


**United Nations
Development Assistance Framework
for the Kingdom of Bhutan
2008-2012**

**Thimphu
June 2007**

Signature Page

The UN System in partnership with the Royal Government of Bhutan and other stakeholders have developed the United Nations Development Assistance Framework. Consistent with the guiding principles of Gross National Happiness, the UNDAF will support Bhutan's national priorities and the pursuit of the Millennium Development Goals and uphold the Millennium Declaration.

The collective goal of the UN Country Team is to assist the Royal Government in its efforts to promote a better, safer and more secure life for all its citizens. In this spirit, the UNDAF for Bhutan for the period 2008-2012 is being hereby jointly signed.



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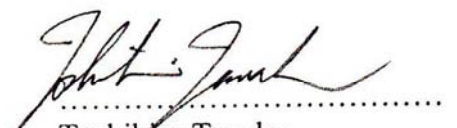
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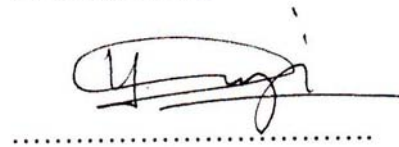
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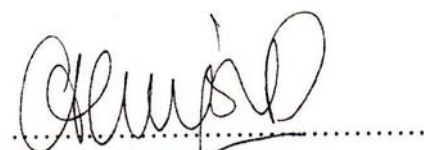
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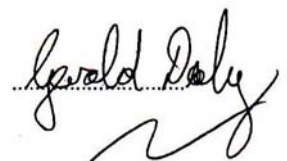
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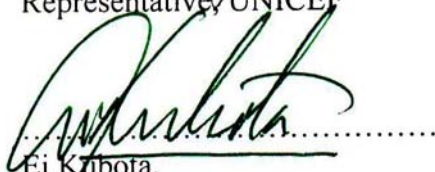
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Abbreviations and Acronyms

ACC	Anti-Corruption Commission
AIDS	Acquired Immune Deficiency Syndrome
BDFC	Bhutan Development Finance Corporation
BICMA	Bhutan Infocomm and Media Authority
CCA	Common Country Assessment
CSO	Civil Society Organisation
DOTS	Directly Observed Treatment Short Course
DYT	Dzongkhag Yargye Tsogdu (District Development Committee)
EC	Election Commission of Bhutan
FAO	Food and Agriculture Organisation
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GYT	Gewog Yargye Tsogchung (Block Development Committee)
IFAD	International Fund for Agriculture Development
JICA	Japan International Cooperation Agency
MDG	Millennium Development Goal
MEA	Multilateral Environment Agreement
MOA	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MOH	Ministry of Health
MOHCA	Ministry of Home and Cultural Affairs
MOIC	Ministry of Information and Communication
MOLHR	Ministry of Labour and Human Resources
MTI	Ministry of Trade and Industry
MOWHS	Ministry of Works and Human Settlement
MSME	Micro, Small and Medium Enterprises
MSTF	Multi Sectoral Task Force
NA	National Assembly
NEC	National Environment Commission
NSB	National Statistical Bureau
NCWC	National Commission for Women and Children
OAG	Office of Attorney General
PC	Planning Commission
PTA	Parent Teacher Association
RAA	Royal Audit Authority
RBM	Results Based Management
RBP	Royal Bhutan Police
RENEW	Respect Nurture and Empower Women
RGoB	Royal Government of Bhutan
RUB	Royal University of Bhutan
SCF	Save the Children Fund
SNV	Netherlands Development Organisation
SQCA	Standards and Quality Control Authority
STI	Sexually Transmitted Infection(s)
TB	Tuberculosis
YDF	Youth Development Fund
UNCT	United Nations Country Team
UNDMT	United Nations Disaster Management Team
UNDP	United Nations Development Programme
UNESCAP	UN Economic and Social Commission for Asia and the Pacific
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
WFP	World Food Programme

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Executive Summary

The United Nations Development Assistance Framework for Bhutan (2008-2012) provides a collective, coherent and integrated UN response to national needs and priorities and is consistent with Bhutan's overall development vision articulated by Gross National Happiness. The UNDAF formulated through a highly consultative and participatory process with the RGoB and other stakeholders embodies a rights based and results driven development approach aimed at poverty reduction and pursuit of the MDGs.

The implementation of the UNDAF comes at a critical period in Bhutan's history with the adoption of the Constitution in 2008. The political transformation to a parliamentary democracy will bring about fundamental changes to the system of governance along with a far reaching impact on social, economic and political dynamics. It is therefore, imperative for the UN System to ensure that the challenges facing the country are adequately supported to sustain the development momentum and ensure a smooth political transition.

Based on the economic, social and political challenges identified in the CCA, the Bhutan MDG Progress Report 2005 and the national priorities envisaged in the current Tenth Plan Guidelines, the RGoB and the UN agencies and other partners identified five priority areas to be addressed in the forthcoming UNDAF cycle. The UNDAF outcomes given below reflect a set of concrete outcomes suited to the comparative advantage and capacities of the United Nations agencies in supporting the national priorities.

National Priority	UNDAF Outcome
To halve poverty by 2013	By 2012, opportunities for generation of income and employment increased in targeted poor areas. (MDG 1, 8)
To improve accessibility, quality and sustainability of health care delivery system	By 2012, increased access and utilization of quality health services with emphasis on reproductive health, maternal and child health and nutrition, HIV/AIDS, TB, malaria and non-communicable diseases. (MDG 4,5,6)
To improve quality, relevance and coverage of education	By 2012, access to quality education for all with gender equality and special focus on the hard-to-reach population improved. (MDG 2,3)
To foster good governance as a core value for development	By 2012, institutional capacity and people's participation strengthened to ensure good governance. (MD & MDG 1,3,8)
To enhance environmental sustainability and disaster management	By 2012, national capacity for environmental sustainability and disaster management strengthened (MDG 7)

The UN System has set a resource mobilization target at about USD 70.24 million in grants for achievement of the UNDAF Outcomes. The UNDAF will be implemented through government approved country cooperation mechanism. Work among UN agencies will be coordinated in relevant UN theme group based on UNDAF Outcomes. The harmonised programme cycle of individual UN agencies will facilitate effective individual and joint programming and joint monitoring and evaluation.

The UNDAF was developed in keeping with current national development priorities and parallel with the MDG Needs Assessment and Costing Exercise. Pending the finalisation of the Tenth Plan the need for flexibility in the UNDAF is important to ensure close alignment with the plan. After the Tenth Plan is finalized, both the approach and the strategies of the UNDAF will be adjusted to reflect the priorities of the Tenth Plan.

I. Introduction

The United Nations Development Assistance Framework is an essential component of the UN programme for reform introduced by the Secretary General in 1997. As a strategic planning framework for UN development operations and assistance at the country level it provides a basis for increased collaboration, coherence and effectiveness of UN development cooperation activities. The UNDAF is also a policy dialogue instrument to facilitate the development of partnerships among UN agencies and between the UN, the RGoB, other stakeholders as well as donor agencies.

The second UNDAF for Bhutan (2008-2012) is critical to keep Bhutan on track to meet the MDGs and also coincides with the implementation of the Tenth Plan (2008-2013). The UN Country Team in Bhutan published the Common Country Assessment in August 2006. The CCA provides a shared analytical perspective of the UN System on the development situation in Bhutan. Using the MDGs as a frame, the CCA highlights the successes and the challenges the country faces in political, social, environmental and economic areas.

The UNDAF Strategic Planning Workshop was held from 30th – 31st August 2006 in Thimphu. The participants at the workshop included representatives of the UN agencies, RGoB officials, NGOs and some donor partners. Through a highly consultative and participatory approach the workshop identified priority areas for UN assistance based on the commonalities that emerged among the MDGs, the CCA, the national priorities envisaged in the current Tenth Plan Guidelines and other emerging priorities of the RGoB. The participants identified Poverty Reduction; Health; Education; Good Governance; and Environment and Disaster Management as priority areas for UN assistance. Gender; ICT; and evidence-based planning and decision making were identified as cross cutting issues. Emphasis was given to identify areas of cooperation where the UN had comparative advantage which includes: continued commitment by UN to work with the RGoB; lead role in MDGs; access to international experience to address development issues based on agency mandates, resources and other competencies including the potential for synergies. Central to the strategic framework reflected in the UNDAF are human rights based approach and efforts aimed at gender mainstreaming and reaching the unreached.

Based on currently identified priority areas, five UNDAF working groups were established with representatives from the UN agencies and the RGoB and other stakeholders. The Working Groups focused on refining UNDAF outcomes, identifying relevant and realistic outputs and developing the M&E matrix. The UNDAF was developed in keeping with the current national development priorities and the MDG Needs Assessment and Costing Exercise. Pending the finalisation of the Tenth Plan the need for flexibility in the UNDAF is important to ensure close alignment with the plan. After the Tenth Plan is finalised, both the approach and the strategies of the UNDAF will be adjusted to reflect the Tenth Plan priorities. Hence the Bhutan UNDAF is a living document which will be reviewed and updated as part of a regular annual M&E process. The UNCT benefited immensely from the highly participatory and productive discussions with the RGoB and other stakeholders in the formulation of the UNDAF.

II. UNDAF Results

Bhutan's current development strategy is focused on poverty reduction and pursuit of MDGs as major development priorities. These priorities reflect the guiding principle of Gross National Happiness and are consistent with Bhutan's international commitment to the Millennium Declaration and in achieving the MDGs and SAARC Development Goals.

The national priorities to be addressed and the development outcomes to be achieved by the UN Country Team in the Bhutan UNDAF (2008-2012) are briefly described below. The results matrix is given in Annex 1.

UNDAF OUTCOME ONE:

By 2012, opportunities for generation of income and employment increased in targeted poor areas. (MDGs 1, 8)

Although Bhutan has made significant socio-economic progress, about 31.7% (2003) of the population, mainly in the rural areas, continue to live below the poverty line. The lack of economic opportunities and low farm productivity has been identified, amongst others, as important causes of income poverty. In supporting the overall development objective of the RGoB towards poverty reduction, the UN System in Bhutan will focus on enhancing food security and improving opportunities for generation of income and employment in targeted poor areas.

To improve rural livelihoods, the UN will provide support to improve access to social and economic services as well as access to information and markets. Achieving food security among small holder farmers and other vulnerable groups is vital to overcome poverty and contribute to achievement of other MDGs. Agricultural productivity will be improved with introduction of new technologies and farming practises, pest control and better post harvest management practices.

