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PLANNING COMMISSION
SECRETARIAT

**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
EVALUATION DEPARTMENT

Capacity Development Outcome Evaluation of Danish Supported Organisations in Bhutan

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The views and opinions expressed in the report do not necessarily correspond to the views of the Ministry of Foreign Affairs of Denmark, the Royal Government of Bhutan, or the implementing organisations.

Preface

Denmark has contributed bilateral assistance to Bhutan since 1985, and in 1989 Bhutan became one of Denmark's programme countries. From 1992 the development cooperation has been concentrated in three areas: health, environmental and natural resource management, and urban development. In addition, democratisation, good governance and decentralisation have been supported. In 2003 education was added as a priority sector. The total Danish assistance since 1989 amounts to more than 1 billion DKK in current prices. As Bhutan's population is small, about 700,000 people, the assistance per capita DKK 1,429 – or about DKK 90 per year – is the highest Danish assistance per capita to any partner country. In Bhutan, Denmark has through many years been the second largest bilateral provider of assistance. However, as the revenues from hydropower export to India are estimated to lead to an economic stage where the need for continued development assistance would be reduced, the Danish development assistance is expected to be phased out within the next decade.

The current Strategy for Danish Development Co-operation with Bhutan 2003-2007 stipulates an evaluation of the country programme, assessing the results achieved and providing direction for future development co-operation between Denmark and Bhutan. To further the partnership principles, the evaluation of the Danish Bhutan country programme has to the extent possible been initiated and undertaken as a joint evaluation between Danida's Evaluation Department and the Bhutanese Planning Commission Secretariat, following the DAC's evaluation guidelines and standards of independence of responsibility of implementation of programme activities.

It was agreed that the first phase of the country programme evaluation would be carried out as a Capacity Development Outcome Evaluation of a number of Bhutanese organisations key to the country programme, and in accordance with the Results-Oriented Approach to Capacity Change (ROACH) methodology as developed by the Evaluation Department and field-tested in Ghana in 2004. This implies that the focus of the assessment is on the *changes in output* of the *key organisations* within the programmes as indicators of the capacity development.

The intention is that this initial Evaluation of the current stage of capacity development of the key supported organisations would provide an input to the forthcoming planning of the expected final support phase, and facilitate subsequent evaluations of the main country programme after the completion of the current phases of the sector support programmes (in 2007/08), and/or at the expected final end of the country programme with a focus on changes in outcomes.

The Evaluation was commissioned to the International Development Department, School of Public Policy, University of Birmingham, and the Evaluation team, led by Dr. George Larbi, undertook the fieldwork in March-April 2006 after a preparatory mission in February 2006 had identified the key Bhutanese organisations to be included. A stakeholder workshop, held in Thimphu on 8 May, contributed significantly to the assessments of the team.

The findings, lesson learned and recommendations of the evaluation report are expected to contribute to the planning and further capacity development of the concerned Bhutanese organisations specifically, and, in general to the enhancement of the Danish support programmes. Moreover, it has been found, that this second application of the ROACH-methodology not only has substantiated the usefulness of this approach, but has also provided interesting new learning lessons of how to go about it in the field.

This report is the final Evaluation Report of the conclusions and recommendations of the Evaluation. The Annexes containing the details of the capacity development of each of the assessed organisations are in the attached CD-Rom.

*Danida's Evaluation Department
Planning Commission Secretariat*

June 2006

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List of Abbreviations and Acronyms

<i>ADB</i>	Asian Development Bank
<i>AIMS</i>	Audit Information Management System
<i>APS</i>	Alternative Planning Framework
<i>BACS</i>	Bhutan Automated Customs System
<i>BIT</i>	Business Income Tax
<i>CD</i>	Capacity Development
<i>CDOE</i>	Capacity Development Outcome Evaluation
<i>CIT</i>	Corporate Income Tax
<i>DADM</i>	Department of Aid and Debt Management
<i>Danida</i>	Danish International Development Assistance
<i>DBA</i>	Department of Budget Accounts
<i>DEO</i>	District Environment Officer
<i>DKK</i>	Danish Kroner
<i>DPU</i>	Dzongkhag Planning Unit
<i>DRC</i>	Department of Revenue and Customs
<i>DSP</i>	Decentralisation Sector Programme
<i>DUDES</i>	Department of Urban Development and Engineering Services
<i>DYT</i>	District Development Committee (Dzongkhag Yargye Tsogchung)
<i>EAA</i>	Environmental Assessment Act
<i>EdSPS</i>	Education Sector Support Programme
<i>EFA</i>	Education for All
<i>EIMS</i>	Environmental Information System
<i>EMIS</i>	Education Management Information System
<i>EU</i>	Environmental Unit
<i>EUSPS</i>	Environment & Urban Sector Programme Support
<i>EVAL</i>	Evaluation Department, (Ministry of Foreign Affairs, Danida)
<i>FYP</i>	Five Year Plan
<i>GDP</i>	Gross Domestic Product
<i>GG/PARP</i>	Good Governance and Public Administration Reform Programme
<i>GG+/Plus</i>	Good Governance Plus
<i>GOI</i>	Government of India
<i>GYT</i>	Block Development Committee (Gewog Yargye Tsogchung)
<i>JICA</i>	Japanese Development Agency
<i>LOD</i>	Liaison Office of Denmark, Thimphu
<i>M&E</i>	Monitoring and Evaluation
<i>MTI</i>	Ministry of Trade and Industry
<i>MOA</i>	Ministry of Agriculture
<i>MOHCA</i>	Ministry of Home and Cultural Affairs
<i>MOE</i>	Ministry of Education
<i>MOH</i>	Ministry of Health
<i>MOF</i>	Ministry of Finance
<i>MWHS</i>	Ministry of Works & Human Settlement
<i>NEC</i>	National Environment Commission
<i>NECS</i>	National Environment Commission Secretariat
<i>NEPA</i>	National Environmental Protection Act
<i>NSB</i>	National Statistics Bureau
<i>Nu</i>	Bhutanese Ngultrum (1 Indian Rupee = 1 Nu)

<i>PCC</i>	Phuentsholing City Corporation
<i>PCS</i>	Planning Commission Secretariat
<i>PIT</i>	Personal Income Tax
<i>PPD</i>	Planning and Policy Division
<i>PPP</i>	Public Private Partnership
<i>RAA</i>	Royal Audit Office
<i>RBP</i>	Royal Bhutan Polytechnic
<i>RCSC</i>	Royal Civil Service Commission
<i>RIM</i>	Royal Institute of Management
<i>RMS</i>	Revenue Management System
<i>ROACH</i>	Results Oriented Approach to Capacity Change
<i>SDC</i>	Swiss Development Cooperation
<i>SPS</i>	Sector Programme Support
<i>TA</i>	Technical Assistance
<i>TACS</i>	Tax Administration Computerised System
<i>TCC</i>	Thimphu City Corporation
<i>TMS</i>	Tax Management System
<i>USPS</i>	Urban Sector Programme Support
<i>UNCDF</i>	United Nations Capital Development Fund
<i>UNDP</i>	United Nations Development Programme
<i>WCO</i>	World Customs Organisation
<i>WFP</i>	World Food Programme
<i>WWF</i>	World Wide Fund for Nature

Glossary of Terms

<i>Chatrim</i>	Rules, the constitutional law for the Cabinet
<i>Chimi</i>	The people's representative in the National Assembly
<i>Dzongdag</i>	Chief administrator of a district
<i>Dzongrab</i>	Deputy administrator of a district
<i>Dzongkhag</i>	District
<i>Gewog</i>	Block, smallest geographic unit of administration
<i>Gup</i>	Gewog head, elected representative for three years

Map of Bhutan with Districts



Executive Summary

Introduction

This report presents the findings, conclusions and recommendations of the capacity development outcome evaluation of selected organisations under Danida's Bhutan Country Programme. It provides an initial evaluation of the current stage of capacity development of six key supported organisations and will serve as an input to the planning of the next phase of Danish support to Bhutan. It is also a first step in the evaluation of the Bhutan country programme.

Ten organisations were initially identified during a pre-evaluation visit in February. Six were selected for the final evaluation study in March-April 2006. The criteria for selection included: coverage /representation of the four sectors supported by Danida; national/sub-national level representation; relevance of the organisations to budget support; whether or not the organisation has been covered in recent reviews and evaluations; and the time and resource constraints of the evaluation team.

Summary of Findings and Conclusions

Department of Urban Development and Engineering Services

DUDES is a focal department for urban development in Bhutan and was an integral part of the then Public Works Department in 1993. DUDES was created in 2005 following a series of restructurings. It has contributed substantially to urban development in Bhutan through improvements in its outputs and outcomes. These include development plans for urban towns, establishment of essential urban infrastructure, solid waste and wastewater management and production of key urban rules and regulations.

A number of factors explain the changes in outputs of DUDES. The most significant include long term and significant Danida and other donor support. Danida has provided an average of about 43 per cent of the total resource envelope since 2001 (and 50 per cent of HRD support), compared with RGOB contribution of about 36 per cent. Internally, DUDES has a dynamic leadership, the staff members are well qualified and have strong technical competence in urban development. However, it appears that the coordination between DUDES/MWHS and other ministries is not optimal when it comes to the design of infrastructure such as schools. DUDES also faces a challenge of attracting and retaining adequate number of qualified technical staff due to competition with the private sector for engineers.

Danida's support has been effective and efficient in closely aligning with the objectives of DUDES. Other factors, which have made Danida's support successful, have been its long-term commitment to DUDES, and the flexibility in delivering the support and response to changes in DUDES' needs and plans. There is a sound basis for technical sustainability of outputs and capacity in DUDES, but government employment has to remain attractive to retain engineers. Given the dependence on donor funding for capacity development, financial sustainability is uncertain without such level of support.

Ministry of Education, PPD

The T₀ for PPDs is 1997 when they were first created across government to lead and coordinate the policy and planning formulation processes in their respective ministries and agencies. The key outputs of the PPD of the Ministry of Education include sector plans and programmes, coordination of the formulation of relevant Acts and By-laws, and monitoring of sector programmes and policies. The mandates for PPDs were revised in January 2006 in order to make them more result-oriented and bring them in line with the alternative-planning framework to be used under the 10th FYP.

The long-term vision set out in Bhutan 2020, government commitment to achieve the MDG targets and EFA, and poverty reduction in general, backed by strong donor financial support have been the key factors explaining change. Under the 9th FYP, RGOB has committed around 14-15 per cent of the total outlay to education. This level of commitment needs to continue in order to meet sector objectives. Overall, donor support accounts for about 90 per cent of new developments and Bhutan would have been several years behind in education without the injection of donor support for educational infrastructure and training.

Danida is a relatively new, but significant contributor to the capacity and output changes in the MOE/PPD. There is a close alignment between sector priorities in the FYPs and the objectives of Danida's EdSPS. Currently, Component 2 (DKK 15 million or USD 2.7 million) of Danida's EdSPS is the largest CD-support in the sector targeted at human resources and institutional development, with over 60 teachers benefiting since 2004. The bulk of other donor support to the sector has focused on infrastructure development, but this has to be balanced with capacity development in the sector, including training of adequate number of qualified teachers to staff these schools, especially in remote and rural areas.

National Environmental Commission Secretariat (NECS)

NECS is the organisation with overall responsibility for environmental management in Bhutan. Its mandate and outputs have evolved significantly since its establishment in 1992 and, more recently, has included being the apex body for water. The key outputs include various legal frameworks such as the Environment Assessment Act. However, two key acts (the Water Act and the Environmental Protection Act) are still pending despite being on the national agenda for some time. The outcomes achieved so far include improved environmental awareness and mainstreaming in line ministries. However, capacity for water management is very weak.

A number of factors have contributed to the observed changes in NECS' outputs and outcomes. These include strong support for the environment by the King and RGOB and donor (especially Danida) support. However, it appears the political capital available to NEC and the donor support have not been optimised in output changes. NECS' central role in environmental management demands influencing and networking skills as well as focused and proactive political and administrative leadership, which will enable the organisation to prioritise its tasks and cooperate with key stakeholders.

Danida is the principal donor to NEC, providing an average of about 50 per cent of NECS' total resource envelope (compared to 28 per cent from other donors and the rest from RGOB) between 2001 and 2006. Important features of the Danida support have been its close alignment with Bhutan's environmental strategies, its long-term commitment to NECS and its flexibility towards the needs of NECS. Danida support has cer-

tainly played a crucial role in the establishment and development of NECS and the political and legal framework for environmental management.

The Royal Audit Authority (RAA)

The RAA was formed in 1986 and evolved from a body appointed by the King to uphold probity across the public service. Danida has been involved in CD-support since 1997, especially IT and HR support and constructing the headquarters building. RAA has become progressively professional over the whole period. The clearest performance indicator for RAA is that at 1986 (T₀) all of the audit reports were late, whereas at 2006 (T₁), all of them are on time and clearly planned.

There has been significant increase in the number of audits being carried out and the reduction in backlog since 1997/8. This has been partly driven by the introduction of IT systems in producing efficiency gains, particularly in maintaining consistent records and in facilitating the maintenance of large amounts of data. However, the audit reports tend to be extremely detailed with an over-concentration on low-level transactions auditing. A move towards a system of internal audit in main Ministries will enable the RAA to concentrate on systems audit and more specialised approaches.

The leadership of RAA has played a crucial role in its transformation, backed by competent staff. They have been proactive in developing the capabilities of staff, although with heavy reliance on donor support. Overall, Danida has provided an average of 10 per cent of RAA's total resource envelope over the past five years. RAA staff cites the building, IT and vehicles as the three most important influences over improved capacity, and none would have happened without Danida.

Department of Revenue and Customs (DRC)

The Department of Revenue and Customs was created in 1986 under the Ministry of Finance and is responsible for the management and administration of the national revenue including tax and non-tax revenue. Its outputs have changed since 1986 in a number of ways, not least by the broadening of the tax base and introduction of personal income tax (PIT). Danida support started in 1997 and has covered training, IT and TA support for the development of legislation, IT systems and PIT.

Danida and other donor support have been crucial to the changes in the capacity of DRC, especially in IT. Danida accounts for 6-14 per cent of DRC's total resource envelope since 2001. The development of the BACS and other IT systems has been instrumental in enabling DRC to produce statistics and reduce tax avoidance by providing past tax histories on business tax. Without this IT support, the officers in DRC estimate they would be 7/8 years behind where they are now. However, there is need to formulate a contingency plan, including a risk analysis for IT.

Despite the progress made the DRC faces significant challenges in the near future, including the need to broaden the revenue base and meet the technical requirements of Bhutan's accession to the WTO. The capacity of the Customs Department needs to improve in order to meet these challenges. There is need to revisit the indirect tax structure to bring it into line with international norms in time for WTO accession.

Punakha Dzongkhag

Punakha is the second oldest dzongkhag in Bhutan, dating back to 1637. Under the 9th FYP, decentralisation has been accelerated by a number of key policy documents,

including the new constitution and the revised DYT and GYT *Chatrim*s (Acts), which provide a legal basis for the assignment of powers to dzongkhag and gewog levels. These have been reinforced by the direct elections of gups in 2002.

District plans and delivery of basic services such as health and education are key outputs and their significance has increased under the decentralised planning system. Recent changes in outputs include the issuance of environmental clearance and improvements in education and health services. Political awareness also is increasing.

A number of factors have influenced changes in outputs and capacity. Perhaps the most prominent is the decentralisation policy under the 9th FYP and the decentralised planning framework. Under the 9th FYP dzongkhags receive 20 per cent of public expenditure through tied grants based on the FYP, and gewogs receive 4 per cent. The district benefits indirectly from donor support to sectors such as health, education and environment and also the Decentralisation Support Programme.

Given the nature of the support, attribution is difficult, but clearly the district is receiving support from the sector programmes (e.g. education, health and environment) supported by Danida. Indirect support also comes through Danida's Governance and Public Administration Reform Programme. Whilst the dzongkhag seems to be technically sustainable, there is a question regarding the sustainability of the gewogs given their lack of capacity to raise revenue and their need for staff.

Conclusions, Lessons and Recommendations

Issues for Danida and other donors

A number of cross sector conclusions and lessons emerge from the study. These include:

The flexibility of Danida Support: This was noted as very important to all five central organisations. Danida has been effective in delivering support and achieving close alignment with RGOB priorities under the 9th FYP. The lesson from education is that a mixture of budget support, earmarking for capacity development and strategic use of TA seem to work in addressing government priorities whilst focusing capacity development in critical areas of need. Some of the factors for the success of support have been a well-formulated national and sector plans, which set the framework for donor support and allocation of resources.

Effective use of TA: Overall TA has been used strategically and appears to have worked well in most cases (e.g. in DRC and RAA) to support CD in critical areas such as IT development. TA tends to work better where there is a competent local counterpart, ownership and absorption capacity, and where the TA expert fits in well into the host organisation.

Recommendations:

- TA would still be needed, but in very limited areas, along with programme and budget support, and earmarking, for example in developing cost recovery in urban service provision; consolidating performance audit systems in RAA and supporting the Customs Division of DRC to meet the technical requirements of Bhutan's accession to WTO.

- It would be useful to assess whether some of these institutional conditions exist prior to any new TA support. In addition to the above, where TA is linked to programme support, it would be helpful to make provision for logistic support for the TA (e.g. computers and transport) in order to maximise 'value for money'.

Improving Sector Programme Support: The recommendation of the impact study to involve other authorities in the EUSPS design does not appear to have been followed. This means that the component still struggles with the same problems as the USPS on delivering legal, financial and governance advice to the urban development activities in the district towns.

Recommendations:

- The design of sector programme support would benefit from a broad consultative process, an issue that came up during the design of EUSPS.
- In addition the merger of ESPS and UPSPS into EUSPS has not achieved the expected synergy and there may be need to revisit this, though the underlying principle is sound.
- There is an opportunity for NECS and MWHS to work together to develop urban environmental policy and this needs to be explored to kick-start cooperation between the two organisations.

Broadening capacity development support: Whilst the evaluation has focused on only six organisations, it is worth pointing out that we have not looked at the broader capacity implications of the governance reforms, particularly the preparation towards 2008 and consolidation of democratic institutions in a post-2008 period.

Recommendation:

- Danida and other donors need to bear the broader implications of the ongoing and forthcoming governance reforms in mind in planning future support in order to develop and strengthen capacity of such institutions (e.g. the new anti-corruption commission and the electoral commission).

Building synergies and learning across organisations in IT: Most of the organisations selected are developing IT systems with the support of Danida but there is no joined up approach and synergies to share experience.

Recommendation:

- A more strategic approach could pool the existing resources more effectively across IT to reduce the risk of system crash and sharing support across a number of organisations.

Issues for selected organisations and RGOB

Bhutan has relatively well-trained, competent and committed public servants, but the problem seems to be the inability to produce enough qualified people in certain areas such as engineering, maths and science. In particular the lack of adequate numbers of maths teachers feeds into the inability to produce enough engineering graduates since a high grade in maths is a requirement for admission to engineering and science degrees.

Recommendation:

- Maintaining a small, but efficient public service will require sustaining attractive public service conditions that may have to compete with an expanding private sector for scarce skills.

There are some common human resource management issues that need attention, including the central (RCSC) control over key aspects of human resource development and management (e.g. training, appointments and transfers).

Recommendations:

- It would be useful if organisations have more say in the skill mix and qualification of staff they require. This would be consistent with the decentralisation policy.
- As part of organisational capacity development, there is a clear need to improve documentation and records management, as well as intra-organisational communication/sharing of information.
- Related to this is the need to improve the record of reporting on programmes support to donors and relevant government bodies such as the PCS and DADM. Timely reporting is necessary to retain donor confidence in government systems.

