG with corporate status. Devolution usually transfers responsibilities for services to municipalities that elect their own mayors and councils, raise their own revenues, and have independent authority to make investment decisions. In a devolved system, LGs have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

Fiscal decentralization: Financial responsibility is a core component of fiscal decentralization. If LGs are to carry out decentralized functions effectively, they must have an adequate level of revenues – either raised locally or transferred from the central government – as well as the authority to make decisions about expenditures. Fiscal decentralization can take many forms, including:

- a) self-financing or cost recovery through user charges;
- b) co-financing or co-production arrangements through which the users participate in providing services and infrastructure through monetary or labour contributions;
- c) expansion of local revenues through property or sales taxes, or indirect charges;
- d) intergovernmental transfers that shift general revenues from taxes collected by the central government to LGs for general or specific uses;
- e) authorization of municipal borrowing and the mobilization of either national or LG resources through loan guarantees.

Market decentralization: *Privatization* and *deregulation* are the two forms of market decentralization:

*Privatization* can range in scope from leaving the provision of goods and services entirely to the free operation of the market to "public-private partnerships" in which government and the private sector cooperate to provide services or infrastructure. Privatization can include: i) allowing private enterprises to perform functions that had previously been monopolized by government; ii) contracting out the provision or management of public services or facilities to commercial enterprises iii) financing public sector programs through the capital market; and iv) transferring responsibility for providing services from the public to the private sector through the divestiture of state-owned enterprises.

*Deregulation* reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. In recent years privatization and deregulation have become more attractive alternatives to governments in developing countries. LGs are also privatizing by contracting out service provision or administration.

## Political Decentralization

Undeniably, the LG Act of 2009 and the subsequent decentralization process has brought decision making power and public services closer to the people. At the same time it also has enhanced citizens engagement with elected LG officials (Gups, Mangmis and Tshogpas), as well as appointed staff (like the GAO and extension officers for e.g. agriculture, forestry and livestock). The establishment of Gewog offices has on the one hand given LG a physical presence and recognition in the communities. On the other hand, it provided at the same time a new space for participative and reciprocal dialogue, communication and interaction between the state and citizens.

Throughout the assessment, LG officials and communities repeatedly expressed that democratic local governance has been improved and made more convenient. There is no longer the need to travel far distances to the Dzongkhag headquarters, as both the Gewog offices and Community Centres are now in the near proximity to communities. Accordingly, it is now much easier to obtain relevant information and forms from LGs, get in direct contact with LG officials and participate in local governance processes. At the same time, results from the CRC exercise show that the majority of community members were generally very happy or happy with the access to public services.

Although transparency, accountability and participation have improved as a result of decentralization, the FGDs and community meetings revealed that there is nevertheless still much room for improvement. Areas needing improvement are related to enhancing community awareness and meaningful participation in local governance and development processes, as well as strengthening social accountability and complaints mechanisms. This also includes having in place effective and efficient ways of communication and information sharing between LGs and communities.

## Community participation

Although community members now better understand the roles and responsibilities of LG as a duty bearer that provides public services to the population, the perception of their own entitlements and democratic rights as citizens is still rather low. As one Gup explained “*communities are happy with whatever they are given from central and LG*”. This sentiment was shared by other LG interviewees. The “social contract”<sup>5</sup> between LG and citizens is therefore still somewhat weak and needs strengthening in the years to come through continuous awareness creation, dialogue and social accountability processes.

The LG Act clearly stipulates that “*LGs shall make every effort to ensure public participation in the development of various plans and programmes*”<sup>6</sup>. To that effect GNHC has devised a Local Development Planning Manual, which outlines the steps, tools and minimum requirements for annual planning at Dzongkhag and Gewog level. The manual is central to making sure that effective political decentralization takes place. It also provides guidance how e.g. communities

<sup>5</sup> A social contract is an implicit agreement between the governed and the government defining and limiting the rights and duties of each.

<sup>6</sup> LG Act of Bhutan, 2009, Chapter 10 (146).

should be informed about LG plans and resolutions; how participative implementation and monitoring processes shall happen; and how LG standing committees are meant to monitor progress of implementation of plans and budget. The text below and Table 3 on page 21 and 22 consequently assesses the level of LG compliance to the minimum requirements of the manual.

The highest level of citizen's engagement is undoubtedly happening through the annual participatory planning process which happens at Chiwog level. Zomdus, or village meetings, are the main space for engaging community members in local problem identification and decision making processes. All of the FGDs with LG officials and community meetings indicated that there is generally a high participation rate for such meetings thus prompting common ownership of the identified developmental priorities in the particular locality. However, it should be mentioned that some Gups expressed concern about the lack of active citizenry to take part in such important spaces for planning and state-citizen dialogue. Nevertheless, participatory planning is widely appreciated by LGs and community members. According to the assessment's own online survey, 87.5% of LG officials either highly agree or agree that *public consultations are effective and always reflected in the annual and FYP*.

However, questions can be raised as to how qualitative and strategic the outcomes of such processes are. It was mentioned several times that the Chiwogs basically come up with an annual wish list comprising the same set of priorities year after year. Whereas this could at a glance indicate that the development priorities of communities are not addressed or fulfilled by LGs, it could also be a suggestion that the current planning framework leaves little space for flexibility. A system with a FYP, where 80% of the ACG is tied to the pre-set FYP priorities, leaves little space for flexibility and to think "out of the box", nor does it offer LGs and citizens much room to propose alternative projects and activities. Other respondents argued that the LG plans were merely an uncritical aggregation of respective Gewog and sector activities that are not well coordinated and therefore not providing a strategic plan or vision on how to create a coherent pathway for local development.

In terms of financing the plans, the Chiwogs have over the years gradually become better at budgeting within their given ceiling. Consequently, it has become easier for GAOs to compile Chiwog plans into a consolidated Gewog plan, which is first scrutinized and approved by the GT and thereafter submitted to the DT for endorsement. Once the Gewog plans and budgets have passed through the DT they are submitted to GNHC. In the instances where plans and budgets are rejected either because they exceed the budget ceiling or the priorities are not aligned to the FYP, most LG officials confirmed that the revision process is done in a consultative manner between the different levels of Government. Since the planning and budgeting capacities have been strengthened over the past years, it is rare that radical changes are made to the submitted plans and budgets. There were, however, examples provided where the GNHC appears to have modified or cut approved GT and DT plans and budgets without further consultation. In this regard it was mentioned that most often it is "soft" components such as trainings and awareness programmes that are cut out and de-prioritized.

When assessing further who actually participate and voice out their opinions during such participatory planning processes, the picture is less rosy. The assessment found that women are in fact usually well represented at community meetings. In some cases, they even represent the majority of participants – often in cases where men are working in the field and women are heading

the household<sup>7</sup>. The major challenge is however that women, as illustrated in Figure 11 on page 58, rarely voice out their opinions and viewpoints. One community member from Sarpang Dzongkhag claimed: *“In the last seven years I have lived in this community and participated in Chiwog meetings, I have never heard a woman talk!”*

Whereas some of the typical explanations to this phenomenon are subscribed to ‘women being shy’, it is clear that there are still cultural barriers and socialization processes that hinder women from meaningfully engaging in local development. In other instances women are too preoccupied in the household to participate in local governance processes and instead do unpaid care work, e.g. taking care of children, sick and elderly, fetching water, cleaning the house, washing clothes, cooking etc. Some awareness programmes on women’s rights and gender roles have taken place, e.g. through civil society organizations. It is, nevertheless, apparent that much stronger and concerted efforts must be put in place in order to recognize the importance of women’s participation and voice, and to put in place sufficient measures to reduce and redistribute women’s unpaid care work. Gender responsive budgeting and provision of gender sensitive public services like health clinics, nurseries, water points can contribute to women’s emancipation, but as long as women do not voice out their opinions in participatory planning processes such services risk being deprioritized. This is further exacerbated when LGs in the planning and budgeting cycle do not pay any particular emphasis to women issues, priorities and agendas, and/or if they do not receive earmarked decentralized developmental funds to support such issues.

Youth are equally finding it difficult to voice out their opinions and specific needs and to engage in participatory local development processes. Once again, there are certain cultural barriers that prevent young people from speaking out, namely the convention to keep quiet and let the elders talk. This is particularly a democratic deficit in relation to prioritizing the usage of the GDG, which specifically attempts to support Income Generating Activities and employment creation in a country where youth unemployment in the age bracket 15-24 is three times higher than the average rate across all age groups<sup>8</sup>.

Furthermore, it will be important for LGs to assure that the voices of the most vulnerable and extreme poor are heard in participatory local governance processes. Resourceful and outspoken community members usually show less difficulties to participate in local development processes, as they have the capacity to engage with LGs. Therefore it is all the more critical to put measures in place to strengthen the confidence, capacities and involvement of vulnerable groups, so that they are socially included, and their specific needs are taken on board and addressed, too.

<sup>7</sup> In a study on gender stereotypes and women’s political participation conducted by the National Commission for Women and Children, it was found that: in the rural areas, women are still regarded as the custodian and controller of the household, thus any decision pertaining to the daily activities of the household are generally made by the lady of the house. In case of major decisions, such as buying land, farm machineries, construction, farm animals, etc., men are given the responsibility due to their relatively high interaction with the “outside” world.

<sup>8</sup> Age specific and gender disaggregated unemployment data for Bhutan shows that the unemployment rate is highest in the under-30 age bracket (15-29 years) and decreases with age. At 7.9 and 6.6% unemployment for young men and women respectively, the unemployment rate among youth (15-24 years) is the highest compared to other age brackets. Female youth unemployment is higher than that of males among those aged 15-19 years, but the reverse is observed among those aged 20-24 years. Overall, a relatively high level of unemployment exists among females aged 15-19, at 9.4%. Among males aged 20-24 years, unemployment stands at 7.9%. The unemployment rates of these two age groups thus push the overall youth unemployment rate to 7.3% – more than three times the average unemployment rate for the country as a whole (UN MDG report: Youth Employment in Bhutan, 2013).

If efforts are not made to meaningfully engage and listen to the voices of women, youth and vulnerable groups in participatory local governance processes, then there is the risk that a small “local elite” comprising the most resourceful persons will end up becoming the sole decision makers. However, they are not necessarily representing the needs and opinions of the most socially excluded and marginalized groups.

Community Contracting Protocol (CCP) has been introduced as an innovative way to foster community engagement in the implementation of smaller LG development projects below Nu. 1.500 million. Any development project above that ceiling must be tendered to commercial contractors. The experiences on CCP are mainly positive but still somewhat mixed across the Gewogs that the assessment covered. Importantly, use of CCP has enhanced efficiency and effectiveness of development works due to the removal of lengthy tendering process. In general, it is widely appreciated that the communities have the opportunity to construct or maintain e.g. infrastructure projects themselves. It increases the ownership and the funding remains in the community, which can consequently generate other economic activities. Some communities mentioned that the quality of the construction also improved, since the monitoring processes are more diligent and communities have a strong self-interest to do as good a job as possible. They are, after all, also the main beneficiaries.

On the other hand, it takes time to build the communities’ capacity to construct and manage projects as they do not often have prior knowledge. This has in some instances led to poor quality of works. Furthermore, there have been some cases where the process of awarding community members a certain contract has not been transparent and the tender has been announced with too short notice. Also there were reports of some favouritism in the selection process, which caused tensions within certain villages. The assessment study also found that the CCP in a few cases has anomalies: In one case, the ceiling for contractor bids had been lowered from Nu. 1.500 million to Nu. 1.000 million, since the communities were perceived to have less capacity. In another instance community members with certain vulnerabilities or in-capabilities were ‘fined’ since they could not contribute with labour and without this contribution the budget would not have been sufficient to complete the work.

Whereas community participation is particularly high in planning processes and to some extent in implementation processes, through CCP, the assessment found that communities are rarely engaged in monitoring progress of infrastructure projects and expenditure of funds. In most cases it was found that the GAO, Gup, Tshogpa and/or an engineer were solely in charge of monitoring developmental projects. Whereas these LG officials undoubtedly have the mandate and capacity to monitor and report progress, it is nevertheless a big participative, transparency and accountability gap that communities seldom have a strong role to play.

The Local Development Planning Manual states that “a monitoring committee at the local level including women’s and disadvantaged groups can facilitate the monitoring to assess progress against work plan”<sup>9</sup>. Only in a few cases had citizens committees been established, and mostly only after mismanagement and low quality of works had been detected. In these cases it was found that the quality of works was below par because the purchased building material was of lower standard than presented in the contractor’s bid, or that the infrastructure was not finalized within the agreed budget frame. For these reasons it is important for communities not only to monitor the

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<sup>9</sup> Local Development Planning Manual, GNHC 2014, pp. 49-50.

progress of the construction, but also to have access to budgets and expenditures in order to oversee if money is spent as planned. Establishing and formalizing more citizen's monitoring committees would help to enhance "checks and balances" in LG project implementation.

In order for such participatory monitoring processes to be effective it is, however, also required that clear complaints mechanisms are in place and that relevant information such as projects budgets and expenditures is available to communities. Most communities visited mentioned that it was usually only during project handovers and -ceremonies that communities received some more detailed information about the project implementation – which is obviously too late to effectively monitor and prevent mismanagement in the project implementation phase.

### **Transparency and information sharing mechanisms**

The LG Act provides clear guidance on how LGs shall be transparent and accountable to citizens and put in place appropriate mechanisms for dissemination of information. Accordingly, all LGs are required to have public notice boards displaying agendas for the next DT/GT session, annual budgets, annual work plans and calls for tenders. Whereas the public notice boards are an appreciated initiative to enhance transparency and improve the flow of information, there are some challenges. Indeed the majority of Gewogs visited did have public notice boards in place, but usually they only displayed the generic Gewog Development- or ACG plans. Other relevant information such as agendas and resolutions from DT/GT meetings, actual project expenditures and call for tenders were rarely seen. Furthermore, the information displayed on public notice boards can only be read and understood by the alphabetically and numerically literate. This is obviously a challenge in communities with high illiteracy rates. Therefore, Gups, Mangmis and Tshogpas have an important role to play in terms of disseminating LG information and entering into dialogue about local governance issues.

The assessment found a variety of experiences and practices related to information dissemination. In most cases there was some level of information sharing happening related to the five-year and annual plans and to budgets for the Gewog. Such information was either shared directly by the Gup or Tshogpa in many communities. It was also found that the communication, feedback and consultation around the participatory planning and budgeting processes was fair. On the other hand, it was felt that it was difficult for community members to obtain more detailed information on project expenditures.

The biggest challenge, however, related to the ineffective sharing of information regarding the proceedings and deliberations of DT/GT meetings. In most cases, information from these meetings (such as resolutions) were not shared with citizens, nor did a community dialogue take place with the elected representatives around the relevant resolutions from DT/GT meetings. It was generally felt that Tshogpas did not have sufficient capacity to facilitate nor enter into dialogue on such developmental matters.

Spaces for community dialogue and information sharing are particularly important since participation of the public in DT/GT session proved to be very low. Although the LG Act states that "*all sessions of LGs shall be open to public to participate as audience except for closed door sessions*", the assessment study did not hear anything from the Gewog FGDs and CRC exercises about the prevalence of any individual or organized community group that have



attended such open DT/GT sessions. It was however mentioned that contractors, who have placed bids, would usually turn up for tender meetings. Needless to say, low public participation in these sessions needs to be proactively addressed in order to improve transparency and accountability mechanisms.

Community members and LG officials equally mentioned that social accountability and complaints mechanisms were quite weak at Chiwog and Gewog level. Together with DLG and the Royal Institute of Management, the Anti-Corruption Commission is currently introducing social accountability mechanisms in selected Gewogs. The role of ACC is to provide expertise and content, DLG to coordinate and RIM to deliver trainings. So far four social accountability tools have been developed but are not yet widely and systematically used, namely:

- *Community Score Cards*, which is a qualitative monitoring tool that is used for local level monitoring and performance evaluation of services, projects and even government administrative units by the communities themselves;
- *Citizens Report Cards* (e.g. applied by the assessment study) which is a participatory survey tool that provides quantitative feedback on user perceptions on the quality, adequacy and efficiency of public services;
- *Budget analysis tool*, which enables communities to read and analyse budgets, follow the flow of budget allocations and overseeing the expenditure of budgets for project implementation; and
- *Social audits*, which is a participatory community process of reviewing official records and determining whether LG reported expenditures reflect the actual funds spent on the ground.

Social accountability processes are central to enhancing participation, transparency and accountability in local processes. That said, pilot exercises need to be mainstreamed and systematically applied across LG in order to be effective and to have any long lasting effect. In this regard, DLG has among its activities outlaid in the 11<sup>th</sup> FYP set the target of carrying out social audits and M&E for 105 selected Gewogs<sup>10</sup>, i.e. in over the half of the country.

Putting in place such platforms for state-citizen dialogue will also be an opportunity to air and address public complaints. At present, communities rarely place complaints with LGs. As the FGDs and citizen report cards showed, this is not to say that the public do not have complaints about LGs and the public services they have the duty to provide. In general citizens are reluctant to complain because they do not want to be seen as “trouble makers”.

The lack of clear and effective complaints mechanisms, including channels for feedback and redressal, is another main contributing factor why communities do not file their grievances. As a direct consequence, both MPs and ACC reported that they receive complaints that should rather be dealt with by LGs, since they pertain to issues of administration and implementation. ACC receives more than 400 complaints per year, but many of them are of administrative nature and not related to corruption. This is a clear indication that the public do not fully understand what type of incidents should be reported to ACC or the concerned LG. Also MPs are often addressed directly by citizens with administrative matters. On the other hand, some LG officials expressed that sometimes community complaints are fuelled by unrealistic pledges that MPs make during their visits to the constituency – pledges which the LG do not have the resources to fulfill.

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<sup>10</sup> 11<sup>th</sup> FYP 2013-2018, Volume II, p. 391.

It is evident that the absence of a formalized mechanism discourages the public to speak out their grievances. Complaints that are actually filed are not addressed effectively and in a coordinated manner since the avenues and recipients are as diverse as ACC, MPs, Gups, Mangmis, Tshogpas, GAOs, Dzongdags, Dzongrabs, extension officers etc. It is furthermore important to have in place a formalized complaints mechanism in order to validate the complaints and accusations that are received from the public. Some of them may be found unfounded or untrue, but they may still escalate and lead to local tension and conflict if not attended to in time.

### **Women's participation and leadership**

With respect to political participation and leadership, Bhutanese women remain under-represented. The percentage of women in parliament increased from 9.3% in 2005 to 13.9% in 2008. However, women's representation in the second parliament elected in 2013 decreased to 6.9%. The situation is similar at the LG level. In the 2011 LG elections, the number of women standing for LG elections was much lower than that of men. Hence, very few women were elected in the 20 Dzongkhags. The lowest rate of success for women contestants was with respect to the position of Gup, with only one woman elected in the Dagana Dzongkhag as against the 205 Gup positions nationwide for which elections were held. The rate of success for female contestants was slightly higher at the deputy level, with approximately a quarter of Mangmis and over half of Tshogpas elected. In the 2011 LG election, a total 207 women contested, of whom 98 were elected. Women are also underrepresented in other areas of public life. In 2009, women constituted 26% of civil service employees. During the FDG with LG officials (both elected and appointed) 19% were women.

As mentioned earlier, women appear to participate in high numbers at community meetings. This finding is also supported by the CRC data illustrated in Figure 11, which shows that 76.6% believe that women's participation is either very high or high. The challenge, however, remains that these women generally do not speak out at these meeting, as illustrated in Figure 12 (both page 58).

An explorative study of women's leadership, conducted by iGNHaS argues that education level, prior political leadership experience, communication skills, family and community support are key factors that lead to women's success in LG elections whereas the barriers revolve around women's lack of time and competing demands to both manage domestic responsibilities and hold office. The community meetings revealed that certainly women do have the leadership potential and skills since they possess in-depth knowledge around local development challenges. They do, however, still lack confidence, exposure and many are not functionally literate.

The assessment met with BNEW in Gasa which confirmed the factors above. The Functional Literacy Test (FLT), which is a requirement for contesting LG election in Bhutan, was confirmed to be one of the barriers to enhancing women's leadership in LG. The difficulty level of the FLT was however believed to be fair, since both early school dropout and girls having passed through the non-formal education system still would have a good chance to pass the test if they receive some guidance and undergo mimic testing<sup>11</sup>.

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<sup>11</sup> BNEW has conducted 27 Gender & Leadership workshops across all 20 Dzongkhags – mimicking the functional literacy test.

Most importantly women need support to raise their self-esteem and self-confidence to challenge cultural barriers, stand for election, voice out and communicate publicly. In this regard, it is critical that female role models, like the Gup from Dagana, stand out and are featured as good examples. They serve as a source of inspiration in the empowerment of women in Bhutan. Despite the many challenges to women's leadership, the next LG election is expected to have more female candidates and ultimately elected LG officials. BNEW confirmed that other positive factors that will contribute to strengthening women's leadership. 50% of enrolled students are now girls. In addition, gender roles are slowly changing, and the good performance of incumbent female Tshogpas (and 1 Gup) showcase that women leaders are at least as good elected representatives as males.

### **Community based organization**

A myriad of community based organizations and groups exist at local level such as community forestry groups, citizen monitoring committees, cooperatives, self-help groups, livestock groups etc. These are all instrumental in terms of nurturing citizen's engagement and creating an enabling space for civil society. Whereas most of these groups in one form or the other are in contact with LG this at present happens on an ad-hoc basis and not in a coordinated manner. There is therefore a potential to streamline linkages to such community groupings in the future and thereby adopting a more coordinated and holistic approach to engaging civil society in local development and governance, i.e. in terms of ensuring comprehensive and exhaustive inputs to planning, implementation and evaluation processes. Furthermore, there is an opportunity to make better use of civil society, including private sector and media, in local governance processes as their expertise, reflections and recommendations are critical for local development. In this regard, only 17.9% of the online survey respondents believe that consultations with CSOs, private sector and media are held regularly.

### **LG decision-making processes**

The DT and GT are the main bodies for decision making at LG level and their general function is to exercise powers and functions as specified in the LG Act of Bhutan<sup>12</sup>. Although the elected members of the LGs do not have legislative authority they do have authority to make rules and regulations that are consistent with the laws passed by Parliament. The LG Rules and Regulations 2012 of Bhutan stipulates that both DT and GT shall establish Standing Committees for Rule Making; Disciplinary; Monitoring, Evaluation & Review; and any other Standing Committees as and when necessary<sup>13</sup>.

The assessment found that most Dzongkhags and Gewogs have not established all of the Standing Committees. Instead a myriad of "other" committees were functioning pertaining to e.g. disaster management, tender, multi-sector coordination and human resources. Since planning, budgeting, implementation and monitoring of developmental funds and projects are cardinal responsibilities of LG it is particularly noteworthy that the Monitoring, Evaluation & Review committee were non-operational. Also, the assessment did not find trace of any financial committees that would serve the purpose of analysing and tracking the usage of grants, revenue and other incomes of LG.

<sup>12</sup> LG Rules and Regulations of Bhutan, 2012, Chapter 25.

<sup>13</sup> GTs are also required to establish a Standing Committee for Mediation.

Normally Standing Committees serve the purpose to pre-deliberate and propose recommendations for DT/GT resolutions, thereby safeguarding a diligent yet smooth decision-making process. The absence of statutory standing committees implies that all deliberations and resolutions are taken in the GT/DT meeting by elected LG officials. Civil servants with in-depth technical knowledge only hold there the position as observers who can only speak when invited by the chairperson. Practically speaking the consequence is that there is only limited room for in-depth deliberations and negotiations on the subject matter that include the civil service, and often only little time to substantially discuss agenda items during council meetings.

Interviewed civil servants also informed that GT/DT meetings are often held without any further preparation meant to prompt an in-depth decision making process. No reading material is distributed like progress reports, financial reports, budget and expenditure figures or any other background information and data. Furthermore, there appears to be lack of systematic usage and analysis of the wealth of hard-copy data and reports that LGs continuously collect.

Digitalization of data and setting up effective computerized Management Information Systems (MIS) could be one step toward improving the information levels and basis for decision-making at both Dzongkhag and Gewog level. The 11<sup>th</sup> FYP indicates that emphasis will be put to improve management information systems as a main strategy for strengthening local governance. In this regard it is worth mentioning that Gelephu Thromde is in the process of finalizing and launching an MIS that can provide data for a situation analysis “with a click”. Most importantly, it can also help improving the basis for political decision-making process in the Thromde Tshogde. The IMS is linked to a new digitally based tax and revenue interface (Revenue Administration and Management Information System - RAMIS) which utilizes data from the National Land Commission to capture water utilities, properties, street lights, solid waste, and land. This data will be correlated and used to make an overview of and maximize collection of revenue sources.

However, the general picture for LGs shows that the DT/GT agenda and discussions are typically issue-based with minimal background data or information, rather than policy oriented and strategic in terms of deliberating on major developmental challenges and identifying strategies and opportunities to deal with the challenges. As one civil servant expressed it: “*LG decision making is not about having the best argument, but about who shouts the loudest*”.

### **Compliance with minimum requirements**

The minimum requirements of the Local Development Planning Manual largely revolve around issues pertaining to political decentralization. Therefore, the table below is, based on the analysis above, meant to provide a short overview of how the minimum requirements are currently met and how the process of political decentralization is advancing:

<b>Assessment of compliance with Local Development Planning Minimum Requirements (SOPs)</b>		
<b>Step</b>	<b>Minimum requirements (SOPs)</b>	<b>Assessment findings</b>
1: Assessment and Identification	<ul style="list-style-type: none"> <li>The DPOs and GAOs write an assessment and identification report that covers a report on the satisfaction of citizens with at least one of the public services (i.e. health, education, water and sanitation, agriculture, roads, electricity, ICT etc.)</li> </ul>	<ul style="list-style-type: none"> <li>The assessment did not encounter this practice in any of the visited Dzongkhags and Gewogs.</li> <li>Social audit process and tools like citizens report cards can be used to ensure fulfilment of this requirement</li> </ul>
2: Prioritization of development activities	<ul style="list-style-type: none"> <li>The GT/DT meeting minutes reflect the process of prioritization and the result.</li> <li>A prioritized list of development activities, including why other proposed activities were not selected is clearly recorded.</li> <li>The prioritized list of development activities meets GECDP and GNH criteria. This section of the minutes is posted at the public notice board(s) of the Gewog/Dzongkhag.</li> <li>Each Tshogpa has to report back to his/her constituency the process of prioritization and the prioritized development activities to the people, explaining clearly why certain activities have been omitted. A broad community consensus should be reached on the prioritized activities from all constituency.</li> </ul>	<ul style="list-style-type: none"> <li>In general this minimum requirement is met although the systematic and quality feedback and information back to communities still needs to be improved</li> </ul>
3: Differentiation between Gewog and Dzongkhag Plans	<ul style="list-style-type: none"> <li>GT minutes indicate development activities which are prioritized but are not in GT mandate. These will be presented at the DT meeting for consideration and will be endorsed if resources are available</li> <li>The DT prioritization meeting minutes reflects that the inputs from all the GTs have been considered and indicates why certain activities have not been prioritized</li> <li>This section of the minutes is posted at the public notice boards</li> <li>The Gup and Mangmi report back to GT. Tshogpas report back the process and result to the people</li> </ul>	<ul style="list-style-type: none"> <li>In general this minimum requirement is met but the minutes of DT/GT sessions are rarely put on public notice boards or shared and discussed with communities</li> </ul>
4: Activity planning	<ul style="list-style-type: none"> <li>Each development activity that was approved by the GT/DT has a clear work plan that shows sub-activities, tasks (steps to take), timeframe, costs (budget), person responsible and how to monitor progress</li> <li>Monitoring responsibilities have preferably been assigned to the community or to somebody other than the person who is responsible for implementation</li> </ul>	<ul style="list-style-type: none"> <li>Work plans and entry of activities into PLAMS is done systematically but there are severe challenges and flaws in the vertical coordination between Dzongkhag/Gewog and horizontal coordination at Gewog level between GAO and extension officers</li> </ul>

Step	Minimum requirements (SOPs)	Assessment findings
	<ul style="list-style-type: none"> <li>Dzongkhag staffs have been assigned to Gewog activities whenever necessary</li> <li>Each activity is entered into PLaMS</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring responsibilities of communities are assessed to be minimal</li> </ul>
5: Implemen- tation	<ul style="list-style-type: none"> <li>Respect Environmental Standards</li> <li>Respect Gender Responsive and Pro-poor Standards</li> <li>Respect Procurement Standards</li> <li>Ensure Quality Standards and Building Codes</li> <li>Hold regular meetings to discuss progress of the activities</li> <li>Communicate delays and adjust the plan accordingly</li> <li>Check that monitoring responsibilities are carried out</li> </ul>	<ul style="list-style-type: none"> <li>Communities are rarely participating and or monitoring implementation of activities carried out by LG</li> <li>Community Contract Protocols exhibit strong involvement of citizens although with mixed perceptions</li> <li>The assessment study found no trace of application of Gender Responsive and Pro-poor Standards although LGs consistently mentioned that prioritization at GT/DT is based on serving the poorest communities</li> </ul>
6: Monitoring and Evaluation	<ul style="list-style-type: none"> <li>GAO organizes a monthly monitoring meeting for the Gup and Gewog Staff.</li> <li>DPO organizes monthly monitoring meeting with Dzongdag and Sector Heads to review and update on the development progress.</li> <li>Update Gewog data base with new data and infrastructure.</li> <li>GAO and DPO coordinate work plan monitoring and quarterly progress reporting in PLaMS in line with the National Monitoring and Evaluation Manual.</li> <li>GT and DT discuss the progress report at least twice a year (half way), and annual report (end of the fiscal year).</li> <li>All activities should be monitored and evaluated</li> </ul>	<ul style="list-style-type: none"> <li>The quality and frequency of vertical coordination and monitoring between Dzongkhag and Gewog varies much across the country</li> <li>The Monitoring, Evaluation &amp; Review standing committees of DT/GT are not operational<sup>14</sup></li> <li>Data base management and management information systems are generally weak</li> </ul>

Table 3: Compliance with Local Development Planning Manual

## Administrative Decentralization

### Strategic framework for decentralization

An impressive range of legal, administrative and operational documents have been produced in order to effectively put in place and guide the decentralized system of governance and concerned agencies in Bhutan. Most notably the LG Act was enacted in 2009 and since then documents outlining respective rules & regulations for LGs, division of roles & responsibilities, planning

<sup>14</sup> Dzongkhag Tshogdu and Gewog Tshogde Rules and Regulations of Bhutan, 2012, Chapter

manuals and grant guidelines have been successfully devised and to some extent implemented. International development partners have also played an important role in bringing about these documents as well as supporting critical components of decentralization such as: establishing effective and transparent financing mechanism for LG service delivery, providing capacity development support and setting up accountable public expenditure management procedures for LG.

Despite such initiatives being taken, the assessment found that there is no explicit decentralization policy per se that will provide direction for handing over of power and authority of financial and human resources to local government institutions. The existence of strategic and coherent framework for decentralization may have addressed some of the challenges and deficiencies that were encountered during the study. An explicit decentralization policy would have to a wider extent explained the overall vision and rationale of decentralization as well as outlining the overall strategies, institutional arrangements and respective core functions to be handled by central, regional and LG agencies. Furthermore a decentralization policy would more clearly spell out the envisioned extent of political, fiscal and market decentralization, while at the same time concretizing if the administrative type of decentralization would be that of deconcentration, delegation or devolution.

Since such strategic policy reflections are not captured in the current framework for decentralization, it appears as if central and LG agencies, some with support from international development partners, have initiated programmes, formulated guidelines, regulations and adopted practices that are not necessarily uniform and holistic. Doing so it has in fact promoted an unintended blend of decentralization forms and a lack of harmonisation in coordination, policy making and implementation. In some cases it may even have caused contradictions. The 11<sup>th</sup> FYP fittingly has identified the development of a strategic decentralization (administrative, political and fiscal) policy as a priority<sup>15</sup>.

Furthermore, the decentralization process has not been guided by a comprehensive strategy or plan, that defines the main strategic components and milestones to efficiently put in place an effective LG with sufficient capacity, autonomy, mandate, human and financial resources to successfully undertake its designated roles and responsibilities. Accordingly a decentralization implementation strategy would create more clarity on who, how and when to e.g.:

- Rolling out sensitization campaigns and provide civic education
- Creating a harmonized legal and regulatory framework
- Establishing institutional and human resource capacity development
- Facilitating local development planning and budgeting
- Setting up financial management and accounting systems
- Initiating fiscal decentralization and revenue mobilization
- Introducing sector devolution (as opposed to deconcentration or delegation)
- Providing infrastructure development services provision
- Setting up harmonized monitoring & evaluation frameworks & processes

The 11<sup>th</sup> FYP 2013-2018 with its goal of “self-reliance and inclusive green socio-economic development” is the most comprehensive development framework for all government agencies at central and local level. It builds on previous FYs, the Bhutan 2020 Vision for Peace, Prosperity

<sup>15</sup> 11<sup>th</sup> FYP 2013-2018, Volume II, p. 391.

and Happiness and key policies such as the economic development policy from 2010. Promotion of good governance and strengthening LGs is a key pillar in the FYP and some overall strategic and programme activities are laid out. However, a more detailed implementation plan would undoubtedly accelerate the decentralization process provided that adequate financing, human resources and steering mechanisms are in place.

Since the 9<sup>th</sup> FYP the LGs have been formulating their FYPs (and annual plans) based on the bottom-up decentralized Gewog-based planning process where development priorities are identified by the communities at the Chiwog level. The FYP also outlines the central plans for the respective sectors such as education, health, agriculture etc. For that purpose the GNHC has developed a “Guideline for Preparation of the Eleventh Plan”<sup>16</sup>. The purpose of the guideline is to provide a basis for central and LG agencies to formulate their respective sectoral and LG plans. The guideline highlights the key challenges, national objective, strategies, key result areas and key performance indicators.

The FYPs for the 20 Dzongkhags are similar in terms of strategies, which are in line with the main objectives of the national FYP. The key result areas are equally similar and fully aligned to the four pillars of Gross National Happiness. A brief situation analysis with basic statistical data and description of strategic challenges and opportunities are also written for each of the Dzongkhag.

It is laudable that there is a comprehensive planning document that outlines and spells out the main strategies and key performance indicators for all LGs (and central sector agencies). However, FYPs for each Dzongkhag are typically only 5-7 pages long, and rather similar in outlook and content. This indicates a somewhat uniform and centralized planning approach. Consequently the framework under which Dzongkhags and Gewogs are doing bottom up planning appears to be rather pre-determined and project based rather than tailor-made and strategic. This contradicts somewhat the idea of genuine bottom-up strategic planning framework, which could have a number of objectives:

- To put in place a coordinated policy framework for the Dzongkhags and Gewogs, which can direct investment in development activities that result in poverty reduction and assist the population to better manage risk;
- To ensure the most efficient use of scarce resources available to the Dzongkhag which are directed to the identified priorities in Gewogs;
- To attract investment to the Dzongkhag and enhancing the mobilization of local resources in Gewogs;
- To improve the participatory process in planning in order to improve the co-ordination amongst all the stakeholders;
- To ensure local accountability and common ownership of development decisions;
- To provide a framework for monitoring and evaluation.

### **Institutional structures & responsibilities**

In 2012 the Division of Responsibilities framework was developed to bring clarity on the roles of various levels of the government in the delivery of public services at the local level and to facilitate distribution of resources between the centre and the LGs. The framework also aims to delineate

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<sup>16</sup> [www.gnhc.gov.bt/guidelines](http://www.gnhc.gov.bt/guidelines)



responsibilities among the central agencies, Class “A” Thromde, Dzongkhags and Gewogs guided by the ‘*principle of subsidiarity*’. The ‘principle of subsidiarity’ is that provision of public goods and services should take place at the lowest level of the government and that the centre should be involved only when the lower levels of the government cannot provide the goods and services efficiently.

However, when assessing how roles and responsibilities, as well as the principle of subsidiarity, are in reality taken up in the decentralized system of governance, there are institutional and systemic challenges in terms of having a uniform interpretation and common practices across the central and LG agencies.

The MoHCA is the parent Ministry for central level discussions on overall decentralization policies and frameworks and its Department of Local Governance (DLG) is the focal agency responsible for supporting LGs. DLG was established in 2009 with the responsibilities of:

- providing all forms of support to LGs
- planning and coordinating capacity building of LGs
- collecting and maintaining information on LGs
- conducting assessments, research and analysis on opportunities and challenges facing LGs and making recommendations to relevant agencies, and
- supporting planning, monitoring and evaluation of activities carried out by LGs.

At the same time, the LDD of the GNH Commission is in charge of collaboration on LG five year and annual planning processes. Furthermore, the Department of National Budget and the Department of Public Accounts under the MoF are the agencies responsible for inter-governmental fiscal transfers to LGs and monitoring expenditures.

The interviews with LG stakeholders revealed that DLG is mostly acknowledged for providing capacity building support rather than conducting LG assessments, research and analysis on opportunities and challenges facing LGs and making policy recommendations. When it comes to administering and providing technical support to the development and monitoring of five year and annual plans and budgets the responsibility lies with the LDD in GNHC. DLG has no substantial role although it was intended to play a supportive role.

While some respondents uttered their satisfaction with this complementary division of roles and responsibilities between DLG and LDD, others regarded this as a confusing institutional set-up with overlapping mandates. Most importantly, the majority of LG officials expressed the need to have a much stronger central agency that could visibly and proactively be the effective parent agency with the main responsibility to drive the decentralization process forward and be the voice of the LGs. Accordingly, a strong and adequately resourced “decentralization agency” could, in addition to the current decentralization responsibilities of DLG, fittingly be responsible for:

- formulating a decentralization policy
- devising an adjacent implementation plan and steering its implementation
- reviewing and heading the strategic planning framework
- providing and coordinating support to LGs to develop District Situation Analysis, Poverty Assessment and Dzongkhag Development Plans, and

- devising M&E frameworks and supporting the set-up of Dzongkhag Management Information Systems.

Interestingly, many LG interviewees argued that such an agency, e.g. decentralization secretariat, should be de-politicized (like LG) and therefore be delinked and be independent from any Central Ministry which are headed by politically elected Ministers. The rationale is that an apolitical and independent decentralization secretariat would be in a better position to effectively function: it could better navigate through diverging political economy interests, where visible and hidden power dynamics and relations are played out amongst central and LG agencies, and it could mediate between conflicting opinions about the scope and pace of political, administrative and fiscal decentralization.

Finally, the interviews with particularly Thrompons and DLG revealed the challenges that Thromdes belong and report to the Ministry of Works and Human Settlements. Consequently, Thromdes do not necessarily feel as part of the LG, which is further consolidated by the fact that mandates, financial policy, rules and regulations for Thromdes are mostly completely separated from those of Dzongkhags and Gewogs. Thrompons also have independent caucus meetings with central agencies and do not take part in the regular LG meetings, seminars and symposium. It is true that Thromdes operate under different conditions and their autonomy is different from that of Dzongkhags & Gewogs. Nevertheless, more coordination, common voice and sharing of learnings and good practices is needed, especially now when the remaining 16 Dzongkhag Thromdes will soon be established.

### Horizontal and vertical coordination mechanisms

Although the division of responsibilities framework attempts to clearly delineate responsibilities among the central agencies, Class “A” Thromdes, Dzongkhags and Gewogs, the LG assessment shows that the different stakeholders are encountering substantial challenges in terms of coordinating their efforts and establishing effective processes and systems that supports a well-integrated and harmonized approach to joint planning, implementation and monitoring. The insufficient horizontal coordination between LG agencies and vertically between local and central government agencies partially goes against the provisions of the LG Act:

*As for horizontal coordination “all activities undertaken by different sectors of the government within the jurisdiction of a LG, unless otherwise specified shall be routed through and coordinated by LG offices. The concerned sectors shall provide technical and financial support for implementation of the activities and carry out regular monitoring and evaluation of the activities in accordance with the prescribed monitoring and evaluation system of the government.”<sup>17</sup>*

During the interviews with DPOs and GAOs, the assessment study found that the practices and effectiveness for horizontal coordination of planning, monitoring and implementation, varies greatly at Dzongkhag and Gewog level, respectively.

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<sup>17</sup> Local Government Act of Bhutan, 2009, Chapter

In general the DPOs have reasonable coordination mechanisms in place and are to a wide extent – through the multi-sector committee – harmonizing and consolidating development efforts and monitoring frameworks with the sector heads. The new Government Performance Management System (GPMS), and especially the introduction of multi-sector Performance Agreement for the Dzongkhag, have contributed to a more holistic planning, implementation and monitoring approach in LG. For the Gewogs, GAOs are to a wide extent attempting to coordinate and consolidate the annual work plans and budgets with the extension officers from different line ministries. For that matter, some – but not all – line ministry activities are included in the Gewog plan. Other activities for the extension officers remain in separate sector plans. This basically means that extension officers have two work plans to implement and report on. Vice versa, the GAO is typically required to also contribute to the implementation of sector plans. This dual approach signifies that activities undertaken by different sectors of the government are not effectively channeled through and coordinated by Gewog offices.

As for participatory planning with communities it was also mentioned that extension officers perform parallel sector specific planning processes which are following the objectives of the specific sector plans in the 11<sup>th</sup> FYP. During the interviews it became apparent that the majority, almost all, extension officers refer to their sector ministries as the parent agencies. This is mainly due to the fact that they submit plans, budgets and progress reports to the sector heads in the Dzongkhag while the financial reports pass through the Gewog. Consequently, the sector heads report to the central agencies and at the same time, Dzongkhags report on LG progress to the GNHC. In this frame the role of DLG in reviewing and providing feedback to LGs is rather minimal.

The common sense of belonging to LG and having a joint vision is therefore rather weak. Possible means to strengthen the role of Gewog offices could include galvanizing and reaffirming the mandate of LGs as laid out in the LG Act, strengthening coordination mechanism and putting more emphasis on holistic and consolidated Gewog plans and budgets.

The biggest challenges within the LG system, however, appear to relate to vertical coordination and consultation between the different layers of Government institutions. According to the LG Act, *“all national agencies shall conduct periodic consultations with a LG before any project or program is implemented in the jurisdiction of such LG. Furthermore, all national agencies with project implementation functions shall coordinate with the Dzongkhag Administration and with the LG concerned in the discharge of their functions. Lastly, all national agencies shall involve LGs both in the planning and implementation of national projects”*<sup>18</sup>.

Furthermore, the LG Act stipulates that the MoHCA is responsible for coordination pertaining to inter-LG and between local and central Government. Nevertheless, several of the Dzongkhags reported that they are side-lined by national agencies who have earmarked grants for direct implementation of own sector projects in communities. In addition, in some Dzongkhags, there are deconcentrated regional offices that lie between local and central governments. They plan with and report back to their central parent agency.

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<sup>18</sup> Ibid.

All in all, there is a lack of joint pre-planning and coordination. Critically, it was reported that the budget transparency of central agencies related to earmarked grants was low, since these were rarely shared with the LGs. The assessment study was also given the impression that GNHC at present does not have a full overview of the total funds currently being channeled to LGs by sector ministries, i.e. the tied funds provided through sector plans.