Employment generation for youth, particularly in rural areas constitutes a vital condition to address poverty and ensure balanced and equitable development. Due to various economic and structural constraints, the private sector has shown limited growth and formal sector employment opportunities are limited. The UN will work closely with the government, CSOs and the private sector to help improve the overall policy environment to promote private sector development. Income generation and employment opportunities will be supported through promotion of cottage, small and medium enterprises that is gender sensitive and youth oriented. To realise tangible benefits from integration into the global economy, capacity building for trade negotiations and export promotion will also be supported. The UN will support the RGoB to implement results based policy, plans and programmes geared towards poverty reduction and attainment of the MDGs and other national priorities. The UN will also support the RGoB to operationalize the national M&E system for monitoring the MDGs and other national goals.

The following are the five Country Team Outcomes:

CT Outcome 1: Access to socio-economic services, markets and information improved for smallholder and marginal farmers in targeted rural areas.

CT Outcome 2: Food security among small holder farmers and other vulnerable groups in targeted rural areas enhanced.

CT Outcome 3: Capacity of the RGoB strengthened to formulate policy framework for private sector development to respond to economic constraints and vulnerabilities with focus on employment generation and pro-poor growth.

CT Outcome 4: New Micro and SMEs and jobs created with emphasis on women and youth

CT Outcome 5: Enhanced capacity of public sector to implement results based policy, plan and program development especially for MDG and poverty reduction.

UNDAF OUTCOME TWO:

Increased access and utilization of quality health services with emphasis on reproductive health, maternal and child health and nutrition, HIV/AIDS, TB, malaria and other non-communicable diseases. (MDGs 4,5,6)

The RGoB has succeeded in expanding national health coverage significantly and made considerable progress towards achieving the MDG of reducing child and maternal mortality. However, maternal mortality rates remain on the higher side. HIV/AIDS prevalence is relatively low and Bhutan has the opportunity to avert a full blown epidemic. Tuberculosis remains a major public health concern in Bhutan and number of cases and deaths from malaria appear to be declining. However, challenges remain in providing quality services particularly to the hard-to-reach population. Utilization of health care services is affected by lack of awareness of available services and knowledge of prevention and care indicating the need to address demand side intervention. There is also a need to enhance knowledge of infectious diseases among the general population and also provide necessary skills and access to basic prevention services including safe water and sanitation.

As contribution to the national goal to improve accessibility, quality and sustainability of health care delivery system, UN System will support capacity building of RGoB to formulate and implement evidence based policies and strategies to create an enabling environment to address the above health related challenges. Capacity building of health personnel to deliver quality services will also be supported. Further the UN will also assist in enhancing the capacity of key government agencies to prepare for and respond to public health emergencies. The UN will also work with the government to respond to prevention, care and treatment of HIV/AIDS and STI through existing multi-sectoral mechanisms at national and local levels. The UN will also assist the RGoB to enhance community partnerships through involvement of community organisations and other relevant partners to promote health related behavioural change interventions.

The following are the four Country Team Outcomes:

CT Outcome 1: Capacity of RGoB to formulate and implement evidence-based policies and strategies that create an enabling environment for reproductive health, maternal and child health and nutrition, STI, HIV/AIDS, TB and malaria programmes strengthened.

CT Outcome 2: Capacity of RGoB strengthened to increase access to and delivery of quality health services for all including reproductive health, maternal and child health and nutrition, TB, malaria and other non-communicable diseases.

CT Outcome 3: Capacity of government to respond to prevention, care and treatment of HIV/AIDS and STI through multi-sectoral approach strengthened.

CT Outcome 4: RGoB and community partnerships enhanced to promote utilisation of health services.

UNDAF OUTCOME THREE:

By 2012, access to quality education for all with gender equality and special focus on the hard-to-reach population improved. (MDGs 2, 3)

Since lack of education is recognised as both a cause and consequence of poverty, concerted efforts are needed to provide access to quality education. Quality and relevance of education is also important for developing human capital which is vital for economic development. While Bhutan is on track towards achieving the second MDG of universal primary education by 2015, disparities in enrolment and other indicators continue to exist between rural and urban areas. The challenges include improving the quality of education, enhancing access upto basic education level (class X) including the hard-to-reach population and achieving gender parity at all levels. Among others, the school feeding program is seen as vital in further closing disparities in enrolment and enhancing access to the children, especially the girls, from the hard to reach section of the population.

The UN will support the RGoB to strengthen capacity of stakeholders to deliver quality education, enhance national capacity to revise and implement the education curricula. Support will also be provided to enhance capacity of stakeholders to deliver non formal education for adults and young people. Capacity will also be enhanced to support child friendly schools and address requirements of children with special needs. School support system and monitoring mechanism will also be strengthened at national and local levels with the provision of necessary support from the UN. In order to enhance enrolment and reduce drop out rates, especially of girls, school feeding and feeding infrastructure and water and sanitation facilities will be provided in selected primary and secondary schools. The promotion of health, hygiene and nutrition education in schools will also be supported. In view of the young demographic structure of the country, the UN will support the RGoB in strengthening the national capacity to address the emerging challenges faced by the young people. The national capacity building will focus on enhancing capacity of key partners to promote healthy and positive behaviour; and building of capacity of relevant partners to provide a supportive, preventive and participative environment for young people.

The following are the four Country Team Outcomes:

CT Outcome 1: Improved quality of education delivered by relevant stakeholders.

CT Outcome 2: National capacity to revise and implement the educational curricula enhanced.

CT Outcome 3: School enrolment, particularly for girls, increased through improved facilities, school feeding and targeted advocacy.

CT Outcome 4: National capacity strengthened to address the emerging challenges faced by young people.

UNDAF OUTCOME FOUR:

By 2012, institutional capacity and people's participation strengthened to ensure good governance. (MDGs 1, 3, 8)

Bhutan has made significant strides towards further promoting a system of governance that is responsive and accountable to the people through series of political reforms aimed at decentralization and democratization. The country will undergo a major political transition with the adoption of the Constitution in 2008. This is expected to bring about fundamental changes in the governance system and will invariably pose numerous challenges including the need to enhance people's participation and establishment of new systems and institutions needed to support good and effective governance.

The UN will also support the RGoB and other stakeholders to strengthen transparency, efficiency, effectiveness, participation and accountability at all levels. The foundation of parliamentary democracy is free and fair elections. The UN System will support capacity development of all the relevant agencies at the national and local levels. As accountability in governance is based on systemic prevention of corruption, support for enhancing the capacity of key agencies will be provided to combat corruption. Support will also be provided to enhance capacity of the judiciary in ensuring democratic governance and rule of law. E-governance and e-literacy initiatives will be supported to improve access to information and service delivery. Considering the important role that the media can play in fostering good governance, the UN will help strengthen the capacity of the media.

Community participation and empowerment are vital for effective decentralisation. The UN will continue supporting the ongoing decentralisation process through capacity development of local governance systems including targeted support for block grants which has proved to be a success in Bhutan. In particular, support will be provided to local governments and CSOs to enhance the participation of women.

To support Bhutan in meeting its international treaty obligations, the UN will help strengthen national capacity to formulate, review and implement legislations in line with ratified international conventions at the request of the RGoB.

The following are the four Country Team Outcomes:

- CT Outcome 1:** Transparency, efficiency, effectiveness, participation and accountability strengthened at all levels.
- CT Outcome 2:** Strengthened national capacity and systems to formulate, review and implement national legislations in line with ratified international conventions.
- CT Outcome 3:** Capacity of key institutions to support parliamentary democracy strengthened.
- CT Outcome 4:** Local governance systems and capacity strengthened with increased participation of women.

UNDAF OUTCOME FIVE:

By 2012, national capacity for environmental sustainability and disaster management strengthened. (MDG 7)

By placing environment conservation at the core of development planning, Bhutan has long recognized that sustained growth and poverty reduction will hinge on environmental sustainability. Bhutan's strong efforts have been widely recognised and are seen as exemplary in balancing development with environmental conservation. However, increasing population and growing economic activities poses a major challenge to stay on this course.

To support the national priority of environment sustainability, the UN System will support the key stakeholders to enhance national capacity to mainstream environment concerns into policies plans and programs. The UN will also help strengthen the institutional capacities of the key agencies to implement, monitor and evaluate rules and regulations for environmental mainstreaming. Support will also be provided to enhance national capacities to meet reporting requirements for the Multilateral Environment Agreements. As a part of supporting rural livelihoods in remote Gewogs, the UN will partner with government and private sector to support communities to implement renewable energy program and provide affordable and renewable/alternative energy technologies. The UN will also continue to support the RGoB's efforts in conservation of bio-diversity and ecosystems which will include operationalization of the protected areas and the biological corridors.

Disaster management capacity must be strengthened as Bhutan is vulnerable to numerous natural hazards such as glacial lake outbursts, floods, earthquakes, landslides, and forest fires. Although Bhutan does not contribute to green house gas emission, the country is vulnerable to effects of climate change. The UN will focus on supporting capacity strengthening of key government agencies to implement disaster management framework, mainstream disaster/climate risk reduction into plans and policies and to strengthen national and local capacity for disaster preparedness and response systems.

The following are the four Country Team Outcomes:

- CT outcome 1:** National capacity to mainstream environmental concerns into policies, plans and programs enhanced.
- CT Outcome 2:** National capacity for disaster and risk management strengthened.
- CT Outcome 3:** Access to sustainable energy and livelihoods for remote gewogs improved.
- CT Outcome 4:** Conservation of bio-diversity and ecosystems enhanced.

III. Estimated Resource Requirements

The United Nations Country Team estimates that approximately, USD 70.24 million is required for the achievement of the UNDAF Outcomes described in Section II.

The indicative resource mobilization target for this UNDAF covering 2008-2012 by UNDAF outcomes are as follows:

UNDAF Outcomes	USD Millions	UN Agencies
UNDAF Outcome 1:	12.66	UNDP, UNICEF, FAO, UNESCO, WFP, UNIFEM, UNFPA, IFAD*
UNDAF Outcome 2:	15.60	UNICEF, UNFPA, WHO
UNDAF Outcome 3:	19.46	UNICEF, UNFPA, UNESCO, WFP
UNDAF Outcome 4:	10.90	UNDP, UNICEF, UNCDF, UNESCO, UNIFEM
UNDAF Outcome 5:	11.62	UNEP, UNDP (including GEF and GEF/SGP funding), UNESCO, UNICEF, WFP
TOTAL	70.24	
*Resources from IFAD have not been included in the resource mobilisation target as IFAD financing is yet to be decided by the RGoB.		

