

Fiscal Decentralization in Bhutan

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Brief History of the Decentralization Process in Bhutan

- ▶ His Majesty the Fourth King of Bhutan established the Dzongkhag (District) Development Committee in 1981; Gewog Yargay Tshogchung (Sub-district Development Committee) in 1991;
- ▶ Subsequently, a number of other institutions, including municipal city councils were established;
- ▶ The ideals of democratic and decentralized governance were formally enshrined in the Constitution in 2008.

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Expenditure assignment:

- ▶ In the 9th FYP, the ratio of the central and local governments was 75:25.
- ▶ In the 11th plan, the capital budget for the central agencies 73%, while local governments' budget was 22%, and the Municipalities got 5% of the total outlay.
- ▶ For the 12 Plan, 50% of the budget will go the LGs.

Annual Capital Grant system in Bhutan

Criteria	10 th plan formula	11 th plan formula	Tentative 12 th plan formula
Population	70%	35%	35%
Poverty	25%	-	-
Area	5%	10%	10%
Multidimensional Poverty Index (MPI)	-	45%	45%
Transport Cost Index (TCI)	-	10%	10%

Inter-governmental fiscal transfer

1. Constituency Development Grant
2. Gewog (Sub-district) Development Grant (GDG)
3. Dzongkhag (District) Development Grant (DDG)

The revenue sharing framework for the LGs

- ▶ *Property taxes*
- ▶ *Business license fees*
- ▶ Payment for ecosystem services
- ▶ Community forest management system
- ▶ other fees

Thank you!



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