Whilst significant progress has been made in decentralisation, there is need to strengthen the capacity of districts in key areas such as planning and financial management.

Recommendation:

- The team recommends that more resources for capacity development need to be channelled from the centre to sub-national levels of government. The possibility of enhanced block grants to dzongkhags and gewogs need to be explored.

The team also recommends that RGOB needs to address some issues at the highest political levels, including the status and mandate of NECS. Recommendations:

- Some organisations (e.g. NECS) have multiple sources of mandates, which need to be streamlined.
- It also advisable to tackle some of the difficult institutional reforms and decisions before 2008. These include the status of NECS and institutionalisation of a performance management system, along with the new position classification system.

1 Introduction and Background

1.1 Introduction and Objectives of the Evaluation

This report presents the findings and conclusions of the capacity development outcome evaluation of selected public organisations under Danida's Bhutan Country Programme. The evaluation was undertaken during the period 20 March to 8 April 2006. This followed a preparatory mission in February 2006 jointly undertaken by Henrik A. Nielsen (Senior Technical Adviser, Evaluation Department, Danish Ministry of Foreign Affairs) and George Larbi (School of Public Policy, University of Birmingham, UK).

The main evaluation study covered six organisations – the Department of Urban Development and Engineering Services (DUDES) of the Ministry of Works and Human Settlement (MWHS), the Policy and Planning Division of the Ministry of Education (PPD), the National Environment Commission Secretariat (NECS), the Royal Audit Authority (RAA), the Department of Revenue and Customs (DRC) and Punakha Dzongkhag.

According to the Terms of Reference for the CD evaluation (see Annex 1), the '*overall objective*' of the evaluation is to improve the support by Denmark to the capacity development of Bhutanese organisations, and in particular to enhance the sustainability of the results achieved, and to strengthen the relevance of the support. The '*specific objective*' is to provide an initial evaluation of the current stage of capacity development of the key supported organisations as an input to the planning of the expected final support phase, and to facilitate subsequent evaluations of the main country programme after the completion of the phasing-out of the sector support programmes (in 2007/08), and/or at the final end of the country programme (in 2012), with a focus on changes in outcomes.'

The outputs of the CD evaluation include: (1) a Debriefing Note which was prepared and submitted by the team to LOD, PCS and EVAL at the end of the field mission; (2) this Evaluation Report which was presented in draft and discussed at stakeholders' workshop in Thimphu on 8 May 2006. A brief post-mortem note of the experiences of the team shall also be submitted to EVAL and PCS.

The Evaluation team was composed of Dr. George Larbi (University of Birmingham, UK) as team leader, Paul Jackson (University of Birmingham), Jens Peter Christensen (Local Government, Denmark) and Karma Ura (Centre for Bhutan Studies). The partnership between these three organisations during the assignment has worked very well. The team would like to thank officials in the six organisations for their cooperation in providing information to the evaluation team. We also thank the Liaison Office of Denmark (LOD), the Planning Commission Secretariat PCS), the Department of Aid and Debt Management (DADM), the Royal Civil Service Commission (RCSC) and all others met by the team, for their support and cooperation. The team acknowledges the support and guidance of Mr. Henrik A. Nielsen (EVAL). However, the views expressed in this report are those of the team and do not necessarily correspond to the views of the organisations and individuals met nor do they represent the views of the two governments – the Royal Government of Bhutan (RGOB) and the Government of the Kingdom of Denmark.

This report is structured as follows: the rest of the introduction provides a brief background and context to the assignment, outlines the methodology used and rationale for selecting the six organisations. Chapter 2 presents the findings and lessons of each of the six organisations. Chapter 3 is a summary of emerging cross sector issues, lessons and recommendations. More detailed analyses and information on each of the six organisations are provided in a separate annex of Fact Sheets available only in soft copy and on CD.

1.2 Background and Context

Denmark is currently the second largest donor to Bhutan (after India). It has contributed multilateral assistance to Bhutan since 1978, while bilateral development cooperation dates back to 1985. In 1989 Bhutan became one of Denmark's programme countries. Since 1992 long-term development assistance has been concentrated in the areas of health, environment and natural resource management, and urban development. Education, democratisation, good governance and decentralisation are relatively recent additions. The total Danish assistance since 1989 amounts to more than 1 billion DKK (DKK 1,017 million) in current prices. The current Strategy for Danish Development Co-operation with Bhutan 2003-2007 stipulates that an evaluation of the country programme assessing the results achieved and providing direction for the future development co-operation between Denmark and Bhutan, will take place during the planning period. It was agreed with the Liaison Office of Denmark in Thimphu that the first phase of the evaluation would be carried out in 2006 as a capacity development outcome evaluation of a number of Bhutanese organisations key to the Danish Bhutan country programme and to the priority sectors of health, environment and urban development, and education. This report is the output of the capacity development outcome evaluation.

1.3 Approach and Methodology

The CD outcome evaluation in Bhutan followed the Results-Oriented Approach to Capacity Change (ROACH) methodology (available from www.evaluation.dk) and summarised in Annex 2. This implies that the focus of the evaluation has been on the *changes in output* of the *key organisations* as proxy indicators of organisational capacity. It is worth stressing here that the ROACH approach sees changes in output of key organisations as the outcome of capacity development support. Thus the methodology primarily focuses on the outputs of key organisations and *not* the output of sector support programmes *per se*¹, though monitoring reports on the latter and sector programme documents were used as key sources of information in tracking capacity changes in the six organisations.

The ROACH methodology was revised and adapted to the Bhutanese context by the evaluation team, including simplifying the 15 steps of the methodology into 12 steps (see Annex 2). Prior to the field work the team prepared interview guides and questions for each of the six organisations. Consistent with Step 1 of the methodology, the pre-study mission identified and consulted with ten organisations that have benefited directly or

1) *The review, monitoring and evaluation of sector programme support do focus more on the outputs and indicators of the support programmes. The CD evaluation does not duplicate this, but instead focuses on changes in the output of key organisations within support programmes. The CD evaluation must, however, draw on information provided by reports on programme reviews and monitoring.*

indirectly from Danish CD-support. Out of these organisations, six were selected for the final study based on the following criteria:

- Coverage /representation of the four sectors as much as possible.
- National/sub-national level representation.
- Relevance for budget support.
- Organisations not covered in recent evaluations.
- Time and resource constraints of the evaluation team.

The team used a variety of methods in data collection. These included collection and analysis of documentation related to sector programme reports and reviews, thematic policies, sector and programme budget allocations and execution, staffing overviews and other relevant information, including support to capacity development from other international partners. These documentary sources were complemented by key informant interviews with management, staff and advisers in the selected organisations as well as donor agencies. Focus group discussions were also held with small groups of staff in each organisation. Direct observation was also used, where appropriate.

2 Findings of Capacity Development Outcome Evaluation

This chapter presents the key findings and conclusions of the CD outcome evaluation of the six organisations, starting with DUDES and followed in order by the PPD/MOE, the NECS, the DRC, the RAA and Punakha Dzongkhag. Chapter 3 then teases out key conclusions and recommendations. The presentation of findings for each organisation follows the structure of the twelve-step CDOE methodology.

2.1 Department of Urban Development and Engineering Services (DUDES)

Changes in outputs, outcomes and influencing factors

Changes in role and mandate of DUDES

DUDES is a focal department for urban development in Bhutan, responsible for provision of services to line ministries, districts and city corporations within urban planning and engineering services. 1993 has been chosen as T₀ for the evaluation, which is the date when the old Public Works Department (PWD) was created. At that time DUDES' mandates were managed by the PWD under the Ministry of Communications and also included housing and roads. By 1999 the responsibility for roads was hived-off and PWD became the Department for Urban Development and Housing (DUDH). Following the creation of the NHDC in 2003, the construction and maintenance unit under DUDH was transferred to NHDC and DUDH became part of the newly established Ministry of Works and Housing (MWHS). This eventually led to the renaming of DUDH into DUDES in May 2005 and the transfer of the district engineering divisions to DUDES. Due to these shifts in mandates since 1993, the DUDES evaluation study focuses on developments of the current mandate and excludes housing and roads.

While the purpose and strategy of DUDES relating to urban development has not changed significantly, the strategy of devolution and public-private partnerships (PPP) has gradually changed DUDES' role from implementing to facilitating urban development. However, with the merger of the district engineering units with DUDES in 2005, DUDES still has a large implementing role through the district engineering units, since 50 per cent of its activities are carried out through the district administrations. This reinforces the case for decentralisation of more resources and attention to dzongkhag urban centres.

Changes in output

As noted above the role of DUDES has gradually changed from being a service provider to a facilitator and regulator of urban development e.g. through technical guidance, standards, promoting traditional architecture, updating building rules and codes. The changes in the key outputs of DUDES are summarised in Table 2.1 below.

Table 2.1: Key outputs of DUDES

Key Outputs	Comments on changes
Urban Policies	DUDES is responsible for urban development in Bhutan and has been assisting the PPD in preparation of a number of policies since 1993. These have emerged in response to the increasing urbanisation and growing emphasis on good governance and decentralisation. Examples of policies include the National Housing Policy and input to the draft Urban Development Policy, which is still pending approval by the National Assembly. A policy on municipal finance is in the making, informed by a Municipal Finance and Revenue Enhancement Study undertaken by DUDES.
Laws and regulations	Emerging policies on urban development has resulted in a number of laws and regulations, which DUDES has contributed to. Since 1993, these include the Municipal Act from 1999 and the four Area and Property Rules. Prior to 1999, the Land Act from 1979 was the only legislation governing both rural and urban areas, which made it increasingly difficult to manage urban land. The urban legislation framework emerging since 1999 is a response to the inadequacies of the Land Act within urban management. Further legislation and regulation includes the Tenancy Act, the Building Rules from 2002, the Water and Sanitation Rule and the Building Code.
Urban Development Plans	Within the emerging framework of urban policy and legislation, and in line with the DYT/GYT Chatrimis, DUDES has facilitated the development of 28 urban plans in Bhutan since 1993, covering all designated urban towns. In addition to this, DUDES has developed 13 urban solid waste management plans.
Urban Infrastructure Schemes	DUDES has also assisted urban towns in implementing a large number of infrastructure schemes, with capital costs largely financed by Danida and other donors. Urban infrastructure schemes implemented by DUDES since 1993 include: <ul style="list-style-type: none"> • 19 urban water supply schemes. • Waste water treatment plants for TCC and PCC. • A sewage system for Mongar town. • Construction of drains, public toilets and other public facilities in 18 towns. • Computerised water billing system introduced in Thimphu, Phuenshoeling and six towns.

Changes in key outputs appear to be in alignment with the overall change in urban development policies in Bhutan since 1993. However, what appears to be an undeveloped output or unclear area of responsibility are urban-rural interface issues. Current urban plans seem to give little attention to these interface issues, especially where urban areas are expanding into rural areas. Coordination with other ministries and organisations on urban development are also part of the DUDES mandate. This covers areas like governance, financial and legal urban management. Judged by the experiences so far, this coordination does not appear to be optimal (see below).

Changes in outcomes

Beneficiaries of DUDES' outputs include the central government (advisory and provision of infrastructure), the Monk Body, urban centre administrations, gewogs (through engineering extension services provided by the districts) and urban dwellers at large. Since parts of DUDES' work are being outsourced, the private sector is also a main beneficiary. Important outcomes of DUDES' work have been a more controlled urban development with some zoning initiatives and development of infrastructure, (housing) and urban services (water supply, sewage, solid waste management) in town centres.

It has not been possible for the evaluation team to get detailed factual information on improved health and living conditions in urban centres, but it is reasonable to assume that the outputs listed above have improved health and living conditions in Thimphu and Phuentsholing cities and other urban towns. The water supply schemes have improved access to clean water significantly. In Mongar, for example, the water supply has changed since 1999 from being very irregular to 24 hours water supply in all homes. Improved water supply and sanitation have also resulted in a decline in waterborne diseases. One example is a reduction in malaria in Phuentsholing since completion of the sewerage system. Improved health conditions also means less demand for public health services, releasing resources in the health system.

Another outcome of DUDES regulation has been stronger and safer buildings due to a more stringent seismic design code in 1996. This is important, as Bhutan is located in a seismic active area prone to strong earthquakes. Enforcing a stringent design code protects human lives and long term investments in buildings and infrastructure.

Changes in external factors

There is a growing rural-urban migration, which puts pressure on urban areas in Bhutan. The 9th FYP estimates that 50 per cent of the population will be urban dwellers by 2020, up from the current 25-30 per cent. Migration is encouraged by a number of factors, including a steady economic growth of 5-7 per cent per annum, which creates some job opportunities in urban areas, and the location of most secondary and tertiary educational institutions in urban centres. Increasing pressure on urban centres for better infrastructure, services and low-income housing have led to a number of political initiatives with the aim to secure a balanced, equitable and sustainable regional development. Donor support has been aligned with these policies and DUDES' outputs are largely a result of these initiatives.

In addition, decentralisation has been a government priority for a number of years. The process has deepened during the 9th FYP, with decentralisation of central government responsibilities and finances to city corporations, districts and gewogs. This expands the mandate of urban towns to eventually taking care of urban development themselves. Pioneers in this process are the city corporations, which are being de-linked from central government. This process was also confirmed by the recent Good Governance (GG) Plus review, but has only just started. The Municipal Act of 1999 is expected to be streamlined with the DYT/GYT Chatrimis by 2008. This will, among other things, allow full democratic elections to the city councils as is now the case for the DYT (see Section 2.6 on Punakha for more details on the decentralisation process).

Whilst decentralisation is changing the role of DUDES from being a direct service provider to a facilitator and regulator, it also means that DUDES is increasingly dependent on inputs from other organisations in order to provide adequate support to urban admin-

istrations. While MWHS staff have a strong technical insight in urban development, it depends on other organisations to provide adequate guidance to city corporations and urban centres in other areas (e.g. in financial and legal matters).

The GG plus review from 2005 recommended a more centralised model for engineering services however, it also made room for line ministry engineering units taking care of specialised services. This policy means that engineering resources are still scattered throughout central government, e.g. allowing the MOE engineering unit a staff of forty for school constructions compared to DUDES staff of 103. This also makes DUDES dependent on a smooth cooperation with other line ministries on technical issues.

Government policy on developing public-private partnerships has also meant that part of DUDES' work is being outsourced to private construction companies, many of them from India. As a consequence of this, DUDES faces increasing competition from the private sector over the recruitment of skilled engineers, as newly educated engineers as well as experienced DUDES engineers seek (better paid) employment in the private sector.

Changes in internal capacity

As already noted above, the series of restructuring and changes in the mandate of DUDES led to significant responsibilities being hived-off to a separate department and to corporations (roads and housing respectively). Despite these changes and despite the decentralisation objective of building up capacity at district and town levels, DUDES does not seem to have changed its overall number of staff. (Although this is an estimate, since figures from 1993 staffing are not directly comparable with 2006 figures due to the change in mandate and organisation).

Recruitment of skilled staff, in particular engineers, is an ongoing challenge as DUDES operates in a competitive labour market. Although the overall capacity of DUDES has risen since 1993 due to recruitment of more qualified staff and continuous training, a relatively high staff turnover and difficulties in recruiting new engineers remain obstacles to meeting planned objectives. Reaching HRD targets is also a challenge, since training opportunities offered through the Royal Civil Service Commission (RCSC) often appear to be supply-driven, not always meeting the demands of DUDES.

The overall funding envelope has risen, but fluctuated significantly between 2001 and 2006 (see Table 2.2 below), going from 55 million Nu in 2001-02 to 288 million Nu in 2005-06. A large part of these funds is tied to specific infrastructure schemes and partly based on loans from the World Bank and ADB. Danida has been a major donor throughout the period often being the only foreign funding source and in some years matching the RGOB funds two to three times.

Changes in the efficiency and effectiveness

Change in efficiency and effectiveness can only be estimated qualitatively. Given the alignment of the objectives of the FYPs and the outputs by DUDES it may be concluded that DUDES overall has been effective in fulfilling its mandate, although more needs to be done regarding cost-recovery. Efficiency has not been optimal either.

Cost-recovery from urban service provision is only partly met, as the overall recovery percentage in Bhutan is around 40 per cent on water supply, sewerage and solid waste management. In Phuenshoeling this means that operational costs for water and sewerage management are covered, but not capital costs. Compared to other countries this is not

bad and shows that Bhutan has made some progress since 1993. In comparison, the best performing city in Thailand (Khon Kaen) also achieves a 40 per cent cost-recovery, according to a Danida survey in 2004. But more needs to be done to achieve full cost recovery and make urban services financially sustainable. According to an ongoing survey by MWHS, Gelephu has the highest water consumption in the world (500 l/person/day) provided at the lowest cost in the world (0.03 USD/m³). Obviously, this is not sustainable, neither financially nor environmentally. It is also worth noting here that DUDES is yet to deal adequately with issues emanating from the urban-rural interface in the context of expansion of urban developments into rural areas and the associated risks of such developments (e.g. landslides).

Some external factors have hampered the efficiency of DUDES' ability to meet its mandate. These include inadequate numbers of skilled engineers in Bhutan, which is a major obstacle for DUDES and influences the work of the department in a number of ways. In addition, the labour market for the available engineers is highly competitive compared to other professions. Internally, this affects DUDES' ability to recruit and retain engineers, since the private sector is able to pay two to three times the salary of a DUDES engineer. Externally, the lack of engineering skills also affect the capacity of DUDES' cooperation partners. Line ministries are not always able to provide sound project designs for DUDES to work with, and sometimes DUDES has to redesign schemes. Outsourcing of DUDES schemes is also hampered by poor capacity in the private sector to take on contracts. This sometimes result in delays of construction work due to re-tendering of contracts when too few or no companies accept or meet the tender requirements.

In conclusion, while capacity in DUDES has improved since 1993, low output of engineers, scattering of scarce engineering resources in the civil service and a competitive labour market for engineers and low capacity in the private sector all affect the efficiency of DUDES. The quality and sustainability of constructions and services is also threatened by government-imposed cost-savings on fuel for transport of DUDES officials. Whilst the policy may achieve economy, it has a negative impact on the effectiveness of DUDES to carry out site inspections prior to endorsement of development projects and to provide technical backstopping for site supervision afterwards.

How changes have occurred

Significant factors explaining changes in outputs

Out of the external and internal factors discussed above, a few stand out as significant drivers of change in the outputs of DUDES. The first is strong political focus on urban development needs, indicated by the priority of urban development and increase in outlays in the FYPs, in response to growing urbanisation. The second is donors, in particular Danida, who have supported both the financial and staffing commitments of the RGOB. Donors, through grants or soft loans, fund most HRD activities and all capital costs for urban development (see Table 2.2). The third significant factor influencing change has been the increase in DUDES' capacity due to more skilled staff despite a number of external factors affecting the efficiency of DUDES.

Despite the above, the need for improving cost-recovery for urban services still needs close attention by the RGOB, as urban dwellers enjoy these services at a price (far) below production costs. This is neither financially sustainable nor in line with the objectives for balanced regional development as it favours urban over rural dwellers.

Major CD-support that influence significant factors

International donors, primarily Danida, ADB and the World Bank, cover all capital costs of DUDES. A large number of international donors have been supporting HRD initiatives in DUDES, as RGOB funds only covered about 5 per cent of the total HRD costs between 2001-2006.