While the above table reflects UN resource mobilisation targets, the attainment of UNDAF Outcomes will require additional resources. The need for continued support for Bhutan's development is critical at this juncture considering the immense challenges and opportunities presented by profound socio-political changes ushered in by democratisation, decentralisation and pursuit of the MDGs and other national development priorities. In this context it is imperative to mobilise adequate levels of resources to ensure a smooth political transition and sustain the development momentum gained thus far. Infrastructure, in particular road access, continues to remain a critical determinant of development in Bhutan and will impact on, amongst other development goals, the attainment of the MDGs. The UN System will support the RGoB in this important phase of political transition and economic development by supporting the government through its regular resources as well as through mobilising additional resources.

IV. Implementation

The UNDAF will be implemented in close collaboration between the RGoB and the UN System. Other key partners include civil society organisations, stakeholders at local levels and development partners. Since the Tenth Plan is yet to be finalised, the roles of multi- and bi-lateral development partners have not been specified in the column pertaining to the "role of partners" in the UNDAF results matrix. Building on past practices, the UN system intends to continue working with these partners based upon national priorities and mandates. Results based plans of the sectors, Dzongkhags and Gewogs will be used to coordinate a targeted approach.

The UNDAF will be implemented through government approved country cooperation programmes of the UN agencies. Individual UN country programs and projects will have explicit links with the UNDAF Outcomes and contribute to the national development goals. Joint-programming will be further explored among UN agencies building on already ongoing efforts such as close collaboration on HIV/AIDS and in the area of education and disaster management. The UNDAF will be operationalised through the Country Programme Action Plans (CPAP) mechanism. In implementing the UNDAF, the UNCT will focus on results and UNDAF indicators will be used to track outcome changes and implications. Work among UN agencies will be coordinated in relevant UN theme groups based on UNDAF Outcomes.

Optimal use will be made of existing government committees/task forces where necessary and to the extent possible rather than creating new entities. The Harmonised Approach to Cash Transfer (HACT) will be implemented from 2008 to reduce transaction costs for implementing partners and enhance national ownership and capacity of national systems and institutions. The UN will work with the RGoB to increase the use of the national systems in keeping with the principle and the spirit of the Paris Declaration. The UNCT under the leadership of the UN Resident Coordinator will ensure the implementation of the UNDAF.

V. Monitoring and Evaluation

Monitoring and evaluation are essential to ensure programmatic coherence and efficient utilization of resources. The UNCT and the RGoB have, through a process of joint consultation, agreed on an M&E matrix presented in Annex 2. The matrix aimed at providing rigorous monitoring and evaluation of UNDAF implementation, comprises of realistic and accessible indicators for the UNDAF outcomes. The baseline data will be obtained from the CCA, MDG Reports and relevant government publications. The indicators could change over time as new sources of data and information become available and as the UN programs evolve during the UNDAF period to reflect the emerging needs and priorities of the RGoB. It is the intention of the UNDAF to use disaggregated data wherever possible. The UN is committed to strengthen the capacity of key national agencies to collect, analyse and use data.

1. Coordination and Harmonisation Mechanisms

Effective implementation of the UNDAF will require greater harmonisation among UN agencies. The harmonised programme cycle (2008-2012) of individual UN agencies will facilitate effective individual and joint programming and joint monitoring and evaluation. It is expected to reduce the burden on government. The office of the UNRC will be used to coordinate intra-UN agencies' input into the UNDAF framework. The existing RGoB donor coordination mechanism will be used to coordinate similar areas of interest and work with other donors.

2. UNDAF Annual Review and Evaluation

Annual UNDAF reviews will be conducted jointly by the UNCT and the RGoB to assess achievements and shortcoming and identify strategies for meeting the results set out in the matrix. Such regular reviews will ensure that the UNDAF remains relevant to the national development priorities. The theme groups will prepare annual progress reports for the UNRC including tracking of quantitative and qualitative indicators. Based on these reports the UNRC will bring out the annual report summarizing progress towards UNDAF outcomes.

The UNDAF evaluation will also be undertaken jointly by the UNCT and RGoB in two stages.

- a) UNDAF Outcome assessment led by relevant UN theme groups will be conducted in collaboration with the RGoB in the course of implementation. The results will be used to assess progress towards the national development goals and the MDGs and provide recommendations for actions to improve performance.
- b) Final UNDAF evaluation will be conducted jointly by the UNCT and RGoB through the Steering Committee in 2011.

Annexes

1. UNDAF Results Matrix

2. Monitoring and Evaluation Framework

3. Macro Assessment of the Public Financial Management system in Bhutan

Annex 1. UNDAF RESULTS MATRIX

National priority or goals: To halve poverty by 2013			
UNDAF outcome 1: By 2012, opportunities for generation of income and employment increased in targeted poor areas (MDG 1, 8)			
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets (USD million)
CT Outcome 1 Access to socio-economic services, markets and information improved for smallholder ¹ and marginal farmers in targeted rural areas.	<p>1.1 Access improved through rural infrastructure such as farm roads, power tiller tracks, suspension bridges, and mule tracks. (IFAD)</p> <p>1.2 Improved post harvest management facilities and practices promoted. (IFAD)</p> <p>1.3 Access to rural credit and markets improved. (IFAD)</p> <p>1.4 Access to ICT, media, postal and other general public services and market information improved, particularly for women and youth, through the establishment of community information centers. (UNDP, UNV, UNESCO)</p>	<p>Government: MOA, MOIC, BDFC, Dzongkhag Administrations, GYTs/DYTs</p> <p>Other partners: CSOs, Multilateral agencies, Bilateral agencies</p>	<p>FAO : 1.25 IFAD* : TBD UNDP : 1.00 UNESCO : 0.20</p>
CT Outcome 2 Food security among small holder farmers and other vulnerable groups in targeted rural areas enhanced.	<p>2.1 Agricultural productivity enhanced through increased supply on inputs like high yielding variety seeds, seedlings, fertilizers and improved irrigation systems. (IFAD, FAO)</p> <p>2.2 Capacity of relevant agencies and affected communities enhanced to address the environment-poverty nexus. (UNDP)</p> <p>2.3 Capacity of small farmers enhanced through formation of self-help groups and targeted extension services. (UNDP, UNV, IFAD)</p>	<p>Government: MOA, NEC, Dzongkhag Admin, GYT/DYTs.</p> <p>Other Partners : CSOs</p>	<p>FAO : 1.25 IFAD* : TBD UNDP : 0.90</p>

¹Smallholder defined as resource poor and low income farmers with less than 5 acres of agricultural land.

National priority or goals: To halve poverty by 2013				
UNDAF outcome 1: By 2012, opportunities for generation of income and employment increased in targeted poor areas (MDG 1, 8)				
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets (USD million)	
CT Outcome 3 Capacity of the RGOB strengthened to formulate policy framework for Private Sector Development to respond to economic constraints and vulnerabilities with focus on employment generation and pro-poor growth.	3.1	Capacity of RGoB enhanced to formulate industrial and trade policies that are pro-poor, gender sensitive and culture and heritage based. (UNDP, UNESCO, UNCTAD, UNESCAP)	Government: MTI, MOA, MOLHR, MOF, MOHCA, NCWC, PC Other partners: CSOs, Multilateral agencies, Bilateral agencies	UNDP : 1.20 UNESCO : 0.10
	3.2	Capacity of public and private sector enhanced to meet international standards for exports. (UNDP, UNCTAD, UNESCAP)		
	3.3	Access to international markets enhanced through improved negotiation capacity and understanding of global and regional trade agreements and facilities. (UNDP, UNCTAD, UNESCAP)		
	3.4	Capacity of relevant agencies enhanced in labour market analysis to guide national employment and human resource development policies, plans and strategies. (UNDP)		
CT Outcome 4 New Micro and SMEs and jobs created with emphasis on women and youth.	4.1	Community empowerment and formation of cooperatives promoted to address issues of production capacity and post harvest management, marketing, access to credit and information faced by small producers. (UNDP)	Government: MTI, MOA, MOLHR, NCWC, PC, MOIC Other Partners: BDFC, CSOs, Multilateral agencies	IFAD* TBD UNDP 2.70
	4.2	Capacity of relevant institutions enhanced to manage and improve access to micro finance. (UNDP)		
	4.3	Capacity and skills developed to set up and manage Micro and SMEs through improved access to micro-finance, business development services (BDS), marketing and relevant extension services for production and post-harvest management. (UNDP, UNV, IFAD)		
	4.4	Micro and SME development policy formulated which is gender sensitive and youth oriented. (UNDP)		

Throughout the Results Matrix, the UN agencies which mainly provide TA are indicated in italic font.

National priority or goals: To halve poverty by 2013

UNDAF outcome 1: By 2012, opportunities for generation of income and employment increased in targeted poor areas (MDG 1, 8)

Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets
<p>CT Outcome 5</p> <p>Enhanced capacity of public sector to implement results based policy, plan and program development especially for MDG and poverty reduction.</p>	<p>5.1 MDG based monitoring and evaluation system integrated into the national M&E system through operationalization of MIS such as Gewog Planning Information System (GPIS) Drukinfo and Vulnerability Assessment Mapping. (UNDP, UNICEF, WFP)</p> <p>5.2 National capacity, at central and local levels, for collection, analysis and production of timely, reliable and disaggregated statistical data enhanced. (UNDP, UNICEF, WFP, UNFPA, UNIFEM, UNESCAP)</p> <p>5.3 National capacity, at central and local levels, enhanced to implement RBM in planning, monitoring and evaluation system taking into consideration cross cutting issues such as ICT, environment, gender and governance. (UNDP, UNICEF, WFP, UNESCAP)</p>	<p>Government: PC, NSB and other relevant ministries agencies and dzongkhags</p> <p>Other partners: Multilateral agencies</p>	<p>UNDP 2.00 UNFPA 0.33 UNICEF 1.58 UNIFEM 0.05 (for the SAARC Gender database) WFP 0.10</p>
<p>Coordination Mechanisms and Programme Modalities:</p> <p>UN theme group on Poverty will be established to coordinate and monitor work among the UN Agencies. Other relevant development partners will be invited to the theme group. The office of the UNRC will be used to coordinate work in similar areas of interest and to support government's donor coordination mechanism.</p> <p>Established RGoB mechanisms will be used to coordinate and facilitate the implementation of the UNDAF. The DADM will take lead role in aid coordination. The lead government agencies will be PCS, MOA, MTI, MOLHR, NSB, Relevant Government Agencies and CSOs will be involved in the implementation of all the outcomes.</p>			
<p>* The resource figures for IFAD will be included if and when the RGoB decides to seek financing from IFAD.</p>			

