



Department of Local Governance and Disaster Management
Ministry of Home Affairs
Royal Government of Bhutan

Situational Assessment on Planning and Budgeting Process in Local Governments of Bhutan March 2026

Supported by



Project for Promoting Inclusive Participation Leveraging
Community Engagement Platform (PRICE)

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List of Acronyms

- BTF – Bhutan Trust Fund
- CEP – Community Engagement Platform
- CGF Sheet – Corrugated Galvanized Iron Sheet
- DPBP – Department of Planning, Budget and Performance (DPBP)
- DT – Dzongkhag Tshogdu
- FYP – Five Year Plan
- GFC – Gewog Finance Committee
- GNH – Gross National Happiness
- GSB – Granular Sub-Base
- GT – Gewog Tshogde
- HIPE – High-density polyethylene (pipes)
- IPD – Initial Project Document
- LG – Local Government
- LGKRA / LGKRAs – Local Government Key Result Area(s)
- MFCC – Macroeconomic Framework Coordination Committee
- MTFF – Medium-Term Fiscal Framework
- PBCRG – Performance-Based Climate Resilient Grant
- PBG – Performance-Based Grant
- RAF – Resource Allocation Framework
- RGoB – Royal Government of Bhutan
- RWSS – Rural Water Supply Scheme
- SDP – Small Development Project

Executive Summary

Bhutan's planning and budgeting system is built on a structured, top-down national vision that cascades from the 13th Five Year Plan (FYP) to Local Government (LG) mandates. This architecture ensures that every local initiative meaningfully contributes to the country's overarching ambition of becoming a "High-Income GNH Economy by 2034."

1. National → Local: A Strategic Framework

At the national level, the 13th FYP defines four strategic pillars—Economic Development, Social Development, Enhanced Security, and Trusted & Transformed Governance. These are operationalized locally through seven mandatory Local Government Key Result Areas (LGKRAs):

1. Vibrant local economies
2. Quality education and skills
3. Improved health and well-being
4. Social security and support
5. Disaster risk management and safety
6. Culture, identity, and heritage
7. Citizen-centric public services

These broad LGKRAs serve as the binding framework within which every Dzongkhag and Gewog must plan, budget, and execute their annual and multi-year activities.

2. RAF: The Engine of Strategic Resource Allocation

The Resource Allocation Framework (RAF) drives the top-down allocation of national resources to Local Governments. Using objective criteria—such as population, area, poverty incidence, climate vulnerability, and transport accessibility—the RAF determines predictable funding ceilings for each local government.

RAF ensures that:

- Grants are distributed equitably
- Local budgets align with LGKRAs
- Local plans remain consistent with the 13th FYP

In effect, RAF is the financial instrument that enforces strategic discipline across all Lgs.

3. The Three National Funding Windows for LGs

Local Governments receive resources through three key national funding windows:

a) Annual Grants (RAF-Based)

The primary block grants—capital and current—that fund activities tied to the LGKRAs.

b) Small Development Project (SDP) Grants

A major window for community-driven initiatives submitted via Initial Project Documents (IPDs).

c) Project-Tied Funding

Resources earmarked for national priority infrastructure such as roads, irrigation, bridges, and drinking water systems.

Together, these three windows form the backbone of local government financing.

4. Top–Down vs Bottom–Up: A Productive Governance Balance

Top–Down Mechanisms

- 13th FYP sets national goals
- LGKRAs define local obligations

- RAF determines resource envelopes
- Dzongkhag Tshogdu ensures alignment

Bottom–Up

- Nangzom (Community Engagement Platform (CEP) → Chiwog Zomdu → Gewog Tshogde
- Community Improvement Plans (self-help, mutual-help, public-help)
- Priorities emerging from community needs

Gewogs manage and implement activities that fall within their administrative authority, staffing capacity, and budgetary mandate. Issues or projects that exceed the Gewog's technical capacity are presented to the Dzongkhag Tshogdu (DT). These matters are then reviewed, validated, and ratified by the Dzongkhag administration, ensuring administrative oversight and strategic coherence across the Dzongkhag

5. Budget Formulation Process and Timeline.

Bhutan's annual budget cycle follows a structured national calendar:

- **December:** Preparations for the budget call begin
- **January:** Budget call notification issued
- **March 15:** Deadline for proposal submission to DPBP

6. Synthesis: The Central–Local Planning & Budgeting Nexus

Bhutan's planning and budgeting system is a tightly integrated structure that connects national strategy with local implementation. The 13th FYP provides national direction; LGKRAs translate this into local mandates; RAF finances these mandates; and the CEP ensures community voices shape local decisions.

Within this architecture, Gewogs implement activities within their capacity, while complex or cross-cutting issues are escalated to the Dzongkhag

Tshogdu for ratification and support—ensuring coherence, accountability, and alignment between grassroots priorities and national objectives. This integrated cycle ensures that Bhutan's development trajectory remains strategic, inclusive, and grounded in GNH values.

Part A: The National Framework for Planning and Budgeting (Literature Review)

1.0 Introduction and Methodological Approach

This literature review analyzes Bhutan's public financial management system, tracing how the national philosophy of Gross National Happiness (GNH) connects to grassroots development planning and fiscal allocation. It seeks to map the coherent flow of policy directives and financial resources from the central government's strategic vision to the planning and implementation frameworks at the local and community levels.

This review is based on a synthesis of three core government documents that collectively define the nation's planning and budgeting landscape.

- The **13th Five Year Plan (2024-2029)**, which sets the national strategic framework and long-term development priorities.
- The **National Budget Report for FY 2025-26**, which serves as the practical instrument of fiscal policy that operationalizes the strategic plan.
- The **Community Engagement Platform (CEP) Handbook**, which provides the official guide for structuring grassroots participatory planning and needs identification.

This analysis begins with an examination of the highest-level strategic document, the 13th Five Year Plan, which serves as the blueprint for the nation's development trajectory.

2.0 The National Strategic Architecture: The 13th Five Year Plan

The 13th Five Year Plan (2024-2029) is Bhutan's primary development document. It translates Gross National Happiness (GNH) into actionable objectives using a 10-year framework to ensure continuity toward national goals.

The plan articulates a clear and ambitious national goal: for Bhutan to become a "High-Income GNH Economy by 2034." This vision is supported by three interconnected pillars, the "3Ps," which guide the plan's strategic direction:

- **People:** Enhancing the well-being and productivity of all sections of society through quality health, education, and social protection.
- **Progress:** Fostering a society where security, vitality, and resilience are enhanced through innovation, stability, and effective governance.
- **Prosperity:** Building a prosperous economy driven by innovation and sustainability that benefits all Bhutanese through gainful employment and dignified livelihoods.

These three pillars translate into four strategic objectives: Prosperity becomes Economic Development, People becomes Social Development, and Progress drives both Enhancing Security and Trusted and Transformed Governance. To achieve its long-term vision, the 13th FYP is structured around these four interconnected strategic objectives to be realized by 2029:

1. **Economic Development:** Achieving a high-income status driven by innovation and sustainability, with a target GDP of USD five billion.
2. **Social Development:** Fostering a healthy, productive society founded on equitable and high-quality health, education, and social protection systems.
3. **Enhancing Security:** Safeguarding and strengthening Bhutan's sovereignty, territorial integrity, security, unity, well-being, and resilience.
4. **Trusted and Transformed Governance:** Creating a transformed and trusted governance ecosystem that drives accelerated economic growth and improves people's lives.

The implementation of the 13th FYP is organized through a four-cluster approach (economic, social, security, and governance) to enhance coordination and coherence. Agency-specific and local government plans are integrated directly into this framework, ensuring that all local initiatives align with the broader national objectives. This national vision is then translated into financial terms and operational priorities through the annual national budget.

3.0 The National Fiscal Framework: The Annual Budget

The national budget is the primary annual instrument for operationalizing the strategic objectives of the 13th FYP. It is the fiscal mechanism for funding national priorities, mobilizing resources, and implementing economic policy.

The Royal Government of Bhutan (RGoB) has outlined three key fiscal policy objectives to guide its financial management during the plan period:

- Promoting Sustainable and Stable Economic Growth
- Enhancing Revenue Mobilization and Expenditure Efficiency
- Safeguarding Fiscal Stability and Resilience

The overall fiscal framework for the 13th FYP period is summarized below. This projection reveals a deliberate strategy of leveraging capital expenditure for growth, while anticipating a manageable fiscal deficit to be financed through a mix of external and domestic borrowing.

Table 1 - Overall fiscal framework for the 13th FYP

Category	Projected Amount (BTN in million)
Total Resources	456,345
Domestic Revenue	327,346
External Grants	125,000
Total Outlays	512,283
Current Expenditure	267,283
Capital Expenditure	245,000
Projected Fiscal Deficit	(55,938)

For the specific fiscal year 2025-26, the government estimates a total domestic revenue of Nu. 70,462.1 million and total grants of Nu. 25,415.2 million.

3.1 Budget Formulation Process and Timeline

The annual budget preparation follows a structured calendar that ensures systematic planning and Parliamentary oversight. The process begins in –

December: Begin preparations for the budget call.

January: Issue the budget call notification to all agencies for the 2025–2026 budget.

