

# Use of Multidimensional Poverty Index for Rural Geographic and Household Targeting: A case study from Bhutan

Tshoki Zangmo and Sabina Alkire

Oxford Poverty and Human Development Initiative (OPHI), University of Oxford

## FOREWORD

Central to our efforts in alleviating poverty is the use of the Multidimensional Poverty Index (MPI), a tool that goes beyond conventional income-based metrics to capture the diverse dimensions of deprivation faced by our people. This policy briefing shows how Bhutan used the MPI to target rural households for poverty reduction interventions through the implementation of the Rural Economy Advancement Programme (REAP).

Through collaborative endeavours with local government authorities and the Tarayana Foundation, and other relevant stakeholders, Bhutan embraced a participatory approach in designing and implementing the interventions for the poorest households within the targeted villages. This inclusive model empowered communities to take ownership of their development journey.



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As we reflect on our achievements thus far, it is imperative to acknowledge the invaluable contributions of all those involved in this noble endeavour. From policymakers to grassroots activists, each individual has played a pivotal role in advancing our shared vision of a more equitable and prosperous Bhutan.

I invite policy officials to read this briefing to understand Bhutan's experience in leveraging the MPI for poverty reduction. I hope that this publication serves as a source of inspiration and guidance for policymakers, practitioners, and advocates worldwide as we continue our collective pursuit of a more just and compassionate world.

Prime Minister of Bhutan  
H.E Dasho Tshering Tobgay

## **ACKNOWLEDGEMENTS**

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## **EXECUTIVE SUMMARY**

The Rural Economy Advancement Programme (REAP) was a vital policy action in Bhutan's efforts to combat poverty in rural areas. Initially piloted during the 10th plan, Phase I of the REAP initiative demonstrated promising outcomes, prompting a need for more structured criteria to assess poverty across multiple dimensions. Subsequently, the programme was scaled up in the 11th plan. Phase II of the REAP initiative integrated a household-level Multidimensional Poverty Index (REAP MPI) as a targeting criterion, ensuring that interventions were directed towards the most vulnerable households and communities.

Furthermore, the programme adopted an approach to empower rural communities to actively engage in the design and execution of poverty reduction interventions. Led by the erstwhile Gross National Happiness Commission (GNHC) in collaboration with local government authorities and the Tarayana Foundation<sup>1</sup>, REAP fostered greater community ownership, accountability, and impact.

This policy briefing provides an extensive overview of how Bhutan used its household-level REAP MPI in directing poverty reduction efforts. It explains the structure of the REAP MPI with its six dimensions and twenty indicators, and the overall targeting modality. Using the household-level REAP MPI, households with the poorest MPI scores were targeted for intervention. Implementation was administered by local government and the Tarayana Foundation. Interventions for 41 villages were implemented by the Tarayana Foundation and work in the remaining 34 villages was overseen by local governments.

The success of the REAP initiative may be credited to multiple factors. While in this briefing we elaborate the contribution of a criteria that measures poverty across six dimensions and twenty indicators, extending beyond mere income assessment, other factors were supremely important. For example, the participatory community-led design model employed for developing interventions after the selection of target villages proved to be effective. The interventions encompassed both community-level and household-level initiatives. At the community level, in-

initiatives included the introduction of income-generating activities, provision of equipment, as well as training and skill development programmes. At the household level, interventions focused on improving sanitation and housing conditions. The relevance of the interventions, the effectiveness of delivery, the insights and commitment of the ground staff, and the responsive and innovative contributions of households and communities, all combined to generate success.

Furthermore, partnering with the Tarayana Foundation may have also significantly contributed to the initiative's success. The Foundation demonstrated a strong presence in communities and its staff were trusted by local populations. This made it easier to engage with and understand the needs of those living in poverty. Having developed years of knowledge and experience in poverty alleviation strategies, they were able to design and implement effec-

tive interventions tailored to the specific needs of communities. The Tarayana Foundation also emphasised community participation and empowerment, involving local residents in decision-making processes which ensured that interventions were culturally appropriate and sustainable.

This briefing draws heavily from publicly available resources and insights provided by key stakeholders. Overall, the briefing shares Bhutan's exemplary strategy in leveraging the MPI to implement impactful poverty alleviation programmes.



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## BACKGROUND ON MPI IN BHUTAN

Bhutan has emerged as a pioneering force in advancing wellbeing and happiness integrated policy frameworks through the development of the Gross National Happiness (GNH) Index. Unlike traditional measures of economic growth, the GNH Index takes a more holistic approach to development by considering non-economic factors that contribute to people's overall wellbeing and happiness. A pivotal moment in deepening this endeavour was Bhutan's application of the National MPI in reducing multidimensional poverty and fostering a spirit of leaving no one behind. First adopted in 2010, Bhutan's National MPI was originally developed in partnership with the Oxford Poverty and Human Development Initiative (OPHI) at the University of Oxford. It uses a narrower range of variables than the GNH Index to pinpoint recommended poverty actions.

Bhutan's National MPI has three equally-weighted dimensions: health, education, and living standards with thirteen indicators. Similar to the national MPIs of many countries, a household is classified as multidimensionally poor if the household suffers deprivations in at least one-third of the weighted indicators. Since the launch of the National MPI in 2010, Bhutan has achieved remarkable success in significantly reducing multidimensional poverty over time.<sup>2</sup> As shown in Figure 1, the National MPI reduced by more than half between 2012 (MPI value of 0.051) and 2017 (MPI value of 0.023), followed by another substantial de-

crease between 2017 and 2022 (MPI value of 0.008). The multidimensional poverty rate plummeted from 12.7% to 2.1% in a decade.

