

Land, Power, and Participation: Bhutan's Urban Institutions through the Lens of Historical Institutionalism - A Case Study of Thimphu Thromde Governance*

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Abstract

Through the lens of historical institutionalism, this study examines how the timing, sequence, and cumulative change of political structure and land reforms have continuously shaped power dynamics in urban governance since the late 20th century. It explores the evolution of Bhutan's urban institutions and landowners' veto development in conjunction with legacies of land governance and the country's political shift, drawing a close attention to Bhutan's urban politics. Historically, Bhutan's land tenure system embedded landed elite dominance within regional power hierarchies. The shift towards centralizing land governance and political system established path-dependent urban governance frameworks. Later in the 21st century, urban governance was reshaped by critical junctures of democratic transition and policy layering of land governance frameworks, while institutionalising the political influence of landowners. The scarcity of developable land in Himalayan Bhutan has produced contingent and increasingly complex forms of land governance and urban institutionalisation, characterized by policy layering of old and new systems infused by the late start of capitalist nation-

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building and democratization. These dynamics are visible in Thimphu *thromde*'s (municipal's) persistent urban governance challenges. Thimphu *thromde*'s experience reveals that the path-dependent authoritarian regime of acquiring public land for township development sparked public discontentment and eroded public trust. The 2008 democratic transition marked a critical juncture because it introduced an electoral process of electing mayor but also enabled the institutional layering of land pooling regulations, which reformed the land acquisition process by introducing participatory planning mechanisms. However, the shifts have not overridden the veto power of landowners, undermining the contemporary tensions and dilemma of urban equity and participatory challenges in *thromde* governance. Despite Bhutan's efforts to decentralization and democratization, the reforms have struggled to make an impact.

Keywords: Thromde, governance, land, HI (historical institutionalism)

Introduction

Bhutan's modern development programmes launched in 1961 after land reforms of the 1950s triggered rapid socio-economic development and urbanization in the capital city Thimphu (Khamrang, 2020; Walcott, 2009; Tashi Yetsho, 2010). Bhutan's landscape is dominated by steep mountainous terrain. This constrains developable land, intensifying competition for land across diverse socio-economic sectors, including urban development (MoWHS, 2008; Karma Ura & Sonam Kinga, 2004; Walcott, 2009). Historically, land tenure has been a significant determinant of social stature in Bhutan (Tashi Yetsho, 2010). Land use systems reflect the intricate interplay of social, political, economic, and environmental factors (Tashi Wangchuk, 2000), making land administration critical for equity, sustainability, and power distribution in the governance system (Karma Ura & Sonam Kinga, 2004). Bhutan's transition to democracy in 2008 led to reforms in the urban electoral system and policy layering of urban land development regulations that produced a shift in urban

governance power dynamics. Despite these efforts to change, the impacts have been minimal, as the challenges of equality, inclusivity, and accountability tend to remerge in different forms of contemporary urban issues (Bajaj, 2014; Tenzin, 2020; World Bank, 2019). *Through a qualitative exploratory method*, this study aims to explain how and why these challenges evolve and persist in the context of Thimphu's urban governance, using the theoretical framework of historical institutionalism (HI).

Thimphu is the largest city in Bhutan. It is also one of the first municipalities established in the country in the late 20th century (Walcott, 2009). As the administrative and economic hub, Thimphu thromde¹ (TT) accommodates 70% of Bhutan's urban population comprising 20% of country's total population (Population & Housing Census of Bhutan, 2017). Thimphu, as Bhutan's earliest, largest, and first formally governed urban centre, serves both as the institutional archetype of national urban governance and as a reference model for other thromdes in the country (Khamrang, 2020; World Bank, 2019). In 2003, Thimphu launched its master plan titled *Thimphu Structure Plan (TSP) 2002–2027* that envisioned TT to become a livable, vibrant, and inclusive 'dream city' guided by the principles of balanced growth (MoWHS, 2008, 2018). The TSP was prepared by the central (urban/rural/regional) planning agency, the Department of Human Settlement (DHS), under the Ministry of Works and Human Settlement (MoWHS)² in consultation with an urban planning firm from India (Bajaj, 2014; Walcott, 2009). After two decades of plan implementation, scholars and critics criticize the unrealised aspiration of TSP (Bajaj, 2014; Khamrang, 2020). Some attribute the issues to TSP's inability to account for social realities, and others blame it on inadequate political will and systemic failures in policy implementation (Adhikari, 2020; Bajaj, 2014; Khamrang, 2020). Central to the implementation of TSP is TT, with

¹ Thromde is a local term synonymous to 'urban centre' (MoWHS, 2018) or an area under the jurisdiction of a Municipal authority (Land Act 2007).

² MoWHS have been renamed to Ministry of Infrastructure and Transport (MoIT) in 2023.

inherited institutional arrangements (Bajaj, 2014). There is a gap in scholarly discussion on how the path-dependent institutional system and incremental layering have shaped its current urban governance system to explain its persistent challenges.

Research objectives and questions

This paper examines urban institutional evolution in TT through the historical legacies of the country's political reforms, changing power relations in urban governance and urban land administration. The objective is to identify and analyse the influence of the key junctures to reveal a path-dependent and contingent trajectory of change in Bhutan's urban governance institutions and power structures. It also intends to highlight the consequences of contemporary attempts at incremental change in TT, such as land pooling (LP) and participatory urban governance. These objectives will be explored by addressing the following research questions.

- a) How did the shifting political dynamics and historical legacies of land governance in Bhutan affect the development of urban institutional arrangements over time?
- b) What explains the gradual change from traditional land acquisition to LP in TT?
- c) How did historical legacies continue to affect Bhutan's urban governance through its democratic transition?
- d) What have been the consequences of policy layering in urban and land governance in TT for the distribution of power between different social groups?

Definitions

According to Hendriks (2014), urban government is the formal institutional structures of the state responsible for establishing laws and directives intended to manage urban affairs while urban governance encompasses "the process of coordinating and steering the urban society toward collectively defined goals" (Pierre, 2005, p. 448). In essence, it is how the

government at all levels (local, central, national government) and “stakeholders collectively decide to plan, finance and manage urban areas” (MoWHS, 2018, p. 104) to deliver timely and equitable services while ensuring social justice and equity.

Recognizing the complexity of urban governance arising from multiple intersecting interests, this study analytically narrows its focus to land administration and power relations in Bhutan’s urban context. Land administration, a key aspect of urban land governance, refers to the systems regulating land use, tenure, distribution and management within cities (Home, 2021; Sorensen, 2018). Land acquisition is the process by which a government entity obtains private land to facilitate development projects such as housing, urbanization, or industrialization (Farrin et al., 2021). The process typically necessitates compensation and/or land substitution and managing the displacement of individuals and communities (Farrin et al., 2021).