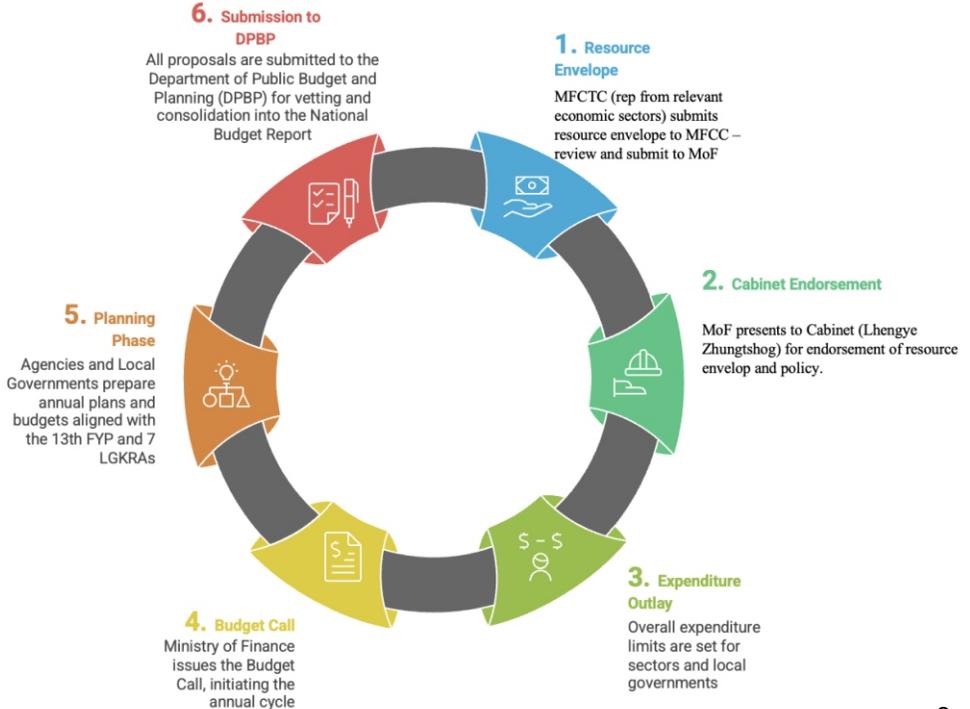
March 15: Deadline for submission of proposals to the DPBP Office.

Figure 1 - Budget Formulation Process and Timeline



Further, this comprehensive six-stage framework guides the entire budget formulation process:

Figure 2 - Comprehensive six-stage framework guides the entire budget formulation process



Stage 1: Resource Envelope Development

The Framework Committee within the Ministry of Finance develops fiscal projections through the Medium-Term Fiscal Framework (MTFF), which guides all resource allocation decisions

Stage 2: Government Approval

The Macroeconomic Framework Coordination Committee (MFCC) reviews and approves the projections, ensuring they align with macro-economic conditions and national priorities.

Stage 3: Expenditure Outlay Determination

Once the Resource Envelope is endorsed by MFCC, the overall expenditure outlay—the total budget ceiling—is determined, establishing the fiscal parameters within which all agencies must operate. The difference between available resources and development needs creates a fiscal deficit—the resource-expenditure gap—financed through borrowing.

Stage 4: Budget Call (Preparation and Planning)

Beginning in December, the Ministry of Finance prepares the budget call documentation and guidelines.

Stage 5: Planning Phase

Following the January budget call notification, agencies begin preparing detailed proposals for the next fiscal year, working within the expenditure ceiling established in Stage 3 and aligning their proposals with national priorities outlined in the 13th FYP.

Stage 6: Proposal Submission

By the March 15 deadline, all agencies must submit their proposals to DPBP.

Following the submission deadline, DPBP consolidates all agency proposals and prepares a comprehensive budget report, which is then submitted to Parliament as the Budget Bill. By June–July, Parliament reviews, debates, and passes the bill as the Budget Appropriation Act, formally authorizing government expenditure for the fiscal year.

3.2 External Grants for FY 2025–26

According to the National Budget Financial Year 2025–26 (Table 4.4), the Royal Government of Bhutan anticipates receiving Nu. 25,415.218 million in external grants for FY 2025–26. These grants form a major component of Bhutan's fiscal framework and continue to support core development programs, infrastructure investments, and social sector initiatives.

The Government of India (GoI) remains the most significant development partner, contributing over Nu. 19 billion through a combination of projected grants and program grants, making it the single largest source of external financing for the fiscal year.

In addition to GoI, several key multilateral and bilateral partners are also providing substantial assistance, including:

- Asian Development Bank (ADB)
- European Union (EU)
- Bhutan Foundation (BF) and private donors
- United Nations agencies (UNICEF, UNDP, UNEP, UNFPA)
- World Bank (WB)
- Other development partners such as GCF, IFAD, and SDF

The diversity of development partners reflected in the table highlights strong international confidence in Bhutan's development priorities and governance systems. Collectively, these grants play a central role in financing the country's planned activities for FY 2025–26.

4.0 The Decentralized Governance Structure

In Bhutan's GNH-led development model, local governments (LGs) hold profound constitutional and philosophical importance. This principle is eloquently captured in the words of His Majesty the King: **"Local government is not the lowest level of government, but the nearest and closest level of government for the people."** This vision positions LGs as the primary vehicle for translating national objectives into tangible local action and ensuring development is responsive to community needs.

The primary mechanism for aligning local plans with the national vision is a set of seven Local Government Key Result Areas (LGKRAs). These LGKRAs are strategically mapped to the national outcomes of the 13th FYP, creating a direct line of sight from central policy to local deliverables. The seven LGKRAs are:

1. Vibrant local economies.
2. Quality education and skills development.
3. Improved health and wellbeing of residents.
4. Proactive social security and support measures.
5. Effective disaster risk management and safety.
6. Strengthened culture and identity.
7. Effective delivery of citizen-centric public services.

The linkage between national and local priorities is direct and unambiguous. For instance,

- LGKRA #1 ("Vibrant local economies") serves as the direct local-level instrument for achieving the national Economic Development objective. Similarly,
- LGKRAs #2 ("Quality education and skills development") and
- LGKRAs #3 ("Improved health and wellbeing of residents") operationalize the Social Development objective at the community level.

This structure ensures that local government activities are not ad-hoc but are systematically contributing to shared national goals.

5.0 Fiscal Decentralization and Resource Allocation

Fiscal decentralization is the critical enabler of effective local governance, providing LGs with the financial autonomy to plan and execute development initiatives. The Resource Allocation Framework (RAF) is the primary instrument used by the central government to ensure that the distribution of capital resources to LGs is objective, transparent, and equitable.

For the 13th FYP period, the total indicative resource allocation to local governments is BTN 72,000 million. The disbursement of these funds follows a phased approach:

- In the first year, 11% of the Nu. 34 billion outlay was allocated.
- In the second year (2025), 20% of the Nu. 32 billion outlay is allocated.
- The remaining 69% will be distributed over the next three years.

Future allocations will depend on the Resource Envelope, based on which the expenditure outlay for the next financial year is set.

This funding is channelled through two distinct but complementary mechanisms:

Fund Type	Dzongkhag (BTN million)	Gewog (BTN million)	Thromde (BTN million)	Thromde (BTN million)
Annual Grants	10,000	13,000	11,000	34,000
Project-tied Works	12,500	22,000	3,500	38,000
Total	22,500	35,000	14,500	72,000

These two funding streams serve distinct purposes:

- **Annual Grants:** These funds are allocated via the formulaic RAF and provide discretionary capital for LGs to invest in activities that deliver on their LGKRAs, allowing them to respond to locally identified priorities.
- **Project-tied Works:** These funds are earmarked for specific, high-priority national infrastructure projects (e.g., Chiwog roads, irrigation) implemented at the local level, ensuring key national goals are met.

The Resource Allocation Formula (RAF) uses different variables by level. Dzongkhags use Population, Geographical Area, and inverted GNH Index. Gewogs add Poverty Distribution, Climate Change Vulnerability, and Transportation Index.

Furthermore, a performance-based funding element has been instituted, stipulating that the release of **30 percent of the capital block** grant to Gewogs is contingent on the performance and budget utilization efficiency of the previous fiscal year. This creates a sustained incentive for effective financial management.

