

## RAA uncovers mis-allocation of LG grant

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Students of Shali Primary School in Shumar gewog, Pemagatshel, continue to use desks and chairs dating back to the 1980s and 1990s, many of which are no longer functional. This situation reflects broader concerns raised in the recent Royal Audit Authority (RAA) review of the Local Government (LG) Development Grant, which indicates that local leaders have not prioritised funding for essential sectors like education.

Over the past three financial years (2021–2024), Shali Gewog allocated only Nu 2.4 million (M) to education, accounting for just 4 percent of the total budget. This places education at the lowest priority among development activities.

Shumar gup Sonam Dendup, however, contested the RAA findings, stating that the gewog has supported Shali Primary School. He pointed out that electrification of the school was completed in the last financial year, and a dining shed is planned for the current year.

He emphasised that all development activities undergo thorough consultation with tshogpas and villagers.

The Annual Grant, introduced in 2019 to enhance financial autonomy for gewogs, has yet to realise its full transformative potential.

The RAA's review identified lapses in both budget allocation and implementation. Between 2021 and 2024, a total capital expenditure of Nu 7,822.86M was incurred across all 20 dzongkhags.

The report found that 14.78 percent of the grant was utilised for lhakhang development activities, exceeding the 10 percent limit set for culture and traditions under the Annual Grant Guidelines.

The highest expenditure during this period was recorded for farm road development, totaling Nu 2,880.149M, followed by lhakhang development at Nu 834.03M.

Agriculture received Nu 634.895M, health initiatives Nu 589.329M, education Nu 482.924M, and livestock development Nu 220.367M.

Mongar recorded the highest expenditure on lhakhang development at Nu 111.46M, followed by Samtse with Nu 73.07M, Chukha with Nu 69.67M, Dagana with Nu 64.21M, and Trashigang with Nu 63M.

Gups maintain that spending priorities are based on community requests and that there are no discrepancies in their decision-making processes.

Shaba Gup Sangay Lhamo highlighted the challenge of declining funds, stating that major developmental activities require adequate resources.

Shumar Gup Sonam Dendup reinforced that any infrastructure developed for the community serves a purpose, citing examples such as archery ranges that engage residents and reduce gambling.

Over the last three financial years, health, education, and livestock remained the least prioritised sectors.

Livestock accounted for just three percent of total expenditure, education seven percent, and health eight percent.

Farm road development received the highest share of funding in all dzongkhags except Haa and Gasa. In Haa, lhakhang development surpassed farm roads, while in Gasa, farm roads ranked as the fourth highest priority.

The audit report also revealed that many roads categorised under farm road development did not align with its intended purpose. Roads leading to lhakhangs and lam's zimchungs were booked under farm roads, deviating from guidelines.

For instance, the construction of the Pangringku–Thrichu Goenpa road in Trashiyangtse, completed in May 2024, was built primarily to connect to Therichu Goenpa rather than serve human settlements or agricultural areas, violating the Farm Road Development Guidelines.

The decline in livestock funding has been consistent across all dzongkhags. Allocations fell from Nu 101.77M in 2021–2022 to Nu 87.35M in 2022–2023, and further dropped to Nu 30.03M in 2023–2024.

Similarly, education funding has declined across all 11 gewogs in Pemagatshel, consistently ranking as the lowest priority in budget allocations.

Issues and challenges RAA observed that certain Local Government Key Result Areas (LGKRAs) were underfunded, while some activities received a disproportionate share of resources, leading to an imbalanced allocation of funds.

An analysis of the past three financial years revealed inconsistencies in budgeting and spending, indicating inadequate planning and oversight. Weak monitoring by oversight agencies and a lack of coordination among implementing bodies resulted in annual grants being allocated based on gewog priorities rather than the prescribed guidelines.

The Annual Grant Guidelines mandate that the highest priority be given to projects with economic and social benefits. However, investments in these sectors were found to be insufficient.

Dzongkhags and gewogs reported challenges in aligning activities with LGKRAs. While dzongkhags prioritise projects through public consultations and submit them for endorsement, there is little post-endorsement intervention or flexibility to amend or re-prioritise plans.

The Annual Grant Guidelines for Local Governments 2024 set a target for LGKRAs to be achieved by 2029. However, given the current expenditure trends, RAA warned that meeting these targets remains uncertain.

The guidelines outline key focus areas, including strengthening the local economy, increasing productivity, diversifying local products, improving health and well-being, and expanding access to quality education and skills development for youth.

## **Recommendations**

To ensure the achievement of developmental goals by 2029, RAA recommends strengthening the Gewog Planning Cycle through a comprehensive situation assessment, scientific prioritisation, and better resource allocation.

It emphasised the need for a proportionate distribution of capital grants across all LGKRAs to prevent fund imbalances. RAA also called for stronger monitoring mechanisms to improve oversight and accountability in local development activities.