In 2023, Bhutan took another significant step by introducing a national Moderate Multidimensional Poverty Index (or 'Moderate MPI'). This was done to enhance relevance, establish aspirational cutoffs, and ensure a more accurate representation of poverty going forward. Given notable progress across all thirteen indicators, officials recognised the need to reassess these metrics and bring them in line with updated standards that better capture evolving poverty dynamics and people's aspirations for their lives. The Moderate MPI measures multidimensional poverty through fourteen weighted indicators. This Moderate MPI was adopted as the official National MPI for Bhutan from 2022 with the intention of being regularly updated. The Moderate MPI for 2022 showed that 17.8% of Bhutanese experienced moderate multidimensional poverty. The MPI registered a value of 0.076, indicating that impoverished individuals in Bhutan faced only 7.6% of the total deprivations that could occur if all Bhutanese encountered deprivation in all indicators.<sup>3</sup>

**Figure 1. Bhutan national MPI, changes over time**



Source: Bhutan Multidimensional Poverty Index, 2022



Since the adoption of the national MPI, Bhutan has used MPI for:

- Setting national/sectoral goals during the five-year planning (FYP) processes
- Acting as a component of the Resource Allocation Formula (RAF) for subdistrict annual grants
- Targeting poverty interventions geographically and to households



### SUCCESSFUL PILOTING OF THE RURAL ECONOMY ADVANCEMENT PROGRAMME (REAP) PHASE I IN 10 VILLAGES

REAP was a targeted poverty reduction programme piloted as part of the 10th Five-Year Plan (2008–2013).<sup>4</sup> A key objective of the Royal Government of Bhutan (RGoB) in the 10th Plan was to reduce the percentage of monetarily poor Bhutanese from 23% in 2008 to 15% in 2013. To this end, REAP was initiated to target specific geographical areas and alleviate severe poverty that might not receive adequate attention from other development initiatives during the Plan's period. REAP was a fully participatory programme designed specifically to empower poor rural communities to take control of their own development. In other words, as part of the programme, poverty reduction interventions were collaboratively designed and executed by community members, fostering greater ownership, accountability, and impact.

Phase I of the REAP initiative was led by the GNHC in collaboration with local government authorities and the Tarayana Foundation, a local non-governmental organisation (NGO) committed to enhancing livelihoods in remote Bhutanese villages and serving the most vulnerable and disadvantaged people. During this pilot phase, the government identified ten villages selected through consultative meetings, with district heads (*Dzongdas*) playing a crucial role in the process. These villages were chosen based on a range of socio-economic indicators including the income poverty line as per a 2004 monetary Poverty Assessment Report.

Poverty reductions efforts in two villages namely Lamtang in Goshing *gewog* (municipality) in Zhemgang district and Pam-Chaibi in Gongdu *gewog* (municipality) belonging to the Mongar district were carried out by Tarayana Foundation. Activities in the remaining eight villages were implemented by local government. Further collaborations were sought by both implementing agencies with

respective ministries based on the nature of interventions. For instance, if an intervention pertained to agriculture, the Ministry of Agriculture and Forestry would collaborate to implement the intervention effectively.

The Tarayana Foundation found that in the pilot phase of REAP, an integrated approach aimed at elevating the socio-economic standards of selected villages worked best. This approach primarily focused on enhancing physical housing conditions, creating assets for income generation via improved agricultural production, and supplementing the nutritional intake of target communities (Box 1).

In planning the next phase of REAP, officials therefore sought to consider multiple aspects of poverty when selecting villages and households. Implementors acknowledged the necessity of using a Multidimensional Poverty

Index (MPI) for more effective decision-making, especially in selecting villages for geographic targeting. It was during these discussions that the importance of using data to inform village and household selection became evident (Box 2).

## USE OF REAP MPI FOR GEOGRAPHIC AND HOUSEHOLD LEVEL TARGETING DURING PHASE II

Following the successful pilot phase of REAP Phase I, recommendations were put forward to expand the project during the 11th Five Year Plan (2014–2018). With funding from the Government of India (GoI), GNHC opted to scale up the initiative to additional villages during the 11th Plan period. Just as in the pilot phase, Tarayana Foundation was engaged as a key partner through the signing of an agreement in 2015.

### BOX 1. LEARNINGS FROM THE PILOT PHASE OF REAP

1. **Poverty is multidimensional in nature:** When targeting households and villages, it is crucial to recognise that poverty goes beyond income. Instead, poverty is observed to be multifaceted, encompassing various dimensions. Relying solely on monetary-based poverty rates is therefore insufficient. Having a tool capable of capturing these diverse dimensions is essential for reducing poverty effectively.
2. **An integrated approach to intervention design:** An integrated approach recognises that poverty was not just about a lack of income but also encompasses issues such as inadequate access to basic services, housing, social exclusion, environmental degradation, and the lack of opportunities. By addressing these various dimensions in a coordinated manner, the Tarayana Foundation found that an integrated approach created more sustainable solutions to poverty.
3. **Collaboration and ownership are central to the implementation process:** Effective collaboration among the planning commission, local government, respective ministries, local community members, and the Tarayana Foundation laid a crucial institutional foundation for implementing identified interventions. Government partnerships played a vital role in mobilising resources as well as resolving bottlenecks, while the Tarayana Foundation's field staff facilitated on-the-ground activities. Involving local governments (*Gup*, headman of the *Gewog* or block, and *Dzongkhag* or district staff) in both planning and implementation processes (acquiring intervention related clearances/permits) helped ensure much-needed administrative support. Community members also contributed their labour. The approach of mobilising community labour for various interventions promoted ownership, long-term motivation, and sustainability, while also nurturing a strong sense of belonging to the community.
4. **Continuous monitoring and support:** On-site support from local government administration officers and field officers from the Tarayana Foundation ensured the effective monitoring of interventions, where bottlenecks or snags could be identified and progress maintained.

## BOX 2: WHAT LED BHUTAN TO USE REAP MPI FOR PHASE II

1. **Measures multiple deprivations at a time:** Bhutan's REAP MPI provided an assessment of poverty using multiple indicators, providing a more comprehensive understanding of the challenges faced by individual households as well as communities. This holistic assessment helped identify the multiple deprivations of poverty and inform targeted interventions.
2. **Targets the most vulnerable households/communities:** The REAP MPI identified the most vulnerable populations by counting deprivations across multiple dimensions and helping assess the intensity of deprivations experienced by multidimensionally poor households. This enabled policymakers and practitioners to prioritise resources and interventions, ensuring that support reached those who need it the most.
3. **Monitoring capacity:** The REAP MPI enabled the tracking of changes in multidimensional poverty over time and the evaluation of the effectiveness of REAP. By monitoring progress across various dimensions, stakeholders could assess whether interventions were achieving their intended outcomes and adjust strategies accordingly.
4. **Advocacy and policy development:** The REAP MPI also provided robust evidence for advocacy efforts and informed the development of policies and programmes aimed at reducing poverty. By highlighting areas of deprivation, the REAP MPI catalysed action at the local, national levels to address poverty more effectively.