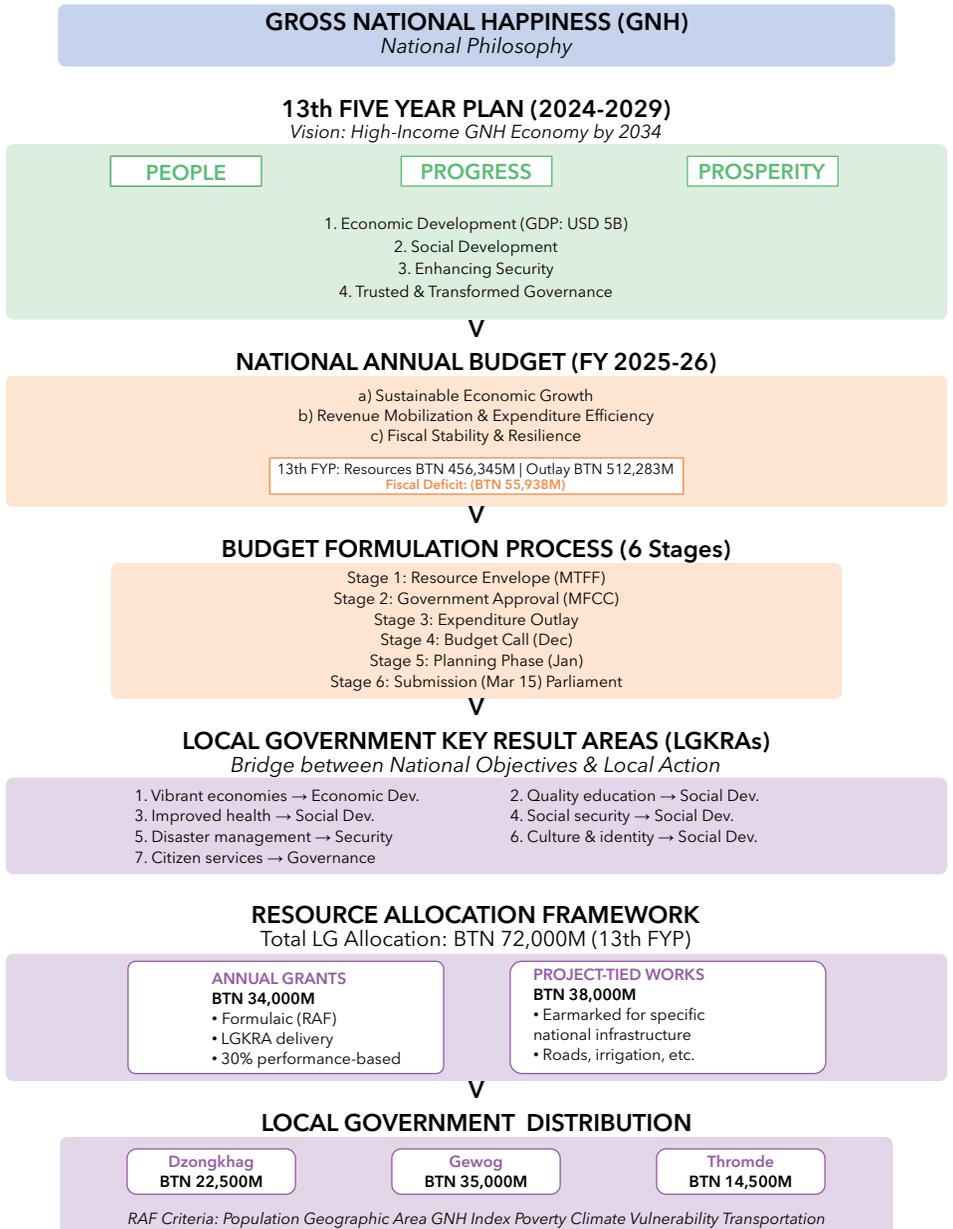
5.1 Dzongkhag-Level Resource Allocation and Distribution

While the RAF provides the formulaic basis for allocation, the actual distribution to Dzongkhags incorporates additional considerations. Not all 20 Dzongkhags receive identical allocations; each Dzongkhag's budget is adjusted to account for spillover projects from previous fiscal years and special priority activities identified through strategic review processes.

The allocation process involves iterative review: sector-specific activities are discussed via video conferences with relevant ministries, and budget proposals are reviewed and sent back to Dzongkhags for refinement. Once finalized, funds are released as Annual Capital Grants (Block Grants). All activities—including spillover projects—must be reflected in the RAF to ensure transparency and accountability. For the current fiscal year (2025 -26), the allocation rate stands at 20% of the total outlay.

The figure below, "**Integrated Planning and Budgeting Architecture: From National Vision to Local Implementation,**" illustrates how Bhutan's national priorities, fiscal processes, and local government mechanisms are interconnected.

Figure 3 - Integrated Planning and Budgeting Architecture: From National Vision to Local Implementation



6.0 Grassroots Participatory Planning: The Community Engagement Platform (CEP) Model

The Community Engagement Platform (CEP) provides the formal structure for bottom-up planning in Bhutan. Community members identify local needs, mobilize resources, and formulate proposals for the official local government planning process.

The CEP model centers on Drongsep Yadrak (rural improvement), which emphasizes self-reliance. This shifts the development mindset from "looking for what they don't have" to "looking for what they have". This fosters proactive use of local resources and expertise and reduces dependency on government support.

7.0 Synthesis: The Central-Local Planning and Budgeting Nexus

Bhutan's planning and budgeting architecture is a deeply integrated system designed to translate high-level national strategy into grassroots action. The complete cycle demonstrates a coherent flow: national priorities articulated in the **13th FYP** inform the **LGKRAs** that guide local governments. The **national budget** then allocates funds via the RAF to empower LGs. Finally, the **CEP model** facilitates a bottom-up process where needs identified at the **Nangzom** are channelled to the **Gewog Tshogde** for potential funding from the very resources allocated through this top-down framework.

Figure 4 - Planning and Budgeting Cycle



Part B: Consolidated Report on Local Government Fiscal Frameworks and Development Projects in Bhutan

1.0 The 13th Five Year Plan: Small Development Projects (SDP) Framework

The Small Development Projects (SDP) framework is a cornerstone of Bhutan's decentralized development strategy under the 13th Five Year Plan. It serves as a key fiscal instrument to empower local governments by providing dedicated funds for community-prioritized projects, ensuring that development is responsive to local needs and contributes directly to grassroots progress.

According to the national guidelines issued by the Cabinet Secretariat (Ref. OCASC/13th FYP/SDP/2516), the SDP framework was formally approved during the 32nd Session of the Fourth Lhengye Zhungtshog on October 31, 2024. The framework outlines the funding structure and implementation modalities for Gewogs, Dzongkhags, and Thromdes.

The maximum funding allocations per local government over the five-year plan period are detailed below.

SDP Maximum Funding Allocations Per Local Government

Local Government Tier	Maximum Allocation (Nu.)
Gewog	30.7 million
Dzongkhag	67.5 million
Thromde	337.5 million

The implementation of the SDP fund is structured in a two-phased approach to ensure measured progress and effective planning. 50% of the total allocation is designated for Phase I, with the remaining 50% earmarked for Phase II. Local governments were directed to submit their Initial Project Documents (IPDs) for Phase I projects by November 12, 2024, demonstrating a clear timeline for initiating these development activities. The total size of the national SDP fund is Nu. 10 billion, of which Nu. 1 billion has been strategically set aside as a contingency fund to address unforeseen needs or challenges.

2.0 The Performance-Based Grant (PBG) and Capital Budget Management

The Performance-Based Grant (PBG) is a critical component of Bhutan's fiscal decentralization policy, designed to foster accountability and operational excellence within local governments. This mechanism directly links a portion of capital budget transfers to the independently assessed annual performance of Gewog administrations, creating an incentive for efficient service delivery and effective governance.

The direct impact of this policy is evident in the budget allocation for Gozhi Gewog. Based on a thorough assessment of its performance in the 2024-2025 fiscal year, the Gozhi Gewog Administration achieved a score of 79.72%. This performance directly influenced its capital budget for the

subsequent year. Out of a total potential performance-based capital budget of Nu. 3.474 million, the Gewog was allocated Nu. 2.770 million for the 2025-2026 fiscal year. Following this allocation, the Gewog Finance Coordination Committee convened on September 18, 2025, to reallocate these funds among prioritized local projects.

Gozhi Gewog PBG Reallocation for FY 2025-2026 (Nu. in Million)

Allocated Budget Item	Initial Allocated Budget	Reallocation	Change
Chadri items for Gewog	0.5000	0.2500	-0.2500
Support Balleygang Primary School with Smart TV board, Balleygang Chiwog	0.4000	0.3600	-0.0400
Establishment of Choetri at Dagapela Tashochoeling Gayduen Lobdra, Middle Gozhi Chiwog	0.3474	0.3474	-0.0000
Establishment of Crematorium (Joint Venture with Khebisa Gewog)	0.4770	0.4000	-0.0770
Procurement of Laptop and its peripherals for Chiwog Tshogpas	0.2500	0.1126	-0.1374
Laying GSB of Basnet Goan Farm Road, Balleygang Chiwog	1.5000	1.3000	-0.2000
Total	3.4744	2.7700	-0.7044

Source: Gozhi Gewog Meeting Minutes, 18/09/2025, Ref. Ga-4/GGA-12/2025-2026/129

Similarly, Toedwang Gewog utilized its performance-based grant for the 2025-2026 fiscal year to prioritize a key infrastructure project. As endorsed by its Local Government members on September 11, 2025, the following project was selected:

- **Project:** Maintenance of farm road from Haytogang to Bijibkhoka village
- **Proposed Budget:** Nu. 3.162 million
- **Source:** Toedwang Gewog, Ref. TG-07/GT/2025-2026/27

These examples illustrate how performance grants are translated from fiscal allocations into tangible, on-the-ground projects that serve community needs.

3.0 Analysis of Gewog-Level Project Implementation and Target Achievement

Analyzing the annual work plans and achievement reports of individual Gewogs is essential for understanding how national fiscal policies translate into tangible development outcomes. These documents provide a granular view of project implementation, budget utilization, and the alignment of local activities with broader national goals, such as the Local Government Key Result Areas (LGKRAs).

Gozhi Gewog: Summary of Target Achievements for FY 2024-2025

LGKRA Alignment	Sub-Activity	Annual Target FY 2024-25	Budget (Nu. in Million)	Achievement (Result)
Improved road connectivity & social cohesion (LGKRA 1)	Laying of Base Course L. D. Farm Road (Dogak Chiwog)	1.8 km	0.800	1.8 km laid with GSB and earthen drain.
	Laying of GSB at Nepal Goan Farm Road	0.8 km	0.650	0.8 km laid with GSB and earthen drain.
	Improvement of Naksaray Farm Road (Upper Gozhi Chiwog)	1 km	0.800	1 km laid with GSB and earthen drain.
	Improvement of Sherpalhakha and Sherpathuenlam Farm Road	0.5 km	0.200	0.5 km laid with GSB and earthen drain.
	Black Topping of Balleygang Farm Road	0.5 km	1.000	Additional 0.5 km blacktopped up to Balleygang P.S.
	Improvement of Gurung Goan Farm Road (Lower Gozhi Chiwog)	1 km	0.800	1 km laid with GSB and earthen drain.

