
DECENTRALIZATION AND LOCAL GOVERNANCE PROJECT (DLGP)

Project Document for Phase II, 01.01.2023 to 31.12.2025



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List of Abbreviations

ACG	Annual Capital Grant
DLGDM	Department of Local Governance and Disaster Management
DT	Dzongkhag Tshogdu (Dzongkhags Council)
FYP	Five Year Plan
GDG	Gewog Development Grant
LGD	Local Government Division under Ministry of Finance
GT	Gewog Tshogde (Gewog Council)
DoT	Department of Tourism
LGA	Local Government Act
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
PPD	Policy and Planning Division
VTIs	Vocational Training Institutes
ProDoc	Project Document
RCSC	Royal Civil Service Commission
RGoB	Royal Government of Bhutan
Dzongkhag/dzongkhags	District/districts
Gewog/gewogs	County/counties
CBT	Community-based Tourism
PSC	Project Steering Committee
CSO	Civil Society Organization
CBO	Community-based Organization

1. Synopsis

Phase Details				
Name of Project	Decentralization and Local Governance Project		Country	Bhutan
Phase Name	Donor Name	Contract Start (year/month)		Contract End (year/month)
Phase II	Helvetas	2023/01		2025/12
Working Area	7 - GOP - Governance and Peace			
Working Field	71 - LDG - Local Democratic Governance			
DAC Category	151 - Government & Civil Society General			
Project Funding				
Project Phases	Phase I	Phase II	Phase III	Phase IV
Start (year/month)	2018/08	2023/01		
End (year/month)	2022/12	2025/01		
Phase Budget in CHF	1,150,000	1,029,000		
Contribution per donor(s)	FGC 405,000			
Helvetas		624,000		
Project Profile				
Short description of project, primary stakeholders and project logic (Impact Hypothesis/Results Chain)	<p>The Project seeks to concretely apply gains made in decentralization at the policy and institutional level to essential public services that directly benefit citizens in 5 dzongkhags in the south, central, and eastern regions of the country. Living standards of citizens will improve when the overall quality of key public services (identified as water, roads, local economic opportunities including sustainable tourism) is improved and the local economy provides opportunities for vulnerable groups, specifically women and youth. Quality of public services here refers to adequate, responsive, community managed or co-managed services. For this to happen, citizens' involvement in decisions and monitoring of key public services needs to be enhanced, and sustainable local economic opportunities need to be facilitated. Enhancing citizen engagement here refers to awareness on processes to engage, the confidence to engage (through collective voice), and having the skills to engage.</p>			
Impact (Development objective / overall goal)	Citizens have improved their standard of living when they have the capacity and opportunities to engage in improving the responsiveness and effectiveness of key public services and local economic opportunities			
	Narrative Description	Main Indicators (including important Performance Indicators)		
Outcome 1	Increased participation of citizen groups in planning, implementation, and management of the key public services	<ul style="list-style-type: none"> • % Increase in participation of citizen group members in the Chiwog Zomdus (Village Meetings) • % of citizen group members who are aware of gewog and dzongkhags planning and budgeting process. • % of citizen group members demonstrating capacity to participate in planning, implementation, and management of key public service deliveries • Local administrations demonstrate positive behavioral change and willingness to engage citizen groups in planning, budgeting, and implementation process 		
Outcome 2 (if any)	Enhanced local economic opportunities for youth and women	<ul style="list-style-type: none"> • Increased participation of youth and women in local economic activities in project sites • Increased in employability and income of youth and women through local economic opportunities. 		
Primary Stakeholders, Target Group(s) and System Partners	Youth and women, and men and women of community-based organization (CBOs) such as Water User Groups, Road User Groups, Community-Based Tourism Groups (CBT) in the 5 partner dzongkhags in Bhutan are the primary stakeholders. Local Government officials, Gewog/Dzongkhag administration, and community groups are the target groups while the Department of Local Governance and Disaster Management/Ministry of Home Affairs, Local Government Division under Ministry of Finance, Department of Tourism under Ministry of Industry, Commerce and Employment, CSOs, particularly the Association of Bhutan Tour Operators (ABTO) and the Guide Association of Bhutan (GAB) are system partners.			
Project area, main location	The project will focus on five Dzongkhags: Chukha (South Central), Zhemgang (Southeast), Mongar, Pemagatshel and Lhuntse (East)			
Project Implementation				
Main implementing partners	The Department of Local Governance and Disaster Management, Ministry of Home Affairs, Local Governments, Department of Tourism, partner Dzongkhags and Gewogs, and LEAD+ will be the main implementing partners			
Project Set-up	A Project Manager from the Department of Local Governance supported by a Project Advisor from LEAD+ will form the project implementation unit. They will be guided by a Project Steering Committee consisting of members from relevant government agencies, Local Government, and HELVETAS.			
Project staff	Project Manager (government employee), a Project Advisor (LEAD+), and a focal person from implementing agencies.			
Donors	Name of organisation, contact person, address, phone, e-mail			
Helvetas	Helvetas, Tashi Pem, tashi.pem@helvetas.org			

2. Context and project idea

Bhutan stands at 129 out of 189 countries and territories on the Human Development Index ranking and is categorized as a country with 'medium human development.' Despite impressive socio-economic progress made over the last 5 decades since the start of planned development, continued efforts are needed to improve the overall standard of living. About 60% of people depend on often marginally productive agriculture for their livelihood. Yet, less than 5% of land is suitable for cultivation. Sloping land, poor soil fertility and small land holdings result in low economies of scale, low productivity and high production costs to which human-wild-life conflicts has emerged as an additional burden. Many people in rural areas still have poor access to basic public services and to markets and financial resources. Development has been slower to reach remote rural areas because of the high costs of delivering services due to scattered settlements and extreme topography. Thus, poverty remains a rural phenomenon. However, new issues are emerging affecting urban towns. Rural-urban migration has brought opportunities but is also linked to emerging urban poverty and youth unemployment. The industrial and export base is very narrow, highly dependent on exports to India and bears single commodity risks (hydropower). In general, private sector development in the country remains small with low growth and limited employment opportunities.

Bhutan's gradual shifting of responsibilities and power from central government authorities to local government bodies have strengthened the role of local leaders and citizen groups. These phased developments were important preparations for the country's transition into a Democratic Constitutional Monarchy in 2008. Today, local governments in 20 dzongkhags and 205 gewogs are elected through regular elections, have important roles and responsibilities, and are recognized as legitimate institutions. The 3rd local government elections were successfully conducted, and elected leaders assumed their offices at the end of December 2022. The Local Government Act govern their functioning, and local government administrations consisting of civil servants support them in implementation and technical advice. Together, the elected leaders and the administration are responsible for providing socio-economic services to communities, and for involving citizens and community organizations in matters of local governance.

Local economic development and job creation are also increasingly decentralized, which is in tandem with aspirations to spread out development opportunities and decongest towns like the capital. Hence, a key mandate for local governments is enhancing the local economy, creating employment opportunities especially for youth, and promoting gender equality. More and more today, tourism is seen as one of the ways to enhance the local economy. Therefore, community-based tourism appears in the plans of a majority of dzongkhags as a potential economic development and job creating sector; however, to back up these ideas and to see them through, proper planning based on tourism strengths and opportunities are limited or does not exist. Youth and women participation in local economic development are also limited. This is prompted in part by the way planning processes are designed or understood, and in part by sectors working in silos and promoting their own sectoral priorities. Citizen engagement is becoming more vibrant, although not adequate. An important avenue for citizen engagement is through community-based groups and organizations. At the local level, farm roads and water supply are consistently rated topmost priority for the communities; therefore, farm road user groups and water user associations are common citizen engagement groups that can be seen in rural communities across the country.