In contrast to the pilot phase, REAP Phase II adopted a more systematic approach, incorporating data-driven selection criteria and the adoption of a stepwise implementation framework (Box 3). While REAP was directed towards aiding the most marginalised communities, it also focused on addressing various forms of poverty, as evidenced by insights gained during the pilot phase. Therefore, it became essential to use objective criteria that

recognised the multidimensional nature of poverty, extending beyond income alone. To facilitate this, a revised and expanded MPI was computed that was tailored to rural areas (referred to by the GNHC as the 'REAP MPI'). It encompassed six pertinent dimensions of standard of living, health, education, community vitality, financial security and food security. The findings of the REAP MPI led to tailored community and household-level interven-

## BOX 3. THE PRIMARY OBJECTIVES OF REAP PHASE II WERE AS FOLLOWS:

1. To alleviate extreme monetary and multidimensional poverty in Bhutan.
2. To provide sustainable livelihoods to the extreme poor, especially in the areas of standard of living, health, education, community vitality, financial security and food security.
3. To promote community participation, especially by the poor, in the planning and implementation of their own development plans.

Source: 'Strategic Framework for Rural Economy Advancement Programme (REAP) 2014'.



tions developed in consultation with the communities to address various dimensions of poverty (Figure 2).

## THE SEVEN SYSTEMATIC STEPS OF REAP PHASE II

### Step 1: Consultations to shortlist villages

*Dzongkhag* or district administrations in collaboration with *Gewog* administrations carried out several rounds of meetings to shortlist the poorest villages in their respective *Dzongkhags*.<sup>5</sup> At this stage, all district heads, *Dzongkhag* planning officers and leads gathered to collectively nominate villages, based on a broad range of socioeconomic indicators. A series of consultations, facilitated by the GNHC at the district level, were conducted to identify the poorest villages in each district. Each district identified approximately five to six villages as the poorest within their respective districts. Village-level profiles were created based on socioeconomic indicators, and district representatives justified why these villages needed to be targeted. GNHC officials also provided counterarguments and sometimes support to ensure a robust shortlisting process. High-level consultations involving sector heads were also conducted to verify the shortlisted villages. Ultimately, 109 villages were selected through this process.

### Step 2: Conduct household-level village survey

For REAP Phase II a household-level socioeconomic census was carried out in 109 villages covering 1,891 households (Figure 3).<sup>6</sup> The census survey covered every household in the village and encompassed information ranging from schooling to housing to social support. Approximately 15 officials from the GNHC were trained to administer the questionnaire. The census was conducted using Computer-Assisted Personal Interviews (CAPI), and it took around a month to cover all 109 villages.

### Step 3: Compute REAP MPI for the villages and rank

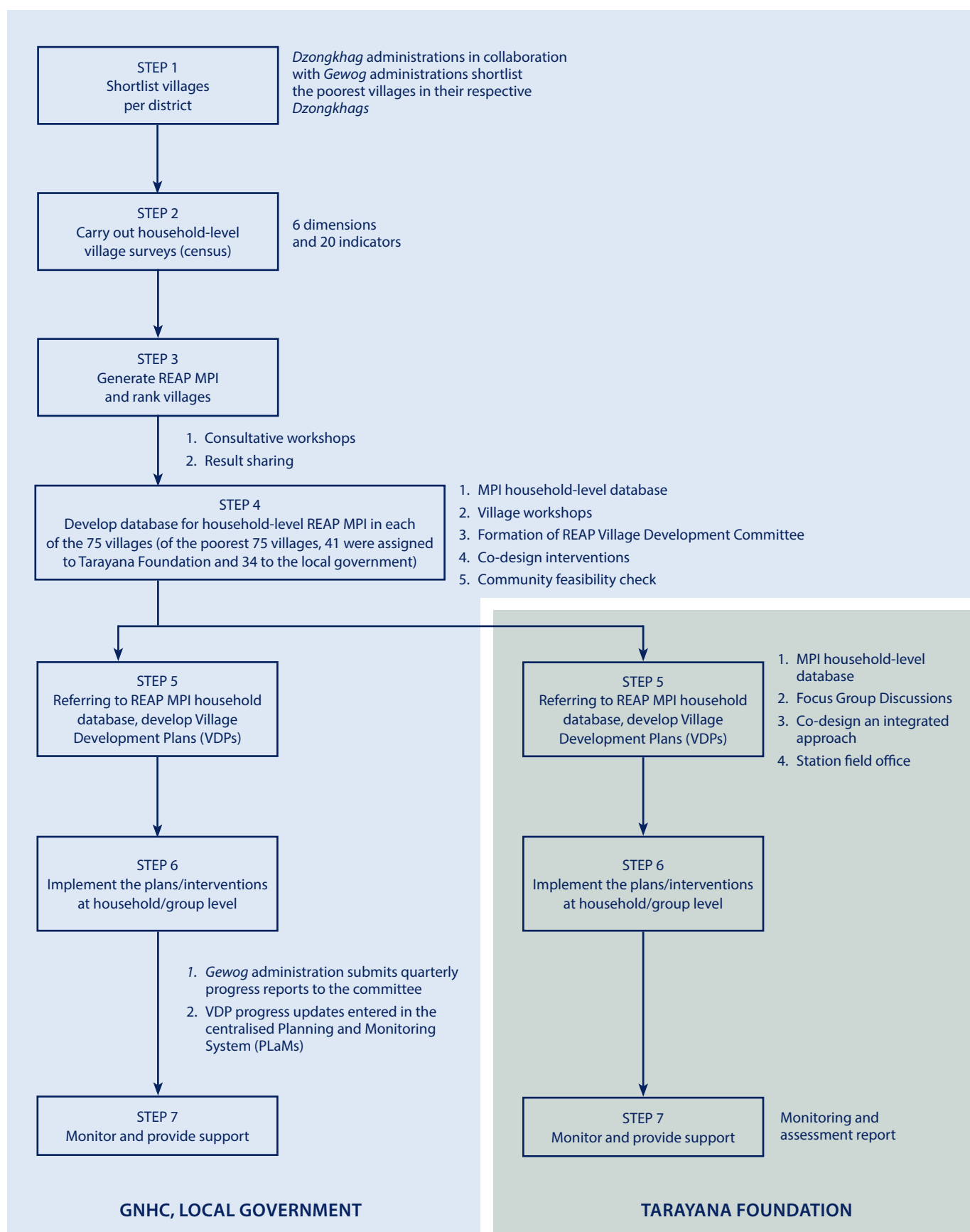
Based on the survey data, a REAP MPI was developed which was disaggregated at the village level. The REAP MPI structure comprised six dimensions and twenty indicators, as shown in Table 1.<sup>7</sup>

The selection of the six dimensions – health, education, living standards, community vitality, security, and financial security – was guided by various factors. The dimensions were selected following extensive consultations across various sectors and local government, as well as input from community members at the village level.