Furthermore, coordination challenges were found related to deposit works. According to the Annual Grant Guidelines for LGs, central agencies have the responsibility to formulate plans and programmes while the Dzongkhag and Gewog implements them. The plans and budgets for such programmes may both remain with the central agencies or be incorporated into the plans and budgets of LGs. Interviewed Dzongdags and Dzongrabs, however, reported that there was a high level of unpredictability related to the deposit works.

The main problem is that Dzongkhags are often informed very late in the fiscal year about such works. Such projects are therefore not integrated into the Dzongkhag plan at the beginning of the year but typically only towards the end of the year. This practice causes bottlenecks and risks of under expenditure for LGs as the activities related to project implementation comes as an add-on to what the Dzongkhag had planned for the year. Several LG officials explained that central agencies, without prior consultation or coordination, basically “dump” large-scale projects on LG to implement late in the year. These projects often take priority over already planned LG implementation activities and budgets. Similar observations were made on trainings that were generally offered at the end of a fiscal year.

This modality of work gives the impression that in terms of importance Five-Year sector plans supersede the Dzongkhag plans. At the same time it is an indication that full devolution of power to LG is still hampered by a centralized approach to local development. Consequently, LG staff are often under considerable work pressure towards the end of the year and unable to fully undertake their other responsibilities that are de-prioritized. As was the case with the earmarked grants, Dzongkhags reported that there is little budget transparency related to the deposit work that are not integrated into LG budget, but remain with the central agencies. Only 58.1% from the online survey respondents highly agree or agree that funds from central ministries and donors are well coordinated, budgeted and spent in a transparent manner between central and LG agencies.

### **Integrated planning, budgeting & expenditure management system**

Coinciding with the commencement of the 11<sup>th</sup> FYP 2013-2018 a new integrated and computerized system has been introduced with the purpose to make planning, budgeting and expenditure management more smooth and effective. The ingredients of the management system, also referred to as National Monitoring & Evaluation System (NMES), will also be used as the monitoring framework of the 11<sup>th</sup> FYP. The main ingredients of NMES are the Planning and Monitoring System (PLaMS) of GNHC, the Multi-Year Rolling Budget (MYRB) System of Department of National Budget, and the PEMS of Department of Public Accounts.

Upon the finalization of bottom up participatory planning processes with communities, PLaMS is used by DPOs, Project Managers of Ministries, Dzongkhags and Gewogs for managing

the results based FYP programs, preparing annual work plans based on the approved FYP, and to track plan performance on a weekly, quarterly, semi-annual and annual basis.

Many respondents, however, expressed that the vertical support and feedback mechanisms in the planning phases and reporting phases are somewhat weak. Although the submitted Chiwog and consolidated Gewog plans and budgets generally fall within the remits of the FYP and budget ceilings, it was expressed that Dzongkhags Finance and Planning staff could be more deeply engaged at an early stage of the planning process. This would make sure that the quality of estimated budgets enhances, thus resulting in fewer revisions at a later stage.

The MYRB is used by budget officers in respective budgetary agencies to manage annual and rolling budgets, while the PEMS is used by accounts officers in Government agencies to manage public expenditure on a real time basis. As it is a new system evidently the users will require continuous capacity development to operate and fully utilize it. According to the Local Government Support Programme (LGSP) review in 2013, trainings provided to district officials on the use of PLaMS and PEMS were found to have enhanced the work efficiency of the LG officials and improved their outputs. One respondent in the online survey, however, responded: *“It is very difficult to comply with the requirements of PLaMS and PEMS as we have not undergone training on PLaMS and PEMS. So therefore, in order to comply with PLaMS and PEMS, basic training is necessary”*. The general picture reflected in the online survey is that 64.6% of the respondents either highly agree or agree that it is easy to comply with the requirements of PLaMS and PEMS (29.03% neither agree nor disagree).

Nevertheless, at present the integration and correlation of data from the two systems is not yet fully optimized, but efforts are being made “to link and make the two systems talk together”. A very practical challenge encountered in several Gewogs is that Internet connectivity and reliability is still so low that GAOs and accountants need to travel to the Dzongkhag to enter the data into the various online systems.

## Organization of LG

Currently the LGs have three main platforms for meeting, deliberating, and sharing learnings on challenges and opportunities, namely (i) the biennial DT/GT Chairperson's conference (ii) the biennial GAOs symposium and (iii) Annual Dzongdags (and adjacent Dzongrabs) conference. Biennial conferences are not very effective or suitable forums for providing a conducive and timely space for deliberating LG issues among respective GAOs and DT/GT Chairpersons. But also the more frequently held conference for Dzongdags has its limitations. Interviewed Dzongdags and Dzongrabs indicated that it is a good opportunity to exchange learnings with the other administrative heads of Dzongkhags as well as voicing out the concerns and specific LG issues to important central agencies. On the other hand, during meetings with a wide range of stakeholders from a long list of central agencies (ranging from the DLG, Land Commission Secretariat, Royal Civil Service Commission, Anti-Corruption Commission to various Ministries) it is virtually impossible to comprehensively air all major issues, have strategic discussions and make informed resolutions within the span of five conference days.

Whilst a strongly mandated “decentralization secretariat” could serve as a day-to-day communicator, coordinator and broker between central and local government agencies the

question is if and how LGs should be organized in a different and perhaps more formalized manner. Informally, there are various channels and avenues for cross-pollination of experiences and learnings between LGs and with central agencies as the civil service is a relatively small network and additionally due to high levels of staff transfers. Nevertheless, an effective and efficient, transparent, accountable and participative dialogue platform would require a more frequent and continuous exchange of learnings, good practices and space for voicing challenges and identifying solutions for LG institutions.

With the vision to unite, voice out and build LG capacity to efficiently and effectively provide services to the citizens many countries, both in least developed, middle income, and highly developed countries, have established LG Associations, which under the auspices of a membership funded secretariat take care of the interests of its members and provide technical support to ongoing decentralization processes. Also the LGSDP foresees the establishment of such an association. In other instances more loosely connected LG networks have been formed through social media such as dedicated Facebook pages for LG officials.

### **Human resources & LG capacities**

Currently LG is undergoing a comprehensive Organizational Development exercise, which looks into critical aspects of human resource management such as recruitments and deployment of staff, capacity development needs, staffing categories and numbers. Consequently this assessment does not go into depth in its analysis and proposition of recommendations on this topic. Nevertheless, since human resources and management thereof are inherently linked to the capabilities and limitations of LG<sup>19</sup> the observations and reflection below are still relevant to the assessment.

The online survey exhibits that 64.5% of the LG respondents either highly agree or agree that the number of staff match the functions expected to be carried out by the Dzongkhag or Gewog office. The FGDs with LG officials confirmed this perception. However, there were several instances where the Gups, GAOs and extension officers in Gewogs would argue that the composition of the staff categories needed to be better adjusted to the context of the local area rather than having a “one size fits all” approach to Gewog staff deployments as currently executed by the Royal Civil Service Commission. Additionally, most Gewogs were, as also highlighted in other LG evaluations, in dire need of accountants and engineers. The assessment study recognizes that efforts are currently being made to deploy accountants and engineers in Gewogs, at least at a sharing basis between Gewogs, but the fact remains that LG performance will only enhance once the staffing gap has been fully filled. Apart from these two categories of staff, there were several instances of extension officers on study-leave. In such cases, neighbouring Gewog staff were expected to fill these absences, which over-stretch their capacities.

At Dzongkhag level there are no clearly defined structures nor processes which means that central agencies in principle can place as many officers as they please, and replace/recall them. This is one of the reasons why there is a shortage of senior officers at LG level, since most qualified staff sooner rather than later is recalled to the parent agency. As a consequence Dzongkhags are

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<sup>19</sup> Analytical cluster 4 of the ToR for the LG assessment study.

hampered in their planning, as they cannot really plan without knowing if they will have the adequate staff/profiles to do the job.

As of now, management of expenditures and operating PEMS is a challenge to the Gewogs that do not have regular accountancy support and/or internet access to the web based PEMS (and PLAMS). Since the release of decentralized funds are conditioned on Gewogs settling their accounts, some delays in implementing activities are encountered as Gewog staff needs to travel to the Dzongkhag to provide the figures offline. Even in Gewogs where accountants are working fulltime, there is inertia since some of the financial management procedures such as signing of cheques and issuing expenditure statements requires the involvement of the FOs. Since construction of farm roads is the main priority of communities, the presence of an engineer is very critical. At present, much construction work is delayed considerably while Gewogs are waiting for engineering support.

Whereas the quantity of LG staff is satisfactory for the Dzongkhags and Gewogs, the response to the qualities of the deployed staff is less positive. In the online survey less than half (48.4%) believe that the capacities of LG staff and elected officials match the responsibilities of LG. During the FGDs it was repeatedly explained that GAOs have greater responsibilities to bear in the decentralized governance system and at present they do not yet have all the needed qualifications to optimally take up the position. The centrality and good efforts of the incumbent GAOs are nevertheless well appreciated by LG colleagues and communities. Still, many GAOs are at the beginning of their careers or new in their current position which is why more capacity investment is needed. The impression, however, was that most training efforts and exposure visits until now has been directed towards Gups.

The online survey also shows that more efforts can be done related towards capacity development planning and diversification of capacity development modalities. When referring to the role of DLG, most respondents mentioned the provision of trainings and the discretionary Capacity Development Grant, which undoubtedly has improved the knowledge and skills of the trainees. To that effect a capacity development strategy for local governance was finalized in 2011 under the auspices of the LGSP. The LGSP evaluation from 2013 concludes that DLG has successfully delivered a significant number of trainings, study tours and other capacity development interventions from 2008-2013. Before that, training needs assessments were carried out and the demanded trainings conducted included planning & prioritization, environment, climate change, basic IT skills, office management, land management, waste management, leadership, disaster management, dispute resolution, project management skills and the use of PLAMS, and PEMS.

The interviews with DLG, however, revealed that it has been difficult to source adequate finances to fund the capacity development interventions laid out in the capacity development strategy. The FYP is thought to be quite infrastructure-heavy, concentrating less on soft factors such as capacity building. There also appears to be some training fatigue amongst LG staff, which prompts DLG to rethink learning modalities and identify more blended learning approach that do not only encompass “classroom trainings” and immersion tours to other LGs and/or other countries in the Asia region. E-learnings, online learning platforms, peer support, coaching and knowledge seminars would be some of the alternatives. Redesigning capacity development interventions, however, requires that elaborate evaluations are made for all trainings. This conflicts with the

responses from the online survey where only 48.4% either highly agree or agree that the quality and impact of trainings and other capacity development initiatives are evaluated systematically.

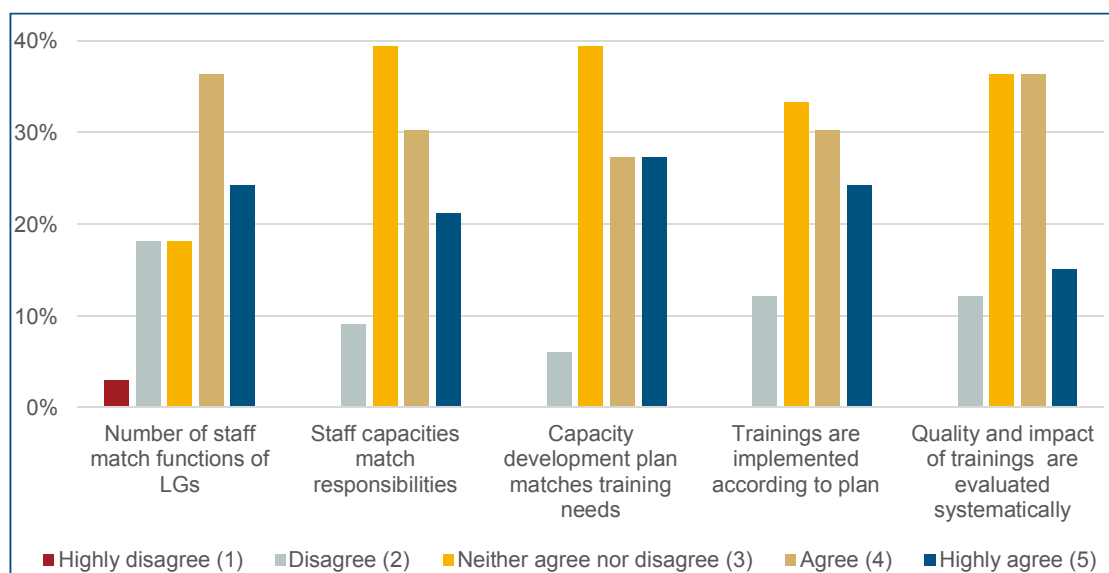


Figure 1: Online Survey Results on Capacity Development

The impression that investment in infrastructure outweighs capacity development in FYP and annual plans and budgets, is supported by the responses in the online survey. Only 54.8% highly agree or agree that capacity development plans match the training needs of LG staff and elected officials – and even if such plans are in place the same percentage (54.8%) believe that trainings are implemented according to plan.

## Community centres

Although it was not explicitly mentioned in the ToR, the assessment study did also visit a number of community centres. At the same time, these were discussed at the CRC exercises. In general, the communities are quite appreciative of the CCs since they make it easier to access postal and photocopy services, and in some instances access to Internet services and making use of online LG application forms. Nevertheless, 36% of the community members perceive that the CC user fees are either very high or high. It is still early days for the CCs, which is why the level of awareness and utilisation by community members from more remote Chiwogs is still rather low.

The financial viability of the CCs is at this point questionable since the limited income from user fees are insufficient to cover the management and related salary costs of CC operators. At present CCs cover only 8.4% of costs, even given the fact that staff salaries are subsidized by central government. Unreliable or non-functioning Internet still remains a big challenge for many CCs, as it minimises the income potential and is a cause of dissatisfaction amongst users. Furthermore, it prevents users from effectively downloading and submitting LG application forms, which in reality slows down the Turn-around Time. Since users are often also dependent on supplementary offline procedures and contact with LG units, there is currently no indication of having in place a fully operational “one-stop-shop”. The relationship and integration with Gewogs also comes with complications. While some Gewogs fear that CCs are diminishing



their importance (providing supplementary government services), others want to “own” CCs or expect them to provide free services.

### **Administration of Thromdes**

After the second parliamentary elections in 2013, and as foreseen in the Constitution, the new Parliament has decided on the establishment of 15 additional Dzongkhag Thromdes and 18 Yenlag Thromdes. This will take the total amount of Dzongkhag Thromdes to 19, thus supplementing the existing four Thromdes of Thimphu, Gelephu, Phuentsholing and Samdrup Jongkhar<sup>20</sup>.

The whole issue of classifying Thromdes have raised a number of questions that highlight the complexity of local governance. They range from the process of boundary demarcation of Thromdes to the lack of appropriate local consultations and deliberations, and from the potential impact on the status of Gewogs and Chiwogs to the financial viability of the new Thromdes. Last but not least, it also raises questions about the cost-benefit ratio of such LGs. A few Gewogs were concerned over their status should they ‘lose’ a major part of their area to an upcoming Thromde.

The relations between Thromdes and DT/GT appear to be somewhat unclear. One of the visited Thromdes indicated that the issues facing these two types of LGs are very different and therefore, apart from a representative of the Thromde participating in the DT and sharing of minutes by the Thromde in case of matters pertaining to the DT/GT, there were no mechanisms for joint discussions and coordination. In terms of vertical coordination mechanisms, Thromdes felt accountable to Ministry of Works and Human Settlement while DT/GT interacted with MoF and MoHCA. Similarly, Ministry of Works and Human Settlement dealt directly with Thromdes on issues such as training of their personnel while DLG was the main central agency coordinating capacity support for DT/GT members and their administrative support staff.

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<sup>20</sup> The decision on Dzongkhag Thromde for Pema Gatshel will be put up for approval in the winter session of the Parliament.

## Fiscal Decentralization

### Fiscal autonomy and financing of LG

The allocation of and access to financial resources is a fundamental yet complex question in fiscal decentralization processes. It is at the core of the political economy. In a nutshell, it is about who makes the decisions within the political system about the management and utilization of a country's tax and revenue. The key questions in this context are:

1. Are LGs adequately financed to fulfil their mandate and perform the functions effectively as laid out in the LG Act, including the provision of public services? and
2. To what extent do LGs decide on their own what the incoming grants, taxes and revenues should be utilized?

The allocation of resources to LGs has been increasing over the years. The 11<sup>th</sup> FYP allocates 29% of total outlay to LGs which is in fact an impressive 25% increase from the 10<sup>th</sup> FYP. The five main financing sources for LGs are:

- Annual Capital Grant (ACG),
- Gewog Development Grant (GDG),
- Own Source Revenue (OSR),
- Current Grant,
- Earmarked grants & deposit works from sector agencies.

Despite this, only 48.4% of the respondents in the online survey believe that the total ACG and GDG received, together with OSRs, are enough for LGs to fully perform their functions and achieve their targets as per plan.

The formula based annual grant system, which was introduced in Bhutan during the 9<sup>th</sup> FYP. It was established not only to obviously finance the operations of LG, but also to provide some funding predictability, given that this grant mechanism constitutes the main portion of LG income. At the same time, the ACG system is meant to provide transparency in terms of providing a clear budget frame for what is allocated from central to LG, and how much ACG funding respective Dzongkhags and Gewogs get.

Current grants are also provided as part of the Annual Grant system. These resources are earmarked for covering cost of personnel emoluments, special allowances, travel, utilities, rental of property, supplies and materials, maintenance of property, medical benefits, hospitality, entertainment, operating expenses, retirement benefits etc.

The GDG is an additional funding source meant to strengthen the decentralization process and good governance at grassroots level. Each Gewog annually receives Nu. 2.000 million, and has full discretion and flexibility in allocating budgets across identified sector activities and/or bridging resource gaps from the ACG.

Earmarked Grants are resources allocated towards the achievement of national objectives and targets set by Central Government. This will translate into central activities being implemented at local level. In essence, it is similar to deposit works, whereby central agencies formulate plans and programmes while the Dzongkhags and Gewogs implement them. Plans and budgets for such programmes may remain with the central agencies or be incorporated into budgets and plans of LGs. It includes activities such as agriculture research, research and advocacy for health, environment conservation and climate change, gender mainstreaming, targeted poverty interventions, and new and/or reconstruction of large structures such as Dzongs etc., or activities required to fulfil international obligations such as achieving MDGs.

Referring to the two key questions on the financing and fiscal autonomy of LGs, the section below concentrates in more detail on the financial management and fiscal autonomy related to the ACG, GDGs, and OSR. With regard to earmarked grants and deposit works, the coordination challenges between sector ministries and LGs were described above in the section on administrative decentralization. In essence LGs are quite often bypassed: Since grants and works are already planned for and budgeted in the central sector plans, LG do not have any fiscal autonomy or decisive say over the utilization of these funds. In some cases the projects are implemented directly by central agencies themselves. In the cases where LGs are involved in the implementation, they are basically delegated to perform the task: These latter cases witness a low level of LG autonomy which is in contrast to the principles of devolution and subsidiarity.

## Annual capital grant

In line with the Constitution and relevant LG laws, LGs receive a share of the national budget: *“LGs shall be allocated a proportion of the national revenue to ensure self-reliance and sustenance. To this end LGs shall receive annual grants from the Royal Government for undertaking plan programmes, activities, and managing and maintaining existing service infrastructures and delivery of services”*.<sup>21</sup>

The allocation of the ACG to LGs is based on a Resource Allocation Formula (RAF). The current RAF is based on 4 criteria: population (35% weight); area (10% weight) multidimensional poverty index (45%); and transport cost index (10% weight). From the total capital budget of Nu. 92 billion, Nu. 25 billion is allocated to LGs as follows:

- Nu. 15 billion for formula based annual grants to Dzongkhags and Gewogs (9 Nu. billion/60% to Dzongkhag and Nu. 6 billion/40% to Gewogs)
- Nu. 5 billion to LG Empowerment Programme for Dzongkhags and Gewogs
- Nu. 5 billion in Capital grants to (4) class “A” Thromdes<sup>22</sup>

As per grant guidelines<sup>23</sup> 80% of the ACG amount is tied to the 11<sup>th</sup> FYP whereas the remaining 20% can be used by LGs more flexibly for implementing programmes and activities over and above the FYP. From the total grant 60% of the funds are retained at Dzongkhag level whereas 40% is allocated to the Gewogs. This allocation ratio is an estimate reflection on the respective functional assignments of the two levels of LG.

The majority of LG officials explained that the release of funds is usually done timely and that the released funds matched the budgeted. However, there are still cases where there are variances in the financial reports between the budgeted and released amount. This has also been reported in other evaluations<sup>24</sup>. The assessment has, however, found it quite difficult to get clear and univocal answers to these variances both when questioning the MoF, and Dzongkhags and Gewogs. It should also be mentioned that 83.9% of the online survey respondents express that they either highly agree or agree that the released ACG always match the planned and approved budget. Furthermore, 90.3 % respond that the ACG is always released and spent on time. During the interviews, though, there were several examples of how late release of funds have delayed implementation of projects.

The financial data accessed by the assessment study confirms that there are substantive variances between budgets, releases and expenditures. However, the data does not only capture the ACG but also e.g. earmarked funds and deposit works from sector ministries. As elaborated earlier, such funds are often ad-hoc and/or unplanned and at the same time often released late in the financial year. This would be one of the explanations why release in some instances are higher than the budget.

Some of the explanations given for why releases are below budget is that the Indian SDP funds, which constitutes approximately 50% of the ACG, have not been released to the MoF as planned,

<sup>21</sup> LG Act of Bhutan, 2009, Chapter 15.

<sup>22</sup> Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar.

<sup>23</sup> Annual Grants Guidelines for LGs.

<sup>24</sup> Evaluation Report, LGSP in Bhutan, p. 23.

especially during the first year of the 11<sup>th</sup> FYP. The releases of additional earmarked grants and deposit works could also explain why budgets are not fully spent since these projects and activities add to the workload thus decreasing available time to implement activities and spent budget in time. With these variances it is necessary to make a deeper analysis of the factors behind the gaps between budgets and releases.

Table 4 below shows that it is mainly the Dzongkhags, who are experiencing variances between budgets and releases. It is also noteworthy that the budgets that do get released from 2012 onwards are more or less optimally utilized by both Dzongkhags and Gewogs with an average total expenditure of 97-99%.

Release and expenditure of ACG				
Financial year / LG unit		% Release against Budget	% Expenditure against Release	% Expenditure against Budget
2011/2012	20 Dzongkhags	71.17	68.30	48.61
	205 Gewogs	83.93	55.05	46.21
	<b>Total</b>	<b>77.65</b>	<b>61.03</b>	<b>47.39</b>
2012/2013	20 Dzongkhags	61.68	101.58	62.66
	205 Gewogs	93.62	97.31	91.10
	<b>Total</b>	<b>72.47</b>	<b>99.72</b>	<b>72.76</b>
2013/2014	20 Dzongkhags	64.91	94.90	61.60
	205 Gewogs	94.80	101.37	96.11
	<b>Total</b>	<b>72.39</b>	<b>97.02</b>	<b>70.23</b>

Table 4: Release and Expenditure of ACGs

Although the utilization rate has increased over the past years, it is still relevant to analyse why the released funds are not fully utilized – especially in cases where the released funds are much lower than initially planned and budgeted. In this regard community members found it difficult to understand that funds allocated to Dzongkhags were not fully utilized given the many developmental needs in the communities. This is aggravated by the fact that many of these issues could initially not be addressed in the annual budget due to financing constraints.

LG officials furthermore expressed that the underutilization of funds is a challenge to them, since unspent money cannot be carried over to a new fiscal year but shall be returned to the Department of Public Accounts. It is possible to make advance payments to e.g. contractors for committed and assured implementation of activities in the ongoing financial year. However, spill-over of unspent funds to the next year will result in a reduction of the following year's budgets ceiling which de facto means that there is no flexibility nor grace period with regards to delayed activities.

Apart from the expected grievances around low budget ceilings that do not meet the needs of the people, the inflexibility the ACG System was constantly highlighted by LG officials. A main challenge is that the five year MYRB (MYRB) is split evenly across the years so that the annual allocation typically lies around 18-22% for all LG units.

While this a convenient way for central Government to make uniform MYRB releases each year, especially when there are cash flow problems and dependency on India to release SDP funds, it is quite problematic for LGs. ACG is typically used for works such as construction of farm roads which requires heavy initial investments, but less later on. Consequently, the construction of roads and utilization of funds are somewhat disrupted and do not flow smoothly since the fiscal transfer system is not geared to make uneven payments to LGs according to what specific amount they require in a particular year.

The budget notification from the Department of National Budget of MoF does, however, try to provide some planning guidance related to construction of farm roads. *“A minimum of two years of project planning, budgeting and implementation cycle for new farm roads shall be followed as per the guidelines for Farm Road Constructions issued by MoAF. The first year shall be devoted for preparatory works such as, obtaining social & environmental clearances, finalization of the alignments, drawing, designs, cost estimates and approvals of competent authority. On completion of these formalities, budget for the farm roads construction may be proposed in the second year through annual budget proposals.”*

Further related to underutilization of ACG, one of the dominant perceptions has been that LGs do not have sufficient capacity to absorb the funds. However, the assessment found the set of underlying factors to be more complex. As described above, the inflexible ACG system, related to carrying over funds and the uniform MYRB release of 20% per year prevents LGs to make stringent implementation plans and execute them accordingly. De-coupled planning cycles for implementation of major works and budget flows further complicate matters. In addition, possible causes for delays in implementation, and thus underutilization of funds, include:

- Prolonged tendering and procurement processes<sup>25</sup>
- Unavailability of qualified contractors
- Unwillingness of contractors to work in remote areas
- Short window for implementation due to weather conditions
- Inaccessible and remote areas
- Time consuming court cases with non-performing contractors
- Insufficient engineer staff
- Reluctance of community members to “surrender” land for roads construction

### **Gewog development grant**

In contrast to the ACG, the GDG was perceived to have a stronger ownership and awareness amongst community members as it was felt that they had more decision power and discretion over its planning which is the main objective of the GDG: *“The principle of providing GDG was Wangtse Chhirphel for all Chiwogs in every Gewog so that the Gewogs would have full discretion to use the grant for developmental projects or any other related expenses. The grant would give financial flexibility to all Chiwogs in the Gewogs which would go a long way in helping LGs function independently.”*<sup>26</sup>

<sup>25</sup> Nevertheless, 77.4% of the online survey respondents either highly agree or agree that the rules and regulations in the procurement manual are clear and easy to follow.

<sup>26</sup> GDG Guidelines, 2014.

In line with the commonly observed “one-size fits all approach” most Gewogs distribute the GDG evenly across Chiwogs every year. Again, this is a convenient approach but often not the approach that will reap quickest and biggest impact, since it will take more time to complete projects where funds are allocated evenly across five year. Some Gewogs though have opted for a more adaptable approach by annually dispersing funds unevenly amongst Chiwogs. They first disburse funds to “most deserving” Chiwogs (as perceived by LG) in order to complete one or two projects quickly. In the subsequent financial years they then allocate funds to the remaining Chiwogs.

While the flexibility and fiscal autonomy of the GDG is high, the majority of Chiwogs have decided to use it as top-up to the ACG projects, such as construction of farm roads, or water and irrigation schemes. Construction and maintenance of religious buildings was equally a widely used way of spending the GDG. In other words, the utilization of the GDG is rather heavy on infrastructure and used less flexibly for other supplementary focus areas, such as income generating activities and job creation.

Although the GDG in some communities is known as the “MP’s grant”, the assessment found it very commendable that there were no traces or examples of MP trying to influence the fund use or misusing the grant facility to gain “political mileage”. Furthermore there is a strong indication that the minimum conditions for the ACG and GDG are followed and that funds are spent on appropriate projects and activities. In this regard, 87.1% of the online survey respondents either highly agree or agree that ACG and GDG during the past fiscal year have been checked for compliance against the criteria for eligible/non-eligible expenditures.

## Own Source Revenue

The LG Act states that: “LGs shall be entitled to levy, collect and appropriate taxes, fees, tolls, duties and fines in accordance with such procedure and subject to limitations as may be provided for by law...payment of taxes by LGs on their revenue and income shall be in accordance with the taxation laws”<sup>27</sup>. The Thromdes have a separate finance policy from 2012 which clearly spells out how revenue shall be managed in the municipalities<sup>28</sup>.

At an immediate glance it could be concluded that LGs have a high degree of fiscal autonomy since they have the mandate to generate OSR. Furthermore the LG Act states that LGs

<sup>27</sup> LG Act of Bhutan, 2009, Chapter 15.

<sup>28</sup> The revenue shall comprise taxes, levies fees, charges, duties, tolls, etc.

- i) Thromdes shall levy taxes and duties only in accordance with such procedure and subject to limitations as may be provided for by the Parliament;
- ii) For levy of fees and charges, prior approval of the MoF shall be obtained;
- iii) In addition to the present taxes, fees and charges levied and collected in accordance to LG Act, 2009;
- iv) Thromdes shall explore other revenue sources in their effort to meet the broad objectives of TFP;
- v) Thromdes shall consult the public and create awareness to inform the stakeholders for revision of rates or introduction of new taxes, fees, charges, duties, tolls, etc.;
- vi) All planned revision of existing taxes and any new taxes, charges, fees, duties and tolls shall be evaluated against the criteria of affordability, adequacy, elasticity, equity, economic efficiency, administrative capacity and its suitability;
- vii) Tariffs shall be designed based on level of consumption (progressive tariff); and,
- viii) The revenue shall be recorded and accounted as per the Thromde Revenue Manual.

*“shall have the power to spend funds generated from their local taxes, fees and fines, and from funds allocated by the Royal Government.”<sup>29</sup>*

However, OSRs of LGs constitute a meagre 1% of LG financing. When questioning this finding, one needs to analyse if the taxation policy is prohibiting LGs to increase their OSR, and/or if it is a question of LGs either not having effective revenue collection systems in place or lack the political will to broaden and increase the revenue base.

In the 11<sup>th</sup> FYP the Royal Government of Bhutan is stressing the importance of rationalizing and simplifying the tax administration to increase collection and enhance compliance. One of the approaches is to develop a web-based system called RAIMS (currently being piloted in Gelephu) to allow for greater efficiency in maintaining, analysing and generating information. This integrated system allows LGs to map out revenue sources thus making it easier to collect and ensure that payments are made and registered – or that reminders are sent out in time.

At present, however, collection of rural taxes is not cost effective. In most cases it costs more to collect the taxes, e.g. in terms of staff hours and transport cost, than what revenue is mobilized. Furthermore, Gewogs do not have designated revenue officers who can dedicate time to collection of revenue. Interestingly, the study found that in many cases Gups end up paying the rural taxes on behalf of the land, house, or cattle owners, especially those who have left their villages, in order to “balance the accounts”. One could interpret this as either a pragmatic practice or as buying political mileage. In general there is amongst LG officials and community members a relatively strong resistance to respectively collect and pay rural taxes. From the perspective of elected LG officials, tax is an unpopular means to increase the income for LGs to provide services since they are afraid of not being re-elected. From the perspective of communities the willingness to pay is low which is understandable if there seems to be no benefits of paying taxes, e.g. in terms of improved service delivery.

In essence, the social contract between the state and citizens is rather poor. Strong efforts will be needed to make revenue collection more effective in LGs as well as creating the awareness that an improved revenue base for LGs will result into improved livelihoods – on the condition that the OSR over which LGs have fiscal autonomy, is ploughed back into local development. As one respondent said: *“At present, with the existing political culture it is difficult to argue that higher taxes will improve service delivery and it is very difficult to sensitize and rationalize with people... Bhutanese are spoon-fed... It takes guts as an elected official to make the necessary policy changes and you will 100% lose your chair at the next election.”*

Some LGs have made attempts to broaden the revenue base by introducing new levies, fees, licenses as well as increasing the rates. It is nevertheless felt that there is not sufficient fiscal autonomy to do so for LGs, both Thromdes and Gewogs, since both rates and new revenues have to pass through Parliament and the process of doing so has proven to be lengthy.

As mentioned earlier, Thromdes are required to cover own recurrent costs in the middle and long term through OSR, thus gradually phasing out the supplementary capital and current grants

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<sup>29</sup> LG Act of Bhutan, 2009, Chapter 15.



from central Government. Consequently, strong efforts are needed to broaden the revenue base and make the revenue collection system more effective. To that effect e.g. Gelephu Thromde has over the past few years managed to increase the OSR by six times. It thereby rapidly closed in the gap of paying the recurrent costs in a municipal administration that currently includes 84 civil servants. However, this may differ in other Thromdes. Samdrup Jongkhar for example generates much less OSR. The planned new Thromdes may face similar challenges, especially in areas where the population are basically farmers who have only been paying rural tax rates so far.

Apart from the limited fiscal autonomy of LGs, another challenge is that the maximum rates are defined in the tax policy from 1992. These rates have obviously since been devaluated. Gelephu has applied the maximum allowed rates. It has equally suggested to introduce a value based land and property tax system instead of taxing per unit. This is in essence a progressive and pro-poor tax reform proposal, since land or property owners will pay more the higher the value of the asset. Gelephu has followed the policy that states “that once you are in an urban area, you can be taxed for”: land, building and construction, entertainment, transport, and property.

Before introducing new taxes and revenues Gelephu Thromde, however, first initiated consultations with citizens to agree on what would be fair and realistic rates. It also established a social contract that the increased revenue must be used to improve the delivery and quality of services in the municipality.

In conclusion, and in the bigger scheme of national taxation, it will be necessary to consider whether the financial sustainability and ideally even self-reliance of LG shall primarily come through increases in rural taxes or through reviewing of the national tax system. Raising rural taxes has clear limits, as often poor people bear the biggest burden. Re-evaluating the national tax system would allow to possibly initiate a more progressive and pro-poor income tax system, and possibly taxing the private sector and foreign direct investments more effectively.

## LOCAL GOVERNANCE PERFORMANCE

This section of the LG assessment study covers two main areas which are related to section 1 & 3 of the ToR, namely:

- Profiling Development Achievements of the Dzongkhags
- Quality of local Governance and service delivery standards

### Development Achievements of Dzongkhags

As a supplement to the Government Performance Management System, existing planning processes at national and local level, and the wealth of information available on almost all aspects of local governance, the GGC of the NC believes there is absence of an easy-to-use tool to measure progress and performance in the field of local governance. The present Local Governance Assessment offered an excellent opportunity to develop such a performance measurement tool.

This section is therefore divided into two parts: Part 1 discusses the methodology, choice of indicators and the ranking mechanism used for the performance measurement tool, while Part 2 offers preliminary results from applying this tool at Dzongkhag level. It should, however, be noted, that the presented results should only be considered as a baseline to profile the current state of Dzongkhags. Only future variations against this baseline will really allow measuring development achievements and progress of Dzongkhags.

### Profile Indicators and Methodology

The proposed performance measurement tool is not intended as a substitute for various other existing performance measurement systems in Bhutan, such as PLaMS, PEMS or the recently introduced Annual Performance Agreements. While the latter are instruments to measure and check the progress of local administrations, the proposed tool is intended to provide a general overview of development achievements of local governance. It therefore draws on easily available macro-level indicators that are regularly updated rather than on in-depth operational data of LGs to create a comprehensive profile of Dzongkhags.

The selection of key indicators for the performance measurement tool were based on the following criteria:

1. Relevance: indicators should be relevant with regard to measuring local governance and development achievements of Dzongkhags;
2. Availability and reliability of data: data should be easily available and from reliable resources;
3. Update of data: data should be regularly updated to allow measuring *variations* rather than snapshots in time;
4. Comparability of data: data should be uniformly collected in all Dzongkhags

Based on these selection criteria eleven key indicators were chosen that cover different aspects of Bhutan's overall development philosophy of Gross National Happiness. Table 5 below provides an overview of the selected key indicators and the scoring weight attributed to each indicator.

Gross National Happiness Pillar	Key Indicator	Scoring Weight
Sustainable and Equitable Socio-Economic Development	Mean Annual Household Income	10%
	Multi-Dimensional Poverty	15%
	Gini Coefficient	5%
	Unemployment Rate	5%
	General Literacy Rate	5%
	Literacy Rate Difference between Women and Men	5%
	Mean Walking Time to the Nearest Health Care Centre	5%
Preservation and Conservation of Environment	Proportion of Population that Feel “Highly Responsible” for Nature Conservation	10%
Preservation and Promotion of Tradition and Culture	Proportion of Population that Have “Very Strong” Sense of Belonging to the Community	10%
Good Governance	Gross National Happiness Index	15%
	Percentage of ACG Utilized	15%

Table 5: Dzongkhag Profiling: Key Indicators and Scoring Weight

Since the performance measurement tool is used to measure development achievements within the context of local governance, indicators from the GNH pillar “Sustainable and equitable socio-economic development” were given a total weight of 50%, while those under the pillar “Good Governance” sum up to 30%. The remaining two pillars (“Preservation and conservation of the environment”, and “Preservation and promotion of tradition and culture”) are weighted with 10% each. Most of the indicators derive from the 11<sup>th</sup> FYP. Data is thus readily available and updated regularly. The selected indicators are:

*Mean annual household income:* Annual household income is commonly used to describe a household’s economic status and can be used to track economic trends. It is generally used to measure the monetary standard of living and is given here a weight of 10% of the overall score.

*Multi-dimensional poverty:* Bhutan’s multi-dimensional poverty index comprises thirteen indicators in terms of health, education and living standards, with equal weight for each of the dimensions. Given this multi-dimensional aspect that cover essential development aspects, this indicator was given the weight of 15%.

*Gini Coefficient:* The Gini coefficient is commonly used to measure inequality based on income or wealth distribution in a given geographical area. By international standards Bhutan has a very low Gini coefficient, indicating a fairly equal distribution of wealth in the country. Differences between Dzongkhags should thus not be over-interpreted.

*Unemployment rate:* Due to the many causes of unemployment, the unemployment rate at any given time may only be of limited value to measure socio-economic development. Variations over time, however, can provide a good indication of the dynamics of an economy. Compared to other countries, unemployment in Bhutan is rather low.

*General literacy rate:* The literacy rates is often considered as a crucial measure of the human capital, as literate persons often enjoy a higher socio-economic status, better health, and employment prospects.

*Literacy rate difference between women and men:* The difference of literacy between women and men is used here as a proxy indicator to measure gender and social inequalities and how these inequalities vary over time.

*Mean walking time to the nearest health care centre:* Provision of health facilities is one of the key public services the State provides. Distance to the nearest health centre indicates the availability and accessibility to such services.

*Proportion of population that feel “highly responsible” for nature conservation:* Taking responsibility for nature can serve to measure how strongly people are involved and participate in communal affairs.

*Proportion of population that has “very strong” sense of belonging to the community:* Identification with a community is a cornerstone for participation in social and political processes. To a certain extent it also indicates people’s satisfaction with LGs.

*Gross National Happiness Index:* The 2010 GNH index encompasses nine domains with 33 indicators, ranging from conventional fields (health, education, living standard etc.) to less tangible aspects like psychological wellbeing, time use, community vitality, and cultural diversity and resilience. It therefore provides an excellent overview of all good governance aspects.

*Percentage of ACG utilized:* This indicator provides an insight of LGs capacities to perform against their plans. Budget utilization, however, is dependent on a large number of variables and may vary considerably from year to year. For this reason, the average budget utilization rate of five years has been used, based on data provided by the GNHC.

Using a number of different indicators from varying data sources causes a number of challenges. For one, it does not allow a direct comparison and aggregation of these indicators: their values range from income measured in Ngultrum to index numbers, and from percentages to walking time measured in minutes. In addition, indicators used different data sources, and were taken at different moments in time. In order to overcome these shortcomings and to allow for a direct comparison and aggregation of data, a scoring system has been introduced for a “self-contained” comparison of each indicator. For each indicator, Dzongkhags are being ranked between -10 and +10, with the average being at zero. The better (or worse) a Dzongkhags fares compared to the average, the higher (or lower) the score.

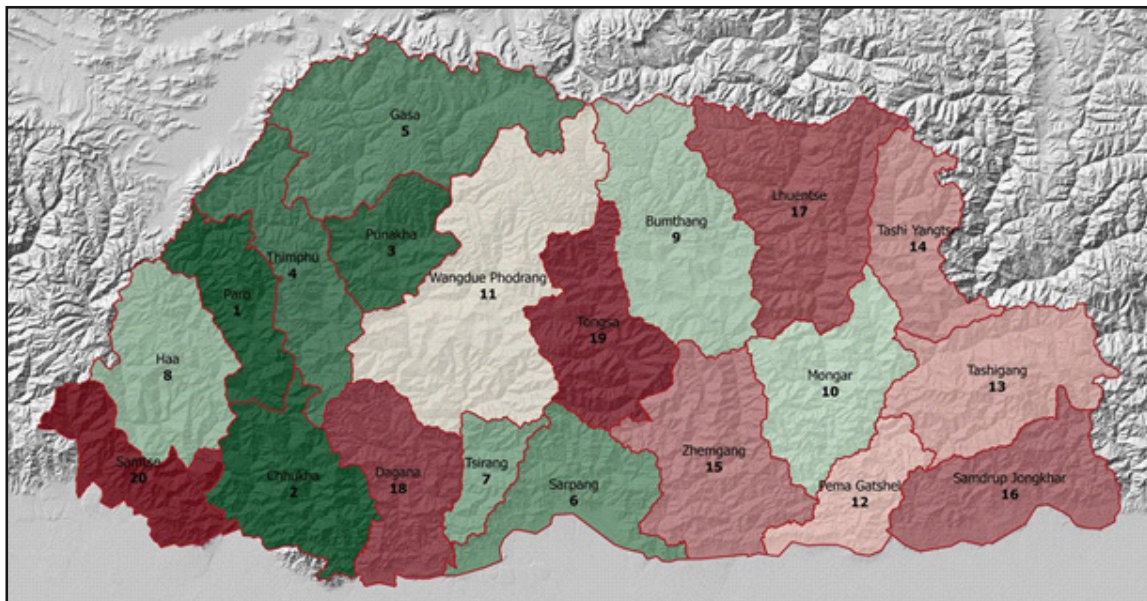
For the aggregate performance measurement the sum of the single indicator scores were used, multiplied by their respective weight. Since not all indicators were available for all Dzongkhags, the “completeness” of the dataset further had to be taken into account, so that Dzongkhags with missing data from one or more indicators were not discriminated.

The overall result provides a picture of how strongly Dzongkhags differ from their peers and how much better or worse they fare against the aggregated and weighted average of all indicators. A total score close to zero indicates that all-in-all a Dzongkhag is very close to the average in all measured categories. It may score better than average in one indicator, and worse in another one, but at the end the respective positive and negative scores equal out. A high positive overall score indicates that a Dzongkhag in many categories fared better than its peers; a negative overall score shows that a Dzongkhag in a substantial number of categories is below average.

### Dzongkhag profiling

In this section the overall results of applying the performance measurement tool are presented and briefly discussed. In order to provide short Dzongkhag profiles the presentation is limited to overall results *by Dzongkhags*, detailed results *by indicator* can be found in Annex 4.