Improved road connectivity & social cohesion (LGKRA 1)	Realignment of Subba Farm Road (Middle Gozhi Chiwog)	700 m	0.400	700 m laid with GSB and earthen drain.
	Summer Restoration	62 km	0.254	Cleared major landslides on farm roads in five Chiwogs.
	Maintenance of Bulki (B) Irrigation Channels (Dogak Chiwog)	15 HHs	0.200	Completed maintenance of two irrigation channels.
	Maintenance of Gozhi Khola Irrigational Channel	15 HHs	0.150	(No result specified in source)
Supply of safe drinking water (LGKRA 3)	Additional RWSS source at Barshang	11 HHs	0.150	Completed maintenance of two RWSS.
	Maintenance of RWSS in all the Chiwogs	40 HHs	0.200	(No result specified in source)
Improve Livestock Production (LGKRA 1)	Establishment of Commercial Dairy Farm through Cost-sharing	One Household	0.150	One 20-cow capacity dairy shed constructed and handed over.
	Piggery Breed Improvement	All Chewog	0.100	48 piggery breed stock procured and distributed to progressive farmers in Middle Gozhi Chiwog.
Efficient service delivery and accessibility	Procurement of Laptop for Gewog	3	0.150	3 laptops procured.
	Re-roofing of the Academic Block (Balleygang Primary School)	1	0.200	Re-roofing work undertaken.
Promote social cohesion and communal harmony (LGKRA 4)	Implement Community Engagement Platform (CEP) initiatives	50 Groups	0.150	Multiple community footpaths and a King's portrait constructed.
Enhance the Bhutanese Culture (LGKRA 6)	Establishment of Choezham at Tashicholing Gayduen Lobdra	1	0.600	Two Chozham were established.
Total			6.954	

Source: Gozhi Gewog Annual Target Achievement Report, 13/07/2025

Toedwang Gewog: Proposed Capital Activities for FY 2025-2026

Category	Activity	Proposed Budget (Nu. in Million)
Administration	Procurement of office equipment	0.200
	Disaster Management (monsoon restoration & prevention)	1.000
	Maintenance of Wangkha farm road (soling)	0.900
	Maintenance of Dawakha farm road (GSB)	0.955
	Construction of farm road at Nabji (Tsephu-Jara Chiwog)	0.600
	Maintenance of farm road (Thamji & Tsachuphu)	0.465
	Maintenance of irrigation channels (Tsachuphu, Thamji & Jara)	1.455
	Improvement of Samdingkha satellite town	0.400
	Maintenance of Wolathang suspension bridge	0.300
Agri-Livestock and Agri sector	Vaccination, AI equipment, AI consumable items, Feed & fodder	0.300
	Promote the use of hybrid seed	0.300
School	Maintenance of School and Eccd	0.652
Health sector	Maintenance of Samdingkha PHC	0.300
	Tsephu solar irrigation lifting	0.300
	Maintenance of Gewog RWSS	0.300
Total		8.427

Source: Toedwang Gewog Administration, 25/07/2025, Ref. TG-03/adm/2024-2025/7

While Toedwang Gewog's proposal outlines a comprehensive list of capital needs, other Gewogs provide a more granular breakdown of their budget sources, illustrating the direct application of performance-based funding.

Nubee Gewog, Trongsa: GFC Meeting Budget Allocation (31/07/2025)

Activity	Allocated Amount (Nu. in Million)
70% GRANT	
Improvement of Bjee farm road under Bji-Semjee Chiwog.	3.500
Major Maintenance of Rabdo Irrigation Channel at Simphu	1.000
Improvement of Gagar farm road under Gagar-Karshong Chiwog.	3.000
Improvement of Farm Road, Dorjigoenpa and Poengayna under Bagochen-buling-pang-yuiling Chiwog	1.300
Maintenance of Irrigation channels (old lines all Chiwog)	1.000
Monsoon Restoration in all Chiwog	0.639
Supply of CGI Sheet (Religion & Culture Service)	0.500
RWSS in all Chiwog (Health Service)	0.500
Total 70%	11.439
30% PBG	
Supply of Irrigation HDPE Pipes (land development for paddy irrigation)	3.000
Maintenance of Farm Road of Chella	1.000
Maintenance of Fencing	0.903
Total 30%	4.903

Source: Nubee Gewog Administration GFC Meeting, 31/07/2025, Ref. GAN/ADM/GT-13/2025-2026/1697

Further illustrating this local-level budgeting is the case of Nubee Gewog, which provides a clear accounting of its two main capital funding streams. The GFC's allocation distinguishes between the general capital grant (70%) used for broad infrastructure like farm roads and irrigation channels, and the performance-based component (30%), which is also directed at high-priority agricultural and infrastructure needs. This separation demonstrates the direct application of the performance-based incentive structure at the project planning level.

Beyond general development works, a specific grant mechanism is in place to address the growing challenge of climate change, funding projects designed explicitly for climate resilience.

4.0 The Performance-Based Climate Resilient Grant (PBCRG): Case Studies

The Performance-Based Climate Resilient Grant (PBCRG) is a specialized fiscal instrument designed to empower local communities to build resilience against the adverse effects of climate change. This grant funds targeted interventions that address specific climate-related vulnerabilities, such as water scarcity, unpredictable weather patterns, and threats to agricultural productivity. By directing resources towards adaptation measures, the PBCRG plays a crucial role in safeguarding livelihoods and promoting sustainable development at the grassroots level.

4.1 Completed Project Case Study: Maintenance of Nandu Irrigation Channel

The maintenance of the Nandu Irrigation Channel in Lower Gozhi Chiwog, Gozhi Gewog, is a recently completed project funded under PBCRG Phase-I. The project was executed departmentally by the Gewog Administration and successfully addressed long-standing issues with water delivery in the community.

Project Rationale and Scope

The project was necessitated by the severe deterioration of the Nandu Irrigation Channel, which is over 50 years old. This critical infrastructure serves 55 households and irrigates approximately 280 acres of rice-paddy fields. Due to its age, the channel suffered from significant water loss, sedimentation, and structural damage, problems that were exacerbated by climate change-related challenges like unpredictable weather and frequent droughts.

To address these issues, the project undertook a comprehensive rehabilitation. Key activities included excavation of foundation trenches, de-silting existing channel sections, laying hand-packed stone fillings, applying cement concrete for channel lining to reduce seepage, and laying HDPE pipes in areas where a concrete channel was not feasible. The project was implemented using a community-based approach, with local farmers contributing approximately 40% of the cost through their labor, which fostered strong local ownership and ensured the project's sustainability.

Nandu Irrigation Channel: Project Details

Budget Allotted	Nu. 0.7 million
Engineer Estimate	Nu. 1.11 million
Project Start Date	01/04/2025
Planned Completion Date	01/06/2025
Actual Work Completion Date	02/05/2025
Direct Beneficiaries	55 Households

Outcomes

The completion report concludes that the rehabilitation has significantly enhanced water delivery efficiency, with the hope that this will boost agricultural productivity and farmer incomes. The project was completed successfully and ahead of schedule. Furthermore, the community-based implementation model strengthened social cohesion and built local capacity for infrastructure management, positioning the channel for long-term sustainability.

4.2 Proposed Project Case Study: Procurement of Poly-houses (Greenhouses)

A project proposal has been developed in Gozhi Gewog to procure and distribute poly-houses (greenhouses) to farmers in the Middle and Upper Gozhi Chiwogs, using funds from the PBCRG.

Climate Rationale and Objectives

Agriculture is the primary source of livelihood for farmers in these communities, but it is under significant threat from climate change. Unpredictable weather, frequent droughts, rising temperatures, and increased pest prevalence are disrupting irrigation and damaging crops, making traditional farming increasingly difficult. Poly-houses are proposed as a climate adaptation solution. By creating a controlled environment, they protect crops from extreme weather, significantly reduce water usage through minimized evaporation, and allow for extended growing seasons.

The project's core objectives are:

- To potentially increase income generation for farmers through higher production.
- To enhance the overall resilience of farms in the face of climate change.

Poly-house Project: Key Parameters

Proposed Budget	Nu. 1.0 million
Target Beneficiaries	Households in Upper and Middle Gozhi Chiwog engaged in commercial farming.
Cost-Sharing Modality	Farmers will contribute 20% of the total cost.

Expected Outcomes and Success Indicators

The project proposal outlines clear indicators to measure its success, including:

- Increased vegetable production by 30% within a two-year timeframe in participating households.
- Reduced water usage for vegetable production by 20% in participating households.
- An increased number of harvests per year for specific crops.
- Improved livelihoods and potentially increased income for participating farm households.

While such detailed planning is crucial for effective project implementation, the development process must also remain flexible and adaptive to changing circumstances.

5.0 Dynamic Planning and Project Reconsideration: A Case from Punakha Dzongkhag

Development planning is an iterative process, not a static one. Local governments must possess the flexibility to adapt their plans in response to new information, technical assessments, or emergent challenges. A clear illustration of this adaptive capacity is Punakha Dzongkhag's formal request to the Cabinet Secretariat to revise its list of approved Small Development Projects (SDPs).