Table 2.2 DUDES' Budget Envelope (Nu million)

Year	Danida	Other donors	RGOB	Total
2001/02	24.884 (44.8%)	0 (0%)	30.544 (55.2%)	55.428
2002/03	90.320 (73.0%)	0 (0%)	33.425 (27.0%)	123.745
2003/04	48.000 (66.8%)	0 (0%)	23.854 (33.2%)	71.854
2004/05	64.062 (13.9%)	275.276 (59.5%)	123.677 (26.7%)	463.015
2005/06	52.362 (18.2%)	130.253 (45.2%)	105.499 (36.6%)	288.114

Danida is the largest single donor to DUDES, accounting for an average of about 43 per cent of the total resource envelope of DUDES between 2001-2006 and 50 per cent of HRD budget during the same period. Of 417 training events (this includes all events from master courses to study tours), Danida funded 232 of them during this period, while RGOB funded 14 and other donors 171. Danida also has contributed with a number of long and short-term advisors to DUDES (and the pilot towns of the USPS). Other major donors funding HRD in DUDES include the World Bank (15 per cent) and JICA (5 per cent), while the remaining funds are shared between a long list of bilateral and multilateral donors. As Table 2.2 shows, in the past two years, the overall proportion of contributions from other donors has increased, whilst that of Danida has decreased (USPS ended 2004).

Explaining why have changes occurred*Danish CD-support in the SPS*

Danida has been supporting urban development projects since the mid-80's, providing project support to six towns within water supply and sewerage systems. The first USPS was launched in 1999 and ended in 2004. It was succeeded by the EUSPS (2004-2008), which merged support to the environment and urban sectors. The overall budget is DKK 81.433 million, of which Danida funds DKK 77 million and RGOB funds DKK 4.433 million.

The first USPS had a specific component on 'enhancement of capacity in support of urban management'. However, not all CD interventions are focused on DUDES, as PPD, the city corporations, Mongar town and, to a lesser extent the Royal Bhutan Polytechnic (RBP), also received support under the USPS.

Overall, Danida support has been closely aligned with the objectives of DUDES and has provided substantial input to increased capacity in DUDES on urban development, so much so that a substantial part of the DUDES outputs are identical with the SPS outputs. In fact, DUDES sees the SPS as part of their mandate. DUDES also referred to Danida's emphasis on cost-recovery and sustainability of urban services as an important factor in

understanding the outputs and outcomes of DUDES. This indicates a strong link between Danida support and the emerging urban policies in Bhutan (housing and services), although these policies are still incomplete. The facilitation of urban schemes in the towns targeted by the USPS can be attributed to Danida support, as Danida covers most of the capital costs. On the other hand, RGOB has also shown strong commitment to urban development by adopting important urban policies and allocating staff and funds to urban development schemes in urban centres throughout Bhutan. RGOB's commitment to decentralisation is another important contribution, which eventually will strengthen both urban development and self-governance in Bhutan as the process progresses.

An Impact Study carried out in 2002 provides an analysis of the efficiency and effectiveness of the USPS. It concludes that the programme, overall, has been effective in achieving its objectives with a direct relation between outputs under each component and the support provided through the SPS. However, efficiency has not been optimal. While training events overall have met the needs of the counterparts, the absorption capacity for short and long term TA has not matched the assistance provided as several joint annual reviews confirmed. However, these concerns were to some extent dealt with later in the implementation phase.

Some objectives were not achieved. DUDES (and PPD) relies on other authorities to provide inputs in broader areas of urban management (legal, financial and governance issues), and the SPS assumed that this support would be readily available during implementation. This eventually turned out not to be the case, meaning that SPS support worked best when supporting activities closely related to DUDES' own mandate, while not achieving results when dependent on input from DUDES' co-operation partners. This illustrates how organisational inter-dependence and task network issues influence the capacity to produce outputs, where other organisations within the task network of DUDES do not cooperate or fail to play their role.

Other efficiency shortcomings were also raised by the study. For example, the wastewater treatment plant for Thimphu was designed in Copenhagen, which hampered construction work in Thimphu when difficulties with understanding the design emerged. Strengthening of educational and training institutions had to be abandoned and converted into job-training activities, as the SPS activities were not synchronised with the relevant institutions. It is worth re-examining this component considering the lack of skilled engineers in Bhutan.

As noted above, the USPS has been succeeded by the EUSPS 2004-2008 with a possibility that sector programme support would be replaced by budget support as the main support modality in Bhutan. However, the final decision on this is still pending approval by the Danish government.

DUDES' stake in the EUSPS concerns support to urban development plans in five urban towns (Gelephu, Damphu, Gyelphosing, Trashigang and Samtse). The budget for this component is DKK 53.9 million, shared between Danida (DKK 49.8 million) and RGOB (DKK 4.1 million). Interestingly, the recommendation of the impact study to involve other authorities in the EUSPS design, in order to make advice on broader urban management issues more readily available, has not been followed. This means that the component struggles with the same problems as the USPS on delivering legal, financial and governance advice to the urban development activities in the district towns.

The strategic basis for the USPS appears to be sound, as the programme complies with Danida guidelines for bilateral assistance and is closely aligned with the RGOB priorities outlined in the 8th and 9th FYP. Poverty alleviation is a core priority of both Danida and RGOB, although it has not been a core target of the USPS. The impact study could not conclude whether the USPS actually had an impact on poverty reduction as urban policy developments are still in progress. A follow up to a poverty study in 2002 was recommended to provide further input to this analysis, but this has not yet been undertaken. Lessons from low-income housing pilot projects, further developments in the municipal finance policies and improvements in health and living conditions of poor segments of urban dwellers will provide insights into this area, and these need attention when the next impact study is undertaken.

The objective of promoting environmental concerns by merging the USPS and the ESPS into EUSPS does not appear to have been fulfilled. Both DUDES and NECS confirm that the merger happened only in name and has not produced tangible results. Consequently there is no clear urban environmental policy or strategy, which should have provided a basis for stronger joint working between DUDES and NECS. There are still opportunities for the PPDs in NECS and MWHS to use the EUSPS as a platform for formulating an urban environmental management policy.

In conclusion, specific changes in the outputs and capacity of DUDES are directly attributable to Danida support, which has been closely aligned with the objectives of DUDES. When it comes to CD, Danida is the principal contributor.

Sustainability of the capacity and output changes

The technical sustainability of DUDES appears to have increased since 1993 due to the overall higher education profile of DUDES staff, although DUDES faces problems with recruitment and high staff turnover. The training activities under SPS and other donors have been comprehensive and well targeted, but donors have almost monopolised funding of CD activities as RGOB provides very little funding. Phasing out of CD-support needs to be met by substantial increase in RGOB input into HRD related activities. Given the large number of donors in urban development this issue may not be acute, but most donors seem to operate in Bhutan within a limited time horizon of, say, 6-10 years making exit strategies essential. Regardless of donor support, an increase in engineer outputs from Royal Bhutan Polytechnic (RBP) is urgently needed, if the overall need for engineering skills is to be met.

Overall, institutional sustainability does not seem to have lessened compared to 1993. There seems to be political backing for pooling engineering resources in DUDES, but this will be set against resistance from line ministries to let go their engineering units. Decentralisation may also result in some devolution of staff to dzongkhag and/or even gewog levels. Already the position of development officer has been adopted in the gewogs under the GG Plus package and approved by the National Assembly and the cabinet. However, this looks quite ambitious; given the shortage of engineers, it is difficult to see how these positions would be filled in 201 gewogs. So far DUDES has not devolved any staff. In the end, the RGOB has to consider how best to make use of its scarce engineering resources. It may be argued that pooling resources rather than scattering them would be an adequate answer to urban development needs, although this should not be done at the expense of cooperation with the private sector.

Financial sustainability may be the most critical area of the CD-support. Donor funding covers all capital costs and almost all HRD costs. Danida is not alone in this as substantial support also comes from ADB and the World Bank for urban infrastructure and housing schemes and numerous donors provide support to HRD activities. Given the predicted increase in urbanisation, Bhutan would still need support for decades to come, unless substantial funding from hydropower export or other revenue sources can substitute donor funding of urban developments. Cost-recovery remains an option to achieve financial sustainability of urban investments and still needs to be developed.

Lessons for donors, DUDES and stakeholders

Engineering resources are scarce in Bhutan and some government initiatives seem to add constraints to DUDES' capacity. While the RGOB policy on promotion of public-private partnerships is sound, it would ease constraints on DUDES if the following areas were re-examined:

- Increasing outputs of RBP would make more engineers available and minimize the bottle neck created in the engineering labour market.
- Pooling of engineering resources in DUDES from the line ministry units is another way of addressing the lack of engineering resources.
- The decision to establish development officer positions in all 201 gewogs will definitely increase the pressure on available engineering resources. The recent multi-donor evaluation of decentralisation in Bhutan concluded that gewogs needed development officers with an engineering background (with some training in accounting). This seems almost impossible to realise given the already scarce engineering resources in Bhutan.

A number of lessons were compiled by the impact study of 2002 and the latest joint annual review from 2005, which are worth re-stating here. These include, but are not limited to:

- 1) The general design of SPS, integrating broad urban management issues with service delivery and infrastructure investments, should include relevant government institutions in the design and implementation, otherwise limit the scope of support to areas within the mandate of the recipient institution.
- 2) In new town developments: the need, inter alia, to: develop municipal charter or governance framework prior to urban plans and investment schemes; make investments within a framework of a Structure Plan, including feasibility studies, local plans and detailed engineering studies; to establish baseline indicators and social-economic profile prior to investments.
- 3) Support to scheme designs should be given in situ involving counterparts from the start.
- 4) Short term TA should be tailored to local needs with appropriate ToR and a counterpart allocated prior to arrival of the consultant.
- 5) Involvement of regular CC and district staff in implementation of SPS activities supported by TA has proven to be successful. Regional advisors' close cooperation with district units has been effective in building up capacity.
- 6) TA is required to forecasts costs for sustaining benefits of improved infrastructure and preparation of long-term strategies; actions plans for achieving financial sustainability are essential, and local commitment to such strategies should be made conditional for further support.

2.2 Policy and Planning Division (Ministry of Education)

Changes in outputs, outcomes and influencing factors

Changes in role and mandate of PPD

The T₀ for PPDs is taken as 1997, which is when they were created in all ministries and agencies as part of public sector-wide restructuring. Education was then a department of the Ministry of Health and Education (MHE), but the PPD for education operated separately from health. Following major ministerial restructuring in June/July 2003, the MOE was bifurcated from the MHE to be a separate ministry. The legal mandates for PPDs are derived from the Planning Commission, which issues directives through the PCS to all ministries and agencies. Key mandates include:

1. To translate national policies and programmes into sector plans and programmes and prepare long term perspective, medium term and annual plans.
2. To act as a bridge between dzongkhags and ministries and agencies.
3. To coordinate the formulation of relevant Acts and By-laws.
4. To monitor sector programmes and policies.
5. To liaise closely with the PCS, National Statistics Bureau (NSB), Dzongkhag Planning Units (DPUs) and other key stakeholders.
6. To act as a focal point for the sector on cross-sectoral issues such as poverty, gender and MDGs.

The mandates for PPDs have recently (February 2006) been revised to take account of the new planning framework under the forthcoming 10th FYP, which is expected to be more result-oriented and will set clear outcome goals and targets for the time frame of five years. The main changes are in result-orientation with a strong element of evaluation, as well as co-ordination under the new decentralised planning. The vision and goals of PPD are driven by the FYPs which, under the 9th FYP, include increasing access and improving the quality of education at all levels, with particular reference to the attainment of EFA and the MDGs goals for education.

Changes in outputs

Detailed changes in outputs are provided in a separate fact sheet, but can be summarised here in Table 2.3 as follows:

Table 2.3: MOE/PPD – Key outputs

Outputs	Comments on changes
Feasibility studies/ research	PPD itself generally lacks the capacity to undertake research/studies. It has either commissioned such studies or been involved in donor-initiated studies (e.g. UNICEF on reasons for school drop outs in 2003, and use of a local consultant to evaluate the effectiveness of WFP school feeding in 2002).
Donor coordination	PPD's role in donor coordination at the sector level has become more significant since the creation of a separate ministry in 2003. Also the number of donors and activities have slightly increased with Danida's EdSPS coming on stream in 2004. Decentralisation policy has increased the need for coordination.

Initiation and coordination of formulation of Acts, bye-laws etc	No Acts or byelaws have been issued, but PPD takes a lead role in the formulation of sector policies and in issuing education sector guidelines. With increasing number of private schools since 1997, PPD now prepares guidelines for private schools.
Sector plans, annual work plans and budget	With the new planning framework, PPD is now expected to set outcome goals and targets for the sector. These are largely internal outputs, but also used by PCS for the FYP.
Intra and inter sectoral coordination	The need for coordination has increased with the creation of a separate MOE in 2003, which has more departments and divisions compared to the situation at 1997 (T ₀). There is a good system of regular inter-departmental and intra-departmental coordination meetings. Coordination is crucial for the decentralised/bottom-up process of planning.
Collection and dissemination of information	Prior to, and at T ₁ , PPD was producing annual statistics (since 1988), but these were just tables with neither commentary nor analysis. There has been improvement since 1999 with some analysis and write-ups, but the Excel-based system is still prone to mistakes. PPD has a good system of collecting data from schools annually, but most mistakes are at the data entry stage. The development of the Education Management Information System (EMIS), with Danida support, will make a significant improvement to this output in the near future (T ₂).
Liaison and communication with central and decentralised bodies	These outputs have remained almost the same since 1997, but need to be strengthened under the decentralisation reforms and new planning framework.
M & E of sector policies & programmes and submission reports	At T ₀ there was much emphasis on monitoring and virtually no evaluation. Currently, evaluation is increasingly important under the 9 th FYP and the alternative-planning framework under the forthcoming 10 th FYP; capacity for output and outcome based evaluation would need to be developed by all PPDs.
Focal point for the MOE in cross-sectoral matters	These are relatively new outputs in relation to issues such as gender, poverty, MDGS and environment. PPD is gradually developing and consolidating these outputs, but the absence of baseline data is a major constraint. The recent population census may provide some baseline data.

Changes in outcomes

The clients of PPD's outputs are both internal and external. Sector plans and annual work plans are critical inputs to the departments of the MOE and have helped to consolidate the status of MOE as a separate ministry since 2003. The sector plans are key components to the national FYP and have contributed to the high priority given to education by the RGOB, donors and civil society. The annual statistics produced by PPD have helped to produce more evidenced-based plans and programmes by the RGOB and donors. The development of the EMIS will further strengthen evidence-based planning and decision-making. The changes in outcomes for education as a whole cannot be attributed to the PPD outputs alone, but it is worth mentioning some here, including:

- A decreasing trend in pupil-teacher ratio from an average of 39 for primary schools in 1995 to about 34 in 2005.
- Increasing primary school enrolment from 64,915 in 1995 to 99,474 in 2005 with average annual growth rate of 4.4 per cent.
- An improvement in female-male ratio from about 89 per cent in 2002 to 95 per cent of male enrolment in 2005.

External factors affecting capacity

A number of enabling factors from the broad institutional and governance environment influence changes in output. First, there is a high-level of political support and drive for change up to the level of the King. Second, public sector-wide restructuring led to the creation of a separate ministry for education. In general the reorganisation of ministries has created a more enabling environment and better working relationships with other central agencies. Third, Bhutan has a small but relatively well-run public service based on a strict merit system of recruitment and characterised by low levels of corruption. Working in the public service remains prestigious and the ability to attract and retain the best-qualified people is generally very high. The constraints include inadequate numbers of qualified teachers in some areas such as Maths and Science.

Fourth, there is a general increase in awareness of the value of education due to government policy and commitments to international targets under the MDGs, EFA and poverty reduction, with total government outlay to education under the 9th FYP around 14-15 per cent of the total outlay. Fifth, donor priorities and support to education has brought in significant resources for infrastructure development and capacity development in the sector, including Danida's EdSPS. This has enabled the RGOB to allocate more resources for recurrent expenses. Sixth, decentralisation has gained momentum under the 9th FYP and GG-Plus and is shaping the nature of planning and governance, with dzongkhags and gewogs playing key roles in decentralised planning, including education.

Despite the above enabling factors, there are some constraining factors on the capacity of MOE/PPD. For example, the relative centralisation of personnel issues in the Royal Civil Service Commission (RCSC) means that the MOE/PPD has less control over recruitment and inter-organisational staff transfers. Between 1999 and 2002 the transfer and departure of some key staff led to significant loss of institutional memory and capacity in PPD. This had negative impact on some outputs such as reporting. In discussions with the RCSC, it was made known to the team that there will be more delegation of human resource or personnel decisions to the ministries and agencies under the new Position Classification System (PCS).

Internal factors affecting capacity

The PPD staffing levels have increased from 7 in 1997 to 12 in 2006, including support staff. Even though those at post are qualified, the majority of them are relatively new and have little experience. As noted earlier, a combination of staff transfers and resignation of experienced staff between 1999 and 2002 led to some loss of capacity at senior levels. Apart from the Deputy Secretary, there are currently three planning officers and five assistant planning officers, all graduates. Two vacancies are yet to be filled - for legal officer and documentation officer. The ICT has one assistant data manager. This will be inadequate when the Education Management Information System (EMIS) becomes fully operational and the current TA ends. Having said this, it is worth pointing out that the main strength of PPD is the enthusiasm and commitment of the staff, as well as good team spirit and leadership.

In terms of equipment and logistical support, the PPD is reasonably equipped. Whilst the availability of vehicles is not a problem, a squeeze on the budget for fuel seems to pose a major constraint on the ability of staff to go to the field (e.g. for monitoring and evaluation). It appears that the amount allocated for maintenance and fuel per vehicle per year has remained unchanged at Nu 100,000 for the past few years, despite inflation and increases in the price of fuel. This issue can only be resolved at a higher level of government and by the Ministry of Finance.

Inputs, efficiency and effectiveness

Efficiency and effectiveness data were difficult to collect, but taking account of the current level of staffing and the number of junior staff, as well as the loss of key staff between 1999 and 2001, it is reasonable to suggest that PPD has been effective and efficient in producing its outputs. The staff have managed to sustain the work of the division with senior staff taking on additional workloads. Having said this, there has been some slack in reporting to the PCS and to donors, which needs to be addressed.

Explaining how changes have occurred

Significant clusters of factors influencing change

As noted above, a combination of factors has contributed to changes in MOE/PPD's outputs and outcomes. Some of these are quite significant. The first is the competence, commitment and resilience of the staff, particularly the senior staff that remained after 2002. They managed to steer the PPD through a difficult period between 1999 and 2002 and have helped to consolidate the status of the MOE as a separate ministry.

The second significant factor has been donor support and prioritisation of education. Donor inputs have been very substantial, especially in infrastructure development. The MOE has benefited directly through Danida's EdSPS delivered through sector budget support. Donor funding has enabled the RGOB to focus on meeting the non-capital costs of MOE and has allowed the government to commit 14-15 per cent of total budget under the 9th FYP to education. Although Component 2 of EdSPS is earmarked for human resource development (mainly teacher training) the PPD has benefited by applying some of the funds to purchase equipment. The third significant factor explaining the changes has been global agendas such as poverty reduction, MDGs and EFA and RGOB commitment to them. Donors have also been very influential in getting this level of commitment.

The fourth significant factor has been the public sector restructuring under GG99 and GG Plus, which led to the creation of the MOE in 2003 and initiated decentralised planning. Decentralisation has redefined the role of PPDs and delegated area planning to the dzongkhags. Coordination and technical support to dzongkhags have thus become key outputs for all PPDs.