Land pooling (LP) is a land consolidation and redistribution tool that enables the reconfiguration of plot layouts into more efficient and functional land parcels (Farrin et al., 2021). When applying LP approach in urban land development in Bhutan, landowners in a specified area are asked to contribute up to one-third of their land for the development of public infrastructure such as roads, drainage, and public parks (Bacani & Mehta, 2020). In contrast to the land acquisition method, landowners are not paid for the contributed land and are not displaced. Instead, they retain residence in the same area, albeit on a slightly smaller parcel while gaining proximate urban infrastructure and services (Farrin et al., 2021; Geley Norbu, 2018).

Literature Review

This section reviews the existing body of scholarship related to institutional reforms in Bhutan’s urban governance and urban land development practices in Thimphu while justifying the application of HI as the theoretical basis for this study.

Bhutan's urban processes

While a handful of research exists on Thimphu's urbanization process (Khamrang, 2020; Walcott, 2009) and land development practices (Bacani & Mehta, 2020; Bajaj, 2014; Farrin et al., 2021; Geley Norbu, 2018), they do not sufficiently explain the evolving power dynamics and influences of democratic shifts in urban institutional arrangements. Walcott (2009) and Khamrang (2020) provide an extensive overview of the urbanization process in Bhutan, which forms a valuable basis for examining the historical process of urban evolution in Thimphu. However, there remains a gap in exploring the country's transition towards democratization because Walcott's (2009) work was published during the ongoing democratization process, and Khamrang's (2020) study primarily focused on addressing congestion issues in Thimphu. Regarding the thromde power dynamics, Bajaj's (2014) study forms a substantial basis for explaining the veto power of Thimphu's landowners and their social influence to maximize their property value. However, the origin of landowners' veto power is not explored in the study.

Regarding the land development practices, expert discourses on Thimphu's land development largely stem from donor-funded assessments. The three articles of Bacani & Mehta (2020), Farrin et al., (2021), and Geley Norbu's (2018) study highlight the benefits of the LP mechanism as opposed to the traditional land acquisition method. *Evidence suggests that LP mechanism drives speculative land value appreciation and rising rents*, benefiting the landowners (Bacani & Mehta, 2020; Farrin et al., 2021). Geley Norbu (2018) highlights the public participation processes of the LP approach, but does not discuss the methodological drawbacks of it. Within the existing literature, there is a notable gap in examining land acquisition methods in relation to the broader historical dynamics of urban governance.

Scholarly work on Bhutan's urban institutions remains fragmented across thematic areas, as Da Cruz et al. (2019) note that academic research tends to focus on urban politics, while

practitioners prioritize technocratic aspects of administration and innovation. There is also a notable lack of scholarly attention to evolving power dynamics and electoral processes in Bhutan's urban governance. This study addresses these key gaps by adopting a political-technical perspective on thromde governance and applying historical institutionalism to analyse the evolving dynamics of Bhutan's urban institutions through urban land administration.

Historical institutionalism in urban process

In recent decades, literature on urban institutional change has paid greater attention to history and the enduring legacies of critical moments (Sorensen, 2015). It has examined how the experiences of polities interact with policy incentives to shape urban development (Ahn, 2024). Since the revival of institutionalism from traditional to new institutionalism in the 1980s (Lowndes, 2013), HI has been widely applied in exploring causality by political and social scientists, particularly in macro-political and economic transformations. Pierson and Skocpol (2002) contend that HI is useful for comprehending the dynamics of regime change, the evolution of welfare states, and the impact of social movements and revolutions. However, only recently has HI been taken up to understand path-dependent processes in urban governance as a “local response to globalization processes” (Sorensen, 2015, p. 19).

One of the earliest works on path dependence in the urban context, by Anthony Woodlief illustrates how “cities can get ‘locked into’ suboptimal policies” (Woodlief, 1998, p. 405) of ineffective directives depending on the context, historical path, and institutional constraints in municipal government. Urban institutionalist posits that urban processes are inherently path-dependent, and HI offers a valuable framework for analysing the interplay of continuity and change in urban institutional evolution (Ahn, 2024; Sorensen, 2018), and the enduring influence of institutional legacies in political science (Pierson & Skocpol, 2002). Through a HI approach, Sorensen illustrates how path-dependent patterns of urban development arise from entrenched institutional legacies, while policy

layering facilitates veto mechanisms in Japan and advances social equity in urban property development in Toronto (Sorensen, 2011a, 2024).

Ahn's (2024) analysis of urban renewal in Vienna highlights how policy layering incrementally alters institutional functions, reinforcing Thelen's (2003) concept of incremental change resulting in subtle functional shifts over time. Incremental layering allows urban institutions to adapt to the changing political landscape while maintaining the foundational institutional structure (Ahn, 2024). Similarly, Ogbazghi's (2022) study of local government (LG) reforms in Ireland, emphasises the entrenched centralization regime of British legacy, establishing path-dependent institutional arrangements that made later efforts toward LG decentralization difficult. Ogbazghi's (2022) highlights that despite numerous reform efforts to devolve power and autonomy through incremental strategic actions, entrenched institutional constraints continued to impede decentralisation of power in Ireland's LG.

A significant synthesis that emerged from the global scholarly works of applying HI to urban institutions is that HI, as a tool for narrating historical contexts, offers rich and grounded explanations for the cumulative effects of urban processes. The concepts of path dependence, critical junctures, and policy layering are used to persuasively explain the evolution of urban institutions. Moreover, the interplay of power dynamics accentuated across all the scholarly works, notably between the central and LG (Ogbazghi, 2022; Sorensen, 2011a) and between different agency actors (Ahn, 2024; Sorensen, 2024), underlines HI's strength in moving beyond descriptive analyses.

Theoretical Framework

Historically, HI emerged as a response to traditional institutionalism, which was criticized for neglecting broader dynamics of power relations, socio-economic factors, and informal norms that inadequately addressed complex social

phenomena (Lowndes, 2013). Social and political science scholars argue that HI provides a comprehensive approach to explaining the enduring influence of institutional legacies (Mahoney & Thelen, 2010; Pierson, 2004). Pierson and Skocpol (2002) contend that the key features of HI emphasise empirically grounded inquiry focused on contextual sensitivity, historical timing, and sequence of events. These make HI a valuable methodology for studying governance, politics, and public policies (Pierson & Skocpol, 2002). However, institutional change is not always progressive, and change does not always occur during critical moments (Mahoney & Thelen, 2010). In recent times HI gained much attention for its focus on how past decisions shape current outcomes, often through gradual changes influenced by power struggles and negotiations (Ahn, 2024; Sorensen, 2015). “Taking path dependence seriously” (Sorensen, 2015, p. 17) in urban histories, Sorensen (2015) contends that HI and incremental change offer a valuable framework for examining spatial and temporal dimensions of urban space.