The project seeks to leverage on experience gained in the past years of engagement at various levels of governance. Engagement at the macro level was on policy development and umbrella strategic plans and guidelines; these were complemented at the meso level through improved systems of collaboration and coordination across Gewogs, and between Gewogs and Dzongkhags; and at the micro level in demonstrating, documenting and advocating for more citizen centric, participatory, inclusive and accountable governance. It contributes to the draft 13th FYP (draft stage) which prioritizes enhancing local economy and improving public service delivery and citizen satisfaction.

2.1. History of the project and lessons learned

The past engagement between the Department of Local Governance and Helvetas has centred around (a) increasing citizen participation particularly youth and women engagement; (b) improving feedback and coordination mechanisms among the various decentralization approaches and initiatives of agencies at the central and local levels; (c) capacity development of Local Government and central stakeholders; (d) strengthening systems and processes relevant for Local Government. Phase I of the Project contributed significantly towards establishing a common framework on decentralization (draft decentralization policy, media-based decentralization discourses); synchronizing piece-meal efforts to improve the quality of multi-level coordination (central-local governments coordination mechanisms, synchronized planning guidelines, protocols); and supporting initiatives on engaging women and youth in local discussions and decisions (trainings, awareness raising, livelihood-governance linkages).

The evaluation findings of the project and perception study of citizens in partner gewogs and dzongkhags on quality of citizen engagement in the end of the project show an overall positive impact. About 80% of citizens are satisfied with their engagement in local government functions and 90% feel that there is an improvement in participation of citizens. A lesson was that citizen engagement in local governance has more uptake when capacity building and awareness are combined with economic opportunities. A correlation between the two has been clearly noted; however, as the voice and engagement of women and youth needs to be strengthened further, it was recommended that targeted interventions are needed to engage youth and women in local decision-making processes. Similarly, although good governance principles are important in their own right, governance reforms will remain 'in theory' as long as it does not make concrete differences in everyday lives; hence, concrete application of national reforms to critical public services accessed by citizens is felt to be important. Partnerships with the state but complemented by engaging with CSOs, CBOs and private service providers was found to be conducive for building ownership and recommended to be continued. Scope for better coordination among national stakeholders and also among development partners supporting the good governance and decentralization agenda was pointed out.

2.2. Situation in the project area

2.2.1. Socio-economic context

In the country in general, due to the COVID-19 pandemic, the economy has been severely impacted. Poverty rate has increased to 12.4% from 8.21% in 2017; youth unemployment has reached 20.9% from 12.3% in 2017, with unemployment rate for females (6.1%) being higher than that of males (3.6%); and growing inequalities, with the mean per capita expenditure of households in the richest per capita consumption quintile (Nu. 33,992) being more than six times that of households in the poorest per capita consumption quintile (Nu. 5,289). Therefore, the overall focus in the 13th FYP which is under preparation will be on economic recovery and growth, vocational skilling, and youth employment, improving public service delivery and quality, digitalization, and ensuring the overall sovereignty of the country. These priorities are grouped into four major clusters, namely economic, social, governance, and security. The proposed project is expected to directly contribute to indicators under the governance, economic, and social sectors.

The project will focus on 5 dzongkhags, namely Chukha, Zhemgang, Mongar, Pemagatshel and Lhuntse, covering the south, central, and eastern regions of the country. The selection of the dzongkhags is primarily based on socio-economic indicators, and proximity of dzongkhags to the partner dzongkhags under Phase I for easier cross-sharing of experiences and replication of good practices. 18% of the entire population of the country resides in the five dzongkhags, and account for 30.8% of the total poor.

Geographically, the dzongkhags lie in the south and east of the country and cover a rich diversity of ethnic communities. The main ethnic group in the east are Sharchops and in the south are Lhotshampas. These groups have different languages, cultural practices and languages. In addition, there are several smaller communities, mainly distinguished by their dialects and unique cultures

which include Bumthaps, Mangdeps and Khengpas in central Bhutan, Kurtoeps in the east, Brokpas and Dakpas in the north-east, Layaps and Lunaps in the north-west, and Doyas in the south.

2.2.2. Political context

The fourth parliamentary elections will take place in 2023; five political parties are gearing up for elections, two of which are new parties recently formed. Economic recovery and jobs creation are expected to be priorities for the parties. There are national reforms ongoing in the civil service; the mandates of different ministries, agencies, and departments were reviewed by a transformation team, guided by international experts. Based on the review, consolidation of mandates, restructuring of ministries and departments and, in some cases, dissolution of agencies are taking place. For the Project, its strategic partner - the Department of Local Governance - has now become the Department of Local Governance and Disaster Management under the Ministry of Home Affairs (formerly the Ministry of Home and Cultural Affairs). An implementation partner, Local Development Division under the Gross National Happiness Commission (GNHCS), is now under the Ministry of Finance. Implications of these changes on the Project will be minimal as the same personnel have continued to engage in the planning Phase II despite their relocation and expansion of mandates. However, in general in the country, there is an increasing trend of attrition rate among civil servants which is perceived to be a result of a combination of factors, such as the ongoing reforms and the effects of the pandemic on the economy which has resulted in people, especially youth, searching for better opportunities abroad. Responses by the government include providing skilling opportunities and greater flexibility in recruitment into the civil service.

At the local government level, there have not been any structural changes in the setup and functioning so far. The impact of the reforms in central agencies on the functioning of local government is yet to be understood. There were discussions of a second phase of similar reforms at the local government level, but no official announcement has been made so far. The term of the current government will end in autumn 2023, to make way for new elections. Given this timeline, reforms at the local government level will be unlikely in the near future. It is also expected that fundamental changes to the functioning of LGs will not change given that their core mandate is written in the Constitution.

2.2.3. Environmental context

Climate change and related risks has become a pertinent topic since vulnerabilities to climate change related disasters such as glacial lake outburst floods, flash floods and landslides remain high concerns. Low level of preparedness and large-scale construction of infrastructure on mountainsides increase the risks of exposures to such disasters. Some studies predict decreasing hydrological flows in rivers in the coming years, which will have a negative impact on the electricity generation, an important economic sector in the country. Prevention and risks management are generally carried out on an ad-hoc basis. To make assessments, information and responses more systematic, relevant agencies have initiated programs to mainstream climate change and disaster risk reduction strategies into sector plans, developed protocols for trans-boundary risk information sharing with other south Asian countries, and have developed legal frameworks such as the Disaster Management Act. Dzongkhag level disaster management committees have been constituted to decentralize preparedness and response. With the merger of local governance and disaster management departments into one, it is expected that mitigation and adaptation to climate change induced risks and disasters will be integrated in local government planning and budgeting. There has been high priority placed on environmental conservation, which has contributed to a high forest cover and protected areas. An issue of concern for local government continues to be issues of human-wildlife conflict which has been aggravated by rural-urban migration and fallow land turning into forests.

2.3. Situation of the Primary Stakeholders (livelihood and vulnerability)

Youth and women, and men and women of community-based organization (CBOs) such as Water User Groups, Road User Groups, Community-Based Tourism Groups (CBT) in the 5 partner

dzongkhags in Bhutan are the primary stakeholders. The approximate number of primary stakeholders is more than 2900 individuals (about 2200 citizen group members + 700 youth and women CBT members) in 5 dzongkhags covering 10 gewogs.

The primary stakeholders are in some of the most populous dzongkhags in the country. According to the latest Poverty Analysis Report 2022 and based on the poverty line for the country (Ngultrum 6,204 per person per month, equivalent to \$77.55 per person/month), the five dzongkhags account for 30.8% of the total poor: Zhemgang (41%), Chukha (18.9%), Mongar (17.8%), Pemagatshel (17.9%) and Lhuntse (15.7%). About 40% of the households in the 5 dzongkhags are women headed. The primary stakeholders in the community rely on subsistence agriculture, including cattle rearing. Limited economic opportunities to diversify and supplement their income is a challenge faced in these communities. On the governance side, a lack of community participation in decision making, particularly by youth and women, inadequate communication and interaction between local government and community members hinder the ability to discuss and address these issues effectively, thereby further contributing to ineffective public services and economic opportunities.