Major CD-support that influence significant factors

It was not possible to obtain separate figures on CD-support for PPD. Sources of support were general for the MOE or specific programmes and could not be disaggregated to show figures for PPD. In general, there have been increased external resources to the sector, which account for about 90 per cent of capital expenditure in education, whilst RGOB covers most of the recurrent cost. It is reasonable to suggest that Bhutan would have been several years behind in education without the injection of donor funding into

the sector over the years. According to the main EdSPS document, under the 9th FYP, the total development budget in the sector is approximately USD 107 million of which Danida will provide USD 11 million or 10.3 per cent. Other major donors (WB, SDC, GoI, UNICEF, and JICA) will contribute approximately 80 per cent. WFP is another major contributor to the education sector.

Table 2.4 is a summary of sources of the budget available to the Department of Education/Ministry of Education since 2001/2002, based on figures obtained through DADM. Overall, donors have contributed 40-99 per cent of the total resources to the MOE. The level of dependence on donor support raises questions about the financial sustainability of the ministry in the future if donor support is phased out. Bhutan is likely to need such support in the medium to long term.

Table 2.4 Total resource envelope of MOE (Nu million)

Year	Danida		Other donors		RGOB		Total
2001/02	22.592	(10.6%)	170.025	(79.7%)	20.587	(9.7%)	213.204
2002/03	10.342	(0.3%)	3,587.260	(99.1%)	21.967	(0.6%)	3,619.570
2003/04	131.267	(30.7%)	136.775	(31.9%)	159.852	(37.4%)	427.894
2004/05	25.550	(2.9%)	342.900	(38.6%)	520.080	(58.5%)	888.530
2005/06	24.197	(6.1%)	198.043	(50.0%)	173.846	(43.9%)	396.086

In terms of resources specifically for capacity development, the ministry has received significant support under the 9th FYP. This includes Component 2 of Danida's EdSPS, which allocated DKK 15 million (USD 2.7 million) for human resources and institutional development, mainly training of teachers. PPD has benefited directly in terms of being able to apply some of the funding to purchase equipment for its staff and advisers. Danida's technical assistance to the ongoing development of the Education Management Information System will make a significant difference to the quality and accessibility of information and other outputs produced by PPD.

Explaining why changes have occurred

Danish CD-support and its effects

Danida is a relatively newcomer to the education sector with programme support starting in 2003, though there had been some limited support in the past (e.g. for environmental education). Despite the late entry, Danida has quickly become one of the leading donors to the sector in the form of EdSPS, with a total of Nu 563.5 million (DKK 80.5 million or about USD 14.4 million). The EdSPS is being implemented in support of RGOB's 9th Education FYP (2002-2007). Component 1 (DKK 60 million), which is sector budget support, has clearly provided the needed flexibility to enable the RGOB and MOE to focus on priorities. The timing of the EdSPS has contributed to the establishment and consolidation of the MOE as a separate ministry and indirectly to the expansion of PPD staffing. Besides, according to key officials at the MOE, the reporting and monitoring requirements under EdSPS are pitched at the right level and have helped to reduce transaction cost.

Component 2 of EdSPS is specifically to support capacity development. It is earmarked within the overall context of the MOE's Human Resource Development Plan. It is not targeted at the PPD. However, in general, earmarking is helping to address the capacity development needs of the MOE in a flexible manner, allowing RGOB/MOE to provide training for teachers and other staff abroad as well as for comprehensive in-service training programme as outlined in the 9th FYP Plan.

Under this component, 43 head teachers and principals are being trained overseas and in the National Institute of Education (NIE, Paro). The products of this training will be master teachers who will be posted to districts to provide professional and academic support to schools, though there is some concern about whether they are actually being deployed for that purpose. 20 more head teachers and principals are to benefit in 2006. 17 people have also been sent on long-term masters programmes, whilst 13 teachers have benefited from short-term courses. However, there is need to ensure that all or most of those selected for the masters programme are capable of completion by introducing a strict screening criterion. In addition those trained as master teachers have to be deployed to districts as originally intended; deploying them to other posts would be a waste of the training they have received and would undermine the whole purpose of the programme.

Outside the EdSPS, Danida is also funding two technical assistance projects for the development of Education Management Information System (EMIS) and curriculum development. The EMIS will make a significant difference to the quality and accessibility of information and data and other outputs produced by PPD when it is completed. Data entry into the system is expected to start from June 2006.

Given Danida's relatively recent involvement in the sector, impact on the outputs of MOE in general and PPD in particular, it is a bit early to judge with any precision. Nevertheless it is reasonable to suggest that Danida is contributing significantly to capacity development in the MOE, along with other donors.

Danida's decision to grant sector budget support has been effective and well appreciated by RGOB. The basis for Danish support has been the thoroughness of the 9th Education FYP in its comprehensiveness, strategic planning and implementation strategy (through the national decentralisation reform). This is a 'vote of confidence' in the financial management and reporting mechanisms of the RGOB.

Coordination with other donors has not worked as expected. Danida attempted to have discussions with other key donors to the sector prior to the design of EdSPS with a view to establishing a joint financing arrangement. However, this did not happen due to some difficulties, including timing and already established agreements. It should also be noted here the EdSPS started about 1.5 years behind schedule, which caused misalignment with the start of the 9th FYP. Consequently, EdSPS will end one year earlier than was originally planned and the funding will be carried over to the 10th FYP. Despite the delay, overall, Danida is making significant contributions to CD and there is a high degree of convergence between RGOB's educational policies and those of Danida. As recent reviews agree, Danish support to education is consistent with the long-term development strategies of the RGOB as outlined in the document 'Education Sector Strategy: Realising Vision 2020' which reflects the priorities and strategies consistent with the MDGs and the EFA.

Sustainability of capacity changes

Technical sustainability in PPD was high in 1997. Even though key staff leaving between 1999 and 2002 threatened this, the PPD has significantly recovered and there is a very good possibility of technical sustainability given the competence and commitment of the current staff. Even the relatively junior staff members are very enthusiastic to learn with support and guidance of the senior staff. Financial sustainability is, however, uncertain given the high level of dependence on donor funding. A lot will depend on the capacity of the RGOB to generate revenue from other sources (e.g. sale of hydro electricity).

The long-term sustainability of the EMIS depends on the ability of PPD to recruit a qualified and experienced IT person. However, the participatory approach used by the TA is ensuring that some of the key staff are involved in the development of the EMIS. This should provide good back up for running the EMIS, though any future advancement of the EMIS would require a more specialist IT person or further TA.

Lessons for donors, organisations and stakeholders

Overall, sector budget support as a modality for aid to the sector seems to have worked well (despite initial delays and apprehensions). This is very much appreciated by the MOE and RGOB for the flexibility it provides. It will be worth reviewing the lessons learned in sector budget support in order to build on its success. However, coordination with other donors has not worked as expected. Efforts should be made by RGOB to get other donors onboard budget support. Earmarking seems to have worked well along side budget support. This mixture of budget support and earmarking should be continued. The bulk of donor support to the sector has focused on infrastructure development, especially school construction. However, this has to be balanced with capacity development in the sector, including training of adequate number of qualified teachers to staff these schools, especially in remote and rural areas. The experience of PPD demonstrates that organisations can pull through difficult periods with good leadership backed by committed staff. Even though this is not an evaluation of EdSPS per se, the team suggests a review of the practice of sending all candidates on the Masters degree programme at NIE (Paro) overseas (under Component 2 of EdSPS). A competitive and merit-based system should be introduced to ensure that those sent out are capable of completing the course. In addition, those trained as master teachers have to be deployed to districts as was originally intended in order to make use of the expertise developed.

In a decentralised planning environment, coordination and joined-up effort become important in planning and programme implementation in order to ensure complementarity and consistency. These are key areas that PPD needs to strengthen in its network with other key stakeholders in planning (e.g. PCS and DPUs).

2.3 National Environment Commission Secretariat (NECS)

Changes in outputs, outcomes and influencing factors

Changes in roles and mandates

NECS is the body, which has overall responsibility for environmental management in Bhutan. It started as a small environment unit in 1989 within the Planning Commission Secretariat with a staff of only two. The unit was hived-off in 1992 following a Royal Order to become a semi-autonomous non-ministerial public body. The mandate and outputs of NECS have evolved significantly since its establishment and the key outputs of

NECS are listed in a separate Fact Sheet annex. Similar to what the evaluation team observed in other institutions, the NECS does not have one clear source of its mandate, but rather a combination of several sources, which over time have evolved into a mandate. Thus, the mandate of NECS can be derived from several documents including the Paro Resolution (1990), the National Environment Strategy (1998), Bhutan 2020 vision and the FYPs and Royal Orders. The legal framework includes the Environment Assessment Act, along with some sector acts. Water resource management was added to the NECS' mandate in 2003, but the role of NECS in this area has not been established yet.

Changes in outputs

As a semi-autonomous body responsible for environmental management in Bhutan, NECS has an advisory role vis-à-vis the RGOB and formulates and enforces environmental regulations (although major sector laws with environmental implications are under the jurisdiction of the relevant sector ministries, see below). NECS participates in international co-operation including international conventions on environmental protection, monitors and reports on the state of environment and promotes environmental awareness. NECS acts as secretariat for the National Environment Commission (NEC), which consists of the Minister of Agriculture (current chairman of the NEC and acting Prime Minister), the Minister of Trade and Industries, the Minister of Works and Human Settlements, the Deputy Minister of NECS, the Secretary of the Planning Commission, the Surveyor General and the Director General of the Department of Education.

Key outputs of NECS are listed in the Table 2.4 below.

Table 2.4: NECS: Key outputs

Key Outputs	Comments on changes
National Environmental Strategy (1998)	The National Environment Strategy (NES) commits Bhutan to pursuing sustainable development and is a key document in the mandate of NEC. Despite previous intentions, the strategy has not been operationalised through a separate action plan. The 9 th FYP is now considered to be the action plan of NES.
Environmental Assessment Act (EAA) (2000)	Until the draft NEPA is enacted the EAA is another cornerstone of the NECS' mandate. In support of this act, NECS has produced eight Environmental Impact Assessment (EIA) sector guidelines along with the EA regulation in 2004. Emission standards have also been drafted. While this act is a major achievement for NECS, the legal framework is still incomplete. The pending NEPA and Water Act will finally outline the mandate and responsibilities within environment and water and the role of NECS and its network partners.
Line Ministry Environmental Units (2005-06)	Environmental Units (EUs) have been established in MTI, MWHS and MOA, and the units of MWHS and MOA have only been established very recently. The EUs are "Competent Authorities" under the EAA with authority to process environmental clearances and submit them to NEC for final clearance. The mandate of the unit in MOA is still being clarified and MOA aims at broadening its mandate to include final clearances without involving NEC. The EU mandate seems to be limited to project clearances and does not comprise strategic environmental assessment of development plans, although the drafting guidelines for the 10 th FYP includes environmental guidelines for PPDs, which the EUs are part of.

District Environment Committees (2004-05)	DECs have been established in all twenty districts within the last 12-18 months. ToR have been established and NEC has conducted an eleven-day training course of the committee members. The primary role of a DEC is to act as a “Competent Authority” under the EAA.
International Environment Conventions	Bhutan has acceded to twelve international conventions, most prominently the conventions of the Rio summit 1992 (e.g. on biodiversity, climate change and desertification). Other important conventions that have been ratified by Bhutan are the Basel Convention on hazardous waste, CITES, the Vienna Convention and the Montreal Protocol on protection of the ozone layer.
Codes of Conduct (2002)	In relation to the enactment of the EAA, NECS has facilitated the development of a number of environmental best practice codes for different sectors. These codes can be accessed through the internet.
State of Environment Report (2001 and 2004)	In order to assist policy making, NECS has published two state of the environment reports in 2001 and 2004 respectively. The aim is to produce this report regularly, and the second report was followed up by a brief summary in 2005. To provide data for environmental monitoring, NECS is developing an Environmental Information Management System (EIMS) database, which would be accessible to authorities and users outside NECS. The database is expected to be finalised in 2007, although NECS is lacking a data manager with a proper educational background.
Environmental Awareness	Promoted by primary schools through inclusion in the school curriculum. NEC provided technical support to MOE in this area. The establishment of voluntary Nature Clubs run by schools also supports promotion of environmental awareness at primary and secondary school with the assistance of the Royal Society of Nature Protection, Bhutan’s only environmental NGO. The emphasis here is on nature conservation issues, not pollution.

Changes in outcomes

Perhaps the most important outcome is the mainstreaming of environmental management that is beginning to take shape in Bhutan. By incorporating the Environmental Units (EUs) in the line ministries, environmental considerations are being brought closer to the polluters. The EU at the Ministry of Trade and Industry, which is now responsible for roads, also deals with projects such as ‘environment friendly roads’ that are meant to avoid land slides. Thus the EUs also address natural resources management issues, not just environmental management. Given proper monitoring by NECS this may potentially ease the dialogue between protection and production interests. The 9th FYP also acts as a platform for promoting sustainable development, a feature the new draft planning guidelines aims to strengthen in the next development plan.

By acceding to international conventions, a process of implementation and compliance has been started in order to live up to the obligations of the conventions. This will strengthen protection processes already taking place in Bhutan and add new aspects to it. Currently, 26 per cent of all land in Bhutan is classified under some form of protection code and Bhutan has a target of 60 per cent forest cover overall. Efforts are also being made to phase out ozone depleting substances due to the ratification of the Vienna Convention/Montreal Protocol, to name just one outcome of one of the conventions.

The implementation of the EAA and subsequent regulations also prevents pollution and environmental degradation.

Changes in external factors

While public pressure and escalating costs for rehabilitating environmentally degraded areas have been major drivers for pursuing more proactive environmental management in many countries, the point of departure for establishing a political and legal framework for the environment has been somewhat different in Bhutan. Its low population density has minimised damage to the pristine mountainous environment and environmental awareness has been promoted by the King, most prominently reflected in the concept of (Gross National Happiness (GNH), of which environmental protection is one of four pillars.

International donors' support to Bhutan on the environment, not least by Danida, is another factor that has helped shape the environmental policies of Bhutan. RGOB's commitment to fund the establishment of a large secretariat under NEC coupled with extensive donor support for capacity development on the environment is a major factor in understanding the achievements so far.

Thirdly, international conventions should also be seen as important drivers for mobilising political commitment to protection of the environment. While Bhutan's own commitment to the environment has resulted in the ratification of twelve conventions, the national compliance with the obligations of the conventions further adds to the dynamics shaping a proactive environmental management.

The development plans of Bhutan, 2020 Vision and the FYPs, outline the key mid- and long-term development objectives of Bhutan and these plans to some extent attempt to balance development and environmental considerations. As mentioned above, a more thorough strategic environmental assessment seems to be under preparation for the development of the 10th FYP. This is strengthened by the mainstreaming of environmental management into sector ministries and local governments, i.e. through the Forestry and Nature Conservation Act, the Land Act and the Mines and Mineral Management Act, as well as through the establishment of the EUs. The commitment to decentralisation has provided added incentives to devolve management responsibilities to districts and gewogs. The establishment of the DEC's and the environmental responsibilities outlined in the DYT/GYT Chatrims illustrates this.

Changes in internal capacity

Staff numbers have basically been developed from two in 1989 to current levels of 45. A rapid expansion of staff in the last four to five years, coupled with comprehensive TA support mainly from Danida, have enabled the NECS to evolve into a full-fledged environmental agency with well qualified and specialised staff in all areas of its mandate, except water. Staff strength of 45 is high by Bhutanese standards and NECS' staff appear well qualified and trained compared to other ministries. 19 of its staff have relevant bachelor or master degrees. Water resource management seems to have been added to the NECS portfolio without extra resources, as only one staff member has some technical expertise in water management.

As Table 2.5 shows, the overall budget of NECS has increased between 2001/2 and 2005/6 from 18.7 to 36 million Nu but has remained stable between 2002/3 and 2005/6. NECS is heavily dependent on donor support as donors cover project and HRD

costs. RGOB had covered 17-25 per cent of NECS budget outlays during this period, mainly covering recurrent costs. Key elements of NECS internal capacity include:

- *Purposes and strategy:* The purpose and strategy of NECS have basically been developed from scratch since 1989 and is still evolving. Key legislations on environment and water management are yet to be adopted. These are needed to finally establish the full mandate of NECS and network partners. Decentralisation of environmental tasks has also begun (e.g. EA clearances through EUs and the DECs), but still needs further development. Delegation of convention responsibilities to sector ministries is another area currently being discussed.
- *Leadership and management:* The political leadership of NECS is the commission, but it did not convene for three years between 2003-6 and only met again in February 2006. This has left NECS virtually without policy guidance and directives and partly explains the delays in submission of draft legislation for approval. Until recently, the deputy minister (political head) of NECS also doubled as the administrative head. A director was appointed only in January 2005 to support the three section heads and the deputy minister. The silo-culture seen in other ministries also seems to exist in NECS. There is no tradition for teamwork or shared performance evaluation according to an institutional review carried out in 2004 and this still seems to be the case.
- *Structures, procedures and processes:* Structures and procedures have evolved as the management framework has emerged, most notably the development of EA clearance procedures, which have been extended to line ministries and districts/city corporations. The 2004 review states that the organisational structure of NECS is clear but not transparent. Job descriptions exist, but are not used in practice.
- *Internal relationships:* The same review describes the organisational culture as informal, but with inadequate knowledge sharing, coaching and delegation of work.
- *Incentives and motivation:* Due to substantial donor support, NECS has been an attractive place to work with above average opportunities for scholarships and training abroad. This has possibly made it easy for NECS to attract and retain a highly capable and motivated staff.

Changes in the efficiency and effectiveness of NECS

Given the outputs stated above, NECS has been effective in achieving a number of important objectives needed for the establishment of an environmental management framework.

Due to NECS' crosscutting mandate it interacts with numerous counterparts from line ministries, city corporations, districts and gewogs to the private sector and the public at large. On top of this, NECS also spends time on international conventions. NECS' ability to work efficiently and reach objectives stated in its mandate depends on its ability to optimise its own resources and its ability to interact with network partners, mobilise their resources and influence their priorities. This demands a focused and effective political and administrative leadership, which can facilitate networking beyond NECS. Given the fact that the NEC did not convene for three years, it may be questioned whether NECS has had sufficient political and strategic backing.

With the adoption of the EAA and the subsequent regulations in 2000 and 2002 respectively, important milestones were reached in setting up a management framework. NECS has been accused of slow expedition of EA clearances and this seems to have created a

somewhat negative impression of NECS, which other institutions consider to be well staffed and well funded. However, the 2004 institutional review concluded that NECS worked well on producing EA clearances and guiding the EUs and DECAs. It should also be mentioned that EUs and DECAs are still in the process of being established, and should expedite clearances faster when they are fully operational. Resources are also scarce in the line ministries and the local governments for handling clearances. On the other hand, NECS did not agree to recommendations of a 2002 Danida review on establishing cut-off criteria for smaller projects, which did not need an EA clearance. This would have been a way of limiting overall pressure on case handling of clearances and concentrating on important projects with serious environmental effects.

The same review also recommended that the commission decided on a more focused mandate for NECS in order to optimise its use of resources, but this does not appear to have been discussed. The recommendations provided by the 2004 institutional review (funded by the EUSPS) are also pending a discussion in NECS, more than a year after its submission. Although some recommendations are for more resources, some of them also deal with strategies and management issues, which could be discussed right away. Both these reviews indicate some potential for NECS of working more efficiently.