Path dependence and positive feedback effect

Path dependence is a central concept in HI which tend to emphasise “process, sequence, and temporality” (Mahoney, 2000, p. 510; Pierson & Skocpol, 2002). It calls attention to three defining features: historical sequences of contingent events that create a trajectory, positive feedback mechanisms, and critical junctures (Mahoney, 2000). Moving beyond the “basic notion that past choices affect future processes” or that “history matters” (Mahoney, 2000, p. 510), path dependence in HI is referred to as “social processes that exhibit positive feedback and thus generate branching patterns of historical development” (Pierson, 2004, p. 21). Path dependence implies that once an initial choice is made within a given institutional framework, it follows a particular trajectory, and certain outcomes become increasingly likely due to the adoption of specific norms, rules, and practices, often resisting change (Pierson, 2000; Skogstad, 2023). This inertia against change is generated due to the positive feedback loop (Skogstad, 2023). It implies that the choices made during critical junctures

cultivate a base of beneficiaries, including interest groups, bureaucracies, and the public, all of whom develop a strong incentive to maintain the status quo (Sorensen, 2015). The feedback mechanism makes alternatives increasingly costly or difficult to reverse over time (Pierson & Skocpol, 2002).

Critical Juncture

Collier and Collier (2002, p. 29) define critical junctures as “a period of significant change, which typically occurs in distinct ways in different countries (or in other units of analysis) and is hypothesized to produce distinct legacies”. It emphasises the temporally bounded opportunity where decisions made by political actors have a disproportionate impact on future outcomes (Collier & Collier, 2002). With a greater emphasis on counterfactual analysis and contingency, Mahoney (2000) describes critical junctures as pivotal moments or events where a specific institutional arrangement is adopted from among multiple alternatives that can radically alter the trajectory of institutions and their developments (Mahoney, 2000). “These junctures are critical because once a particular option is selected,” it generates a self-reinforcing effect, which becomes increasingly difficult and costly to revert to the initial state where other options were still available (Mahoney, 2000, p. 513).

An example of critical juncture and path dependence in urban institutions development can be observed in countries with colonial history. Cities with colonial history inherit colonial legacies that continue to influence urban institutional approaches and decision-making processes, often with centralized authority undermining local democratic capacities (Home, 2021; Sorensen, 2015). The efforts to reform urban institutions post-independence frequently fail because of the inherited colonial legislation and political impediments of vested interest in the urban system (Home, 2021; Sorensen, 2015).

Capoccia and Kelemen (2007) argue that it is not always the macro-political events that steer outcomes towards a new

equilibrium and that large-scale changes are not universally transformative. Critical junctures are context-specific and, sometimes it can be random small events tipping the system during periods of institutional fluidity (Capoccia & Kelemen, 2007). These small moments enable opening windows of opportunity for political actors and existing institutions to create new paths (Capoccia & Kelemen, 2007). This brief intense episode of interruption in Mahoney and Thelen's (2010) terms is periodic punctuation, which fosters incremental processes of institutional change (Mahoney & Thelen, 2010).

Gradual change and policy layering

Mahoney and Thelen's (2010) perspective on gradual institutional change emphasises incremental modifications to existing structures, allowing institutions to adapt to changing circumstances without abrupt overhauls. Institutions evolve through continuous power struggles over resources, shaped by endogenous factors and strategic actor interventions (Mahoney & Thelen, 2010; March & Olsen, 2006). Incremental change and HI are not separate entities, as critical junctures establish foundational choices for incremental change that reshape power relations and create conditions for gradual, cumulative institutional transformation (Capoccia & Kelemen, 2007; Mahoney & Thelen, 2010).

The incremental change theory proposed by Mahoney and Thelen (2010) centres on institutional change driven by veto power and political contestations. A veto player, as defined by Tsebelis (2002, p. 36) "are individual or collective actors whose agreement is necessary for a change of the status quo". Mahoney and Thelen (2010) propose a typology to help explain the various patterns of gradual institutional transformation through mechanisms such as layering, drift, conversion, and displacement. In an institutional changing environment, layering occurs when new rules or practices are introduced in addition to the existing institutional structure, creating layers that reflect power distribution (Mahoney & Thelen, 2010). Institutional drift explains the situations where existing institutions become less effective due to shifts in their

environment while institutions remain formally unchanged, such as monarchical institutions (Mahoney & Thelen, 2010). In conversion, the existing rules are reinterpreted to serve new purposes (Sorensen, 2024). The veto power in these scenarios can either facilitate or hinder conversion efforts depending on the veto holders' interests (Mahoney & Thelen, 2010). Under the displacement mechanism, a new institutional arrangement replaces an existing one entirely, often necessitated by external shocks (Mahoney & Thelen, 2010). While displacement might appear to be an ideal model for policy change, the reality of policy shifts rarely adheres to this pattern (Sorensen, 2015).

HI emphasises historical context and the role of path dependency in shaping institutional arrangements to allow a richer perspective on how past choices continue to influence contemporary institutional dynamics in urban processes, leading to both continuity and change (Sorensen, 2018). The incremental change mechanisms facilitate an understanding of power distribution and gradual change in institutional evolution. Utilizing HI's explanatory power of causal mechanisms and gradual change (Mahoney & Thelen, 2010; Pierson & Skocpol, 2002), the following sections examines the emergence of urban institutions in Bhutan as a product of contestation over scarce developable land in Thimphu. It examines the broader political reforms of the country and the evolution of urban governance. The study then examines the layering of land administration arrangements and transition to democratic governance in urban LG that led to landowner veto possibilities.

Tracing Bhutan's Urban Governance through Land and Political Reforms

Overview of Bhutan and its capital, Thimphu

Bhutan has a small landmass and a small population of just 735,553. Of this population, 37.8% reside in urban areas (Population & Housing Census of Bhutan, 2017). The geographical setting of Bhutan's landscape is characterized by valleys and steep mountain ranges, and the capital Thimphu

city lies at an average altitude of 2300 meters above sea (Walcott, 2009). The settlement of Thimphu valley is stretched along the *Wang Chhu* river with limited flat land, which severely constrains infrastructure development (Bacani & Mehta, 2020; Walcott, 2009). Over 90 percent of the country's land area is under conservation and forest management, whilst only 6.59 percent constitutes agricultural land, and less than two percent accounts for human settlements or built-up areas (RGoB, 2023). This seven percent of the country's available land for socio-economic development is highly contested between agriculture, industry, and urban interests (Bacani & Mehta, 2020; MoWHS, 2008).