2.4. Rational

Phase I of the Decentralization and Local Governance (DLG) Project contributed significantly towards establishing a common framework on decentralization (policy, media-based decentralization discourses); synchronizing piece-meal efforts to improve the quality of multi-level coordination (central-local governments coordination mechanisms, synchronized planning guidelines, protocols); and supporting initiatives on engaging women and youth in local discussions and decisions (trainings, awareness raising, livelihood-governance linkages).

A Phase II of the Project has been envisioned to concretely apply national and dzongkhags level decentralization reforms begun under Phase I to actual public services that directly benefit citizens. Lessons from phase I have shown that there is raised interest to engage when decentralization is seen as a means to improve public infrastructure and services. For youth specifically, discussions on local governance and citizen engagement were felt to be abstract if not linked to expanding livelihood opportunities and quality public infrastructure and services.

Of the multitude of public services, the Bhutan Living Standard Survey reports that the top three priorities for improving living standards in the opinion of people in both rural and urban areas are: timely and continuous water supply, road infrastructure, and income and jobs creation. These are corroborated by the following:

- There are 951 water related activities planned in the 205 gewogs amounting to about 773 million ngultrums. Although Bhutan has high per capita water availability, issues of access, quality and governance are concerns. For example, of the 64,603 tap stands across the country covering 78,795 households (94.75% coverage), 2,960 tap stands remain totally defunct and others are of varying quality. In addition, 751 households have no water source, 527 households face dried up water source, and 1051 households have inadequate water sources. COVID-19 too put the spotlight on inadequate water access for maintaining hygiene in schools and villages.
- As per the performance audit report in 2022 conducted by Royal Audit Authority, formation and functioning of the Road User Groups (RUGs) were found to be inconsistent and ineffective across the country, due to capacity constraints and impracticability of the guidelines governing their functioning.
- Gewogs have identified 'common minimum infrastructure,' which are a list of public infrastructure and facilities that should be available as a minimum in every gewog or dzongkhags in order for public services to be delivered effectively. Farm roads construction and maintenance top the list of the most demanded infrastructure; this is because a majority of Bhutan's rural population live in small, scattered communities.

- Youth unemployment is on the rise, and the rates are higher for women. One of the strategies of the government is to accord greater responsibilities for economic development and job creation to dzongkhags and gewogs. Gradually, local government plans show activities not only aimed at subsistence agriculture as in the past, but increasingly include commercial farm enterprises (e.g. agro-based, poultry) and off-farm enterprises, mainly tourism and related products.

A common and recurring issue leading to disruption in public services across gewogs and dzongkhags is a lack of ownership of public schemes and infrastructure once constructed. This is partly linked to inadequate engagement of citizens. Citizen groups are often considered mechanisms for mobilizing labour for construction and for their physical maintenance. Therefore, their participation is high during implementation but limited in monitoring and accountability processes. This is a participative, transparency and accountability gap that leads to reduced responsibility and ownership over public service schemes and infrastructure.

Local economic development and job creation are increasingly decentralized, which is in tandem with aspirations to spread out development opportunities and decongest towns like the capital. Tourism has been identified as an important strategy to promote economic activities and employ youth, and hence appears in the five-year development plans of a majority of dzongkhags; however, to back up these ideas and to see them through, proper planning based on tourism strengths and opportunities are limited or does not exist. This is linked to capacity constraints as well as planning at local levels which show a strong tendency to apportion a few activities under every sector, thereby spreading budget thinly across multiple activities.

The above issues will be discussed and addressed within existing frameworks and practices in the country. This will ensure that Project initiatives are anchored within local democratic and decentralization experiences and builds on them. For example, frameworks such as the LG Act, the local government division of responsibility framework, and the decentralization policy are conducive for citizen centric planning. However, their application is incomplete or limited and needs dialogue, awareness, coordination, and capacity building. There are also small scale but concrete cases where committees of citizens have reported on public service quality issues and were engaged in addressing these issues; and there have also been cases where public service grievances were voiced when budget were used for activities not relevant to communities. These are scattered initiatives in a few gewogs and not yet established practices.

Within the above background, Phase II has been conceived to apply decentralization reforms initiated under Phase I to public services related to three priority areas - water, infrastructure, and income and jobs - so that citizens are engaged in the planning, management and governance of public services and are directly benefitted as a result.

2.5. Innovation and Learning

Capitalizing on experiences and lessons learned, the project will focus on the following areas to add value to existing reforms and increase the impact of ongoing interventions:

Governance combined with economic opportunities: The project will combine participation in governance processes with enhancing livelihood and economic opportunities. Experiences from the past project shows that governance processes combined with concrete livelihood products raises the relevance and interest of youth and women to engage. Without such a connection, the topic of governance is seen as abstract and theoretical.

Youth and women engagement in community-based tourism: Communities and local government have begun to explore CBT as a way to diversify income sources; in addition, there is a clear political will from the central government to activate the tourism sector as part of the country's COVID-19 pandemic recovery plans. Therefore, the project will leverage upon this opportunity to facilitate the participation of women and youth as key players in promoting local development through tourism.

Partnership with a local private entity LEAD+: implementation of the Project will be jointly done with a local private entity LEAD+ as part of building the expertise and experience of local staff as Helvetas phases out of the country. This will contribute towards launching a professional local entity.

2.6. Replication / Scaling up

Bhutan's democracy is fairly young (a decade and a half). Experiences with the concepts of active citizenship, civil society, decentralized local governance and the principle of subsidiarity are relatively new. Hence, the Project will contribute towards this overall experience in democracy. This will be difficult to measure but the impact will be long term. Schools and universities in the country may find the experiences of the Project useful in their research on the evolution of democracy and decentralization in Bhutan. Practical examples and research on these topics within the country is very limited so far.

Over the years, there is increasing pressure among local governments to find innovative strategies in developing their gewogs and dzongkhags to address new issues such as rural-urban migration and increasing youth unemployment, and ongoing issues such as limited resources and poor economic development. There is therefore willingness among local governments to try new approaches and learn. Results from the Project on social and economic empowerment has the potential to be replicated beyond partner gewogs and dzongkhags. Specific efforts will be made to help this process – through peer learning, documentation and storytelling.

The activities of the Project are aligned to the mandates of strategic and implementation partners, e.g. the department of tourism seeks to diversify tourism offers in order to attract tourists, and community-based tourism is one way to do so; Local Government see political benefits to engaging citizens and creating greater income options for their voters. Hence, the chances that the activities will be integrated into partners' own future plans are high. There are also potentials to integrate certain activities into the annual performance targets of dzongkhags and gewogs. For example, local economic development and women's empowerment are results that local government have committed to in their five-year plan and will be measured against. With decentralization, there is also scope in the future to co-fund or fully fund activities through the local government annual grants.

2.7. Planning process and method

The planning process consisted of several steps:

- **Mid-term Review and Evaluation of DLG Project-Phase I:** a mid-term review and evaluation of DLGP in the last 4 years were conducted by independent local firms. These reviews and learning from the phase-I provided general directions for Phase II.
- **Consultations with government partners, local governments and communities' representatives:** Preliminary discussions, thematic meetings and a general consultation workshop were held with partners based on which a concept note was drafted and finalized as a basis for the Project Document.
- **Discussions with HO and donor/FGC:** Feedback on the concept note was received from the donor/FGC and the Regional Coordinator and incorporated to finalize the concept note. The phasing out of Helvetas from Bhutan informed the implementation modality selected (i.e. LEAD+ contracted to implement).
- **ProDoc development:** With the finalised concept note as the main framework, elaboration of the project document was carried out by the country office in consultation with partners.