Figure 2. Process for geographical targeting interventions for social protection



Source: Author's summary based on the Strategic Framework for Rural Economy Advancement Programme (REAP), 2014.

Table 1. Structure of the REAP MPI used for geographic targeting

	Dimensions	Indicators	Deprivation cutoffs
1	Education (1/6)	1. Years of schooling 2. Child enrolment	1. Households do not have at least one member that completed class 7 or above 2. Households do not have at least one school-going age (6–12 years) child attending school
2	Health (1/6)	1. Child mortality 2. Maternal health care	1. Households in which there has been no death of child under 5 2. Households in which there has been no death of a mother due to child birth
3	Standard of Living (1/6)	1. Electricity 2. Safe-piped water system 3. Sanitation 4. Roofing 5. Flooring 6. Cooking Fuel 7. Clothing	1. Households that do not have electricity 2. Households that do not have access to safe-piped water system 3. Households that do not have access to pit latrine, flush toilet 4. Households that do not have at least CGI sheets as roofing material 5. Households that do not have wooden plank flooring 6. Households that do not cook with electric or gas (LPG) 7. Households that cannot afford clothing
4	Community Vitality (1/6)	1. Availability of social support 2. Gender empowerment 3. Festival attendance	1. Households that do not receive any help from their neighbours in times of need (disasters, constructions, funerals, annual rimdros) 2. Households where women do not exercise control over household budget 3. Households that do not take part in local festivals
5	Financial Security (1/6)	1. Income 2. Reliability of income 3. Access to rural micro credit	1. Households that do not have an annual income of Nu. 40,000 or more 2. Households that do not have monthly cash income throughout the year 3. Households that do not use financial institutions or money lenders
6	Food Security (1/6)	1. Land ownership 2. Livestock 3. Food sufficiency	1. Households that do not own at least 1 acre of land 2. Households that do not own at least 1 livestock animal 3. Households that are not able to eat at least 3 meals per day

Source: Strategic Framework for Rural Economy Advancement Programme (REAP), 2014.

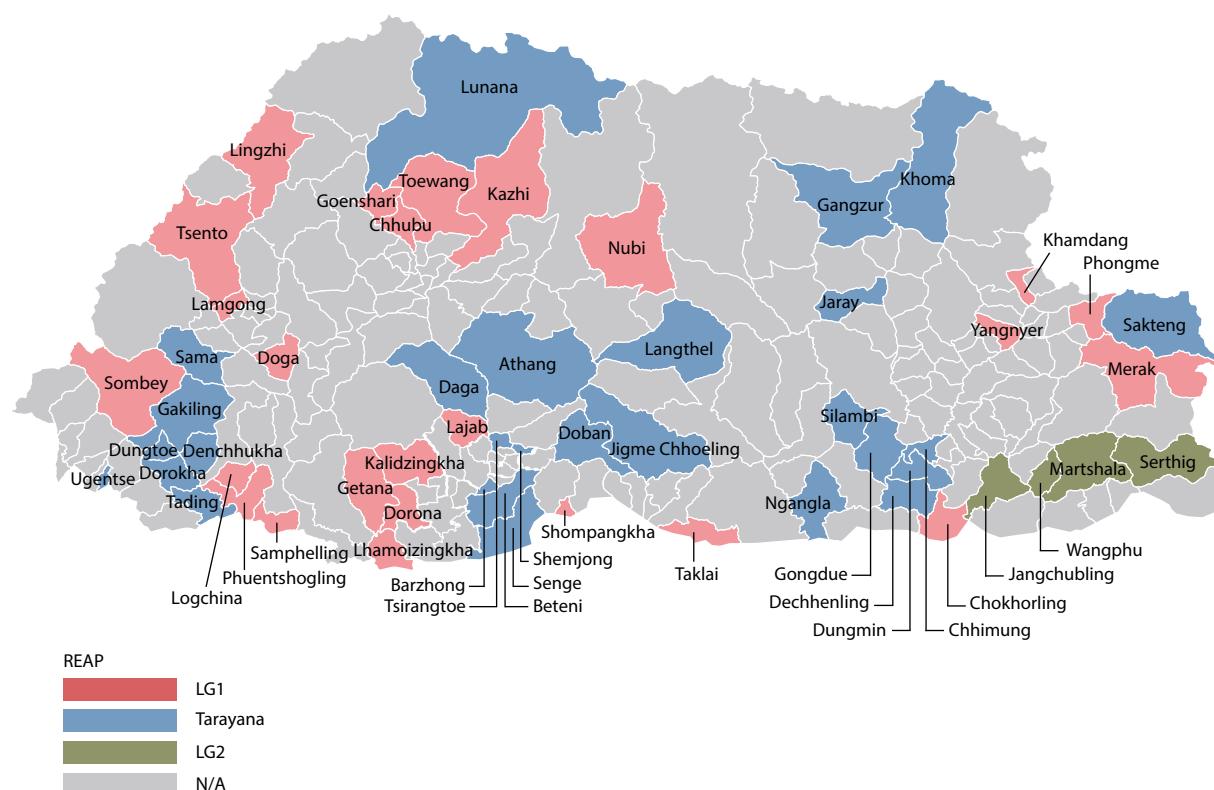
The first three dimensions aligned with the national MPI. Community vitality was introduced to reflect Bhutan's GNH philosophy, especially pertinent for addressing the needs of the rural poor who heavily rely on community labour exchange, thus recognising its importance from a material as well as a social capital perspective. Financial security was deemed essential due to the significance of cash income in rural poverty contexts. Furthermore, recognising the dependence of rural populations on agriculture, food security was considered a crucial addition to the multidimensional framework, and was upgraded from an indicator in the National MPI to its own dimension that also included land and livestock ownership.

Each dimension in the REAP MPI was given equal weighting, although the indicators within each dimension had varying weighting structures. Given that this was a census survey, the MPI was calculated for every household in the selected villages and assembled as a village MPI. The REAP MPI scores for the 109 villages ranged

from 0.06 to 0.53. Due to insufficient financial resources to implement poverty interventions for all shortlisted villages, a specific number of the poorest villages, ranked by their MPI scores, were to be chosen for interventions. For instance, if funding was available for only 50 villages, then the 50 villages with the lowest MPI scores would be selected for interventions.