Efficiency concerns have also been raised regarding the relatively small number of donor projects being managed by NECS apart from Danida EUSPS. The review of 2004 suggests that too much time was spent on relatively small areas of the NECS portfolio to manage these projects, thereby reducing resources for core areas of NECS' responsibilities like EA clearances.

While environmental awareness is being promoted, it takes time, perhaps generations, to change habits. NECS work on incorporating environmental issues in school curriculum is a very cost-effective way of awareness raising, reaching out to the young generation, but this is not enough on its own. Campaigns need to be repeated again and again and NECS needs its network partners to cooperate in this. When the evaluation team visited Punakha Dzong, a refuse collector attempted to empty a proper TCC refuse bin into the river from the suspension bridge. Judged by the litter along the riverbank, this appeared to be normal practice and just illustrates that even with a proper solid waste collection system in place, awareness raising is essential and needs repeated attention.

It is difficult to see the exact role of NECS in water resource management. This task, potentially a very important but conflict-ridden area, has been given to NECS without added resources, and its role and responsibilities still need to be established formally through a water act.

How have changes occurred

Significant cluster of factors explaining changes in output

Three main factors may explain the outputs reached so far in establishing a political, legal and administrative framework for environmental management. The first is that the RGOB, and most prominently the King, have promoted sustainable development and nature conservation, providing environmental protection with a strong champion in Bhutan. This has helped in the allocation of funds and staff to environmental management. Political emphasis on delegation and devolution has also helped shape a decentralised management set-up with line ministry EUs and DECAs. Second, there is strong sup-

port from international donors for environmental protection and conservation, most significantly from Danida, which has supported NECS with technical assistance and HRD since 1990. Thirdly, the international conventions on environmental protection have also played an important role in shaping Bhutan's environmental policies with their specific targets and obligations committing countries, which have ratified them, to comply.

Table 2.5 NECS Total Resource Envelope

Year	Danida	Other donors	RGOB	Total
2001/02	9.004 (48.1%)	4.858 (25.9%)	4.875 (26.0%)	18.737
2002/03	23.266 (70.9%)	3.546 (10.8%)	6.017 (18.3%)	32.829
2003/04	11.725 (33.3%)	15.371 (43.7%)	8.104 (23.0%)	35.200
2004/05	18.900 (45.3%)	14.725 (36.2%)	7.085 (18.5%)	40.710
2005/06	18.316 (50.9%)	8.653 (24.0%)	9.051 (25.1%)	36.020

Major international CD-support activities

Danida is the most important donor to NECS with long-term un-interrupted assistance to projects and human resource development since 1990. As Table 2.5 shows, Danida covers up to 50 per cent of the total annual budget of NECS, RGOB covers 18-25 per cent, while other donors cover 25-32 per cent. Other donors include various UN agencies and ADB, while many donors like WWF, Austria, Swiss Development Corporation (SDC), the Netherlands, the World Bank and the European Union have supported environmental programmes in the sector ministries and particular conservation and land use projects in the MOA.

Explaining why changes have occurred

Danish CD-support in the Sector Programme Support

As mentioned above, Danida has supported the environment and development of the NECS since 1990. From 1998-2004 support to NECS was integrated in the ESPS. This programme had nine components including support to MOA and MTI. Component one covers support to the NECS, targeting the political and legal frameworks for environmental management in Bhutan and the development of capacity in NECS to manage its mandate. A component on water management was later added, with support to the NECS and the Bhutan Water Partnership for drafting of a water policy and a water act. Support to environment continued under the EUSPS running from 2004-2008, with a separate component for NECS. Technical support has been provided through a mix of short and long-term experts, with a Chief Technical Adviser permanently based in NECS.

Sector Programme Support (SPS) is in line with overall Danida policies on development assistance. Support to the environment is a core area of the Danida strategy and also a focus area in the Bhutanese-Danish country strategy. Given the unique point of departure in Bhutan with low level of environmental degradation and low population density and a positive political approach to sustainable development, Danida support can help promote a proactive environmental policy and prevent environmental breakdowns seen in other countries in the region. The support to NECS has been comprehensive and with little overlap with other donors.

The SPS outputs are closely related with the outputs of NECS, which indicates that the changes in NECS' key outputs and capacity can be attributed to Danida support. However, important objectives have not been reached, like the adoption of the National Environmental Protection Act (NEPA) and the Water Act. This is mainly due to factors outside the influence of the SPS, and concerns the overall future role of NECS. The draft acts seem to have been ready since the completion of the ESPS in 2004. Advice from the institutional reviews carried out in 2002 and 2004 on a more focused approach of NECS to EA clearances, streamlining of the NECS mandate and management improvements have not been adopted by NECS. Whilst disagreements with external advice are always a possibility and may have happened with good reason, it is important for NECS to address some of the issues raised.

The support to HRD on scholarships and training appears to have been spent efficiently. Scholars have got relevant bachelor and master degrees abroad and have returned to NECS and found suitable jobs. A relatively low staff turnover ensures that this capacity stays in NECS.

Sustainability of capacity and output changes

Apart from water management, NECS has achieved high technical sustainability with good capacity in environmental management. The staff members are well trained and staff turnover is relatively low. Recently, three senior staff left for other assignments, which of course have some setbacks, but this is not unusual compared to other institutions in this evaluation.

Institutional sustainability is more questionable. For a long time there was talk of a new ministry of environment covering environment, water and forests. This never materialised and even the NEC did not convene for years. The NEPA and Water Act will establish the role and responsibilities of NECS in environmental management, but still need to be adopted. Perhaps most worrying, these acts were not even mentioned in the GG Plus review in 2005. Considering that this review covered almost all key aspects of governance in Bhutan, it is striking that NECS is not mentioned at all. It appears that the future of NECS remains uncertain. Should NECS cease to exist, however, its main functions and outputs are likely to be sustained, even if the institutional set up becomes different. The cornerstone of the legal framework, the EAA is already established and its administration partly delegated/devolved. International conventions acceded to by Bhutan still need attention, perhaps by line ministries. Technical expertise developed in NECS can be transferred to other institutions along with the relevant functions.

Financially, NECS depends heavily on donor support. Given the phasing out of the EUSPS in 2008 and the general phasing out of donors from Bhutan in the next decade, NECS future relies on political backing from RGOB for government funding. If there is a move to general budget support, it is important for NECS to get priority in the development plans/budget outlays.

Lessons for NECS, donors and key stakeholders

The uncertainty about the future role of NECS has been apparent for a while. What will finally happen to this institution is of course up to RGOB to decide and some clarification will probably emerge within the next couple of years. The eventual enactments of NEPA and the Water Act will perhaps clarify the future role of NECS. Increase in RGOB's own funding to NECS concurrently with donors phasing out their support will also indicate government commitment to the organisation. The 10th FYP will provide

insight on the latter. Even if NECS is dissolved, its core-functions will most probably continue to exist and expertise developed in NECS will still be in demand, if only under a different institutional set-up. The mainstreaming of environmental management functions and legislation already in progress also indicates that environmental considerations are slowly becoming part of decision making in sector ministries and in the private sector. Monitoring and coordination of this process is still needed to maintain focus and overview on environmental management. Whatever the outcome of the RGOB's decision regarding NECS, the capacity developed with assistance from Danida and other donors stands a good chance of being sustained and used for its original purpose – environmental management.

The intention of promoting environmental considerations in urban development by merging the former ESPS and USPS into a common programme – the EUSPS – does not appear to have worked well so far. The merger is perhaps (wrongly) regarded more as a bureaucratic obstacle than a forum for discussion of urban environmental management. There is a clear need for a policy and an action plan on urban environmental management and the EUSPS provides the opportunity for NECS and MWHS to work together on this, but the synergy between the two has not been achieved. While the intention of closing ESPS and finalising the results achieved is understandable, the question for Danida is whether the preparation process of the EUSPS has been consultative enough.

2.4 Department of Revenue and Customs (DRC)

Changes in outputs, outcomes and influencing factors

Changes in role and mandate of the organisation

The DRC is a department under the Ministry of Finance with a mandate to collect taxes and non-taxes covering all forms of revenue accruing to the RGOB.

The stated vision is to 'contribute to the nation building process through the development of an effective revenue system'. The DRC also has a mission statement as follows: 'To ensure that the tax and customs administration has the capacity to collect taxes effectively and efficiently at minimum cost through impartial and consistent enforcement of regulations, and to provide a convenient and honest service to taxpayers.'

Prior to 1986, revenue and customs were two separate departments; there was also a motor vehicle tax department. Following restructuring in 1986, the DRC was created, merging all three departments. However, the motor vehicle department was hived off from the DRC in 1992 and given to the Ministry of Transport. Currently the DRC consists of three divisions – tax, revenue accounts and audit, and customs – with an IT support department.

The DRC has worked hard to develop a joint vision for the department as a whole. This has been part of a long running process to professionalise revenue management, including the development of training, systems and management.

Changes in outputs of DRC

Changes in details of outputs are provided in a separate fact sheet annex, but can be summarised as follows:

Table 2.6: Key outputs of DRC

Outputs	Comment
Revenue collection from direct taxes, indirect taxes and RGOB agencies	Taxes comprised 56 per cent revenue in 2004-05 of which direct taxes comprised 33 per cent. Hydroelectric power sales comprise almost 32 per cent of the entire national revenue. Revenue performance has consistently improved since the first annual reports of 1998 and Bhutan has recently introduced Personal Income Tax (PIT).
Auditing and accounting for revenue	The accounts department is regarded as being understaffed, but continues to carry out separate audits.
Managing the customs system and levying customs duty, sales tax and excise duty	Customs is the biggest department in the DRC. There have been historical issues with the granting of import rights from Calcutta and goods going missing, along with low-level corruption, but this is minor and the formation of an intelligence unit within DRC should help.
Providing accurate statistics on revenue and trade	Accession to international trade norms and statistical measurement is an issue for the DRC, although currently its data gathering system and ability to generate reports via IT is good.

Changes in outcomes

The overall outcome related directly to the outputs of DRC is that the RGOB has an increased and more reliable revenue stream. With economic growth at least partly dependent on the construction of hydroelectric power generators, collection of revenue becomes critical. The main risk here is that there is currently only one customer; so collecting revenue is simple in principle (even if the negotiations are not).

At the same time, a positive outcome for the government as a whole is that the DRC has been able to successfully broaden the tax base and at least partially reduce reliance on hydroelectric power. The introduction of PIT and improvements in the collection of other direct taxes, particularly business tax, have led to a larger revenue flow across a broader range of sources.

The effectiveness of DRC's accounts and audit function has also contributed to a relatively low-level of corruption in a notorious area for serious corruption – customs. The majority of corruption is low level and this is mitigated by a series of measures designed to minimise opportunities. This has recently been backed up by the formation of an intelligence unit.

External factors affecting capacity

The general environment of Bhutan is one of a general, gradual change away from a feudal state towards a modern democratic state with operational markets and modern public sector. This has been reflected in the number of taxpayers and the increasing sophistication of the DRC.

The socio-economic story of the period is a positive one, with regular annual growth rates of around 14 per cent and a developing middle class that is willing and able to pay PIT. With GDP growing, it is not surprising that total revenues increased over the period, but this should not detract from the fact that collection has become better and broader.

The influence of the growth of the economy is particularly marked given the dominance of revenue generating state owned enterprises in the economy. A less impressive story has been the private sector growth rate, which has been disappointing. The development of business tax has also been hampered by a lack of even rudimentary bookkeeping, which means that the tax department's revenue estimates are time-consuming.

At the same time, business income of individuals remains outside the PIT system and is subject to a flat rate of tax. In addition, clearly individuals within urban areas are under-taxed since people in rural areas are taxed in cash or kind (labour), which is foregone for those migrating to urban areas.

Corruption is low and what exists tends to be at a very petty level. This leads to enforcement systems being relatively robust as executed by revenue inspectors under the zero tolerance policy on corruption. It also means that in general, managers of larger revenue generating organisations are extremely honest in their dealings with the revenue authority and that observations raised by the auditing elements of the DRC are usually relatively minor and refer only to small amounts.

The prestige of the public sector has contributed to the retention and recruitment of good quality staff over the period, which in turn contributes to output changes.

The DRC has a good relationship with the Chamber of Commerce in terms of negotiations concerning tax. This has resulted in an improvement in tax awareness amongst businesses through tax awareness seminars.

Internal factors affecting capacity

The DRC has a skilled staff and a significant capacity to raise revenue. The 2003 IMF report notes also that the staff numbers are relatively small (around 1 per 250 taxpayers) but that the capabilities of the staff are impressive. The DRC has also been subject to stable and positive leadership over the period. The drivers for change have essentially come from within the DRC itself as part of a longer-term strategy.

The main weakness of the DRC is in its shortage of staff overall, but particularly in its shortage of IT specialists and technical expertise relating to accession to the WTO, including expertise in technical classification.

In terms of infrastructure, Danish CD-support provided an extension to the current buildings to provide a conference and training facility. There have also been significant investments in training and in TA relating to technical support for legislation and IT.

At the same time, there has been a significant investment in IT with the development of the three IT systems, BACS, Revenue Accounting System and Tax Management System. Currently these are being integrated into one platform with help from Danish TA.

Staff turnover has been relatively low in the DRC. There has also been significant investment in training and professional development. For example, between 1997 and 2004

around 500 participants attended training courses. Recruits to the DRC also attend the financial training course at the Royal Institute of Management (RIM). This has increased the quality of recruits to the DRC of responsibility for very basic training.

Inputs, efficiency and effectiveness

The main indicator used for efficiency of tax collection is the cost of collection ratio. This has changed from 0.017 in 1998 to 0.019 in 2003. This is an impressive statistic and competes very well internationally.

The average Nu cost per collection of Nu 100 is 2 (a ratio of 0.02). In more detail, the cost ratio of the individual types of tax are: 0.02 for direct tax, 0.05 for indirect tax and 0.01 for non-tax revenue. This compares favourably with international figures (e.g. Australia's ratio is around 0.88, whereas the US has a ratio of 0.39, Denmark's is 0.73). This should be treated with caution given different tax structures, etc., but does illustrate a general trend towards greater efficiency.

Clearly the overall effectiveness of the DRC is measured by the amount of revenue raised, which has also increased. At the same time, revenue from customs has also increased.

Explaining how changes have occurred

Significant clusters of factors

The development of internal capacity of staff has been greatly enhanced by the institutionalisation of training, including overseas field trips. The selective use of TA in technical and advisory functions, including the drafting of complex legislation and IT has also been significant in improving DRC's outputs.

Staff capacity has also been enhanced by the implementation of IT systems that improve consistency of data. The improvement in record keeping has also meant that tax records can be recorded and tackled systematically. The use of IT has also increased accountability and reduced tax evasion, for example, by the incorporation of computerised records into revenue estimation.

The management structure of the DRC has changed through development of a more regional structure. DRC now has six regional offices. This decentralised structure has led to a situation where the tax authorities are closer to clients and has increased tax awareness and compliance. Tax assessment for business income tax (BIT) has become considerably easier.

The concentrated use of training and professional development in revenue administration and IT has enhanced the capacity of the DRC to the extent that its performance indicators are very impressive. This is a view backed up by the IMF. However, the fact that several of the existing members of the Customs Division were not eligible for training is regarded as having held customs back. This is an important issue that needs attention, given the accession to WTO.

The DRC itself has also been subject to positive and stable leadership that has provided an overall strategic vision.

Table 2.7 Sources of DRC budget

Year	Danida		Other donors	RGOB		Total
2001/02	7.540	(11%)	0	58.732	(89%)	66.272
2002/03	7.471	(9%)	0	71.239	(91%)	78.710
2003/04	11.832	(14%)	0	71.365	(86%)	83.197
2004/05	7.795	(6%)	0	117.840	(94%)	125.635
2005/06	7.062	(6%)	0	113.804	(94%)	120.866

CD-support that influences significant factors

As Table 2.7 shows the only significant external CD-support has been from Danida. Between 2001 and 2006 the average annual percentage support from Danida has been around 10 per cent. Whilst some of this has been used for capital support, its major use has been in developing the IT systems and in conducting internal training. Clearly without the Danida support, the DRC could not have improved its capacity and outputs so significantly.

Danish support and its effects

The success in achieving the overall objectives of the DRC can be attributed to the Danida project. As the project document itself notes: 'Through the project intervention, revenue collection has improved substantially and has been able to meet the recurrent expenditure. The direct and indirect taxes are backed by legislation and new rules and regulations have been formulated and implemented. With the computerization system in tax and customs, the information system has improved and enhanced administrative monitoring, evaluation and reporting system in DRC. The DRC Institutional Capacity Programme has strengthened and enhanced assessment skills of staff through in-country and ex-country training program carried out under the project. Further, the most important achievement that needs mention is the improved compliance of the general public/ taxpayers as a result of the effective education program through training/workshops and awareness campaigns conducted by DRC through the project.'

The team finds that this is a substantially fair view. Attribution is relatively straightforward since Danida is the main external source of CD-support. The immediate effect of the support has been to allow the DRC to improve capacity without losing recurrent budget. Without the support, staff at DRC estimate they would be at least 7/8 years behind where they are now. Danish support was delivered efficiently and effectively. The support has been closely aligned to the needs and requirements of DRC. The IT support has been used very effectively to improve the efficiency and effectiveness of the DRC. This has been reflected in the performance indicators.

The effectiveness of the Danish CD-support has been due to the flexibility of Danida's approach in aligning clearly with the aims and mission of the DRC's strategy. Clearly the DRC has driven the reforms and Danida has supported them. The overall feature of the RGOB is that there is no taking of donor support unless it is needed for something specific. Leadership has again been important here with the senior management of DRC being aware of the main challenges and requesting training accordingly.

Overall, even though Danish support has averaged 10 per cent of DRC's total budget in the past five years, this has been applied effectively and efficiently in CD-support and has

contributed significantly to capacity building and positive changes in the outputs and outcomes of DRC.

Explaining why changes have occurred & lessons

Sustainability of capacity changes

Recurrent costs on the maintenance of equipment, replacement/up-gradation of computers and equipment will be financed by the RGOB. The RGOB has undertaken to replace around 20 PCs a year. However, given that some of the current PCs are already unable to run the new platform that is being developed this may be inadequate in the long-term.

Revenue collections will continue to improve through the efficient tax, revenue and customs systems (BACS and RMS) and with better information and reports generated from the system. There are sufficient staff able to run and maintain the system. There is no danger of a wholesale exit of key staff, except in the IT department where certain systems are dependent on individual staff – which is a risk. Mobilization of internal resources will meet the recurrent expenditures of government, which is RGOB policy in line with self-reliance.

Lessons for donors, organisations and stakeholders

The DRC benefited from TA support in very specific technical aspects of the reform for short periods, including preparation of legislation on direct and indirect tax in cooperation with a tax advisor and tax law specialists from Denmark and a lawyer from the High Court.

Effective implementation of legislation is not just about the substance of the legislation, but also requires adequate resources for educating taxpayers on compliance. An important issue for learning identified by the project report and evidenced by continuing development is to allow sufficient time for systems development, including significant investment in proper planning and systems design involving users. It also needs to take into account possible policy changes that could lead to further delays. Both BACS and RMS took longer than anticipated partly because of the incorporation of rules, as well as policy changes.

Again the Danish intervention worked because it was aligned with a strong and clear leadership that had a strategic direction. It was able to maintain alignment through a flexible approach driven by the demands of the organisation itself rather than just conforming to a rigid project plan.