3. Objectives

3.1. Impact Hypothesis

Living standards of citizens will improve when:

- overall quality of key public services is improved.
- local economy provides opportunities for vulnerable groups, specifically women and youth.
- citizens' involvement in decisions and monitoring of key public services enhanced, and sustainable local economic opportunities facilitated.

Hence, the Project will apply gains in decentralization to enhance citizens' involvement in decisions and monitoring of essential public services, and their participation in sustainable local economic opportunities. Enhancing citizens' involvement here refers to awareness on processes to engage awareness raising, the confidence to engage (collective voice channelled through existing community-based groups and associations) and having the skills to engage (capacity building on governance and economic opportunities).

3.2. Impact (Development objective / overall goal)

Citizens have improved their standard of living when they have the capacity and opportunities to engage in improving the responsiveness and effectiveness of key public services and local economic opportunities.

3.3. Outcome(s)

Outcome 1: Increased participation of citizen groups in planning, implementation, and management of the key public services

Outcome 2: Enhanced local economic opportunities for youth and women.

3.4. Outputs

Outputs related to Outcome 1

- Output 1.1: Citizen groups trained on planning and governance of key public services.
- Output 1.2: Citizen group network and collaborate for common public service interest.
- Output 1.3: Skills and mechanism developed for citizen groups to engage in implementation and monitoring of key public services.
- Output 1.4: Strengthened functional relationship between citizen groups and LG institutions.

Outputs relating to Outcome 2

- Output 2.1 Partner communities develop and implement sustainable community-based tourism initiatives, resulting in increased economic opportunities for youth and women.
- Output 2.2: Increased capacity of the youth and women groups to generate income through CBT.

3.5. Logical Framework

The summary of the logical framework is as below:

