



PEI Bhutan launches its 2nd Public Environmental Expenditure Review Report

Bhutan launched its 2nd PEER during the side event of regional climate summit held in Thimphu on 14th November 2011. The report was launched by HRH Princes Euphelma Wangchuck in presence of a gathering of senior government officials, youth participants from the 4 countries (of Bangladesh, Bhutan, India & Nepal) and international delegates.

The review covers the two financial years of 10th Plan (2008/09 & 2009/10) and was initiated following a successful review of the ninth plan period (2003/04 – 2007/08). The review was undertaken as part of the Joint Support Programme (JSP) initiative jointly supported by PEI and Representation Office of Denmark (RoD) to review budgets and expenditures on environment and climate change related activities both at the central and local Government levels. The review was planned to further enhance in-house capacity to carry out such reviews in the future and to understand full spectrum of the environment costs and integration into strategic decision making. The report includes a review of public expenditure on environment and natural resources sector, encompassing expenditure incurred by the Ministries and its Departments, Autonomous agencies, local government (districts & blocks). Environment expenditures were classified into 9 main clusters and 38 sub-clusters, of which core PEE covers the first four clusters (viz. environmental protection; urban, rural and industrial environmental management; biodiversity conservation; and information & knowledge).

The findings revealed that about 6% of public expenditure is met towards achieving environment related policy objectives of the Royal Government of Bhutan (RGoB) within the context of GNH. In the first two years of 10th Plan, Bhutan's total PEE and PE as percentage of GDP was 2.1% and 2.9% respectively. Analysis of core PEE revealed 2.1-2.5% of PE and 0.8-1.1% of GDP. This indicates that Bhutan's PEE share as percentage of PE is in similar range with other countries, but PEE as percentage of GDP is higher than other countries. Other interesting observations include – a decrease in expenditure on soil conservation and land management by 4.7%; a modest increase of 2.5% on climate change initiatives; and a substantial increase of 8.8% on environment mainstreaming initiatives within the two fiscal years.

According to the report, RGoB's contribution to the total PEE accounted for about 53% & 51% respectively for the two FY, and external assistance accounted for about 25% in 2008/09 and 48% in 2009/10. This increase in funding from internal resources is a clear reflection of government's commitment to environmental conservation as enshrined in the constitution and GNH philosophy. The development partners contributing to PEE include: Government of India, Denmark, UN agencies, GEF, World Bank, ADB and few bilateral donors and INGOs. In terms of PEE budget efficiency, local government demonstrated efficient utilization with 81% and 85% in both the years as compared to central ministries with 69% & 66% respectively.

As a way forward, the report recommends undertaking an environmental expenditure review of private sector, NGOs and foundations in parallel with the next PEER in 2013. This is to provide a full account of the environmental expenditures in Bhutan and contribute to full cost accounting in the 'green national accounting'. The report further recommends integrating 'green' budget codes into public accounting system and linking the environmental classification to sector's 11th FYP programmes. The report also recommends conducting a detail assessment of the efficiency and effectiveness of environmental expenditures for cross-cutting topics of policy relevance such as climate change, EFRC etc. which are not captured adequately in the budgeting and accounting system. The expenditure figures will therefore act as an indicator to monitor whether investments are going in the right direction and inform policy and decision makers to change policy priority for the government and sectors concerned.

Photos: HRH Prince Euphelma Wangchuck, during the launching of the PEER Report on the side events of the Regional Climate Summit (14 November 2011).