Governing the 26 square kilometers of municipal area, TT is central to municipal administration, facing constant calls for efficient land management and strengthened governance (Adhikari, 2020; Khamrang, 2020; World Bank, 2019). Thimphu is home to 114,550 residents and has been among South Asia's fastest-urbanizing economies in recent decades (Khamrang, 2020; World Bank, 2019). Although urbanization, and planning systems are relatively recent developments in Bhutan, emerging in the latter half of the 20th century (Walcott, 2009), the nation has made relentless efforts to catch up with the global developments (Choki Lhamu et al., 2000). Bhutan's distinctive path of urban institutional transition is rooted in its historical legacies of political structure and that land reforms have been closely tied with power distribution in the political process of state modernization (Gallenkamp, 2011; Tashi Yetsho, 2010).

Historical context: The importance of land and political reforms

The land tenure system of Bhutan during the agrarian times (before the mid-20th century) was not only a measure of wealth but also determined political influence (Tashi Yetsho, 2010). Landed elites had considerable power over those who did not own land (Tashi Yetsho, 2010). Under the theocratic state, Bhutan's human settlement in the 19th century was characterized by rural villages and hamlets governed by

political and religious heads centered at the fortified monastic complexes called *dzongs*³. Land governance resembled the quasi-feudal system of land tenure, where ten percent of the population were slaves and serfs who worked for the hereditary nobles of the community. The majority of the population were free peasants who either owned private land or rented land from aristocratic families and monasteries (Tashi Wangchuk, 2000). While slaves and serfs were answerable to their masters, free peasants had to pay in-kind and labour taxes to the government while also sharing the harvest of the rented land (Tashi Wangchuk, 2000). The deprivation of serf freedom and heavy taxes on peasantry were exercised under the control of the landed elites of a region (Tashi Wangchuk, 2000; Tashi Yetsho, 2010).

This system of land governance under the power of regional chiefs continued even after the country's political system was centralized under the monarchy in the early 20th century (see Figure 1 for historical timeline). In 1952, the Third King undertook historical land and political reforms (Karma Ura & Sonam Kinga, 2004; Tashi Yetsho, 2010). The political reform was marked by the establishment of the National Assembly system and separating the judiciary from the executive, followed by the agrarian land reforms and the abolition of serfdom (Tashi Yetsho, 2010). The land reforms included redistribution of land to former serfs alongside a fiscal shift from in-kind taxation to a cash-based system, which was relatively lower than the previous taxes (Karma Ura & Sonam Kinga, 2004). Land allocated to serfs were drawn from government-owned properties of either newly cleared forests or plots abandoned due to an inability to pay the taxes in the past. In 1958, the enactment of the *Thrimzhung Chhenmo* (Supreme Law Book) formalized a land ceiling (maximum land holding) of 10 hectares (Tashi Yetsho, 2010). The government could confiscate land exceeding the ceiling to be redistributed to the landless peasants and serfs (Karma Ura & Sonam Kinga, 2004; Tashi Yetsho, 2010). This reform initiated by the Third King

³ *Dzongs* are massive fortresses that serve as administrative centres shared by political and religious institutions.

throughout the 1950s constituted one of the critical junctures that challenged the entrenched power of local landed elites (Yetsho, 2010). It resulted in the centralization of land governance under the monarchy system (Gallenkamp, 2011; Karma Ura & Sonam Kinga, 2004). Soon after, the country began its modernization efforts.

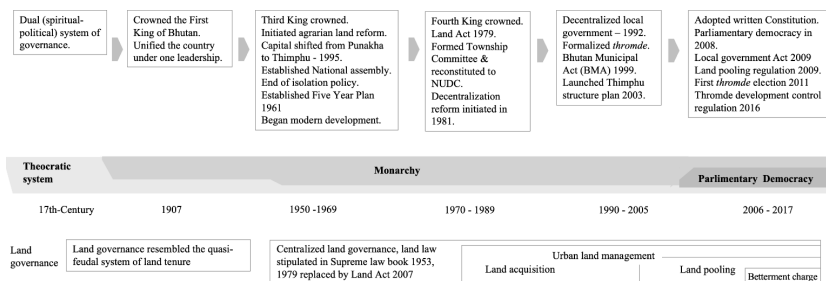


Figure 1. Historical timeline of Bhutan's critical moments pertinent to the evolution of urban institutions
Source. Author

State-led modernization in capital Thimphu

Bhutan's modernization phase, which began in the 1960s, brought significant changes to the country's political system and infrastructure development, which influenced urbanization in the capital, Thimphu (Gallenkamp, 2011; Walcott, 2009). Bhutan followed a 'policy of isolationism' during the reign of the first two monarchs. It was also during the period of upheaval in South Asia, featuring India's decolonization, the India-Pakistan partition in 1947, and China's occupation of Tibet in 1959 (Gallenkamp, 2011). Bhutan strategically aligned its political orientation with India, strengthening diplomatic relations with its southern neighbour to steer clear of Tibet's fate (Khamrang, 2020). After initiating a friendly diplomatic relationship with India, the Third King ended isolationism. With the financial and technical assistance of the Indian government, the King initiated basic infrastructure development projects such as building

roadways, adopting western health and education systems, and facilitating trade and commerce with India (Gallenkamp, 2011; Turner et al., 2011). In 1961, a new institutional and political era began with the initiation of the country's first five-year plan (FYP) (Gallenkamp, 2011; Turner et al., 2011). Thimphu's developmental initiatives through the FYP brought modern amenities and opportunities, attracting migrants from other parts of the country (Choki Lhamu et al., 2000; Turner et al., 2011; Tashi Wangchuk, 2000). Thimphu, which became the capital in 1955, grew rapidly from a scattered hamlet around the *dzong* to become Bhutan's social, economic and political hub (Walcott, 2009). The population was a few thousand in the 1960s, but quadrupled by the late 1970s, resulting in unplanned growth, housing shortages, and inadequate urban services, which drew government attention to urban intervention (Khamrang, 2020).