Map 1 and Table 6 below provide an overview of the overall rating of Dzongkhags based on the selected performance indicators. The score of each Dzongkhag shows how strongly it deviates from the weighted average: the higher (positive) the overall score, the better a Dzongkhag fared against the average of all Dzongkhags. The more negative the score, the more a Dzongkhag was below the average of its peers.



Map 1: Dzongkhag Profiling, by overall ranking

Legend:  Below Average ← → Above Average

Dzongkhag	Overall score against average <sup>30</sup>	Rank <sup>31</sup>
Bumthang	8.88	9
Chhukha	25.42	2
Dagana	-24.95	18
Gasa	18.12	5
Haa	10.43	8
Lhuentse	-23.60	17
Mongar	-0.48	10
Paro	40.53	1
Pema Gatshel	-7.48	12
Punakha	23.97	3
Samdrup Jongkhar	-22.67	16
Samtse	-46.74	20
Sarpang	16.45	6
Thimphu	22.22	4
Trashigang	-9.48	13
Trongsa	-36.67	19
Tsirang	14.00	7
Wangdue Phodrang	-4.04	11
Zhemgang	-15.97	15

Table 6: Dzongkhag Profiling: Overall Score

The overall picture of the Dzongkhag profiling shows Paro, Chhukha, and Punakha as the highest scoring Dzongkhags. Despite its central function to include the capital, Thimphu Dzongkhag only ranks at number four. Dzongkhags in the East of the country are generally ranking below average, although the lowest scoring Dzongkhags – Samtse, Dagana and Trongsa – are in the South and Central of the country.

A more detailed analysis of the data, however, reveals quite a varying picture. This may be due to the rich cultural, social, and economic diversity of the country. With the notable exception of Samtse, no Dzongkhag scored consistently above or below average in all indicators. The sometimes unexpected or even surprising findings, however, may also be a result of the limited data pool and varying data collection methods that can produce somewhat misleading results.

<sup>30</sup> Zero = average of all weighted selection criteria. Positive scores: overall better than average; negative scores: overall lower than average.

<sup>31</sup> 1: highest ranking, 20: lowest ranking

The key findings by Dzongkhag and each profiling indicator can be summarized as follows<sup>32</sup>:

Dzongkhag	Annual household income	Multi dimensional poverty	Gini	Unemployment	Literacy	Literacy men/women	Distance to health care centre	Nature conservation	Community belonging	GNH index	ACG use
Bumthang	5	3	4	3	4	7	1	16	16	12	10
Chhukha	3	7	16	8	2	13	n/a	17	12	10	1
Dagana	16	19	3	15	9	12	13	n/a	15	3	12
Gasa	1	19	19	1	20	20	2	7	2	6	16
Haa	10	4	9	4	3	18	17	4	14	4	14
Lhuentse	18	16	18	6	17	5	7	8	5	17	15
Mongar	13	14	8	9	14	11	9	5	8	14	4
P. Gatshel	11	10	1	4	15	4	10	15	7	15	8
Paro	4	2	10	15	5	16	15	5	11	1	3
Punakha	7	5	11	9	16	10	5	12	9	7	2
S. Jongkhar	15	12	20	2	8	9	16	8	16	20	11
Samtse	14	18	15	13	19	8	12	17	12	12	20
Sarpang	9	6	2	19	12	15	3	2	3	2	17
Thimphu	2	1	14	20	1	3	n/a	10	19	5	13
T. Yangtse	19	11	12	6	10	1	11	n/a	4	17	9
Trashigang	20	8	7	9	11	2	6	13	5	16	6
Trongsa	6	13	17	17	6	14	14	14	18	19	19
Tsirang	12	15	13	18	13	19	8	1	1	7	7
Wangdue	8	9	6	9	18	17	18	10	n/a	11	5
Zhemgang	17	17	5	14	7	7	4	2	9	9	18

Table 7: Dzongkhag Profiling: Ranking Summary<sup>33</sup>

**Bumthang:** Centrally located Bumthang Dzongkhag generally fares well in socio-economic criteria such as average household income (rank 5 out of 20), low multi-dimensional poverty rate (rank 3), and availability of public services (highest rank in “Distance to nearest health centre”). On the other hand, the Dzongkhag is below average in “softer” criteria, in some cases considerable so: People do not feel responsible for their environment (rank 16), nor do they have a strong sense of belonging to the community (rank 16). Also in the general GNH index Bumthang is with rank 12 slightly below average. In total this places Bumthang in the middle class of the overall ranking of Dzongkhags (overall rank 9 of 20).

**Chhukha:** Chhukha in the South of the country is next to Paro the highest ranking Dzongkhag. It has a high average household income (rank 3), high literacy rate (rank 2), and relatively low poverty and unemployment rates (ranks 7 and 8, respectively). It further is the best among its peers with regards to average ACG utilization (rank 1). Nevertheless, Chhukha’s relatively high Gini coefficient (rank 16) indicates quite some wealth inequality in the Dzongkhag, and the lowest rank in the category regarding nature conservation strongly indicate a low participation of the population in governance processes of the Dzongkhag. In addition, gender inequality, measured here by literacy rate difference between women and man, is relatively high in Chhukha (rank 13).

<sup>32</sup> Annex 4 contains separate figures for each of the 11 indicators. In the table below

<sup>33</sup> For this ranking and hereafter: 1: highest rank (best result in category), 20: lowest rank (worst result in category)

**Dagana:** Despite being perched between high ranking Chhukha and Tsirang Dzongkhags, Dagana is one of the lowest scoring Dzongkhags. Together with Gasa Dzongkhag, Dagana has highest multi-dimensional poverty in the country and therefore the lowest score in this category (rank 19). It also has a relatively low average household income (rank 16), high unemployment (rank 15), and a low social affiliation of the population to their communities (rank 15). Although literacy rate is above average (rank 9), literacy rate of women is markedly below that of men (rank 12). Interestingly enough, however, is that Dagana features a very high GNH index (rank 3), indicating a general happiness of the people in Dagana.

**Gasa:** Despite its considerable size Gasa is with just about 3'000 inhabitants very thinly populated. Due to this very narrow statistical basis for analysis, all results for Gasa should be taken with some caution. That said, Gasa seems to be a “Dzongkhag of extremes”: it has by far the highest average annual household income in the country (rank 1), but also the highest multi-dimensional poverty rate (rank 19), indicating that wealth is very unevenly distributed. In fact, Gasa has one of the highest Gini coefficients in the country (rank 19), only surpassed by Samdrup Jongkhar. Although Gasa has virtually no unemployment (rank 1), it still has the lowest literacy rate and the biggest literacy differences between women and men (both rank 20). Overall, with rank 5 Gasa scores well above average.

**Haa:** With an overall rank 5 also Haa is one of the Dzongkhags in the West of the country that scores above average in the West, albeit not as much as some of its neighbours. Haa has a very low multi-dimensional poverty and low unemployment (both rank 4), and one of the highest general literacy rates (rank 3). Inequality among genders, however, measured by the proxy indicator of literacy rate difference between women and men, is very high (rank 18), and access to public services (health centres) is limited (rank 17). An ACG utilization rate below average (rank 14) seems to indicate that the Dzongkhag administration in general has difficulties to delivery against plan. However, overall happiness is very high in Haa (rank 4).

**Lhuentse:** Overall, Lhuentse in the North-East of the country fares well below average (overall rank 17). It has a very low average household income (rank 18), higher than average multi-dimensional poverty (rank 16), a higher than average Gini coefficient (rank 18), and a high rate of illiterate persons (rank 17). On the positive side, Lhuentse has a relatively low unemployment rate (rank 6) and a comparatively low gender inequality (rank 5). Although people have a rather strong feeling of belonging to their community (rank 5), the general happiness is well below average (rank 17). Last but not least Lhuentse is also utilizing its allocated ACG less than its peers (rank 15).

**Mongar:** With an overall rank 10 and a variation of the total score of only -0.48 points Mongar represents the almost picture-perfect average Dzongkhag. In almost all categories measured here, Mongar ranks in the middle third, between rank 8 for wealth inequality (Gini coefficient) and community belonging, and rank 14 (in GNH, multi-dimensional poverty, and literacy rate) and. Only in the category “Average ACG utilization rate” Mongar is well above average (rank 4).

**Paro:** With a total score of over 40 points, Paro Dzongkhag ranks best among its peers (rank 1). In a number of important categories Paro either takes the top spot (GNH, rank 1) or one of the highest ranks: it has a very low poverty rate (rank 2), high average income (rank 4), a good ACG utilization rate (rank 3), and a high literacy rate (rank 5). On the other hand, Paro fares well below average in some other categories, such as gender equality (rank 16), availability of basic health facilities (rank 15), and unemployment rate (rank 15). These results show that despite a high overall score and



the best rank in this profiling exercise, there is still ample room for improvement even for Paro Dzongkhag.

**Pema Gatshel:** Although Pema Gatshel is considered as one of the least developed and remotest Dzongkhags of the country, in this profiling exercise it results only slightly lower than the overall average (rank 12). Compared to other Dzongkhags, Pema Gatshel features average annual household income (rank 11) and multi-dimensional poverty (rank 10). In “equality” categories, Pema Gatshel stands quite out: it ranks best in the Gini coefficient (rank 1), and has low gender inequality measured by literacy differences (rank 4). It must, however, be noted that general literacy is much lower than average (rank 15). Also in other categories, such as general happiness, Pema Gatshel lags behind (rank 15).

**Punakha:** With a rather high average incomes (rank 7), low multi-dimensional poverty and good availability of health services (both rank 5), and a high ability to utilize ACG to their full extent (rank 2), Punakha in Western Bhutan is placed well above average in the overall ranking (rank 3). This generally positive picture is clouded by a lower than average literacy rate (rank 16), and a certain lack of responsibility of the population for nature conservation (rank 12).

**Samdrup Jongkhar:** Samdrup Jongkhar in the far-East of the country fares below average with an overall rank 16. Although Samdrup Jongkhar has a very low unemployment rate (rank 2) and multi-dimensional poverty only slightly lower than average (rank 12), it nevertheless has the lowest index value of GNH and the highest wealth inequality of all Dzongkhags (rank 20 each). Accessibility to health services and the population’s sense of community membership is equally low (rank 16 each).

**Samtse:** South-Western Samtse is with almost 48 point below average the lowest ranking Dzongkhag in this comparison. With the exception of gender equality – it ranks 8<sup>th</sup> of 20 Dzongkhags with regards to literacy rate difference between women and men – Samtse is in all other indicators below average. By far the lowest average ACG utilization rate (rank 20), high multi-dimensional poverty (rank 18), and a very low literacy rate (rank 19) contribute to this overall poor performance rating of Samtse. Nevertheless, it should be noted that the GNH index for Samtse is only slightly below average of all other Dzongkhags (rank 12).

**Sarpang:** Sarpang in the South of the country is situated in the upper third of the performance ranking (rank 6). It is one of the happiest Dzongkhags (rank 2), which is also reflected in a high sense of belonging to the community (rank 3) and a developed sense for nature conservation (rank 2), lower than average multi-dimensional poverty (rank 6) and much lower wealth inequality than other Dzongkhags (rank 2). It has, however, a much higher than average unemployment rate (rank 19), and the Dzongkhag administration’s ACG utilization rate is also well below average (rank 17).

**Thimphu:** No surprisingly, the results for Thimphu Dzongkhag are strongly influenced by the fact that the capital and biggest town of the country is located in this Dzongkhag. Thimphu Dzongkhag is comparatively well off, offering one of the highest mean household incomes (rank 2), the lowest multi-dimensional poverty (rank 1), and high literacy (rank 1). On the downside, it also has the highest unemployment rate of the country (rank 20), quite a wealth disparity (rank 14), and the lowest sense of community affiliation of all Dzongkhags (rank 20). Still, Gross National Happiness

is rated rather high (rank 5). It is further noteworthy that Thimphu Dzongkhag only ranks 13<sup>th</sup> on ACG utilization.

**Trashhi Yangtse:** Trashhi Yangtse belongs to the cluster of Eastern Dzongkhags that lag behind the average of all Dzongkhags (overall rank 14), mainly because it only ranks 17 on the GNH index and because it has a much lower than average annual household income (rank 19). In other criteria, however, Trashhi Yangtse is solidly anchored in the middle class or above: multi-dimensional poverty it is ranked 11, in unemployment on rank 6, literacy rate on rank 10, and walking distance to the closest health facility on rank 11. In addition, Trashhi Yangtse has the lowest gender inequality regarding difference of literacy rates between women and men (rank 1).

**Trashigang:** The picture for Trashigang is quite similar to Trashhi Yangtse: like its neighbouring Dzongkhag it ranks overall slightly below average (overall rank 13), and has a high rank in gender equality (rank 2). Trashigang has the lowest mean household income of all Dzongkhags (rank 20), and a rather low Gross National Happiness index (rank 16), but like Trashhi Yangtse it fares pretty average in most other criteria.

**Trongsa:** Trongsa in the centre of the country is the second lowest ranking Dzongkhag overall. Gross National Happiness is comparatively low (rank 19), and may be attributed to a low ACG utilization rate (rank 19), below average public service availability (rank 14 in distance to health facilities), and a low sense of citizenship reflected in a low responsibility for nature conservation (rank 14) and low community affiliation (rank 19). On the upside, Trongsa has a better than average literacy rate (rank 6), although discrepancies between women and men persist (rank 14).

**Tsirang:** Overall, Tsirang in Southern Bhutan ranks just outside the top third of Dzongkhags (rank 7). The high unemployment rate (rank 18) and high difference of literacy rates between women and men (rank 19) are the two main areas for improvement if Tsirang is to achieve a higher overall ranking. On the other hand, there is a strong sense of community belonging (rank 1) which correlates well with the indication that the population feels highly responsible for nature conservation (rank 1).

**Wangdue Phodrang:** The second biggest Dzongkhag Wangdue Phodrang ranks very close to the overall average of all Dzongkhags (rank 11). Although the general literacy rate and availability of health facilities are much lower than the average (rank 18 each), Wangdue Phodrang fares better than its peers on mean annual household income (rank 8), multi-dimensional poverty (rank 9), or ability to use its ACG against budget (rank 5). On Gross National Happiness, Wangdue Phodrang is solid middle class (rank 11).

**Zhemgang:** Zhemgang in the South-Centre of the country is ranking below average (overall rank 15), which may be attributed to its remoteness and inaccessibility. Although it has a below average mean annual household income and a higher than average poverty rate (rank 17 each), wealth inequality is lower than in other Dzongkhags (rank 5). Both literacy rate and gender equality are better than average (rank 7 each), and also accessibility of health facilities and the sense for nature conservation are much better than the average (rank 4 and 2, respectively). Gross National Happiness is with rank 9 in the middle class.

## Quality of Local Governance and Service Delivery

As explained in the methodology section, the citizen’s report cards in the selected 13 communities were conducted in order to get the communities’ perceptions on the quality of local governance and service delivery standards. These perceptions were assessed considering five indicators of good governance:

- Efficiency & effectiveness
- Transparency
- Accountability
- Participation
- Equity

The CRC comprised sixteen questions that were all tagged with a good governance indicator so that the assessment was made according to the indicators. In this section the votes from citizens across all communities for each question are briefly commented and illustrated<sup>34</sup> in figures below. A more elaborate analysis of the responses has been incorporated into the section on the “Current State of Decentralization”. Annex 5 contains all detail votes for each question and each single community.

### What are the main benefits of having LG?

During the community group meetings citizens in general exhibited a sound understanding of why the Gewog offices have been established and what are the benefits thereof. There is, however, still some uncertainty on the exact roles and responsibilities of LGs especially in comparison to that of central agencies and deconcentrated ministries. Citizens exhibited high appreciation of the functions that LGs are carrying out. This is also a testament to the many achievements of the decentralization process that have happened over the past years. At the same time there seems to be a low level of critical awareness related to the minimum standards of public services that citizens can expect, as well as a dominant political culture of acceptance and reluctance to complain about LGs and holding (local) leaders to account.

The most common community responses to the question were:

- Bringing administrative services closer to the community
- Not having to travel far distances to the Dzongkhag headquarters for queries
- Improved delivery of public services
- Participation in annual planning processes
- Improved Interactions with district agencies and central Ministries
- Upgrade in dissemination of information
- Progress in implementation of development activities
- Decision makers are closer to people
- Having a place to raise concerns and complaints

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<sup>34</sup> Question 1 and 5 are not illustrated in graphs since there was no voting on these non-quantitative questions.

*Which of these services<sup>35</sup> has the highest priority for you and your community?*

The communities found it very difficult to decide when asked to prioritize four amongst the listed seven public services: “they are all important”. This typical statement exemplifies that the developmental needs are still high and that access and quality of services still needs improvement. As illustrated in the summarized Figure 2 below, the top three priorities are quite different for each community. Generally speaking though farm roads, water supply, agriculture and health services were consistently mentioned as priorities.

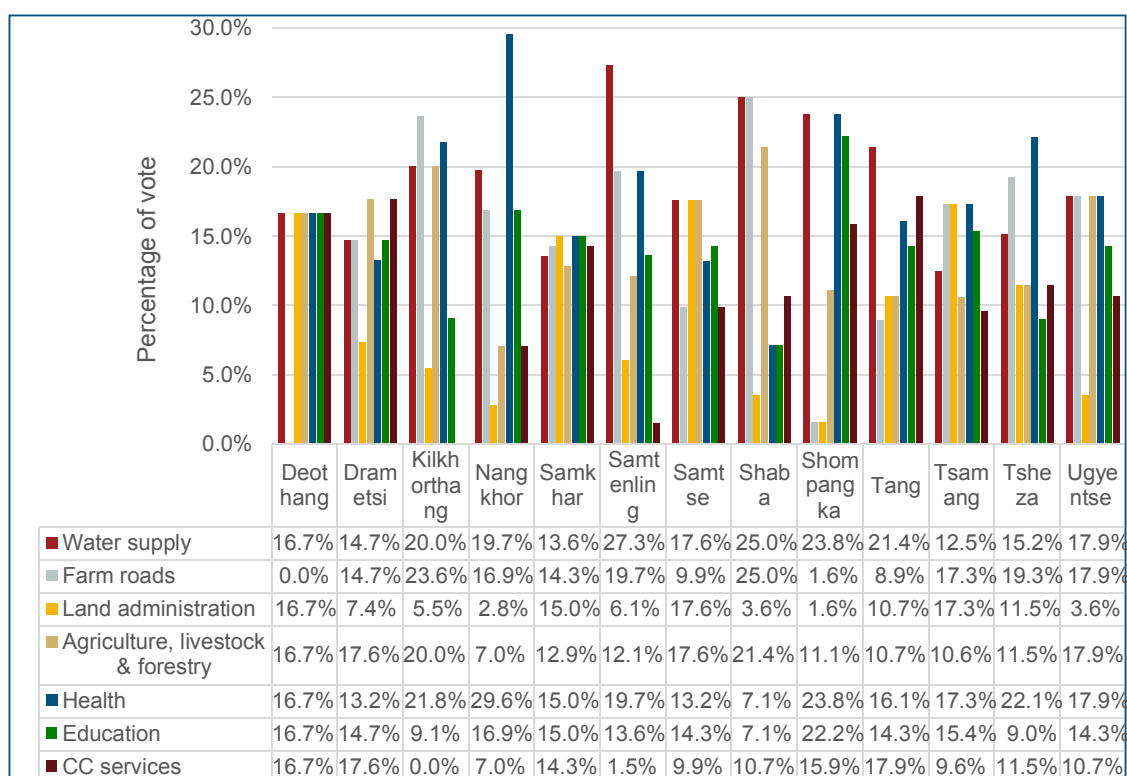


Figure 2: Summary of Community Priorities of Public Services

*On a scale from 1-5, how would you score the accessibility and quality to each of these Government services?*

As illustrated in Figure 3 below, there is generally a very high level of satisfaction with the access to public services in the communities. On the contrary, the quality of the respective services is rated

<sup>35</sup> Services were:

- Water supply & irrigation
- Farm roads
- Land administration
- Agriculture, livestock & forestry
- Health
- Education
- Community Centre services

The assessment deliberately asked both about services in the sole competence of LG and locally delivered services under the auspices of central or regional agencies.

lower. Undoubtedly this satisfaction is tied to the advancements and achievements done through the decentralized system of governance. But as some LG respondents stated “*communities are happy with whatever they get*”...“*Bhutanese are spoon-fed*”. So, when digging deeper and having in-depth discussion and reflections with communities over service delivery standards and LG performance in general, a more nuanced picture took shape. In time, if or when the critical awareness of citizen’s entitlements and knowledge of the LG functions enhances the political culture is bound to change and demands from citizens will increase.

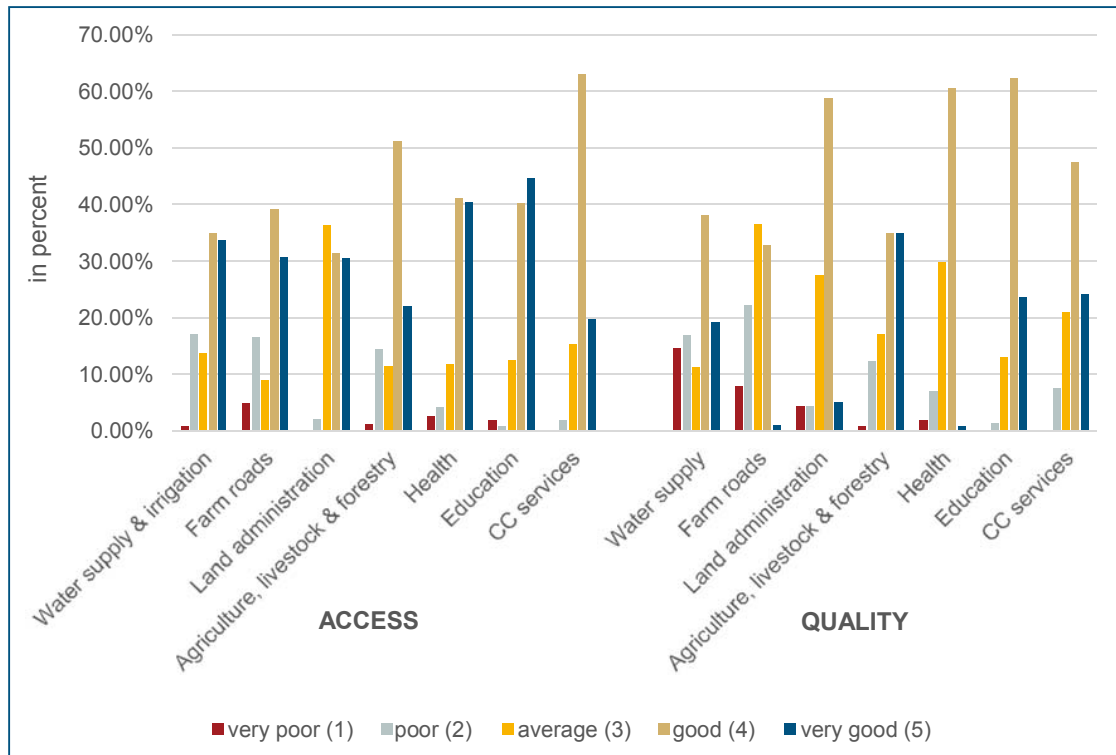


Figure 3: Summary of Community Perceptions on Access and Quality of Public Services

#### Has your community complained about these Government services within the past year?

The assessment study was not able to make a solid quantitative analysis across the visited communities on the frequency and types of complaints that are filed by citizens. The main reason is that there are, as mentioned earlier in the study, no established and clear complaints and redressal mechanisms. Secondly, the political culture of acceptance and complacency also minimizes the number of complaints since citizens do not have the courage to express their grievances, as became apparent from some of the statements: “*we don’t want to be seen as trouble makers*”, “*services related to all of the above may not be accessible or of the quality we expect, but we prefer not to complain*”, “*we do discuss among ourselves but there may be consequences to making complaints*”. During the community group discussion the citizens were however quite open to talk about their grievances of which the most common pertained to the following services:

- Land administration, demarcation and conversion of land, and unclear or multiple processes and actors
- Poor quality of works by contractors, especially regarding farm road construction

- Insufficient water supply
- Poor or unreliable internet at Community Centre

On a scale from 1-5 how satisfied are you with the way LG deals with complaints?

The absence of a complaints and redressal mechanisms for LGs has prompted communities or citizens – who despite obstacles do complain – to address their grievances to a wide variety of stakeholders including MPs, Gups, Mangmis, Tshogpas, GAOs, extension officers, Anti-Corruption Commission, etc. While some complaints are made orally, others are done in written. Either way, a whopping 57.3 of the citizens are either very unsatisfied or unsatisfied with the ways complaints are dealt with, as Figure 4 shows:

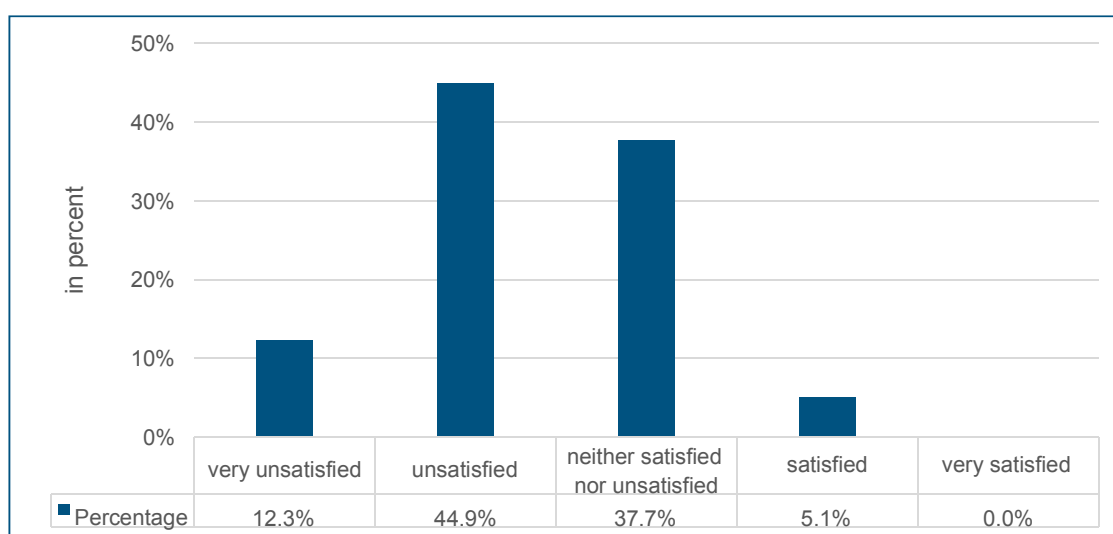


Figure 4: Summary of Community Perceptions on How LGs Deal with Complaints

On a scale from 1-5 how often do you experience that LG officers are absent or offices are closed?

In the visited communities the issue of absent LG officials not catering to the citizens is not perceived to be a problem. A meagre 7.3% are unsatisfied. The main reasons for absenteeism given by LG officials during the FGDs was the frequent necessary trips to the Dzongkhag Headquarters or being in the field implementing activities. However, since people often first call to check if the officers are in office the problem of turning up in vain has reduced.

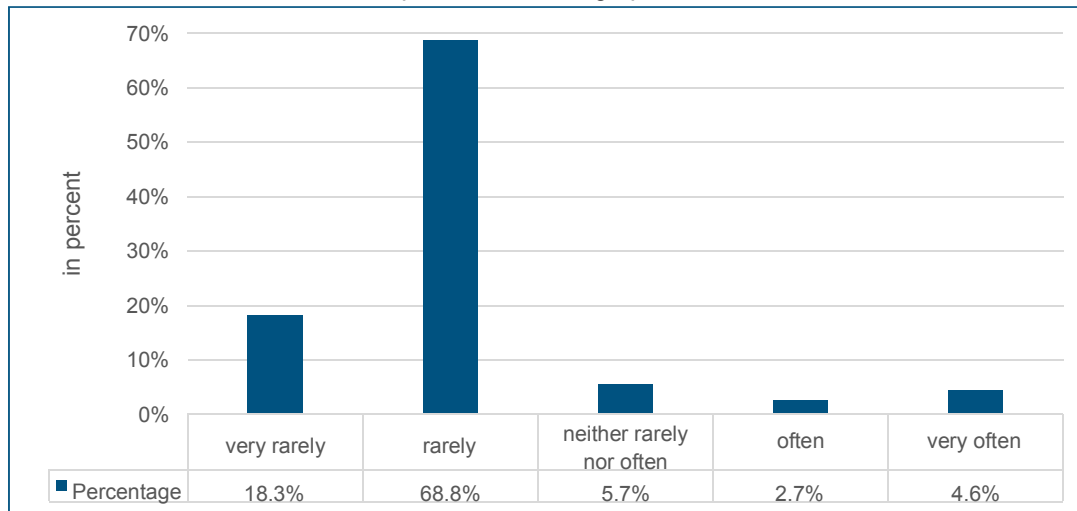


Figure 5: Summary of Community Perceptions on Absenteeism in LG

To what degree you think everyone in the community (including vulnerable groups) have equal access to Government services, on a scale from 1-5?

Across all communities it was widely believed that the vulnerable groups such as disabled, destitute, landless, widowers, single mothers and orphans had equal access to Government services. Generally though, communities had difficulties identifying if and who fell under that category. It was furthermore always highlighted that His Majesty's Welfare Programme took appropriate care of those persons and that the LG managed to register which persons should be registered as vulnerable.

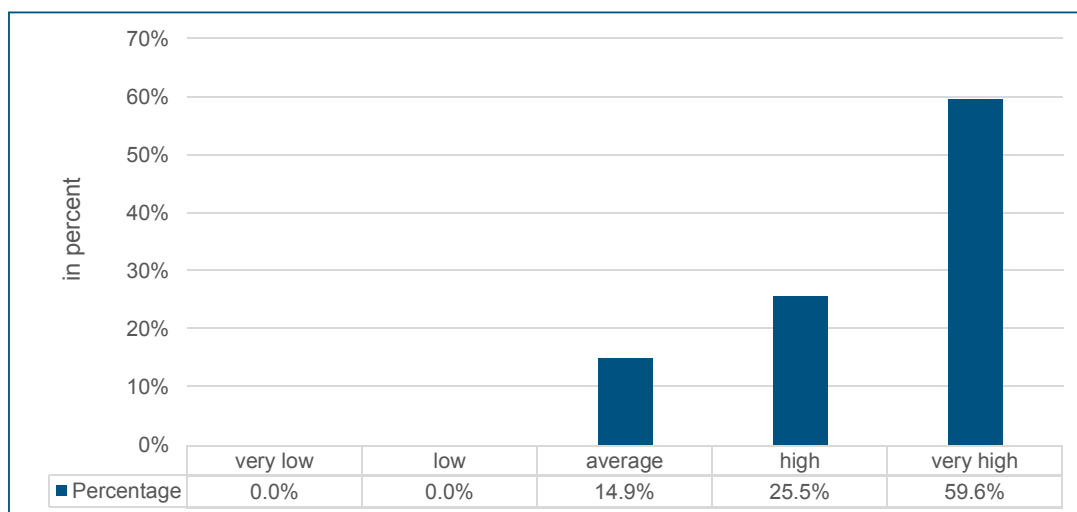


Figure 6: Summary of Community Perceptions on Vulnerable People's Equal Access to Services

Are the fees for Community Centre services fair?

The responses to the question of Community Centre fees were well balanced thus not proving a clear answer. The CCs are at present used mostly as copy centres and in areas in closer proximity to urban or semi-urban centres the fees were considered to be high compared to other providers.

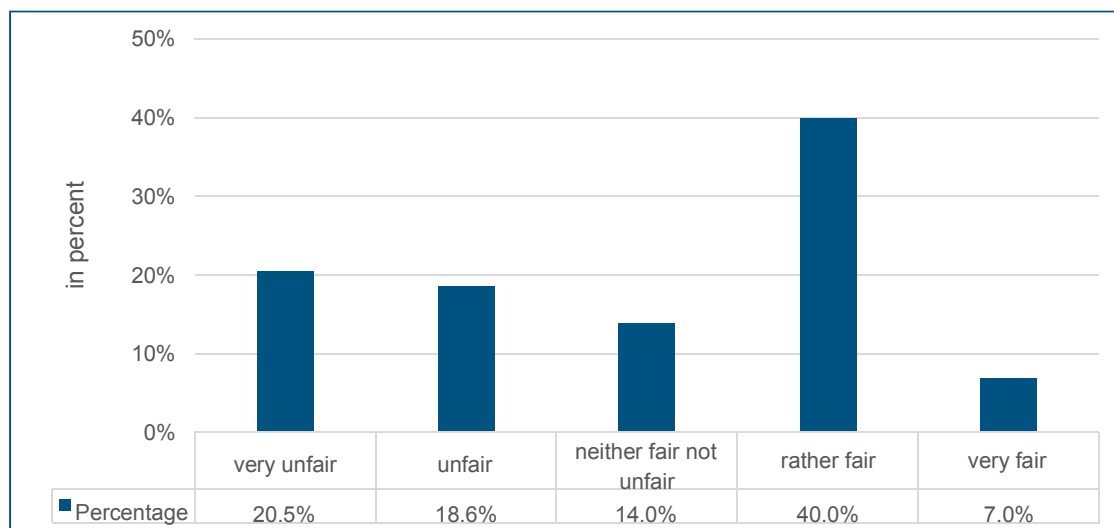


Figure 7: Summary of Community Perceptions on Fairness of CC Fees

How would you rate your participation in planning meetings with LG on a scale from 1-5?

As elaborated in the section on political decentralization there is high level of satisfaction with the participatory planning processes. This is due to the fact that communities now have a stronger sense of ownership over development plans and to a higher degree feel that their voices are listened to.

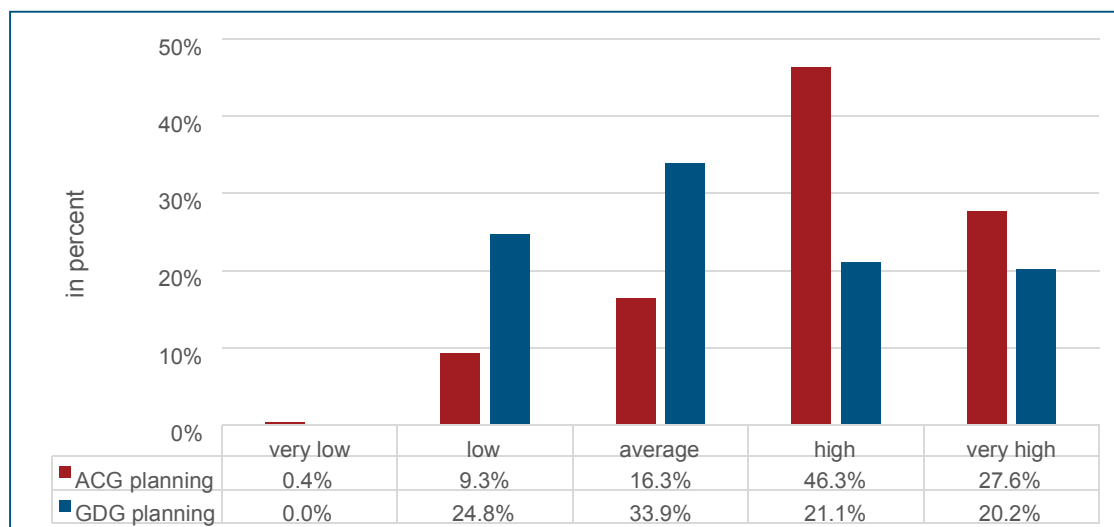


Figure 8: Summary of Community Perceptions on Level of Participation in Planning Meetings



How would you rate your participation in monitoring progress and money spent on Local Government projects on a scale from 1-5?

As opposed to the planning processes the satisfaction with community participation in monitoring projects and LG expenditures is remarkably lower with 45.1 – 63.1% of community members who rate that their participation as either low or very low for ACG and GDG.

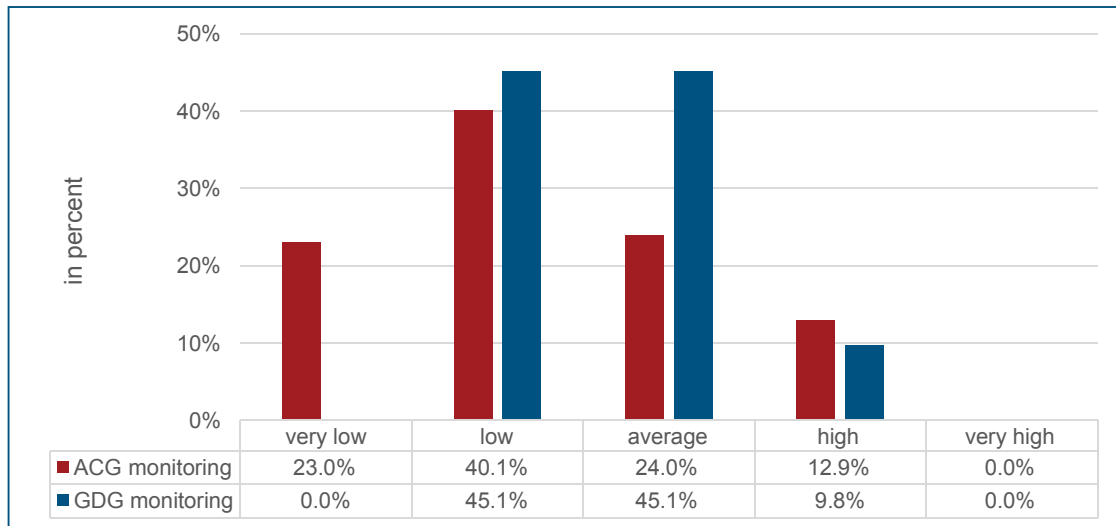


Figure 9: Summary of Community Perceptions on Level of Participation in Monitoring

On a scale from 1-5 rate how good are your experiences with the CCP?

In general the experiences with CCP is rather high, as was described in the section on political decentralization since citizens have a great sense of ownership and appreciating that the funds remain in the community. There are however still challenges related to the quality of works and the selection processes.

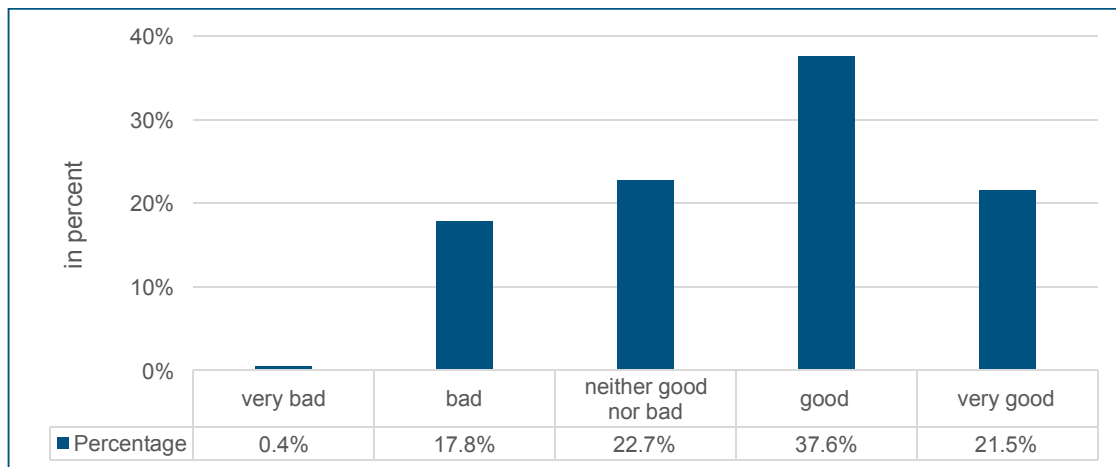


Figure 10: Summary of Community Experiences with CCP

What do you think about the number of women participating in meetings with LG on a scale from 1-5? – and to what extent are women’s voices heard and addressed at meetings?

The number of women participating in meetings and local governance processes is rather high (Figure 11). However, the challenge is that women rarely voice out their opinions which prevents them from influencing e.g. planning processes, as is shown in Figure 12.

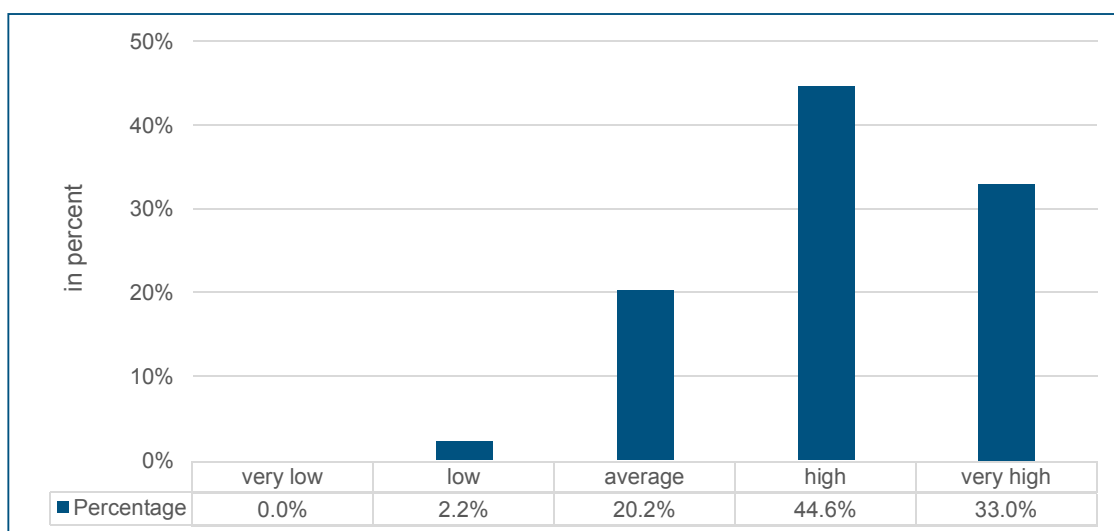


Figure 11: Summary of Community Perceptions on Women’s Participation

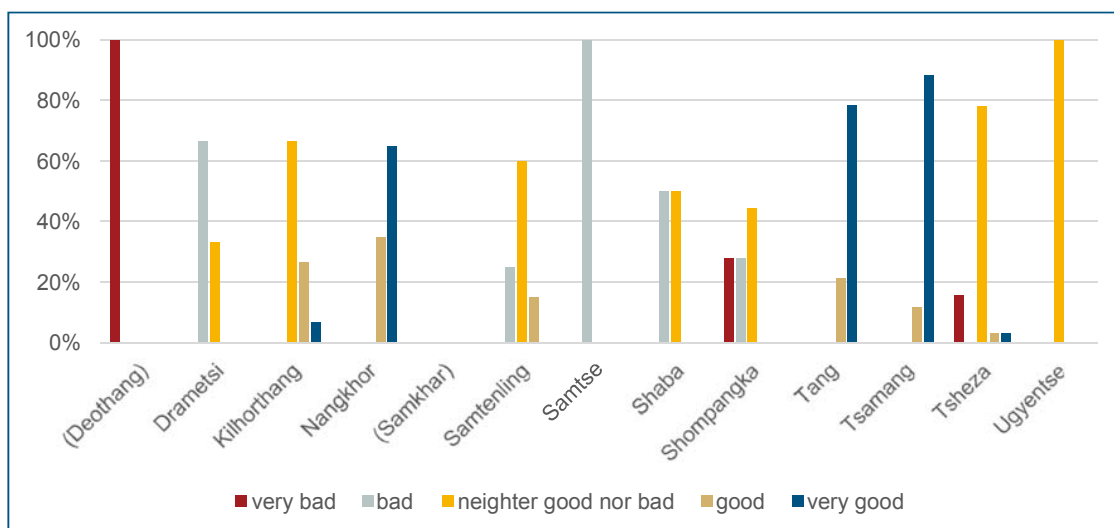


Figure 12: Summary of Community Perceptions on Women’s Voices

On a scale from 1-5 how well does LG inform you about projects, budgets and decisions from their meetings?