In a letter dated January 22, 2025 (Ref. DAP/PLG/03/2024-2025/3382), the Punakha Dzongkhag Administration requested that two originally approved SDP projects be dropped. These projects were:

1. Construction of Irrigation Channel from Ugyenphu Yachhu under Toedwang Gewog.
2. Construction of Irrigation water reservoir dam at Bhalue Jekha under Lingmukha Gewog.

The official reason cited for this request was the identification of "technical risk in the implementation of the project and associated cost overrun." This indicates a proactive governance approach, where potential implementation failures are identified and mitigated before resources are committed.

In lieu of the dropped projects, the Dzongkhag Administration proposed three revised activities for approval, ensuring that the allocated development funds would still be utilized effectively for the benefit of the communities.

Proposed Revised SDP Activities for Punakha Dzongkhag

Sl.No	Name of the Activities	Gewog	Amount (Nu. in Million)
1	Laying of GSB for Dompola Chiwog Connectivity Road	Lingmukha	13.00
2	Blacktopping of Dawakha Chiwog Connectivity Road	Toedwang	19.00
3	Construction of Bailey Bridge at Wolathang	Toedwang	17.00

This case demonstrates the dynamic nature of local planning, where initial proposals can be reconsidered and optimized based on practical, on-the-ground assessments. This ability to pivot is a hallmark of a responsive and effective local governance system, which ultimately leads to the final synthesis of this report.

6.0 Key Takeaways and Strategic Implications

- 1. Performance-Driven Fiscal Decentralization** the Performance-Based Grant (PBG) system establishes a direct and quantifiable link between a local government's administrative performance and its access to financial resources. The experience of Gozhi Gewog, where a 79.72% performance score unlocked a specific capital budget of Nu. 2.770 million, exemplifies this principle in action. This mechanism moves beyond simple block grants by creating a powerful incentive for efficiency, transparency, and accountability, compelling local administrations to improve service delivery to maximize their development budgets.
- 2. Targeted Funding for Climate Resilience** the strategic impact of the Performance-Based Climate Resilient Grant (PBCRG) is evident in its ability to translate high-level national climate goals into tangible, community-level adaptation projects. The successful completion of the Nandu Irrigation Channel showcases how this targeted funding can restore critical infrastructure to combat water scarcity. Simultaneously, the forward-looking proposal for poly-houses demonstrates a proactive approach to safeguarding agricultural livelihoods from future climate shocks. The PBCRG thus functions as a vital tool for building grassroots resilience.
- 3. Adaptive and Dynamic Local Planning** the evidence points to a robust and decentralized governance structure where local bodies are not merely implementing directives but are active agents in the planning and budgeting process. Gewogs like Toedwang and Nubee demonstrate sophisticated capital budgeting for diverse community needs, from farm roads to health services. Critically, the case of Punakha Dzongkhag's SDP revision shows that the system is flexible enough to allow for course corrections based on emergent technical challenges and risk assessments. This adaptability is crucial for ensuring that public funds are used effectively and responsibly.

Bhutan's fiscal architecture for local governance integrates national strategic direction with local autonomy and performance incentives. This multi-faceted approach, combining broad development funds like the SDP with targeted grants like the PBG and PBCRG, supports a system of responsive governance. By empowering communities to plan, implement, and even adapt development priorities, this framework not only delivers essential infrastructure and services but also builds local capacity and resilience, thereby contributing directly to the overarching objectives of the 13th Five Year Plan.

Part C: Field Assessment of Gewog-Level Processes

Introduction to Gewog-Level Case Studies

This section examines how Bhutan's planning system operates in practice through three Gewog case studies: Gozhi, Toewang, and Nubee. These cases show how national policies are implemented and adapted locally. These case studies provide critical insights into the operational realities of decentralized governance in Bhutan.

1.0 Case Study: Gozhi Gewog, Dagana

1.1 Gewog Planning Process

The planning methodology in Gozhi Gewog serves as a practical application of Bhutan's decentralization framework, detailing the journey of a community need from its initial conception to its final approval as a funded project.

The Gewog's plan formulation follows a multi-stage, bottom-up journey, ensuring community needs are systematically captured, prioritized, and aligned with national objectives. The process unfolds through four distinct stages:

1. **Community-level Agenda Setting (Nangzom):** The cycle originates in informal community gatherings, where raw needs and proposals are first articulated by residents, generating a genuine community agenda.
2. **Chiwog-level Consultation (Chiwog Zomdu):** Proposals are then brought to the Chiwog Zomdu, the first official platform for deliberation, which is monitored by senior Gewog officials to ensure proper procedure.
3. **Gewog-level Prioritization (Gewog Tshogde):** Vetted proposals are submitted to the Gewog Tshogde for final prioritization based on critical factors like the beneficiary population size and the urgency of the need.
4. **Dzongkhag-level Alignment (Dzongkhag Tshogdu):** The prioritized list is presented in the DT, which conducts a final strategic review to ensure every project aligns with the 13th FYP and the seven LGKRAs. Proposals failing this alignment check are rejected.

This dual-level review balances community-defined needs (prioritized by Gewog Tshogde) with strategic guidance (enforced by Dzongkhag Tshogdu). This creates a balanced system of checks and balances, ensuring both local relevance and national coherence.

1.2 Scope of Activities and Implementation Modalities

Gozhi Gewog's FY 2024-2025 plan includes:

- **Infrastructure Development:** A significant focus on farm road improvements (GSB laying and blacktopping), maintenance of irrigation channels, and expansion of Rural Water Supply Schemes (RWSS).
- **Livelihood Enhancement:** Initiatives to boost local incomes, such as cost-sharing for commercial dairy farms and piggery breed improvement programs.

- **Community and Social Services:** Projects including the construction of footpaths for school children, re-roofing of a primary school, and the establishment of a community hall for religious events (Choezham).
- **Administrative Strengthening:** Procurement of essential equipment, such as laptops for Gewog officials, to improve service delivery efficiency.

The Gewog effectively incorporates self-help, mutual-help, and public-help mechanisms. The "Maintenance of Nandu Irrigation Channel" is a clear example of mutual-help, with beneficiary farmers contributing approximately 40% of the cost through labor. Similarly, the "Procurement of Poly-house" project mandates a 20% cost-sharing contribution from beneficiaries, ensuring community ownership.

To execute these projects, the Gewog employs a diverse range of implementation modalities:

- Community Contractors for infrastructure works.
- Departmental Execution with Community Contribution for projects like irrigation channel maintenance.
- Beneficiary-led Implementation for routine maintenance of irrigation and water supply schemes.
- Cost-Sharing Mechanisms for livelihood projects.
- Private Contractors for larger, more technical works.

1.3 Gewog Budget Flow and Financial Management

Rather than submitting a detailed proposal, the Gewog generates a list of planned capital activities derived directly from the participatory planning process. Gozhi Gewog leverages multiple funding streams to execute its plans. The primary sources of budget support are summarized below.

Table 2 - Gozhi Gewog's primary sources of budget

Funding Source	Description & Key Mechanisms
Annual Block/Capital Grant	The primary funding under the Annual Grants system. The FY 2024-2025 report details activities totaling Nu. 6.954 million funded through this grant.
Performance-Based Grant (PBG)	A capital budget component where the release of the final 30% is conditional on the previous year's performance. Gozhi's score of 79.72% unlocked this grant for FY 2025-26.
Small Development Projects (SDP) Grant	A major national funding window providing up to Nu. 30.7 million per Gewog over five years, disbursed in two phases, and accessed through the submission of Initial Project Documents (IPDs).
Performance Based Climate Resilient Grant (PBCRG)	A project-specific grant for climate adaptation, funding projects like poly-houses (Nu. 1 million proposal) and irrigation channel rehabilitation (Nu. 0.7 million completed).

Gozhi Gewog demonstrates proactive financial management through regular reviews and reallocations. The records of a Gewog Finance Coordination Meeting serve as a case study, where the Gewog Tshogde reallocated the Performance Based Capital budget. Specific budget reductions included:

- Chadri items for Gewog: Reduced by 50% from Nu. 0.5 million to Nu. 0.25 million.
- Procurement of Laptop and peripherals: Reduced from Nu. 0.25 million to Nu. 0.1126 million.
- Laying GSB of Basnet Goan Farm Road: Reduced from Nu. 1.5 million to Nu. 1.3 million.

This illustrates an active financial management process that ensures the optimal use of available resources.

2.0 Case Study: Toewang Gewog, Punakha

2.1 Gewog Planning Process

Toewang Gewog illustrates both the application and complexities of decentralized planning. The process is designed to be bottom-up, starting with community-level proposals that are deliberated at the Chiwog Zomdu before final submission to the Gewog Tshogde.

A critical gap exists: Gewog Tshogde sometimes forwards proposals to Dzongkhag Tshogdu without checking alignment with the 13th FYP and seven LGKRAs. This bottleneck wastes administrative resources when non-aligned proposals are later rejected.

Community consultation happens through the Chiwog Zomdu, but quality varies. CEP-enabled Chiwogs use the inclusive Nangzom process to hear more community voices. Non-CEP Chiwogs may rely on fewer individuals for decisions,

2.2 Scope of Activities and Strategic Resource Management

Activities from Toewang Gewog's endorsed 2025-2026 budget reflect a clear focus on essential rural development needs, which can be categorized as follows:

- **Core Infrastructure:** Maintenance and construction of farm roads, irrigation channels, and community infrastructure like suspension bridges.
- **Community Services:** Upkeep of schools, Early Childhood Care and Development (ECCD) centers, and the Primary Health Center.
- **Economic Development:** Support for the agri-livestock sector, promotion of hybrid seeds, and CEP projects focused on value addition (e.g., cooling fridge for dairy).