It was determined that resources were available for 75 villages. Consequently, from the 109 villages, the 75 with the lowest MPI scores were selected. Alongside the MPI scores, various demographic findings for each of these villages were analysed and presented to aid in intervention design. For instance, within each of the 75 villages, household-level MPI rankings were conducted to pinpoint the most impoverished households. As previously mentioned, this approach aimed to target the poorest households within villages and inform indicator-specific intervention strategies accordingly.

**Figure 3. *Gewogs* covered under REAP II**



Source: GNHC (2018). Eleventh Five Year Plan 2013–2018, p. 23.

#### Step 4: Assign focal agency for villages

Prior to targeting households with the lowest MPI scores, villages were allocated to implementing agencies. Following the successful pilot phase with the Tarayana Foundation during REAP Phase I, the government decided to engage them further in implementing interventions for Phase II. The contract agreement for REAP Phase II was signed between the Tarayana Foundation and the Gross National Happiness Commission Secretariat (GNHC) in 2015. As per the agreement, the Tarayana Foundation was obligated to adhere to stringent reporting and monitoring procedures, including annual auditing. The agreement helped formalise the responsibilities, expectations, and commitments of all parties involved in the project. It ensured clarity, accountability, and legal protection for both the implementing agency and the funding agency. It also helped in preventing misunderstandings or disputes regarding the project's scope, timeline, budget, and reporting requirements (Box 4).

Out of the 75 villages, Tarayana Foundation was assigned 41 villages, while work in the remaining 34 villages was led by GNHC in collaboration with the local government.

### Step 5: Develop REAP MPI database for 75 villages and develop Village Development Plans (VDPs)

The REAP MPI was available for each household within the 75 selected villages. This allowed every household to have data on their MPI score and the level of deprivations they experienced across the 20 indicators.

After the household-level database was constructed and shared, relevant committees and intervention design and implementation teams were formed to develop the Village Development Plans (VDPs).<sup>8</sup> The VDPs were prepared in line with Village Participatory Planning guidelines (VPPG) to involve the communities in identifying their own problems and interventions (Figure 4).



#### BOX 4. SEVERAL KEY PRINCIPLES OF REAP PHASE II'S INTER-INSTITUTIONAL AGREEMENT BETWEEN THE GNHC AND THE TARAYANA FOUNDATION

1. Committing to executing poverty reduction programmes within the specified project timeline as outlined in the Contract's Project Summary.
2. The importance of understanding the project's implementation and reporting requirements.
3. Flexibility for engaging in multiple consultations with respective communities to formulate refined action plans tailored to each village's strategic development needs.
4. Ensuring reasonable access to project sites for monitoring and auditing purposes.
5. Mandatory coordination with local governments to keep them informed and engaged in project implementation.
6. Joint monitoring on a quarterly or half-yearly basis.
7. Mandatory project evaluation to assess outcomes and impacts, identify best practices, and facilitate replication of successful approaches.

Based on the household-level MPI scores, households were ranked within the village to identify the poorest households and their profile of deprivations. Focus Group Discussions were also carried out with the poorest households to further verify results and to discuss the interventions. Interventions were devised according to the indicators in which households experienced deprivation. For example, if households were lacking in education, interventions aimed at addressing this deprivation were formulated or suggested.

Interventions were of two types:

- Household-level interventions were implemented when the nature of deprivation affected individual households, such as addressing school dropouts among school-aged children in the education dimension or poor roofing materials in the standard of living dimension.
- Group-level interventions, on the other hand, were carried out in cases where the deprivation was at the community level, such as providing equipment for agricultural purposes to increase the income of a group of households under the financial security dimension.

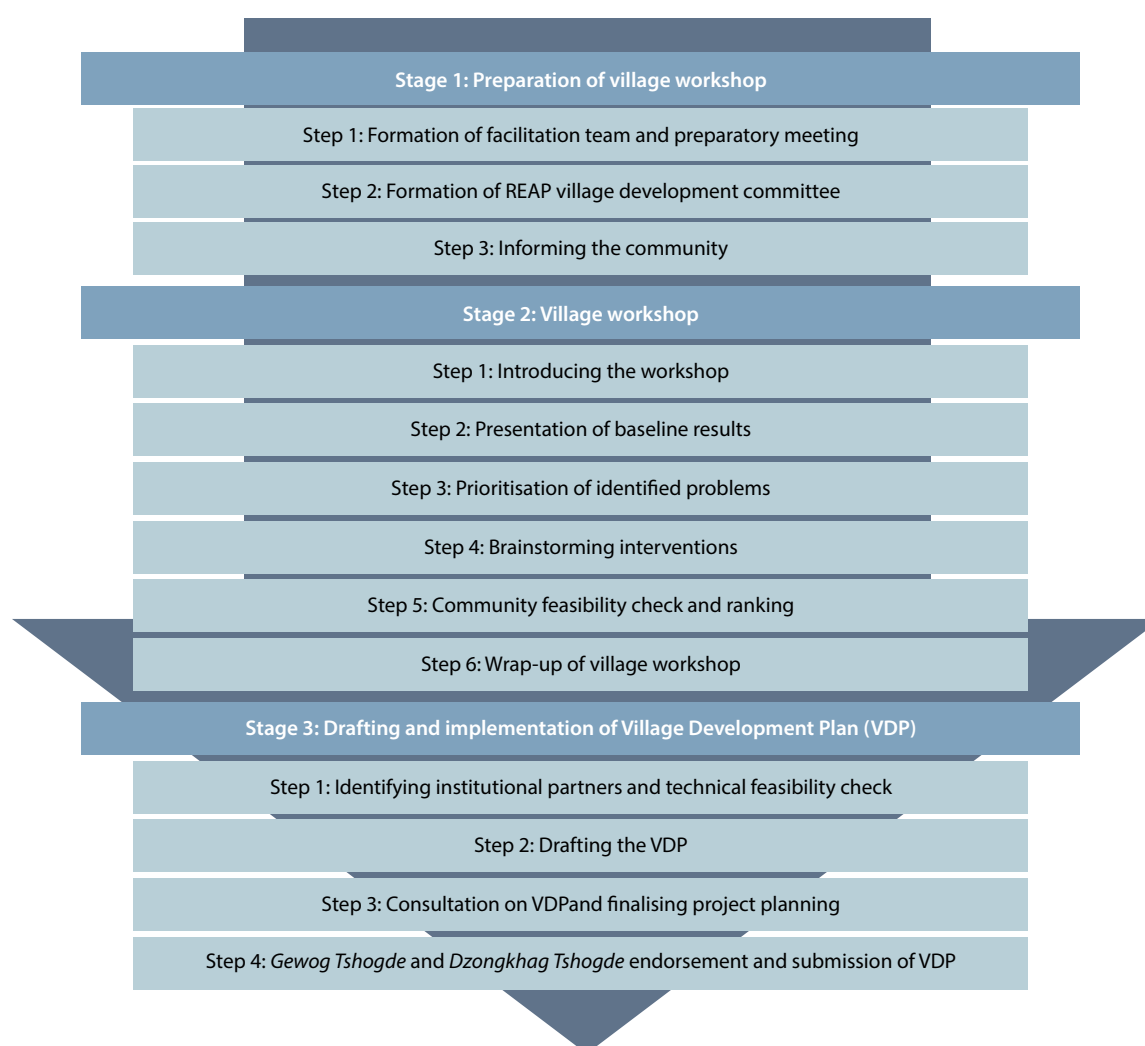
In the 34 villages assigned to the GNHC and local government, the implementation of these plans was overseen by the *Dzongkhag* Administration (*Dzongkhag Tshogde*),<sup>9</sup> *Gewog* Administration (*Gewog Tshogde*), and other government agencies. A monitoring and evaluation system