Overall, the level of satisfaction with information dissemination is rather high. However, during discussions with communities it was revealed that this depends on the type of information. Whereas ACG and GDG budgets are typically posted on public notice boards or shared at Zomdue meetings,

the citizens have very limited access to the resolutions of GT and DT meetings as well as detailed budgets and expenditure reports for development projects.

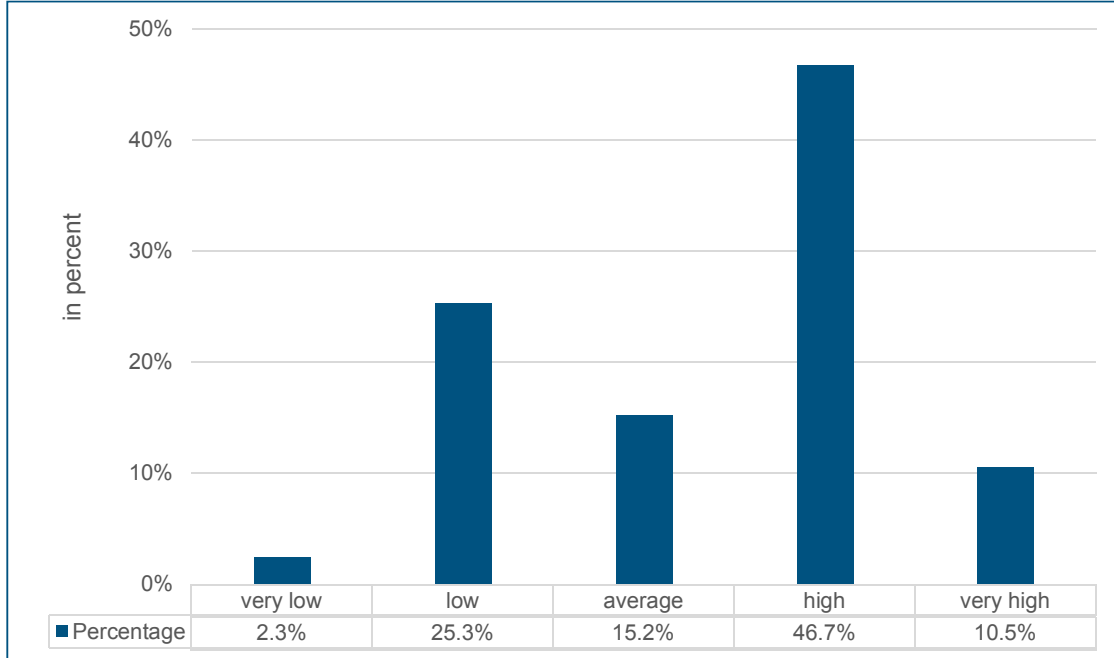


Figure 13: Summary of Community Perceptions on LG Information

On a scale from 1-5 to what degree are your community problems raised in the LG meetings?

It is important for the credibility and legitimacy of LGs that they are perceived and recognized for adequately addressing the needs of the people and that community challenges are resolved. Consequently, it is positive to note that the majority of community members have confidence that these are raised in various LG meetings.

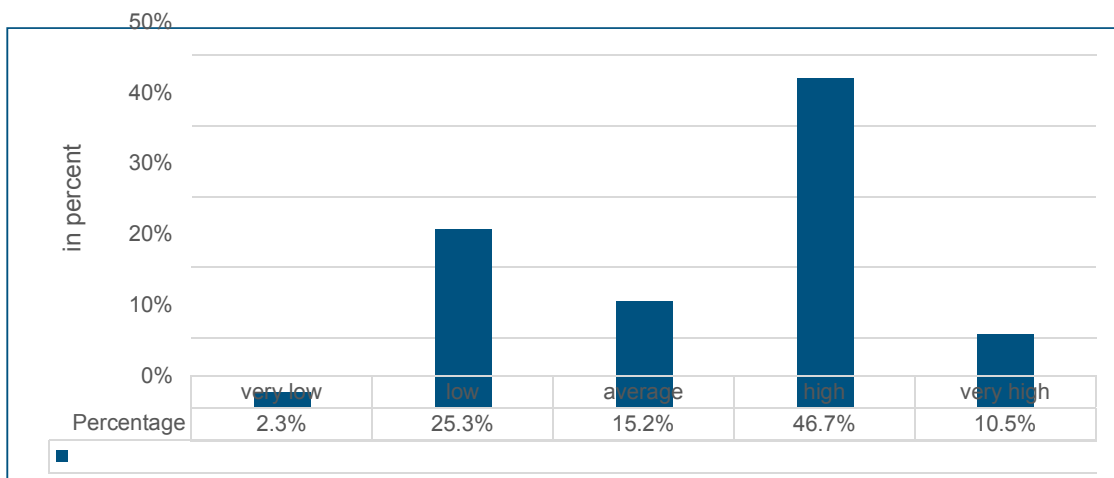


Figure 14: Summary of Community Perceptions on How Their Problems Are Raised and Addressed by LG

## CONCLUSIONS

The conclusions of the LG assessment study attempt to outline the most important findings of the Local Governance Assessment. At the same time it also tries to outline main opportunities and challenges for LGs in the decentralized system of governance in Bhutan. According to the holistic scope of the assessment study, the conclusions pertain to both issues of political, administrative and fiscal decentralization. In relation to the main analytical categories of the assessment study as spelled out in the ToR<sup>36</sup>, the concluding section furthermore summarizes how the principles of good governance are adhered to in the decentralized context of the country: Efficiency & Effectiveness; Transparency, Accountability, Participation & Equity.

### Opportunities and Challenges for LGs in Bhutan’s Decentralization Process

#### Mixed types of decentralization

The Royal Government of Bhutan has undeniably made great efforts towards establishing a framework for decentralization, namely by putting in place the revised LG Act of 2009. It also has formulated a large number of guidelines, manuals, and rules & regulations which, among others, spell out the mandate of LG and how they should perform and coordinate their functions with other stakeholders, including central agencies and civil society. However, the assessment found that these are not always implemented and/or interpreted in a consistent manner across LGs. The different approaches and practices indicate that different types of administrative decentralization are in fact adapted. Consequently, the assessment found a mix of delegated, deconcentrated, and devolved systems of governance.

The described practices related to sector budgets, earmarked grants and deposit works from central agencies is an indication of *deconcentration* which gives Local Governments little autonomy, if any, to plan, coordinate and implement sector activities. Extension officers also do not feel as if they are part of LGs and instead pay allegiance to their “parent” sector ministries. At the same time, there are traces of *devolution* since LGs have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. They also have the mandate to generate and decide over the use of OSR, and the authority to fully decide over the GAOs. On the other hand, decentralizing the responsibility of Community Centres to the BDBL is an example of *delegation*. In this case, central government has transferred the responsibility to a semi-autonomous organization not wholly controlled by the central government and at the same time not being an integrated part of LG. In addition to the adoption of three different types of administrative decentralization there is a high level of privatization since the LGs are dependent on private sector contractors to build infrastructure such as farm roads, water & irrigation systems, schools and clinics.

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<sup>36</sup> The four analytical clusters were:

1. Profiling development achievements of Dzongkhags,
2. Roles and responsibilities of LGs and other agencies
3. Quality of local governance and service delivery standards,
4. Capabilities and limitations of LGs and stakeholders.

When adapting so many types of decentralization at the same time, there is a high risk of confusion between the different stakeholders (LGs, central agencies, citizens, private sector, development partners) on roles, responsibilities, mandates, functions, and coordination of planning, implementation and evaluation processes. In order to curb some of these challenges, the formulation of a national decentralization policy would provide the Royal Government of Bhutan the opportunity to define a clearer pathway for a decentralized system of governance.

#### Centralized approaches

In addition to the complex mix of decentralization types, the assessment also found clear indications of centralized approaches to planning, which further complicates the decentralization process. Although the planning framework behind the 11<sup>th</sup> FYP is formally following a bottom-up approach, there remain visible reminiscences of top-down centralized planning and budgeting. The 11<sup>th</sup> FYP undeniably provides a logical and effective framework for national and local development which has been consulted with LGs and civil society. But the fact that Dzongkhag plans are so similar in their make-up suggests that central Government through GNHC is still the main author of the plans. Formulation of more contextualised and divergent Dzongkhag plans would allow for a more devolved and bottom-up approach to a local-national development planning framework.

Due to the ongoing Organization Development exercise the assessment did not exhaustively analyse the human resources management framework in Bhutan. It is nevertheless apparent that the current strong mandate of the Royal Civil Service Commission, and consequent minimal autonomy of LGs, is a good example of a centralised governance system. Finally, the assessment finds that central sector agencies to some extent are still following a centralistic approach to governance, namely in terms of staffing positions at local level and for having somewhat parallel processes and systems in place for planning, implementation and reporting on activities at local level. While some of these challenges can be subscribed to start-up difficulties in the decentralization process, it cannot be completely rejected that some central agencies do not have a genuine interest in fully decentralizing functions to LGs as this would imply relinquishing control over both human and financial resources.

#### Strategic decentralization framework

The decentralized system of governance has clearly undergone remarkable changes over the past half-decade and sound efforts have been made by the Royal Government and development partners towards, amongst others:

- establishing an effective fiscal transfer system with the introduction of ACG system,
- providing capacity development to LG officials, and
- strengthening citizens engagement in local governance processes.

All of this has happened without having a consolidated national decentralization policy in place, let alone a strategic decentralization implementation plan. As a complementary document to a decentralization policy, a decentralization implementation plan would provide a holistic and exhaustive strategic framework for the adjustments and possible reforms needed to enhance the autonomy and performance of LGs.

To ensure effective oversight role for decentralization processes, there is a need for a strongly mandated, autonomous and well resourced “decentralization secretariat”, which is currently non-existing. Such a secretariat would have the oversight over: compliance with the LG Act and a decentralization policy; execution of a decentralization implementation plan, capacity development, and coordination with central agencies. The described roles are currently not effectively taken up by either DLG or LDD.

#### Uniform “one size fits all” approaches

The principles of “uniformity” and “one size fits all” appear to be dominant in the current system of decentralized governance. This is exemplified by the identical composition of LG staff that are posted in Gewogs, irrespective of the specific human resource needs in that locality. The somewhat duplicate Dzongkhag plans in the 11<sup>th</sup> FYP are another case where uniformity precedes tailor made and contextualised LG plans. The adapted approach of evenly transferring approximately 20% of the ACG to LGs across the five years tenure of the 11<sup>th</sup> FYP, equally distributing the GDGs amongst Chiwogs annually; and constructing identical community centres in each Gewog, are other instance of having a “one size fits all” approach to local development. While it is administratively convenient and politically safe to always distribute resources evenly and not distinguishing between context specific developmental needs and priorities, it may not be the best way to establishing good frame conditions for decentralization and creating effective and efficient LGs. Consequently, a more elastic and heterogeneous approach needs to be considered.

The Dzongkhag profiling exercise in this assessment reaffirms regional differences and varying degrees of development (needs) of Dzongkhags. Each Dzongkhag faces very unique challenges that often require tailor-made solutions. A uniform approach, often issued by decree from the central level, is therefore often not the most adequate way to solve local issues. On the other hand, it also requires from LGs to step out of the “comfort zone” and better analyse and understand their specific problems, so that they themselves can come up with adequate strategies and result-based implementation plans to effectively tackle such issues.

#### State-citizen interface

It is evident that both LGs and citizens acknowledge and appreciate the increased mutual engagement that decentralization has brought about. This is especially related to participatory planning processes and implementing CCPs, but much less so in terms of monitoring developmental projects and attending GT/DT sessions. The accountability and responsiveness of LGs can however enhance further, if adequate social accountability and complaints and redressal mechanisms are put in place. They provide a space for citizens to make their voices heard and express their grievances and suggestions. As a prerequisite to effective social accountability and complaints mechanisms it is nevertheless critical to improve the access to and proactive communication of LG information, such as detailed project budgets and expenditures, minutes from GT/DT sessions and relevant LG policies and procedures. Furthermore, it is cardinal that women and youth not only participate equally in LG processes, but that they can also claim the space for voicing out their viewpoints and ultimately gain the confidence to become community and/or LG leaders.

Provision of public services

Considering the availability of financial and human resources, and the nascent stage of the decentralization process, LGs are performing reasonably well in terms of providing public services to the people. This perception was confirmed during the citizen report card exercises. There are, however, a number of administrative, political and fiscal hick-ups that need attention to further improve the situation, including, but not limited to:

- strengthening vertical and horizontal coordination of planning, monitoring and evaluation processes,
- introducing a more flexible planning and budgeting framework for FYP,
- improving LG decision making processes and management information systems,
- increasing OSR,
- providing adequate technical staffing in Gewogs, especially engineers,
- continuing and tailor making capacity development efforts for LG staff, and
- establishing social accountability processes.

Principles of Good Governance

Throughout the study, all questions posed to LG officials, citizens and central agencies have been tagged according to the principles of Good Governance. So, when summarizing the existing decentralization framework and LG performance according to these principles – each with four adjacent criteria – a non-scientific and purely qualitative assessment can be condensed as follows:

Good Governance Principle	Parameters	Assessment
Effectiveness & efficiency	<ul style="list-style-type: none"> <li>• available human &amp; financial resources</li> <li>• utilisation of ACG/GDG and provision of services</li> <li>• coordination mechanisms</li> <li>• LG decision making processes</li> </ul>	medium
Participation	<ul style="list-style-type: none"> <li>• planning and monitoring processes</li> <li>• CCPs</li> <li>• regularity of Zomdue meetings</li> <li>• GT/DT sessions</li> </ul>	medium-high
Transparency	<ul style="list-style-type: none"> <li>• access to information</li> <li>• quality of communication and availed information</li> <li>• LG communication processes</li> <li>• public notice boards</li> </ul>	medium
Accountability	<ul style="list-style-type: none"> <li>• complaints &amp; redressal mechanisms</li> <li>• social accountability processes</li> <li>• LG feedback and performance management systems</li> <li>• expenditure management systems</li> </ul>	low-medium
Equity	<ul style="list-style-type: none"> <li>• earmarked developmental efforts for women &amp; youth</li> <li>• inclusion of women, youth and vulnerable persons in LG processes</li> <li>• equal access of vulnerable persons to public services</li> <li>• women's leadership in LG</li> </ul>	medium

Table 8: Assessment of LG Adherence to Good Governance Principles

## RECOMMENDATIONS

The following set of recommendations are based on the LG assessment study's analysis of the efforts made towards political, administrative and fiscal decentralization in Bhutan and the performance of Local Governments in this decentralized system of governance. The recommendations are divided into two clusters: (i) overall strategic recommendations, and (ii) short operational recommendations pertaining to political, administrative and fiscal decentralization.

### Strategic Recommendations

#### 1. Development of a consolidated National Decentralization Policy

The development of a national decentralization policy would enable the Royal Government of Bhutan to formulate a clearer pathway and future direction of decentralization in the country. The Decentralization Policy would be the binding document between the LG Act and a Decentralization Implementation Plan. The Decentralization Policy would as a minimum include:

- Background & situation analysis
- Vision and mission
- Rationale and mode of decentralization
- Objectives
- Strategies
- Policy measures, including: local development planning, human resource management and –development, infrastructure development and service provision, financial mobilisation and –management, and harmonisation of regulations and guidelines
- Local Governance units & vertical/horizontal co-ordination mechanism
- Policy implementation and M&E framework

#### 2. Development of Decentralization Implementation Plan

A holistic Decentralization Implementation Plan should be designed in order to effectively and efficiently plan and implement the roll-out of the decentralization process. It should include a comprehensive analysis and list of key components, implementing responsibilities, time plan and sequencing of interventions, a monitoring and evaluation framework, and confirmed financing. The key programme components in the implementation plan would, as a minimum, cover these intervention areas:

- Legal, regulatory and policy framework
- Institution building and capacity development
- LG and community planning
- Sensitization and civic education
- Knowledge development and information management
- Fiscal decentralization and financial management
- Sector decentralization and service delivery
- Coordination and collaboration



### 3. Establish Decentralization Secretariat

An independent, strongly mandated and adequately resourced agency should be temporarily established, e.g. for five to ten years, to provide strategic leadership and guidance to the decentralization process. Some of the specific responsibilities of a Decentralization Secretariat would be to:

- Identify, coordinate, harmonize and support all stakeholders contributing to the implementation of the Decentralization Implementation Plan, especially LGs and sectoral ministries;
- Co-implement and monitor the implementation of programme components from the Decentralization Implementation Plan;
- Liaise with and support Government institutions to fully integrate decentralization principles in their areas of responsibility;
- Facilitate an effective and meaningful engagement of the civil society and the private sector in the implementation of the Decentralization Implementation Plan through information sharing, promoting transparency and participation in decision making processes and reinforcing civil society capacities;
- Prepare, reviews and submit progress reports on the implementation of the Decentralization Implementation Plan;
- Share and disseminate information related to the implementation of the decentralization process with all stakeholders at central and local level; and
- Perform or outsource analyses, assessments and recommendations related to LG performance within the decentralized governance framework.

The assessment study recommends that three institutional options are considered:

- Option A: strengthening of DLG
- Option B: merging DLG with LDD
- Option C: creating a new secretariat

In order to further inform the deliberations on the potential creation of a Decentralization Secretariat, it is recommended to analyse and collect good practices from other countries that have established Secretariats and/or –Committees to steer the implementation of decentralization e.g.: the Committee for Decentralization in Japan; the Secretariat of Local Bodies in Nepal; or the National Decentralization Committee in Thailand. In West-, Southern- and East Africa, different forms of Decentralization Secretariats have also been established in countries such as: Ghana, Liberia, Senegal, Sierra Leone, Malawi, Uganda and Zambia.

### 4. Revise the strategic planning framework

In order to devise more tailor-made and in-depth Dzongkhag and Gewog strategies and plans, yet still aligned to overall national strategic visions and plans, the overall strategic planning framework for LGs – not only the FYP guidelines - would need revision. A first step in a revised strategic planning framework would be to develop detailed *District Situation Analyses* for each Dzongkhag. Such a District Situation Analysis would as a minimum include:

- physical characteristics and location of Dzongkhag,
- outlook of Dzongkhag & Gewog administrations,
- demography,
- economic activities,
- socio-economic services and infrastructure
- social service delivery, and an
- analysis of strengths, weaknesses, opportunities, and threats (SWOT analysis).

The District Situation Analysis could be linked to a Dzongkhag poverty assessment which would identify target groups, priority risks and analyse poverty reduction in terms of a social risk management framework. The District Situation Analysis and Poverty Assessment would in combination provide the necessary background information and data to devise a Dzongkhag Development Plan which would be the new main contextualized strategic document<sup>37</sup>. The Dzongkhag Development Plan would provide specific strategies to address the priorities identified in the District Situation Analysis and Poverty Assessment. During the District Situation Analysis exercise, key sector and poverty indicators would be collected and subsequently monitored and analysed annually. A Dzongkhag Management Information System would preferably be put in place to contain relevant data and monitor these indicators.

With the support from relevant central Government agencies, the multi-sector committees at Dzongkhag level would have the responsibility of developing the documents in a revised strategic planning framework and ensure that Gewog officers and elected officials and communities are deeply involved in the process. Such a process of developing a new strategic vision for the LG should also nurture a sense of togetherness and developing a common visioning for respective LG agencies.

## Operational Recommendations

The operational recommendations listed below are categorized as either political, administrative or fiscal.

### Political decentralization

#### **5. Initiate citizens empowerment programmes**

Citizen's empowerment programmes should be initiated to increase public awareness on what is and what can be expected from LGs and local leaders – and what not. They should also strengthen community capacities to participate in local development processes and entering into critical dialogue through social accountability processes.

#### **6. Revise and conduct regular compliance assessments of the Local Development Planning Manual**

The existing Local Development Planning Manual should be revised in order to include and/or to strengthen processes and mechanisms for:

- community and civil society participation in DT/GT meetings,
- complaints & redressal,
- social accountability, and
- community monitoring.

LGs should furthermore introduce regular self-assessments of compliance with the manual to ensure that minimum requirements are fulfilled.

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<sup>37</sup> Some of the interviewed Dzongkhags have attempted to develop such Dzongkhag Development Plans together with sector ministries, but they are not regarded as “legally binding” documents and consequently they are not being followed.

**7. Institute social accountability mechanisms**

Mainstream and legally institute the ongoing pilot programme under the auspices of the ACC on introducing social accountability mechanisms and processes that currently includes the use of four tools: social audits, community score cards, citizen report cards and budget analysis tools. Effective and efficient ways of communication and information sharing between LGs and communities should also be established.

**8. Strengthen community monitoring mechanisms**

Devise clear mechanisms for community monitoring processes, including instruments for community mobilization for such activities, and for disseminating relevant LG information such as detailed budgets & expenditure reports, and implementation plans.

**9. Institute LG complaint mechanisms**

Develop and formalize LG complaints and redressal mechanisms and adjacently conduct community awareness programmes to provide guidance to communities where to file complaints. Furthermore, ensure that accountable follow-up mechanisms are established.

**10. Initiate mechanisms for civil society consultations at local and national level**

Develop and formalize process guidelines to strengthen the involvement of civil society (including NGOs, Community based organizations, media and private sector) in local and national policy making and planning, monitoring and evaluation processes.

**11. Initiate national campaign on women's leadership**

In order to increase the number of female candidates standing for next LG elections, a nationwide media campaign should be initiated to showcase the importance and potential for women's leadership.

**12. Support women's empowerment programmes**

A national strategy for 'Women in Local Governance' should be developed and financed in order to comprehensively support civil society and LGs to conduct women's empowerment programmes to increase their participation and leadership in Local Governance.

**Administrative decentralization****13. Conduct regular LG reviews**

Regular and comprehensive review and compliance mechanisms should be instituted to ensure that good governance principles are adhered to by assessing that all relevant stakeholders comply with LG Act, rules & regulations, roles & responsibilities framework, local development planning manual etc.

**14. Formulate administrative instructions for coordination and feedback**

Clear administrative instructions should be formulated to ensure that horizontal and vertical coordination and feedback mechanisms between central agencies, sectors and & LGs become effective and are adopted homogeneously in all Dzongkhags and Gewogs.

#### **15. Analyse and reassess the establishment of new Thromdes**

In view of the assessed challenges in relation to the establishment of new Thromdes, in particular related to their financial viability, the administrative set-up, and their ability to deliver public services, it is recommended to pause the endeavour to first conduct an in-depth analysis and to formulate a diligent implementation plan. This exercise should be as participative as possible and include all relevant stakeholders from civil society, private sector, and Government agencies of all levels.

#### **16. Revise and secure funding for comprehensive LG capacity development strategy**

Taking as point of departure the existing strategy paper “Capacity Development for Gross National Happiness”, pooled funding and strategic adherence should be provided by the Government and development partners to implement this strategy. It should further be adapted to include a more blended and alternative approach to capacity development including roll-out plans for e-learning, online shared learning platforms, peer support mechanisms, coaching and knowledge seminars.

#### **17. Set up learning and exchange platforms for LGs**

In line with a revised capacity development strategy, online and/or social media platforms should be established to foster an active LG exchange of information, shared learnings and practices, advocacy of policy and administrative issues, etc. Such considerations and plans could possibly be outlined in the E-Governance Master Plan, which the Department of Information Technology and Telecom is currently formulating. In addition, face-to-face peer learning among LG functionaries, including Tshopgas should be established.

#### **18. Formulate administrative instructions to enrich DT/GT decision-making structures and processes**

In order to improve processes and information level of LG decision making processes, and to make standing committees operational, it is recommended that administrative instructions, including detailed minimum requirements are formulated which supplement the generic statutes of the DT/GT rules and regulations.

#### **19. Set up District Management Information Systems**

In relation to the improvement of information levels in DT/GT sessions and standing committees it is further recommended that electronic and publically accessible Management Information Systems are established to gradually replace the hard copy data found in LGs. This will enable LG officials to aggregate and analyse the wealth of statistics and available data, and develop repositories for LG regulations, guidelines, application forms, etc. This could also be included in the drafting of the E-governance Master Plan.

#### **20. Review of Community Centre set-up**

Undertake a review of the Community Centres in order to perform a rationalization exercise which could make Community Centres more efficient and financially more viable. Ideas could range from replacing some Community Centres with mobile centres and/or merging Centres with Gewog office structures and management systems. This would also enhance their integration into LG structures.

## 21. Revision of LG human resource management systems

In accordance with the ongoing Organisational Development exercise and consultations with recommendations by the Royal Civil Service Commission it is recommended to consider:

- To introduce a “parent framework” where Dzongkhags and parent agencies jointly decide on staffing (needs) and recalling, rotation of key staff. In this framework all staff should be accountable to the Dzongkhag,
- To give Dzongkhags the possibility to issue short-term contracts independently (after vetting of the Royal Civil Service Commission),
- To provide “block grants” to LGs to recruit staff with the profile actually needed, rather than to have top-down decisions on what person and staff profiles to deploy to local level,
- To replace the existing “one size fits all” approach to Gewog staffing with a tailor- and needs based staffing approach determined by Dzongkhags in consultation with Gewogs, and
- To bring more clarity into reporting and accountability on administrative questions.

### *Fiscal decentralization*

## 22. Revise the budgeting framework

Across the board, LG officials from Dzongkhags and Gewogs observed and complained that the budget frame for the ACG is very inflexible. Whereas it is widely acknowledged that LGs have to stay within the annual and five-year MYRB ceiling, it is recommended that the strict regulations for carrying over funds from one fiscal year to the other is softened, e.g. by introducing a 3 months grace period. This would enable LGs to smoothly initiate, continue or complete major works which have been delayed for reasons described in the assessment study. Furthermore, it is recommended that the MoF adapts a more flexible budget release formula so that LGs with specific funding needs can be allowed to receive higher amounts than the evenly divided 20% from the five year MYRB in years where capital works require higher investments.

## 23. Conduct in-depth analysis of LG budget release and utilisation

In order to fully uncover and rectify the discrepancies between LG budgets, released funds and utilised amounts (including ACGs, GDGs, deposit works and earmarked grants), it is recommended that an in-depth analysis and set of recommendations are provided by the Department of National Budgets of the MoF.

## 24. Review and revise the tax policy & Thromde Finance Policy

The 1992 tax policy should be revised with the purpose to expand the LG revenue base to ensure more financially viable LGs and to update the 20+ year old devaluated rates. The Thromde Finance Policy from 2012 could in the same vein be reviewed to assert that the financial viability of Thromdes, especially new established ones, is secured.

## 25. Earmark funds targeting women & youth

Within the provision of ACGs and GDGs, it is recommended that an earmarked percentage is reserved to target and support women and youth projects and initiatives e.g. related to income generating activities and leadership. Alternatively, separate and additionally funded devolved grants for women and youth could be established.

## ANNEXES

Annex 1: Terms of Reference, Consultancy Assignment

Annex 2: Stakeholders Consulted

Annex 3: Questionnaires Used

Annex 4: Dzongkhag Development Achievements: Result Details

Annex 5: Citizens' Report Card: Result Details

Annex 6: LGs Self-Appraisal: Result Details of Online Survey

## Annex 1: Terms of Reference Consultancy Assignment

**Terms of Reference  
For a consultancy assignment  
Local Governance Assessment Study 2015, Bhutan**

Fund Code:	7F-05310.03.02
Contracting Agency:	Swiss Agency for Development and Cooperation SDC
Coordinating Agency:	Good Governance Committee, National Council of Bhutan
Place:	Thimphu, Bhutan and Desk research at home

### 1. Introduction

Good governance is a central aspect of Bhutan's overarching development goal and is also one of the National Key Result Areas (NKRA 12) in the 11<sup>th</sup> FYP 2013-2018. Over the last few decades, the Royal Government of Bhutan (RGoB) has made unstinted effort towards enhancing good governance. Numerous initiatives have been made both at policy framework and implementation mechanism levels. The 'Good Governance Plus' (GG+) exercise in 2005 critically examined the governance systems, processes, service delivery mechanisms and made numerous recommendations. The GG+ exercise also recommended Organizational Development (OD) exercise every five years to assess the government performance at regular intervals to assure high quality services to the general public. While visible improvements have been made in terms of transparency, accountability and professionalism aspects of the public service delivery system, much still remains to be achieved.

To give further impetus on the enhancement of the good governance, a separate GGC has been instituted in each of the two Houses of Parliament. The overall focus of the GGC of the NC has been on ensuring effective and efficient delivery of public services, and responsible and accountable utilization of public resources.

During the course of its review exercise, the GGC of the NC has observed indications that highlight some deficiencies in the LGs (LGs) functioning such as the following:

- (i) During the constituency visits by the Members of Parliament, the types of issues raised by the electorates are mostly related to the development needs of the communities. For example, out of the 53 constituency related issues the NC Members submitted to the House after their visits to the respective Dzongkhags last year, about 95% of them pertain to issues such as, the lack of proper infrastructure facilities, inefficient public service delivery, etc. The possible solutions to all these issues revolve around establishing a better channel of communication between the duty bearers and the right holders in the communities, and local authorities taking more proactive roles in carrying out their mandates.

As it is clearly laid down in the Constitution of the Kingdom of Bhutan and the LG Act 2010, the mandates of the Dzongkhag and Gewog authorities (which include both elected leaders and bureaucrats) are to take care of the developmental needs

of the local communities. While it is much appreciated that the issues that are of direct concern to the local communities are being raised to the elected members of Parliament (MPs), it is potentially not sustainable in the long run for two reasons:

- The role of the MPs is to look at issues of national importance and of those affecting the sovereignty and security of the country. If the MPs have to get bogged down with issues that are of administrative in nature, there is every chance of losing their focus on the larger picture. This would not do justice to the very purpose of electing representatives in the Parliament who should be setting a sound and futuristic policy direction for the country; and
  - As the trend of letting electorates raise their development related issues directly to the MPs continues, it is highly likely that the people will never learn to hold their elected local leaders accountable, and in turn the effectiveness of the LG authorities will never be enhanced. Such situation would not be good for the system particularly from the perspective of making LGs perform their functions effectively to ensure that the communities draw maximum benefit from the development process.
- (ii) In the recent years, the LGs surrendering substantial amount of unutilized capital budget back to the Ministry of Finance has been the trend. It is logical to conclude that if the fund released for planned development activities is not utilized, those activities are not being implemented and that would obviously have an impact on the developmental progress of that particular community. Although lack of capacity is one of the reasons cited repeatedly, there may be other factors responsible for this shortcoming. Unless money allocated is utilized for the purposes it is intended for, it will be difficult to effect any change at the grassroots. Therefore, it is crucial that the real cause of the problem be assessed and corrective measures be taken.
- (iii) Although sustainable and regionally balanced socio-economic development is one of the pillars of Gross National Happiness (GNH), much remains to be achieved on this front. While the urban centres like Thimphu and Phuentsholing and some nearby Dzongkhags are fast developing, most Dzongkhags have not been able to pick up the pace of development. Despite concerted effort being made by the Royal Government to reach out the social and communication network services to every nook and cranny of the country, much needs to be done to ensure that the people reap the economic benefit of these services. For example, the issue of low agricultural productivity still remains to be a perpetual problem in most parts of the country; similarly, the source of livelihood of the people in the rural areas has not gone beyond the subsistence farming. Because of the imbalanced stages of development between the urban and rural areas, the trend in rural-urban migration is growing. This could also be attributed to the ineffectiveness of the LGs.

In view of the above mentioned problems, it is imperative that their root causes are diagnosed and corrective measures taken. This will go a long way not only in strengthening the local governments to carrying out their functions effectively and efficiently, but also in expediting regionally balanced socio-economic progress of the country.



## 2. Decentralization and Local Governance

Promulgation of decentralization policy is one of the key interventions of the Royal Government in the promotion of overall good governance system. The primary objective of the decentralization policy is to devolve powers from the central to the LGs to facilitate engagement of people at grassroots in the decision making process. Citizenry's active participation in the decision making process is vital for the country's sustainable and regionally balanced socio-economic development.

The institution of LGs began with the introduction of the Dzongkhag Yargay Tshogdu<sup>1</sup> and Gewog Yargay Tshogchung<sup>2</sup> in 1981 and 1991 respectively. To further strengthen the legitimacy of the LG's role in the overall structure of governance, the Article 22 of the Constitution of the Kingdom of Bhutan stipulates that LGs be established in each of the 20 Dzongkhags, comprising: (a) DT; (b) GT; and (c) Thromde Tshogde. The LG Act 2009 provides the specific powers and functions of these entities. As the highest decision-making bodies of the LG, the GT, Thromde Tshogde, and DT are supported by Dzongkhag, Gewog and Thromde Administrations staffed by civil servants. In accordance with clause 294 of the LGs Act of Bhutan 2009, the MoHCA has promulgated LG Rules and Regulations 2012, specifying rules and procedures for the functioning of LGs, and their various constituent bodies and functionaries. The objectives of LGs are stipulated as following:

- (i) Provide democratic and accountable government for local communities;
- (ii) Ensure the provision of services to communities in a sustainable manner;
- (iii) Encourage the involvement of communities and community organizations in matters of local governance; and
- (iv) Discharge any other responsibilities as maybe prescribed by law made by Parliament.

Decentralization and local democracy in Bhutan has been strengthened continuously during the 9th and 10th FYPs. In addition to the adoption of the Constitution of Bhutan in 2008, the most recent major developments in relation to decentralization and local governance include:

- (i) Creation of the Department of Local Governance (DLG), under the MoHCA, in 2009 to provide coordination, direction and support to the LGs in the implementation of their plans and programs in line with the decentralization policy and existing legal framework for LGs;
- (ii) Appointment of GAOs and Gewog Accountants to support Local Governments at the Gewog level since 2008/09;
- (iii) Local Government Elections in 2011 and 2012 and installation of elected Local Governments in all the 205 Gewogs in 20 Dzongkhags and 4 Dzongkhag Class A Thromdes<sup>3</sup>;

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<sup>1</sup> District Development Committee

<sup>2</sup> Block Development Committee

<sup>3</sup> The four Thromdes (Municipalities) are Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar.

- (iv) The introduction of formula-based ACG system to Dzongkhags and Gewogs from FY 2008/09 with a significant amount of funds for local capital investments according to the local need, and its incorporation in the LG planning and budgeting process.

It is evident that LGs have been significantly strengthened in terms of increased budgets and number of staff. It can also be noted that enabling legislation has been passed that stipulates, for instance, the planning authorities of LGs. The GNHC also issued in 2012 the 'Division of Responsibilities between LGs and National Government' as an effort for further clarification of roles and responsibilities. However, LGs have only been granted rather limited autonomy so far, for instance LGs have no power to hire and fire staff and in general has limited fiscal autonomy.

### **3. Major findings from the programmes and projects on Local Governance**

To date, the most notable initiatives on the strengthening of the local governance and their functionaries were the LGSP and the One-Stop- Shop (OSS) project, which directly contributed to the output 5 of the LGSP. The overall objective of the LGSP was to enhance democratic governance at local levels and initiate effective and efficient delivery of public services to support poverty reduction. The LGSP was strongly aligned to the 10th FYP and the LG plans and programmes. The programme was strong on capacity- building of LG and elected officials and fiscal decentralization. Under the OSS project, numerous reform processes were initiated to make public services more accessible and user friendly. As of date 185 Community Centers (CCs) were constructed and over 141 different services were leaned and automated, of which 37 services are offered from the CCs, however only 4 of these services are frequently used by the people.

The programme was weaker on political decentralization. The decision-making process in the prioritization of activities and allocation of grants at the Gewog level require further strengthening. There is a need to ensure a stronger coordination between central government institutions and LGs. There is a particular need to build stronger mechanism to ensure downward accountability from the Gewogs to the citizens.

### **4. Lessons learned and issues based on the evaluation and review reports**

- Governance system still is evolving. The results of governance reforms so far are visible in the strong formal institutions that have been established to support the processes of democratization. At the local level, the early years of democracy are seen largely in 3 important aspects: a) Strong 'beneficiary' sentiments and less engaged 'citizens' and 'civil society'; b) Institutional capacity at local levels less developed; and c) Planning powers have been devolved but fiscal decentralization is very limited. The block grant mechanism (donors and the government pool in funds and distribute it to districts and blocks based on a formula) is a big step in the direction of fiscal decentralization. However, even here the funds are centrally pooled and distributed. Additionally, since the contribution of local

revenues to these funds are negligible (less than 1%), LGs depend almost entirely on these grants.

- There are ambiguities/different interpretations and a general lack of knowledge at local level regarding laws/policies/regulations issued at central level. There is a need to provide accurate and wider access to understandable information on legal matters, legislations and their implications, and a systematic mechanism for feedback collection. Public awareness raising and feedback collection are usually done as onetime sessions before the launch of a draft. Their disseminations are usually in formats that are not friendly for the non-literate (more women than men are not literate), and those without access to television and the internet.
- The decision-making process in the prioritization of activities and allocation of grant at the Gewog level needs to be strengthened and streamlined further. There is also a need to focus on building mechanism to ensure downward accountability from the Gewogs to the citizens.
- Another issue that requires attention is the representation of women at the LG level. In general, women in Bhutan enjoy a favorable socio-cultural environment. However, in the emerging democratic political environment, women representation has been dismal. While women make up 50.8% of the total eligible voters and generally turn up in more numbers than men for the elections, elected women LG functionaries constitute a mere 7.3% of the filled posts at the Gewog level and 11.9% at the Thromde level. In addition, the current system leads to limited representation of residents in urban areas in their LG council. These are issues that need to be considered in any reform process on local governance.
- While there has been a steady improvement in the interactions between national government and LGs and initiatives are ongoing to further strengthen them, the areas of downward accountability of LGs to the citizens, LG-citizen interaction and grassroots level community participation have not yet received much attention.

Some of the key achievements of the LGSP were:

- Developed and implemented the ACG Facility
- Developed, tested and applied community contracting Protocol system and Small Infrastructure, Design and Costing templates
- Improved capacity of the LG leaders and community members: 6200 LG officials and elected representatives were trained in various areas (e.g. public expenditure management procedures, planning, IT and project management).
- Increased absorptive capacity of the LGs, which resulted in increased allocation of financial resources.
- Transparent and more accountable LGs through the revision and implementation of the LG Rules and Regulations 2012.
- The plans and programs at the LGs are independently planned, prioritized and approved in accordance with the FYP.
- Improved community participation in development planning.
- Enabling policy regulations and guidelines in place.

## 5. Purpose of the LG assessment

The Local Governance assessment shall be carried out to assess the institutional, systemic and human resource capacity gaps and recommend ways to further deepen the democratic process at the local levels and also improve the service delivery mechanisms. In particular the Local Governance Assessment shall assess the development of key aspects of local governance and decentralization, especially in regard to participation, transparency and accountability as assigned in the functional and financial responsibilities to the LGs.

The LG assessment shall be carried out in a participatory manner by undertaking a desk review of the relevant literature and data, consultations with the relevant stakeholders at the national and LG levels, field visits and FGD with the communities, which shall result in a problem analysis, based on which a detailed report along with a set of recommendations shall be submitted to the SDC and the GGC. The recommendations shall also look into best practices of those countries with similar socio- economic scenario as Bhutan.

Among others, the assessment will focus on the following analytical clusters or categories:

### (i) Profiling Development Achievements of the Dzongkhags

### (ii) Role and responsibilities of the LGs and other agencies (Enabling legal framework and processes)

- Assess the existing functional and financial responsibilities of the LGs and their compliance rate.
- Review the effectiveness of the existing oversight role of the Home and Cultural Affairs Ministry and the GNHC (in particular Local Development Division), and the coordination between these two agencies.
- Assess the existing standard operating procedure (SOP) for conducting public consultation for planning and monitoring the implementation of development activities.
- Decision making process at the LG level in terms of public participation and prioritization of developmental activities
- Downward, vertical and horizontal accountability mechanisms of the LGs/Gewogs
- Feedback and redressal mechanisms at the LG level.

### (iii) Quality of local Governance and service delivery standards

The quality of local governance must be assessed considering the 5 indicators of good governance:

- Efficiency and effectiveness
- Transparency and rule of law
- Accountability
- Participation and civic engagement
- Equity

For this particular exercise, use of Citizen Report Card (CRC) is recommended. While specific areas or sectors are proposed below, it is important to conduct the assessment by reviewing the overall mandate of the LGs in terms of service delivery standards and protocols.

- Agriculture and livestock related services
- Drinking water and irrigation
- Farm road construction
- Utilization of ACGs to Gewogs (including GAO)
- Timber permit approval, waste management and land lease
- Other services as may be recommended during the mission (which are critical)

During the site visits and field work, SDC will also ensure availability of locals (CSOs, youths etc) who have been trained to conduct Citizen Report Card to complement the consultants in their work.

#### **(iv) Capabilities and limitations of LGs and stakeholders**

- Identify main challenges and issues faced by LGs in the implementation of planned development activities and delivery of public services.
- Issues related to budgeting and financing mechanisms
- Reporting, monitoring and evaluation mechanisms (PLaMS, NMES) for development activities.
- Coordination and support mechanisms between the central Ministries and Dzongkhags, and Dzongkhags with the Gewogs.
- Assess awareness among the public on what is expected of the local leaders in terms of their official mandate.
- Identify main challenges and issues faced by the public in availing prompt services from the LGs.
- Analyze the challenges and issues faced by the potential women leaders and existing support strategies.

## **6. Tools and method of assessment**

Over the last ten years, SDC has supported the development and implementation of numerous LG assessment tools in order to get insight into the quality of local governance at various levels. Based on these experiences, five LG assessment tools (more than 25 available tools) are recommended by SDC for LG assessment.

- i. Urban Governance Index,
- ii. Citizen Report Card,
- iii. Local Governance Self-Assessment,
- iv. Local Governance Barometer, and
- v. Good Governance for Development.

The use of CRC has been recommended for the assessment of the quality of governance (point no. ii), however for the overall assessment, the consultant will have to make an expert decision based on the situation and background information provided. A single tool or a combination of two

tools can also be used for this assessment study. The methodology and the use of tools and techniques must be clearly explained in the technical proposal under number 11 (i).