Urban institutions and land governance

A town planning committee comprising a few ministers and government secretaries was formed in 1974, and in 1976 a planning and architecture cell was established to guide the development of towns (MoWHS, 2015). In 1984, the planning and architecture cell was reconstituted to form the National Urban Development Corporation (NUDC)⁴, a central agency to manage and guide the growth and transformation of urban areas (Khamrang, 2020; MoWHS, 2015). A formal layout plan for TT prepared by NUDC began its implementation in 1987, then encompassing eight square kilometers area (Thimphu Thromde, 2022). In the absence of urban regulations or policies, NUDC leveraged land acquisition authority outlined in the Land Act 1979, which was based on land provisions drawn from the 1953 supreme law (Kinzang Dorji, 2014). This was significant in shaping the politics of land governance in Thimphu.

⁴ NUDC has been reorganised into different departments over the years, whereby the DHS under the MoWHS (or MoIT) currently serves as Bhutan's central planning authority (MoWHS, 2015).

Constrained by the mountainous topography with limited flat lands for urban development, Thimphu's first urban plan was implemented on the farmland acquired from local farmers (Geley Norbu, 2018; Thimphu Thromde, 2022). In accordance with land law, the acquired private land was compensated with cash or land substitution (Kinzang Dorji, 2014). The compensation rate standardized by the property assessment and valuation agency (PAVA) was notably lower than the market rate (Geley Norbu, 2013). The original landowners (the farmers) were displaced towards the periphery of the city (Walcott, 2009), while the land at the central areas of the city was sold at a higher price to business entrepreneurs to promote a commercially oriented urban development (Thimphu Thromde, 2022). Adoption of the land acquisition mechanism entrenched a self-reinforcing effect in Bhutan's urban politics, creating path dependence. It enabled the NUDC to execute urban plans without public involvement and created uniformly sized land parcels with linear service networks (road, sanitary drainage, water, energy) (Farrin et al., 2021; Geley Norbu, 2018). It also expedited infrastructure implementation. The lack of transparency in urban development, controlled by officials and elites, marginalized the displaced landowners, primarily farmers (Geley Norbu, 2018).

Walcott (2009) notes that the Bhutanese government's initiative of urban development mechanism was intended to promote economic growth and provide better opportunities for residents. Initially, this positive framing minimized landowner resistance to early land acquisition efforts. However, as displaced farmers witnessed serviced plots escalate in value due to urban infrastructure, they began voicing grievances about displacement and inadequacy of the compensation they had received, as noted in the National Assembly resolutions of the early 1990s (Kinzang Dorji, 2014). The public discontentment was also concerned with a lack of landowners' options for compensation or land substitution, as the Land Act favoured land substitution only if the acquired land was the sole property of the owner's family (Kinzang Dorji, 2014). It generated considerable criticism, leading to a growing distrust

of the government (Geley Norbu, 2018). At the same time, in the 1990s, power devolution to the local level was formalized by instituting LG and municipalities (Gallenkamp, 2011; Karma Ura & Sonam Kinga, 2004), suggesting the influence of public discontentment on urban institutions. Rather than a large-scale critical juncture, this was incremental change produced by public feedback.

Towards decentralized urban governance

In 1981, the Fourth King advanced decentralization by establishing district development committees to devolve power to LG's (Gallenkamp, 2011). Subsequently, the districts were subdivided into village blocks and thromdes as separate LG entities (Gallenkamp, 2011; Karma Ura & Sonam Kinga, 2004). The thromde council was chaired by a senior public official appointed by the government, while the council members comprised of elected representatives (Adhikari, 2020). With the support from NUDC, the thromde lobbied for a statutory base to ease addressing urban challenges amidst the increasing internal migration, illegal construction and to facilitate negotiation on urban expansion (Kuensel, 1999). The enactment of the Bhutan Municipal Act (BMA) in 1999 marked a pivotal shift in urban governance by formally institutionalising municipal government authorities (MoWHS, 2008).

The BMA instituted a statutory framework for thromde governance and empowered thromdes with administrative and rule-making authority. However, BMA was limited in scope, applying only to the two major cities—Thimphu and Phuntsholing, a trade city bordering India (MoWHS, 2008). Its limitations included endorsement of the government-appointed mayor, continuing the unpopular land acquisition mechanism for urban land development, and the absence of thromde classifications. These caused its repeal, and it was replaced by Thromde Act 2007 (MoWHS, 2008). Although the Thromde Act addressed the gaps of the BMA, it was again displaced with the enactment of the Local Government Act 2009. The change this time resulted from significant juncture in Bhutan's political

history, as the country adopted its first written Constitution and the subsequent transition to a democratic constitutional monarchy in 2008 (Gallenkamp, 2011; Khamrang, 2020).

Policy layering in thromde governance through land & democratic reforms

Incremental change in land governance

Since the initiation of the FYP, Thimphu has been urbanizing rapidly, and to accommodate the growing population, the thromde boundary was extended from 8 to 26 square kilometers after the enactment of BMA (MoWHS, 2008). Currently, TT is home to more than a hundred thousand residents, of which only 10.6% own landed property, and 62% live in privately rented accommodation, while the rest live in government housing, temporary shelters, and squatters (Population & Housing Census of Bhutan, 2017; Bajaj, 2004). To manage the unplanned development in the newly extended municipal boundary, the Bhutan government engaged an Indian consulting firm in 2001 to develop the TSP (Bajaj, 2014; Walcott, 2009). Due to public resistance and dissatisfaction with the land acquisition mechanism, TSP set a new direction for thromde land development that fostered participation and greater equity, in contrast to the prior method, which displaced farmers (MoWHS, 2008; Geley Norbu, 2013, 2018). The TSP divided the thromde into several local area plans, which the thromde had to implement using the LP approach, replacing the old land acquisition mechanism (MoWHS, 2008, 2018). Figure 2 illustrates the locational map of the TT, highlighting the 22 local area plans. In contrast to the conventional land acquisition method of acquiring land at a below-market price, the LP approach requires the consent of at least two-thirds majority of affected landowners, after which each landowner contributes up to one-third of their land (not more than 30%) (Farrin et al., 2021; Geley Norbu, 2018).