was established by GNHC to verify that interventions were executed in accordance with the VDPs.

In the 41 villages assigned to the Tarayana Foundation, the Foundation conducted additional assessments to tailor plans for each village based on their current needs and priorities. Interventions were designed using Tarayana's Integrated 'Holistic Community Development' approach (Rukha Model), prioritising basic needs before addressing other activities. Consultations identified several key issues to be addressed, including housing improvement, initiation of income-generating activities, skills development, food and nutrition security, resolutions of human-wild-life conflict, and, to some extent, access to credit.

The Tarayana Foundation's cross-validation was necessary because data for the REAP Phase II were gathered in 2010, and the implementation of VDPs commenced only in 2012 or 2013. Numerous developments occurred on the ground throughout that time, necessitating further consultations and data updates. Going forward, it was decided that MPI-type tools should continue to be used because the time between gathering data and putting the programme intervention into action is short, and MPIs are simple to both compute and analyse, which in turn improves cost effectiveness.

Figure 4. An outline of the Village Participatory Planning Process to develop Village Development Plans by the GNHC



Source: GNHC 2014.

### Step 6: Implement poverty interventions

In the villages assigned to the GNHC and local government, to facilitate communication and oversight, the *Gewog* Administrative Officer acted as the focal point for REAP villages within the *Gewog*. In cases where technical assistance was required for certain activities, *Gewog* administrations collaborated with relevant sectors. Furthermore, *Gewogs* ensured the involvement of pertinent sectors during the preparation of VDPs. The *Dzongkhag* administration played a coordinating role and assisted in compiling progress reports for VDPs. The *Dzongkhag* Planning Officer served as the focal point for REAP villages within the *Dzongkhag*.

While there was the engagement of *Gewog* and *Dzongkhag*-level administrations, in villages under the purview of the Tarayana Foundation, implementation was primarily led by Programme Officers from the Tarayana Foundation head office, supported by Field Officers situated in their respective sites. The Foundation also conducted in-depth interviews with village elders and Focus Group Discussions (FGDs) involving women, youth, and older people in several sites to ensure a thorough understanding of each community.

The nature of interventions administered by the Tarayana Foundation are described in Table 2. In general, these investments aimed to: (a) strengthen agricultural productivity by promoting crop diversification, thus enhancing food security and nutritional intake; (b) foster additional

Table 2. Interventions administered by the Tarayana Foundation

	Dimensions	Nature of interventions
1	Education	<b>Training and skills development:</b> Trainings conducted in the target villages were: Vermi compost and heap composting; citrus promotion; land management; financial literacy; cardamon plantation and management; nettle yarn processing; cane and bamboo; production of fertilizer <i>Amrut Jal</i> ; root treatment; propagation of asparagus; fruit sapling plantation; power tiller installation and maintenance.
2	Health	<b>Health and sanitation:</b> To promote better health and personal hygiene within the communities, the project provided support for the construction of toilets and ensured access to water. Furthermore, watershed protection works were undertaken, reservoir tanks were constructed, and piped water connections were provided at the household level wherever necessary.
3	Standard of living	<b>Housing improvement:</b> For housing improvement, a needs assessment and physical verification on the ground revealed the necessity to construct and renovate 741 homes across various villages. The Foundation successfully supported and facilitated the construction of 578 new homes and the renovation of 163 homes in the assigned villages.
4	Community Vitality	<b>Self-help group formation:</b> Self-Help Groups were established to promote collaborative efforts, enhancing collective bargaining power and marketing opportunities. These groups consisted of individuals keen on engaging in income-generating activities, often centered around crafting particular goods, alongside traditional occupations like farming. While the Foundation provided support and guidance throughout the entire process – from initial brainstorming and product design to specialised training and marketing facilitation – the primary focus remained on empowering community members to become proactive, creative, and productive agents of change.
5	Financial Security	<b>Equipment and supplies:</b> To alleviate farm drudgery and boost production, communities were provided with machinery on a sharing basis. The selection of machinery was done by taking into account the remoteness and terrain of the villages. Rice and flour mills, paddy threshers, and maize grinders – compact, portable, and easy to manage – were distributed according to each village's needs and available funding. Power tillers issued were specifically chosen for steep terrain as these were designed to be operable by women. Proper management arrangements within the community ensured equal benefits for all members regarding the use of power tillers.
6	Food Security	<b>Food and nutrition:</b> To promote food and nutrition security, the creation of kitchen gardens was encouraged through the provision of seeds, tools, and training. Additionally, various fruit saplings were supplied to diversify the food sources. Green nets were distributed, accompanied by training sessions on their proper management. Furthermore, to address food security concerns and mitigate human-wildlife conflicts, solar/electric fencing was identified as a common requirement across many sites.

Source: Tarayana Foundation (2018). Rural Economy Advancement Programme II.

income streams through skills development in non-agricultural livelihood activities, leveraging locally available resources; and (c) establish self-help groups to empower communities, enabling economies of scale, improved product marketing, and collaborative efforts.