## 7. Expected Outputs and Deliverables of the assessment

The expected outputs/deliverables should be closely linked to the main issues to be covered by the assessment and should include recommendations for future interventions. The assessment should provide the following main outputs:

- i) A mission inception report must be submitted based on the initial discussions and after meetings with the stakeholders.
- ii) First Draft of the report and a presentation outlining:
  - a. The principal findings of the assessments based on the assessment criteria provided (Gewog-wise disaggregated analysis)
  - b. Concept for implementation of the recommendations and follow ups.
- iii) Final report after incorporating the comments and suggestions on the first draft
- iv) Annexes related to findings and their limitations.
- v) Comparative analysis of Dzongkhags

## 8. Time Frame and indicative schedule

The assignment shall be completed within a timeframe of five months, starting in earnest from June 2015. The indicative timeframe provided below shall be discussed and agreed once the consultants are selected.

SI.No	Task	Indicative timeframe	Responsibility
1	Publish on SDC website	Mid April 2015	SDC
2	Invitation of proposals, tendering recruitment and contract signing	May 2015	SDC
3	Literature Review (desk work)	May-June 2015	Consultants/ working group
4	In-country mission (arrival in Bhutan)	June 2015	Consultants
5	Inception Report	June 2015	Consultants
6	Coordination meetings & briefings (SDC)	June 2015	SDC
7	Site visits/meetings	June/July 2015	Consultants, DITT, BDBL, DLG, SDC
8	Draft report writing and submission of the first draft of the Report & presentation to the stakeholders	July/August 2015	Consultants

SI.No	Task	Indicative timeframe	Responsibility
9	Incorporation of comments/ changes	September 2015	All stakeholders
10	Debriefing meeting with SDC and partners	October 2015	All stakeholders
11	Submission of the final draft	October 2015	Consultants

## 9. Steering mechanisms reporting requirements

The ToR for this study has been prepared in close collaboration with the GGC of the NC, the Department of Local Governance (DLG) and other relevant partners. Considering the importance of this assessment, a working committee comprising officials from NC Secretariat, SDC, DLG and GNHC shall be formed to provide support and guidance. This committee shall also serve as a focal group for the duration of the study, after which the GGC and DLG will take the lead role in communicating the findings and strategies including the implementation of the recommendations by involving relevant stakeholders.

The consultant reports for this assignment to the SDC Director of Cooperation in Bhutan, who represents the contracting agency, SDC. At the national level, the counterpart and coordinating agency is the GGC of the NC.

## 10. Team Composition

The assessment will be carried out by an individual or team of International consultants<sup>4</sup> in partnership with a team of officials, to be called Reference Group, from the NC Secretariat, DLG, SDC and LOGIN (one or two volunteers) who will also function as a local counterpart. A detailed ToR for this Group will be developed and adopted at a later date.

The local counterparts will ensure contextualization of concepts into the national context and conduct critical aspects of the field work.

## 11. Qualification and skills requirement

In addition to the following requirements, the prospective consultant(s) or at least the lead consultant must be familiar with SDC's Guidelines and toolkit for local governance assessment.

- Master Degree in social sciences, development studies, economics or related field
- Proven track record in conducting surveys and analytical works related to local governance, decentralization, public service delivery, fiscal decentralization and reform process

<sup>4</sup> The decision to field one OR two international consultant must be made by the applicant considering the scope of the work and expertise required. This must be clearly explained in the technical proposal.

- Knowledge/skills on Monitoring & Evaluations, redressal and feedback mechanisms
- Good facilitation skills and experience in working with government institutions, civil society organizations and citizens from national to grassroots level
- Excellent communication skills, fluency in spoken and written English including drafting of reports
- Background/experience on system development, human resource management and development

## 12. Submission of Proposals

Interested consulting firms/consultants are required to submit their proposals electronically (technical and financial) to Mr. Kinzang Tobgyal, National Programme Officer, SDC Bhutan at ([kinzang.tobgyal@eda.admin.ch](mailto:kinzang.tobgyal@eda.admin.ch)). Any specific questions related to the ToR or the proposed study may be directed to Mr. Kinzang Tobgyal.

### i) Technical Proposal

- a) Methodology of the proposed study (5 pages without CV). In addition, the methodology should propose ways and means of communicating the results and findings to the stakeholders
- b) Profile of the consulting firm (if relevant) and CV of the proposed experts including evidences of previous work of similar nature (as annex)

### ii) Financial Proposal

The financial proposal must include all costs associated with the study including international, local and survey costs. Please use the budget template provided by SDC.

## 13. Evaluation of the Proposals

The proposals shall be evaluated according to the criteria: relevance of the methodology, (feasibility and effectiveness of implementation approach), expertise and capacity of applicant, competences and qualifications of applicant (cumulative weight: 70%) and financial proposal (weight: 30%).



**14. List of documents to be reviewed**

- 11<sup>th</sup> FYP documents
- LGSP, LGSDP, OSS and DG+ project documents
- Perception survey on the Service Delivery by the LGs
- CC and Mobile service assessment study reports
- LG Act 2009 and LG rules and regulations 2012
- Thromde Rules and Regulations
- LGSP Final Evaluation Report 2013
- Capacity Development Strategy for Local Governance
- Community Contracting Protocol
- Local Development Planning Manual
- (Draft) ProDoc for Support for Local Governance Project, Phase III (Helvetas Swiss Intercooperation)
- ProDoc for Support for Citizen Engagement (JICA)
- Division of Responsibilities between Local Governments (Gewogs, Dzongkhags, Thromde 'A') and National Government (central agencies/sectors)
- Annual Grants Guidelines for LGs
- Dzongkhag Plan Guidelines
- Thromde Finance Policy
- MoU on Social Accountability signed among ACC, DLG and RIM

## Annex 2: Stakeholders Consulted

### National Level Consultations

Agency	Person/s	Remarks
Anti-Corruption Commission	Mr. Karma Thinley	
	Ms. Ugyen Dema	
Bhutan Development Bank Limited	Mr. Pema Tshering	
	Mr. Ugyen Dhendup	
	Ms. Karma	
Department of Local Governance	Mr. Wangdi Gyaltshen	
	Mr. Karma Kuenga Zangpo	Also reference group member
	Ms. Rinchen Wangmo	
	Mr. Kinzang Tshering	
Gross National Happiness Commission Secretariat	Dasho Sonam Wangchuk	
	Mr. Passang Dorji	
	Mr. Pema Tenzin	
G2C Office	Ms. Lungten Zangmo	
Ministry of Agriculture and Forests	Mr. Kencho Thinley	
	Mr. Gyaltshen Dukpa	
	Mr. Kuenga Namgay	
	Ms. Tashi Yangzom	
	Mr. Sonam Pelgen	
	Ms. Bindu Tamang	
	Mr. Chhimi Rinzin	
	Mr. Neten Wangchuk	
Ministry of Education	Mr. Dochu	
MoF	Mr. Lekzang Dorji	
	Mr. Dorji Dhap	
	Mr. Sonam Tobgay	
	Mr. Budiman Rai	
Reference Group	Hon'ble Tashi Wangmo, National Council	Also field team member
	Hon'ble Kaka Tshering, NC	
	Hon'ble Kamal Bahadur Gurung, NC	
	Hon'ble Tharchen, NC	

Agency	Person/s	Remarks
	Mr. Tashi Dorji, GNHC	Also field team member
	Mr. Sonam Yarphe, GNHC	Also field team member
	Mr. Sonam Tobgyel, GNHC	
	Mr. Karma Kuenga Zangpo, DLG	Also field team member
	Mr. Tshering Dendup, NC Secretariat	Also field team member
	Ms. Sonam Yangzom, NC Secretariat	Also field team member
Royal Civil Service Commission	Aum Kesang Deki	
	Mr. Sangay Thinley	
SDC	Mr. Matthias Meier	
	Mr. Melam Zangpo	Also reference group member, field team member

### Local Level Consultations

# of Dzongkhags, Gewogs and Thromdes covered		# of Meetings with LGs & communities			
Gewog/Thromde A	Dzongkhag	Citizens	Gewog	Thromde A	Dzongkhag
15	14	13	14	2	5
Deothang Drametse Gelephu Jigmecholing Lungnyi Langthel Nangkhor S.Jongkhar Samkhar Samtenling Shaba Tang Tsamang Ugyentse Khamoed	Bumthang Dagana Gasa Mongar Paro Samtse Sarpang SJongkhar Trashigang Thimpu Trongsa Tsirang Wangdue Zhemgang	Deothang Drametse Kilkhorthang Nangkhor Samkhar Samtenling Samtse Shaba Shompangkha Tang Tsamang Tsheza Ugyentse	Deothang Drametse Drugyelgang Jigmecholing Lungnyi Langthel Nangkhor Samkhar Samtenling Shaba Tang Tsamang Ugyentse Khamoed	Gelephu S.Jongkhar	Dagana Gasa Trashigang Wangdue Zhemgang

## Annex 3: Questionnaires

Local Governance Appraisal	
<b>Purpose: To assess LG capacities, processes &amp; systems, challenges &amp; opportunities</b>	
<b>Methodology: FGD with LG staff &amp; officials at (i) Dzongkhag level (ii) Gewog level (3-6 participants)</b>	
<b>Positions held:</b>	<b>Name of Gewog:</b>
<b>Number of participants:</b>	<b>Number and percentage of male:</b>
	<b>Number and percentage of female:</b>

Questions	Responses	Local Governance Indicator
1. In your view, what are the main functions of Local Government?		Effectiveness & Efficiency
2. How do you compile plans and budgets – and what feedback do you get from higher level Government agencies?		Effectiveness & Efficiency Accountability
3. How big a percentage did you use of the ACG last year and how did you perform against the planned targets? (If low expenditure – ask why!)  (check expenditure reports, plans and performance contracts)		Effectiveness & Efficiency

Questions	Responses	Local Governance Indicator
4. Apart from the ACG, where does your development funds come from & how are they spent and accounted for? (check income/expenditure reports)	GDG:  Sector funds:  Others:	Effectiveness & Efficiency Accountability Transparency
5. How does the total funding (grants and own source revenue) and staff capacities match the expected functions of LG?		Effectiveness & Efficiency
6. How much time do you spend on implementing Gewog plan activities? (Q to Line Ministry officers)		Effectiveness & Efficiency
7.a How do you know about the financial status of the Gewog? (GAO/GUP)		Effectiveness & Efficiency Accountability & Transparency
7.b What kind of financial analysis do you present to the DT? (DPO/DFO)		Effectiveness & Efficiency Accountability & Transparency
8. How are unspent Capital Grants reallocated and supplementary budgets decided – any challenges?		Effectiveness & Efficiency Transparency
9. How do you coordinate development activities with other Government agencies:	Within the Dzongkhags/Gewogs (horizontal coordination)  Higher level (Dzongkhag, Central Ministries) (vertical coordination)	Transparency Accountability
10. What role would you like MoHCA/DLG to play and how		Effectiveness & Efficiency

Questions	Responses	Local Governance Indicator
can they provide better support to LG?		
11. How do you promote women's leadership in Local Governance?		Participation Equity
12. Describe how you engage the public and civil society in the planning, implementation and monitoring processes		Participation
13. How do communities access information on LG budgets, expenditures and development achievements?		Transparency Accountability
14. How do citizens typically hold Local Government accountable for delivery of services?		Accountability
15. Explain the existing complaint mechanisms for respectively citizens and you as LG?		Accountability
16. AOB		N/A

Citizen Report Card			
<b>Purpose:</b> To assess the quality of local governance and service delivery standards from a citizen's perspective			
<b>Methodology:</b> FGD with community groups (20-30 participants).			
<b>Name of community:</b>		<b>Name of Dzongkhag:</b>	
<b>Number of participants:</b>		<b>Number and % female:</b>	
<b>Participants age 18 – 30 (youth):</b>	<b>Participants age 30 – 49:</b>	<b>Participants age 50+ (senior citizens):</b>	<b>Number and % vulnerable persons:</b>

Questions	Responses	Local Governance Indicator
1. What are the main benefits of having LG?		Efficiency & Effectiveness
2. Which of these services (gov. functions) has the highest priority for you and your community? (each participant has 4 tokens/pebbles)	Water supply & irrigation:	Efficiency & Effectiveness
	Farm roads:	
	Land administration:	
	Agriculture, livestock & forestry:	
	Health:	
	Education:	
	CC services (Civil registration, permits, etc.)	
3. On a scale from 1-5, how would you score the accessibility to each of these Government services? (5 very good, 4 good, 3 neither good nor poor, 2 poor, 1 very poor)	Others (e.g. income generation)	Efficiency & Effectiveness
	Water supply:	
	Farm roads:	
	Land administration:	
	Agriculture, livestock & forestry:	
	Health:	
	Education:	
4. On a scale from 1-5, how would you score the quality for each of these Government services?	CC services (Civil registration, permits, etc.)	Efficiency & Effectiveness
	Water supply:	
	Farm roads:	
	Land administration:	Efficiency & Effectiveness

Questions	Responses	Local Governance Indicator
<p>(5 very good, 4 good, 3 neither good nor poor, 2 poor, 1 very poor)</p>	<p>Agriculture, livestock &amp; forestry: Health: Education: CC services (Civil registration, permits, etc.)</p>	
<p>5. Has your community complained about these Government services within the past year?  (% of total complaints to be calculated for each service)</p>	<p>Water supply: Farm roads: Land administration: Agriculture, livestock &amp; forestry: Health: Education: CC services (Civil registration, permits, etc.)</p>	<p>Accountability</p>
<p>6. On a scale from 1-5 how satisfied are you with the way LG deals with complaints?  (5= very satisfied, 4 satisfied, 3 neither satisfied nor unsatisfied, 2 unsatisfied, 1 very unsatisfied)</p>		<p>Accountability</p>
<p>7. On a scale from 1-5 how often do you experience that LG officers are absent or offices are closed?  (5= very rarely, 4 rarely, 3 neither rarely nor often, 2 often, 1 very often)</p>		<p>Efficiency &amp; Effectiveness</p>
<p>8. To what degree you think everyone in the community (including vulnerable groups) have equal access to Government services, on a scale from 1-5?</p>		<p>Equity</p>



Questions	Responses	Local Governance Indicator
(5 very high, 4 high, 3 neither high nor low, 2 low, 1 very low)		
9. Are the fees for Community Centre services fair? (5 very fair, 4 fair, 3 neither fair nor expensive, 2 rather unfair, 1 very unfair)		Efficiency & Effectiveness Equity
10. How would you rate your participation in planning meetings with Local Government on a scale from 1-5? (5 very high, 4 high, 3 neither high nor low, 2 low, 1 very low)	ACG GDG	Participation
11. How would you rate your participation in monitoring progress and money spent on LG projects on a scale from 1-5 (5 very high, 4 high, 3 neither high nor low, 2 low, 1 very low)	ACG GDG	Participation, Accountability Transparency
12. On a scale from 1-5 rate how good are your experiences with the Community Contract Protocol? (5 very good, 4 good, 3 neither good nor poor, 2 poor, 1 very poor)		Participation
13. What do you think about the number of women participating in		Participation

Questions	Responses	Local Governance Indicator
meetings with LG on a scale from 1-5? (5 very high, 4 high, 3 neither high nor low, 2 low, 1 very low)		Equity
14. To what extent are women's voices heard and addressed at meetings? (5 very well, 4 well, 3 neither well nor poorly, 2 poorly, 1 very poorly)		Participation Equity
15. On a scale from 1-5 how well does Local Government inform you about projects, budgets and decisions from their meetings? (5 very well, 4 well, 3 neither well nor poorly, 2 poorly, 1 very poorly)		Transparency
16. On a scale from 1-5 to what degree are your community problems raised in the LG meetings? (5 very high, 4 high, 3 neither high nor low, 2 low, 1 very low)		Accountability Transparency
17. AOB		N/A

<b>Online Survey: Local Governance Self-Appraisal</b>		
<b>Respondents: Dzongkhag: Finance &amp; DPOs /Gewog: Gewog Administrative Officer</b>		
<b>Area of appraisal</b>	<b>Performance Indicator</b>	<b>Performance Score (1-5)*</b>
<b>1. Strategic planning &amp; budgeting</b>	1.1.The performance targets in the FYP are on track and will be achieved	
	1.2.The 5 year- and annual plans and budgets are strongly linked to each other	
	1.3.Special efforts are planned and implemented to address the needs of women and vulnerable groups in the community	
	1.4.There is enough support and feedback from relevant Ministries when developing the annual plans and budgets	
	1.5.Public consultations are effective and always reflected in the five year- and annual plans	
	Comments and recommendations:	
<b>2. Financial Management</b>	2.1.The guidelines for receiving and using the Annual Capital Grant are clear and easy to follow	
	2.2.The guidelines for receiving and using other grants are clear and easy to follow (earmarked, Gewog development, current)	
	2.3. During the past fiscal year, Capital and Gewog Development Grants have been checked for compliance against the criteria for eligible/non-eligible expenditures	
	2.4.Rules and regulations in the procurement manual are clear and easy to follow	
	2.5.The process for re-allocating unspent Annual Capital Grants and providing supplementary budgets amongst Dzongkhag/Gewog is clear and transparent	
	Comments and recommendations:	
<b>3. Financing Local Development</b>	3.1.The released ACGs always match the planned and approved budget	
	3.2.The budgeted Annual Capital Grant is always released and spent on time	
	3.3.The total ACG and GDG Grants received, together with OSR, is enough for LG to fully perform its functions and achieve its targets as per plan	
	3.4.Funds from central ministries and donors are well-coordinated, budgeted and spent in a transparent manner between Central and LG agencies	

Area of appraisal	Performance Indicator	Performance Score (1-5)*
	3.5.Dzongkhag/Gewog find it easy to comply with requirements of PLaMS and PEMS	
	Comments and recommendations:	
<b>4. Human Resource Management</b>	4.1.The number of staff match the functions expected to be carried out by Dzongkhag/Gewog	
	4.2.The capacities of Local Government staff and elected officials match the responsibilities of Dzongkhag/Gewog	
	4.3.A capacity development plan is in place which matches the training needs of LG staff and elected officials	
	4.4. The trainings are implemented according to plan	
	4.5.The quality and impact of trainings and other capacity development initiatives are evaluated systematically	
	Comments and recommendations:	
<b>5. Access to Information</b>	5.1.Citizens have good access to information on Local Government plans & budgets, expenditures and achievements	
	5.2.The public is made well aware of discussions and decisions from Tshogdu/Tshogde meetings.	
	5.3.Elected LG officials are provided with enough information to make informed decisions in Tshogdu/Tshogde	
	5.4.The mechanisms in place for communication and sharing of information with the public are good	
	5.5.The community centres in the Gewogs are fully functional and widely used by the public	
	Comments and recommendations:	
<b>6. Accountability (upwards &amp; downwards)</b>	6.1.Citizens can easily monitor the implementation and expenditure of LG projects and services	
	6.2.The Local Government has enough time to implement its own annual plan (rather than projects from line ministries)	
	6.3.The performance of LG and quality of services are discussed in public meetings	
	6.4. Effective mechanisms for filing and dealing with public complaints are in place	
	6.5.Are there effective response mechanisms in place to address LG issues and ideas by higher level government agencies (Dzongkhags, ministries etc.)	
	6.6.Community Contract Protocols are always applied and citizens are well informed about tenders and awarded contracts	

Area of appraisal	Performance Indicator	Performance Score (1-5)*
	Comments and recommendations:	
<b>7. Civic Engagement</b>	7.1.The 5 year and annual plans are developed with high level of citizen's engagement	
	7.2.Cooperatives, self-help groups, and civil society organizations are involved in the development of the annual plan?	
	7.3.Tshogdu/Tshogde meetings are held with high attendance from the public	
	7.4.Zomdus are held regularly and with high attendance from the communities	
	7.5.Consultations with CSOs, private sector, media, etc. are held regularly	
	Comments and recommendations:	

\*

5 = highly agree

4 = agree

3 = neither agree nor disagree

2 = disagree

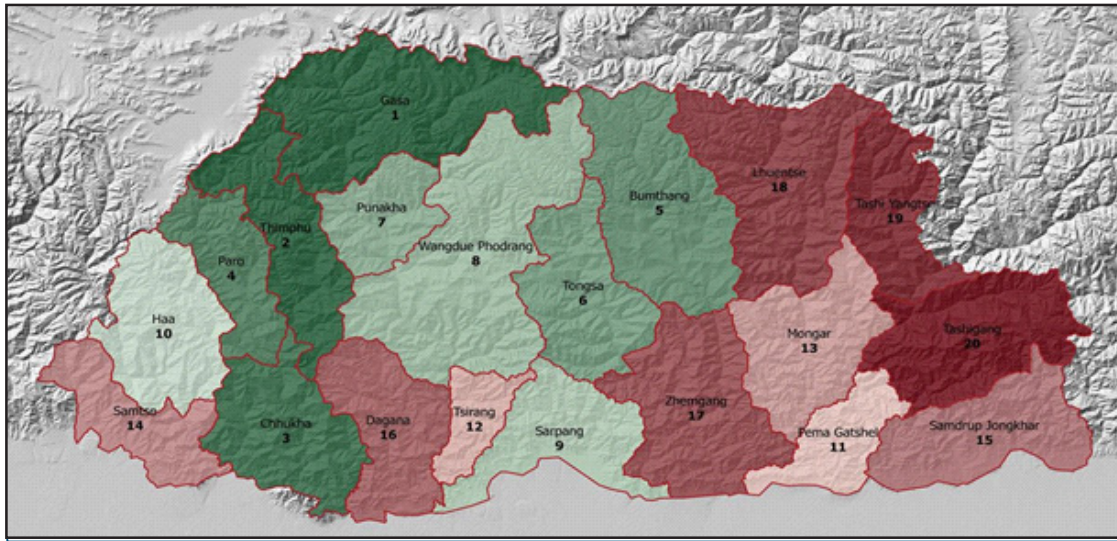
1 = highly disagree

## Annex 4: Dzongkhag Development Achievements: Result Details

### Indicators:

- Mean Annual Household Income
- Multi-Dimensional Poverty
- Gini Coefficient
- Unemployment Rate
- General Literacy Rate
- Literacy Rate Difference between Women and Men
- Mean Walking Time to the Nearest Health Care Centre
- Proportion of Population that Feel “Highly Responsible” for Nature Conservation
- Proportion of Population that Have “Very Strong” Sense of Belonging to the Community
- Gross National Happiness Index
- Percentage of ACG Utilized

### Dzongkhag Development Achievements: Mean Annual Household Income



Map 2: Dzongkhag Profiling, by Mean Annual Household Income

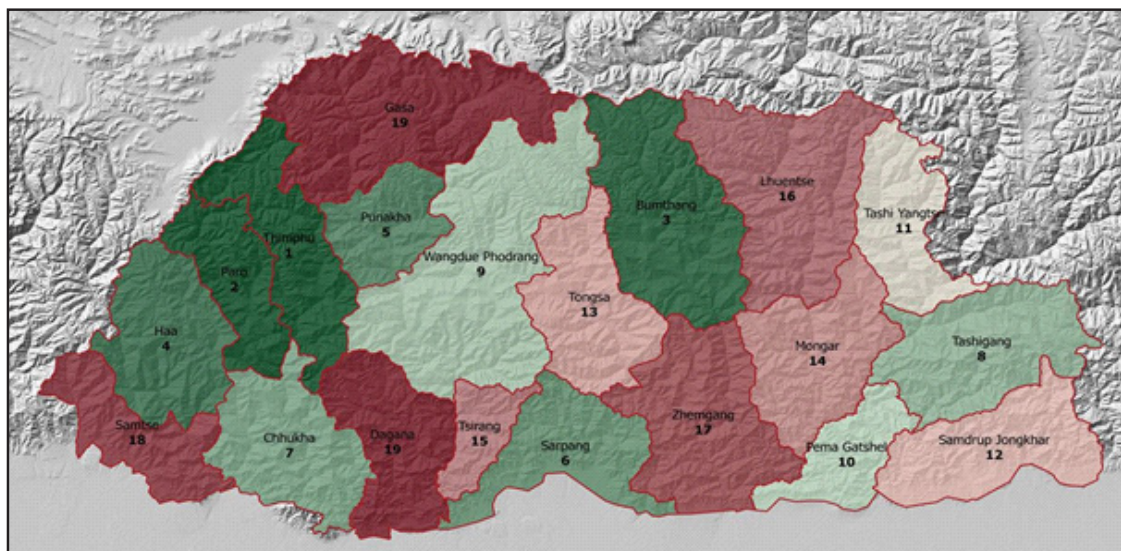
Legend:   
Below Average ← → Above Average

Data Source: Bhutan Living Standard Survey (2012), reported in 11<sup>th</sup> FYP (2013)

Dzongkhag	Average annual household income (in Ngultrum)	Rank <sup>1</sup>
Bumthang	168'715	5
Chhukha	259'988	3
Dagana	95'966	16
Gasa	364'797	1
Haa	127'278	10
Lhuentse	86'629	18
Mongar	114'971	13
Paro	201'823	4
Pema Gatshel	118'325	11
Punakha	147'254	7
Samdrup Jongkhar	98'062	15
Samtse	103'207	14
Sarpang	133'002	9
Thimphu	305'775	2
Trashi Yangtse	83'744	19
Trashigang	80'657	20
Trongsa	167'709	6
Tsirang	118'101	12
Wangdue Phodrang	137'076	8
Zhemgang	92'618	17

<sup>1</sup> 1: highest income, 20: lowest income

### Dzongkhag Development Achievements: Multi-Dimensional Poverty



Map 3: Dzongkhag Profiling, by Multi-Dimensional Poverty

Legend:  Below Average ← → Above Average

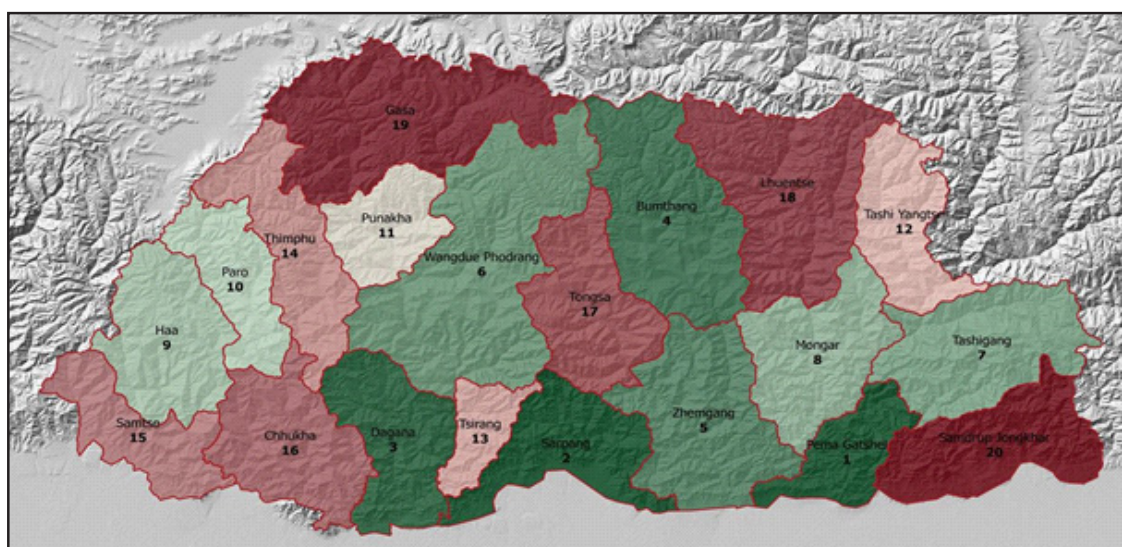
Data Source: Bhutan Multiple Indicator Survey (2010), reported in 11<sup>th</sup> FYP (2013)

Dzongkhag	Multi-Dimensional Poverty (in percentage)	Rank <sup>2</sup>
Bumthang	11.9%	3
Chhukha	21.9%	7
Dagana	46.6%	19
Gasa	46.6%	19
Haa	15.9%	4
Lhuentse	37.2%	16
Mongar	33.3%	14
Paro	7.1%	2
Pema Gatshel	30.3%	10
Punakha	17.0%	5
Samdrup Jongkhar	32.2%	12
Samtse	43.3%	18
Sarpang	20.8%	6
Thimphu	3.4%	1
Trashigang	27.6%	8
Trongsa	32.7%	13
Tsirang	34.8%	15
Wangdue Phodrang	28.9%	9
Zhemgang	38.6%	17


<sup>2</sup> 1: lowest percentage of poverty, 20: highest percentage of poverty



### Dzongkhag Development Achievements: Gini Coefficient



Map 4: Dzongkhag Profiling, by Gini Coefficient

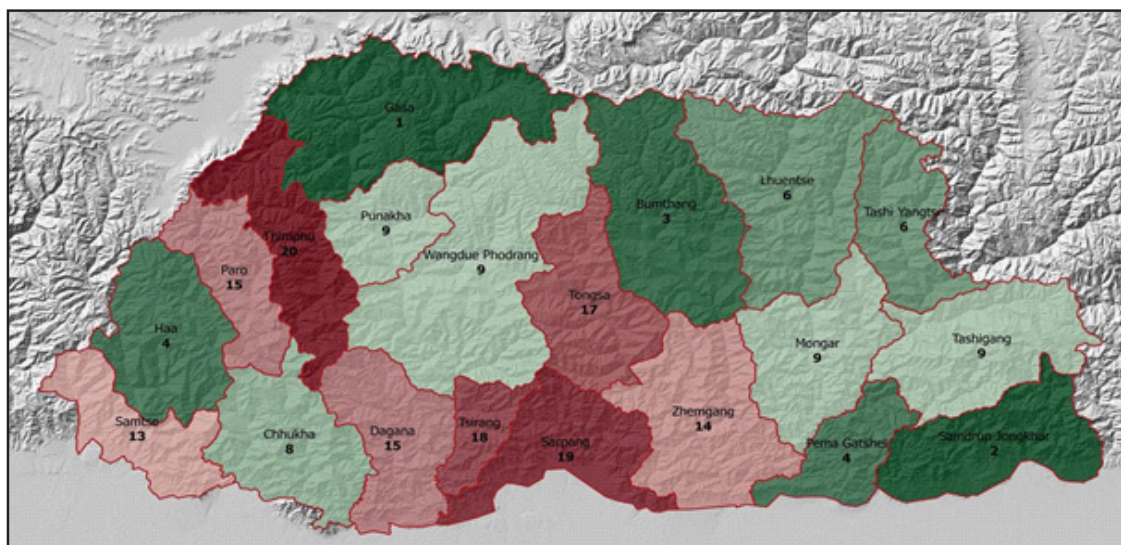
Legend:  Below Average ← + → Above Average

Data Source: Bhutan Poverty Assessment (2014)

Dzongkhag	Gini Coefficient	Rank <sup>3</sup>
Bumthang	0.2967	4
Chhukha	0.3590	16
Dagana	0.2884	3
Gasa	0.3893	19
Haa	0.3358	9
Lhuentse	0.3775	18
Mongar	0.3348	8
Paro	0.3374	10
Pema Gatshel	0.2478	1
Punakha	0.3463	11
Samdrup Jongkhar	0.4187	20
Samtse	0.3570	15
Sarpang	0.2558	2
Thimphu	0.3484	14
Trashigang	0.3175	7
Trongsa	0.3718	17
Tsirang	0.3480	13
Wangdue Phodrang	0.3128	6
Zhemgang	0.3088	5

<sup>3</sup> 1: lowest Gini coefficient, 20: highest Gini

### Dzongkhag Development Achievements: Unemployment Rate



Map 5: Dzongkhag Profiling, by Unemployment Rate

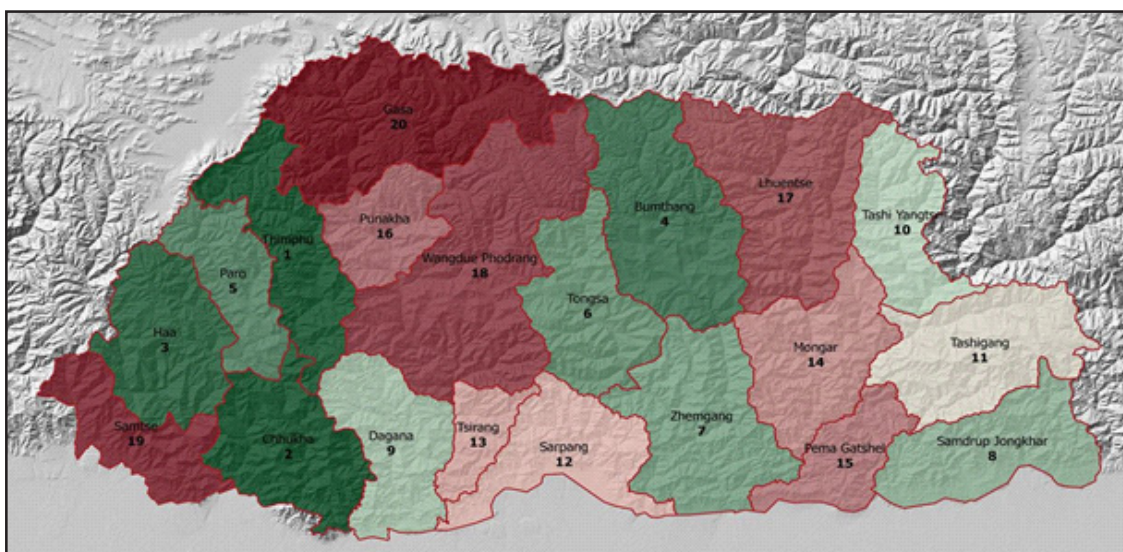
Legend:  Below Average ← → Above Average

Data Source: Labour Force Survey (2012), reported in 11<sup>th</sup> FYP (2013)

Dzongkhag	Unemployment rate (in percentage)	Rank <sup>4</sup>
Bumthang	0.3%	3
Chhukha	1.5%	8
Dagana	2.7%	15
Gasa	0%	1
Haa	0.4%	4
Lhuentse	1.2%	6
Mongar	1.6%	9
Paro	2.7%	15
Pema Gatshel	0.4%	4
Punakha	1.6%	9
Samdrup Jongkhar	0.2%	2
Samtse	1.8%	13
Sarpang	3.6%	19
Thimphu	4.3%	20
Trashigang	1.6%	9
Trongsa	3.2%	17
Tsirang	3.4%	18
Wangdue Phodrang	1.6%	9
Zhemgang	2.6%	14

<sup>4</sup> 1: lowest unemployment rate, 20: highest unemployment

### Dzongkhag Development Achievements: General Literacy Rate



Map 6: Dzongkhag Profiling, by Literacy Rate

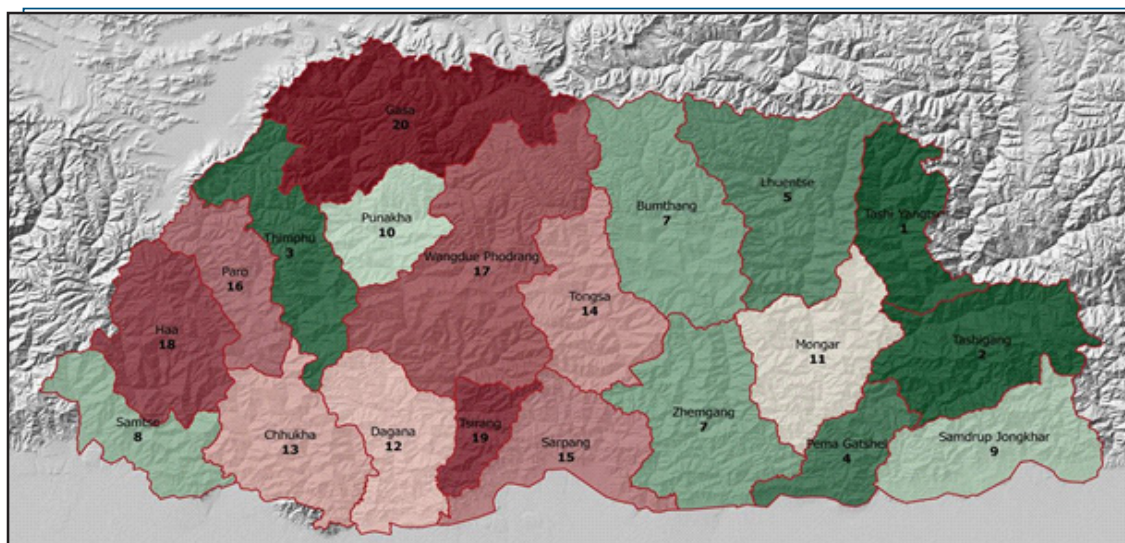
Legend:  Below Average ← → Above Average

Data Source: Bhutan Living Standard Survey (2010), reported in 11<sup>th</sup> FYP (2013)

Dzongkhag	General literacy rate (in percentage)	Rank <sup>5</sup>
Bumthang	67.6%	4
Chhukha	70.5%	2
Dagana	61.0%	9
Gasa	49.4%	20
Haa	68.6%	3
Lhuentse	55.0%	17
Mongar	59.5%	14
Paro	67.3%	5
Pema Gatsel	56.1%	15
Punakha	55.2%	16
Samdrup Jongkhar	61.7%	8
Samtse	49.8%	19
Sarpang	59.9%	12
Thimphu	80.0%	1
Trashhi Yangtse	60.4%	10
Trashigang	60.1%	11
Trongsa	65.7%	6
Tsirang	59.6%	13
Wangdue Phodrang	51.3%	18
Zhemgang	62.4%	7

<sup>5</sup> 1: highest literacy rate, 20: lowest literacy rate

## Dzongkhag Development Achievements: Literacy Rate Difference Women/Men



Map 7: Dzongkhag Profiling, by Literacy Rate Difference between Women and Men

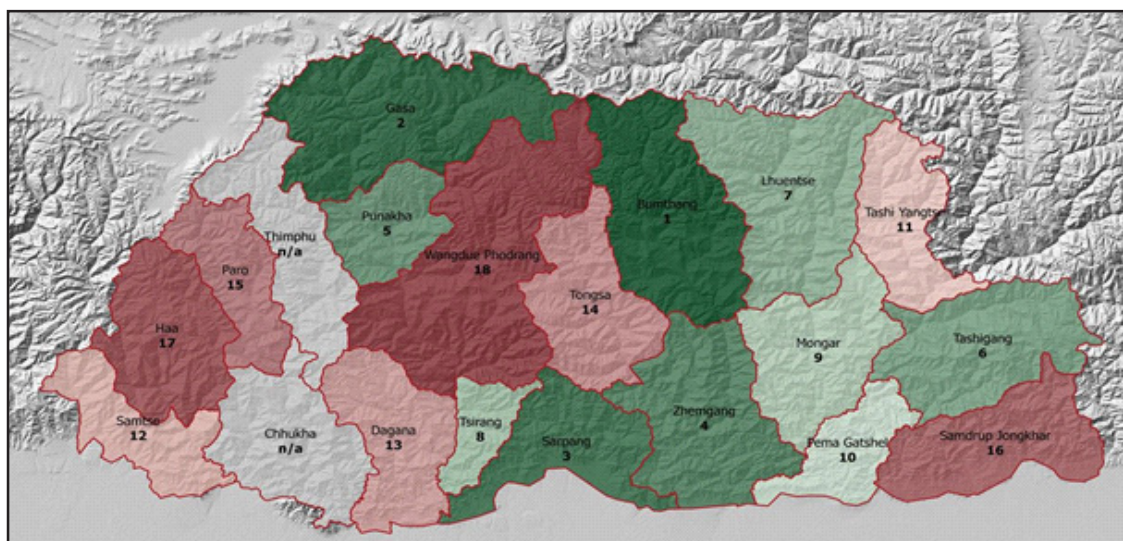
Legend:  Below Average ← → Above Average

Data Source: Bhutan Living Standard Survey (2010)

Dzongkhag	Difference of literacy rate between women and men (in percentage)	Rank <sup>6</sup>
Bumthang	15.9%	7
Chhukha	18.1%	13
Dagana	17.7%	12
Gasa	38.4%	20
Haa	22.7%	18
Lhuentse	15.6%	5
Mongar	17.5%	11
Paro	20.2%	16
Pema Gatshel	15.2%	4
Punakha	17.4%	10
Samdrup Jongkhar	17.2%	9
Samtse	16.3%	8
Sarpang	20.0%	15
Thimphu	14.1%	3
Trashhi Yangtse	11.8%	1
Trashigang	12.5%	2
Trongsa	18.8%	14
Tsirang	23.7%	19
Wangdue Phodrang	21.0%	17
Zhemgang	15.9%	7

<sup>6</sup> 1: lowest difference between women and men, 20: highest difference between women and

### Dzongkhag Development Achievements: Mean Walking Time to the Nearest Health Care Centre



Map 8: Dzongkhag Profiling, by Mean Walking Time to the Nearest Health Care Centre

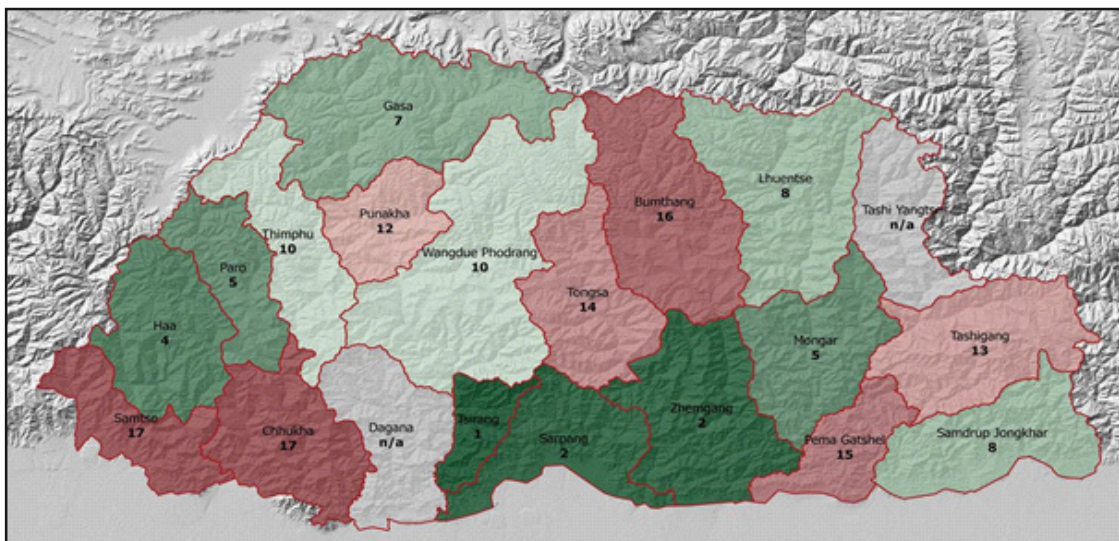
Legend: Below Average ← → Above Average Not available

Data Source: 11<sup>th</sup> FYP (2013)

Dzongkhag	Mean walking time to nearest health centre (in minutes)	Rank <sup>7</sup>
Bumthang	48.83	1
Chukha	n/a	n/a
Dagana	89.3	13
Gasa	61.2	2
Haa	116.2	17
Lhuentse	84.1	7
Mongar	86.53	9
Paro	98.49	15
Pema Gatshel	87.2	10
Punakha	76.43	5
Samdrup Jongkhar	109	16
Samtse	89	12
Sarpang	68	3
Thimphu	n/a	n/a
Trashhi Yangtse	88	11
Trashigang	82.6	6
Trongsa	98	14
Tsirang	85.6	8
Wangdue Phodrang	129.7	18
Zhemgang	75	4