- **Disaster Management:** A dedicated budget for monsoon restoration and prevention works.

Toewang Gewog's approach to resource management is characterized by strategic prioritization. To maximize impact, the Gewog plans to adopt a strategy of concentrating resources on one CEP project per annual grant cycle. This ensures high-quality execution and tangible outcomes rather than spreading limited funds thinly across multiple smaller initiatives.

2.3 Gewog Budget Flow and Adaptive Management

Toewang Gewog's development activities are financed through a diversified portfolio of funding streams, necessitating careful coordination.

Table 3 - Gewog Budget Flow and Adaptive Management

Funding Source	Description & Purpose	Specific Example / Amount (as documented)
Finance Grant	An untied annual block grant providing discretionary funds for locally-identified priorities.	Nu. 32 million
Performance-Based Grant	A conditional grant awarded for a single, high-priority capital project.	FY 2025-2026: Nu. 3.162 million for "Maintenance of farm road from Haytengang to Bijbjokha village".
Capital Activities Budget	The main budget for a wide range of capital works across infrastructure, agriculture, and health.	FY 2025-2026: Total of Nu. 8.427 million allocated across 15 activities.
Small Development Projects	A funding window for which Chiwogs submit community-prioritized proposals.	Call for proposals issued for FY 2024-2025.
BTF Funding	External funding for specific purposes, such as environmental conservation.	Upcoming project for irrigation channel improvements funded by the Bhutan Trust Fund (~Nu. 150 lakhs).

The Gewog demonstrates effective adaptive budget management. A January 2025 letter (Ref: DAP/PLG/03/2024-2025/2382) serves as a specific case study. When approved SDP projects in both Toewang and Lingmukha Gewogs had to be dropped due to technical risks and cost overruns, the Dzongkhag Administration formally proposed reallocating the funds to three alternative, pre-vetted projects. This illustrates an effective management process characterized by:

1. Recognition that planned activities may not always be implementable.
2. Maintenance of a pipeline of vetted alternative projects.
3. Formal accountability through proper documentation and approval channels.

3.0 Case Study: Nubee Gewog, Trongsa

3.1 Gewog Planning Process

Nubee Gewog's planning process is a highly structured mechanism designed for systematic review and strategic alignment. The pathway begins at the Chiwog Zomdu, where community needs are gathered. A critical feature of Nubee's process is the pre-discussion/vetting stage conducted by Gewog officials. This administrative screening (after the Chiwog Zomdu and before the Gewog Tshogde) ensures that only essential and viable proposals are forwarded to the Gewog Tshogde for final endorsement.

The decisive role of the 13th FYP and the 7 LGKRAs serves as a "filter" for all proposed activities. Any proposal, regardless of its local importance, cannot be budgeted or approved if it falls outside the scope of these guiding documents. This ensures absolute alignment with national goals and priorities, making the Gewog Tshogde's role primarily one of final endorsement rather than initial debate.

3.2 Gewog Budget Flow and Resource Allocation

The budget flow process in Nubee Gewog is linked to its planning cycle, with financial resources allocated exclusively to formally approved and aligned projects.

Findings from the Gewog Finance Committee (GFC) Meeting minutes of 31/07/2025 provide a concrete example of this structured allocation. The funding is divided into two distinct categories:

Table 4 - Gewog Budget Flow and Resource Allocation

70% GRANT (Nu. 11.439 million)	30% PBC (Performance-Based Capital Grant) (Nu. 4.903 million)
This grant is allocated to core capital works in agriculture, infrastructure, health, and cultural services. Examples include: Improvement and maintenance of farm roads and irrigation channels, Rural Water Supply and Sanitation (RWSS) projects across all Chiwogs. Supply of CGF Sheet for religious and cultural services.	This grant is designated for other development activities that enhance local infrastructure and livelihoods. Examples include: Supply of HDPE Pipes for land development and paddy irrigation. Maintenance of farm roads and fencing.

The 70% GRANT appears designated for predictable, essential infrastructure and core service delivery that forms the foundation of the Gewog's annual development plan. In contrast, the 30% PBC serves as a more flexible fund to address emerging priorities or to reward Gewog performance, thereby incentivizing efficient and effective project execution.

3.3 Dzongkhag-Level Budget Review and Approval Process

The Dzongkhag level serves a critical intermediary function, reviewing Gewog-submitted plans before they proceed to final approval. Block grants for local governments are submitted along with detailed implementation plans to the DPBP, though it is important to note that DPBP's role is limited to technical vetting—the actual grant authority rests with the LGs themselves.

At the Dzongkhag level, a dual governance structure shapes the approval process. The Dzongkhag Finance Committee, headed by the Dzongdag (District Administrator), conducts the initial technical and financial review of proposals. However, within the Dzongkhag Tshogdu (DT)—the elected district council—the Thrizin (elected chairperson) serves as the head.

The approval workflow proceeds as follows: Sector heads (such as the Agriculture Officer) prepare sector-specific plans, including community training needs and infrastructure requirements. The Planning and Finance Sections within the Dzongkhag Administration review these proposals to ensure alignment with the 13th FYP and the seven LGKRAs.

Part D: Integrating the Community Engagement Platform into Gewog Planning and Budgeting Cycles

1.0 Introduction: The Strategic Imperative for Integration

Integrating the Community Engagement Platform (CEP) into Gewog financial management operationalizes Bhutan's Gross National Happiness philosophy and fulfills the constitutional mandate for decentralized governance. This integration transforms grassroots participation from an abstract ideal into a structured, functional element of local administration.

This chapter synthesizes findings from the national policy framework (Part A, Sections 2-7) and the three Gewog case studies (Part B, Sections 9-11) to provide an integrated analysis of how CEP-generated community needs flow through the planning and budgeting system. This section identifies specific entry points where CEP activities integrate into local government processes, highlighting strengths and gaps.

2.0 The Integration Framework: Where Top-Down Meets Bottom-Up

Bhutan's planning system uses dual mechanisms: the 13th FYP cascades priorities downward through LGKRAs, while CEP enables bottom-up needs identification. This chapter examines how these systems connect in practice.

A four-stage pathway transforms informal community discussions into funded projects, deploying national funds to address community needs within the framework of national goals.

3.0 The Four-Stage CEP Integration Pathway

Analysis of the three Gewog case studies reveals a consistent, multi-stage process through which CEP-generated proposals enter and move through the official planning system. Understanding this pathway is essential for strengthening community engagement and ensuring grassroots voices translate into tangible development outcomes.

3.1 Stage 1: Agenda Formulation at the Grassroots (The Nangzom)

Function: Initial needs articulation and community consensus-building

The Nangzom represents the critical first entry point where the CEP framework meets the formal planning system. In this informal community gathering, residents use Drongsep Yardrak tools—the Seasonal Calendar, Daily Routine Analysis, Community Scanning, and Local Resource Matrix—to systematically identify needs and available resources.

Key Output: A documented "Community Improvement Plan" that categorizes proposed actions into:

- **Self-help actions:** Individual/household initiatives requiring no external budget
- **Mutual-help actions:** Collaborative efforts requiring community resource pooling
- **Public-help actions:** Initiatives requiring formal government support and funding

Evidence from case studies: Toewang Gewog demonstrates that the quality of participation at this stage varies significantly. CEP-enabled Chiwogs conduct inclusive Nangzom processes that capture diverse community voices, while non-CEP Chiwogs may rely on a smaller group of individuals, resulting in less representative proposals.

3.2 Stage 2: Formalization and Vetting (The Chiwog Zomdu)

Function: Aggregation, consensus-building, and initial administrative review

The Chiwog Zomdu serves as the first official platform where Community Improvement Plans enter the local government process. CEP Coordinators present their community's proposals to the wider Chiwog assembly, where competing needs are discussed, vetted, and prioritized.

Identified gap: The Toewang case study revealed that proposals are sometimes forwarded to the Gewog Tshogde "without a systematic review for alignment with the 13th FYP and the seven LGKRAs." This procedural gap creates inefficiencies, as non-aligned proposals consume administrative resources only to be rejected at the Dzongkhag level.

3.3 Stage 3: Deliberation and Endorsement (The Gewog Tshogde)

Function: Final Gewog-level prioritization and formal endorsement

The Gewog Tshogde (GT) is the decisive entry point where community proposals become officially endorsed Gewog activities. All three-case

study Gewogs demonstrate that the GT applies explicit prioritization criteria:

- **Beneficiary population size** (larger beneficiary groups receive higher priority)
- **Urgency and severity of need**
- **Alignment with LGKRAs** (though rigor of this check varies, as noted above)
- **Resource availability and cost-effectiveness**

Best practice from Gozhi Gewog: Explicitly categorizing each project under its LGKRA creates a transparent audit trail from community needs to national strategy.

Best practice from Toewang Gewog: The future focus on a single significant CEP project per annual grant cycle reflects mature financial management and enhances impact.

3.4 Stage 4: Strategic Alignment and Final Approval (The Dzongkhag Tshogdu)

Function: Ensuring national-local coherence and strategic validity

The Dzongkhag Tshogdu (DT) conducts the final strategic filter, conducting review to ensure Gewog plans align with the 13th FYP and LGKRAs. This creates a critical system of checks and balances—what the Gozhi case study termed "a dynamic negotiation between community-defined needs, which are prioritized by the Gewog Tshogde, and top-down strategic guidance, which is enforced by the Dzongkhag Tshogdu."

