



Annual Report (FY 2018-2019)

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**Royal Government of Bhutan
Gross National Happiness Commission**

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1. Finalization of the 12th Five Year Plan

The 12th Five Year Plan (FYP) formulation began in early 2016 and has been finalized through extensive consultation with various stakeholders. Some of the key stakeholders consulted were central government agencies, local governments, private sector, CSOs, political parties (except BKP), members of parliament and individuals.

The objective of the 12th FYP is *“Just, Harmonious and Sustainable Society through enhanced Decentralization.”* To achieve the Plan objective, seventeen National Key Result Areas (NKRA) have been identified as presented in Figure 1.1.

In order to facilitate coordination and collaboration, a lead agency and collaborating agencies have been identified for delivery of each NKRA. The progress towards

achievement of the 17 NKRA are measured through 42 Key Performance Indicators (KPIs).

A total of 153 Agency Key Result Areas (AKRAs) and 653 KPIs have been identified at the agency level, which are designed to contribute towards the achievement of 17 NKRA. Further, there are 10 Local Government Key Result Areas (LGKRAs) with corresponding KPIs (about 75 KPIs) for 10 dzongkhags and four thromdes, and 11 LGKRAs for another 10 dzongkhags.

The size of the 12th FYP is Nu. 310 billion of which Nu. 116 billion is capital outlay and Nu. 194 billion is current outlay. It is an increase of 38 percent over 11th FYP outlay of Nu. 224 billion. The increase in plan budget is mainly on account of 68 percent increase in current budget, largely contributed by provision kept for proposed pay revision for civil servants, higher cost of maintenance of infrastructure,

Figure 1.1: The 17 National Key Result Areas

NKRA 1: Macroeconomic Stability	NKRA 2: Economic Diversification	NKRA 3: Reducing Poverty and Inequality
NKRA 4: Preservation of Culture	NKRA 5: Healthy Ecosystem	NKRA 6: Carbon Neutrality, Climate and Disaster Resilient
NKRA 7: Quality of Education and Skills	NKRA 8: Food and Nutrition Security	NKRA 9: Infrastructure, Communication and Public Services
NKRA 10: Gender Equality	NKRA 11: Productive and Gainful Employment	NKRA 12: Corruption Reduced
NKRA 13: Vibrant Democracy and Decentralization	NKRA 14: Healthy and Caring Society	NKRA 15: Sustainable Human Settlements
NKRA 16: Effective Justice Services	NKRA 17: Sustainable Water	17 NKRA

and debt service obligations. The capital budget for the 12th FYP is about six percent increase over the 11th plan budget of Nu. 109 billion.

The 12th FYP was endorsed during the First Joint Cabinet and GNH Commission Meeting on December 6, 2018.



Following were the key decisions of the meeting on the 12th FYP:

- a. The objective was endorsed was proposed.
- b. The Plan period was revised to align with the term of the elected government from November 1, 2018 to October 31, 2023.
- c. The 17 NKRA were endorsed as proposed. The earlier NKRA 8- Water, Food and Nutrition Security Enhanced was segregated into two NKRA namely NKRA – Food and Nutrition Security Enhanced and NKRA 17 – Sustainable water.
- d. Water flagship program was endorsed. Other flagship program were approved in principle subject to comprehensive presentation and detailed justifications.

- e. A total outlay of Nu. 310 billion was endorsed as resources for 12th FYP. Of which, Nu. 194 billion was allocated
- f. for current expenditure and Nu. 116 billion for capital expenditure.
- g. Incorporation of government pledges into the 12th FYP were discussed, where relevant programs were endorsed to be included.

All the Plan documents i.e. Volume 1: Main Document; Volume II: Central Plans; and Volume III: Local Government Plans were printed and distributed. Electronic copies of these documents are available online www.gnhc.gov.bt

1.2 Flagship program

One of the new features in the 12th FYP is “flagship programs”. Flagship programs are aimed at addressing national level issues requiring multi-sectoral intervention. Blueprint with detailed interventions are being prepared in consultation with all relevant stakeholders. An amount of Nu. 15 billion from the capital outlay is kept for flagship programs. The Flagship Program guidelines and Blueprints shall guide the implementation of the programs. The five flagship programs approved by the government till date for implementation within the 12th FYP is presented in Table 1.1.

