



**GUIDELINES FOR DZONGKHAG DEVELOPMENT GRANTS FOR
DZONGKHAG**

JULY 2019

**Ministry of Finance
Royal Government of Bhutan**

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I. INTRODUCTION

In view of the benefits the Dzongkhag Development Grant (DDG) has to the people at the grass root level, the Royal Government has introduced the system of “*Dzongkhag Development Grant*” (DDG) for the Dzongkhags.

Further to strengthen and deepen the decentralization process, the Government has approved the enhancement of DDG from Nu. 7 million to Nu. 10 million per year and revised the guidelines to provide greater flexibility and autonomy to support priority activities that were not in the plan and to respond to changing priorities after finalization of the budget.

The DDG guideline shall come into effect from July 2019.

II. OBJECTIVES

The main objectives of the DDG are to:

- a) Empower Local Governments in the utilization of the grant for funding priority activities of the respective Dzongkhags;
- b) Promote transparency, accountability, and ownership in the use of public resources; and
- c) Ensure balanced regional development.

III. SCOPE AND USE OF THE GRANT

1. There shall be a grant of Nu. 10 million (Ngultrum ten million) only per annum for each Dzongkhag;
2. The Grant shall form part of the annual capital budget ceiling of the Dzongkhag;
3. The Grant shall only be used for funding activities that would facilitate economic growth, generate employment, promote tourism and agriculture activities;
4. Depending on the need, up to 20% of the grant may be used for activities related to preservation and promotion of cultural and religious heritages.
5. The Grant shall not be used for financing:
 - a. Recurring expenditure of the Dzongkhag/Gewog;
 - b. Training/workshops/study tours outside the country;
 - c. Purchase of vehicles, contributions, and donations;
 - d. Celebrations and gatherings, political campaigns, offerings, games, and sports;
 - e. Programs and activities that conflict with existing government policies;
 - f. Investment in shares and deposits, securities, etc.



IV. APPROVAL OF ACTIVITIES

1. The Dzongkhag Administration shall submit activities proposed under DDG to the Dzongkhag Finance Committee (DFC) for approval;
2. The Dzongkhag Finance Committee shall submit the approved activities to the Dzongkhag Tshogdu (DT) for **Endorsement**;
3. The Dzongkhag Administration shall implement the activities as endorsed by the DT.

V. BUDGET PROCESS

1. The Grant shall be kept in the annual budget of the Dzongkhag Administration under separate financing item code (FIC);
2. The total expenditure shall not exceed the maximum grant amount allocated in the financial year;
3. Once the activities are approved by DFC and endorsed by DT, the Dzongkhag Administration shall request the Department of National Budget (DNB) for incorporating the specific activities in the Multi-Year Rolling Budget (MYRB) System;
4. The budget incorporation shall be processed only if the activities are in line with the DDG guidelines;
5. If the Dzongkhag fails to comply with these guidelines or not able to execute the works under the DDG, the grant shall be suspended for the following fiscal year; and
6. Any un-utilized fund at the end of the financial year shall lapse and will not be carried forward to the next financial year (FY).

VI. FUND, RELEASE, PROCUREMENT, AND ACCOUNTING

Fund releases, procurement, and accounting shall be as per the Financial Rules and Regulations and the Procurement Rules and Regulations (PRR) of the Government.

VII. MONITORING

1. The Department of National Budget, Ministry of Finance shall periodically monitor the implementation of the DDG in the Dzongkhags;
2. The Dzongkhag Administration shall monitor the progress and quality of the activities;
3. The Dzongkhag Administration must institute proper monitoring and asset inventory mechanism of the DDG activities and **information must be made public**.



VIII. ACCOUNTABILITY

The Dzongkhag Administration and DFC shall be accountable for the implementation of all the activities under the DDG;

IX. AUDITING

The Royal Audit Authority shall audit the accounts as per existing practice.

X. AMENDMENTS

Amendments to the guideline, if any, shall be made by the Ministry of Finance.

XI. INTERPRETATION

The Ministry of Finance shall be the final authority for interpretation and amendment of the provisions under this guideline.