<sup>7</sup> 1: shortest walking time, 20: longest walking

### Dzongkhag Development Achievements: Proportion of Population that Feel “Highly Responsible” for Nature Conservation



Map 9: Dzongkhag Profiling, by Proportion of Population “Highly Responsible” for Nature Conservation

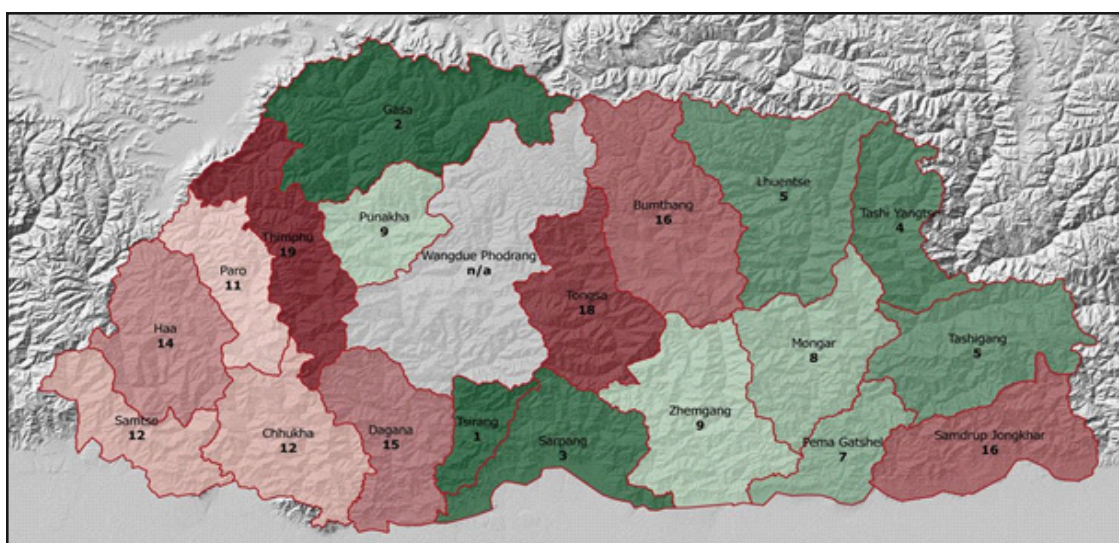
Legend: Below Average ← + → Above Average Not available

Data Source: 11<sup>th</sup> FYP (2013)

Dzongkhag	Proportion of population feeling “highly responsible” for nature conversation (in percentage)	Rank <sup>8</sup>
Bumthang	77.8%	16
Chhukha	73.0%	17
Dagana	n/a	n/a
Gasa	87.0%	7
Haa	87.9	4
Lhuentse	86.3	8
Mongar	87.1	5
Paro	87.1	5
Pema Gatshel	78.0%	15
Punakha	80.9%	12
Samdrup Jongkhar	86.3%	8
Samtse	73.0%	17
Sarpang	90.3%	2
Thimphu	84.0%	10
Trashhi Yangtse	n/a	n/a
Trashigang	80.4%	13
Trongsa	79.18%	14
Tsirang	90.6%	1
Wangdue Phodrang	84.0%	10
Zhemgang	90.3	2

<sup>8</sup> 1: highest percentage feeling responsible, 20: lowest percentage feeling

### Dzongkhag Development Achievements: Proportion of Population that Have “Very Strong” Sense of Belonging to the Community



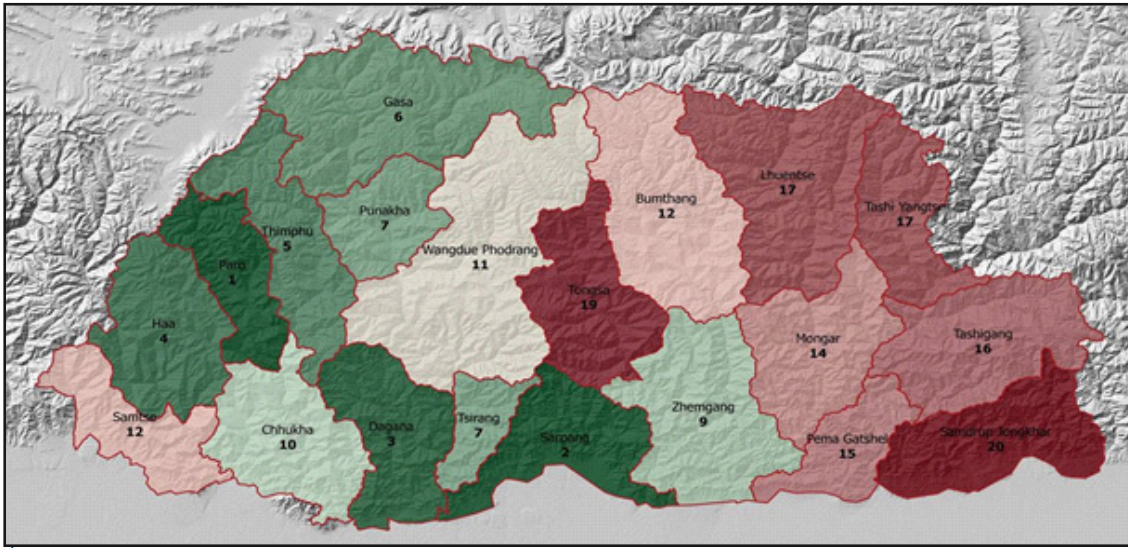
Map 10: Dzongkhag Profiling, by Proportion of Population with “Very Strong” Sense of Belonging to the Community

Legend: Below Average ← → Above Average Not available

Data Source: 11<sup>th</sup> FYP (2013)

Dzongkhag	Proportion of population with “very strong” sense of belonging to community (in percentage)	Rank <sup>9</sup>
Bumthang	69.0%	16
Chhukha	72.0%	12
Dagana	70.0%	15
Gasa	86.0%	2
Haa	70.0%	14
Lhuentse	82.0%	5
Mongar	78.0%	8
Paro	73.0%	11
Pema Gatshel	78.8%	7
Punakha	76.0%	9
Samdrup Jongkhar	69.0%	16
Samtse	72.0%	12
Sarpang	85.0%	3
Thimphu	49.0%	19
Trashhi Yangtse	83.0%	4
Trashigang	82.0%	5
Trongsa	66.0%	18
Tsirang	87.0%	1
Wangdue Phodrang	n/a	n/a
Zhemgang	76.0%	9

<sup>9</sup> 1: highest percentage belonging to community, 20: lowest percentage belonging to

**Dzongkhag Development Achievements: Gross National Happiness Index**

Map 11: Dzongkhag Profiling, by Gross National Happiness Index

Legend:  Below Average ← | → Above Average

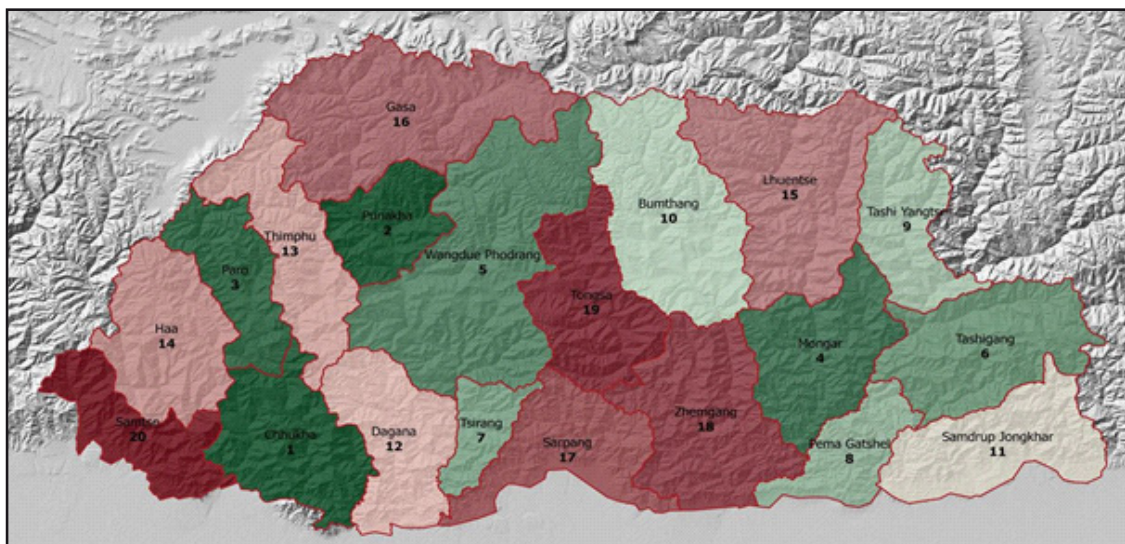
Data Source: Gross National Happiness Survey (2010), reported in 11<sup>th</sup> FYP (2013)

Dzongkhag	Gross National Happiness Index	Rank <sup>10</sup>
Bumthang	0.736	12
Chhukha	0.752	10
Dagana	0.783	3
Gasa	0.771	6
Haa	0.775	4
Lhuentse	0.698	17
Mongar	0.732	14
Paro	0.807	1
Pema Gatshel	0.712	15
Punakha	0.770	7
Samdrup Jongkhar	0.655	20
Samtse	0.736	12
Sarpang	0.795	2
Thimphu	0.773	5
Trashigang	0.708	16
Trongsa	0.684	19
Tsirang	0.770	7
Wangdue Phodrang	0.737	11
Zhemgang	0.753	9

<sup>10</sup> 1: highest index rate, 20: lowest index rate



## Dzongkhag Development Achievements: Average Percentage of Annual Capital Grant Utilized



Map 12: Dzongkhag Profiling, by Average Percentage of ACG Utilized

Legend:  Below Average ← + → Above Average

Data Source: GNHC

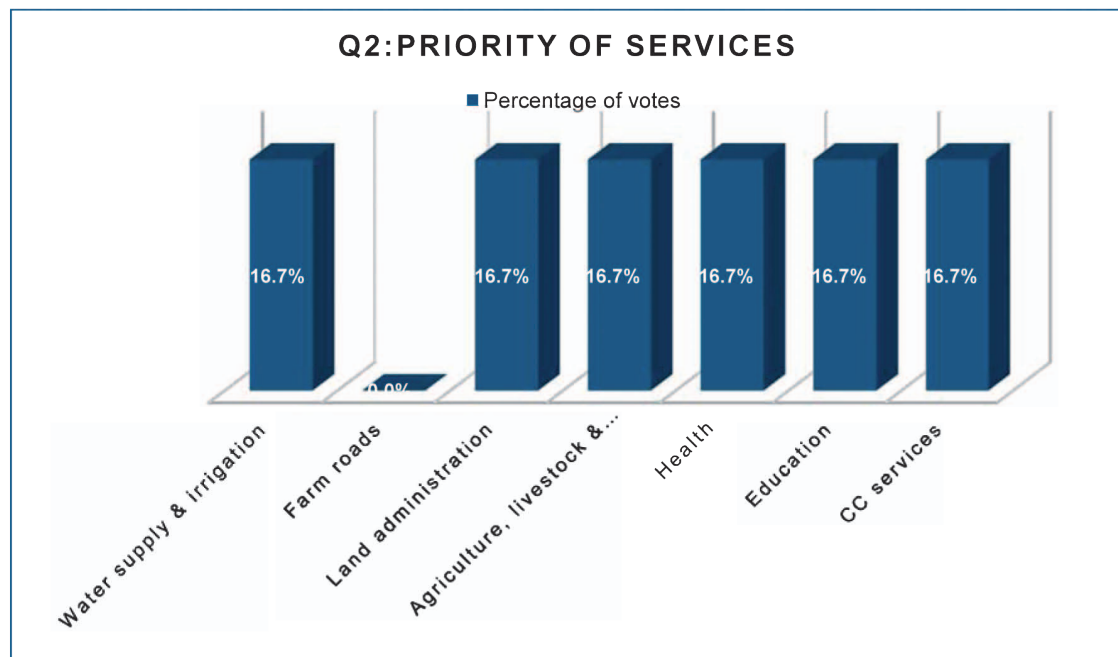
Dzongkhag	Average Percentage of Annual Capital Grant Utilized (in percentage)	Rank <sup>11</sup>
Bumthang	90.84%	10
Chhukha	100.92%	1
Dagana	87.28%	12
Gasa	82.13%	16
Haa	84.50%	14
Lhuentse	83.80%	15
Mongar	95.98%	4
Paro	96.17%	3
Pema Gatsel	92.15%	8
Punakha	100.68%	2
Samdrup Jongkhar	89.52%	11
Samtse	67.53%	20
Sarpang	81.26%	17
Thimphu	85.48%	13
Trashigang	94.47%	6
Trongsa	71.38%	19
Tsirang	93.71%	7
Wangdue Phodrang	95.23%	5
Zhemgang	79.82%	18

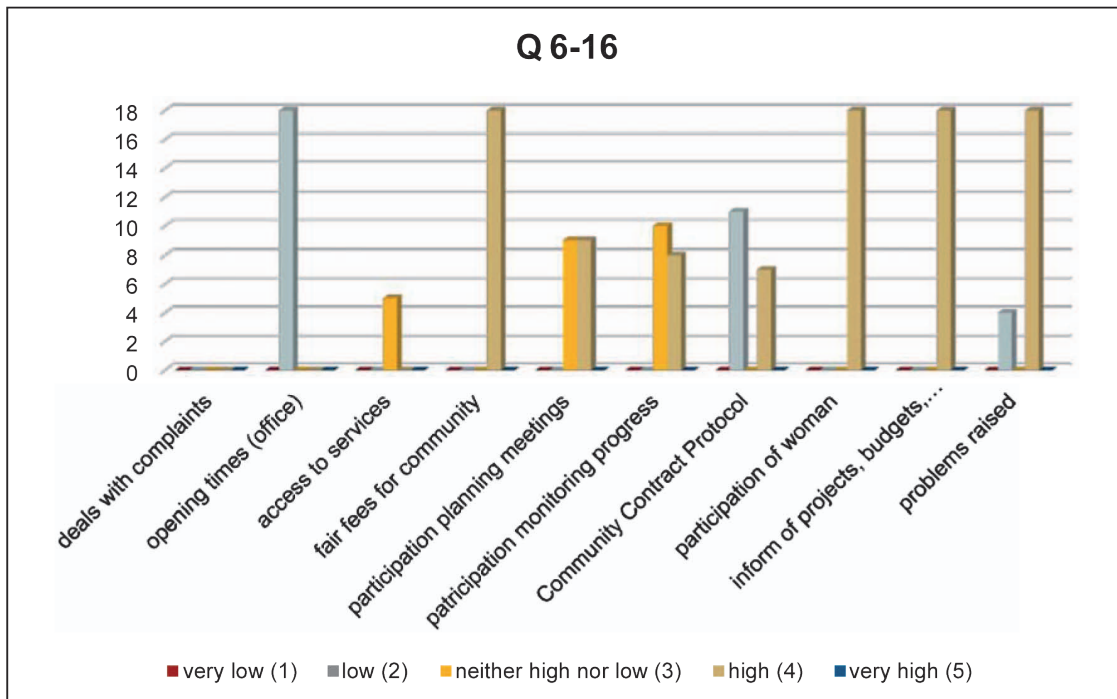
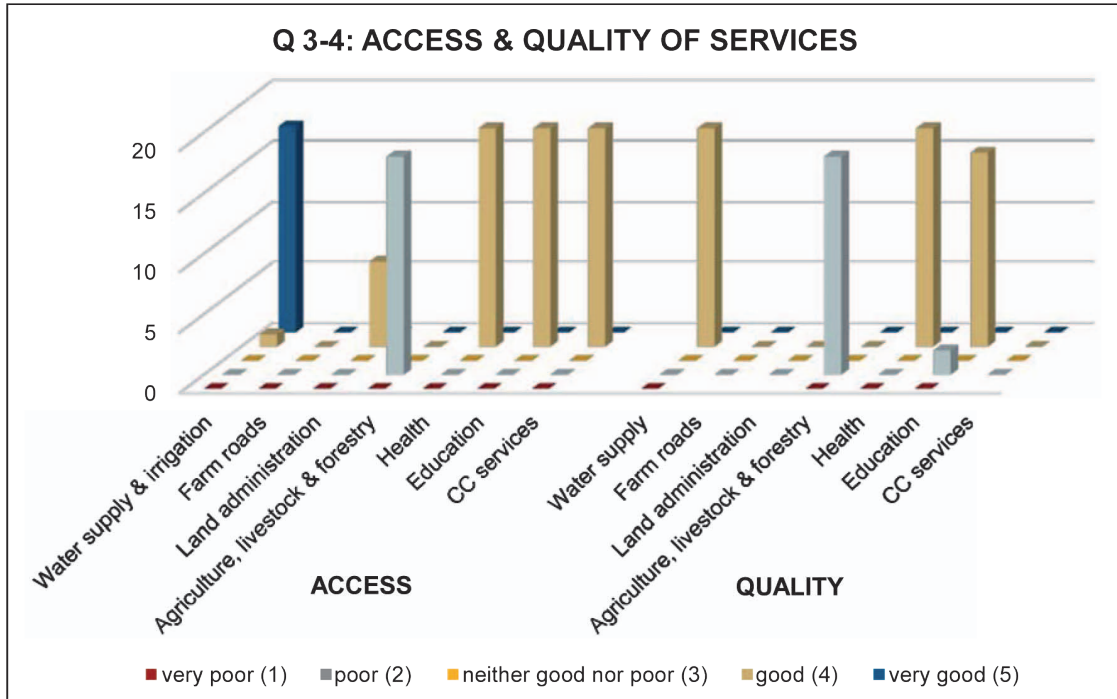
<sup>11</sup> 1: highest utilization rate, 20: lowest utilization rate

## Annex 5: Citizens' Report Card: Result Details

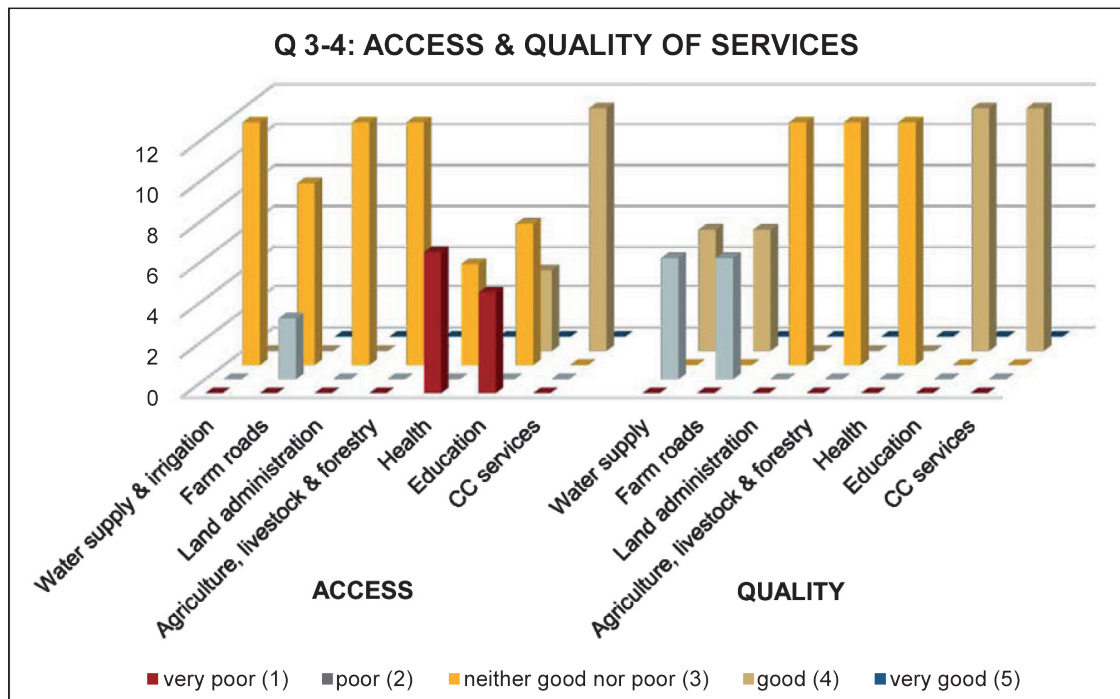
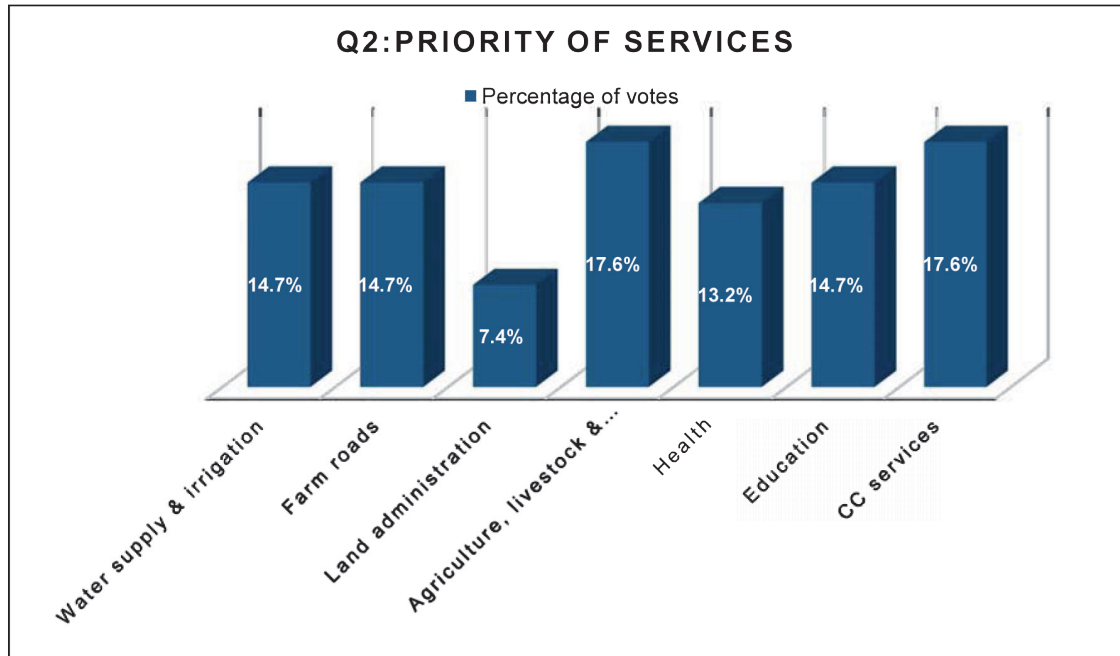
The diagrams below show the scorings for each Community (Citizen) Report Card. Question 1 & 5 are not captured since they are non-quantified questions about the citizen's perceptions of the benefits of LG and the types of public service complaints that communities make, respectively. The questions to these questions are captured in the main text. Also, some few questions have not received any votes in different communities. This is the case for question 6 where communities who have never filed complaints could not vote on their level of satisfaction of how LG deal with complaints. As for question 8 on vulnerable group's access to services, many communities could also not cast a vote since they claimed not to have vulnerable people in the community.

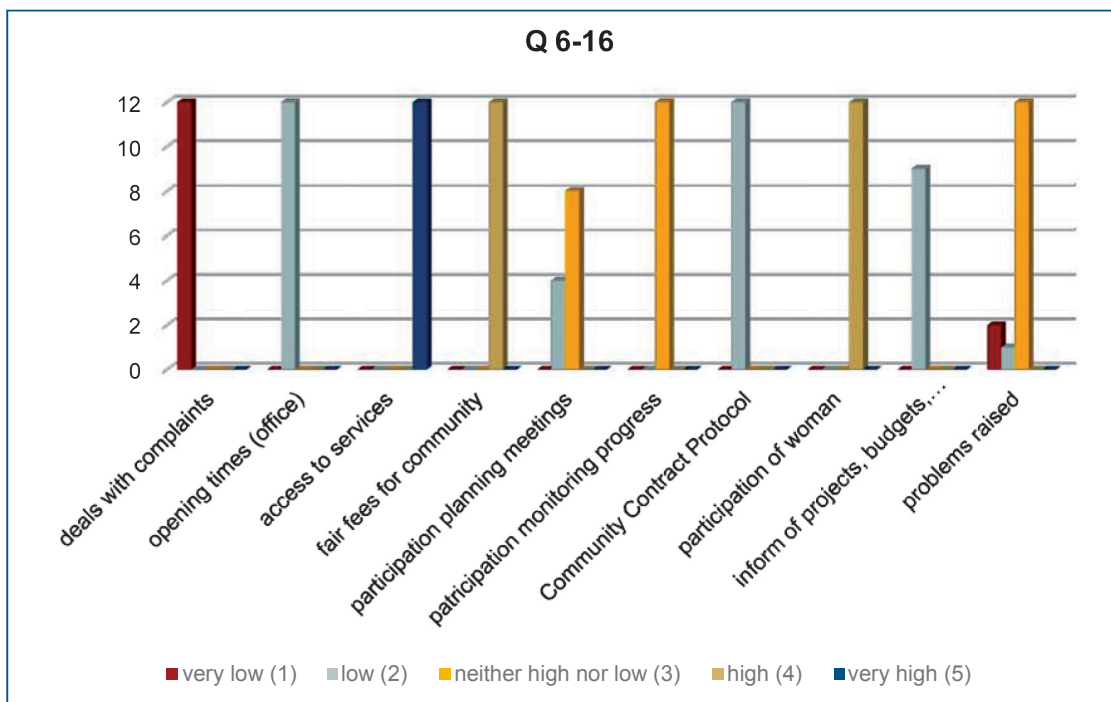
### DEOTHANG



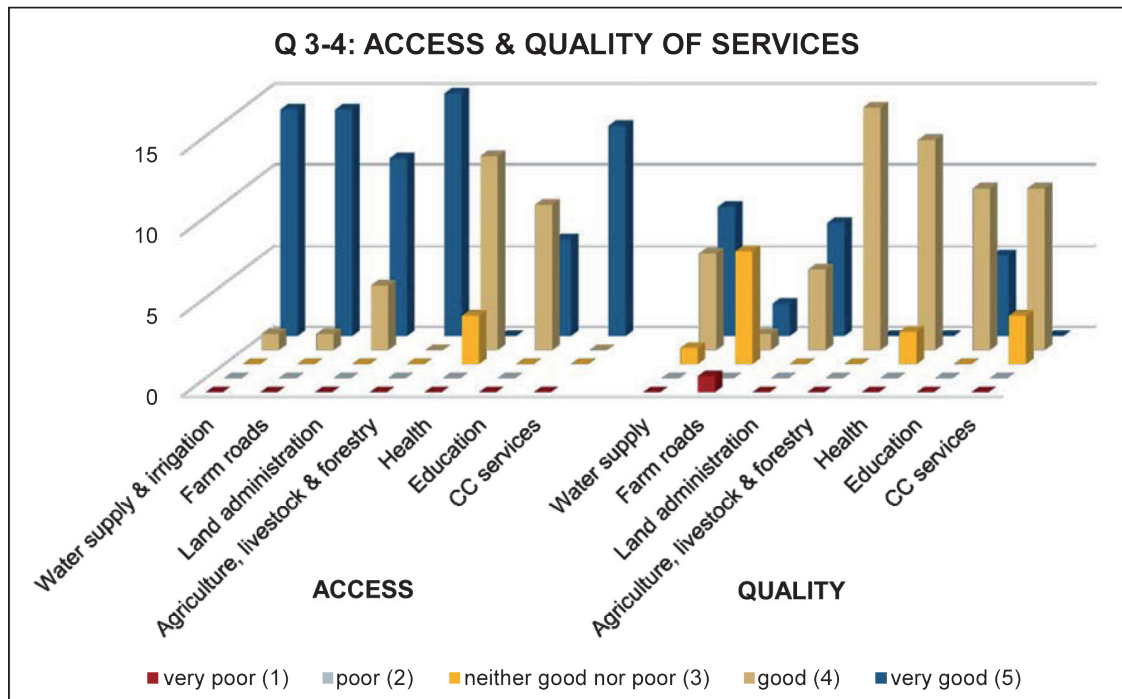
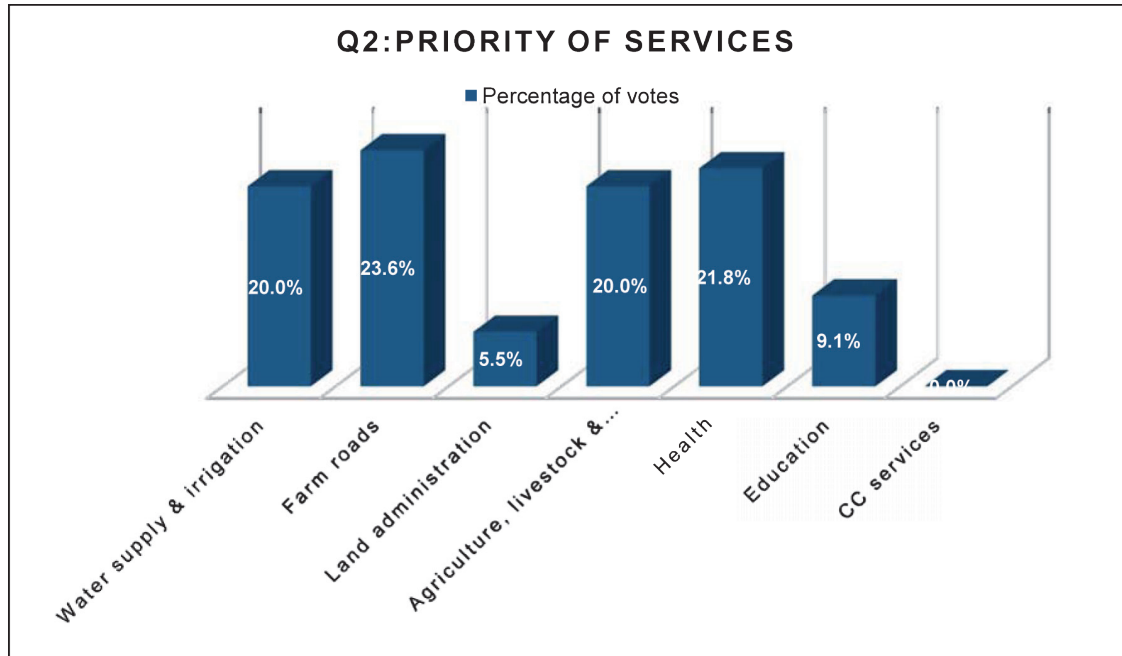


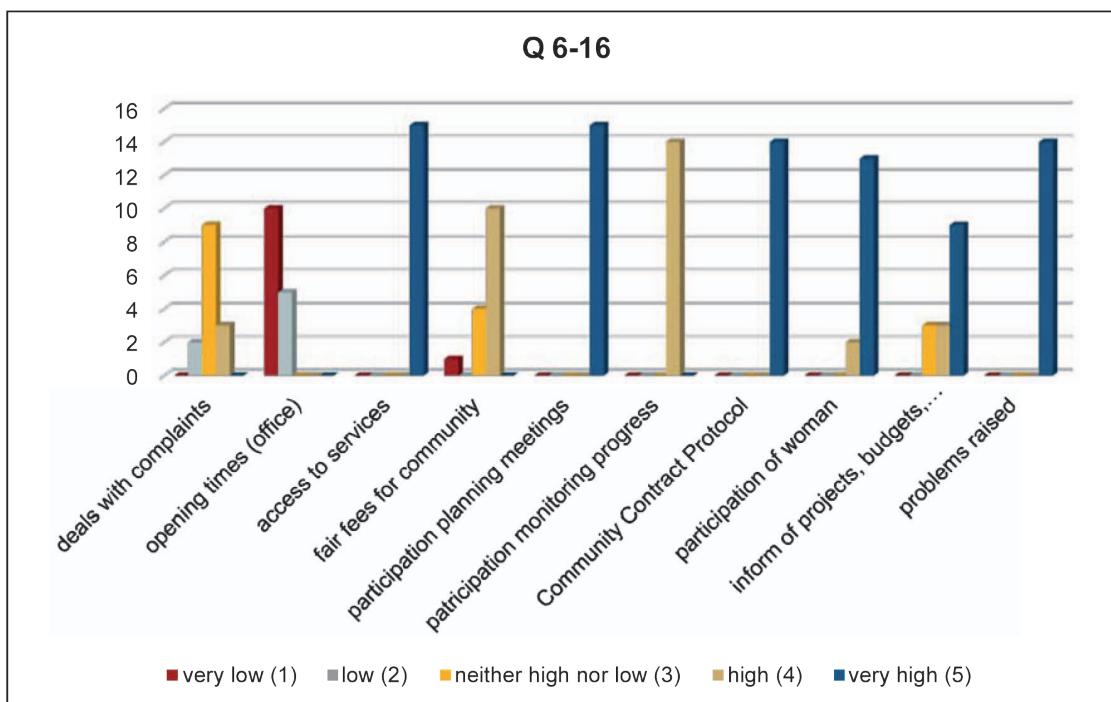
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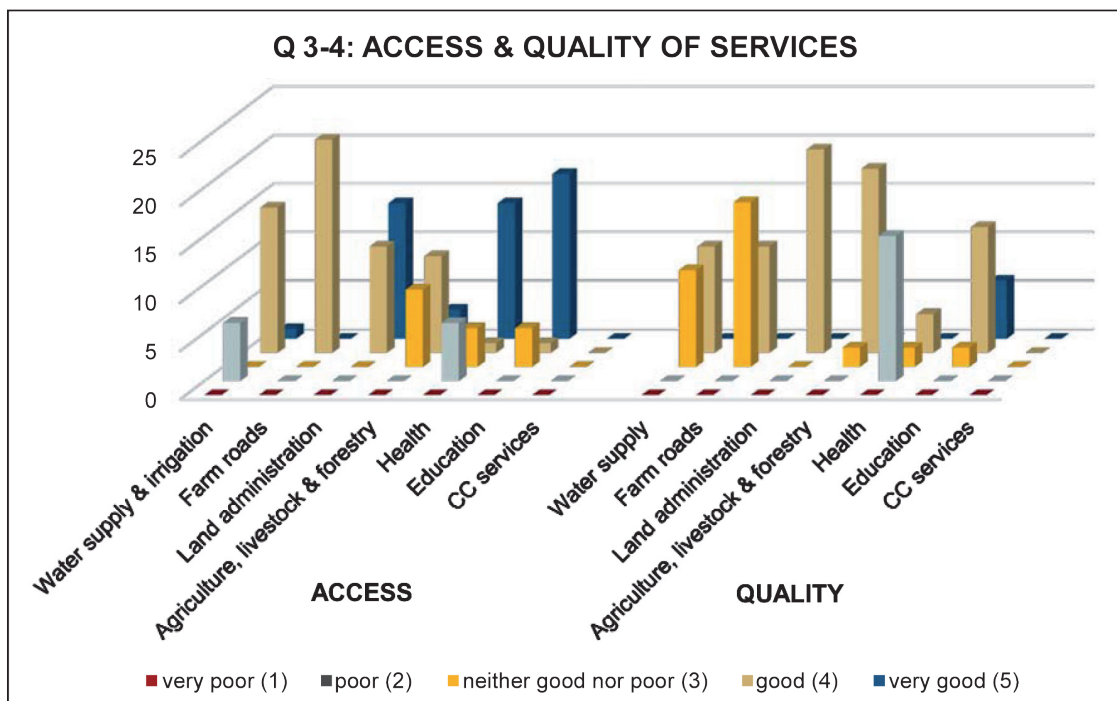
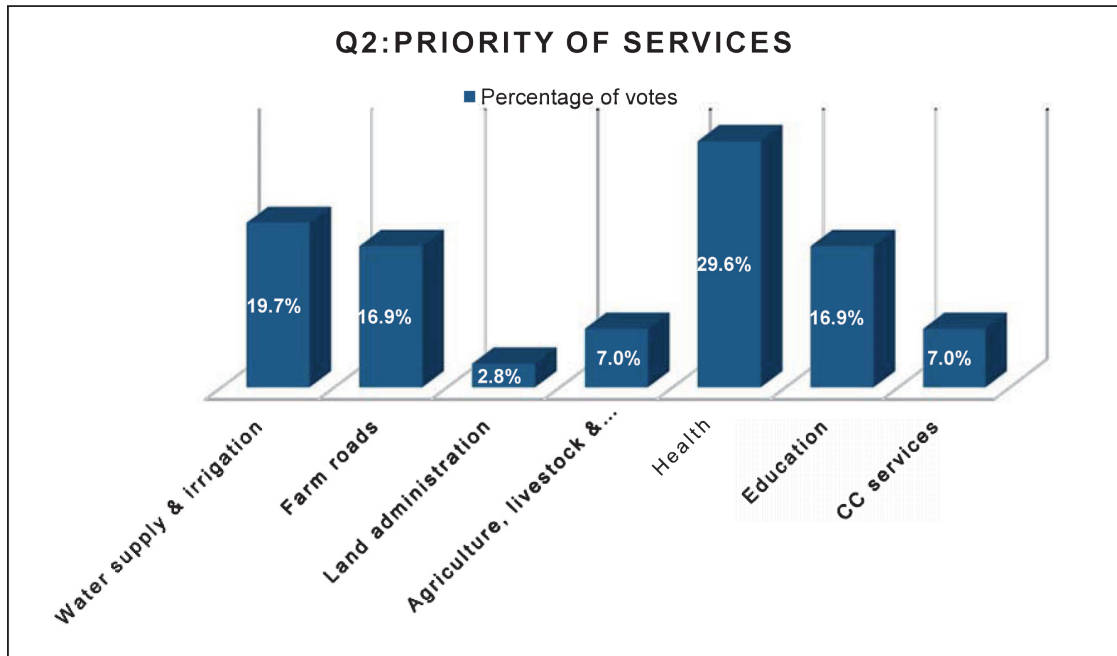


**KILKHORTANG**

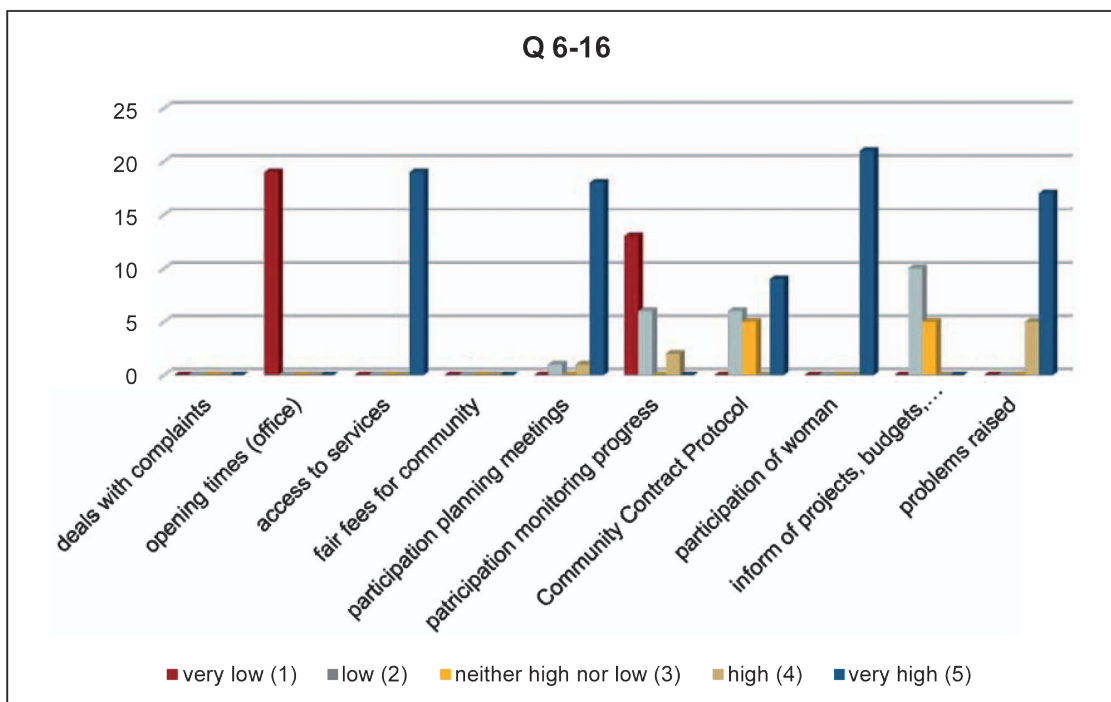




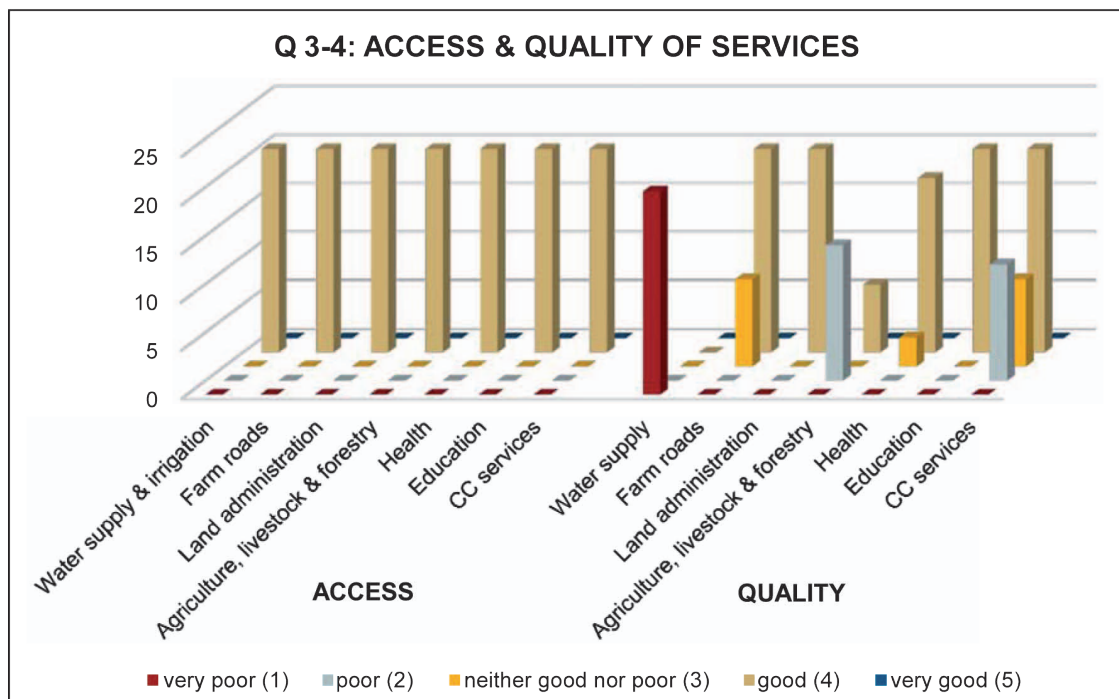
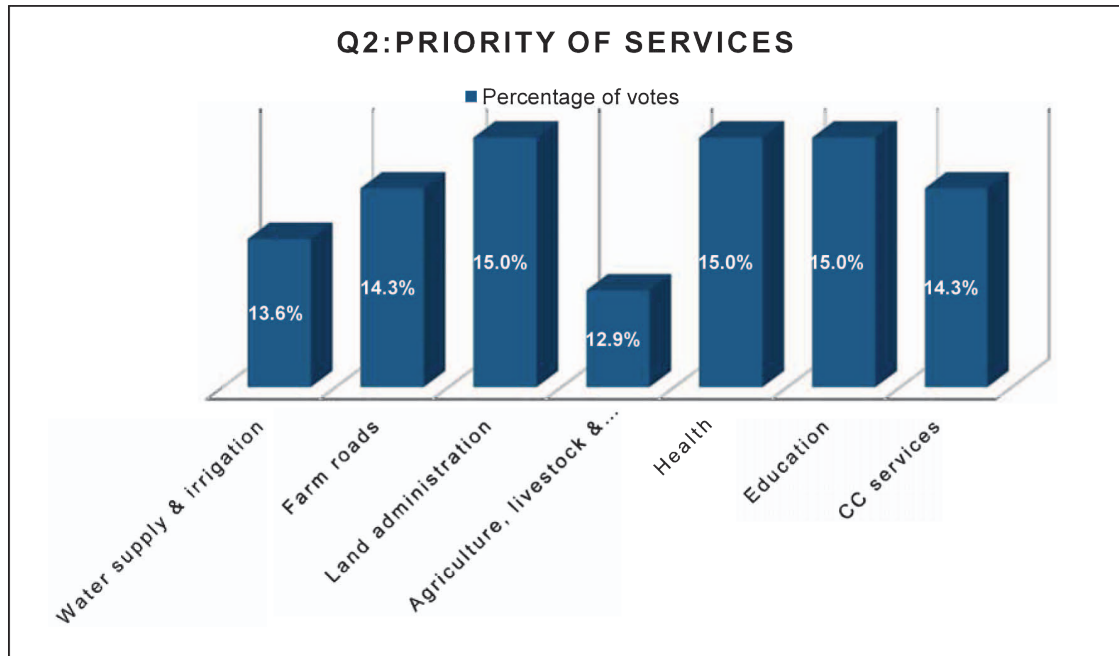
**NANGKHOR**