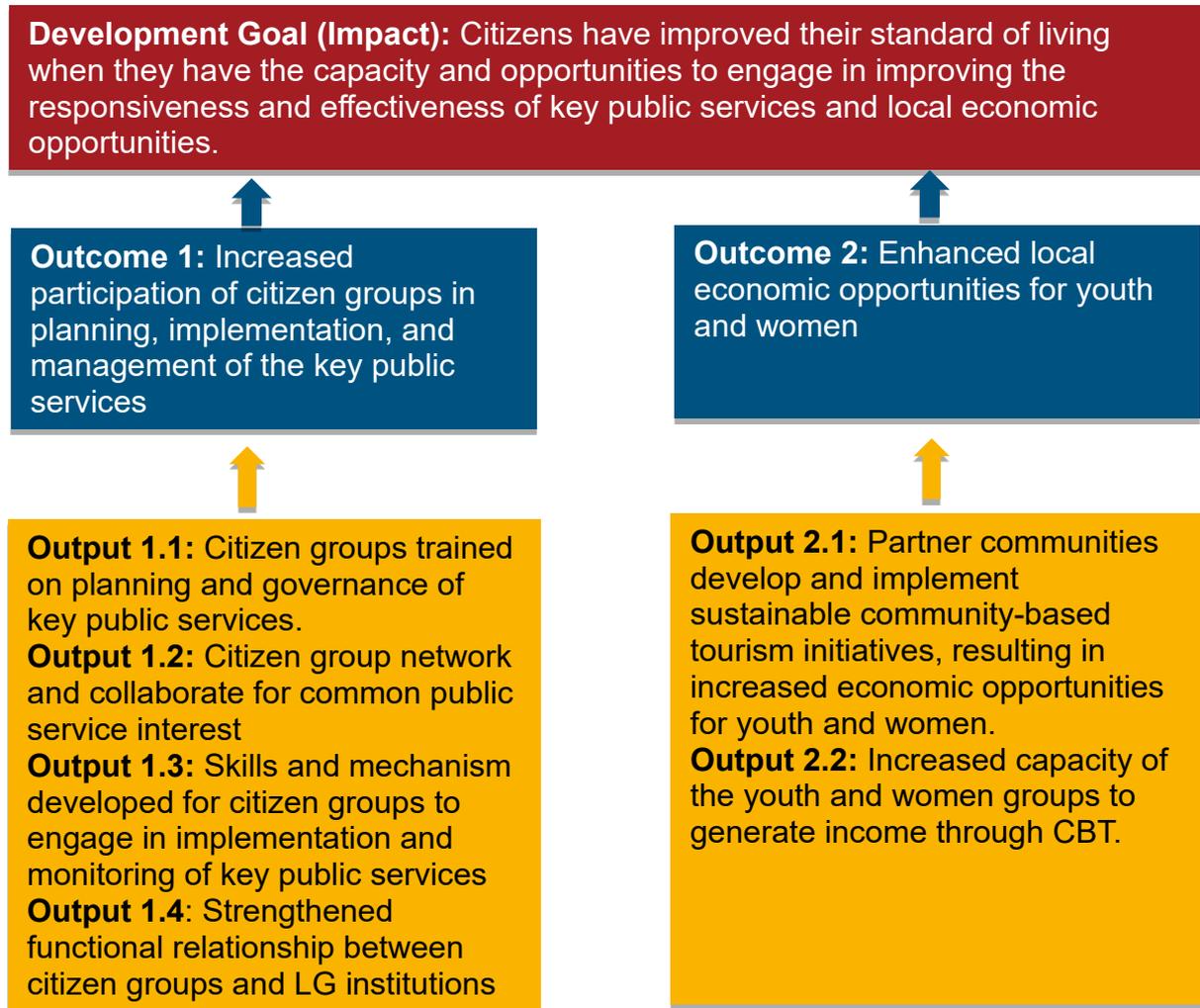


Figure 1: Project logical framework

3.6. Alignment of the project

3.6.1. Contribution to the SDGs, Bhutan's and HELVETAS' strategic goals and policies

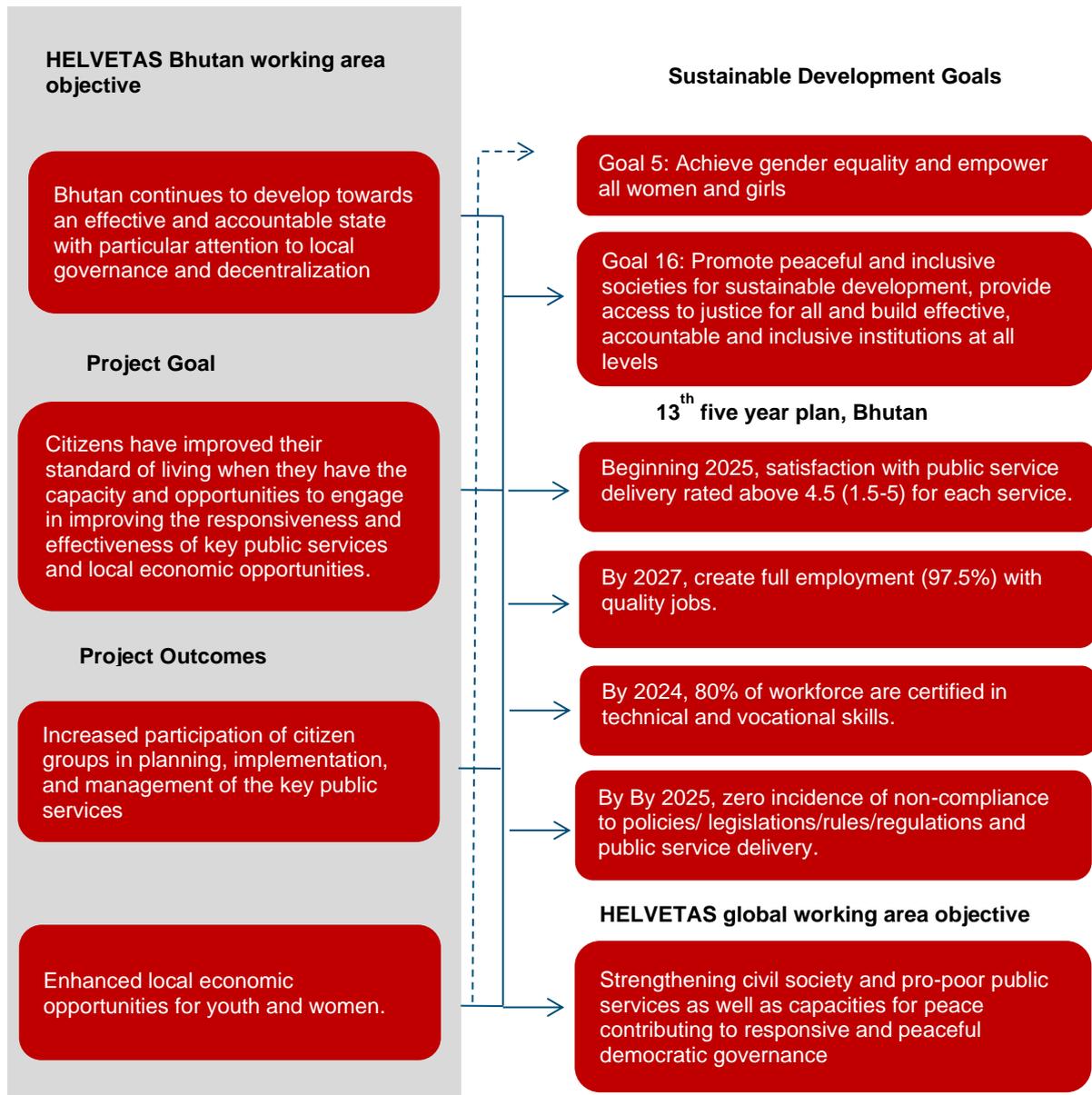


Figure 2: Project contribution to broader frameworks

3.6.2. Contribution to donor specific development strategies

The project complements and seeks to leverage the EU support to local governance in Bhutan that makes available annual capital grants to the Local Governments in an effort to build their capacities to manage resources, implement activities and create assets that are sustainably managed. The project will also work with Japan International Cooperation Agency (JICA) in the area of citizen engagement and capacity building of local government functionaries. Donors that support tourism will be sought out as well; so far, the Austrian Development Agency, ICIMOD, and UNDP are some of the donors in this sector.

4. Implementation Strategy

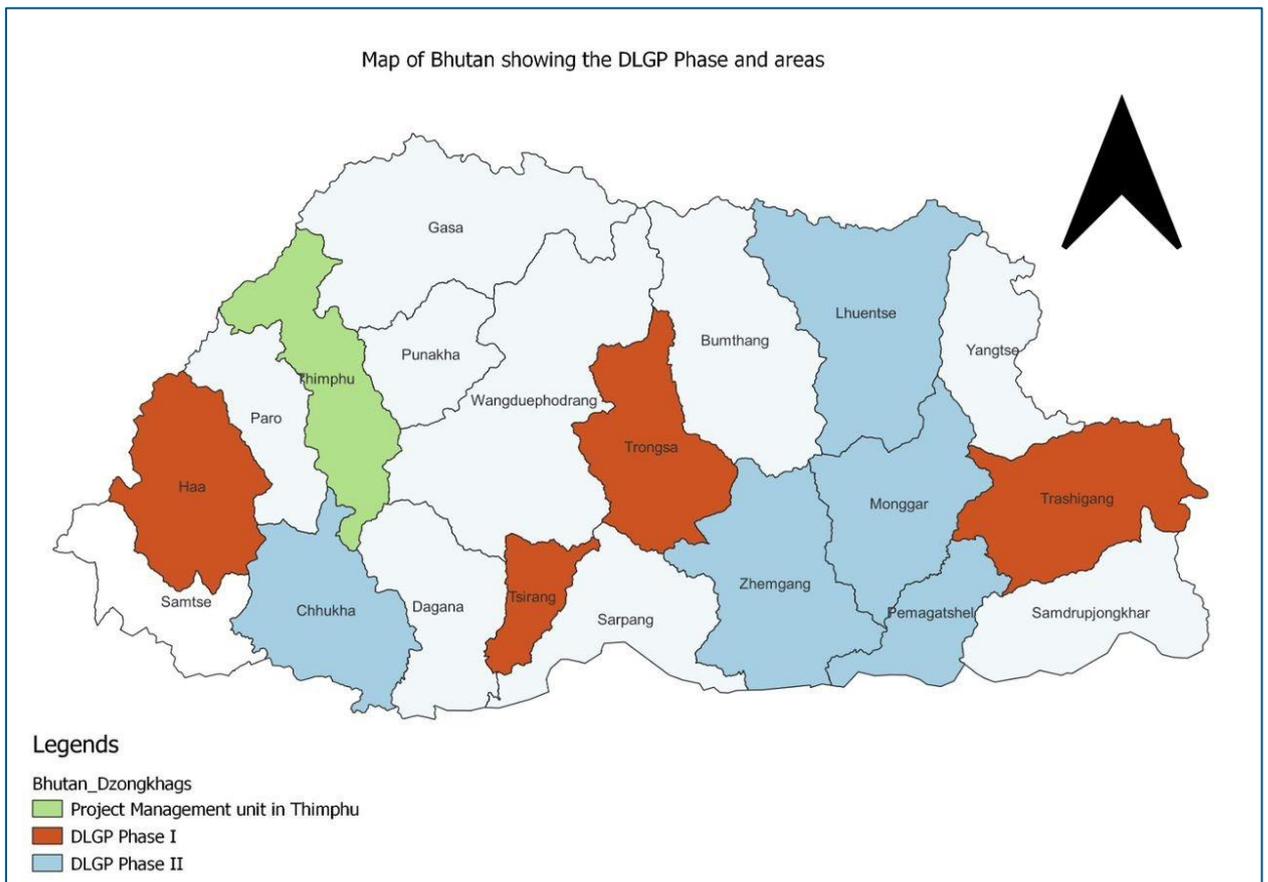
4.1. Programme / project duration

The project is expected to start in January 2023 and conclude in December 2025.

4.2. Programme / project location

The project will focus on 5 of 20 dzongkhags in the country, namely Chukha, Zhemgang, Monggar, and Pemagatshel and Lhuntse, covering the south, central, and eastern regions of the country. The selection of the dzongkhags is primarily based on socio-economic indicators, and proximity of dzongkhags to the earlier Phase I dzongkhags for cross-exchanges of experiences and replication of good practices. 18% of the entire population of the country resides in the five partners: Chukha (33,571), Zhemgang (15,104), Monggar (34,948), Pemagatshel (20,153) and Lhuntse (14,031).

The map below shows the five partner Dzongkhags:



Map 1: Project Location

4.3. Approaches

The project will apply the following main approaches:

- **Partnership with citizen groups:** Citizen engagement structures mainly Water User Associations, Farm Road User Groups, CBT groups and other citizen groups will be both implementation partners as well as direct beneficiaries. These associations and groups are citizen led and related to public services of priority to citizens; hence, close partnership with them will be

developed and their structures and systems strengthened. New project-based groups will not be created; past experiences show that purely project-based groups are not sustainable.

- **Multi-stakeholder and multi-level implementation modality:** Prevailing partnerships with local governments (both elected and the administration), with central government agencies (agriculture, governance, water, environment), and with civil society organizations (association of tour operators, handicrafts associations etc) will be leveraged upon. New partnerships with stakeholders related to community-based tourism will be built. Consensus building towards common goals among all these diverse actors will be facilitated. Youth and women will be mobilized using experiences from Phase I. Dzongkhags and gewogs will designate focal persons to spearhead and manage project interventions in their constituencies to ensure ownership and alignment with their medium- and long-term goals.
- **Coordinated approach:** At the national level, platforms for regular coordination, discussions, and information sharing will be coordinated. The project management unit will meet periodically and efforts will be made to ensure that the good practices are institutionalised through standardisation of processes, and development of guidelines for adoption beyond the partner Dzongkhags. More systematic coordination and collaboration across agencies and departments working with and for Local Governments will be ensured at-least in the five Dzongkhags that the project is present in with a clear intent to institutionalise in more Dzongkhags.
- **Gaining experiences in CBT as a catalyst to local economic development:** the Project will explore the potential of CBT as a catalyst for local economic development, particularly to benefit youth and women, and promote engagement of citizens in their own development.