Systemic implication: Any proposal, regardless of its local importance, cannot be approved if it falls outside the scope of national frameworks. This explains why strengthening alignment checks at Stage 2 and Stage 3 is essential for system efficiency.

4.0 From Endorsement to Funding: Budget Integration Mechanisms

Once endorsed, CEP-generated activities enter the Gewog budget flow through the resource mobilization strategies detailed in Section 5.0 and demonstrated across the three case studies:

For **mutual-help actions**: Community cost-sharing mechanisms leverage local capacity. Gozhi's "Maintenance of Nandu Irrigation Channel" (with 40% beneficiary labor contribution) and "Procurement of Poly-house" (with 20% cost-sharing) exemplify this approach.

For **public-help actions**: Gewogs access multiple national grant instruments:

- **Annual Capital Grants**: The primary discretionary fund allocated via the Resource Allocation Framework (detailed in Section 5.0)
- **Performance-Based Grants**: Conditional funding that incentivizes effective governance (e.g., Gozhi's 79.72% performance score unlocking FY 2025-26 funding)
- **Project-specific grants**: Targeted windows like Small Development Projects and climate resilience grants

Evidence of successful integration: Gozhi Gewog's proactive budget reallocation during its Finance Coordination Meeting demonstrates that Gewogs actively manage funds to ensure resources address evolving community-endorsed priorities, not just preset allocations.

5.0 Comparative Analysis: Integration Effectiveness Across Case Studies

Examining the three Gewogs reveals varying levels of CEP integration maturity:

Dimension	Gozhi Gewog	Toewang Gewog	Nubee Gewog
Planning rigor	Strong explicit LGKRA alignment in documentation	Procedural gap in pre-vetting for alignment	Highly structured with systematic pre-vetting
Community participation	Demonstrated cost-sharing across multiple projects	Variable quality (CEP vs. non-CEP Chiwogs)	High support from the Gup in explaining CEP concept to all the Tshogpas even the non-CEP Chiwogs
Financial management	Active adaptive reallocation	Future Strategic concentration on high-impact projects; successful SDP reallocation	Structured 70/30 grant allocation system
Implementation diversity	Multiple modalities with strong community engagement	Focus on core infrastructure and economic development	Clear categorization of grant purposes
Strategic strength	Comprehensive mutual-help integration	Maintains vetted project pipeline for adaptive management	Strict alignment filter ensures national coherence

Key insight: No single Gewog demonstrates excellence across all dimensions. Nubee's systematic pre-vetting could address Toewang's alignment gap; Toewang's strategic project concentration could enhance efficiency in other Gewogs; Gozhi's cost-sharing mechanisms could be replicated more widely.

6.0 Recommendations for Strengthening Integration

The analysis confirms that CEP integration is functional and proven, but not yet optimized. The following recommendations address identified gaps and opportunities:

6.1 Systematize Drongsep Yadrak Tool Application

Issue: The quality of proposals entering the budget cycle depends on the rigor of initial needs assessment, which varies across communities.

Recommendation: All "public-help" proposals submitted from Nangzom to Chiwog Zomdu include a standardized evidence package demonstrating application of at least two Drongsep Yadrak tools (e.g., Seasonal Calendar showing timing of need; Local Resource Matrix showing what community can contribute). This ensures proposals are evidence-based and encourages communities to maximize self-help and mutual-help approaches before requesting public funds.

6.2 Link Performance-Based Funding to CEP Effectiveness

Issue: Performance metrics measure budget execution but not the quality of community engagement quality.

Recommendation: Add CEP-specific indicators to the performance-based grant framework:

- **Participation rate:** Percentage of households engaged in Nangzom processes
- **Mutual-help leverage ratio:** Community resource contribution as percentage of total project cost
- **Plan implementation rate:** Percentage of CEP-generated proposals successfully completed
- **Quality of documentation:** Completeness of Community Improvement Plans and evidence packages

This creates a direct financial incentive loop rewarding Gewogs for fostering robust, effective, and sustainable community engagement, not just efficient spending.

6.3 Establish Cross-Gewog Learning Mechanisms

Issue: Each Gewog has developed specific strengths, but there's no systematic mechanism for sharing best practices.

Recommendation: Institute quarterly Dzongkhag-level forums where Gewog officials present specific CEP integration innovations (e.g., Nubee's pre-vetting checklist, Toewang's strategic concentration approach, Gozhi's cost-sharing models). Document these practices in a "CEP Integration Toolkit" distributed to all Gewogs, accelerating the spread of effective approaches.

6.4 Strengthen Monitoring and Feedback Loops

Issue: Current implementation modalities (detailed in Section 9.2) ensure community involvement during execution, but systematic feedback on project outcomes back to the Nangzom level is not consistently documented.

Recommendation: Require that all CEP-generated projects include a formal completion review presented at a follow-up Nangzom gathering. This creates accountability, allows communities to learn from implementation experiences, and demonstrates to participants that their engagement produces tangible results—strengthening future participation.

7.0 Conclusion

The Community Engagement Platform is not an external or parallel initiative but a deeply integrated component of Bhutan's decentralized governance architecture. The four-stage integration pathway—from Nangzom to Chiwog Zomdu to Gewog Tshogde to Dzongkhag Tshogdu—provides clearly defined, functional entry points for community-generated proposals to systematically enter the official planning and budgeting cycle.

Evidence from Gozhi, Toewang, and Nubee Gewogs demonstrates that this integration is operational and producing results. Community needs are being translated into funded projects through national grant mechanisms. Mutual-help approaches are leveraging community resources and reducing dependency on public funds. Adaptive management is enabling Gewogs to respond flexibly to implementation challenges while maintaining accountability.

The fundamental architecture is sound. The challenge is ensuring every Gewog matches the best practices seen in Gozhi, Toewang, and Nubee, creating seamless flow from community needs to national outcomes.

- Annex 2: Toewang Gewog - Endorsement of Performance-Based Grant Activities (FY 2025-2026)



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ROYAL GOVERNMENT OF BHUTAN
GEWOG ADMINISTRATION
TOEDWANG: BHUTAN



TG-07/GT/2025-2026/༩༧

Date: 11/09/2025

The activities for the performance- based grant for the Financial Year 2025-2026 under Toedwang Gewog has been prioritized and endorsed by the LG members dated on 11th September, 2025.

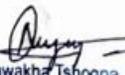
sl.no	Activities	Proposed budget(in million)	Remarks
1.	Maintenance of farm road from haytogang to Bjibjokha village (Bjibjokha chiwog)	3.162 million	

GUP
 Teowang Gewog
 Punakha Dzongkhag





Tsechuphu Tshogpa
 Teowang Gewog
 Punakha Dzongkhag



Dawakha Tshogpa
 Teowang Gewog
 Punakha Dzongkhag



Thangbji Tshogpa
 Teowang Gewog
 Punakha Dzongkhag



Jibjokha Tshogpa
 Teowang Gewog
 Punakha Dzongkhag

Gup: 17845622 Mangmi: 17454513 Adm: 17487178
 Chiwog Tshogpa No. Dawakha: 17713937 Jibjokha-Yuesha: 17908998 Tshophu-Jara: 17661756
 Tshachuphu-kewana: 17678897 Thanjee-Tamidamchu: 77431193

- Annex 4: Toewang Gewog - Letter from Dzongkhag Administration to Cabinet Secretariat on SDP Reallocation (Ref: AP/PLG/03/2024-2025/2382)



དཔལ་ལྷན་འབྲུག་གཞུང་། རྫོང་ཁག་འདུག་སྐོང་། ལྷུང་ཐངས་བདེ་བ་ཆེན་པོའི་ཡོང་ལུང་།

BHUTAN
Believe

Royal Government of Bhutan
Dzongkhag Administration, Punakha

A happy and self-reliant community with good governance, rich culture and pristine nature.

DAP/PLG/03/2024-2025/3382

22 January 2025

The Hon'ble Secretary,
Cabinet Secretariat,
Tashichho Dzong, Thimphu

Sub: Requesting to reconsider the approved Small Development Project for Toedwang Gewog and Lingmukha Gewog.

Dasho,

This is with regard to the approved Small Development Project of the 13th Five Year Plan for Punakha Dzongkhag. In this regard, the Dzongkhag Administration would like to apprise the cabinet secretariat that the approved SDP activities viz., Construction of Irrigation Channel from Ugyenphu Yachhu under Toedwang Gewog and Construction of Irrigation water reservoir dam at Bhalue Jekha under Lingmukha Gewog approved vide OCASC/13th FYP/SDP/2516 dated 06/11/2024 has to be dropped in view of the technical risk in the implementation of the project and associated cost overrun. Therefore, in lieu of the above activities, the Dzongkhag Administration would like to request cabinet secretariat to consider the following activities which was initially proposed, reviewed and approved through Dzongkhag Tshogdu.

