

# PEI Bhutan

## Theory of Change

### 2014-2017



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### Context and Problem Statement

A strong relationship between economy, environment and poverty exists in Bhutan – where socio economic growth is driven by environment and natural resource (ENR) dependent sectors (such as hydropower, renewable natural resources and tourism). More than 69% of the population depend on natural resource based occupations for livelihoods, 97% of the multidimensional poor are rural based and dependent on natural resources for their livelihoods, with about 1/3 of GDP derived from the renewable natural resource sector (hydropower and tourism). Climate change compounds existing vulnerabilities of the poor through its impacts on food security, health and disasters. In Bhutan, the Vision Document 2020 and Gross National Happiness (GNH) development philosophy provide the guiding framework for national policies, plans and programmes in the country. However, despite a constitutional mandate and international commitments, Bhutan is encountering growing challenges of balancing development and livelihood opportunities against the need to conserve the environment. Thus while the GNH philosophy is enshrined in major policies and plans at the central level, local governments and communities lack adequate capacity and financial resources to prioritize and implement natural resource management and climate change interventions that benefit the poor especially in rural areas.

### Barriers Analysis

1. Lack of adequate targeted specific evidence to justify policy and budgetary decision that result in improved pro-poor ENR use.
2. Inadequate application of existing mainstreaming tools plus the need for additional tools for effective integration and implementation of pro-poor ENR and climate objectives (PE).
3. Inadequate coordination between national development plans and subnational and sector plans and budgets.
4. Limited beyond GDP measurements (MPI, SEEA, etc.) that measure the contribution and quantification of natural capital including in terms of its contribution to poverty eradication.

### Project Objective and Assumption

#### Objective

Contribute to the realization of Bhutan's 11<sup>th</sup> FYP goal of "self-reliance and inclusive green social economic development" through integration of gender, environment, climate, disaster and poverty (GECDP) and P-E linkages/objectives in national and sub-national level plans, policies, budgets, allocations and other tools.

#### Assumptions

Building on the success of the national level cross-sectoral coordination mechanism (MRG), local level MRGs will be essential to sustain the GECDP mainstreaming effort. Adequate capacity, coordination and collaboration through among various stakeholders will be ensured for implementation of local level activities.

## PEI Interventions

In response to identified challenges, PEI focuses efforts in three key areas with capacity building as a crosscutting objective:

(GECDP) mainstreamed into policies, planning and budgeting process.

Cross-sectoral coordination mechanism (MRG) established at national and local level.

Inter-government fiscal transfer mechanism improved to enable local governments to prioritize and fund pro-poor environment and climate measures.

## Progress

Revision of local development planning manual, as a tool to guide local governments to mainstream GECDP nexus during annual development planning and budgeting.

Inform review of National Environment Strategy (NES) in 2015, to clearly articulate P-E mainstreaming as a key strategy of the NES 2015.

Facilitated review by central MRG for 18 draft policies and concept notes from a GECDP perspective, recommending substantive changes for policies including: Draft Tourism Policy; Access & Benefit Sharing Policy; Technical and Vocational Education and Training Policy; Concept Note for the proposed National Competition Policy and revision of Foreign Direct Investment Policy.

Sustain mainstreaming effort through formation and training of district level local government (LG) mainstreaming reference groups to serve as an advisory group within the LG to strengthen and facilitate mainstreaming of cross-cutting issues in LG development plans and programmes; applied in five pilot LGs.

Capacity development of local MRG members through a training of trainers (ToT) on mainstreaming concepts and application of tools including: environmental overview (EO), strategic environmental assessment (SEA), gender analysis matrix (GAM) and cost benefit analysis (CBA) in the context of environmental degradation and climate change.

Undertaking public environmental expenditure review (PEER) of the 10th FYP (2014) recording average public environmental expenditures of 6.63% of public expenditures and 2.62% of GDP and demonstrating increases in Local Governance (Dzongkhags and Gewogs) expenditures from 2.53% and 12.67% in the 9th FYP to 19.76% and 16.34% in the 10th FYP (2008-2013).

Scoping exercise on a Strategic Environmental Analysis (SEA) through partnership with Korean Environment Institute (KEI) and mobilisation of supporting KEI resources of \$30,000 USD.

South-South exchange on climate financing and CPEIR/PEER (Bhutan, Indonesia, Cambodia and Nepal) in 2015 as a foundation for conducting an integrated expenditure review in 2016, and establish a resource mobilization strategy for SDG implementation.

## Remaining Interventions

Conduct an assessment of the annual capital grant system (to local governments) and its Resource Allocation Formula (RAF) to evaluate the impact of the allocations and the formula, in partnership with UNCDF.

Review MRG draft action plans submitted by 20 districts (resource allocation of Nu. 1M) for each district supported through locally mobilised resources from the EU.