4.4. Transversal themes and new accents

Gender and Social Equity: Currently, the genuine engagement of youth and women is generally limited. The project will focus on engagement of women, youth, and poor households in local governance (social empowerment) and their engagement in the local economy particularly through community-based tourism (economic empowerment). Single women headed households and household members with limited access to finance and income generating activities will be receive priority. At least 50% of the primary stakeholders will be youth and women.

Partnership and Capacity Development: the project will work in partnership with central government agencies, CSOs, Local Government Administrations, elected local leaders, citizens including groups of youth and women. Capacity building is foreseen at individual (youth and women groups), organizational (Local Government and central government partners, coordination and collaboration platforms) and systems (policy, procedures, strategies) level.

Advocacy: The success and lessons learned from active citizen engagement in key public services, as well as their improvement, will be shared to advocate for applied decentralization and to advocate for consistent engagement of youth and women in local governance and in local economic development.

5. Stakeholders and partners

5.1. Primary stakeholders

The primary stakeholders are youth and women, and men and women of community-based organization (CBOs) such as Water User Groups, Road User Groups, Community-Based Tourism Groups (CBT) in the 5 partner dzongkhags in Bhutan. The approximate number of direct beneficiaries is more than 2900 individuals (about 2200 citizen group members + 700 youth and women CBT members). There will be approximately 10 members in every Farm Road User Group, approximately 10 in every Water Users Association and a similar minimum number interested to

engage in community-based tourism. In each gewog, it is expected that 10 road user groups, 10 water users' association and about 2 clusters of households will be directly benefited.

The indirect beneficiaries will extend to the entire population in the selected project sites and the previous four partner dzongkhags which will serve as best practise resources. In total, indirect beneficiaries is estimated to be around 196,000, of which about 48% will be women. In addition, about 400 local government officials will be indirect beneficiaries.

5.2. Main partners and other stakeholders

Government agencies at the central level are strategic partners. For the project, the Ministry of Home Affairs (MoHA), the Ministry of Finance (MoF), Ministry of Industry, Commerce and Employment are system partners. At the local level, Local Governments and Gewog and Dzongkhag Administrations are system partners. At the same time, they are also implementation partners for certain activities. The Department of Local Governance and Disaster Management, Local Government Division, Department of Tourism and vocational training institutes are the main implementation partners. Youth and women groups, CBT groups and members of Water Users Association's and Farm Road Users Associations will be important implementation partners at the community level.

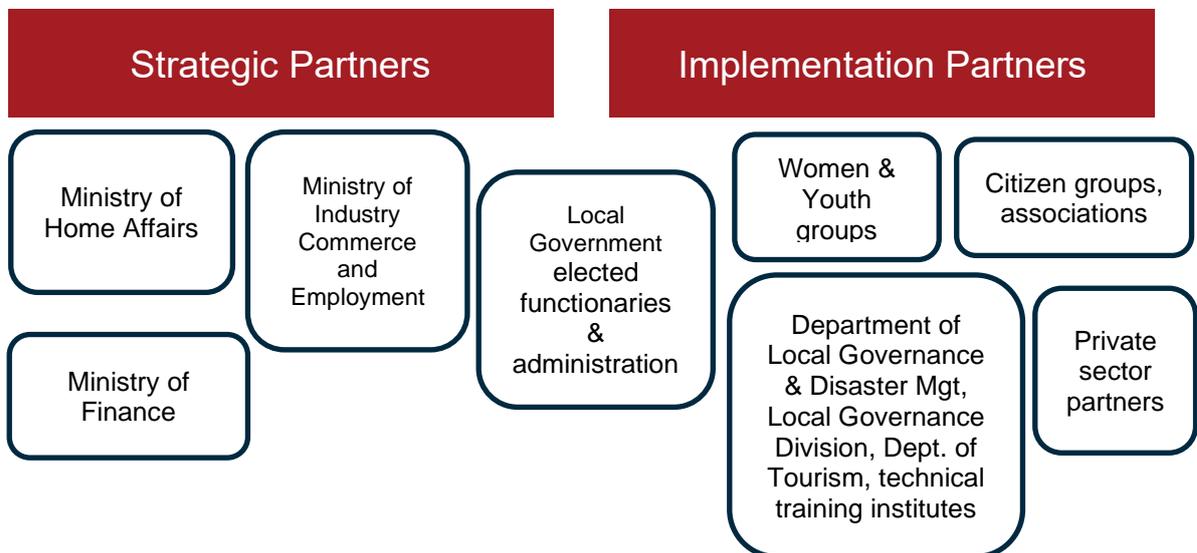


Figure 3: Stakeholder map

6. Project Management

6.1. Management Setup

The management set-up proposed for the project is done so keeping in mind the institutions which need to have an overview of developments, need to be informed of progress and which have the potential to upscale good practices and institutionalise procedures. A **project steering committee** will oversee and guide the project. Implementation will be done through a Project Management Unit composed of a **Project Manager** from the Department of Local Governance and Disaster Management and an accountant, and a **Project Advisor** from LEAD+. A civil society expert and a monitoring and community mobilization expert from LEAD+ will support the Project Advisor.

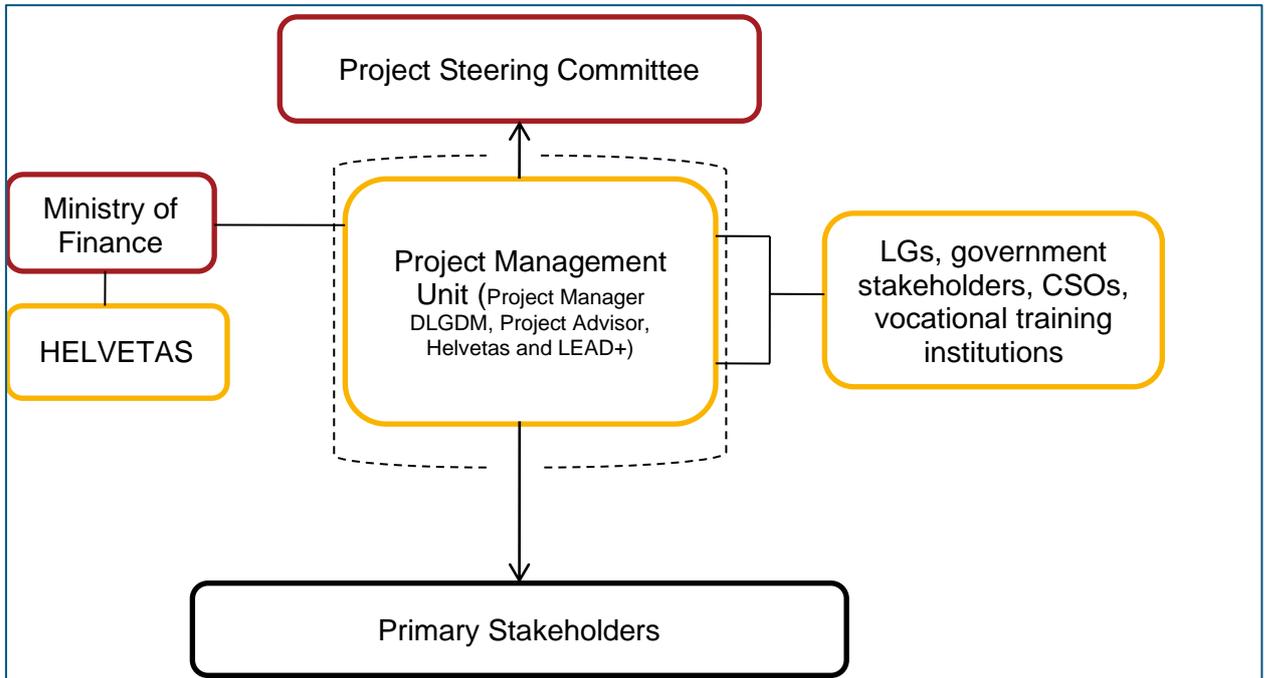


Figure 4: Project management organogram and sharing of responsibilities.