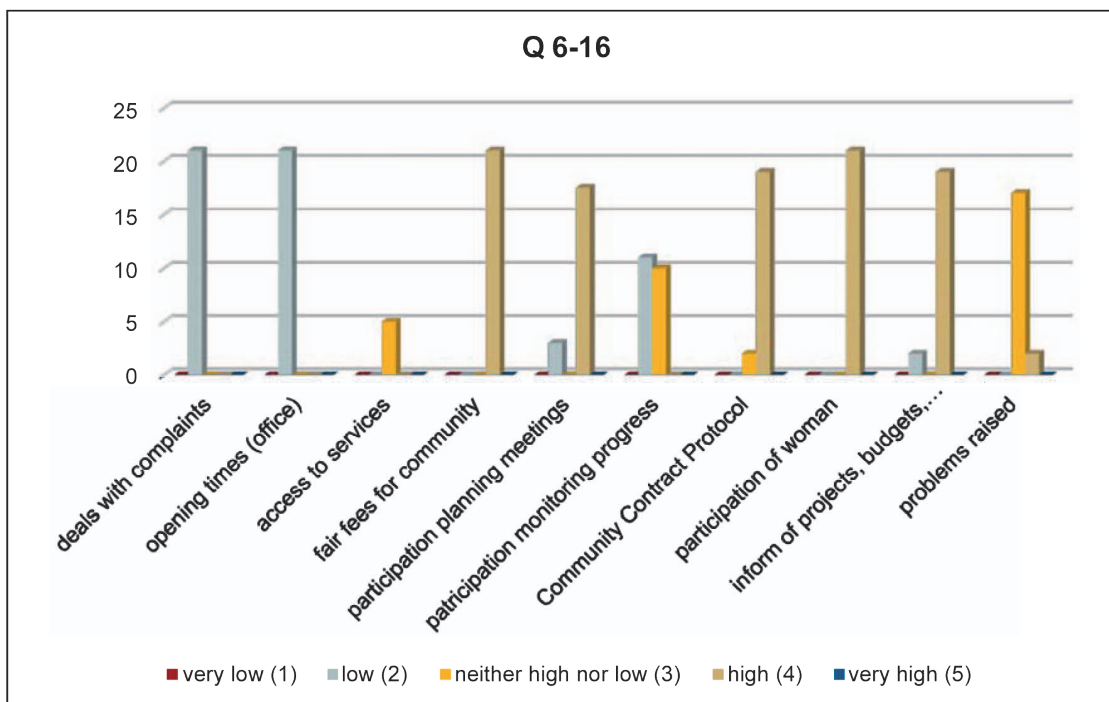




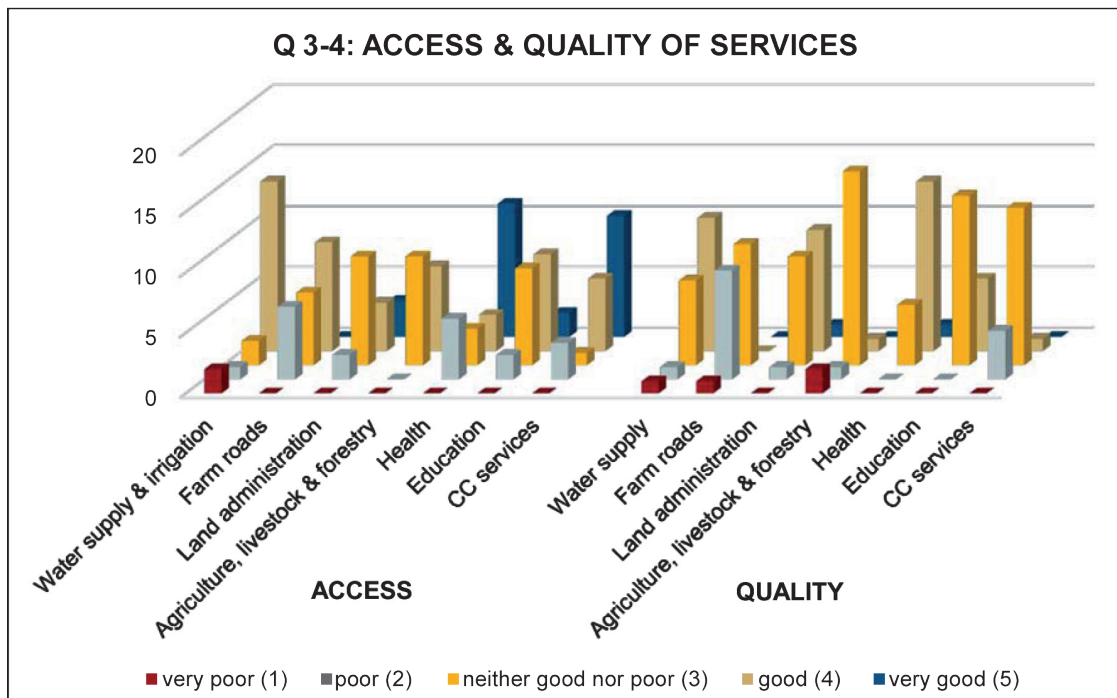
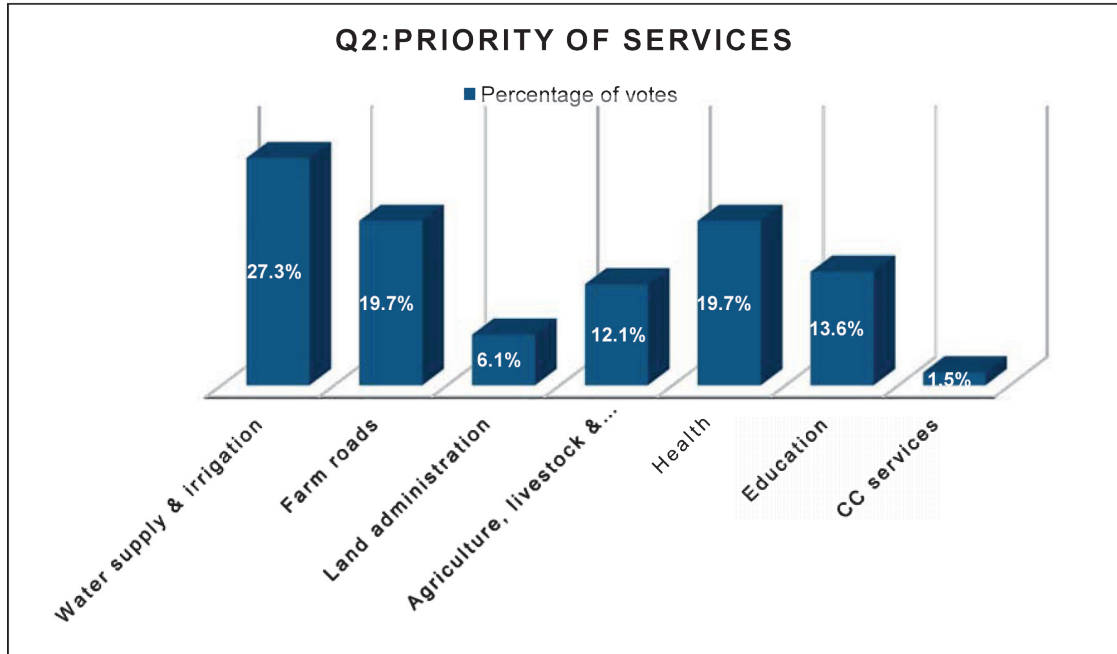


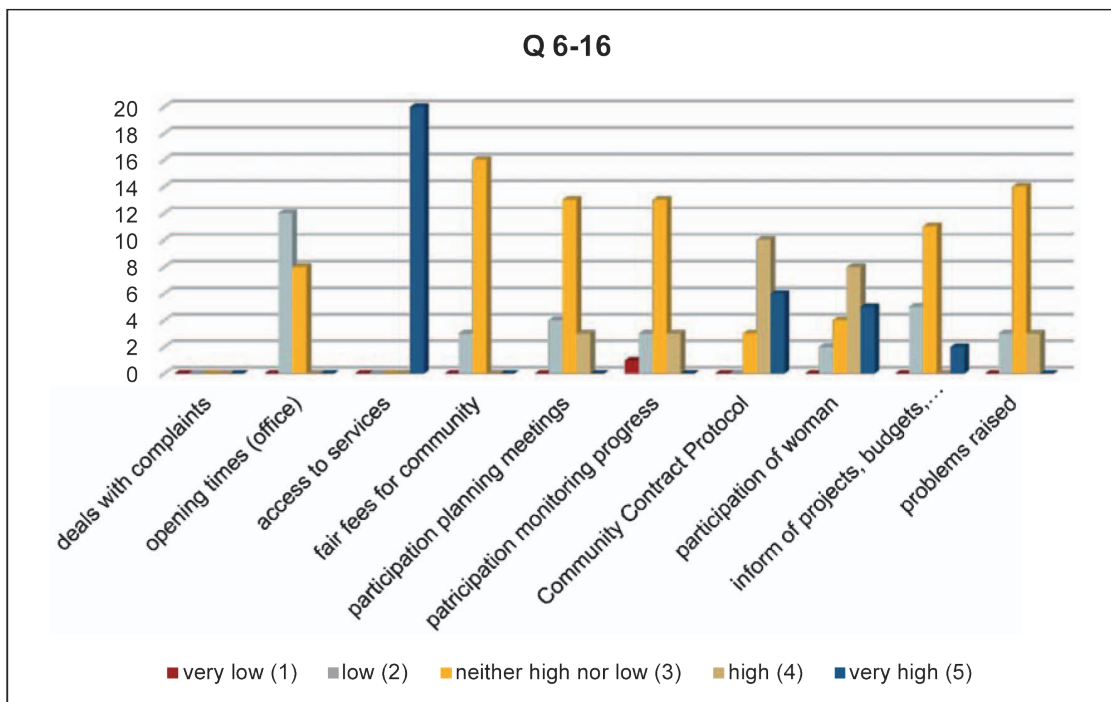
**SAMKHAR**



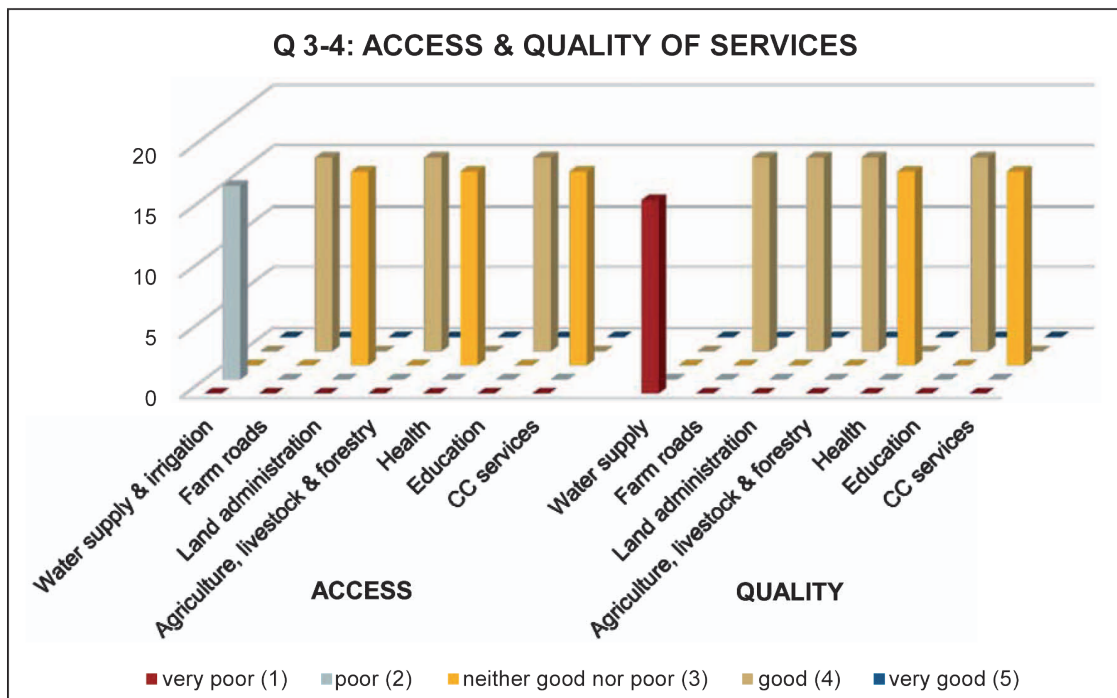
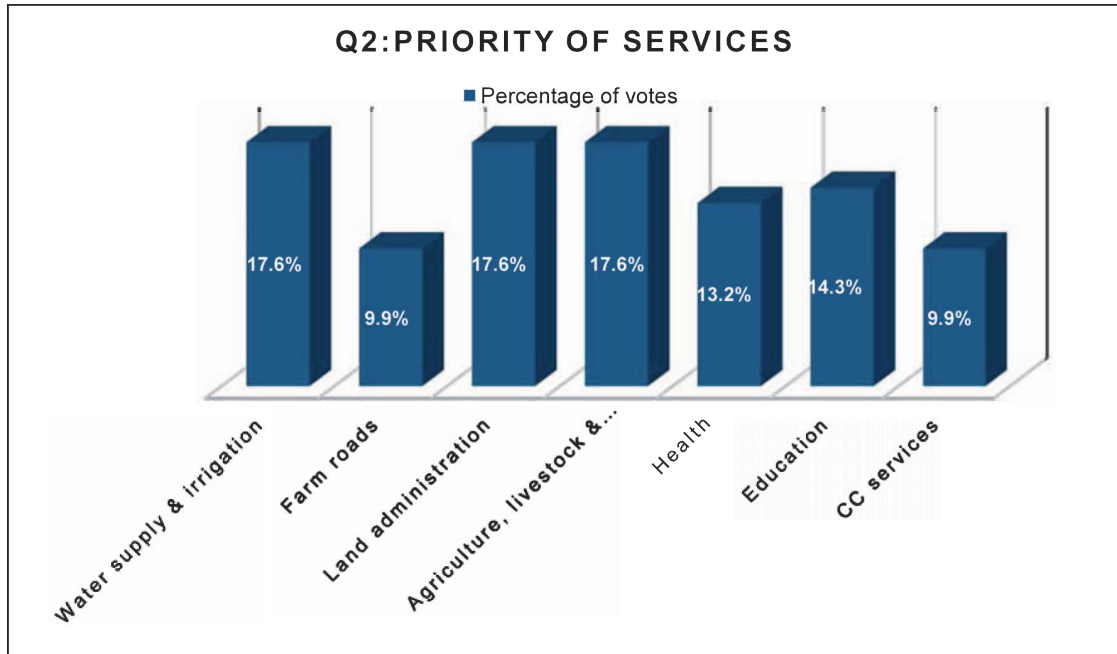


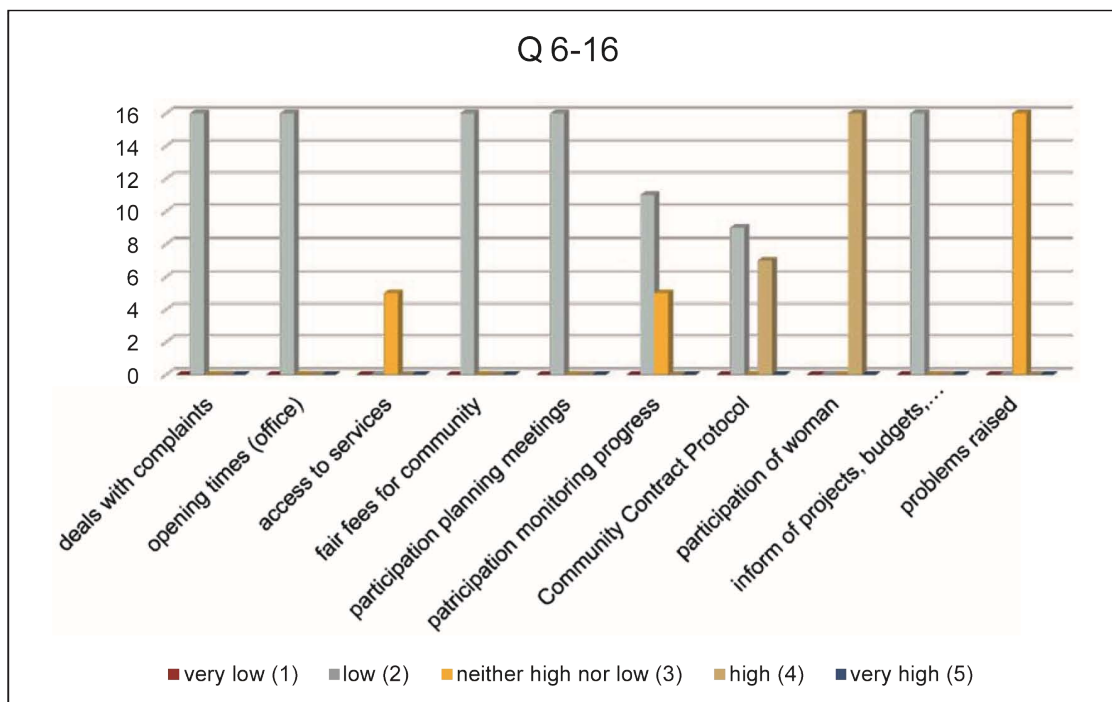
**SAMTENLING**



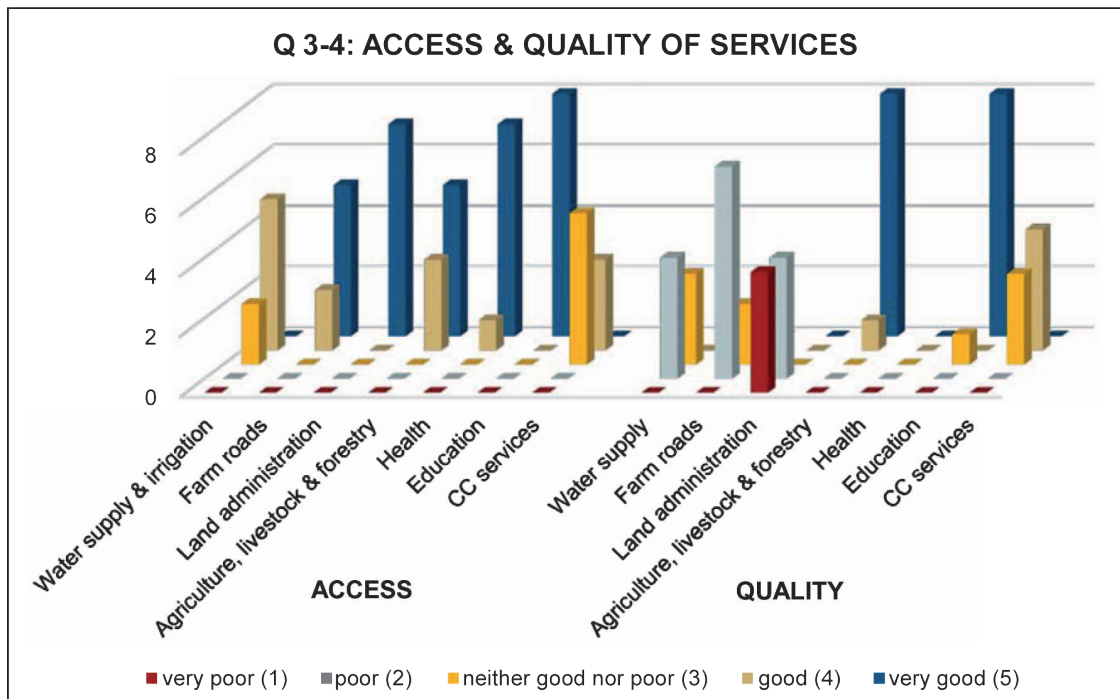
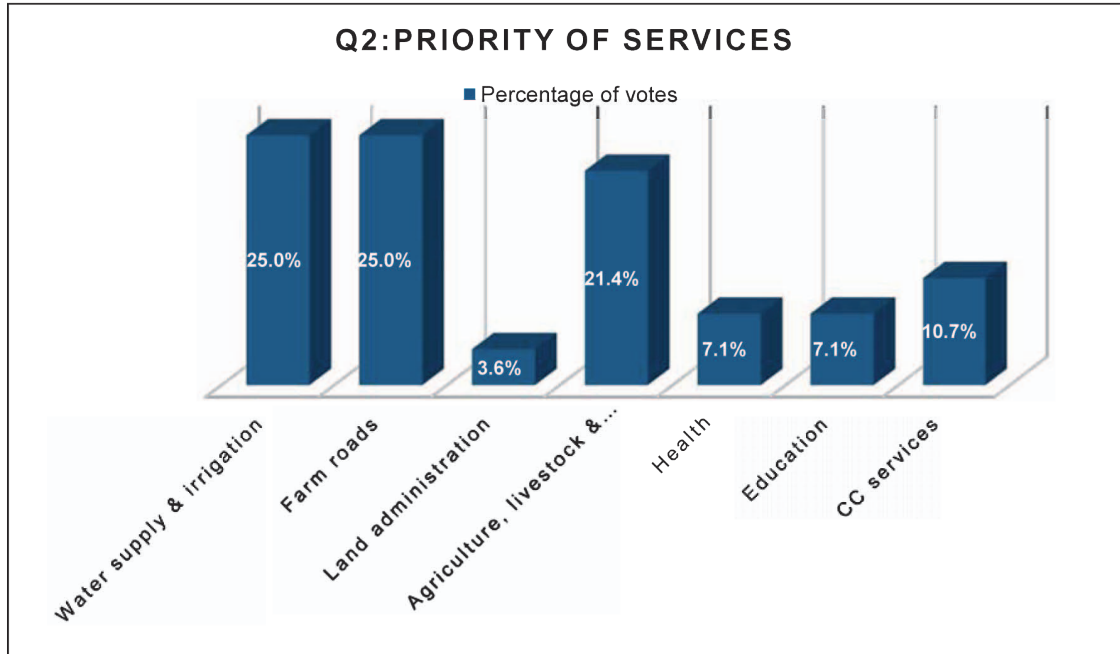


**SAMTSE**

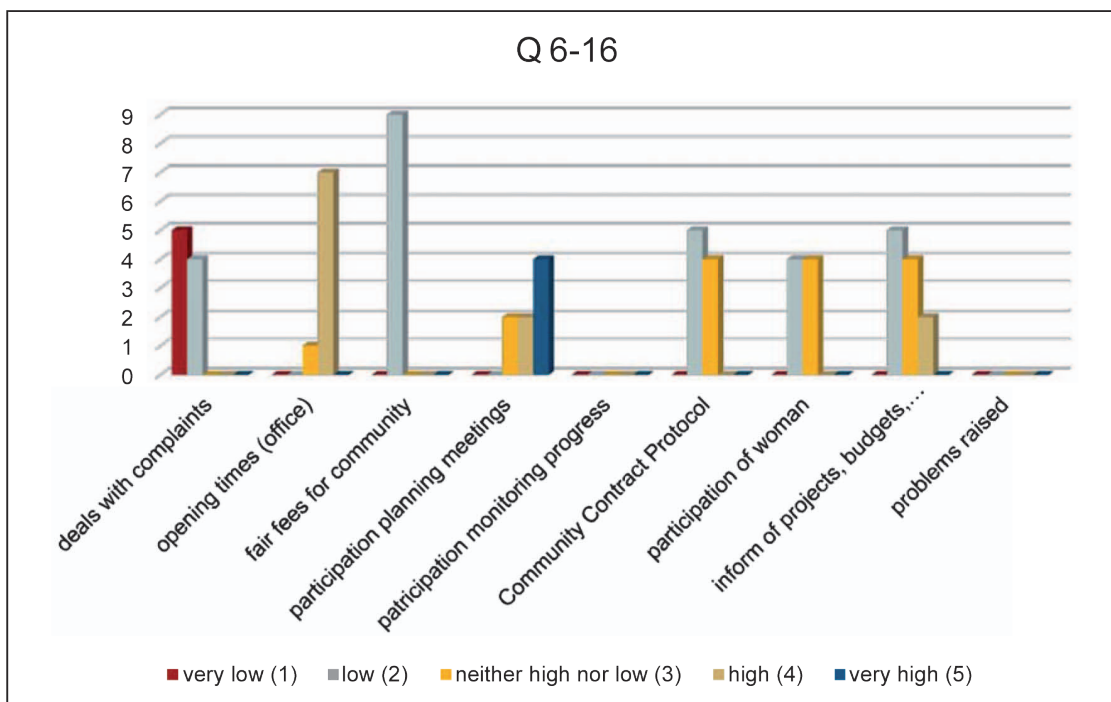




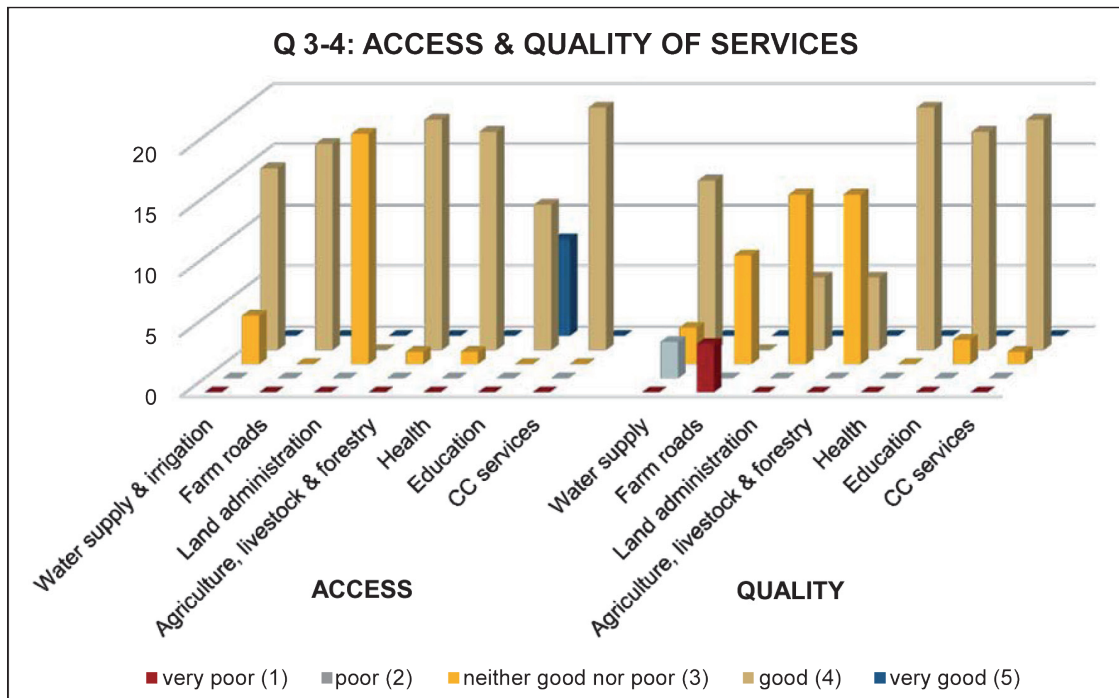
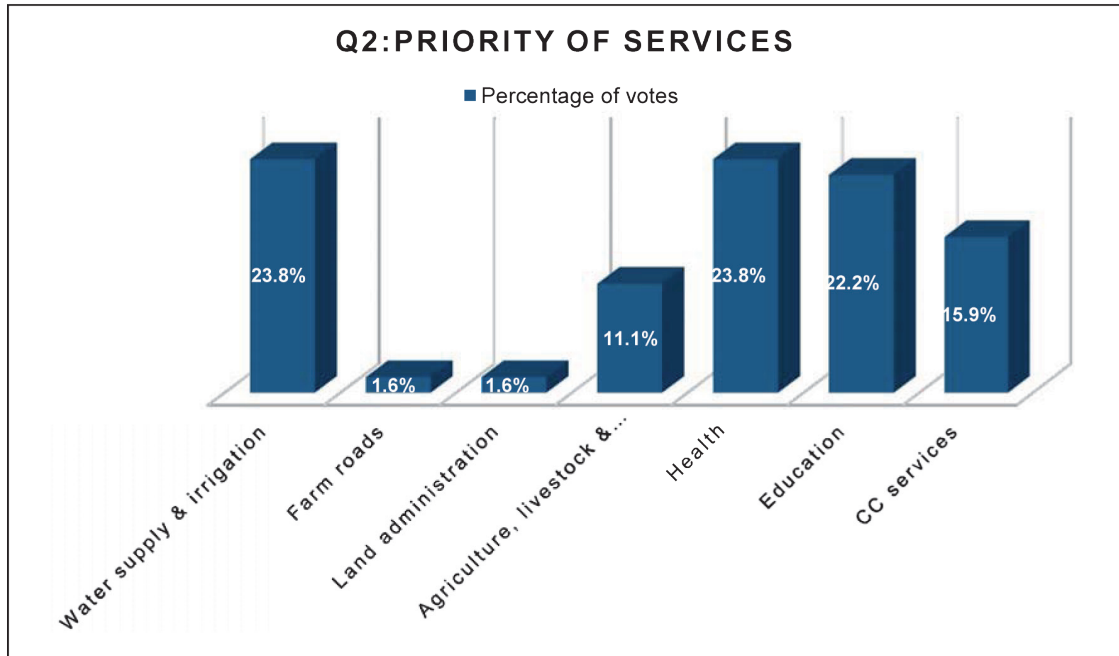
SHABA

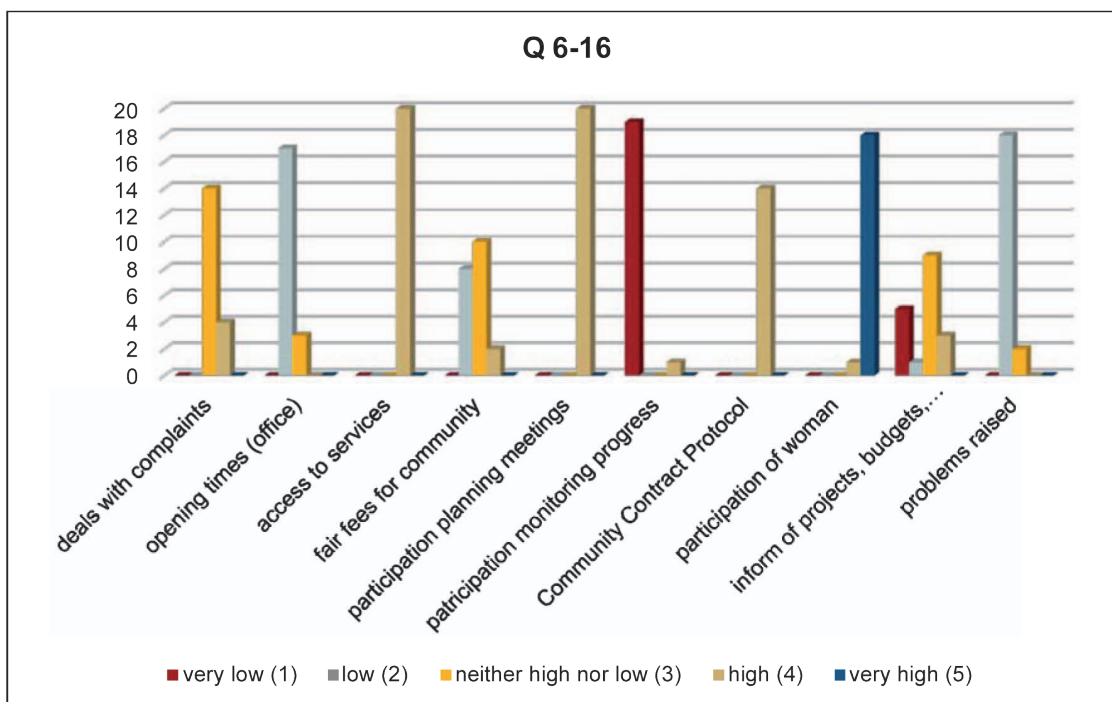




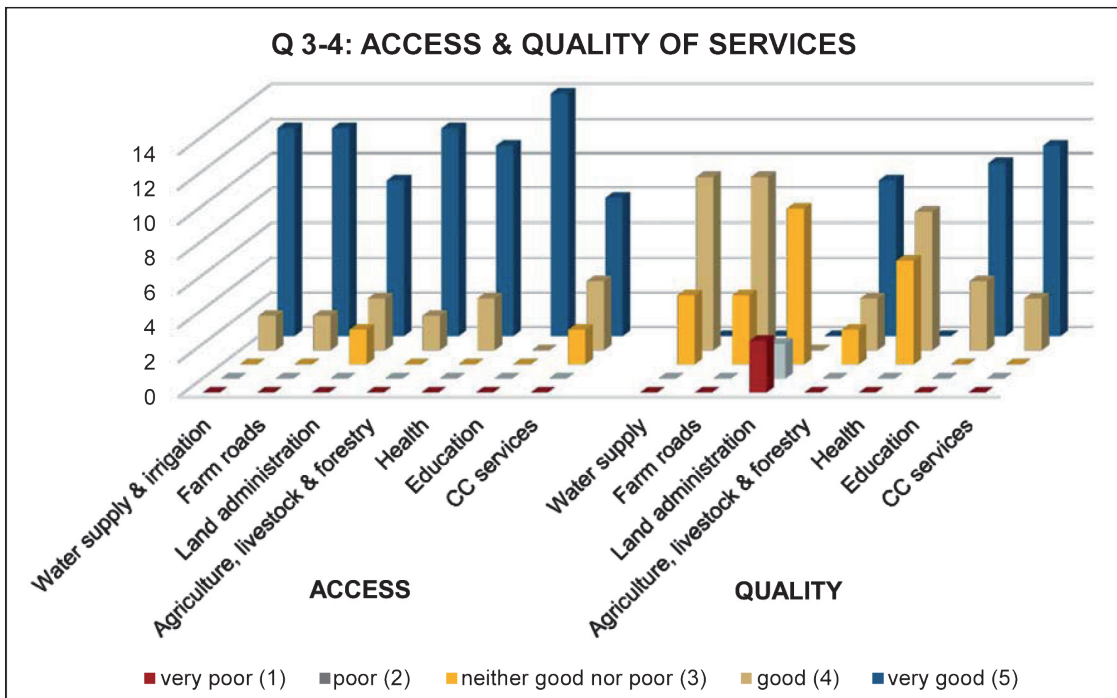
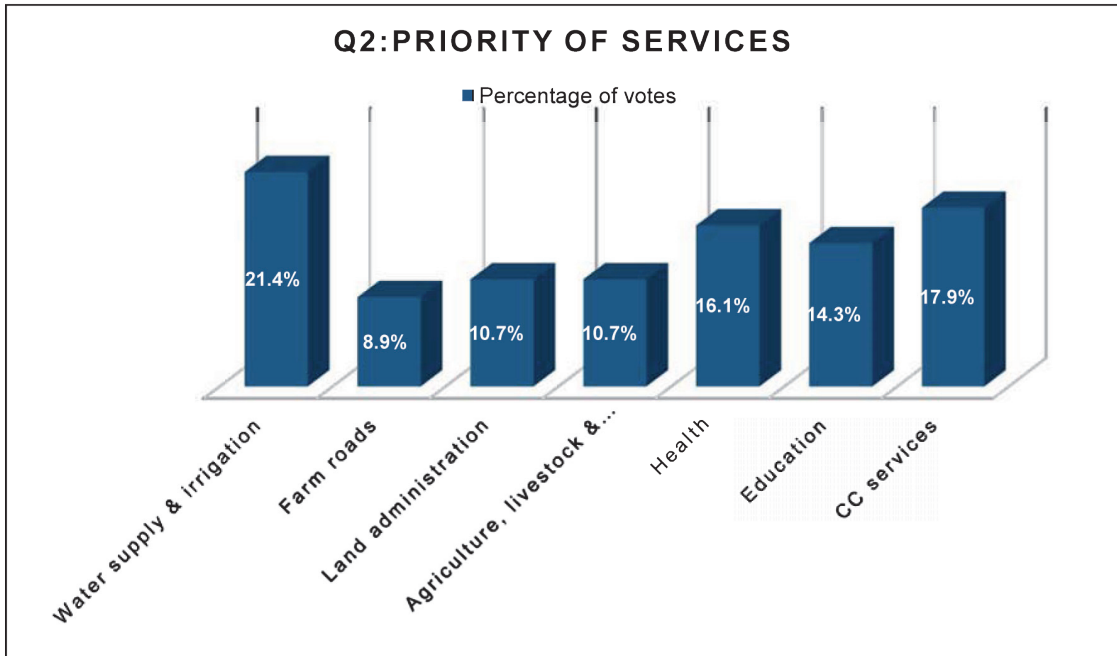


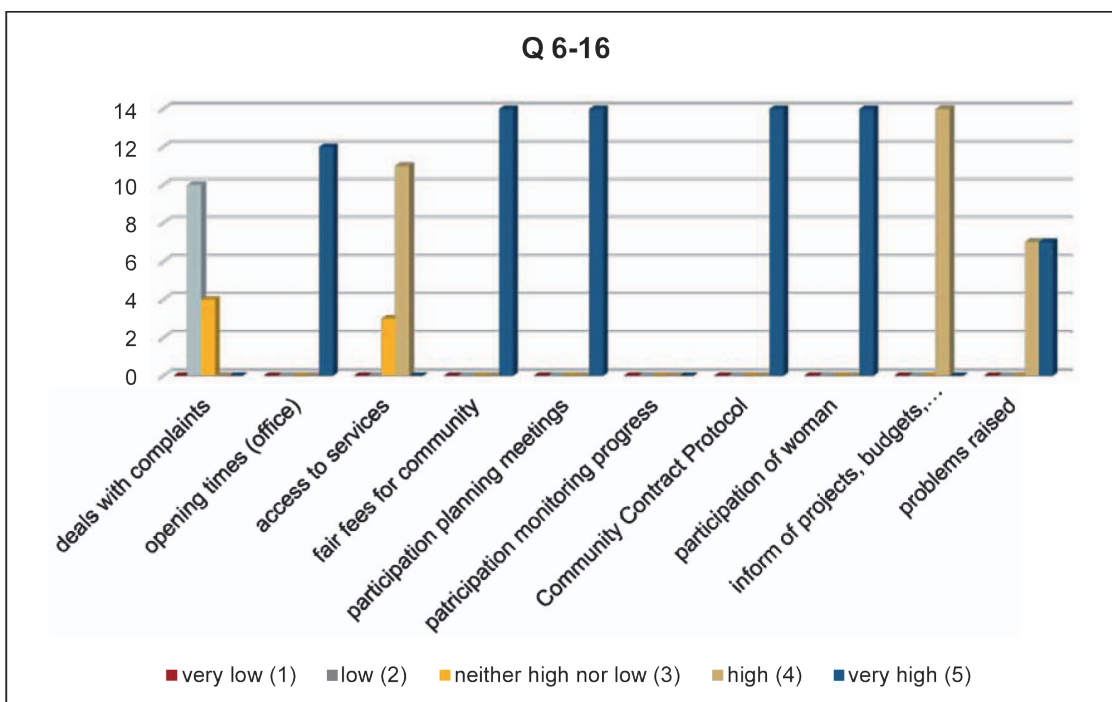
**SHOMPANGKA**



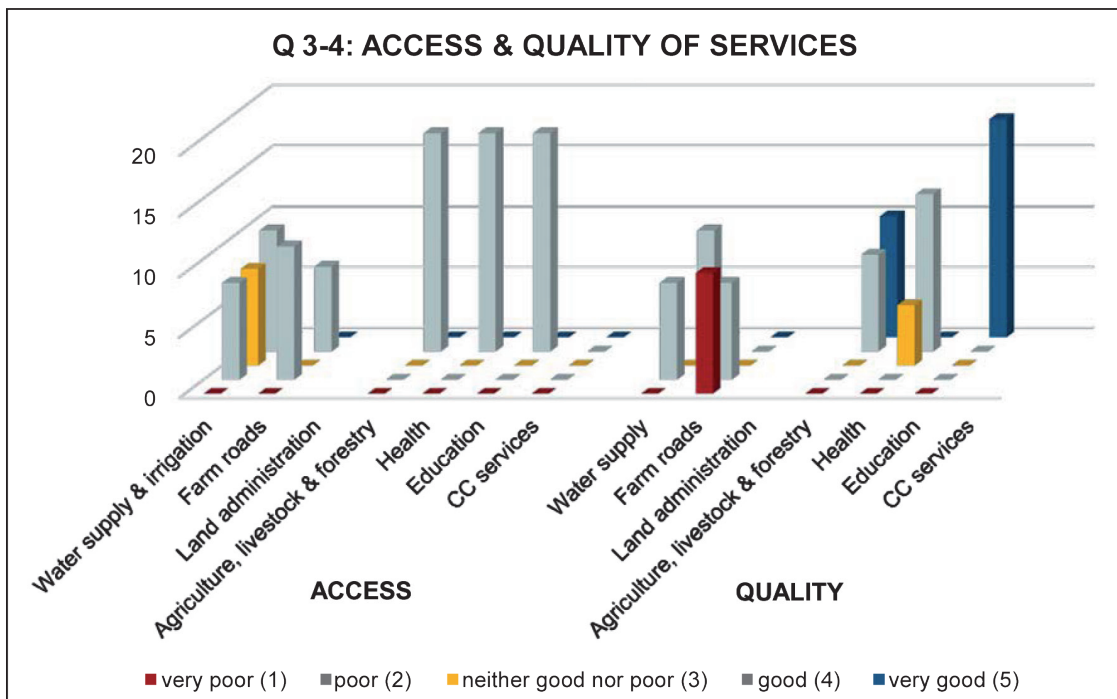
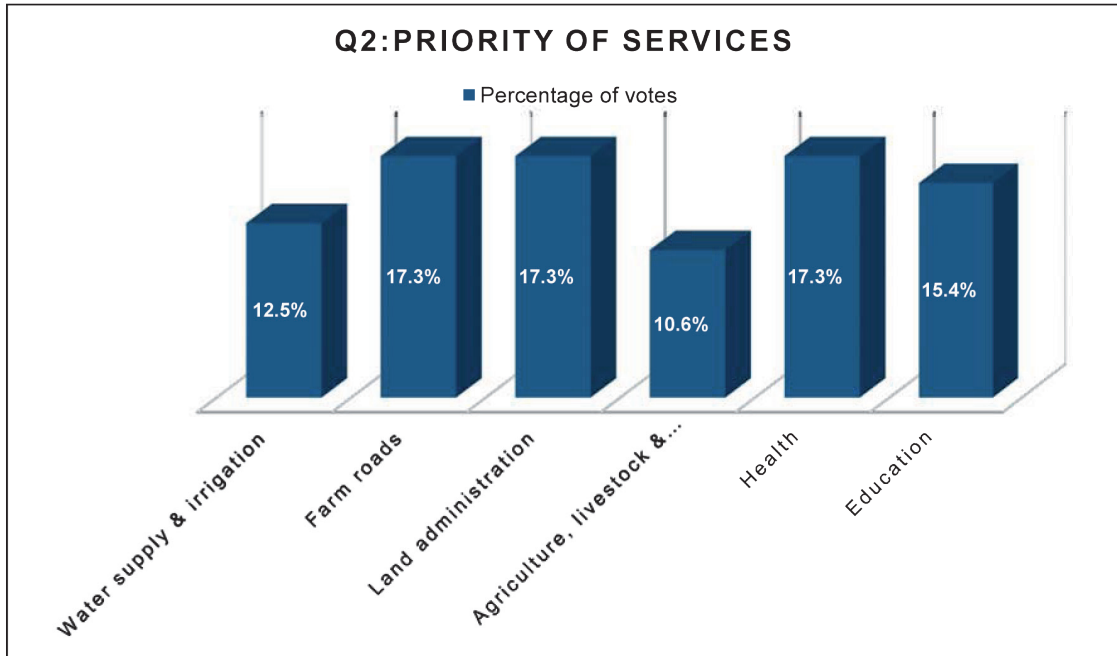