Noteworthy examples of innovative interventions in villages led by GNHC and the local government included the provision of training and resources for the production of organic fertilizers, eco-friendly food and non-food items, handicrafts made from cane and bamboo, banana chips, candles, organic cotton, and bakery products. These initiatives were facilitated through group formation, annual promotional events, and the enhancement of farmers' skills, encompassing both women and men, in areas such as carpentry and masonry for housing construction and income generation during off-farm seasons.

### Step 7: Monitor and provide support

The programmatic interventions were subject to periodic monitoring to ensure adherence to planned activities and timely completion. While *Gewog* administrations conducted detailed monitoring within their respective *Gewogs*, *Dzongkhag* administrations oversaw VDP implementation more broadly to maintain checks and balances within the monitoring system. Progress updates on both physical and financial aspects of VDP activities were recorded in the Planning and Monitoring System (PLaMs) on a semi-annual basis. To lead the initiative, a Programme Coordination Unit (PCU)<sup>10</sup> was established within the Research and Evaluation Division under the GNHC.

For the Tarayana Foundation, monitoring was conducted almost on a daily basis due to the presence of field officers



### BOX 5: WHY WAS HOUSING CONSIDERED VITAL AS A POVERTY REDUCTION INTERVENTION?

'...In terms of livelihood interventions, the focus primarily revolved around agriculture-based activities and income generation through agriculture and livestock ventures. In certain instances, arts and crafts were incorporated, while in select villages, exploration into alternative income streams like eco-tourism was undertaken. However, for health-related interventions, the approaches remained largely consistent across all settings. Certain interventions were standardised across the board, notably sanitation and housing.

During the Focus Group Discussions (FGDs), households were asked to prioritise interventions, and it was initially anticipated that income generation initiatives would be the top priority. Surprisingly, however, housing emerged as the primary concern for many households. This revelation was unexpected, given specific instructions not to provide housing. Nonetheless, it was understood that many individuals were residing in makeshift shelters with inadequate roofing, highlighting the significant impact of housing on one's sense of security. Upon reporting these findings to our Secretary, a decision was made to incorporate housing interventions, despite the associated high costs...'

Source: A former official from GNHC

on the ground. These officers promptly reported any challenges encountered, allowing for swift resolution of issues and implementation of solutions. Assessment reports were

also conducted to document the stages and processes of implementations, as well as to capture best practices observed throughout the project.

### BOX 6: MAIN FUNCTIONS OF THE PROGRAMME COORDINATION UNIT (PCU)

1. Mobilise financial resources to support REAP in coordination with *Dzongkhag* officials
2. Administer the village selection process using the objective criteria, namely, MPI.
3. Coordinate and carry out household surveys.
4. Provide technical backstopping for the preparation of VDPs.
5. Review VDPs against Village Participatory Planning guidelines (VPPG) and the objectives and strategies of the REAP
6. Review annual work plans and receive budget proposals.
7. Forward budget proposals to the Department of National Budget and Department of Public Accounts for budget approval/incorporation and release.
8. Coordinate and facilitate the support from the sectors/NGOs for the implementation of activities under the VDPs.
9. Undertake monitoring field visits to REAP implementation sites.
10. Compile and review progress reports of the REAP periodically and address the challenges identified.
11. Support and facilitate evaluation of the REAP.

Source: GNHC (2014)

## CONCLUSION AND POLICY RECOMMENDATIONS

The REAP MPI helped target the most impoverished villages and households. In light of resource constraints, this approach guaranteed that resources were directed towards areas with the highest levels of deprivation. Moreover, the decomposability feature of the MPI allowed for its disaggregation across various demographic categories.

Furthermore, the ability to break down and analyse the REAP MPI by dimensions and indicators at the household or community level facilitated the tailoring of programmatic interventions to address the unique needs of different communities. For instance, in areas where access to education was lacking, interventions focused on constructing schools or offering scholarships. Similarly, regions grappling with health deprivations witnessed improvements in healthcare infrastructure and services. The MPI also served as a benchmark for monitoring changes in poverty levels over time within households and villages. It enabled policymakers to evaluate the effectiveness of interventions by regularly assessing changes in multidimensional poverty indicators. This ongoing assessment allowed for the adaptation of responsive strategies to ensure progress towards the overarching goal of poverty reduction.

Due to the success of the REAP-I and REAP-II programmes, a successor initiative called the THPP – Targeted Household Poverty Programme – was designed at GNHC. Like REAP, it had high-level backing both in the National Development Plan and in the eyes of the Prime Minister, who observed in a Keynote Address in 2015: “The Tenth Five-Year Plan (2008–2013) had poverty reduction as the overarching goal and cross-cutting theme, and adopted a targeted poverty reduction approach with the National Rehabilitation Programme (NRP) and the Rural Economy Advancement Programme (REAP) as two major initiatives. The NRP targeted the landless and socio-economically disadvantaged while the REAP focused on securing sustainable livelihoods for the poorest villages. In the Eleventh FYP (2013–2018), the overall goal is ‘Self-Reliance and Inclusive Green Socio-Economic Development’, with particular focus on reducing multidimensional poverty, income inequalities, malnutrition and growing urban poverty. In addition to the NRP and REAP, a new program targeting the poorest households has been initiated – the Targeted Household Poverty Programme (THPP). Under this programme, 3,154 poorest households have been identified based on multidimen-

sional poverty selection criteria and surveys are underway to re-validate the households, develop need-based interventions and establish a comprehensive poverty database in the country.”<sup>11</sup>

Thus to prepare for REAP, data were collected from 3,154 households, and a database containing household-level MPI scores and related information was developed. This database facilitated easy access to household-level deprivations and assisted in targeting the most impoverished households in the selected villages. It used cutting-edge technology including digital photographs of houses to show housing deprivations, among others. The implementing agencies had access to this database containing information on each household in the assigned villages, including households’ MPI scores and the specific deprivations they faced. While this briefing focused on REAP, the THPP database is another rich resource that could be revived in future work to address moderate poverty in Bhutan.

### Policy recommendations based on the REAP MPI

1. **Establish clear and visible political commitment:** The government of Bhutan has exhibited a steadfast dedication to tackling poverty since the 4th Five-Year Plan (FYP) (1976–1981). While the initial five-year plans focused on establishing infrastructure, it was during the 4th FYP that the emphasis shifted towards initiatives aimed at poverty reduction, with concentrated efforts directed at enhancing agricultural productivity and improving access to social services. Following the 4th FYP, poverty reduction consistently remained a focal point in subsequent plans. Strategies for poverty reduction encompassed initiatives such as land reforms, the enhancement of rural livelihoods, fortification of social safety nets, microfinance programmes, and improved accessibility to education and healthcare. This visible, articulate and public political determination remains imperative for the successful integration of the MPI into policy frameworks.
2. **Strengthen leadership capacity in poverty measurement:** From the outset, there has been a strong inclination towards quantifying multidimensional poverty and using it to inform policy decisions. Leadership has been demonstrated through various avenues, including senior bureaucrats from governmental bodies such as the former Gross National Happiness Commission, Ministry of Finance, National Statistical Bureau, and the Tarayana Foundation.