The thromde prioritized implementing LP in Thimphu to foster equity and restore public trust (MoWHS, 2008; Geley Norbu, 2018). In the absence of formal LP regulations, the thromde

adopted a consensus-building approach, achieving 80% landowner approval through 19 open-house discussions (Geley Norbu, 2018). In 2003, the Cabinet approved the LP mechanism based landowner consensus, even without a formal regulatory framework (Farrin et al., 2021; MoWHS, 2008). Moreover, a window of opportunity emerged as the Asian Development Bank (ADB) and the World Bank expressed willingness to invest in urban infrastructure development, provided that LP is legally formalized and social impact assessment is conducted for every local area plan (Bacani & Mehta, 2020; Bajaj, 2014). Although investment support from the ADB was secured only after the LG Act of 2009, TT piloted the Chanzamtog local area plan in 2007 with landowners' consent (Bajaj, 2014, MoWHS, 2018). Farrin et al., (2021) and, Bacani and Mehta's (2020) assessments on LP implementation in TT illustrate that land value increased by 36 percent after infrastructure development, largely due to the increasing resident population and enhanced urban infrastructure. The LP Regulation was approved in 2009 following Bhutan's democratic transition (MoWHS, 2018).

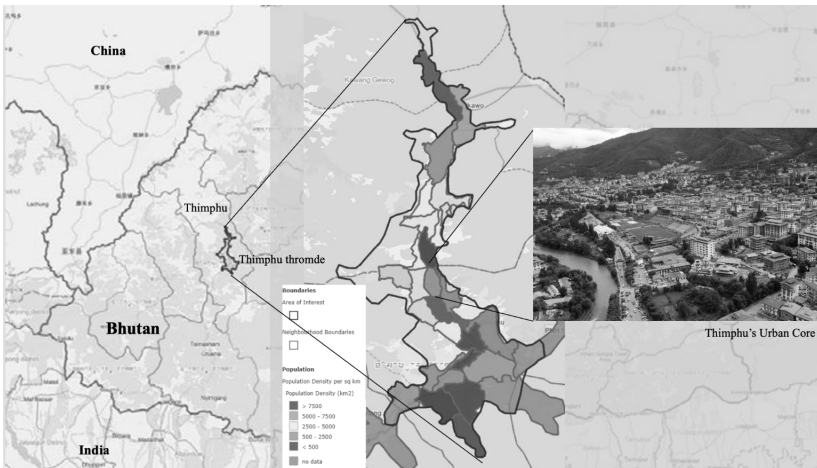


Figure 2. Thimphu location, 22 LAPs within the TSP boundary, and image of the central urban area

Source. Images from: GNH within the Doughnut, TSP (ARUP webpage). Image layered upon by the author.

This shift in Bhutan's urban land governance highlights how the historical legacy of traditional land systems limits radical change yet opens up pathways for gradual change when windows of opportunity arise (Bajaj, 2014; Sorensen, 2011b). The transition of land development mechanisms from land acquisition to LP in thromde governance highlights Mahoney & Thelen's (2010) typology of incremental change through institutional drift and layering. Here, the Land Act, under the purview of the National Land Commission (NLC), a part of the supreme law of Bhutan that oversees all matters related to land, has become less effective in urban land governance (Kinzang Dorji, 2014). Although the NLC is still the central authority of the country's land administration, and serves as a major stakeholder of the thromde, its authority over the one percent of the land under urban settlement has diminished (Bajaj, 2014; Kinzang Dorji, 2014). However, the land acquisition provisions are not completely nullified, as both the LP regulation and LG Act authorize the thromde to acquire private land contingent upon necessity. This reveals the nature of power redistribution inherent in policy layering. The institutional legacy of land acquisition persisted in residual form, leaving the potential for central power to reassert itself through what Mahoney (2000, p. 509) calls "reactive sequences" of power reconsolidation. Most notably, the LP regulation as an additional policy to the LG Act creates a layer in thromde governance, particularly in accentuating landowner participation (Bacani & Mehta, 2020).

Participatory approach through LP regulation

The LP regulation, introduced along the provisions in the LG Act 2009, promoted participatory governance, but favored landowners' participation. This raises concerns about equity and inclusivity (MoWHS, 2016; Ugyen M. Tenzin, 2020). Thromde participatory approach is primarily directed at landowners, from whom it needs to obtain two-thirds of public consent for urban plan implementation through the LP mechanism (Geley Norbu, 2018). It has effectively sidelined urban residents who do not own landed property (Adhikari, 2020; Ugyen M. Tenzin, 2020). Since the majority of thromde

population comprises rental residents and the growing population contributes to the rising land values, the neglect of the majority voice raises inclusivity concerns for Thimphu's urban governance (Bacani & Mehta, 2020; Khamrang, 2020). Another concern of the thromde participatory approach is that it operates more as a procedural requirement to document landowners' consent rather than as a meaningful platform for dialogue and co-creation (Ugyen M. Tenzin, 2020). As such, the engagements reflected a model of tokenistic consultations rather than genuine engagement or participation, undermining the potential for broader democratic involvement in urban processes (MoWHS, 2016; World Bank, 2019).

Democratic transition institutionalising propertied voting regime

Thus far, this paper focused on the gradual shift in urban land development mechanisms, emphasising the role of thromde landowners who were previously marginalized when land was developed through the land acquisition mechanism. Through LP, landowners acquired veto power regarding urban land development. This section delves into how the country's democratic transition layered the thromde participatory approach and perpetuated landowners' veto power. Bhutan's transition towards democracy in 2008 instituted the thromde electoral system, specified through the LG Act of 2009 and the Election Act 2008 (Khamrang, 2020; Ugyen Penjore, 2018). Bhutan's municipal voting rights, as per the election policies, are tied to civil registration and household ownership of landed property within the constituency (Nirola, 2022). Consequently, even long-term residents of a thromde, despite being citizens and owning property elsewhere in the country, are nonetheless excluded from registering as thromde residents if they do not own landed property within the thromde itself (Nirola, 2022; Ugyen Penjore, 2018). Thus, the electoral system enfranchised only those landowners within the thromde, operating as de facto landed suffrage. This has sparked equity concerns, since the core principles of decentralized governance as per the Constitution of Bhutan are to enable public participation in the developmental process. The last three thromde elections have

clearly reflected under-representation in the thromde election (Ugyen Penjore, 2018; Ugyen M. Tenzin, 2020). Bhutan experienced its first mayoral election in 2011 and subsequent elections were held every five years. TT's electoral outcomes are shaped by the participation of only about five percent of its population, prompting criticism that the mayor predominantly represents the interests of the landed elite (Ugyen Penjore, 2018; Ugyen M. Tenzin, 2020).

Ugyen M. (2020) contends that sustained efforts to enhance voter registration and turnout are crucial for ensuring proper representation and holding elected leaders accountable. Since the democratic strength lies with its citizens (Myers, 2014), the absence of electoral competition and oligarchical selection of the mayor in Thimphu, as per Ugyen Penjore (2018), weakens the pluralist model's core principle of a strong, independent council representing diverse urban interests. The prioritization of landowner participation in the land development process and enfranchisement collectively entrenched landowners' veto power.