Capacity building of local MRG on mainstreaming GECDP tools and concepts to integrate P-E issues in the 12th FYP.

Follow up with GNHC on the revitalization of the central MRG and an assessment on the effectiveness of the MRG and way forward to ensure its sustainability.

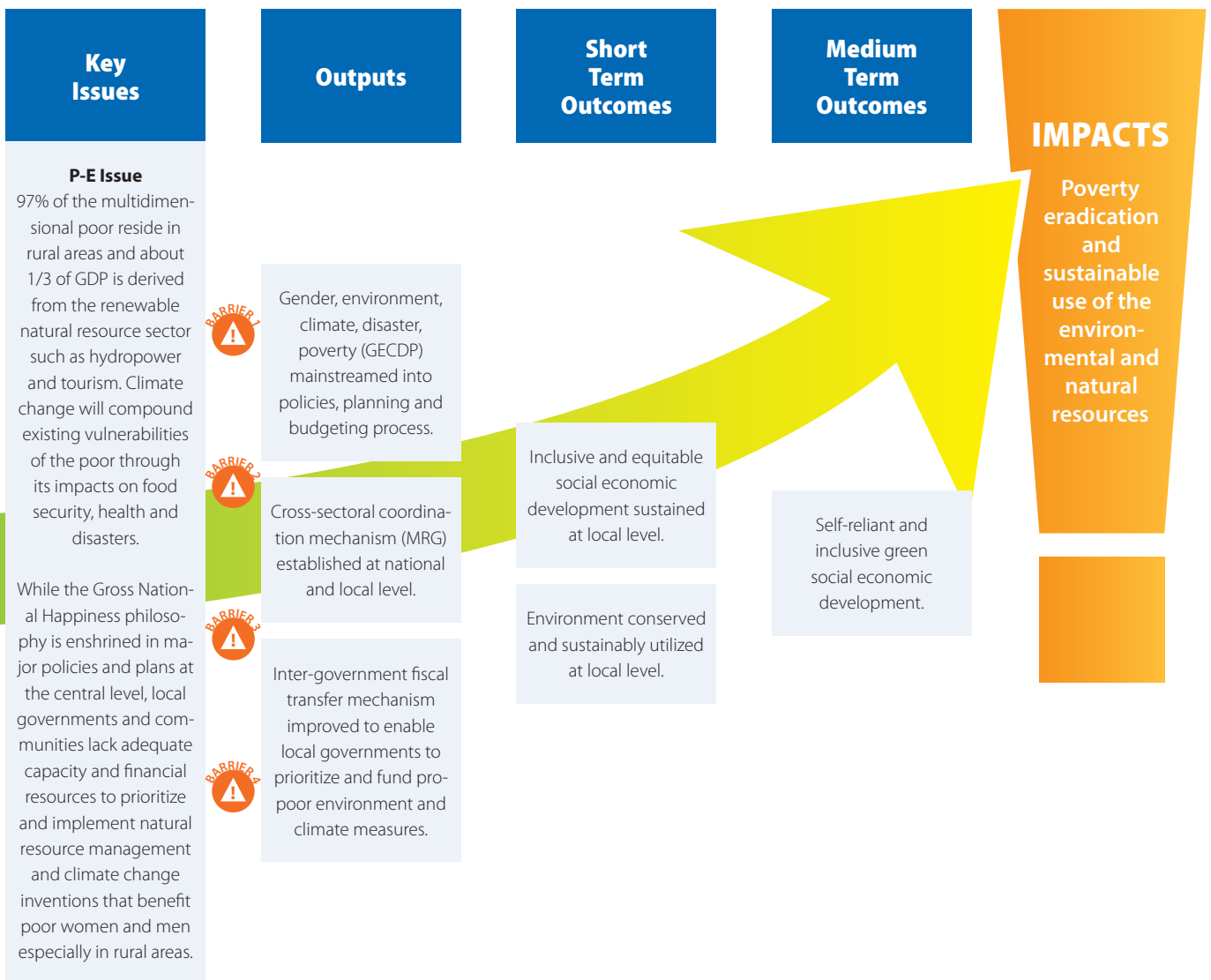
Conduct integrated poverty-climate-biodiversity public and institutional and expenditure review in partnership with BIOFIN, UNDP and NDC.

SEA training/ knowledge sharing workshop followed by development of draft SEA report.

## Annex: ToC Diagram

### Assumptions

Building on the success of the national level MRG, local level MRGs will be essential to sustain the GECDP mainstreaming effort. Adequate capacity, coordination and collaboration through among various stakeholders will be ensured for implementation of local level activities.



**Barriers:** 1) Inadequate coordination between NDP and subnational sector plans and budgets 2) Application of existing mainstreaming tools or need for additional tools 3) Lack of adequate, targeted, specific evidence 4) Beyond GDP measurements