2.5 Royal Audit Authority (RAA)

Changes in outputs, outcomes and influencing factors

Changes in role and mandate of the organisation

The RAA was formed in 1986 as an autonomous body. Historically the auditors were comprised of representatives of the King, the people and the Monk body. It became a body of professional auditors in 1974. Even then, there was a monastic presence on the board of Royal Auditors, which was made up of representatives of the Monk body, the people, the King and the government. The founding of the RAA was therefore a critical (and recent) move in the professionalisation of the service. At its establishment in 1986, the Financial Manual of 1974 governed the RAA.

T₀ is based on 1986 when the RAA was founded, but given the difficulties of obtaining detailed information over twenty years, most of the data deals only with the later part of this period, following the generation of useable data on performance. The RAA has received support from Danida since 1994.

The aim of the RAA at T₀ was explicitly to ensure accountability of government accounts. Its current mandate is included in the General Audit Rules and Regulations 1989 and the Financial Manual 1988. These have been recently brought together in the Audit Bill of Bhutan, 2006. RAA is also included in the constitution as a legally autonomous body. According to the Audit Bill, the stated aim of the RAA is to 'audit and report on the economy, efficiency and effectiveness in the use of public resources'.

The changes over time represent a series of steps towards the increasing professionalisation of auditing in the RAA and a deepening of a professional audit culture. During the period, the trend has been towards more technical aspects of auditing and the stress is changing from transactions auditing towards value for money and performance auditing. Arguably, the RAA is ready for a 'next push' into these approaches.

Changes in outputs of the organisation

The basic outputs of the RAA have been in several different documents and are summarised in the recent Audit Bill. In summary, the main outputs and the changes between T₀ and T₁ are summarised in Table 2.8.

Table 2.8: Changes in outputs of the RAA

Outputs	Comment
Audits of all RGOB Ministries and all enterprises in Bhutan	The RAA has successfully increased its ability to carry out statutory audits of all relevant organisations. However, there are issues over lack of staffing and some of the less risky organisations are not audited for three-year periods. Overall, there is no current delay in audit reporting.
Audit clearance for individuals	This is an effective system, but often the element that is most complained about by the public. All public officials need audit clearance for promotion and overseas training. This evidence is used in court cases to suspend members of staff when impropriety is proven. This has increased and has become more systematic over the period.

Performance Audit	The RAA has identified a need for increased specialisation of audit in terms of performance, environmental and value for money audit. It has already started to implement some basic performance audit, beginning with IT in 2004.
Certify the Government Accounts	This is carried out annually. There is currently no delay in this certification, whereas at T ₀ there were significant issues about timely certification.
Carry out special audits	The RAA carries out approximately three special audits per year into specific, identifiable issues or into organisations put forward by the Auditor-General (AG) or the King.
Follow-up on compliances with audit findings and recovery	Follow-up has been an issue, but the RAA has recently formed a Follow-Up section to deal with these issues. However, there is a huge backlog and in the last six months the section has completed 338 follow-ups.
Audit policy	Not actually mentioned in the bill, this relates to the development of audit methodologies, including manuals, rules and regulations, guidelines and systems.

Overall, the story of RAA's outputs is positive.

Changes in outcomes

It is extremely difficult to measure outcomes of audit, however, it is clear that overall probability of the public service in Bhutan is very high, partly because of the high status and effectiveness of the RAA. The RAA's improved ability to carry out audits regularly and on time has strengthened the financial systems within the RGOB. The zero tolerance policy, including assignment of responsibility directly to specific individuals, provides a very strong control.

There is a clear link between the improvement in output performance and contribution to the broader outcome of a more effective and cleaner financial system.

External factors affecting capacity

The external factors affecting capacity have been primarily positive. Firstly, the RAA operates within a public sector that is relatively free of corruption and in an economy that has been growing at a rate of around 14 per cent per year. Both of these factors make the job of the RAA easier. Secondly, the status of the RAA as being initially established by the King and in an institutional environment that has remained stable and increasingly clear in terms of legislation has also provided a positive platform for the RAA to carry out its mission.

Thirdly, the elite status of the RAA and, until recently, the increased pay available to RAA staff, have meant that the organisation has been able to recruit very high quality officers. This has also been enhanced by the development of better financial training at RIM with support from the RAA. Lastly, the RAA has received significant support from Danida as a main donor. There have been no issues of alignment or harmonisation within RAA and the strong leadership has meant that RAA has been able to manage the process of assistance very effectively.

Internal factors affecting capacity

The RAA has benefited from strong and consistent leadership over the period and has been able to take a progressive approach to developing its own capacity. Partly because of this, the RAA has been able to develop detailed plans for human resource development

(HRD) and progressively improve staff capacity through training and experience. The partnership agreement with the Indian Auditor General has been a positive and helpful link in this. The RAA benefited from a peer review by the Indian Auditor General in 2005, which made a number of suggestions to the RAA.

In terms of infrastructure, the RAA at T₀ (in 1986) was housed in three separate buildings, whereas at T₁ (in 2006) it is housed in a purpose-built building – ‘Integrity House’ – that includes offices and a conference room. At the same time, the addition of vehicles has meant that audit teams could greatly enhance their efficiency by taking one day to reach organisations rather than four or five on public transport.

The numbers of auditors have increased, but have remained relatively stable over the past few years. The development of a financial management course running for one year at RIM has been beneficial to the quality of recruits. All candidates for the course at RIM have to have numerate degrees (usually economics or commerce) and only those successful are selected by the RAA. RAA staff have also been involved in developing course materials and teaching, thus ensuring relevance.

IT has made a huge difference within RAA. In an activity that relies on regularity and consistency, IT systems that can file consistent audit reports are invaluable for record keeping, but also for informing the audit planning process, thus increasing the efficiency and effectiveness of the audit process. The development of the Audit Information Management System (AIMS) has also meant that other complex areas of RAA’s work such as audit clearance for individuals, has improved.

The main challenges for internal factors affecting capacity relate to the RAA’s ability to take on more complex forms of audit and to move from detailed transactions auditing to a systems approach. This would entail a more government-wide approach to developing internal audit that the RAA could then, in turn, audit. This would alleviate some of the current pressures on RAA staff and also make them better able to audit larger flows of money to Dzongkhags.

Inputs, efficiency and effectiveness

The main indicator of efficiency within the RAA is the lateness of audit reporting. At T₀, all audit reports were late, including certification of overseas accounts, whereas at T₁, none of the audit reports were late – all are delivered in a timely manner according to a detailed audit plan and internal prioritisation (A, B and C ranks of importance, with A being audited annually). All of this has been achieved without significant increases in staff numbers.

At the same time, the pattern of objected amounts shows that the effect of better auditing has been to gradually reduce the number of objected amounts year on year, which is both an efficiency and an effectiveness indicator.

Over the same period, the RAA has been successful in recovering some of the reported objected amounts, but this still comprises less than 1 per cent of the total. However, there have been a significant number of prosecutions leading to action taken against employees.

Apart from the increase in outputs, there have also been significant increases in quality of audit reporting, including the development of performance audits. However, the per-

formance audits, as such, are more like thematic audits than true performance audits. For 'normal' audits, the quality and consistency of reporting has been enhanced by the development of standardised audit manuals, approaches and reporting through the Audit Information Management System (AIMS). AIMS also greatly enhances the ability of audit teams to plan audits by accessing historical data on previous audits, including any outstanding objections.

How changes have occurred

Significant clusters of factors influencing change

Six significant factors may be identified. First, the development of internal capacity of staff has been greatly enhanced by the institutionalisation of training, including overseas field trips. Second, staff capacity has also been enhanced by the implementation of IT systems that enhance consistency and audit planning. The improvement in record keeping has also meant that the backlog of objected amounts can be tackled systematically. Third, the internal management structure has changed significantly and has enhanced the overall trend away from general transactions audit towards more specialised approaches. The development of specialised units within the RAA has also meant that team working on audits and audit planning and management has been improved. The formation of a Follow-Up Division has also enhanced the reduction in backlog and an improvement in the certification procedure. The development of regional offices has also been critical in moving the RAA closer to clients, further facilitating audit clearance.

The fourth significant factor is the partnership arrangement with the office of the Auditor-General (AG) of India, which has been beneficial in terms of increasing awareness and capacity. The peer reviews carried out by AG India have been extremely useful and practical in continuing to develop strategic direction for the RAA. Fifth, externally, the RAA is fortunate to exist within a public service that is relatively free from corruption. This makes compliance considerably more straightforward, particularly given the significant support given by the King and senior government officials. Sixth, the RAA itself has also been subject to positive leadership from a succession of AGs who have been bold to take a public stand on probity and have provided an overall strategic vision.

Capacity development support that influences significant factors

There have only been two external sources of CD-support in RAA. UNDP recently undertook training in performance audit, including development of performance audit guidelines. The main source of CD-support has been Danida through infrastructure support, IT and vehicles and training. Overall, between 2001 and 2006, the average annual percentage support provided to RAA by Danida was around 10 per cent of the total budget (see Table 2.9 below) with RGOB contributions ranging from 50 to 88 per cent. Currently virtually all training undertaken by RAA is externally funded usually through invitation by a third country. Danida has funded all internal training programmes.

Table 2.9 RAA budget sources (Nu million)

Year	Danida		Other donors		RGOB		Total
2001/02	4.680	(13%)	0	(89%)	31.759	(87%)	36.439
2002/03	0	(9%)	32.992	(50%)	32.992	(50%)	65.984
2003/04	10.923	(21%)	0	(86%)	40.610	(79%)	51.533
2004/05	5.809	(12%)	0	(94%)	40.914	(88%)	46.723
2005/06	2.429	(5%)	4.004	(8%)	43.186	(87%)	49.619

The RAA itself has demonstrated a commitment to CD development by improving its own planning systems, establishing a training unit and developing a training plan. The use of a set period each year for internal training has also been very positive in terms of developing professionalism, sharing information and keeping abreast of new developments. All attendees at overseas training are required to conduct internal training sessions on what they have learnt.

Explaining why changes have occurred & lessons

Danish support and its effects

Substantial Danish support has been supplied since 1997, though there had been some form of support from 1994. Support has consisted of training and professional development, IT systems development and development of infrastructure, including construction of the HQ building in Thimphu and the purchase of audit vehicles to increase mobility.

The effects of the Danish support have been wide-ranging and are easily attributed since Danida is the only major donor. Firstly, the construction of the building has had a positive effect on morale and status of the RAA. Furthermore relocation from three separate buildings into one has facilitated team working. In addition, RAA now has access to its own conference room that is used for its extensive training programmes.

Secondly, the development of the IT system has had a huge effect on the effectiveness and efficiency of the RAA. Auditing relies on consistency and reliability, both of which are provided by AIMS. Thirdly, training would not take place to the same extent without Danida support. Flexibility in provision has ensured very good alignment with the aims and aspirations of the RAA leadership in delivering training designed to enhance RAA's move towards increased professionalism.

Overall, Danida has contributed to the changes in outputs of RAA and more significantly to the development of its capacity.

Sustainability of capacity changes

Since the RGOB has a policy of funding recurrent costs out of its own budget, overall sustainability may not be a critical issue. However, there is a key issue with regard to the continuing education and professional training of auditors within RAA. Since virtually all of the internal training carried out annually is funded by Danish CD-support, there is an issue about how the current trajectory of professional development can be maintained without this support.

Lessons for donors, RAA and stakeholders

The main lesson learnt from RAA is how a partnership approach can work, if the donor CD-support is flexible and there is strong and stable leadership in the recipient organisation that is able to form a strategic vision. Essentially, the drivers of change have come from within the RAA itself and Danish CD-support has been able to act as a catalyst for that change.

Overall, the RAA provides a very positive case study of CD development. This has led to positive outcomes for CD development in an area that internationally is often projectised and not well aligned – IT development. In this case, the development of the IT engaged users from an early stage and has been extremely successful in enhancing the efficiency of the organisation.

The RAA is also a lesson in how long development of a good quality audit system will take in practice. From T₀ in 1986 (which was already some way along the track), it has taken twenty years to get to the present position without any of the major problems that frequently beset audit authorities and with an extra boost of flexible funding from 1997, i.e. over the second ten years.

2.6 Punakha Dzongkhag (PDZ)

Changes in mandate, output and outcomes

Changes in role and mandate of dzongkhags and gewogs

Punakha is the second oldest dzongkhag in Bhutan and was the capital until 1957. Decentralisation has been a long-running process in Bhutan and dates back at least until the founding of the DYT in 1970, and Punakha district provides only a window to view decentralisation at work.

With the 9th Five-Year Plan (FYP), decentralisation has been accelerated by a number of key policy documents, including Article 22 of the Constitution. The revised DYT and GYT *Chatrims* (Acts) further provide legal basis for the assignment of powers to dzongkhag and gewog levels. The revised Chatrims delegated some authority to the GYTs and DYT regarding planning, and to some extent financial management issues. This has been reinforced by direct election of gups in 2002, and indirect elections for the head of the DYT at dzongkhag level.

The 9th FYP was based on an extensive exercise in participatory planning as a basis for a new decentralised planning framework; local areas submitted plans that were then aggregated to form the basis for planning and budgeting over the period. In order to coordinate the decentralisation process, the Department for Local Government (DLG) within the Ministry of Home and Cultural Affairs (MOHCA) was established in January 2005.

Changes in outputs of Punakha district

The changes in outputs are analysed in detail in a separate Fact Sheet annex, but can be summarised in Table 2.10.

Table 2.10: Key outputs of dzongkhags

Outputs	Comment
General outputs	Political consciousness has been increasing over the period of the 9 th FYP, although difficult to quantify. The dzongkhag is supposed to divide resources equally amongst gewogs. In practice, this is done already within the FYP, and the dzongkhag allocates in line with that plan.
Regulatory outputs	The dzongkhag does perform these functions, but there is a question of capacity. Boundary disputes are common and are frequently handled by gups rather than dzongkhag staff. DEC is functioning and has already issued a few environmental assessment clearances.
Administrative outputs and services	Plans are produced each year in line with the FYP. These include clear lists of allocated activities. Prioritisation is carried out according to the number of beneficiaries (frequently the cause of disputes between rival projects). Punakha has one hospital and three basic health units. It also has one higher secondary school, one middle secondary school, three lower secondary schools, two primary schools and five community primary schools. Three new primary and one middle secondary school are under construction. The main issue with schools is the lack of adequate staff in specific subject areas, particularly maths and science.
Financial outputs	The dzongkhag is not really in a position to allocate funds on a systematic basis. Currently budgets are allocated according to the plan and also according to historical account codes, i.e. take last year's budget and add some on. Prioritisation is done on the basis of current number of beneficiaries, with the problem being that this does not allow a strategic approach of accounting for potential beneficiaries. The finance officer is essentially monitoring compliance with accounting rules and effectively makes no decisions.
Gewog outputs	
Regulatory outputs	Gewog administrations do carry out some of these functions, but there is a lack of capacity in terms of current low staffing levels and a specific lack of capacity in terms of skills. In effect all of these functions rely on the individual gup.
Administrative outputs	Again, see above on lack of capacity. There have also been a number of issues with hiring and firing labour. In particular, the gups arranging community labour (which usually has a fair walk) and then no engineer turning up at the site. This undermines the gup and also the system more broadly.
Financial outputs	There is currently no capacity at gewog level to handle increases in funds since there are no accountants.

Changes in outcomes

The ultimate outcome of decentralisation can be expected to be enhanced democratic control over resources and service provision at the local level. It is critical to recognise that changes in Punakha are part of a much longer-term process and that the period in question, between T₀ and T₁, from the beginning of the 9th FYP is only part of this transition. Measuring outcomes is therefore extremely imprecise and partial. However, it is clear that there has been increased participation, particularly in the planning process at the beginning of the 9th FYP period. The main issue is one of a lack of democratic control following that period. For example, a recently elected gup effectively cannot do anything to change what is included in the current FYP. However, it should be noted that this will change under the 10th FYP, with Bhutan moving on with its gradual programme of decentralisation with the introduction of a flexible planning and budgeting framework (APF and rolling budgeting system).

On service outcomes, there has been reduction in school dropouts in Punakha, whilst the enrolment rate is currently over 90 per cent with a target to reach 100 per cent by 2012. The number of leavers in non-formal education also increased from 64 in 4 centres in 2003 to 500 in 25 centres in 2006. In health, immunization (EPI) rate has increased from 70 per cent to 95 per cent in the past five years, whilst the rate of incidence of some diseases has dropped. Monitoring and reporting of health data has also improved.

Overall, the difference in outcomes between T₀ and T₁ is a gradual development of political consciousness and participation in planning, including directly elected gups as representatives at gewog level. In addition, it could also be said that the dzongkhag level is now far better prepared for the more radical changes in decentralisation envisaged under the 10th FYP, whilst basic service delivery is improving.

External factors affecting capacity

There is a strategic requirement for human resource planning across the dzongkhags. Currently they have no input into staffing. As two recent evaluations of the decentralisation programme have observed, inadequate human resources, both quality and skills, is the biggest obstacle to the implementation of development programming and activities in the districts. Even though about two-thirds of the over 16,000 civil servants work in the districts and gewogs, most of the best-qualified people are concentrated in central agencies. It is recommended that there be a comprehensive, national human resource strategy to support the decentralisation process.

Under the decentralisation support programme (DSP), a number of donors are providing capacity development support directly and indirectly, including the UNDP, UNCDF, SNV, Danida and JICA. Staff of Punakha dzongkhag have benefited from some of the training.

Currently 20 per cent of all government spending is channelled through the various sectors at the district level and only 4 per cent is channelled through gewog level. The 10th FYP envisages block grants with guidelines over which local politicians will have a say in terms of allocation to specific activities at local level.

One of the major problems of decentralisation is the problem of multiple principals facing many staff. Whilst employed at the local level, almost all staff are part of a sectoral staffing silo where they look to their parent ministries and agencies at the centre for promotion and transfer. Thus whilst there has been some devolution of powers and func-

tions to the districts and gewogs, line ministries and central agencies operate a deconcentrated system which does not allow the full devolution and integration of their activities and staff at the local level into the dzongkhag and gewog structures and systems. In addition, the gups carry out a dual role of political head and salaried officer with some risk of conflict of interest. There is a need to support the gups across all gewogs with additional technical support.

The relationship with the gups has substantially changed over the period. During the 8th FYP, gups were told by the DYT what development programmes would be taking place. However, during the 9th FYP, it is the gups who now make proposals to the DYT. Although the relationship between the gups and the dzongkhag has changed, there is still reliance on the dzong for access to funds and there remains a reliance on the dzong for technical support and also for finances.

The key here is that CD development should go beyond training and a key objective should be to ensure sufficient implementation capacity at local level accompanied by support mechanisms including a decentralised civil service system with some local control within an overall framework of a comprehensive HRD strategy. There is also a need to improve information and data flow between local and central government, not just from local to central but also from central to local. There may also be a need to develop performance indicators for local government that can be shared and could point to best practice.

Internal factors affecting capacity

Overall, Punakha dzongkhag and the gewogs are capable but understaffed in some areas. As an illustration of the human resource capacity constraints, the whole district has five engineers and two assistant engineers and one planning officer covering 9 gewogs. The planning officer is clearly overloaded. In health and education services, there have been some improvements in staffing and facilities over the past ten years, including a forty-bed hospital funded with German aid. A key capacity issue is the inadequate numbers and qualifications of staff in some areas such as maths and science teachers. In the case of maths and science there is significant dependence on expatriate (mainly Indian) teachers. For example 10 out of the 31 teachers in Punakha Higher Secondary School are expatriates.