6.1.1 Project Steering Committee (PSC)

The project will be guided by a Project Steering Committee which will meet at least twice a year. The main responsibilities of the PSC are to:

- Oversee and provide strategic guidance to the project.
- Decide on/resolve any important issues pertaining to the implementation of the project
- Review and approve annual work plans and budgets
- Review and endorse changes proposed by the project management unit to work plans/budgets for effective implementation.
- Review and endorse financial and operational reports.
- Review and endorse all TA needs of the project as recommended by the project management unit.

The PSC will comprise representatives from the DLGDM, the Policy and Planning Division, MoHA, Local Government representatives from the partner dzongkhags, Local Government Division under Ministry of Finance, Department of Tourism and HELVETAS.

6.1.2 HELVETAS Country Office

- Helvetas will contract LEAD+ for: planning and co-implementation of activities together with citizen groups and local government institutions.
- Provide strategic direction to LEAD+ and implementing partners
- Be represented in the PSC to guide and steer the Project
- Liaise with Helvetas HQ and ensure quality of Helvetas engagement with local partners
- Provide financial services and control as per the financial manual of HELVETAS and RGoB
- Carry out annual auditing through a neutral auditing agency

6.2. Staffing, consultants and human resources development

Guided by the Project Steering Committee, a Project Manager from the DLGDM will oversee the implementation of the project. The main tasks of the Project Manager include:

- Coordinate the implementation of the project activities under the guidance of the PSC
- Organize regular Project Steering Committee Meetings
- Follow up on required management and approval processes.
- Prepare annual work plans and budget and present to the project Steering Committee for discussions and approval.
- Carry out field visits to monitor project activities.
- Follow-up on audit recommendations.
- Prepare and participate in project reviews.
- Coordinate with other projects and relevant agencies.
- Recommend ToR for technical assistance to the Steering Committee for approval and follow-up support
- Act as member secretary to the Project Steering Committee

The Project Manager will be supported by a Project Advisor whose main tasks will include:

- Provide technical inputs to the project, and contribute towards generating relevant knowledge products and analytical documents
- Support the Project Manager in overall quality project management including financial, planning (yearly planning), implementation, and reporting (half yearly and annual reports)
- Prepare progress reports and budget-expenditure updates
- Support the Project Manager in collaborating with relevant stakeholders, including the Directorate Services (Finance division) of the Ministry of Home Affairs and HELVETAS on fund incorporation, releases and expenditure statement preparation
- Keep HELVETAS regularly informed on issues and challenges as well as achievements
- Coordinate and organize regular discussions and meetings with the Project Manager
- Participate in review and evaluation processes of the project and follow-up implementation

The Project Advisor will be supported by Monitoring and Community Mobilization Expert and Civil Society Expert whose task will include:

- mobilizing citizen groups and local government representatives
- conduct regular field visits, data collection to track progress and feed into draft reports, story collection
- expert responsible for technical assistance in citizen engagement and women's empowerment

Technical assistance will be planned on thematic topics where technical expertise is required. Human resource development of partner organizations will be inbuilt into the project and will be done through various approaches and tools such as peer learning, advice, trainings and through development of by-laws, guidelines and procedures.

6.3. Monitoring and Evaluation

6.3.1. Baseline

Youth and women's involvement in the partner dzongkhags in productive economic opportunities are limited. Subsistence agriculture and livestock rearing are the two main sources of income (Chhukha 31%; Pema Gatshel 56%; Zhemgang 60%; Mongar 61%; Lhuntse 62%). In this, women make up the majority at about 53.5% on average. In terms of improving the standard of living, access to quality roads, water supply, and income opportunities are mentioned to be top priorities. Poor-quality infrastructures and public services are challenges, which can be attributed to inadequate planning, community consultation, and participation in monitoring and implementation. The existence of citizen groups are opportunities to address some of these issues; however, their effectiveness is questionable. For example, the 2022 Performance Audit revealed that the establishment and operation

of Road User Groups (RUGs) were inconsistent and ineffective throughout the country due to capacity limitations and impractical guidelines.

Disaggregated data at the gewog and community levels in the partner dzongkhags are unavailable, and therefore establishing baseline data will be done at the project's outset.

6.3.2. Monitoring

Close monitoring will be done to track results, identify areas of concern and options to address these.

Instruments for monitoring and evaluations will include:

- Regular field visits and discussions with partners including primary stakeholders. These will be recorded in Back-to-Office Reports
- Progress reports including financial statements.
- Steering committee meetings
- Regular meetings and discussions with partners to review and adapt where relevant and needed.
- Technical assistance feedback
- Mid-term review
- Final evaluation

6.3.3. Reporting

The Project Manager and Project Advisor will prepare high quality and timely semi-annual and annual project reports, including statements of accounts.

The progress will be reported to the PSC during the PSC meetings that will be held at least twice a year. The reports will be submitted to HELVETAS and government agencies through the DLGDM. In addition, monitoring reports and field visit reports will be submitted.

6.3.4. Reviews / evaluations / impact assessment

A mid-term review will be done by an independent consultant and its purpose will be to take stock of the project progress and challenges, learn from them and use them to make adjustments that might be necessary to enhance performance. A final evaluation will be conducted with emphasis on learning at various levels, and opportunities to enhance uptake and incorporate lessons learned from the present experience.

6.3.5. Audit / public audit

The project will be annually audited by the Royal Audit Authority of Bhutan through the existing auditing system of Bhutan. Public audits will be conducted by citizen groups.

7. Resources (financial and material)

7.1. Budget

A summary of the budget is provided below. Details are provided under Annex 9.2.

Budget Part	% of total	Phase Total CHF	2023 CHF	2024 CHF	2025 CHF
Contribution from partners		125,512.14	41,837.38	41,837.38	41,837.38

Project Outcomes	89.38	704,997.55	211,499.23	281,998.98	211,499.34
Project Management and Local Office	7.81	61,643.07	20,547.69	20,547.69	20,547.69
Audit and Financial Services	0.48	3,750.00	1,280.00	1,280.00	1,280.00
Mid-term review and evaluation	2.33	18,400.00		9,200.00	9,200.00
TOTAL	100	788,790.62	233,326.92	313,026.67	242,527.03

7.2. Funding sources

The government partners will contribute to the recurring costs in the project. The Project Manager will be an employee of the Department of Local Governance and Disaster Management whose costs will be borne by the government. The fund for the project comes from FGC and HELVETAS.

8. Overall assessment and Risks

8.1. Overall assessment of sustainability and ownership

The fact that the project will be jointly implemented with the Department of Local Governance and Disaster Management, Local Government Division, and Department of Tourism at the national level provides certain assurance that initiatives and lessons will be integrated within the government local governance and tourism framework. The likelihood of sustaining ownership will be enhanced by working directly with citizen groups, youth, and women residing in the communities. For sustainability of the results achieved through the interventions of this project:

- (i) anchoring implementation of project activities within Local Government plans and programs while closely monitoring and backstopping through technical support and advice
- (ii) contributing to developing strategic guidelines and operating procedures that will remain beyond the project's life
- (iii) ensuring that resources and concrete activities are planned for sharing of good practices and lessons learnt from this project
- (iv) working closely with citizen groups, youth, and women
- (v) building on existing structures and mechanisms that align with community needs rather than creating new structures or systems

8.2. Table with risks, probability of occurrence and mitigation measures

Risks	Probability of occurrence	Mitigation measures
Retraction of policy support for decentralized governance	Low	Consistent and regular discussions and advocacy on decentralized governance
The empowerment of citizen groups in management of key public services may not be favourably acknowledged by some local leaders and administrations	Medium	Local leaders and administrations will be brought on board from the conceptual stage through implementation and steering.