National priority or goals: To improve accessibility, quality and sustainability of health care delivery system			
UNDAF Outcome 2: By 2012, increased access and utilization of quality health services with emphasis on reproductive health, maternal and child health and nutrition, HIV/AIDS, TB, malaria and other non-communicable disease. (MDG 4, 5, 6)			
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets (USD million)
<p>CT Outcome 1</p> <p>Capacity of RGoB to formulate and implement results oriented policies and strategies that create an enabling environment for reproductive health, maternal and child health, STI, HIV/AIDS, TB and malaria programmes strengthened.</p>	<p>1.1 Research and analyses including health surveillance and monitoring systems, knowledge and behaviour, epidemiology, supported by disaggregated data, where possible, to guide policy, strategies and guidelines development conducted. (UNFPA, UNICEF, WHO)</p> <p>1.2 Enhanced skills and technical knowledge of relevant national and local institutions to formulate, update and implement policies, strategies and guidelines. (UNFPA, UNICEF, WHO)</p> <p>1.3 Programme monitoring & management systems strengthened. (UNFPA, UNICEF, WHO)</p>	<p>Government: MOH, PC, NSB, NCWC,</p> <p>Other Partners: YDF, RENEW Multilateral agencies, Bilateral agencies</p>	<p>UNICEF : 0.80 UNFPA : 0.15 WHO *</p>
<p>CT Outcome 2</p> <p>Capacity of RGoB strengthened to increase access to and delivery of quality health services for all including reproductive health, maternal and child health and nutrition, TB, malaria and other non-communicable diseases.</p>	<p>2.1 Improved availability in health facilities of essential commodities, equipment and modification of facilities for RH and MCH programmes. (UNFPA, UNICEF)</p> <p>2.2 Capacity of health managers and providers at different levels enhanced to deliver comprehensive and client-oriented services on reproductive health/maternal health, child health, and youth friendly health services. (UNFPA, UNICEF, WHO)</p> <p>2.3 Management capacity and technical knowledge of health service providers at all levels enhanced to provide effective prevention and treatment interventions for malaria, TB and non-communicable diseases. (WHO)</p> <p>2.4. Capacity of RGoB and communities strengthened to expand coverage of water and sanitation program. (WHO)</p> <p>2.5 Strengthened capacity of relevant institutions at national and local levels to develop and deliver information, counselling and targeted health interventions on victims of violence against women and children. (UNFPA, UNICEF)</p> <p>2.6 Capacity of key government agencies for preparedness and response to public health emergencies enhanced. (UNFPA, UNICEF, WHO)</p>	<p>Government: MOH, MOHCA, Judiciary, MOA, MOFA</p> <p>Other partners: local water supply caretakers. Multilateral agencies, Bilateral agencies, NCWC, RENEW, YDF</p>	<p>UNICEF 3.00 UNFPA 2.75 WHO*</p>

National priority or goals: To improve accessibility, quality and sustainability of health care delivery system			
UNDAF Outcome 2: By 2012, increased access and utilization of quality health services with emphasis on reproductive health, maternal and child health and nutrition, HIV/AIDS, TB, malaria and other non-communicable disease. (MDG 4, 5, 6)			
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets
<p>CT Outcome 3</p> <p>Capacity of government to respond to prevention, care and treatment of HIV/AIDS and STI through multi-sectoral approach strengthened.</p>	<p>3.1 National capacity strengthened for multi-sectoral planning, coordination, management and monitoring of effective integrated HIV prevention, treatment and care strategies and plans. (UNFPA, UNICEF)</p> <p>3.2 Convergence amongst key national partner facilitated and strengthened to implement multi-sectoral National AIDS Strategic Plan through capacity building of RGoB on comprehensive HIV prevention, treatment, care and support including prevention of mother to child transmission of HIV, monitor the HIV and AIDS epidemic through enhanced surveillance system and deliver quality HIV/AIDS information and education, particularly to vulnerable groups. (UNICEF, WHO, UNFPA)</p>	<p>Government: National Commission for HIV/AIDS, MOH, MOE, relevant ministries</p> <p>Other partners: YDF, RENEW, Multilateral agencies, MSTF, religious institutions,</p>	<p>UNICEF : 0.90 UNFPA 0.25 WHO</p>
<p>CT Outcome 4</p> <p>RGoB and community partnerships enhanced to promote utilisation of health services.</p>	<p>4.1 Capacity of religious and community institutions, village health workers and health personnel at central and local levels enhanced to coordinate, develop, implement and monitor health-related behavioural change interventions. (UNFPA, UNICEF, WHO)</p> <p>4.2 Skills of district level managers and health workers in social communication and community partnership development enhanced. (UNFPA, UNICEF)</p>	<p>Government: MOH, NCWC, DYT, GYT</p> <p>Other partners: YDF, RENEW, , media, religious institutions</p>	<p>UNICEF 0.60 UNFPA 0.15 WHO</p>
<p>Coordination Mechanisms and Programme Modalities:</p> <p>UN theme group on Health will be established to coordinate and monitor work among the UN Agencies. Other relevant development partners will be invited to the theme group. The office of the UNRC will be used to coordinate work in similar areas of interest and to support government's donor coordination mechanism.</p> <p>Established RGoB mechanisms will be used to coordinate and facilitate the implementation of the UNDAF. The DADM will take lead role in aid coordination. The lead government agency will be the Ministry of Health. Relevant Government Agencies and CSOs will be involved in the implementation of all the outcomes. UN theme group on Health will be established, other relevant development partners will be invited.</p>			
<p>Note: * The WHO resource mobilisation target for UNDAF Outcome 2 (the 4 CT Outputs) is estimated USD 7.00 million.</p>			

National Priority : To improve quality, relevance and coverage of education			
UNDAF Outcome 3: By 2012, access to quality education for all with gender equality and special focus on the hard-to-reach population improved. (MDG 2, 3)			
Country Team Outcome	Country Team Outputs	Role of partners	Resource mobilization targets (million USD)
CT Outcome 1 Improved quality of education delivered by relevant stakeholders.	1.1 Capacity of key partners including parents and communities to provide young children with early learning opportunities strengthened. (UNICEF)	Government: MOE, NCWC, GYT/DYT, Dzongkhag Administration Other Partners: media, CSO, PTA, Multilateral agencies, Bilateral agencies	UNICEF : 2.75 WFP : 0.50 UNESCO : 0.06
	1.2 Capacity of Ministry of Education and other partners at all levels including community in Community/Primary schools strengthened to manage child friendly schools and school feeding. (UNICEF,WFP, UNESCO)		
	1.3 Capacity of teachers and relevant education partners to address the education of children with special learning needs enhanced.(UNICEF)		
	1.4 Capacity of stakeholders strengthened to deliver NFE services for adults and young people. (UNICEF, UNESCO)		
CT Outcome 2 National capacity to revise and implement the educational curricula enhanced.	2.1 Capacity of MOE strengthened to revise educational curricula in line with emerging needs including life skills, adolescent reproductive sexual health, multi-grade teaching, child friendly schools. (UNICEF, UNFPA, UNESCO)	Government: MOE, MOH, RUB, Other Partners: Multilateral agencies, Bilateral agencies	UNICEF : 1.75 UNFPA 1.00 UNESCO 0.15 WFP :0.05
	2.2 Capacity of Colleges of Education and other relevant institutions strengthened to provide pre and in-service teacher training based on modified curriculum to deliver quality education and monitor learning achievements. (UNICEF, UNFPA, UNESCO)		
	2.3 School support system and monitoring mechanism strengthened at national and local level. (UNICEF,WFP, UNFPA)		
CT Outcome 3 School enrolment, particularly for girls, increased through improved facilities, school feeding and targeted advocacy.	3.1 Community primary and monastic schools/ <i>humeries</i> provided with water and sanitation facilities and health, nutrition and hygiene education. (UNICEF, WFP)	Government: MOE, MOH, MOA, Dratsang Lhentshog, Dzongkhag Admin, DYT, GYT Other Partners; Media,CSOs, Multilateral agencies, Bilateral agencies	WFP : 10.00 UNICEF 2.25
	3.2 School feeding and feeding infrastructures in selected primary/secondary schools provided. (WFP)		
	3.3 Capacity of key stakeholders to support timely and increased enrolment strengthened. (WFP, UNICEF)		

National Priority : To improve quality, relevance and coverage of education			
UNDAF Outcome 3: By 2012, access to quality education for all with gender equality and special focus on the hard-to-reach population improved. (MDG 2, 3)			
Country Team Outcome	Country Team Outputs	Role of partners	Resource mobilization targets (million USD)
CT Outcome 4 National capacity strengthened to address the emerging challenges faced by young people.	<p>4.1 Capacity of key partners to promote healthy and positive behaviour among young people through life-skills education strengthened. (UNFPA, UNICEF)</p> <p>4.2 Capacity of relevant partners enhanced to further provide a supportive, preventive and participative environment for young people. (UNICEF, UNFPA)</p>	<p>Government: MOE, MOH, MOLHR, NCWC</p> <p>Other Partners: CSOs, Bilateral agencies</p>	<p>UNICEF : 0.80 UNFPA : 0.15</p>
Coordination Mechanisms and Programme Modalities			
<p>UN theme group on Education will be established to coordinate and monitor work among the UN Agencies. Other relevant development partners will be invited to the theme group. The office of the UNRC will be used to coordinate work in similar areas of interest and to support government's donor coordination mechanism.</p> <p>Established RGoB mechanisms will be used to coordinate and facilitate the implementation of the UNDAF. The DADM will take lead role in aid coordination. The lead government agency will be the Ministry of Education.</p> <p>Relevant Government Agencies and CSOs will be involved in the implementation of all the outcomes.</p>			