Monitoring and Evaluation (M&E) remain an issue at the dzongkhag level. The planning unit is primarily engaged in monitoring physical and financial progress, although in practice some of this is carried out by the gups, and the dzongkhag concentrates on financial out-turn. There is not really any monitoring of more complex decentralisation issues. The DLG has established a unit to address the issue of lack of baseline data for effective M&E.

There is something of a gender issue across the public sector. However, it is relatively uneven. Whilst there are women in powerful positions within the RGOB (e.g. the Finance Secretary, Head of DRC), there seems to be reluctance at local level for women to get involved in politics. As of 2006 there is only one female gup in the entire country. Discussions with gups at Punakha (where the clerk is a female), however, seem to suggest that women themselves were reluctant to participate, rather than being deliberately excluded. Clearly this requires additional support in the long-term to realise the full participation of women in the democratic process.

Inputs, efficiency and effectiveness

The issues of efficiency and effectiveness were difficult to gauge at the local level. The general impression of the team is that staff were effective at what they do and are trying their best with resources that they have. Capacity has been enhanced by IT development, which has enhanced financial management. This has improved the ability of existing staff to act efficiently. This has been further enhanced by a relatively low staff turnover, despite shortages in some specific capabilities, particularly accounting and engineering.

At the same time, there is a mismatch between staff qualifications and responsibilities. There is also no comprehensive HR plan at local level, where the HR function sees its main role as ensuring that the dzongkhag complies with centrally set staffing patterns and rules. Staff training is not co-ordinated at local level and there is no training budget.

How changes have occurred*Significant clusters of factors*

As noted above, decentralisation has increased substantially during the current 9th FYP period and the new constitution, as well as the DYT and GYT Chattrims have all provided the legal basis for the assignment of more powers, functions and finances to the dzongkhag and gewog levels. The formulation of a manual to accompany the statutory provisions has assisted the implementation process.

Another significant factor is the establishment in early 2005 of the DLG, which as has been actively engaged in coordinating support for the establishment of gup offices and basic equipment for all gewogs. It is now in the process of coordinating a more integrated approach to training of elected and non-elected officials at dzongkhag and gewog level.

The increases in funds, their timely release and effective management have allowed development projects to happen on time and as planned. However, the structure over the period T₀ and T₁ has effectively fossilised the local decision-making process. Officials and politicians do not make decisions; they enforce and monitor compliance with the plan.

Donor support under the decentralisation programme to the tune of USD 3.5 million has played a significant role. Some of this support has been applied to capacity development activities, including training, which some staff in Punakha have benefited from. Since HRD initiatives have not been institutionalised so far, minimal RGOB funding has been provided to this area and none so far devolved to dzongkhag and local level.

CD-support that influence significant factors

Although Punakha district has not directly received support from Danida, it has benefited indirectly through sector programme support in education, health and urban development, as well as through central agencies such as the DRC and RAA. As noted above under the Decentralisation Support Programme (DSP) international donors have provided USD 3.5 million support, some of which is applied to capacity development support. These include the UNDP/UNCDF, SNV and Danida. JICA's Local Government Development Programme from 2004 is also proving some support. Helvetas has also provided CD-support through the Rural Development Training Project (2003-2007) and the HR Development Support (2001-2006), worth USD 1.5 million each. The support has been used for the strengthening of gups and community leaders, as well as for the training of accountants at central and district levels to build financial skills. A number of

staff at Punakha have benefited from the training programmes. Some gups also took part in a study tour of India funded by GOI.

In terms RGOB funding, under the 9th FYP, dzongkhags now receive 20 per cent of public expenditure through tied grants based on the FYP, and gewogs receive 4 per cent. This represents an annual outlay of around USD 25 per capita, which is a sizeable outlay in comparison with other South Asian governments. This reflects a commitment to transferring resources to the local level, but increase in block grants to districts would be required as more responsibilities are devolved to them.

There are several areas where further CD development is required. In particular, the transition to a more decentralised structure requires significant investment in support for the transition.

Explaining why changes have occurred

Danish support and its effects

Given the nature of the support, attribution is a serious problem here, but clearly, the district is receiving support from the sector programmes (e.g. education, health and environment) supported by Danida. Thus Danish CD-support is having an indirect effect, if one considers that most services like health, education and water and sanitation are locally delivered. Also under Danida's Good Governance and Public Administration Reform Programme (GG/PARP), there is some support to the institutional capacity building of the Ministry of Home and Cultural Affairs, where the DLG is responsible for coordinating the activities of districts. Other central agencies such as RIM, DRC and RAA have also received CD-support, which has indirectly benefited CD in the districts through training.

Sustainability of capacity changes

There is a question regarding the sustainability of the gewogs given their lack of capacity to raise revenue and their need for staff. It could be that some functions are better handled at a regional level. All of this remains unknown at this point. Given the policy of the RGOB in funding all of the recurrent expenditure out of revenues, the financial sustainability of decentralisation is relatively safe. However, the future of the decentralisation process requires increased specialised technical capacity, including engineers and accountants.

A critical issue regarding the sustainability of the decentralisation process is the support provided by senior levels of the RGOB and, in particular, by the King. Given that recent reforms are part of a very long-running process of progressive decentralisation, it is likely that the process will continue for some time. However, there are issues regarding the significant next step necessary to implement the ideas held within the 10th FYP. In particular, a shift to more devolved and much more flexible financial and budgetary management at a local level, coupled with much more short-term flexibility in the planning process implies a certain level of skills.

There are significant elements of these skills that will be learnt 'on the job' as the various processes become established, however, this transitional period is critical to the future of decentralisation and the system will need specialised support from outside to ensure that the requisite skills are present. In particular, the increase in staff necessary to man the new system needs a large increase in the numbers of engineers, accountants and planners.

An entirely different area is the further development of the financial system in terms of equalisation between dzongkhags (and even equalisation at sub-dzongkhag level) and also increasing the capacity to raise local revenues, particularly in urban areas. Currently, the rural tax (which can be levied locally) is marginal in terms of revenue (less than 1 per cent of gewog funding), but *woola* (community labour) is far more significant for development projects. Increasing urbanisation exempts more people from *woola* and so a disproportionate amount of the burden falls on rural areas. For longer-term sustainability, these local tax issues will require consideration.

Lessons for donors, organisations and stakeholders

Decentralisation takes time and is an incremental process. The 9th FYP has developed a solid platform for further development, but continuing support is needed to ensure that the transition to a devolved system of decision-making can develop. This is a critical stage in the longer process of decentralisation that started thirty years ago. It is also a lesson to donors in terms of what can be achieved by taking a longer time horizon than a five-year project and by supporting an initiative that is domestically driven.

A number of wider issues need to be taken into account in the longer-term decentralisation process. Firstly, there is a question regarding the viability of gewogs themselves. For example, given the shortage of skills in engineering and accounting mentioned in Punakha, are gewogs a viable centre for such skills? There may be more viability in concentrating strategic skills at the dzongkhag level where scarce skills can be shared across gewogs.

Secondly, there is also a question about decentralised HR management. Given the additional responsibilities and opportunities open to local governments after 2008 it is unrealistic to expect them to all have the same aspirations and plans. They will therefore evolve differently and require different mixes of skills. Without a more decentralised and sensitive HR policy, decentralisation as envisaged by GG Plus may suffer.

Thirdly, fiscal decentralisation to match the devolution of authority and responsibilities to districts would be a critical issue in the years ahead. In this regard consideration of additional block grants to districts and gewogs is worth considering, whilst at the same time developing their capacity for financial management and planning.

3 Conclusions: Cross-Sector Issues, Lessons and Recommendations

3.1 Issues for Danida and Other Donors

One key feature of Danida support that most government officials pointed out is the flexibility it provides to RGOB and the sectors. Support has been effective in achieving excellent alignment with RGOB priorities. Improvements in outputs and capacity in some organisations (e.g. NECS and DUDES) are directly attributable to Danida, while in others Danida has made significant contributions to the changes. Sector budget support in education has been effective providing flexibility and predictability of funding to the RGOB.

In the team's assessment Bhutan has the institutional infrastructure and conditions for the extension of budget support. In particular the team found both RAA and DRC to be very robust and capable organisations that continue to innovate and improve financial management. The planning system provides a good system of spending according to agreed priorities and provides a basis of transparency. In addition, from all indications, corruption is not a major issue in Bhutan. Having said this, capacity for setting priorities and for financial management need to develop and improve, especially at the decentralised levels where more resources will be allocated.

The case of education shows that although the capacity exists to manage sector budget support, there may still be the need to earmark funding for capacity development. TA would still be needed, but in very limited areas, along with programme and budget support, and earmarking, for example in developing cost-recovery in urban service provision; support to institutionalise performance audit system in RAA and to enable DRC meet the technical requirements of Bhutan's accession to WTO. TA tends to work better where there is a competent local counterpart, ownership and absorption capacity, and where the TA expert fits well into the host organisation. It would be useful to assess whether these conditions exist prior to any new TA support. In addition to the above, where TA is linked to programme or budget support, it would be helpful to make provision for logistic support in order to maximise 'value for money'. Danida may have to be flexible in its rules regarding support to TA experts, as logistic support through the host organisation tends to be slow and takes valuable time.

The team found that most of the organisations selected were developing IT systems with the support of Danida but there is no joined up approach or shared experience beyond meetings under the auspices of National Statistics Bureau. In addition, it is also the case that in the IT departments or units of most the organisations there is too much dependence on just one person who knows how the system works. There is no back up capacity. A more strategic approach would pool the existing resources more effectively across government reducing the risk of systems crash and sharing support across a number of organisations.

This evaluation has reinforced the conclusions from the decentralisation mid-term evaluation and decentralisation outcome evaluation, all of which note that inadequate human resource capacity at the district and sub-district levels is a major impediment to imple-

menting the decentralisation programme. Future Danida support should consider further support to district capacity building to complement what UNDP/UNCDF and other donors are providing. This will include further support to RIM, which provides most of the training programmes.

The process of designing sector programme support to make it more participative is also worth noting for future programmes. This is highlighted by the design of the EUSPS and the suggestion that it would have been beneficial if more stakeholders were brought in early in the process. In this context, Danida may wish to revisit the rationale for merging ESPS and USPS. It is worth taking this up at the highest level of NECS and MWHS and use the need for a policy and an action plan on urban environmental management to develop synergy between the two sectors.

Whilst the evaluation has focused on only six organisations, it is worth pointing out that we have not looked at the broader capacity implications of the governance reforms, particularly the preparation towards 2008 and consolidation of democratic institutions in a post-2008 period. Danida and other donors need to bear this mind in planning future support in order to develop and strengthen capacity of such institutions (e.g. the new anti-corruption commission and the electoral commission).

3.2 Issues for RGOB

Sustaining political support and momentum for reforms

In the team's view there is a number of enabling factors in the broad institutional and governance environment that have helped to make good use of donor assistance to develop capacity. There is a high-level of political support and drive for change at levels up to the King. *This level of political support needs to be sustained if reforms are to be implemented and embedded in the public sector.* A lot of the difficult institutional reforms need to be carried out before democratic politics is established in 2008. The experience of other countries suggests that sometimes politicians shy away from or postpone difficult but necessary reforms if they judge the electoral cost to be too high. Examples of possible reforms that need attention before 2008 include extension of cost-recovery in urban services, fiscal decentralisation driven by a fair formula, devolution of activities and resources from line ministries to districts and possible full integration of their local staff into the district structure, and embedding the position classification system and the related performance-based appraisals into the public sector. The status of NECS also needs to be decided before 2008.

Maintaining a manageable and competent civil service

Bhutan has a small but competent civil service of around 16,000 with about two-thirds working at sub-national levels. The ability to attract and retain staff in public service is not a major issue in Bhutan (working in the public sector remains attractive), except in DUDES where there is some level of competition with the private sector for engineers. In addition there is almost a 100 per cent return rate of those sent abroad for training or further studies. However, as the private sector expands, it is possible that the labour market will become more competitive. This means that public service conditions would have to remain attractive in order to attract and retain expertise also in demand in the private sector. The size of the civil service will have to remain small and manageable if the government is to afford higher and competitive salaries and conditions of service. One way of determining the size and cost of the civil service is to work out what proportion of

GDP is spent on wages and salaries. The World Bank, in public sector reforms in some developing countries, has suggested a figure of 5 to 6 per cent of GDP, though this is higher in developed countries. In principle, if an organisation spends a high proportion of its budget on wages and salaries, it would have less available for investment, operations and maintenance.

Deciding the status of NECS

Environmental management remains a key issue for RGOB. However, there appears to be some uncertainties about the final status of NECS, the primary organisation responsible for environmental management. The team noticed that this issue is not mentioned in the GG Plus, which is a key government document. This can only be resolved at the highest political level of government to allow the NECS to move forward in delivering its outputs.

Over dependence on donors for CD-support

There is over dependence on donors for capacity development support in most of the organisations. This may not be sustainable in the long term. The team suggests that RGOB begins to address this problem by allocating more of its own resources to capacity development.

3.3 Cross-organisational Issues and Recommendations

One clear lesson from this study is that CD-support works best when the leadership and management of organisations also work well. This is clear in most of the organisations, but particularly noticeable in the RAA, DRC and DUDES. This observation was also made during the CD evaluation in Ghana. Donor support can only do so much, but the effective use of CD-support depends much on the vision and dynamism of the leadership of organisations and their ability to influence key stakeholders.

There are some common human resource management issues that need attention. These include the central (RCSC) control over key aspects of human resource development and management (e.g. training, appointments and transfers). Whilst a full decentralisation of staffing issues is not required for a small public service, we suggest that ministries, departments and agencies should be given more say in these operational matters to ensure that they have the staff that closely match their needs. The new Position Classification System may help to address some of these issues when it becomes fully operational since it is expected that more personnel responsibilities will be delegated to ministries and agencies.

As part of organisational capacity development, there is a clear need to improve documentation and records management, as well as intra-organisational communication/sharing of information. A silo culture operates in some organisations, which does not encourage a joined-up approach to finding solutions to common problems.

The team also noted that there is slack in reporting on programmes to donors and relevant government bodies such as the PCS and DADM. Some programme steering committee meetings had to be postponed because reports were not submitted. Timely reporting is a key element of programme and budget support and necessary to retain donor confidence in government systems. The burden of reporting on the organisations can be reduced if donors also agree joint reviews and harmonization of procedures, which are currently being discussed.

Decentralisation is a central plank of the 9th FYP and GG Plus and is redefining the role of central ministries, departments and agencies such as DUDES, PPDs and NECS. Based on the team's visit to Punakha and drawing on the report of the decentralisation outcome evaluation in November 2005, it is apparent that the capacity to plan, manage resources, implement projects and programmes at decentralised levels need to be developed. This will mean that more capacity development resources need to be channelled to the sub-national levels.

One striking observation of the team is that a number of organisations do not have one clear source of mandate, but several. NECS, and to some extent DUDES, were examples. Mandates are derived from a number of sources, including Royal Orders, Acts of Parliament and resolutions. In some cases these multiple sources lead to a lack of clarity and confusion for staff. It is therefore recommended that these sources of mandates be streamlined in each organisation to ensure consistency and clarity of accountability.

Annex 1: Terms of Reference

Ministry of Foreign Affairs of Denmark
Evaluation Department

Final Draft

Initials	Office	Reference no.	Date
HAN	EVAL	104.A.1.e.55.	28.02.2006.

Terms of Reference

for Capacity Development Outcome Evaluation
of the Danish Bhutanese Country Programme

Background

Denmark has contributed bilateral assistance to Bhutan since 1985, while multi-bilateral development cooperation dates back to 1978. In 1989 Bhutan became one of Denmark's programme countries, and from 1992 the development cooperation has been concentrated within three areas: health, environmental and natural resource management, and urban development. In addition, democratisation, good governance and decentralisation has been supported. In 2003 education was added as a priority sector. The total Danish assistance since 1989 amounts to more than 1 billion DKK (DKK 1,017 million) in current prices. As Bhutan's population is small, about 700,000 people, the assistance per capita, DKK 1,429 – or about DKK 90 per year – is the highest Danish assistance per capita to any partner country. In Bhutan, Denmark has through many years been the second largest bilateral provider of assistance (after India).

The economic growth of Bhutan has been quite substantial with annual growth rate of about 5-6 per cent (per capita GDP raising from USD 443 in 1989 to USD 660 in 2004), and a positive future development has been foreseen for some time, in particular due to the prospects of export revenues from investments in hydropower installations. The expected revenues from hydropower export to India would lead to an economic stage where the need for continued development assistance would be reduced. By 2003, the Danish development assistance was expected to be phased out over a ten-year period. For Danida's planning of the assistance for 2006-07 a general budget support programme for the period 2007-2012 is considered to be phased-in to coincide with the completion of the current phases of the sector programme support (2007/08).

The current Strategy for Danish Development Co-operation with Bhutan 2003-2007 stipulates an evaluation of the country programme, assessing the results achieved and providing direction for the future development co-operation between Denmark and Bhutan. It has been agreed with the Liaison Office of Denmark in Thimphu that the first phase of the evaluation will be carried out in 2006 as a capacity development outcome evaluation of a number of Bhutanese key organisations to the Danish Bhutanese Country Programme, to the priority sectors of health, environment and urban development, education, or as cross-sector institutions.

The evaluation of the Danish Bhutanese Country Programme will to the extent possible be undertaken as a joint evaluation in collaboration between Danida's Evaluation

Department (EVAL) and the Bhutanese Planning Commission Secretariat (PCS), following the DAC's evaluation guidelines and standards of independence of responsibility of implementation of programme activities. The capacity development outcome evaluation should follow the Results-Oriented Approach to Capacity Change (ROACH) methodology as developed by the Evaluation Department and field-tested in Ghana, reported as Danida Evaluation 2005.01, available from www.evaluation.dk. This implies that the focus of the assessment is on the *changes in output* of the *key organisations* within the programmes as indicators of the capacity.

The identification of the key organisations within the sectors of health, environment- and urban development (previously supported by two different programmes), education, and across sectors, and their changes in capacity development outcomes is the first step of the ROACH-approach. The decentralisation part of the Good Governance-programme is excluded as it has just been jointly evaluated by a separate assignment (led by UNDP, with Danish participation). The identification of the key organisations and the scope of work has been finalised by a preparatory mission through 6th-14th February 2006. Accordingly, a field mission of three weeks to carry out the capacity development outcome evaluation will be undertaken composed of the team leader, one/two international consultants and one Bhutanese consultant, and with draft reporting by 26th April. The Draft Evaluation Report will be presented and discussed at a subsequent workshop in Thimphu.

Objective

The *overall objective* of the evaluation is to improve the support by Denmark to the capacity development of Bhutanese organisations, and in particular to enhance the sustainability of the results achieved, and to strengthen the relevance of the support. The *specific objective* is to provide an initial evaluation of the current stage of capacity development of the supported key organisations as an input to the planning of the expected final support phase, and to facilitate subsequent evaluations of the main country programme after the completion of the phasing-out of the sector support programmes (in 2007/08), and/or at the final end of the country programme (in 2012), with a focus on changes in outcomes.