Table 1.1: Flagship programs

Sl.#	Flagship Programs	Approval Date	Outlay (Nu mil)	Lead Agency	Status	Collaborating Partners
1	24x7 Safe Drinking and Irrigation Water	24 Dec, 2018	3,000	NEC	FY2019/20 Budget & Work Plan finalized Blueprint finalization- June 2019	MoWHS, MoAF, MoH, LGS
2	Digital Drukyul	28 Feb, 2019	2,557	MoIC	FY2019/20 Budget & Work Plan finalized Blueprint finalized	Cabinet Secretariat, MoE, MoH, MoF, MoEA, DDC
3	Start-Up & CSI	20 Mar, 2019	1,200	MoEA	FY2019/20 Budget & Work Plan finalized Final draft blueprint - under review	MoLHR, BCCI, RMA, BSB, BAFRA, Startup Center
4	Tourism Development	1 Apr, 2019	1,566	TCB	FY2019/20 Budget & Work Plan finalized Blueprint finalized	MoHCA, MoFA, MoEA, LGS, HRAB, GAB, BCCI
5	Organic Bhutan	7 Mar, 2019	1,000	MoAF	FY2019/20 Budget & Work Plan finalized Blueprint finalized	LGs, TCB, MoEA, BCCI

The implementation of the approved five flagship programs will start with proposed outlay of Nu. 1,804.26 million from the fiscal year 2019/20.

Table 1.2: Flagship budget for FY 2019/20

Sl. #	Program	Budget (Nu in mil)
1	24x7 Safe Drinking and Irrigation Water	Nu. 598.87
2	Digital Drukyul	Nu. 511.39
3	Startup & CSI	Nu. 233.69
4	Tourism Development	Nu. 261.41
5	Organic Bhutan	Nu. 198.90
	Total	Nu. 1,804.26

1.2 New Resource Allocation Framework

- The assignment and division of expenditure responsibilities/functions between central agencies and LGs, and between levels of LGs in the 12th FYP has been revised. Further, the resource allocation formula (RAF) for dzongkhags and gewogs has been revised, and RAF for four thromdes has been introduced in the 12th FYP. The RAF in the 12th FYP are incorporated with improved, inclusive and comprehensive criteria reflecting ground reality in terms of socio-economic or environmental development issues and needs at the local level. Some of the new criteria include GNH Index, economy,

farming, health, education, culture, environment and safety.

- To enhance financial decentralization, capital resource allocation to LGs (Dzongkhag, Gewog and Thromde) has been increased from Nu. 25 billion in the 11th FYP to Nu. 50 billion in the 12th FYP, ensuring equal share between centre and LGs.
- Introduced Common Minimum Infrastructure (CMI) for LGs to reduce disparities in distribution of common public infrastructure and facilities among dzongkhags, gewogs, and thromde 'A's. The required CMI with indicative costing have been determined in close consultation with LGs and Central agencies.
- In collaboration with MoF, block grants for gewogs has been introduced to provide flexibility and discretionary in terms of priority setting choices in gewog development within the 12th FYP framework, and is guided by Annual Grants Guideline.
- In collaboration with MoF, Dzongkhag Development Grants (DDG) has been increased from Nu. 7 million per year in 11th FYP to Nu. 10 million per year in the 12th FYP to encourage and allow dzongkhags to implement innovative and creative projects for the communities.

2. The 14th Round Table Meeting

The 14th Round Table Meeting (RTM) was conducted from 12th to 14th March 2019, in Thimphu, with the theme of the meeting is “*Enhancing Happiness and Sustainable Development through Partnerships*”. The RTM saw participation from 19 multilateral agency with 28 participant, 22 bilateral Agencies with 41 participants, 37 delegates representing 23 resident development partner agencies and 79 national participants representing the government, member of the parliament, civil society organizations and private sector.



2.1 Outcomes of the RTM

- The Government clearly acknowledged our development partners for their goodwill, support and cooperation in Bhutan's socio-economic development efforts this far.
- The RTM also highlighted Bhutan's last mile challenges in social sector (improving quality of education and health services and reaching the unreached), vulnerabilities due to climate changes and disaster, economic vulnerability of single sector driven

economy, and disparities at disaggregated levels.

- Reinforced the objective of the 12th Plan as the enabler to address these challenges and to ensure smooth and sustainable transition from LDC, garnering the development partner's support all the more with the fiscal deficit of Nu. 29 billion (USD 415 million).
- Development partners indicated interest to cooperate in area of climate change, disaster management and innovative technology.

On 17 June 2019, Hon'ble Prime Minister formalized the European Union (EU) additional budgetary support of € 7.3 million in Brussels. The fund is mainly to support the Water Flagship Program and National Training Centre for Search & Rescue, which was indicated by the EU delegation during the 14th RTM.

3. Finalization of 12th FYP Donor support

The GNHC Secretariat (GNHCS) carried out donor resource mapping as per the outlay of the 12th FYP.

3.1 GOI Plan Talks

- ❖ Bilateral consultation on GoI's assistance for the 12th FYP was held on December 12, 2018 in New Delhi.
- ❖ First round of Bhutan-India Development Cooperation Talks for

the 12th FYP was held on April 26th, 2019 on Thimphu.

- ❖ First Bhutan-India Small Development Committee (SDPC) meeting was held on April 29, 2019 in Thimphu.

Outcomes of the Plan Talk are as follows.