Sl.No	Name of the activities	Gewog	Amount	Remarks
1	Laying of GSB for Dompola Chiwog Connectivity Road	Lingmukha	13.00	
2	Blacktopping of Dawakha Chiwog Connectivity Road	Toedwang	19.00	
3	Construction of Bailey Bridge at Wolathang	Toedwang	17.00	

The Dzongkhag Administration would like to request the cabinet secretariat to kindly review and reconsider the above activities for approval so as to initiate its implementation at the earliest possible. We assure to complete the approved activities without any issues and challenges and within the approved amount and stipulated timeframe. The resolution

Dzongling - 584100, Fax-584461, 584404(R), DzongrabGum - 584117, PA-584198, EDMO-584212, DEO-584539, DPO-584524, DHO-584255, LRO-584541, DE-584531, DBO-584537, DAO-584166, DiFO-584267, DLO-584104, DCO-584536, Procurement Officer-584200, Legal Officer-584223, DCRCO-584532, ICT-584530, Environment Officer - 584255

• Annex 5: Gozhi Gewog - Annual Target Achievement Report FY 2024-2025

13 FYP Projects & LGRKAs	Name of the Sub-Activity for FY 2024-25	13 FYP Target	Annual Target FY 2024-25 (Million)	Achievement (Result)
Improved road connectivity and enhanced social cohesion within dhungas & LGRKA 1	1. Laying of Base Course L.D. Farm Road (Dogak Chewog)	1.8 km	0.8 M	1.8 km of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Poudel Community Contractor)
	1. Laying of GSB at Nepal Goan Farm Road	0.8 km	0.65 M	0.8 km of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Poudel Community Contractor)
	2. Improvement of Nakarsay Farm Road (Upper Gozhi Chewog)	1 km	0.8 M	1 km of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Subba Community Contractor)
	3. Improvement of Shernakha and Sherphatsum Farm Road	0.5 km	0.2 M	0.5 km of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Subedi Community Contractor)
	4. Black Topping of Balleiyang Farm Road	3.5 km	1.00M	Additional 0.5 km out of 3.5km was done with blacktop, which is upto Balleiyang P.S. It was undertaken by the same contractor (M. Yezzer Contractor Private Limited)
	5. Improvement of Gungur Goan Farm Road (Lower Gozhi Chewog)	1 km	0.8 M	1 km of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Gurung Goan Community Contractor)
	6. Realignment of Subba Farm Road (Middle Gozhi Chewog)	700 m	0.4 M	700 m of farm road has been laid with GSB with earthen drain. It was under taken by community contractor (Subba Community Contractor)
	7. Summer Restoration of farm road of Five Chewog.	62 km	0.254 M	Cleared the major landslides of the farm road of Five Chewog.
Improved road connectivity and enhanced social cohesion within dhungas & LGRKA 4	8. Maintenance of Balgi (B) Irrigation Channels	15 Hhs	0.2 M	Completed the maintenance of two irrigation channel. These activity was carry out its beneficiaries.

GAO @ (+975) 1785203.GLR@ (+975) 17863156.MANGSMH (+975) 17317031
Email address: kuzangp38@gmail.com

10. Maintenance of Gozhi Khola Irrigational Channel	15 Hhs	0.15 M
Supply of site drinking water through LGKRA 3	11 HHS	0.15 M
1. Additional RWSS source at Barshang	40 HHS	0.2 M
2. Maintenance of RWSS in all the 40 HHS Chewog		
1. Establishment of Commercial Dairy Farm through Cost-sharing Mechanism	One Selected Household	0.15 M
2. Piggery Improvement	All Chewog	0.1 M
1. Procurement of Laptop for Geog	3	0.15 M
1. Procurement of Laptop for Geog		
1. Community Engagement Platform	50 Groups	0.15 M
1. Community Engagement Platform	50 Groups	0.15 M

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Email address: kuzangp38@gmail.com

• Annex 6: Gozhi Gewog - Gewog Finance Coordination Meeting Minutes (18/09/2025)



དཔལ་ལེན་འགྲོ་བའི་རྒྱལ་ཁབ།
 རྒྱལ་ཁབ་འོག་གི་འཕུལ་ཁུངས།
ROYAL GOVERNMENT OF BHUTAN
GOZHI GEWOG ADMINISTRATION
DAGANA

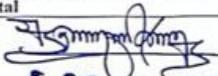
Ref. No. Ga-4/GGA-12/2025-2026/129

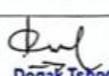
Date: 18/09/2025

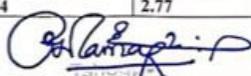
MINUTES OF MEETING

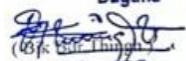
The Gewog Administration, Gozhi convened a Gewog Finance Coordination Meeting on 18/09/2025 to discuss the Performance-Based Grant (PBG) for the 2025-2026 fiscal year, which is determined by the previous year's performance. A thorough assessment of the 2024-2025 fiscal year's performance revealed that Gozhi Gewog Administration secured a score of 79.72%, amounting to Nu. 2.770 million of the performance capital budget out of a total of Nu. 3.474 million. With this note, Upon thorough discussion among the Gewog Tshogde 30 percent Performance Based Capital budget was reallocated to following activity:

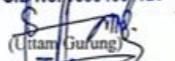
Allocated Budget	Initial Allocated Budget (Million)	Reallocation (Million)
Chardi Items for Gewog	0.5	0.25
Support Balleygang Primary School with Smart TV Board, Balleygang Chewog	0.4	0.36
Establishment of Choetri at Dagapela Tashochoeling Gayduen Lobdra, Middle Gozhi Chewog	0.3474	0.3474
Establishment of Crematorium (Joint Venture with Khebisa Gewog)	0.477	0.4
Procurement of Laptop and its peripheral for Chewog Tshogpas	0.25	0.1126
Laying GSB of Basnet Goan Farm Road, Balleygang Chewog	1.5	1.3
Total	3.474	2.77


 Gup
 (Tshering Dorji Tshishing)
 Gozhi Gewog Administration
 Dagana


 Dogak Tshogpa
 (Bhim Kumar Poudel)
 Bhim Kumar Poudel
 CID No. 10304001120


 Nima Tshering Chishing
 (Nima Tshering Chishing)
 Gozhi Gewog


 Tshogpa
 (Tshogpa)
 Middle Gozhi
 Gozhi Gewog


 Tshogpa
 (Utam Gurung)
 Tshogpa
 Gozhi-Mead
 Gozhi Gewog


 Tshogpa
 (Tshogpa)
 Balleygang Chewog
 Gozhi Gewog

Finance Officer, Dzongkhag Administration, Dagana for the kind information

Planning Officer, Dzongkhag Administration, Dagana for the kind information

Office copy

- Annex 7: Nubee Gewog - Gewog Finance Committee Meeting Minutes (31/07/2025)



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 རྒྱལ་པོའི་འབྲུག་རྒྱུ་འཕེལ་གསལ་།
 ROYAL GOVERNMENT OF BHUTAN
 GEWOG ADMINISTRATION
 NUBEE, TRONGSA



GAN/ADM/GT-13/2025-2026/1697

Date: 31/07/2025

GFC Meeting of Nubee Gewog

Date: 31/07/2025)

Sl/ No.	Name of works	Amount (m)	Remarks
	70% GRAND		
(1)	AGRICULTURE/LIVESTOCK SERVICE		
1.1	Improvement of Bjee farm road under Bji-Semjee chiwog.	3.5	Awarded on 22/10/25
1.2	Major Maintenance of Rabdo Irrigation Channel at Simphu	1	Supply order on 17/10/25
1.3	Improvement of Gagar farm road under Gagar-Karshong chiwog.	3	Awarded on 22/10/25
1.4	Improvement of Farm Road, Dorjigoenpa and Poengayna under Bagochen-buling-pang-yuilling cgiwog.	1.3	Awarded on 22/10/25
1.6	Maintenance of Irrigation channels(old lines all chiwog)	1	
1.7	Monsoon Restoration in all chiwog	639	On track
(2)	RELIGION & CULTURE SERVICE		
2.1	Supply of CGI Sheet	5	Supply order on 29/10/25
(3)	HEALTH SERVICE		
	RWSS in all chiwog	5	
	Total	11.439	
	30%PBG		
1	Supply of Irrigation HIPE Pipes (land development paddy Irrigation)	3	3-10(2)
2	Maintenance of Farm Road of Chella	1	
2	Maintenance of Fencing	903	
	Total:	4.903	

- Annex 8: Additional operational guidelines for various grants leveraged by Gozhi Gewog



དཔལ་ལྷན་འབྲུག་གཞུང་།
ROYAL GOVERNMENT OF BHUTAN

Cabinet Secretary

OCASC/13th FYP/SDP/2516

November 06, 2024

To

Dzongda

Dagana Dzongkhag Administration

Subject: Final list of projects for SDPs in 13th FYP and way forward

Dear Sir/Madam,

The 32nd Session of Fourth *Lhengye Zhungtshog* held on October 31, 2024 approved the Small Development Projects (SDPs) for the 13th FYP as follows :

- The funding for the SDPs are apportioned as below:
 - Maximum of Nu 30.7 million per Gewog over five years
 - Maximum of Nu 67.5 million per Dzongkhag over five years
 - Maximum of Nu 337.5 million per Thromde over five years
- 50% of the total allocation to be implemented in Phase I , with the remaining 50% earmarked for Phase II.
- Of the total Nu 10 billion SDP fund, Nu 1 billion has been set aside as a contingency fund.

In this regard, the Cabinet Secretariat requests the Dzongkhag/Thromde and Gewogs to submit the Initial Project Documents (IPDs) for the Phase I Projects by 12th November. Please note that the IPDs for the second phase can be prepared at a later stage.

We understand that this process has taken longer than anticipated. The Cabinet Secretariat extends sincere appreciation for your support and cooperation.

For any further information or assistance, please contact Mr. Phurba at 17397725 or via email at phurba@cabinet.gov.bt.

The list of the approved Projects is attached for ready reference.

With regards,,


(Keshab Deki)

Cc: Director, OCASC for necessary action and follow up