<p>Community based tourism as a means to enhance local economy may see resistance from some tour operators opposed to benefit sharing from tourism.</p>	<p>Medium</p>	<p>Raise awareness on the focus given to tourism products diversification in the tourism policy framework.</p> <p>Engage with representatives of tour operators and guides from the beginning to show the win-win side to community engagement</p>
<p>The influence and status of mainly men and informal local leaders in the society could be seen to be at risk. These traditional power holders may therefore see themselves negatively affected</p>	<p>Low</p>	<p>Raise awareness and include men in advocacy programs and promote networking and collaborative working approach.</p>
<p>Gap between central institutions and local implementers</p>	<p>Medium</p>	<p>Several platform bringing together central and local actors will be facilitated. Both central and local actors will be represented in the project steering committee</p>

9. Annex

9.1. Logical Framework

Intervention Logic	Indicators	Means of Verification	Assumptions / risks (External Factors)
Impact			
Citizens have improved their standard of living when they have the capacity and opportunities to engage in improving the responsiveness and effectiveness of key public services and local economic opportunities	<ul style="list-style-type: none"> • Perception of citizens and local administrations on the quality of key public services and economic opportunities in the project sites 	<ul style="list-style-type: none"> • Perception study • MTR, evaluation report 	
Outcomes/Outputs	Indicators	Means of Verification	Assumptions / risks (External Factors)
1. Increased participation of citizen groups in planning, implementation, and management of the key public services	<ul style="list-style-type: none"> • Increase in incidences of discussions on key public services in Chiwog Zomdus (Village Meetings) • # of citizen group members demonstrating capacity to participate in planning, implementation, and management of key public service deliveries • Increased incidences of inclusion of citizen groups in planning, budgeting and implementation of key public services by local administrations. 	<ul style="list-style-type: none"> • Sample Zomdu minutes • Assessment reports and Evaluation reports 	<ul style="list-style-type: none"> • Clarity in policy and national framework and no conflicts between division of roles and responsibilities between central ministries and LGs

<p>Output 1.1: citizen groups trained on planning and governance of key public services.</p>	<ul style="list-style-type: none"> • #of citizen group members trained on planning and governance of key public services • % of training participants demonstrating adequate knowledge on planning, budgeting and governance of key public services 	<ul style="list-style-type: none"> • Project Reports • Administrative Records • Training Reports • Conference Resolutions and Minutes of Meeting • Assessment study 	
<p>Output 1.2: Citizen group network and collaborate for common public service interest.</p>	<ul style="list-style-type: none"> • Local government administration facilitates at least three networking events on key public service delivery in every partner dzongkhags • Guidelines developed on networking and collaboration among citizens groups 	<ul style="list-style-type: none"> • Project Reports • Administrative Records • Memorandum of Understanding/Agreement 	
<p>Output 1.3: Skills and mechanism developed for citizen groups to engage in implementation and monitoring of key public services</p>	<ul style="list-style-type: none"> • Partnership fostered between gewogs and vocational schools in project sites. • # of tools introduced to effectively monitor public infrastructure by citizen groups 	<ul style="list-style-type: none"> • Memorandum of Understanding/Agreement • Project Reports 	
<p>Output 1.4: Strengthened functional relationship between citizen groups and LG institutions.</p>	<ul style="list-style-type: none"> • # of citizen groups having updated and revised by-laws catering to evolving needs and changes • # of policy dialogues and exchange programs organized between local administration and citizen groups and outcome documented. • Established grievance redressal mechanism between citizen groups and local administrations. 	<ul style="list-style-type: none"> • Administrative records • By-laws of the citizen groups • Project Reports 	

2. Enhanced local economic opportunities for youth and women	<ul style="list-style-type: none"> • % Increase in income of youth and women through local economic opportunities arising from CBT • % increase in participation of youth and women in decision-making related to local economic opportunities 	<ul style="list-style-type: none"> • Assessment reports and evaluation reports 	LGs are willing to divert from conventional planning approach focusing on infrastructure development to more of holistic planning approach focusing on local economic development.
Output 2.1: Partner communities develop and implement sustainable community-based tourism initiatives, resulting in increased economic opportunities for youth and women.	<ul style="list-style-type: none"> • Local economic opportunities from CBT which directly benefits for youth and women identified • Increased # of youth and women engaged in CBT groups. • # of CBT products and services developed in project sites • # of households benefiting from supplementary income from CBT 	<ul style="list-style-type: none"> • Administrative Record • Assessment report • Workshop report • Project reports 	
Output 2.2: Increased capacity of the youth and women groups to generate income through CBT	<ul style="list-style-type: none"> • # of youth and women trained in income generating initiatives through CBT • # of networking and multi-stakeholder workshop between CBT groups and other key stakeholders • Increased awareness among hoteliers and travel agencies on CBT offers in partner sites • # of joint venture partnerships signed for marketing of products and services 	<ul style="list-style-type: none"> • MoU • Project reports • By-laws • Training reports • Administrative records 	

9.2. Budget

Cost Type	2023	2024	2025	Total	Total in %
1. Direct Project costs (activities in favour of the beneficiaries)	211,499.23	281,998.98	211,499.34	704,997.55	
Outcome 1. Increased participation of citizen groups in planning, implementation, and management of the key public services	93,815.00	125,086.67	93,815.11	312,716.67	44.36
Output 1.1: citizen groups trained on planning and governance of key public services.	39,251.92	52,335.90	39,251.92	130,839.74	
Output 1.2: Citizen group network and collaborate for common public service interest.	20,883.27	27,844.36	20,883.27	69,610.90	
Output 1.3: Skills and mechanism developed for citizen groups to engage in implementation and monitoring of key public services	17,536.54	23,382.05	17,536.54	58,455.13	
Output 1.4: Strengthened functional relationship between citizen groups and LG institutions	16,143.27	21,524.36	16,143.38	53,810.90	
Outcome 2. Enhanced local economic opportunities for youth and women	117,684.23	156,912.31	117,684.23	392,280.77	55.64
Output 2.1: Partner communities develop and implement sustainable community-based tourism initiatives, resulting in increased economic opportunities for youth and women	89,545.77	119,394.36	89,545.77	298,485.90	
Output 2.2: Increased capacity of the youth and women groups to generate income through CBT	28,138.46	37,517.95	28,138.46	93,794.87	
2. Project Management Unit	12,307.69	12,307.69	12,307.69	36,923.07	
PMU	12,307.69	12,307.69	12,307.69	36,923.07	
3.3 Local Office					
3.3.1 Vehicle Cost	1,320.00	1,320.00	1,320.00	3,960.00	
3.3.2 Office Rent	3,000.00	3,000.00	3,000.00	9,000.00	
3.3.3 Consumables-office supplies	1,200.00	1,200.00	1,200.00	3,600.00	

Cost Type	2023	2024	2025	Total	Total in %
3.3.4 other services (tele, electricity/heating, maintenance – Helvetas)	1,440.00	1,440.00	1,440.00	4,320.00	
3.3.5 Computer and equipment	1,280.00	1,280.00	1,280.00	3,840.00	
3.4 Audit and Financial Services	1,250.00	1,250.00	1,250.00	3,750.00	
4. Evaluation & Impact assessment		9,200	9,200	18,400	
4.1. Specific evaluations/impact assessments (extern or intern): MTR, evaluation		9,200	9,200	18,400	

The total direct project is up to 704,997.55 CHF.