National Priority: To foster good governance as a core value for development			
UNDAF Outcome 4: By 2012, institutional capacity and people's participation strengthened to ensure good governance. (MDG 1, 3, 8)			
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets
<p>CT Outcome 1</p> <p>Transparency, efficiency, effectiveness, participation and accountability strengthened at all levels.</p>	<p>1.1. Better service delivery and increased access to information through promotion and implementation of e-governance at all levels. (UNDP, UNESCO, UNV)</p> <p>1.2. Digital divide, between rural-urban areas, men and women, reduced through implementation of e-governance and e-literacy. (UNDP, UNV)</p> <p>1.3. Access to information and transparency enhanced through strengthened role and capacity of the media. (UNDP, UNICEF, UNESCO)</p> <p>1.4. Capacity of key national agencies enhanced in combating corruption and promoting accountability. (UNDP)</p> <p>1.5. National capacity at central and local level enhanced to ensure sound public financial management practices. (Ex Com Agencies)</p>	<p>Government: MoF, MOIC, BICMA, RAA, ACC, MoHCA, OAG, Local governments,</p> <p>Other Partners: CSOs and Media, Multilateral agencies, Bilateral agencies</p>	<p>UNICEF : 0.20 UNDP : 1.90 UNESCO : 0.10</p>
<p>CT Outcome 2</p> <p>Strengthened national capacity and systems to formulate, review and implement national legislations in line with ratified international conventions.</p>	<p>1.1. Enhanced national capacity in international treaty reporting obligations. (UNDP, UNICEF, UNIFEM)</p> <p>2.2. Capacity of judiciary, law enforcement and relevant agencies strengthened in developing and implementing juvenile justice system and women and child friendly procedures. (UNDP, UNICEF, UNIFEM)</p> <p>2.3. Strengthened capacity of relevant institutions to enhance knowledge and information on ratified conventions among partners and the public. (UNDP, UNICEF UNESCO)</p> <p>2.4. Capacity and mechanisms of relevant agencies to draft, review and implement national policies and legislations strengthened. (UNDP, UNICEF, UNESCO)</p>	<p>Government: OAG, Parliament, Judiciary, MoFA, PCS, RBP, NCWC, MoF</p> <p>Other Partners: CSOs, Media, Multilateral agencies, Bilateral agencies</p>	<p>UNICEF : 1.45 UNIFEM : 0.03 UNDP : 0.80 UNESCO : 0.01</p>

National Priority: To foster good governance as a core value for development			
UNDAF Outcome 4: By 2012, institutional capacity and people's participation strengthened to ensure good governance. (MDG 1, 3, 8)			
Country Team Outcome	Country Team Outputs	Role of partners	Resource mobilization targets (million USD)
<p>CT Outcome 3</p> <p>Capacity of key institutions to support parliamentary democracy strengthened.</p>	<p>3.1 Enhanced capacity of three branches of government as well as media in supporting effective coordination and advocacy for parliamentary democracy. (UNDP)</p> <p>3.2 Enhanced capacity of key agencies in conducting free and fair elections at national and local levels. (UNDP)</p> <p>3.3 Enhanced public awareness on gender inclusive democratic governance, rights, and duties through civic education. (UNDP, UNIFEM)</p> <p>3.4 Enhanced institutional capacity of the judiciary in ensuring democratic governance and rule of law. (UNDP)</p>	<p>Government: MoF, Judiciary, MOIC, BICMA, MOHCA, ECB, Cabinet Secretariat, OAG, Parliament, NCWC</p> <p>Other Partners: CSOs, Media, Multilateral agencies, Bilateral agencies</p>	<p>UNDP 3.00</p>
<p>CT Outcome 4</p> <p>Local governance systems and capacity strengthened with increased participation of women.</p>	<p>4.1 Strengthened capacity of local governments to plan, implement and manage their resources to pursue the MDGs. (UNDP, UNCDF, UNICEF)</p> <p>4.2 Increased and effective participation of women in decision making and in development activities. (UNDP, UNFPA, UNICEF, UNESCO, UNV)</p> <p>4.3 Local capacity for development and financial management enhanced through block grants and integrated approach at gewog level. (UNDP, UNCDF)</p>	<p>Government: MoHCA, PCS, RCSC, MoF, NCWC, Local governments</p> <p>Other Partners: CSOs, Media, Multilateral agencies, Bilateral agencies</p>	<p>UNCDF : 0.50</p> <p>UNDP : 2.40</p> <p>UNICEF : 0.50</p> <p>UNESCO : 0.01</p>
<p>Coordination Mechanism and Programme Modalities:</p> <p>UN theme group on Governance will be established to coordinate and monitor work among the UN Agencies. Other relevant development partners will be invited to the theme group. The office of the UNRC will be used to coordinate work in similar areas of interest and to support government's donor coordination mechanism.</p> <p>Established RGoB mechanisms will be used to coordinate and facilitate the implementation of the UNDAF. The DADM will take lead role in aid coordination. The key government agencies will be Parliament, Judiciary, ACC, OAG, EC, PC, MOIC, MOHCA, MFA, MOIC, MOHCA, MFA, MOIC, MOHCA, MFA, MOIC, BICMA, NCWC Relevant Government Agencies and CSOs will be involved in the implementation of all the outcomes.</p>			

National Priority: To enhance environmental sustainability and disaster management			
UNDAF Outcome 5: By 2012, national capacity for environmental sustainability and disaster management strengthened (MDG 7)			
Country Team outcomes	Country Team outputs	Role of partners	Resource mobilization targets
<p>CT outcome 1</p> <p>National capacity to mainstream environmental concerns into policies, plans and programs enhanced.</p>	<p>1.1 Capacity of national and local agencies to mainstream environmental concerns into their policies and plans strengthened. (UNDP, UNEP)</p> <p>1.2 Environment mainstreaming tools strengthened (UNEP, UNDP)</p> <p>1.3 National and local institutional capacities for development, implementation, monitoring and evaluation of guidelines, rules and regulations for environmental mainstreaming enhanced (UNDP, UNEP, <i>UNESCAP</i>)</p> <p>1.4 National capacity to meet reporting requirements for MEAs strengthened. (UNEP, UNDP)</p>	<p>Government: NEC, PC Line ministries, DECs, GYTs DYT, Other partners: RSPN, Multilateral agencies, Bilateral agencies, CSOs,</p>	<p>UNEP : 0.50 UNDP : 1.20*</p>
<p>CT Outcome 2</p> <p>National capacity for disaster and risk management strengthened. UNDMT (UNDP, UNICEF, WFP, UNFPA, FAO, WHO) and UNESCO</p>	<p>2.1 Capacity of national focal agency and other stakeholders to implement disaster management framework strengthened. (WFP, UNDP, UNV, UNICEF, <i>UNESCAP</i>)</p> <p>2.2 National and local capacity for disaster preparedness and response systems to prevent, mitigate and cope with disasters/climate change strengthened. (WFP, UNDP, UNV, UNICEF, <i>UNESCAP</i>)</p> <p>2.3 Disaster/climate risk reduction mainstreamed into national policies and plans. (UNDP, WFP, UNICEF, UNESCO)</p>	<p>Government: MOHCA, MOH, MOE, NEC, SQCA, MTL, local governments Other partners: vulnerable communities, CSOs, Bilateral agencies</p>	<p>UNICEF : 0.50 UNESCO : 0.10 WFP : 0.02 UNDP : 4.20**</p>
<p>CT Outcome 3</p> <p>Access to sustainable energy and livelihoods for remote gewogs improved.</p>	<p>3.1 Capacity of relevant agencies and communities to implement Renewable Energy Program improved. (UNDP)</p> <p>3.2 Effective and affordable renewable/alternative energy technologies for remote gewogs supported. (UNDP)</p>	<p>Government: MTL, BPC, Dzongkhag administration Other partners: private sector CSOs, remote communities, Multilateral agencies, Bilateral agencies</p>	<p>UNDP: 2.80***</p>
<p>CT Outcome 4</p> <p>Conservation of bio-diversity and ecosystems enhanced.</p>	<p>4.1 National capacity to operationalize new protected areas and biological corridors. (UNDP)</p> <p>4.2 Conservation of bio-diversity strengthened. (UNDP)</p>	<p>Government: MOA, NEC, relevant Dzongkhags, Other partners: NGOs, CSOs</p>	<p>UNDP: 2.30***</p>
<p>* of which 0.5 m is GEF funding ** of which 3.5 m is GEF funding *** indicates GEF funding</p>			

Coordination Mechanisms and Programme Modalities:

UN theme group on environment and disaster management will be established to coordinate and monitor work among the UN Agencies. Other relevant development partners will be invited to the theme group. The office of the UNRC will be used to coordinate work in similar areas of interest and to support government's donor coordination mechanism.

Established RGoB mechanisms will be used to coordinate and facilitate the implementation of the UNDAF. The DADM will take lead role in aid coordination. The key government agencies will be the NEC, PCS, MOA and MOHCA. Relevant Government Agencies and CSOs will be involved in the implementation of all the outcomes.

Annex 2. MONITORING AND EVALUATION FRAMEWORK

CT Outcome	Indicators & Baseline	Sources of Verification	Risks and Assumptions
<p>UNDAF outcome 1: By 2012, opportunities for generation of income and employment increased in targeted poor areas.</p> <p>UNDAF Indicators: Population below national poverty line (MDG 1 indicator), Poverty severity Index by gender of HH head, Unemployment rate – by gender, age group, rural-urban (MDG 8 indicator), Labour force participation rate – by gender, age group and rural, urban areas, (MIDG 8 indicator), Gini coefficient – national, rural-urban</p> <p>CT Outcome 1</p> <p>Access to socio-economic services, markets and information improved for smallholder and marginal farmers in targeted rural areas</p>	<ul style="list-style-type: none"> ▪ Household income by gender of head of household ▪ No of HH within 0.5 hours walking distance from the nearest road head ▪ No of people availing credit (by gender) ▪ Number of Community Information Centres providing market information and other multi-media services ▪ Number of users availing CIC services (by gender and age) 	<p>MoA, NSB, MOIC</p>	<p>Risks:</p> <ul style="list-style-type: none"> ▪ Natural disasters
<p>CT Outcome 2</p> <p>Enhanced food security among small holder farmers in targeted rural areas.</p>	<ul style="list-style-type: none"> ▪ Malnutrition rate of children under five ▪ Food poverty line ▪ Food Insecurity Index ▪ Proportion of household expenditure devoted to food 	<p>MoA, NSB WFP, UNDP, MOH</p>	<p>Risks:</p> <ul style="list-style-type: none"> ▪ Natural disasters
<p>CT Outcome 3</p> <p>Capacity of the RGoB strengthened to formulate policy framework for private sector development to respond to economic constraints and vulnerabilities with focus on employment generation and pro-poor growth.</p>	<ul style="list-style-type: none"> ▪ PSD policy in place and implemented (No PSD policy) ▪ Employment rate in private sector – total, women, men, youth ▪ Export diversification and concentration indices ▪ Improved performance as measured by World Bank's Doing Business Indicators 	<p>MTI, NSB, RMA, MOF, MoLHR UNCTAD (Handbook of Statistics 2005) World Bank (Doing Business 2006)</p>	<p>Assumptions:</p> <ul style="list-style-type: none"> ▪ The benefits of trade promotion and private sector development will accrue and be made available ▪ Sustained dialogue with the private sector