TANG

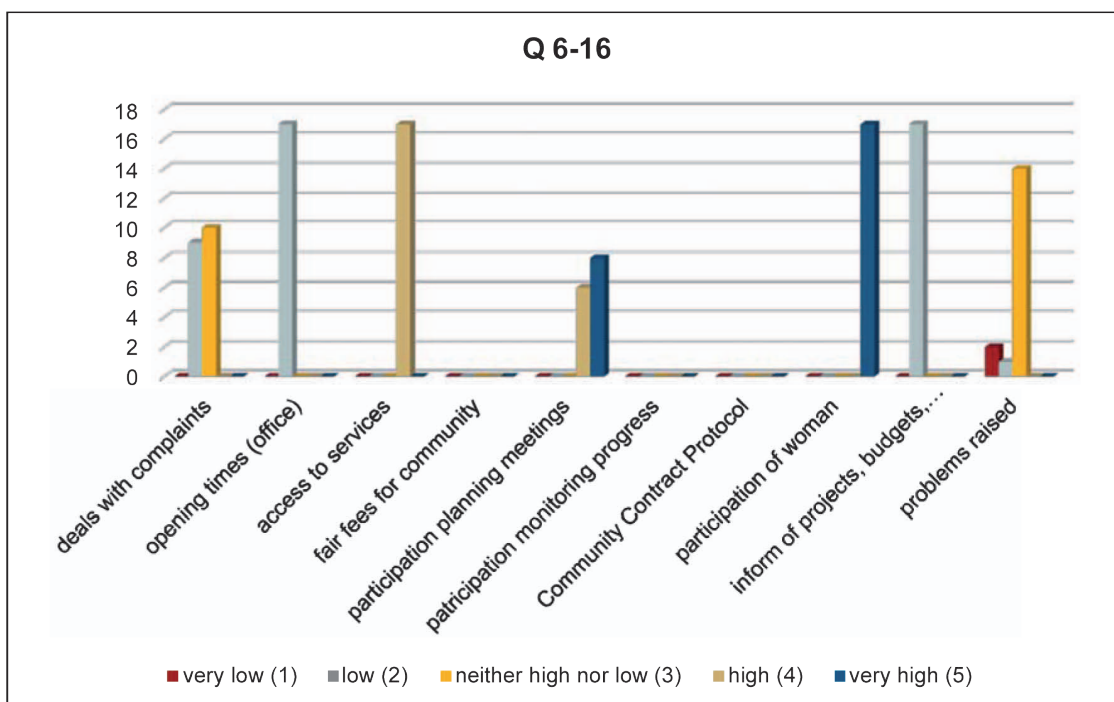




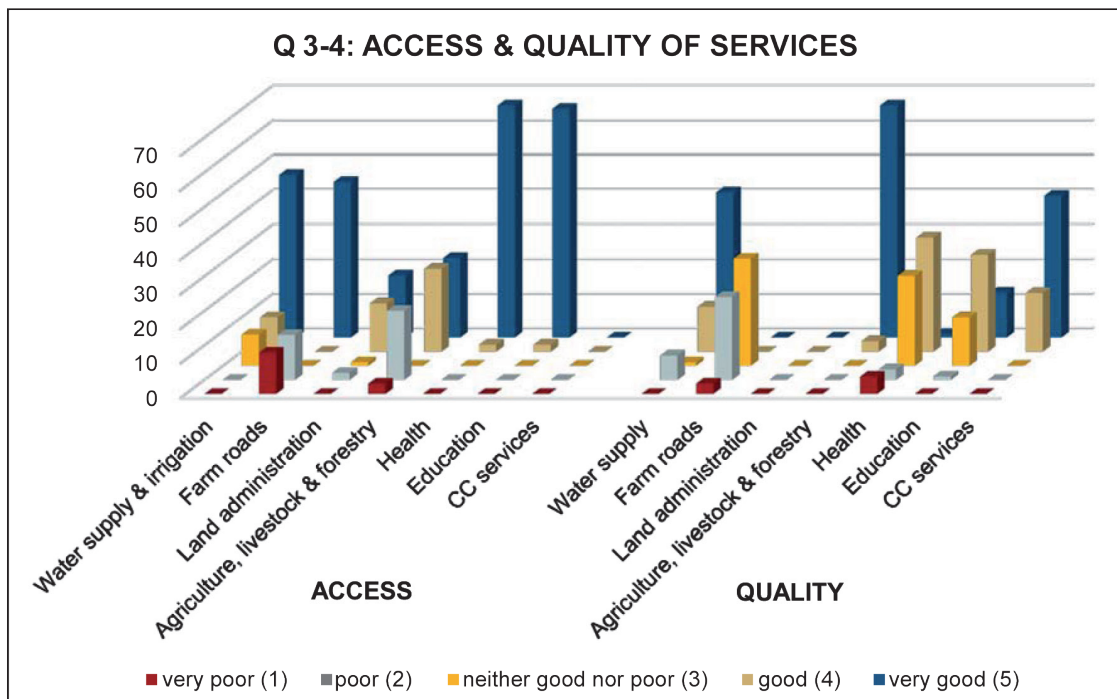
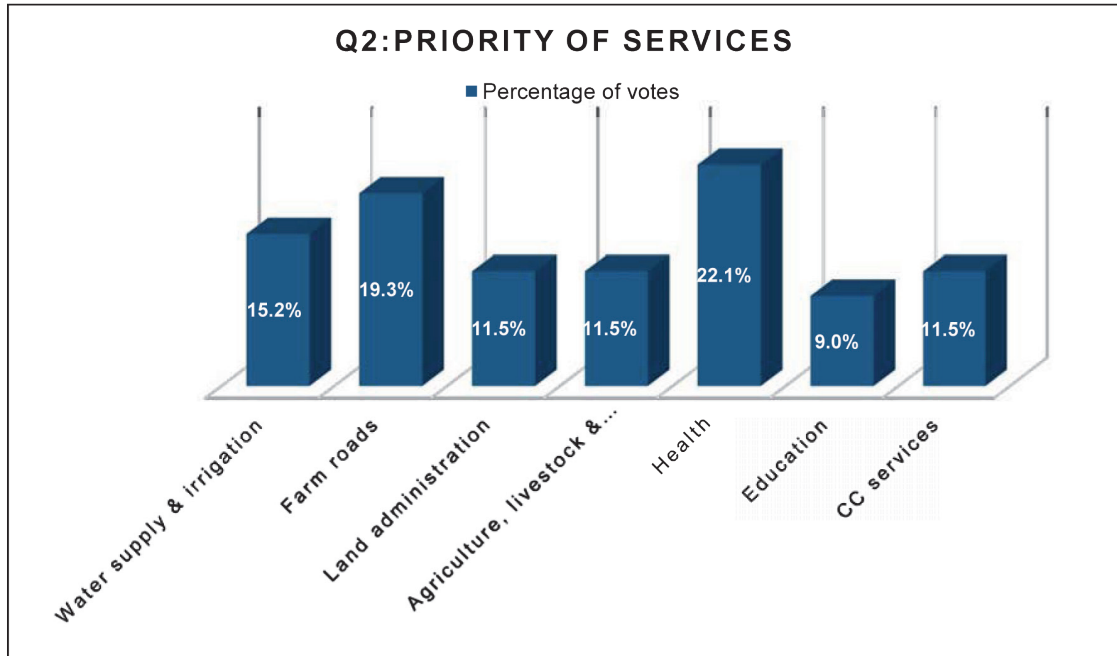
**TSAMANG**



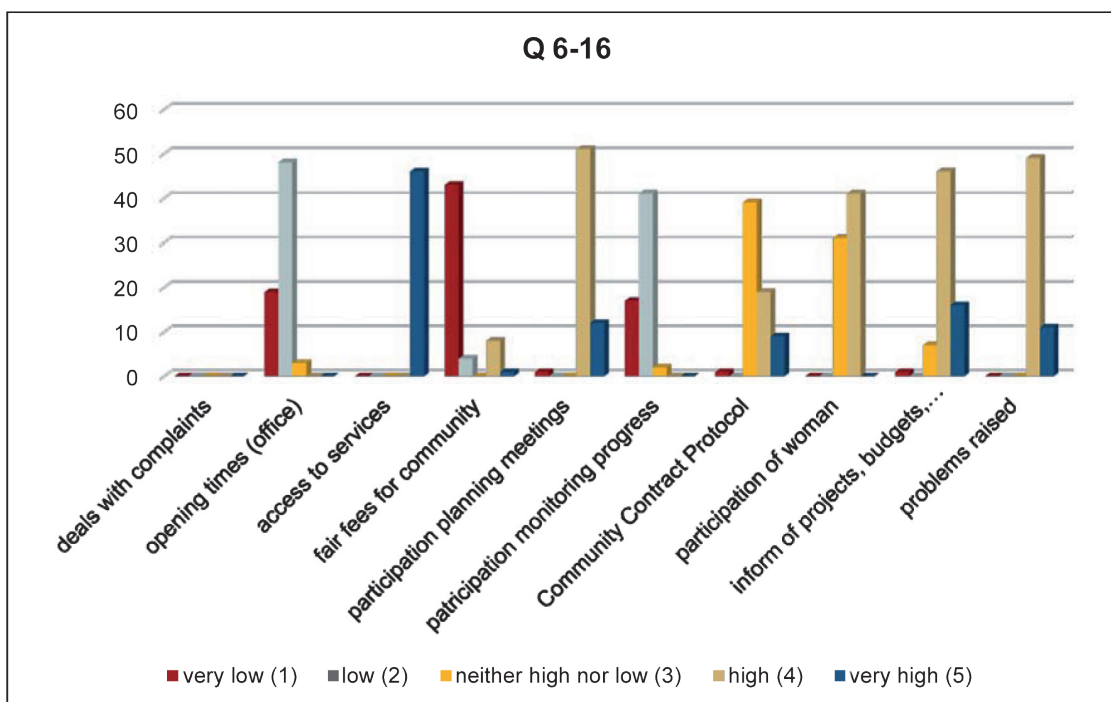
Note: Land administration not evaluated because “rarely accessed”; quality of CC services “not used”



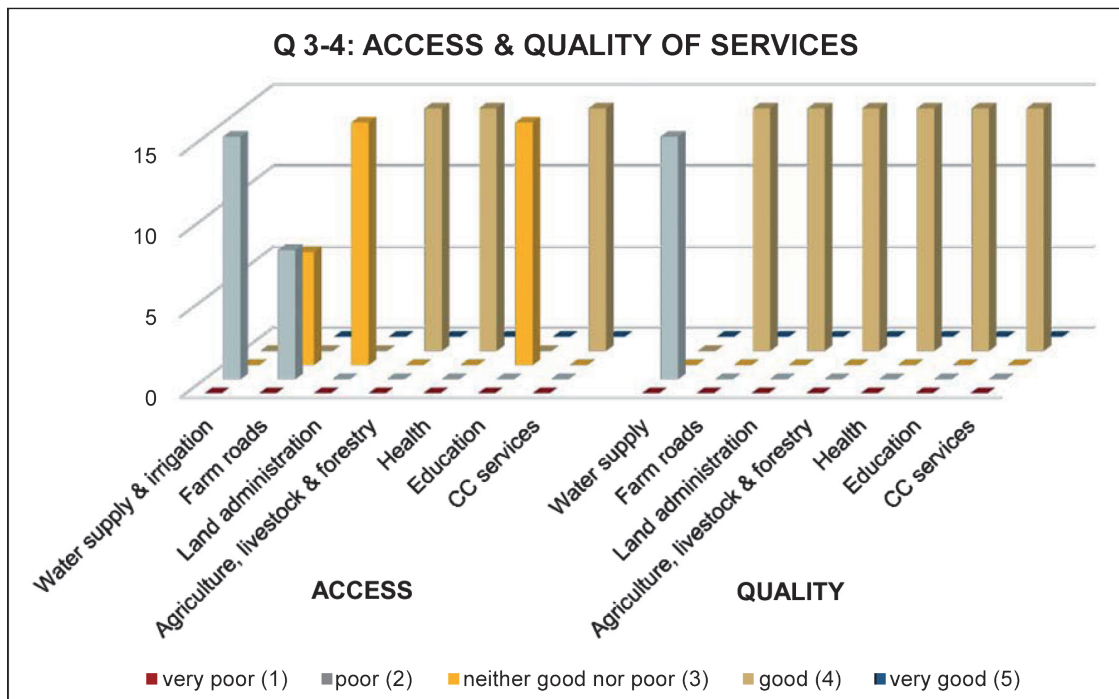
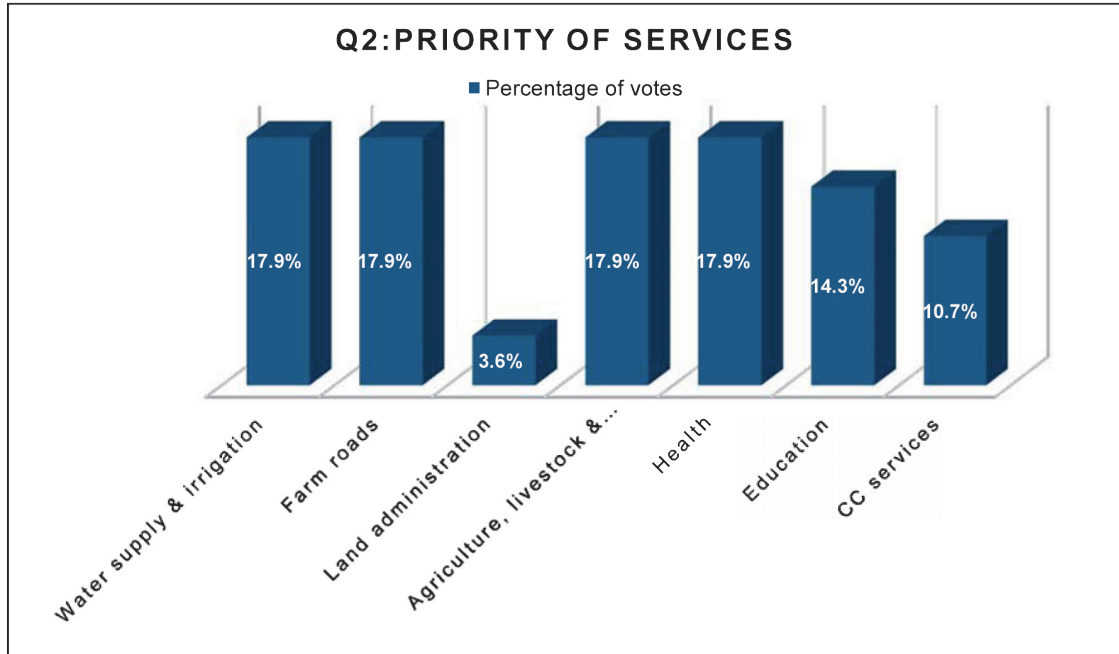
TSHEZA

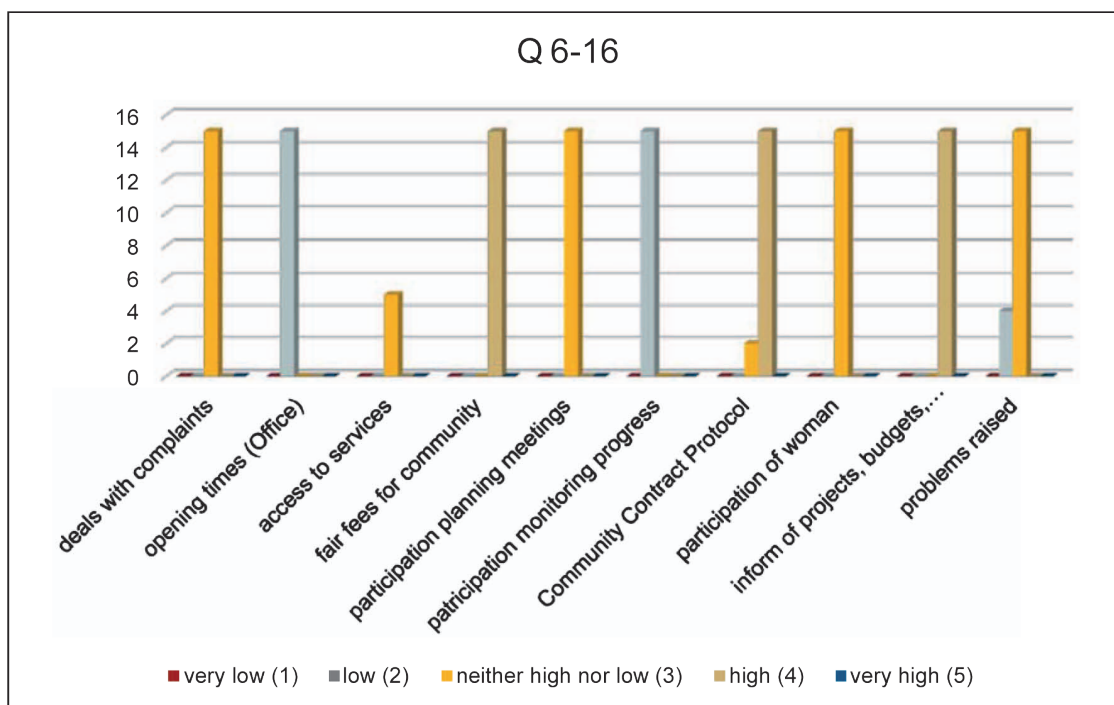






**UGYENTSE**





## Annex 6: LGs Self-Appraisal: Result Details of Online Survey

## PROFILE OF RESPONDENTS

## Level of LG

Level of LG	Answers
Dzongkhag	9
Gewog	22
<b>Total Answers</b>	<b>31</b>

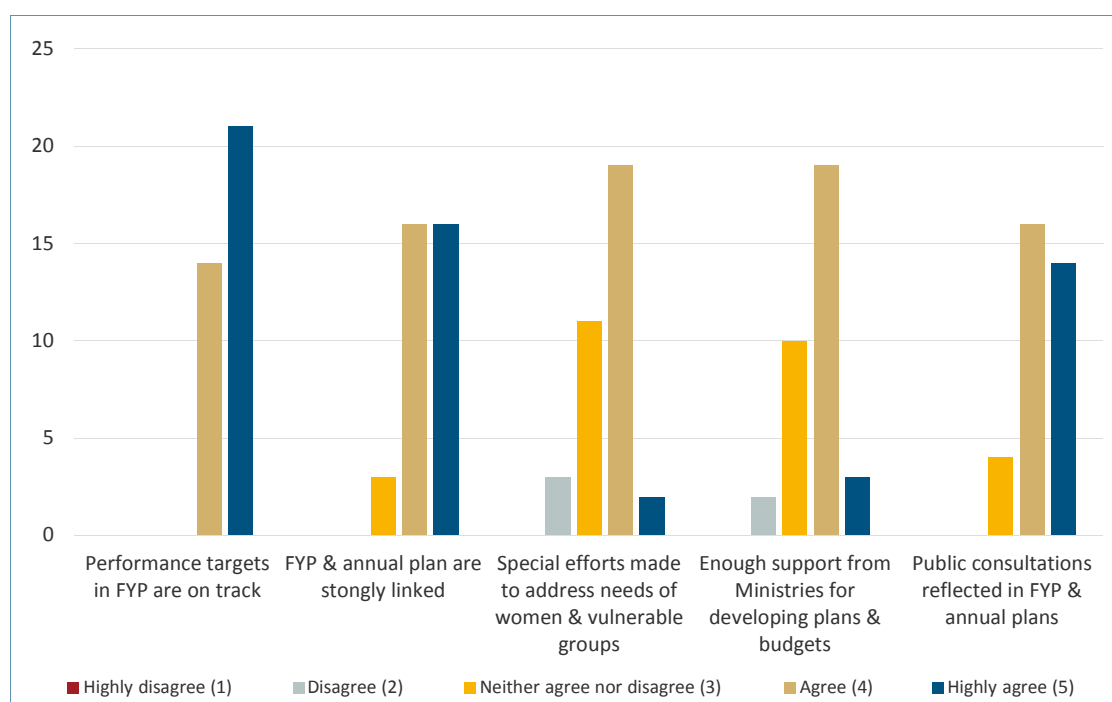
## Position and gender

Position of respondent	Female	Male	Total answers
Dzongkhag Planning Officer (DPO)	3	11	14
Dzongkhag Finance Officer (DFO)	2	2	4
Gup	0	13	13
Gewog Administrative Officer (GAO)	2	13	15

## Years in position

Years in position	Less than 1 year	Between 1-2 years	More than 2 years	Total answers
Dzongkhag Planning Officer (DPO)	0	2	11	13
Dzongkhag Financial Officer (DFO)	0	1	3	4
Gup	0	1	6	7
Gewog Administrative Officer (GAO)	0	1	15	16

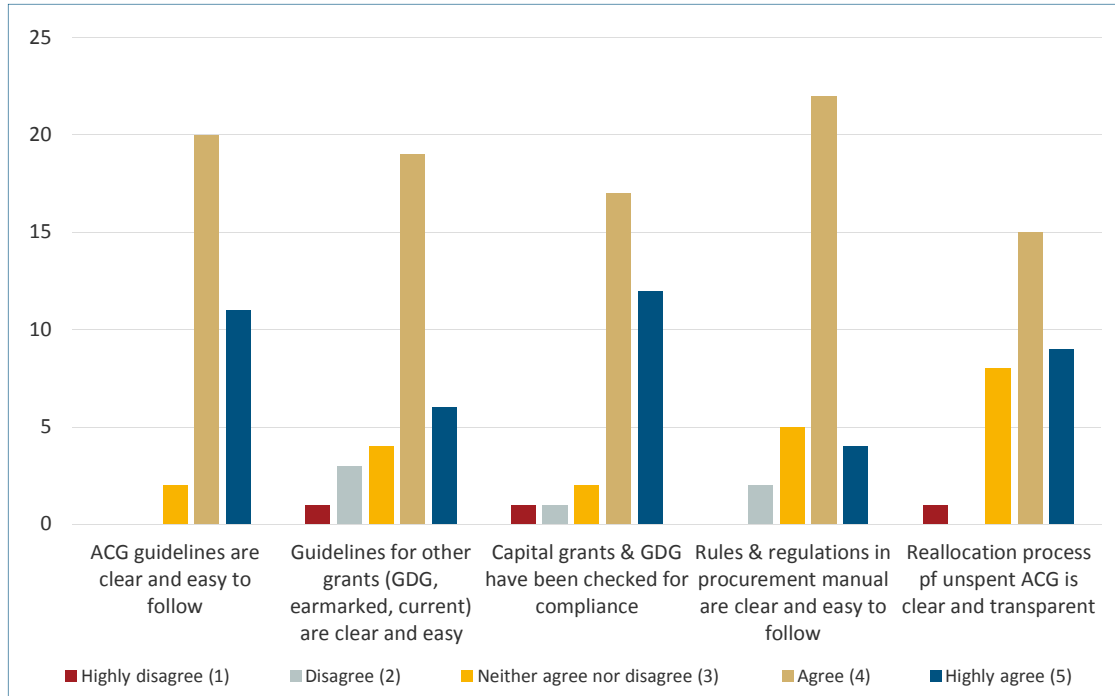
## STRATEGIC PLANNING &amp; BUDGETING



Strategic Planning & Budgeting	1*	2*	3*	4*	5*	Total answers
The performance targets in the FYP are on track and will be achieved	0	0	0	14	21	<b>35</b>
The 5 year- and annual plans and budgets are strongly linked to each other	0	0	3	16	16	<b>35</b>
Special efforts are planned and implemented to address the needs of women and vulnerable groups in the community	0	3	11	19	2	<b>35</b>
There is enough support and feedback from relevant Ministries when developing the annual plans and budgets	0	2	10	19	3	<b>34</b>
Public consultations are effective and always reflected in the five year- and annual plans	0	0	4	16	14	<b>34</b>

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree

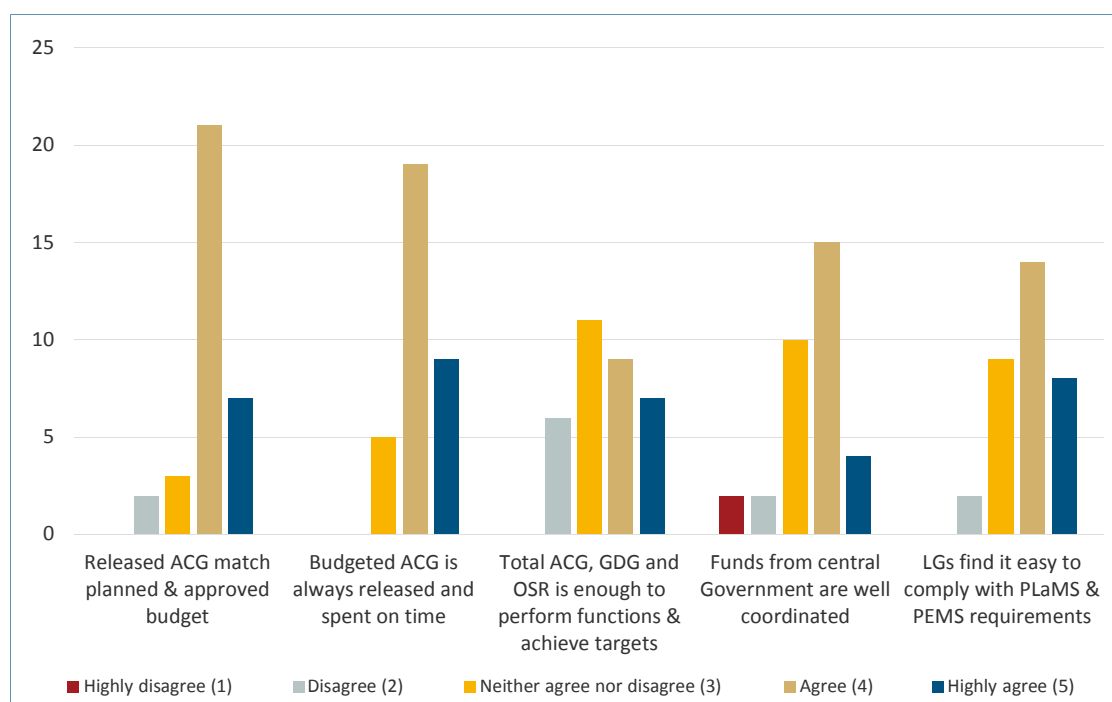
## FINANCIAL MANAGEMENT



Financial management	1*	2*	3*	4*	5*	Total answers
The guidelines for receiving and using the ACG are clear and easy to follow	0	0	2	20	11	33
The guidelines for receiving and using other grants are clear and easy to follow (earmarked, Gewog development, current)	1	3	4	19	6	33
During the past fiscal year, Capital and GAOs have been checked for compliance against the criteria for eligible/non- eligible expenditures	1	1	2	17	12	33
Rules and regulations in the procurement manual are clear and easy to follow	0	2	5	22	4	33
The process for re-allocating unspent ACGs and providing supplementary budgets amongst Dzongkhag/Gewog is clear and transparent	1	0	8	15	9	33

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree

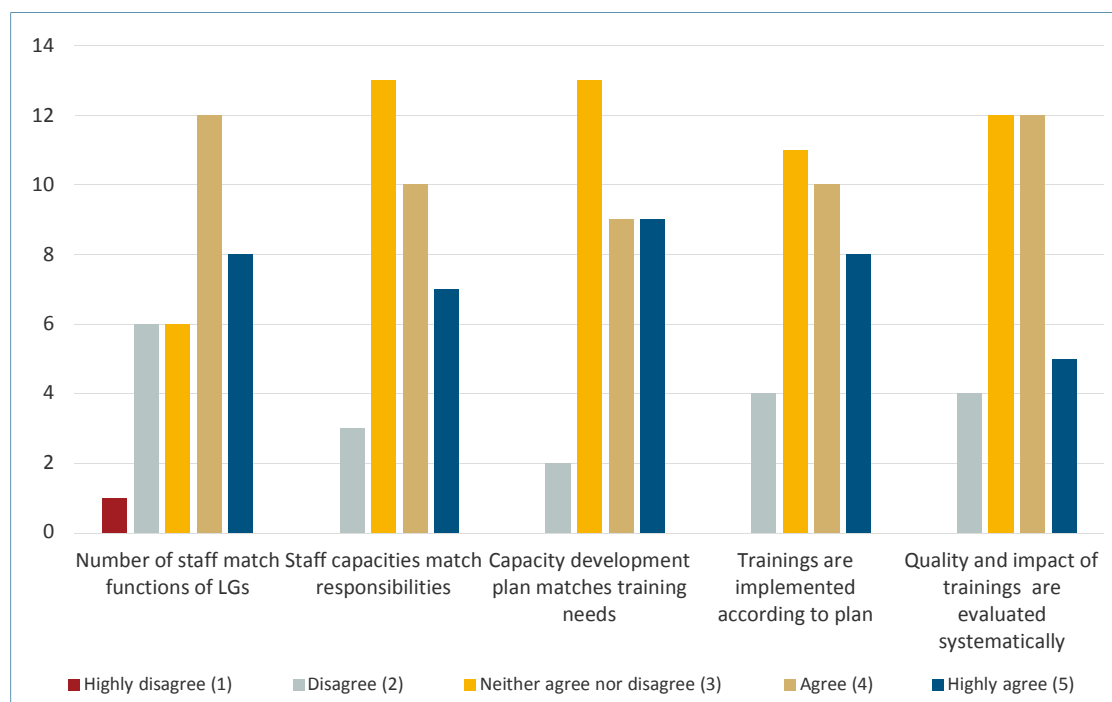
## FINANCING LOCAL DEVELOPMENT



Financing local development	1*	2*	3*	4*	5*	Total answers
The released ACGs always match the planned and approved budget	0	2	3	21	7	33
The budgeted ACG is always released and spent on time	0	0	5	19	9	33
The total ACG and GDG Grants received, together with OSR, is enough for LG to fully perform its functions and achieve its targets as per plan	0	6	11	9	7	33
Funds from central ministries and donors are well-coordinated, budgeted and spent in a transparent manner between Central and LG agencies	2	2	10	15	4	33
Dzongkhag/Gewog find it easy to comply with requirements of PLAMS and PEMS	0	2	9	14	8	33

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree

## HUMAN RESOURCE MANAGEMENT

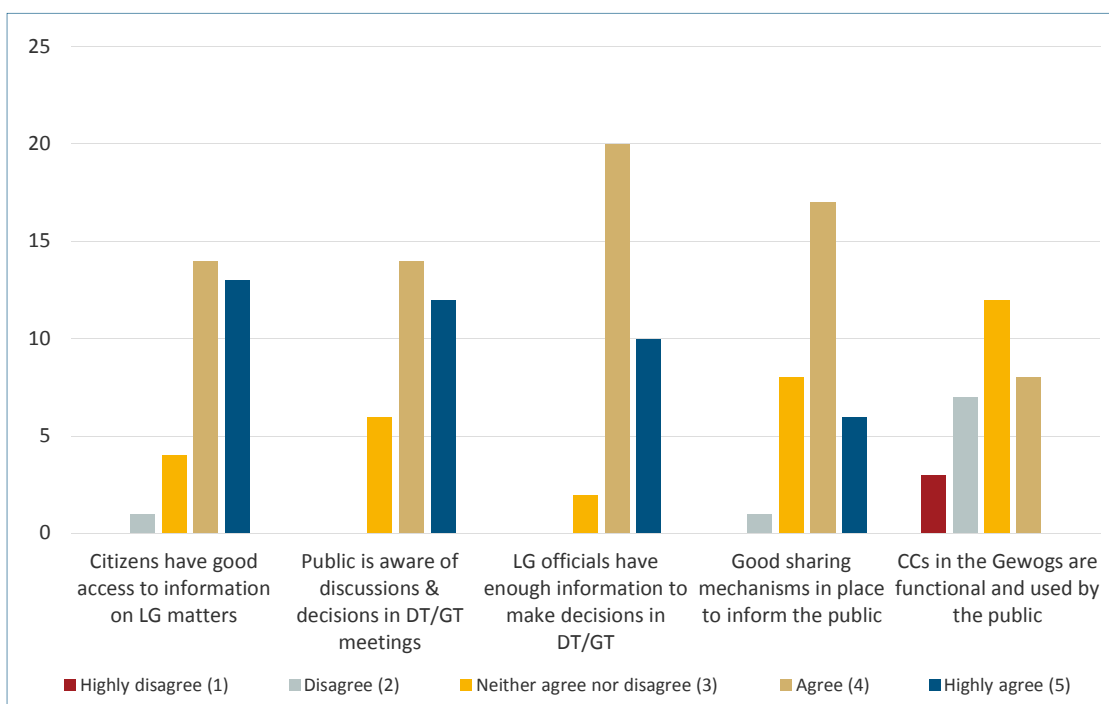


Human Resource Management	1*	2*	3*	4*	5*	Total answers
The number of staff match the functions expected to be carried out by Dzongkhag/Gewog	1	6	6	12	8	33
The capacities of LG staff and elected officials match the responsibilities of Dzongkhag/Gewog	0	3	13	10	7	33
A capacity development plan is in place which matches the training needs of LG staff and elected officials	0	2	13	9	9	33
The trainings are implemented according to plan	0	4	11	10	8	33
The quality and impact of trainings and other capacity development initiatives are evaluated systematically	0	4	12	12	5	33

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree



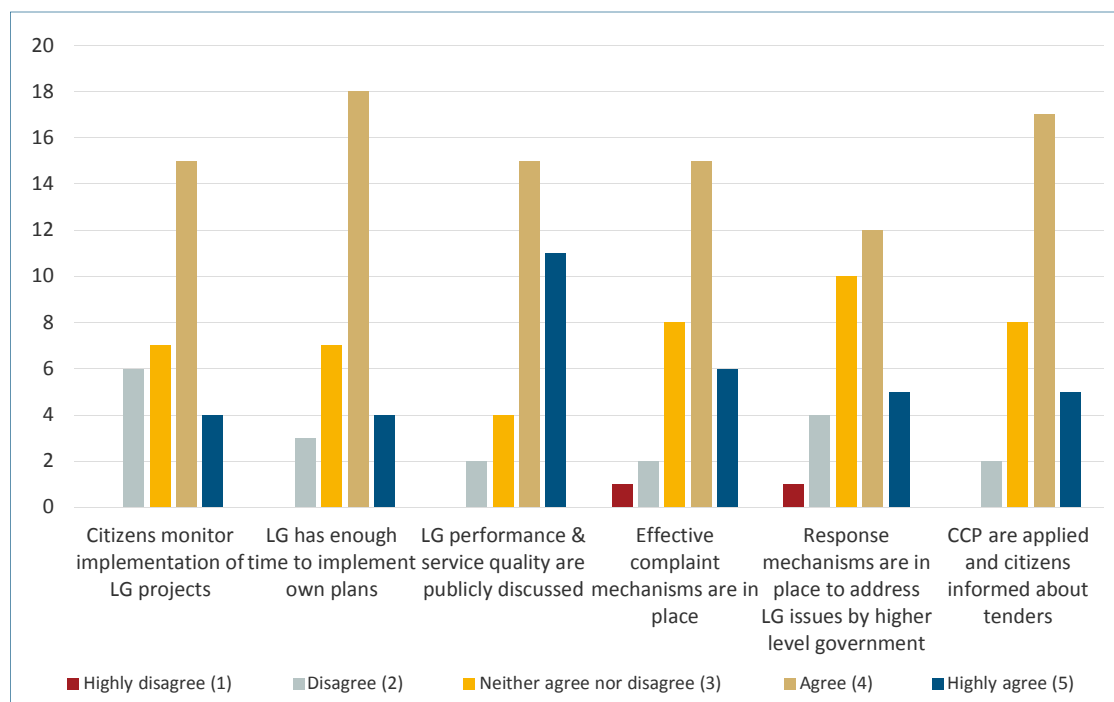
## ACCESS TO INFORMATION



Access to information	1*	2*	3*	4*	5*	Total answers
Citizens have good access to information on LG plans & budgets, expenditures and achievements	0	1	4	14	13	32
The public is made well aware of discussions and decisions from Tshogdu/Tshogde meetings.	0	0	6	14	12	32
Elected LG officials are provided with enough information to make informed decisions in Tshogdu/Tshogde	0	0	2	20	10	32
The mechanisms in place for communication and sharing of information with the public are good	0	1	8	17	6	32
The community centres in the Gewogs are fully functional and widely used by the public	3	7	12	8	0	30

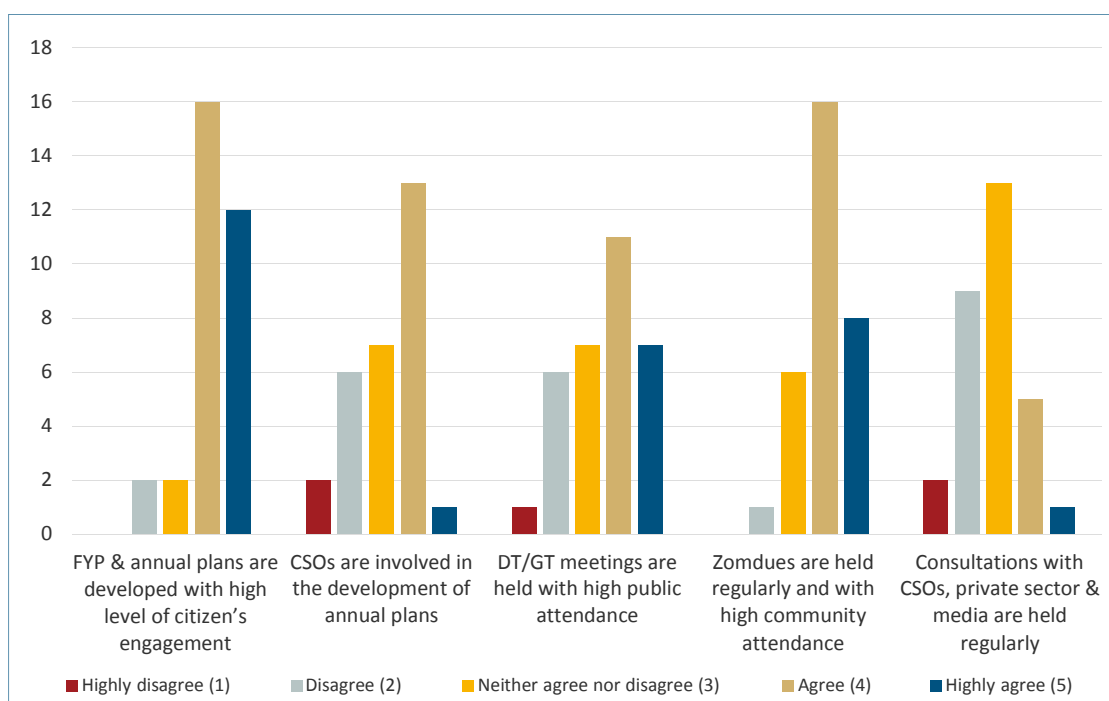
- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree

## ACCOUNTABILITY (UPWARDS & DOWNWARDS)



Accountability (upwards & downwards)	1*	2*	3*	4*	5*	Total answers
Citizens can easily monitor the implementation and expenditure of LG projects and services	0	6	7	15	4	32
The LG has enough time to implement its own annual plan (rather than projects from line ministries)	0	3	7	18	4	32
The performance of LG and quality of services are discussed in public meetings	0	2	4	15	11	32
Effective mechanisms for filing and dealing with public complaints are in place	1	2	8	15	6	32
Are there effective response mechanisms in place to address LG issues and ideas by higher level government agencies (Dzongkhags, ministries etc.)	1	4	10	12	5	32
Community Contract Protocols are always applied and citizens are well informed about tenders and awarded contracts	0	2	8	17	5	32

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree

**CIVIC ENGAGEMENT**

Civic Engagement	1*	2*	3*	4*	5*	Total answers
The 5 year and annual plans are developed with high level of citizen's engagement	0	2	2	16	12	<b>32</b>
Cooperatives, self-help groups, and civil society organisations are involved in the development of the annual plan?	2	6	7	13	1	<b>29</b>
Tshogdu/Tshogde meetings are held with high attendance from the public	1	6	7	11	7	<b>32</b>
Zomdues are held regularly and with high attendance from the communities	0	1	6	16	8	<b>31</b>
Consultations with CSOs, private sector, media, etc. are held regularly	2	9	13	5	1	<b>30</b>

- \* 1: Highly disagree  
 2: Disagree  
 3: Neither agree nor disagree  
 4: Agree  
 5: Highly agree