

NATIONAL COUNCIL OF BHUTAN

Review Report on the Gewog Development Grant Performance Audit Report

Prepared by Good Governance Committee

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GDG Performance Audit Report

1. Background

In order to further deepen the decentralization process, the Gewog Development Grant (GDG) was initiated by the current government starting from financial 2013/14. Under the scheme, each gewog is allocated with Nu. 2.000 million per annum to utilize it for the community development at the discretion of the gewog authorities.

The Royal Audit Authority (RAA) had carried out a performance auditing on the usage of GDG in the past two fiscal years from 2013/14 to 2014/15 with three broad objectives to ensure “*economy, efficiency and effectiveness in the use of public resources*”, to check its operational compliance to the existing legal and policy provisions and finally to review on its monitoring and reporting system.

Ensuring efficient management of public resources is one of the core focuses of the National Council’s Good Governance Committee. During its 10th Session, the National Council deliberated extensively on the performance audit report of the Constituency Development Grant (CDG) conducted by the RAA. Despite the scheme being discontinued, the issue was still deliberated and several pertinent recommendations were submitted to the government to ensure that the newly introduced GDG funds are utilized more responsibly and efficiently.

With the RAA having produced a performance audit report on the GDG, it was appropriate for the National Council to review the findings in the context of responsible and efficient utilization of the GDG fund. Therefore, the task of reviewing the report was assigned to the GGC during the 38th Plenary Session held on 21st June 2016.

The following sections of the report present first the major findings of the RAA, and the committee’s recommendations.

2. Major findings of the RAA

Major findings of the performance audit report include the following:

- i. Lack of adequate public awareness on the GDG and its activities;
- ii. The Royal Audit Authority questioned the logic of Government allocating equal amount of grant/fund for Gewogs across country, without considering poverty level, population, geographical coverage of the Gewog;

- iii. Lack of proper planning, assessment and situational analyses in selection of GDG activities by the concerned Gewog Administration;
- iv. Most of the GDG activities implemented failed to comply with GDG Guideline issued by Ministry of Finance;
- v. Despite the GDG providing better scope for fostering local economic growth, generate employment and enhance income opportunities for rural communities, for the lack of new ideas and innovative ventures by the LG officials, funds are utilized on fragmented activities without having long term impact;
- vi. Due to lack of technical capacity and monitoring support both at the Gewog and Dzongkag, the implementation of most of the GDG funded activities were either delayed and suffered with poor quality(*especially the farm roads where larger chunk of GDG fund has been allocated in most Dzongkhags*); and
- vii. Although the funds have benefited in achieving community's pressing needs with more flexibility and financial authority, inventory of assets are not maintained properly, which may lead to corruption and lack of ownership of assets by the concerned beneficiaries.

3. Committee's Recommendation

Besides reviewing the findings of the RAA, the Committee also studied the responses provided by the Ministry of Finance against each of the findings. While most of the responses are found to be tenable, there are a few points that merit further attention of the government. Therefore, the Committee recommends the following:

a. Continue creating awareness on the GDG scheme

Although people in most of the gewogs are aware of the GDG scheme and have actively engaged in the utilization of the fund, there appears to be pockets of communities who are unaware of such a scheme. If the GDG were to achieve its noble intention of deepening decentralization, there is a need for the people at the grassroots to actively participate in deciding how the fund should be utilized; and for that, educating people about the scheme is the key.

Therefore, there is a need for the government to continuously inform and educate general public on any form of Local Government Grants (GDG, DDG, etc.) and their usage with intended objectives and purposes.

b. Oral question to the government on monitoring and accountability mechanism

One of the main highlights of the RAA's findings is non-compliance to the existing guidelines starting from planning to the execution of the GDG funded activities in most Gewogs. The issue of non-compliance to the set guidelines was also observed in the case of the CDG, and appropriate recommendations were submitted by the National Council to the government to ensure that the same issue does not arise with the GDG. However, reoccurrence of the same issue with the GDG Performance Audit report suggests that there is a need for National Council to follow up with the government on the implementation of our earlier recommendation

Therefore, it is recommended that an oral question be asked to the government on what kind of monitoring and accountability mechanisms are put in place to ensure maximum compliance to the guidelines by the local authorities in the future.

c. Strengthen the capacity of local government

Since the activities implemented under the GDG are over and above the regular planned activities of the gewogs, there obviously is additional stress on the limited human resource capacities of the gewogs. The problem is confirmed by the findings of the performance audit report that has highlighted that owing to the lack of technical capacity and monitoring support both at the Gewog and Dzongkhag, the implementation of most of the GDG funded activities were either delayed or suffered with poor quality.

Therefore, there is need to strengthen the technical capacity of the local government offices as per section 265 of LG (Amendment) Act (2014) to achieve intended objectives of Local Government Grants.

d. Judicious utilization of public resources

It is observed that the GDG funds are spent on wasteful activities. For example, Nu. 31.854 million was found to have spent on infrastructure that are either not usable or incomplete rendering the expenditures unproductive. This is due to lack of proper planning, coordination and monitoring. In order to achieve the intended result and optimize the benefit of scarce resources, there is a need for the elected local leaders to look into utilizing the funds judiciously and prudently through proper planning, coordination and effective monitoring.