<p>UNDAF outcome 1: By 2012, opportunities for generation of income and employment increased in targeted poor areas. UNDAF Indicators: Population below national poverty line (MDG 1 indicator), Poverty severity Index by gender of HH head, Unemployment rate – by gender, age group, rural-urban (MDG 8 indicator), Labour force participation rate – by gender, age group and rural, urban areas, (MDG 8 indicator), Gini coefficient – national, rural-urban</p>			
CT Outcome	Indicators & Baseline	Sources of Verification	Risks and Assumptions
<p>CT Outcome 4</p> <p>New Micro and SMEs and jobs created with emphasis on women and youth.</p>	<ul style="list-style-type: none"> ▪ Number of new MSMEs registered (by gender and age) ▪ Number of MSMEs availing Micro finance and business development services (by gender and age) ▪ Number of participants in entrepreneurship training programmes (by gender and age) 	<p>NSB, MoLHR, BDFCL, RMA, MTI (RTIOs)</p> <p>Interviews, surveys, field monitoring and evaluation, and MIS Reports</p>	<p>Risks:</p> <ul style="list-style-type: none"> ▪ Rural capability to pay back the credit/loan ▪ Willingness of loan provider to implement reforms <p>Assumptions</p> <ul style="list-style-type: none"> ▪ Sustained economic growth
<p>CT Outcome 5</p> <p>Enhanced capacity of public sector to implement results-based policy, plan and program development especially for MDG and poverty reduction.</p>	<ul style="list-style-type: none"> ▪ National M&E system operational and used for planning and monitoring ▪ Data disaggregated by rural, urban, Gewogs, gender and age. ▪ Results based national plans developed using disaggregated data ▪ Results based Dzongkhag plans developed using disaggregated data ▪ Number of officials trained in RBM at central level ▪ Number of officials trained in RBM at Dzongkhag level 	<p>Output monitoring by DBA, Impact monitoring by PCS</p> <p>Gewog GPIS reports</p> <p>Survey Reports</p> <p>National and Dzongkhag Plans</p> <p>Progress Report from PC on RBM training</p>	<p>Assumptions:</p> <ul style="list-style-type: none"> ▪ Policy level support, technical advice and aid flows facilitated by development partners is aligned to national priorities ▪ Harmonization efforts of both the donors and the government serve to strengthen national capacities

UNDAF outcome 2: By 2012, increased access and utilization of quality health services with emphasis on reproductive health, maternal and child health and nutrition, HIV/AIDS, TB, malaria and other non-communicable disease.		UNDAF Indicators: Maternal Mortality Ratio, Infant Mortality Rate, Under-5 Mortality Rate, Contraceptive prevalence rate; Incidence of vaccine-preventable diseases	
Country Team outcomes	Indicators & Baseline	Sources of Verification	Risks and Assumptions
<p>CT Outcome 1</p> <p>Capacity of RGoB to formulate and implement evidence-based policies and strategies that create an enabling environment for reproductive health, maternal and child health, STI, HIV/AIDS, TB and malaria programmes strengthened.</p>	<ul style="list-style-type: none"> ▪ National strategies/guidelines in place to increase the access to quality reproductive health, child health, HIV/AIDS, information and services ▪ Sex and age disaggregated data available and used 	MOH, MOF, PC, NSB,	Data collected is reliable, timely and disaggregated. Timely adoption of policy and strategies
<p>CT Outcome 2</p> <p>Capacity of RGoB strengthened to increase access to and delivery of quality health services for all including reproductive health, maternal and child health and nutrition, TB, malaria and other non-communicable diseases.</p>	<ul style="list-style-type: none"> ▪ Antenatal and postnatal health coverage (%) ▪ Proportion of births attended by skilled health personnel ▪ Percentage of population with access to safe drinking water systems and sanitation ▪ Vaccination coverage for children and mothers ▪ Percentage of population with access to DOTS and malaria treatment ▪ Percentage of children who are underweight ▪ Percentage of children with symptoms of micronutrient deficiency (Iron/Vitamin A) 	MOH, NCWC, NSB	
<p>CT Outcome 3</p> <p>Capacity of government to respond to prevention, care and treatment of HIV/AIDS and STI through multi-sectoral approach strengthened.</p>	<ul style="list-style-type: none"> ▪ Proportion of the population aged 15-24 with correct knowledge of HIV/AIDS ▪ Percentage of those engaging in risky behaviour accessing VCT services each year ▪ Number of pregnant women attending antenatal care receiving information on prevention of mother-to-child transmission 	MOH	
<p>CT Outcome 4</p> <p>RGoB and community partnerships enhanced to promote utilisation of health services.</p>	<ul style="list-style-type: none"> ▪ Proportion of Village Health Workers_service Coverage in the community ▪ No. of patients visiting the health facilities 	MOH	Communities availing health services.

UNDAF Outcome 3: By 2012, access to quality education for all with gender equality and special focus on the hard-to-reach population improved.		UNDAF Indicators: (1) Net Enrolment Rate disaggregated by sex and Dzongkhags-wise (2) Youth (15 -24 yrs.) literacy rate (disaggregated)	
Indicators & Baseline	Sources of Verification	Risks and Assumptions	
<p>CT Outcome 1</p> <p>Improved quality of education delivered by relevant stakeholders.</p>	<p>MOE</p>	<ul style="list-style-type: none"> ▪ Coverage of ECCE (Early Childhood Care and Education) education programs for NFE learners ▪ Percentage of children starting school at the age of six (disaggregated by gender at Dzongkhags level) ▪ Transition rate to secondary education (disaggregated) ▪ Net Completion Ratio (disaggregated by sex and levels) ▪ % of drop-outs and repeaters (disaggregated by sex and level) ▪ Number of adults and young people enrolled in NFE 	<p>Data collected is reliable, timely and disaggregated.</p>
<p>CT Outcome 2</p> <p>National capacity to revise and implement the educational curricula enhanced.</p>	<p>MOE</p>	<ul style="list-style-type: none"> ▪ Adoption of revised curriculum ▪ Percentage of teachers trained in the revised curriculum (disaggregated) ▪ Standard tests developed for measuring learning achievement linked to national curriculum 	<p>Timely adoption of the revised national curriculum</p>
<p>CT Outcome 3</p> <p>School enrolment, particularly for girls, increased through improved facilities, school feeding and targeted advocacy.</p>	<p>MOE, MOH</p>	<ul style="list-style-type: none"> ▪ Gender parity index (GPI) ▪ Pupil-teacher ratio (disaggregated) ▪ Number of female teachers in remote schools ▪ Number of schools having school feeding facilities and children benefiting ▪ Proportion of schools with functional water & sanitation facilities (disaggregated) 	
<p>CT Outcome 4</p> <p>National capacity to provide development opportunities for young people strengthened.</p>	<p>MOE, MOLHR, CSOs</p>	<ul style="list-style-type: none"> ▪ Number of young people receiving life skills education ▪ Number of young people engaged in voluntary activities ▪ Number of counsellors trained ▪ Number of young people receiving counselling 	<p>Continued support of Government, civil society and development partners for development of children and young people.</p>

<p>UNDAF Outcome 4: By 2012, institutional capacity and people's participation strengthened to ensure good governance. UNDAF Indicators: Voter turnout disaggregated, public trust in government institutions, proportion of women holding elected posts, % of population having access to ICT and media. Sources of verification: Election Commission, NCWC, BICMA, Centre for Bhutan Studies, MOIC, BICMA, UNDP, World Bank,</p>			
Country Team Outcome	Indicators and Baseline	Sources of Verification	Risks and Assumptions
<p>CT Outcome 1</p> <p>Transparency, efficiency, effectiveness, participation and accountability strengthened at all levels</p>	<ul style="list-style-type: none"> ▪ Number of ICT, media and other public services catered by community information centres ▪ Public perception about the quality and content of news and programmes by the media ▪ Public perception of corruption in the delivery of government services 	<p>MOIC ACC BICMA CBS Media</p>	<p>A: people are willing and able to use new communication.</p>
<p>CT Outcome 2</p> <p>Strengthened national capacity and systems to formulate, review and implement national legislations in line with ratified international conventions</p>	<ul style="list-style-type: none"> ▪ Number of officials from key national agencies trained in drafting and reviewing national legislations in line with ratified conventions ▪ Number of national legislations supported ▪ Quality reports submitted by RGoB to treaty bodies 	<p>OAG, Parliament Judiciary MoFA NCWC</p>	<p>A: RGoB committed to enhance its capacity to meet its obligations under ratified conventions</p>
<p>CT Outcome 3</p> <p>Capacity of key institutions to support parliamentary democracy strengthened</p>	<ul style="list-style-type: none"> ▪ Public perception of government efficiency ▪ Voter perception on how free and fair the elections are. ▪ Number of judges, lawyers, prosecutors sensitized on International best practices on constitutional law ▪ Breadth of dissemination and quality of voter and civic education programs and materials 	<p>CBS, Judiciary, MOIC, BICMA, MOHCA, ECB, OAG, NCWC, MoE, Media</p>	<p>A: Key institutions are well staffed to fulfil their mandates</p> <p>R : Time constraint for capacity building of the key institutions to support parliamentary democracy.</p>