3. **Develop adaptive governance structures for evidence-led decision making:** Government officials and bureaucrats have increasingly embraced a departure from traditional structures and pathways in the formulation of five-year plans. This shift indicates a willingness among officials to explore alternative methods that integrate evidence-based planning and remain responsive to evolving circumstances. This adaptive approach to planning acknowledges the necessity of accommodating changing needs while leveraging existing data on poverty and wellbeing to inform decision-making. Such flexibility in governance may have also facilitated the integration of the MPI into the planning process, rather than adhering rigidly to past structures.
4. **Foster innovative partnerships with NGOs/CSOs:** The collaboration with the Tarayana Foundation demonstrated remarkable success, significantly enhancing the effectiveness, efficiency, and sustainability of poverty reduction efforts. This partnership leverages the foundation's expertise, resources, and extensive community connections to achieve impactful outcomes.
5. **Strengthen stakeholder engagement:** The involvement of various stakeholders, including government agencies, Civil Society Organisations, and international partners, likely facilitated the adoption and implementation of MPI-based policies and resource allocation strategies.
6. **Advance the generation of high quality poverty data:** Bhutan, in partnership with development partners, has continuously invested in robust data collection mechanisms to ensure high quality, up-to-date poverty data. The pioneering and world-leading REAP-II and THPP initiatives showed the benefits of effective and innovative uses of MPIs based on census or social registry data, which many countries are now beginning to recognise.
7. **Strengthen institutional capacity on MPI:** The country's strong institutional capacity, including low corruption, and technical expertise within government agencies, may have played a significant role. Adequate capacity for MPI (to ensure a minimal delay between data collection and MPI results) ensures proper interpretation of MPI results and enables the potential uses of MPI in the development of targeted policies and programmes.





## ENDNOTES

- 1 The Tarayana Foundation is dedicated to fostering comprehensive community growth and development in remote, rural villages, with a focus on aiding vulnerable and disadvantaged populations. From its inception, the Tarayana Foundation has been committed to bridging the divide between overarching national endeavours and the specific needs of grassroots communities. Functioning as a Civil Society Organisation (CSO), the Tarayana Foundation aligns its support with government initiatives, Five Year Plan objectives, and the national pursuit of Gross National Happiness.
- 2 NSB and OPHI, 2023.
- 3 NSB and OPHI, 2023.
- 4 As part of the REAP pilot phase, a project titled ‘Enhancing Rural Income and Livelihoods through Sustainable Agriculture Development and Micro-enterprise in Bhutan’ jointly funded by the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP) through the Poverty Environment Initiative (PEI) and Poverty Thematic Trust Fund (PTTF).
- 5 Bhutan has 20 districts, called *Dzongkhags*, which are broken into over 200 *Gewogs*, and *Gewogs* are further divided into over 1,000 ultra local *Chiwogs*.
- 6 In the Targeted Household Poverty Programme, an initiative which followed REAP, this was extended to 3,154 households.
- 7 Following instructions from the Cabinet, extensive consultations were conducted across multiple levels to formulate a robust set of criteria for identifying the poorest households. Together, Dzongkhag Planning Officers (DPOs), representatives from various sectors, Civil Society Organisations (CSOs), Non-Governmental Organisations (NGOs), and local government officials collaborated to identify dimensions and indicators for the establishment of a REAP MPI. This index served as a foundation for identifying the most impoverished villages and households through geographical targeting.
- 8 After the identification, to enhance the efficiency of poverty intervention at the village level, development plans were formulated through consultations with community members and relevant government offices. These plans underwent approval processes and were submitted to the GNH Commission for funding mobilisation and oversight. Upon approval, the responsibility for plan implementation was delegated to local entities, including district and *Gewog* officers, sector programme coordinators, and Civil Society Organisations (CSOs). This decentralised approach aimed to ensure effective and sustainable implementation of poverty alleviation measures at the grassroots level.
- 9 The *Gewog Tshogde* and *Dzongkhag Tshogde* are essential components of Bhutan’s local governance system, playing vital roles in administrative and decision-making processes. At the *Gewog* (block) level, the *Gewog Tshogde* serves as the council. Each *Gewog* is overseen by a *Gewog Tshogde*, consisting of a *Gup* (headman), *Mangmi* (deputy), and between five and eight democratically elected *Tshogpas* from villages or village groups. The *Dzongkhag Tshogde* functions as the district council, acting as the highest decision-making body at the *Dzongkhag* (district) level. It comprises representatives from each *Gewog*, including the *Gup* and *Mangmi*, along with elected members from *Dzongkhag Thromde* (municipality).
- 10 The role of Programme Coordination Unit (PCU) involved mobilising financial resources to support the REAP. It included overseeing the selection of villages and conducting household surveys. Additionally, providing technical assistance for the preparation of VDPs, reviewing these plans against the guidelines and REAP objectives, and assessing annual work plans and budget proposals. Budget proposals were then forwarded for approval and released to the Department of National Budget and

Department of Public Accounts. PCU also led the coordination with sectors and Civil Society Organisations (CSOs), which was essential for implementing the activities outlined in the VDPs. Monitoring field visits to REAP implementation sites were conducted regularly, alongside compiling and reviewing progress reports and addressing identified challenges.

- 11 Keynote Address by the Hon'ble Prime Minister of Bhutan at the Inaugural Session of the Fourth Meeting of SAARC Ministers on Poverty Alleviation 29th July 2015, Taj Tashi, Thimphu, accessed on 30/04/2025.

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## **OXFORD POVERTY AND HUMAN DEVELOPMENT INITIATIVE (OPHI)**

University of Oxford  
3 Mansfield Road, Oxford, OX 1 3TB.  
[ophi@qeh.ox.ac.uk](mailto:ophi@qeh.ox.ac.uk)  
[www.ophi.org.uk](http://www.ophi.org.uk)

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HUMAN DEVELOPMENT INITIATIVE