Veto power and institutional layering

Despite the supposed collective consensus for the LP framework and increasing land value post urban development, a consistent gap between landowner rhetoric and action is evident, resulting in policy shifts through layering. Powerful landowners in Thimphu lobbied against higher land contribution ratio by exerting pressure on elected officials to reduce LP ratio (Adhikari, 2020; Bajaj, 2014; MoWHS, 2018). Owners of extensive or multiple landholdings are especially disadvantaged by the land contribution mechanism, which is determined by the ratio of total land ownership (Bajaj, 2014). This effect is exacerbated by the substantial appreciation of land values in Thimphu since the implementation of the TSP and with increasing migrant residents (Bacani & Mehta, 2020; Khamrang, 2020; MoWHS, 2018).

Although the land contribution ratio was not changed, the strategic use of policy layering facilitated incremental modification with the adoption of Thromde Development Control Regulation in 2016 by the TT council. This regulation incorporated betterment charges to be applied where LP contributions were impractical, such as for fully developed areas (Thimphu Thromde Development Control Regulation, 2016). It enabled landowners to pay land compensation based on government rates, which are typically below market value (Geley Norbu, 2018). Consequently, landowners utilized various strategies, such as building boundary walls or small religious structures or leveraging their social standing and networks, to secure case-specific exceptions to contributing land (Bajaj, 2014). While not outright corruption, these exceptions exist in a pervasive form of favoritism, often formalized through specific case approvals or amendments by the *thromde* council (Adhikari, 2020; Bajaj, 2014).

Thimphu's unrealised aspiration of becoming a dream city, according to the critics, can be attributed to the TSP's disconnect from social realities, power disparity between the landowners and rental residents, and inadequate political will (Adhikari, 2020; Bajaj, 2014; Khamrang, 2020). In addition to these critics, this study argued that the process of incremental layering and drifting in Bhutan's urban institutional evolution driven by landowner rhetoric and action on land governance has entrenched the deviation in TSP implementation and contemporary participatory issues, undermining social equity, inclusivity, and accountability. It raises a critical question on the equality and inclusivity of the majority thromde residents, a concern that aligns with criticisms regarding the housing unaffordability and the erosion of public open spaces in Thimphu (Adhikari, 2020; Bacani & Mehta, 2020; Khamrang, 2020). Bhutanese urbanists such as Adhikari, Ugyen M., and Geley Norbu (2020; 2020; 2018) contend that the deviations in TSP implementation cannot be effectively addressed in the absence of comprehensive planning legislation. They emphasise the need for the enactment of a Spatial Planning Bill, which has remained pending in the Parliament since 2019.

Whether the bill will serve as a transformative turning point, or merely represent another instance of a “near miss” (Capoccia & Kelemen, 2007) in Bhutan’s urban evolution remains a critical issue.

Discussion

In response to the first research question on how the shifting political dynamics and historical legacies of land governance of Bhutan affect the urban institutional arrangements over time, this study argues that the legacies of land governance and political reforms of centralization to gradual change towards decentralization have collectively shaped Bhutan’s urban institutions and urban land governance in the late 20th century (Khamrang, 2020; Geley Norbu, 2013; Walcott, 2009). HI suggests that significant changes typically occur during critical junctures or as reactive sequences of causal links of antecedent conditions leading to entrenched institutional pathways that evolve through gradual change (Capoccia & Kelemen, 2007; Mahoney & Thelen, 2010; Pierson, 2000). This intricate interplay is evident in Bhutan’s urban institutional evolution, with the dynamic of land scarcity having a major path-shaping effect. The narrative suggests that the country’s political shift of power centralization through land reforms of the early 1950s forms a significant juncture for the country’s land governance. The urban governance system institutionalised the central authority to acquire private land when *thromdes* were established in the 1990s. It also reveals how the centralization of power away from local landowners shaped urban processes, as Thimphu’s urban growth emerged from state-led initiatives after the inception of the first FYP (Dawa Wangchuk & Turner, 2019).

Thimphu’s first urban plan implementation through the land acquisition mechanism resulted in unfair treatment of the farm landowners that sparked social resistance, with local representatives voicing grievances in national assembly discussions (Kinzang Dorji, 2014; Geley Norbu, 2018). Yet, the land acquisition authority was upheld when municipal governance was instituted in the late 20th century, as it

generated a positive feedback effect to implement urban plans without public engagement (Farrin et al., 2021; Geley Norbu, 2018), thereby reinforcing the power of the bureaucracy and political elites. It suggests that a vested interest existed in preserving the existing land acquisition mechanisms in urban development despite their unpopularity. However, in the early 21st century, the municipal effort to secure financial aid from international banks prompted a shift toward a more equitable and inclusive urban land development approach.

Mahoney and Thelen (2010) argue that institutions are dynamic rather than static, evolving continuously through ongoing negotiation among actors who seek to protect and advance their interests. In tracing the sequences of events and policy changes of TT, Bhutan's democratic transition and the layering of LP highlights the patterns and logics of incremental policy change and continuity in urban land management and community engagement. The institutional drift and layering of LP regulation not only enhanced thomde authority by shifting its reliance from the centralized land laws but also restored public trust through a participatory approach without radical transformations. Although the LP participatory approach was merely to secure landowner consent on land contribution ratio, it laid the foundation for introducing a participatory approach in the thomde governance more generally. Furthermore, the critical juncture of the democratic transition institutionalised the thomde electoral process (Ugyen Penjore, 2018), thereby strengthening the urban participatory approach. However, the reality of de facto landed suffrage further consolidated landowners' political influence to maximise their landed property value (Adhikari, 2020; Bajaj, 2014). The exercise of landowners' veto power and rule exception in the interest of maximizing landed property value in Thimphu consequently led to deviations from the original vision of the structure plan, resulting in a lack of public open spaces and rising housing unaffordability (Bajaj, 2014; Khamrang, 2020). Bhutan's contemporary thomde governance, shaped by the dual processes of policy layering and institutional drift of centrally determined policy is consistently criticized for the perceived

deficiencies in equity, inclusivity, and accountability (Khamrang, 2020; Ugyen Penjore, 2018; Ugyen M. Tenzin, 2020; World Bank, 2019).