<p>UNDAF Outcome 4: By 2012, institutional capacity and people's participation strengthened to ensure good governance. UNDAF Indicators: Voter turnout disaggregated, public trust in government institutions, proportion of women holding elected posts, % of population having access to ICT and media. Sources of verification: Election Commission, NCWC, BICMA, Centre for Bhutan Studies, MOIC, BICMA, UNDP, World Bank,</p>			
Country Team Outcome	Indicators and Baseline	Sources of Verification	Risks and Assumptions
<p>CT Outcome 4 Local governance systems and capacity strengthened with increased participation of women.</p>	<ul style="list-style-type: none"> ▪ Number of annual Gewog plans formulated and implemented based on RBM to pursue the MDGs ▪ Percentage of annual grants provided and utilized by GYTs and DYT's ▪ Number of integrated geog centers established that provide multi-sectoral administrative, social and economic services to community members. ▪ Percentage of women in decision making at all levels 	MoHCA, Local governments, RCSC, PCS, NCWC, CBS, MoF, MoA	<p>A: Decentralization continues to be a national priority for the RGoB</p> <p>A: Adequate support for annual grants provided</p> <p>R: Little or low meaningful participation of women due to persisting stereotypes</p>

UNDAF outcome 5: By 2012, national capacity for environmental sustainability and disaster management strengthened UNDAF Indicators: national policies and plans incorporating environment/disaster/climate concerns; number of Disaster Management Plans; number of remote households with access to renewable energy			
Country Team outcomes	Indicators & Baseline	Sources of Verification	Risks and Assumptions
<p>CT Outcome 1</p> <p>National capacity to mainstream environmental concerns into policies, plans and programs enhanced.</p>	<ul style="list-style-type: none"> ▪ Number of National and sectoral guidelines and tools developed for mainstreaming environmental concerns into policies and plans ▪ Number of sectoral plans incorporating environmental concerns in mid-term 10th and 11th Plan ▪ Number of environment education and awareness programs for the parliamentarians conducted ▪ Environmental Information Management System operational ▪ Timely submission of national reports on MEAs 	<p>10th Plan mid-term review document, 11 FYP document; Sectoral plans and policies; guidelines and tools; EIMS, national reports on MEAs</p>	
<p>CT Outcome 2</p> <p>National capacity for disaster and risk management strengthened.</p>	<ul style="list-style-type: none"> ▪ Number of sectoral plans and policies incorporating disaster risk reduction ▪ Number of disaster management plans developed and adopted (in Dzongkhags, gewogs and thomdes) ▪ Number of vulnerable communities identified and trained in disaster/climate risk management ▪ Guidelines for disaster reduction and post disaster construction developed 	<p>11th FYP document; Sectoral plans and policies; Disaster management plans; Training reports Guidelines</p>	
<p>CT Outcome 3</p> <p>Access to sustainable energy and livelihoods for remote gewogs improved.</p>	<ul style="list-style-type: none"> ▪ Number of KW energy produced from renewable sources ▪ Number of male/female headed households using renewable/alternative energy technologies in remote gewogs ▪ Proportion of men and women using sustainable energy sources for income generation 	<p>Project reports; DOE reports</p>	<p>Participation of private sector</p>
<p>CT Outcome 4</p> <p>Conservation of bio-diversity and ecosystems enhanced.</p>	<ul style="list-style-type: none"> ▪ Number of new protected areas/biological corridors functional ▪ Number of agro-biodiversity programs implemented 	<p>Project reports; National report to UNCBDD</p>	

Annex 3 Macro Assessment of the Public Financial Management system in Bhutan in preparation for the introduction of the UNDG-Harmonised Approach to Cash Transfer

Background

The UNDG ExCom agencies, UNDP, UNICEF, WFP and UNFPA have adopted the Harmonised Approach to Cash Transfer (HACT) as a common framework for financial transactions with implementing partners to reduce transaction costs and enhance national ownership and capacity of national systems and institutions. In Bhutan, the HACT will be introduced in 2008, corresponding with the new UNDAF-programme cycle. Prior to the introduction, the agencies are required to undertake a macro assessment of the country's public financial management system and micro assessments of implementing partners' financial management capacity. This report presents the findings of macro assessment.

As the HACT Guidelines stipulates the macro assessment is based on reviewing existing studies on the country's public financial management (PFM) system. The relevant studies for the Bhutan macro assessment include the World Bank's Country Financial Accountability and Assessment (CFAA) 2002 and Note on Public Financial Accountability and Management (PFAM) October 2005. The views of UN ExCom agencies have been taken into account in the text and the checklist, where appropriate. A World Bank document titled Roadmap towards Universal Reliance in Bhutan's Country Systems: Public Financial Management (2006) has been used as an indication for donor involvement and likely funding sources for PFM-improvement.

1.Objective

The objectives for conducting the macro assessment cover a developmental aspect and a financial management aspect:

- a) Development: to help ExCom Agencies and government to identify strengths and weaknesses in the country's PFM that they can flag for follow up assistance.
- b) Financial Management: to assist the ExCom Agencies in understanding more fully the financial environment.

2. Summary of findings and key risks

In the PFAM (2005), the World Bank concludes its assessment that RGoB's public financial management systems can be relied upon to provide assurance on the use of the Bank's Development Policy Grant. The World Bank recognizes the financial procedures for use of donor funds to be sound. Donor-funded expenditures are subject to same internal controls and budget and accounting requirements as government-funded expenditures. The 2005 Note echoes the World Bank's earlier statement in CFAA 2002 commending the Royal Government of Bhutan for the importance attached to good governance and in improving the government's PFM system and accountability.

However, the PFAM (2005) identifies challenges in the four financial areas: Budget Formulation and Execution; Internal Control; Public Sector Accounting and Financial Recording; and External Audit. Certain areas, identified for improvement like enhancing transparency of the budget process and improving the cash transfer system are currently being addressed. The adoption of the Audit Act by the National Assembly in 2006 addresses an earlier identified risk related to formalizing the Royal Audit Authority's independence.

The UNDG's macro assessment-checklist, attached as an annex, identified two of the eleven indicators as low risk and six indicators as moderate risk. Two areas were identified as significant risk and one area as high risk. The high risk area refers to the delay in transferring cash from centre to project level. The reasons for this delay are expected to emerge more clearly during the micro-assessment, and

subsequently measures for improvement will be identified. The two areas identified as significant risks are internal controls, and staff qualification and skills. Both areas present opportunities for the UN to work with the RGoB and other donors to strengthen internal controls and to enhance staff capacity in financial management. The need to enhance staff qualification and skills is especially pertinent in view of the initiatives undertaken since 2005 as a result of the recommendations of the Good Governance Plus document and the evolving decentralization process after 2008.

Based on the World Bank, Roadmap towards Universal Reliance in Bhutan's Country Systems, Public Financial Management (2006) this assessment has identified additional opportunities for the UN to support in risk areas and areas where no donor(s) support has been identified. While the Roadmap shows a likely source of fund, it neither contains information on the current status of donor support, nor information on the quantum and duration of assistance. The UN would need to discuss with the RGoB if support is forthcoming in these areas or if other donor have been identified.

The table below combines the UNDG checklist results, World Bank's recommendations from the PFAM (2005) and the World Bank's Road Map.

	Indicator	Risks	Recommendations	Remarks *
1	Budget Information	Low		
2	Budget Performance	Moderate	Introduce multiyear rolling budget with links to the Medium Term Fiscal Framework- Ongoing	World Bank/IDF Grant
3	Internal Controls	Significant	Establish organisational structure and independence including clear mandate for internal audit units and; staff to be trained in the use of professional audit methods	World Bank
			Update FRR 2001 as part of GG + recommendations.	NA
4	Bank Reconciliations	Moderate	Upgrade BAS to monitor suspense and advance accounts and provide ageing information on suspense balance.	NA
5	Transfer of cash resources	High	Development of e-transfer system - ongoing	DANIDA
6	Cash and asset position	Moderate	Improve cash planning and forecasting Provide information on liabilities and probable contingencies.	DANIDA (feasibility study)
7	Coverage of external audit	Low	Introduce selective audits using sampling techniques; train audit and accounts personnel	World Bank/IDF Grant?
8	Follow up action to audit reports	Moderate	Mechanism needed in MOF to actively track and monitor response to audit observations.	NA
9	Transparency of Audit Process	Moderate		
10	Staff qualification and skills	Significant	Greater professional leadership; Equal opportunities for regular in-service training; training for senior managers.	World Bank/IDF Grant DANIDA
			Expansion in opportunities and enrolment at the RIM for finance staff.	NA
11	Financial Systems	Moderate	Enhance database networking User training	DANIDA

* This column represents likely source of donor support. Information source: World Bank, Roadmap towards Universal Reliance in Bhutan's Country Systems, Public Financial Management (2006)

3. Findings in more detail

A. Budget Formulation and Execution

The procedures for budget formulation and implementation are comprehensively documented in the Budget Manual 2001. Budget decisions are taken through interactions between the Council of Ministers and the Ministry of Finance (MOF), Planning Commission Secretariat and the line ministries and other

budget entities before submission to the National Assembly for approval. The budget integrates all expenditures including donor funded activities.

The CFAA (2002) states that the budget is “somewhat transparent” and recommends making the budget documents more user friendly along with wider communication on changes in the budget and performance against approved budget. The World Bank also recommends improving the budget process by incorporating key program performance indicators. The multi year rolling budget and the medium term fiscal framework (MTFF), recently introduced and supported by the World Bank, integrates key programme performance indicators alongside with the budget indicators.

The budget execution phase commences with the release of funds through the Letter of Credit system. The CFAA (2002) notes that the MOF ensures timeliness in release of funds to concerned agencies upon fulfilment of the necessary formalities. The UN agencies have expressed concern on the delays in cash transfers from the centre to projects, at times exceeding a few months. Hence it is identified as a significant risk for the HACT- implementation. The RGoB has established an electronic transfer system for the agencies in Thimphu with DANIDA support. While plans to connect all spending agencies throughout Bhutan exist, its success and coverage will be contingent on the expansion of communication infrastructure.

The PFAM (2005) states that in-year adjustments to the budget are made to meet fiscal deficit targets and overdraft facilities –extended by the Royal Monetary Authority-are used quite regularly. These occurrences indicate significant opportunities to improve cash planning and forecasting procedures at the centre and agency levels. DANIDA has been identified as a likely source of fund to support this area.

B. Internal Control

The CFAA (2002) notes while serious efforts are made to comply with financial regulations, that the internal control concept has not taken deep hold in government offices. The Finance and Accounting Manual and Revenue Manual 2001 lay out the transactional control on all government receipts and payments rules and procedures. The PFAM (2005) states that the large number of irregular transactions recorded in external audit reports indicate non-compliance with transactional control. However, the report acknowledges that follow up mechanism to establish individual accountability has assisted in the adjustment and recoveries as well in reducing the total number of irregularities.