- ❖ GoI committed Nu. 45,000 million for 12th FYP as follows:
 - Program Grant of Nu. 8, 500 million.
 - Project Tied Assistance (PTA) of Nu. 28, 000 million.
 - Small Development Projects (SDP) of Nu. 8,500 million.
- ❖ 51 PTA projects amounting to Nu. 19,753.893 million were endorsed which includes 31 new projects and 20 multi-plan or recurring projects initiated in the 11th FYP.
- ❖ 148 Small Development Projects worth Nu 1,907.6 million were approved as the first batch of SDPs under the 12th FYP.

3.2 Other donor support

- ❖ Coordinated Green Climate Fund (GCF) Mission to conduct National Structured Dialogue between ROGB and GCF from August 26 to September 1, 2018.

- ❖ Finalized and signed UNSDPF 2019-2023, a formal document endorsing RGOB-UN partnership.
- ❖ Other bilateral and multi-lateral agencies have committed about Nu. 18.5 billion for the 12th FYP.

4. GNH Commission meetings

The First GNH Commission meeting was held on February 28, 2019.



Some of the key decisions were:

- a. GNHCS to provide clear response to National Council's recommendations on the 12th FYP.
- b. GNHCS to coordinate the 14th RTM with relevant organisations.
- c. GNHCS was directed to carry out further discussion on the details of development of long-term strategy document.

The Second GNH Commission meeting was held on June 28, 2019.



Some of the key decisions were:

- a. The draft National Policy for Persons with Disabilities, 2019 was endorsed.
- b. The draft Foreign Direct Investment Policy, 2019 was endorsed.
- c. The draft Cottage and Small Industries Policy, 2019 was endorsed.
- d. The Long-term Strategy Document development modality, timeline and name of the document was endorsed.
- e. Endorsed the flagship implementation modality and formulation of Programme Management Unit (PMU) and staffing.

5. Policy formulation and evaluation

5.1 National Policies

National policies provide broad strategic direction and clarity in national development agenda helping smooth implementation of the national plans and programs. In Bhutan, all major policies are required to follow a prescribed policy formulation protocol which amongst others, ensures that the proposed policies are consistent with the principles of GNH.

Additionally, policies although formulated with medium to long term scope, it requires periodic review and evaluation to assess whether or not the particular policy is helping realize the intended goals and objectives.

No new policies have been approved in the FY 2018-19, however, the following draft policies were reviewed:

- National Policy for Persons with Disabilities
- National Population Policy
- National Construction Industry Policy
- Climate Change Policy
- Gender Equality Policy
- Foreign Direct Investment (FDI) Policy
- Cottage and Small Industries (CSI) Policy

Among the seven draft policies reviewed, the Disability, Population, FDI, CSIs and Construction Industry Policies were finalized.

The Climate Change and Gender Equality Policies are under review with sector after GNHCS provided comments and feedback for incorporation. These policies will be finalized in the next fiscal year 2019-2020.

Further, the National Policy for Persons with Disabilities and National Population Policy were developed in-house by the GNHCS through multi-sectoral task force.

5.2 Program Evaluation

- Evaluation of Direct Employment Scheme (DES) of the MoLHR

It is recommended that the DES program be continued as there are insufficient programs to address youth unemployment in the country. While the cost of the program is substantial, the various benefits which cannot be monetized, such as productively engaging the youth, their contribution to the economy while undergoing the program and the prevention of social issues provides a good case to continue the program. Various recommendations were provided to increase the effectiveness of the program in the future.

6. Local Government 11th FYP Terminal Review

The GNHCS coordinated the 11th FYP Terminal review of Local Governments (LGs) and 12th FYP consultation meetings with the public and LGs in all 20 dzongkhags and 3 thromdes (except Thimphu Thromde).

The review was chaired by the former Hon'ble Prime Minister to review achievements, discuss issues and recommendations of LGs' 11th FYP implementation, and also discuss issues and recommendations with the people and LGs on draft 12th FYP proposal.

7. Review of Party Pledges

The GNHCS assessed pledges of all four parties against the draft 12th FYP. Further, the manifesto of the government-elect was reviewed and incorporated the pledges in the draft 12th FYP. A total of 238 pledges made by the government in the manifesto were all reviewed referring to the draft 12th FYP, its programs and activities, existing sector policies, rules and regulations. Where possible, likely costs of the pledges have also been estimated.

8. Other tasks

- Conducted workshop on the role of Member of Parliament (MPs) on the role of Parliament in integrating Sustainable Development Goals (SDGs) in Bhutan's 12th FYP, and strengthening and monitoring these goals.
- Reviewed and provided recommendation on the draft National Day Footprint Initiative for Samtse Dzongkhag to be implemented in the 12th FYP.
- Conducted EDP implementation monitoring.
- Participated in formulation of APA Quality Assurance Framework (A-QAF).
- Carried out sensitization of A-QAF to Ministries, Autonomous Agencies and Dzongkhags and Thromdes.
- Reviewed APA/APT 2019-20 and participated in budget discussion for FY 2019-20.
- Conducted capacity building program for 25 APT focal officers from autonomous agencies and constitutional bodies on the government performance management system.