Output

The outputs of the assignment shall be:

- A Debriefing Note (not exceeding 10 pages, excluding annexes, to be delivered in Word and pdf-files) summarising the preliminary findings of the field work, conclusions of analysis, and any recommendations for the future capacity development support to the relevant organisations, to be delivered at the end of the field work 7th April to the relevant Bhutanese stakeholders, PCS and LoD, Thimphu.
- A Draft Evaluation Report (not exceeding 60 pages, with annexes as per need, to be delivered in Word and pdf-files, with cover photo proposals) of the capacity changes identified for each of the evaluated organisations, the basic elements of support provided, and assessment of the attribution or contribution of the support, if any, and with recommendations for future support. The Draft Report is to be delivered not later than two weeks after the completion of the field mission by 26th April AL and PCS, and presented by the team leader to the stakeholders in Thimphu, scheduled for 8th May 2006.
- A Final Evaluation Report (not exceeding 60 pages, excluding annexes, with attached CD-ROM (of all major evaluation documents), to be delivered in Word and pdf-files, not later than three weeks after receiving the comments to the draft report from Danida and PCS.

- A post-mortem note (not exceeding three pages) of the experiences of the team shall be submitted to EVAL and PCS.

Scope of Work

The Consultant's assignment will comprise but not be limited to:

- Final identification of the relevant Bhutanese key organisations within the supported sectors and programmes. The tentative list is: National Environment Commission (NEC Secretariat); Dept. of Urban Development and Engineering Services (DUDES); Ministry of Education (PPD); Royal Audit Authority; Dept. of Revenues and Customs; Punakha Dzongkhag.
- Collect additional documentation of the support provided, and of the sector and thematic policies, sector and programme budget allocations and execution, staffing overviews and other relevant information, including support to capacity development from other international partners.
- Through interviews with management, staff and advisers, and the collected documentation, identify the key outputs of the organisations.
- Following the adjusted ROACH-methodology, identify changes in outputs, outcomes, capacity, resources and external factors of the organisations, and form suggestions and hypotheses about attribution or contribution, relevance, effectiveness and efficiency of Danish and other donor or government capacity development support.
- Draft debriefing note and reports as per required outputs.
- Present the findings, conclusions and recommendations as per required outputs.
- Carry out any other task as agreed upon.

Methodology

The consultants undertaking the capacity development outcome evaluation will follow the Results-Oriented Approach to Capacity Change (ROACH) methodology. They will adapt the methodology to the Bhutanese context, including simplifying the 15 steps of the methodology if necessary. The team, prior to the fieldwork, will further elaborate on the methodology.

The following methodologies will be used in undertaking the CD evaluation:

- Prior to the fieldwork the team will undertake documentary analysis of the various documentation, collected to date from both Danida and the Royal Government of Bhutan sources. These will include progress reports, annual reviews, agreements, policy and legal documents, in order to identify provisional findings of as many steps of the ROACH methodology as possible.
- Key informant interviews – at various levels through the organisations and some for clients/users – structured and semi-structured interview questions to be developed.
- Focus group discussions – for groups of staff (probably from similar levels of seniority) and groups of clients/users of the outputs of each organisation.
- Identification and collection of further information and request for assistance from staff within organisations to help collate – e.g. in relation to budgets and expenditure, staff numbers and structure.
- Workshops – information gathering mini-workshops (where appropriate) with staff from each organisation (or sections of organisations) – possible participatory methodologies to be used – time-line (with changes internally and externally); SWOT; group discussions guided by specific questions related to outputs, outcomes, changes in organisation, challenges to capacity development etc.

- Use of a final workshop to present draft report for discussion and seek further feedback from participants and stakeholders. In addition a Peer review group to ensure quality control and seek independent comments on the draft report.

Timing and Staffing

The Team Leader for the assignment will be Dr. George Larbi, International Development Department, University of Birmingham. The team will also comprise two international Consultants, and a Bhutanese Consultant. The team will refer to Mr. Henrik A. Nielsen, Senior Technical Adviser, Danida's Evaluation Department, and to the focal person at the Monitoring and Evaluation Division of the Planning Commission Secretariat, Mr. Karma Galleg. The focal point at the Liaison Office of Denmark (LOD) in Thimphu is Mr. Tek Bahadur Chhetri, Deputy Head. The assignment is estimated to require 681 man-hours of international consultancy (including 18 days of field visit to Bhutan) and 180 man-hours of national consultant's time during March-April 2006.

Evaluation principles, management and support

The basic DAC-evaluation principles of independence of those responsible for the design and implementation of the development intervention, and of utilisation of evaluators external to the donor and implementing organisations will be applied. Responsibility for the content and presentation of the findings and recommendations of the evaluation rests with the evaluation team. The views and opinions expressed in the report will not necessarily correspond to the views of the Danish Government, the Royal Government of Bhutan, or the implementing organisations. The report of the evaluation will be available to all relevant stakeholders and submitted to the Board of Danida, and to the Planning Commission Secretariat, PCS. Three sets of roles are contained in the evaluation process: the Evaluation Management, the Evaluation Team (Consultant), and the Evaluation Peers.

Role of the Evaluation Management

The Danish Bhutan Programme Evaluation will be undertaken as a joint collaborative exercise of Danida's Evaluation Department (EVAL) and Bhutan's Planning Commission Secretariat (PCS), the latter being responsible for coordination and the strategy for monitoring and evaluation in Bhutan. EVAL and PCS will each designate an officer and an alternate officer responsible for the evaluation. Together, the designated officers will form the Management of the evaluation. Danida's Evaluation Department will take a lead role as regards funding, contracting and implementation management. At the same time, participation in the evaluation will enhance the evaluation capacity of PCS, and the experience could be useful for future country programme assessment, in particular for future evaluation of Five Year Plans (FYPs).

The Evaluation Management will:

- Approve the ToR of the evaluation.
- Ensure quality throughout the evaluation process.
- Comment on and approve the draft and final Evaluation reports.
- Advise their own agencies and staff on the evaluation as well as coordinate internal agency contributions.
- Provide feed-back to the Evaluation Team and the Peer reviewers.
- Ensure local offices are aware of the evaluation and fully involved and available to contribute to the evaluation.
- Chair, organise, facilitate and participate in evaluation workshops as per need.

- Organise the presentation of the evaluation results, and assist with necessary follow-up of the evaluation.

Role of the Evaluation Team (Consultant)

The evaluation is carried out through a contract with a consulting company/research institution by a team composed of external international and Bhutanese consultants led by an Evaluation Team leader. The team leader will be someone with experience in evaluation and in managing multi-disciplinary teams and assignments. He will preferably have expertise in institutional and organisational development and capacity analysis. Whilst expertise in evaluation and capacity development is absolutely required for the international consultants, background/experience in one or more of the sectors (Health, Environment, Urban Development and Education, and cross-sectoral) will be advantageous. The national consultant will be expected to have expertise and knowledge of Bhutanese governance, public sector institutions and society.

The team will collectively:

- Carry out the evaluation as per ToR.
- Be responsible for the findings, conclusions and recommendations of the evaluation.
- Report to the Evaluation Management, be in regular contact, coordinate mission timing and key events with the Management and seek its advice when needed.
- The Team Leader is responsible for the team's reports, and for the organisation of the work of the team;
- The Team Leader will participate in workshops, assisted by the National Consultant, and any other meetings as required.

Role of the Evaluation Peers

A number of individual peer reviewers will assist and ensure the quality of the evaluation process and results. The peer reviewers will be nominated by the Evaluation Management among individual resource persons, researchers, etc. in Denmark, Bhutan and other countries. The Liaison Office of Denmark in Thimphu, and the Ministry of Finance, Department of Aid and Debt Management, representing the Danish and the Bhutanese Governments, respectively, is responsible for the implementation of the Danish assistance to Bhutan. As such, they are key stakeholders to the evaluation process and will also be participating in the work of the Peers, but will not be responsible for the evaluation process or the results.

The tasks of the Peers are:

- Advise on methodological issues, provide input to the draft evaluation approach and the evaluation ToR;
- Provide comments to the draft versions of reports, and participate in workshops and meetings as required; if brief written comments are specifically requested, the Evaluation Management will agree with the reference group member of the terms of the request.
- In general, support the implementation of the evaluation, and facilitate the work of the evaluation team, and the follow-up of the evaluation.

Henrik A. Nielsen
Evaluation Officer (sign.)

Date
28.2.2006

Annex 2: Summary of Capacity Development Outcome Evaluation Methodology

Step	Description	Notes
1	Consider and clarify the process and participation aspects of the evaluation	This step involves discussions with, and planning on how to involve partner organisations, users and external organisations in the process.
2	Identify target organisations for Danish CD-support	Identify organisations, clarify that there has been Danish support, and identify their legal mandates, key features of the organisation's history, and key outputs of the organisation. Note that T_0 is the period around which the organisation or unit was created and/or just before Danida CD-support. Note: emphasis is on outputs of organisations, though the relevance of Danida programme support outputs to changes in organisational outputs is important in later steps of ROACH (e.g. steps 5, 6 & 10).
3	Identify changes at output level, quantitatively and qualitatively, of the involved organisations or units charged with CD-support	Identify changes in policymaking, service delivery, enforcement and supervision. <i>NB: key outputs can be identified. It is not necessary to identify all outputs. The point here is the changes in output between T_0 and T_1.</i>
4	Identify changes in outcomes for clients or users of the outputs of the organisation	This is useful information to collect to highlight the relevance of the CD and outputs, but if there is limited time, more effort should be put into step 3 and focussing on the outputs.
5	Identify changes in external factors (broader institutional/governance context) which may have affected changes in capacity, outputs and outcomes	Identify changes in: <ul style="list-style-type: none"> • The general economic, social, policy and legal context and how these affect the organisation (e.g. new constitution and the process of democratisation). • The public sector as a whole, including policies, public sector reforms, frameworks for development cooperation and pressures on the public sector (e.g. see various partnership for development cooperation documents). • Inter-organisational relations and task networks, including how autonomous the organisation is politically, financially and functionally, organisational networks and relationships and political and administrative status (NB: relevance of administrative, political, functional and fiscal decentralisation).

6	Identify changes in the internal capacity of the target organisation(s)	<p>Consider changes in:</p> <ul style="list-style-type: none"> • Inputs, e.g. staff, funds, infrastructure/equipment etc. • Purpose and strategy. • Leadership and management. • Structures/procedures. • Internal relations/interactions. • Incentives/pay and conditions. <p><i>NB: again note relevance of administrative, political, functional and fiscal decentralisation to internal capacity.</i></p>
7	Calculate and assess changes in the efficiency and effectiveness of the organisation(s) if feasible	<ul style="list-style-type: none"> • Efficiency – Quantitative analysis where possible, but note that detailed analysis is not expected such as cost/output ratios or cost-benefit analysis, unless where data is available. A qualitative description of the perceived efficiency is adequate. • Effectiveness – relevance of output to envisaged outcomes (NB: this step should include analysis of relevance and linkage between programme support outputs and organisational outputs. Are programme outputs consistent to, and supportive of organisational outputs?)
8	Identify, among the above factors, significant factors whose changes together explain changes in outputs	Consider the relative importance of external & internal and factors and inputs.
9	Identify all major international CD-support activities from all domestic or international sources which influence the significant factors identified in step 8	<p>Consider:</p> <ul style="list-style-type: none"> • Factors not influenced by CD interventions. • Factors which are influenced by CD interventions. • CD interventions supported by Danida through governance and public sector reforms; budget support and other public/private channels and CD-support to SPS. <p><i>NB: it is important to identify and analyse the extent of CD-support from other donors.</i></p>

10	<p>Describe Danish CD-support in the SPS and analyse:</p> <ul style="list-style-type: none">• Its efficiency, and immediate effects and overall effectiveness.• The strategic basis for the support through SPS and its process, leadership and commitment.• Assess the extent to which capacity changes in outputs in the target organisations(s) can be attributed to Danish CD-support, to what degree to other factors.	<p>Efficiency – Note that where detailed cost-benefit ratios and other quantitative analysis is not feasible, a qualitative description of the perceived efficiency is adequate.</p> <p><i>NB:</i> in analysing the strategic basis of Danish CD-support and its effectiveness, also consider target organisation commitment to CD, management of CD process, relevance of CD analyses.</p>
11	<p>Assess the technical, institutional and financial sustainability of the capacity and output changes</p>	<p>This step is relevant in view of planned phasing out of Danish Government support.</p>
12	<p>Extract lessons learned for partner, organisation(s), donor(s) and key stakeholders</p>	

Annex 3: List of People Met

Liaison Office of Denmark

<i>Torben Bellers</i>	Head, Liaison Office of Denmark (LOD)
<i>Tek B Chhetri</i>	Deputy Head/Programme Officer
<i>Ugyen Lham</i>	Programme Officer

Planning Commission Secretariat

<i>Karma Galleg</i>	Planning Officer, Monitoring & Evaluation Division
<i>Karma Weezier</i>	Head, Monitoring & Evaluation Division
<i>Rinzin Dorji</i>	Head, Planning & Coordination Division

Ministry of Finance

<i>Aum Yangki Wangchuk</i>	Secretary, Ministry of Finance
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Department of Aid and Debt Management (DADM)

<i>Sonam Wangchuk</i>	Director General, DADM
<i>Norbu Wangchuck</i>	Programme Officer/Desk Officer for Danida
<i>Pem Chewang</i>	Head, Multilateral Division
<i>Thinley Namgyel</i>	Head, Bilateral Division
<i>Ugyen Worbu</i>	Loan Division

National Environment Commission Secretariat (NECS)

<i>Dasho Nado Rinchen</i>	Deputy Minister, Environment
<i>Sonam Yanglay</i>	Director
<i>David Annandale</i>	Chief Technical Adviser
<i>Harka B. Gurung</i>	Head, Administration and Finance Division
<i>Karma Loday Raptan</i>	Head, Research, Monitoring & Statistics Section
<i>Ugyen Tenzin</i>	Deputy Director, Programme Section
<i>Ritu Raj</i>	Legal Officer

Department of Information Technology

<i>Tenzin Choeda</i>	Director, Department of Information Technology
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Royal Civil Service Commission

<i>Karma C Thinley</i>	Head, HRD Division
<i>Kinley Yangzom</i>	Head, Employment Division

Department of Urban Development and Engineering Services (DUDES)

<i>Lyonpo (Dr) Kinzang Dorji</i>	Minister, MOWHS
<i>Rinchen Dorji</i>	Director, DUDES
<i>Richard Geier</i>	Special Adviser (Danida), DUDES
<i>Kesang Jigme</i>	Planning Officer, PPD, MOWHS
<i>Dungkar Drukpa</i>	Planning Officer (& component manager, component 4 EUSPS), PPD, MOWHS.
<i>Pema Choda</i>	Programme Manager, EUSPS
<i>Meghraj Adhikari</i>	Chief Town Planner, Component 5 Manager, EUSPS
<i>Kinzang Norbu</i>	Senior Engineer, ESD, DUDES
<i>Chador Wangdi</i>	Human Resource Officer, Admin and Finance Division

<i>Dechen Euden</i>	Human Resource Officer, Human Resource Division
<i>Phuntsho Gyeltshen</i>	E.E. , Construction, DUDES
<i>Purna Pradhan</i>	Account Section, MOWHS

Ministry of Education, PPD

<i>Singye N. Dorji</i>	Planning Officer, PPD, MOE
<i>Tashi Tobgye</i>	Deputy Secretary, MOE
<i>Dechen Zam</i>	Planning Officer, PPD & EdSPS Coordinator, MOE
<i>Tshewang Tandin</i>	Director, Department of Education, MOE
<i>Rudi van Dael</i>	Technical Advisor, PPD/EMIS
<i>Kunzang Choden</i>	MOE/HRM
<i>Tshewang Dorji</i>	MOE/HRD
<i>Rinzin Namgay</i>	Head, HRD

Department of Revenue and Customs (DRC)

<i>Aum Sangay Zam</i>	Director (DRC)
<i>S.P. Pradhan</i>	Training Coordinator
<i>Phuntsho Tobgay</i>	Jt. Director
<i>T.B Chhetri</i>	Head, Revenue Accounts & Audit Division
<i>H.B. Gurung</i>	Head, Customs & Excise Division
<i>Sangay Wangdi</i>	Dy. Collector
<i>Karma Tshultrim</i>	Dy. Director
<i>Kinzang</i>	Head, Tax Administration Division
<i>Yeshey Lhendup</i>	Head, IT Section
<i>Mikael Nyvang Knudsen</i>	IT Specialist, DANIDA

Royal Audit Authority

<i>Ugen Chewang</i>	Auditor General
<i>Sherab Dorjee</i>	Dy. Auditor General
<i>B.B. Chhetri</i>	Asstt. Auditor General
<i>Chekey Gyeltshen</i>	Chief, PTAD (Performance & Thematic Audit Division)
<i>Aum Lhaden Zom</i>	Asstt. Auditor General
<i>Tshering Kesang</i>	Asstt. Auditor General
<i>Choida Jamtsho</i>	Chief, Follow-Up Division
<i>Kesang Penjor</i>	Chief, Social & Cultural Division
<i>Ugyen Dorji</i>	Auditor
<i>Jamtsho</i>	Chief, General Governance Division
<i>Karma Jamyang</i>	Sr. Auditor
<i>Tashi</i>	Head, Human Resource & International Relations Div.
<i>Tsheten Dorji</i>	Auditor, IT Section
<i>Dechen Pelden</i>	Asstt. Chief Auditor

Punakha Dzongkhag

<i>Tashi Dargay</i>	Dzongrab (Deputy District Administrator)
<i>Throwa Tenzin</i>	Planning Officer, Punakha Dzongkhag
<i>Aku Dorji</i>	Dzongkhag Engineer
<i>Pelden Dorji</i>	Dzongkhag Health Supervising Officer
<i>Karma Samphel</i>	Assistant District Education Officer
<i>Ugyen Dorji</i>	Human Resource Officer, Punakha Dzongkhag
<i>Dorji Wangchuck</i>	Administrative Officer, Punakha Hospital
<i>Dorji Dema</i>	Assistant Clinical Officer, Punakha Hospital

<i>Ambika Pradhan</i>	Chief Nurse, Punakha Hospital
<i>Phuntsho Dukpa</i>	Principal, Punakha High School
<i>Tshering Tobgay</i>	Gup, Kabji gewog
<i>Dolay</i>	Gup, Chubu gewog
<i>Samten Phuntsho</i>	Gup, Shengana gewog
<i>Tashi Tenzin</i>	Gup, Goen Shari gewog
<i>Younten Gyeltshen</i>	Gup, Talo Geog
<i>Mindu Dorji</i>	Gewog Clerk, Shengana
<i>Rinzin Wangdi</i>	Gup, Guma gewog
<i>Kinley Zam</i>	Gewog Clerk, Talo
<i>Wangdi</i>	Clerk, Kabji gewog
<i>Phurba</i>	Gup, Linmukha gewog
UNDP	
<i>Nicholas Rossellini</i>	Resident Representative
<i>Tshering Pem</i>	Programme Specialist
<i>Seeta Giri</i>	Assistance Representative, Energy and Environment
Others	
<i>Deki Yonten</i>	Head, Environmental Unit, Ministry of Agriculture Secretary, Ministry of Finance

Annex 4: List of Documents Consulted

General Documents

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CAPACITY DEVELOPMENT OUTCOME EVALUATION OF DANISH SUPPORTED ORGANISATIONS IN BHUTAN

The focus of this evaluation is on the capacity development of six Bhutanese organisations supported by the Danish country programme. The evaluation assesses changes in output of the key organisations as indicators of local capacity development. It will serve to improve Danish support to Bhutan and to enhance the sustainability of the results achieved. It is also a first step in the planned evaluation of Danida's Bhutan country programme. Overall, the evaluation finds that the Danish mixture of sector budget support, earmarking for capacity development in critical areas of need, and strategic use of technical assistance has worked well in addressing the Bhutanese Government's priorities.



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