Though internal auditors are posted in all the line ministries, their operations are limited. It can be attributed to a poor understanding of the need for them and a failure among managers to give the internal auditors an effective role. More detailed guidance and intensive trainings for both auditors and managers are recommended to make the internal audit units more effective. The World Bank has been identified as a likely source of fund to strengthen the institutional framework for internal audit functions.

C. Public Sector Accounting and Financial Recording Systems

The Financial Rules and Regulations (FRR) 2001 specify the accounting practices and responsibilities for financial management in all agencies. The CFAA (2002) notes that the existing accounting system based on cash accounting is easily understandable for those who produce accounting information and those who receive it. However, the lack of information on amounts receivable and payable from the accounting system reduces the usefulness of accounting system for management purposes. DANIDA has been identified as a likely funding source to conduct a feasibility assessment for adopting accrual accounting. Government debt is also excluded from the accounting system, recorded separately by the Department of Aid and later included in the annual financial statement.

The PFAM (2005) recognises significant improvement in the accounting and reporting function brought about by introducing the computerised Budgeting and Accounting System (BAS) and Central Budget System (CBA) in the MOF. While the BAS has been installed across all spending agencies, major challenges remain in enhancing user capacity and networking of the database to improve the timeliness

and preparation of consolidated financial statements. DANIDA is identified as a likely funding source to support improving and enhancing the BAS and to provide extensive user training.

The PFAM (2005) states that bank reconciliations are conducted regularly and spending agencies are required to submit a bank reconciliation statement as part of the monthly financial report. The PFAM (2005) highlights the lack of information on suspense and advance accounts and the need to provide ageing information of the suspense balance. This offers the UN an opportunity to support upgrading the BAS to introduce a mechanism to monitor such accounts and update information accordingly.

D. Assessment of Supreme Audit Institution's capacity to undertake required audits

The CFAA (2002) states that the Royal Audit Authority (RAA) - the government's external auditor - has developed rapidly and continues to improve having good financial skills compared with the rest of government. The RAA is noted to enjoy considerable practical independence, performs its work without interference and is widely respected and considered autonomous. The National Assembly adopted the Audit Act in June, 2006, which provides the legal context for the RAA's independence. The auditor general is required to address audit reports directly to the National Assembly. Although the legislature's role in scrutiny of external audit reports has been stepped up with the establishment of Public Accounts Committee, its role is still emerging.

The RAA is responsible for audit of all public funds and also certifies the annual financial statement prepared by the MOF. While majority of audits focus on compliance with FRR, value for money/performance audits are also carried out. Since January 2002, the RAA reports have been made available to the public and on the internet; these are debated in the media when of public interest.

The CFAA (2002) notes the limited coverage of audit due to the current approach that audits every transaction and it recommends improvements through selective audits performed using sampling techniques. However, this would require enhancing the capacity of the auditors and accounting staff in government agencies. The World Bank has been identified as a likely source of funding to support this area. Although audit reports have shown a declining trend in the reporting of financial irregularities and satisfactory rates of adjustment/recovery indicating audit effectiveness, the PFAM (2005) recommends the MOF to set up mechanism to actively track and monitor the response to audit observations by the spending units. This might be an area, where UN support could be considered.

E. Staff qualifications and skills

The World Bank's CFAA (2002) is of the view that better staffing and training are required to increase Bhutan's pool of financial management specialists. Training opportunities for the National Finance Service (NFS) staff are identified as "infrequent or nonexistent" and that staff, who work on donor projects and are mostly Thimphu-based, have better access to training opportunities, while those posted to Dzongkhags have almost none. Limited organisational and financial resources as well as lack of donor attention to this area have been cited as the reasons for limiting the National Finance Service capacity to act fully effectively in PFM. Another area of improvement identified by the CFAA (2002) includes the need for professional leadership in accounting and financial management. The UN agencies have also identified staff qualification and skills as an area of significant risk for the HACT-implementation.

With the bifurcation of the Department of Budget and Accounts into the Department of National Budget and Department of Public Accounts, the NFS has been dissolved and its former staff placed under respective departments. However, the challenges concerning the staff qualification and training needs remains valid.

In addition, the CFAA (2002) highlights the need to provide better training for senior officers working in administration and finance, and other managers who supervise finance elsewhere in the public sector. Further specialised training is needed for internal auditors and staff of the Department of Budget and Accounts. The need to expand opportunities and increase enrolments in the Royal Institute of Management (RIM) is also highlighted in the CFAA (2002). A detailed training needs assessment has been carried out jointly by the RGoB and World Bank in 2004. This report provides detailed identification of training

needs for public financial management personnel. The findings of the report could be used to identify areas of UN support to further enhance professionalism and strengthen PFM at all levels.

F. Recent initiative undertaken by the Royal Government concerning public financial management system:

Since 2005, the Royal Government has undertaken the several initiatives to further good governance and strengthen public financial management system. The following recent initiatives are worth mentioning in the context of the macro assessment:

1. Establishment of the Anti Corruption Commission in 2006;
2. Adoption of the Audit Act by the National Assembly 2006;
3. Implementation of the recommendations of the Good Governance Plus Report 2005 pertaining to Budgeting and Planning (MTFF, MYRB, Alternative Planning Frame work);
4. Enhanced Decentralisation in the Tenth Plan;
5. Bifurcation of the Department of Budget and Accounts to Department of National Budget and Department of Public Accounts in 2006; and
6. Establishment of Public Accounts Committee.

The implementation of the above initiatives will require assistance to strengthen systems and procedures, and enhance capacity at national and local levels. In light of the enhanced decentralisation process envisaged in the draft constitution, significant assistance will be required to invest in decentralized PFM-capacity. However, the capacity gaps and needs have not yet been assessed.

4. Suggested Opportunities for Capacity Development

The assessment based on World Bank studies and interactions with the UN Agencies indicates opportunities for capacity development in improving systems and procedures for internal control and in enhancing the capacity and staff skills of personnel engaged in public finance management at all levels. The high risk area pertaining to delays in cash transfer from centre to project level could be an area for the UN and RGoB to look into in the micro-assessment. The World Bank document titled Roadmap towards Universal Reliance in Bhutan's Country Systems; Public Financial Management (2006) provides some indication of donor interest in these areas. However, information on the quantum and duration of assistance is not available from this document. Further there are other areas such as updating the FRR 2001; up-gradation of BAS; and establishment of mechanism to track and monitor response to audit observations that have emerged. However, the capacity gaps and needs in the recently undertaken initiatives to improve the PFM as outlined in the previous paragraph have not yet been assessed. Therefore it is recommended that the UN System maintain a flexible approach to the capacity development needs to allow incorporating emerging RGoB's needs in capacity building in keeping with the changing scenario of the PFM system in Bhutan.

Bibliography

- World Bank, Country Financial Accountability and Assessment, 2002
 World Bank, Note on Public Financial Accountability and Management, 2005
 World Bank, Roadmap towards Universal Reliance in Bhutan's Country Systems, Public Financial Management (2006)

The above mentioned documents were the relevant documents, nor ADB nor IMF had recently produced relevant documents pertaining the issue.

Checklist for Determining Risks related to a Country's PFM

Note: Shaded and bold sections represent risk areas identified by UN ExCom Agencies

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No info
1	The annual budget contains all expenditures related to ODA projects, including Government & donor contributions	No			Yes	
2	Budget and performance	Budget decisions are only nominally debated. Little consideration of previous performance is taken into account when setting future budgets.			Budget decisions are fully debated with assistance from expert committees. Full consideration of previous performance is taken into account when setting future budgets.	
3	To what extent are internal controls and financial procedures adhered to?	Procedures are frequently over-ridden or ignored. Emergency procedures are routinely used.	Procedures are generally followed. However, there are significant exceptions. Doubt exists as to whether or not the internal control system can be relied upon.	Procedures are generally followed. While exceptions exist, they are not frequently enough to prevent reliance on the internal control system.	Always.	
4	Bank reconciliations	Many accounts are not reconciled monthly. Reconciliations are often poorly performed.	A number of significant accounts are not reconciled monthly. Quality in some instances is poor.	Generally bank accounts are properly reconciled each month. Exceptions exist but appropriate follow up action is taken in all cases.	Performed to a high standard for all bank accounts at least once a month.	
5	Transfer of cash resources	Cash transfers from central / regional levels to projects level takes more than 1 month.	Cash transfers from central / regional levels to projects level takes between 2 weeks and 1 month.	Cash transfers from central / regional levels to projects level takes between 1 and 2 weeks.	Cash transfers from central / regional levels to projects level take a week or less.	

No	Indicator	High Risk	Significant Risk	Moderate Risk	Low Risk	No info
6	Reporting of cash and asset position to government	Analysis of cash and asset position made to government contains significant omissions.			Full analysis of cash and asset position is made to government.	
7	External audit / the auditor general (supreme audit body)	External audit covers less than 80% of central government expenditures.	External audit covers 80 to 90% of central government expenditures	External audit covers 90% of central government expenditures.	External audit covers all central govt expenditures	
8	Follow up action to audit reports	Points raised by external audit are infrequently followed up.	Points raised by external audit are usually but not always followed up. A significant number of points reoccur in following years.	Points raised by external audit are always followed up. In a few cases points reoccur in following years.	Points raised by external audit are always properly followed up. Points generally do not reoccur in following years.	
9	Transparency of audit process	Statutory external audit reports are infrequently published. These are rarely debated in the press even where of public interest.	Most statutory external audit reports are published. These are sometimes debated in the press when of public interest.	All statutory external audit reports are published. These are usually debated in the press when of public interest.	All statutory external audit reports are published. They are debated in the press where of public interest.	
10	Staff qualifications and skills	It is often not clear that staff have the skills and qualifications necessary to discharge their duties.	In some cases it is not clear that staff do not have the skills and qualifications necessary to discharge their duties.	In only some isolated case is it not clear that staff do not have the skills and qualifications necessary to discharge their duties.	It is always clear that all staff have the skills and qualifications necessary to discharge their duties	
11	Financial systems	Financial systems only capture and report on the most basic financial data, and this is frequently unreliable. System maintenance and performance is generally poor.	Financial systems only capture and report on the most basic financial data. While there are system maintenance and performance problems, generally the system is stable.	Financial systems are adequate for most but not all existing data capture and reporting needs. They are reliable and properly maintained.	Financial systems are adequate for all existing data capture and reporting needs. They are reliable and properly maintained.	