Conclusion

This paper investigated the evolution of Bhutan's urban governance in conjunction with its urban land development system by examining the historical legacies of land reforms and critical junctures in the country's political landscape and, by doing so, revealed the changing dynamics of power relations in urban governance. Bhutan's urban institutions have *undergone a profound transformation, a process best understood through the lens of HI. The path dependence produced by the scarcity of land and centralization of authority was punctuated by critical junctures of political transition and subject to gradual institutional changes.* These shifts, through incremental layering, have gradually altered *the trajectory of urban governance over time. Despite the effort to transform,* vestiges of the old system endure, continuing to generate recurring challenges confronting urban governance.

Through the theoretical framework of HI, the concepts of path dependence and incrementalism enabled the study to trace the layered and often politically contested nature of urban institutions (Sorensen, 2015). The approach sought to analyse reforms and outcomes from the perspective that institutional choices made during critical junctures are not purely random but are shaped by the history and outcomes of previous policy responses (Mahoney, 2000). The layering of LP mechanisms facilitated incremental adaptation of urban institutions, enabling co-evolution with broader sociopolitical dynamics, revealing the blend of continuity and change.

The exogenous factor of Bhutan's early 20th century monarchical and pre-monarchical legacy, which endures even under today's constitutional monarchy, was instrumental in the development of its urban institutions and its land governance mechanism (Gallenkamp, 2011; Turner et al., 2011). Following the critical juncture of monarchical

consolidation, the land reforms of the 1950s played a crucial role in centralizing power within the monarchy (Karma Ura & Sonam Kinga, 2004; Tashi Yetsho, 2010). Bhutan's first FYP in 1961 initiated modernization and Thimphu's emergence as the national hub, with planned urban development relying on land acquisition powers established under the Land Act 1979. Despite equity concerns and *public resistance to land acquisition*, *Bhutan's urban institutions retain these land expropriation powers within the LG Act*. Although infrequently exercised in urban land development in recent decades, eminent domain continues to exist and will likely persist as an institutionalised feature of urban governance.

Mahoney and Thelen (2010) contend that incremental changes are either blocked or altered by the veto actors who leverage their positions or exploit ambiguities to protect or advance their interests (Mahoney and Thelen, 2010). In the context of Thimphu, thromde governance remains constrained within the framework of centrally-determined bylaws and regulations, illustrating the enduring legacy of centralized control despite the decentralization and democratic reforms of the late 20th and early 21st century. Since institutions are constantly evolving through ongoing power struggles over resource distribution (Mahoney & Thelen, 2010; March & Olsen, 2006), particularly the cities, often with reactive reforms addressing urgent demands (Sorensen, 2015), the layering of LP regulations in Bhutan's urban land development process reflects the gradual change punctuated by public discontent and financial support from the international banks. This layering not only led to urban institutional drift that allowed thromde governance authority over urban land management practices but also empowered landowners with formal channels of participation. Although the participatory approach was merely to secure landowner consent on LP, it nevertheless institutionalised their voice in the urban processes.

Furthermore, the critical juncture of the democratic transition in 2008 institutionalised thromde electoral process, thereby

strengthening the participatory approach in urban governance. However, the electoral system's de facto landed suffrage disproportionately amplified landowners while marginalizing the majority of rental residents. *The institutional privilege of landowner participation in land governance, buttressed by landed suffrage, entrenched landowners' veto power in thromde governance.* Thimphu's veto landowners have strategically exploited regulatory ambiguities often through layering and rule exception to maximize their landed property value (Bajaj, 2014). A pattern empirically validating Mahoney and Thelen's (2010, p. 19) argument that "when veto possibilities are high, change agents will work within existing rules, leading to layering or conversion rather than overt replacement". Although LP was *initially considered a viable alternative to land acquisition*, landowning elites strategically pressured thromde representatives to challenge the high land contribution ratios in the LP scheme, despite the rising land value post-LP infrastructure development. The discrepancy between landowner rhetoric and action in Thimphu's land governance parallels historical patterns observed during land acquisition debates, revealing enduring tensions in Bhutan's urban development paradigm.

The paper reveals that urban land governance in Bhutan is a contested domain, that is *shaped by, and reciprocally shapes political and social dynamics*. It highlights that land administration is crucial for equity, sustainability, and public trust in the governance system (Geley Norbu, 2013; Ugyen M. Tenzin, 2020). Landowners in Thimphu, often leveraging social capital and electoral influence, exercise veto power to secure policy exceptions and influence policy layering that prioritizes property value maximization (Bajaj, 2014; Khamrang, 2020; Ugyen Penjore, 2018). This influence is said to have distorted the implementation of the TSP from its original vision and exacerbated inequities (Bajaj, 2014; Khamrang, 2020). The outcomes of shrinking public open spaces, rising housing unaffordability, and participatory gaps raise urgent questions about social equity, inclusivity, and accountability in thromde governance (Adhikari, 2020; Khamrang, 2020; Ugyen M.

Tenzin, 2020; World Bank, 2019). While Thimphu thromde operates within centrally defined regulatory frameworks, thromde councils retain rule-making authority that could, in theory, foster an inclusive participatory approach, a potential that remains unrealised in practice.

Limitations and recommendations for further research

A primary limitation was the study's reliance on desk-based methodology and, therefore, was unable to incorporate potentially illuminating stakeholder perspectives through interviews. A qualitative interview with stakeholders such as the Thimphu thromde, DHS under MoIT, and the NLC would have provided more depth to the analysis. Moreover, interviews of the landowners of their perceptions, opinions, and historical experiences would have provided richer dimensions to the study. *The findings of this study provide a foundational framework for future research to pursue systematic comparisons, particularly of land governance systems and participatory practices in urban contexts comparable to Thimphu thromde, either with other thromdes in Bhutan or with analogous urban governance cases internationally.*

The thromdes in Bhutan are constitutionally enshrined and safeguarded under the LG Act for administrative purposes, and the land development practices are guided by the LP regulations. However, the country does not have an integrated city development/planning law. Bhutanese urbanists (Adhikari, 2020; Geley Norbu, 2013; Ugyen M. Tenzin, 2020) contend that addressing present challenges and issues in the thromde and the deviations in Thimphu's plan implementation, requires comprehensive planning legislation, particularly the long-pending Spatial Planning Bill to guide urban reforms. Whether this legislation will produce transformative urban institutional change or become another missed opportunity remains an empirically open question, warranting systematic analysis through policy analysis and impact evaluation.

Lastly, the prevailing thromde electoral system, by virtue of its connection to civil registration and constitutional mandates, functions as landed suffrage, and there are historical reasons for this that make challenging this power asymmetry difficult. A key policy challenge remains in expanding political participation. Future research could explore avenues for reform that both meaningfully empower the majority urban population while upholding constitutional legitimacy.

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