
KINGDOM OF BHUTAN

Multi-annual Indicative Programme 2021-2027

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1. The overall lines of the EU international cooperation in Bhutan

1.1. The Basis for Programming

Located in the ecologically fragile Himalayan ranges, with a population of around $\frac{3}{4}$ of a million inhabitants, Bhutan is landlocked between China and India. It is a politically, economically and socially stable country, having become a **democracy** in 2008.

Bhutan is extremely **vulnerable** to climate change and disasters and dependant on imports for essential food commodities.

It faces a number of major **challenges**, i.e. ensuring access to health and education services across the country, tackling youth unemployment, ageing population, rural/urban divide, water supply and sanitation, limited economic diversification, availability and quality of data and still limited institutional capacity to adequately address these issues. The absence of required skills and expertise to achieve the country's national goals also pose serious concerns.

While Bhutan's **economy** has expanded rapidly in the past decade, it continues to be heavily dependent on India for its trade balance, and revenues from sale of **hydroelectric** power. Bhutan has suffered a significant socio-economic and fiscal setback in 2020 due to the **COVID 19** pandemic and respective containment measures, with the tourism sector and allied industries having suffered the most. It is expected to **graduate** out of the Least Developed Countries group in 2023, although there is a risk that this goal might be delayed due to COVID-19.

The **EU** is Bhutan's third biggest donor after India and Japan. Bhutan benefits also from the Everything but Arms (EBA) scheme. The EU and Bhutan have converging interests in the fight against climate change, the defence of a rules-based international system of governance and effective multilateralism, including the achievement of the UN Sustainable Development Goals (SDGs) and the objectives of the Paris Agreement and the Sendai framework on Disaster Risk Reduction (2015-2030).

Bhutan is a **carbon negative** country. It has developed also a unique model of **Gross National Happiness**, a concept that has entered mainstream thinking through progressive efforts to measure welfare beyond GDP. It is in the EU's interests to support Bhutan's efforts to develop as a model of sustainable development.

The EU's engagement in Bhutan under the **MIP 2021-2027** is well aligned with the EU's global priorities and focuses on:

- supporting the country in its sustainable development to remain carbon negative
- strengthening gender and women's empowerment
- strengthening its democratic institutions
- supporting small and medium enterprises (SMEs), and promoting private sector led green growth and digital opportunities in the country, particularly in the education sector.

In terms of **impact**, by the end of 2027 EU cooperation will have contributed to more sustainable agri-food systems in Bhutan with enhanced nutrition security using climate resilient practices, technology and infrastructure; reduced economic vulnerability¹, through economic diversification and improved mobilisation of domestic resources, with stronger accountability

¹ Bhutan's economic vulnerability Index (EVI) is now 25.7, well below the graduation threshold of 32.

and improved Human Development Indicators with enhanced use of digital solutions for public services, including but not limited to social sectors like education. These are all essential aspects for the graduation from its LDC status. The EU will consolidate its partnership with Bhutan as an important ally in the pursuit of the sustainable development goals and climate targets but also its role as an important contributor to Bhutan's political and economic self-reliance and a stronger voice in multilateral fora.

The basis for EU programming in Bhutan is the government's **12th Five Year Plan** (12th FYP) 2018-2023², the COVID 19 Economic Contingency Plan (which contains the plan for economic recovery - building back better) and the Climate Change Policy of the Kingdom of Bhutan, 2020. The country is also finalising its 21st Century Economic Roadmap³ for the period 2021-2030.

All actions taken under this programming exercise shall comply with EU legislation, in particular EU restrictive measures (sanctions) adopted pursuant to Article 215 of the Treaty on the Functioning of the European Union.-

1.2 Status of joint programming

The scope for joint programming in Bhutan is limited. Austria (AT) is the only EU Member State (EUMS) present in Bhutan and is expected to phase out its operations in 2023.

The **European Investment Bank** (EIB) Framework Agreement with the Royal Government of Bhutan (RGoB) was adopted in December 2020. It will provide opportunities to utilize EIB financing sources, as climate action, promoting sustainable growth, reducing inequalities and supporting small and medium enterprises are key global priorities of the EIB worldwide. The adoption of this Framework Agreement provides opportunities to identify and support sustainable investment projects using the European Fund for Sustainable Development (EFSD+) blending and guarantee instruments. Possibilities to work with other EU DFIs will continue to be explored.

Potential involvement of EUMSs, the EIB, and/or other EU DFIs will be sought whenever efforts can be joined in. This will be done, where possible, by streamlining and effectively coordinating development cooperation efforts, leveraging collective capacities and comparative advantages in a cohesive and coherent approach in support of the EU and Bhutan strategic interests. As such, a Team Europe approach, although difficult, might be adopted in the future using the experience of the joint EU-EUMS action in response to Bhutan's Covid-19 vaccine crisis. A group of EU Member States (Bulgaria, Denmark and Croatia), using the EU Civil Protection Mechanism, donated approximately 430 000 vaccine doses and facilitated the full vaccination of 90% of Bhutan's eligible adult population by the end of July 2021. The support provided was widely appreciated by the Government and intensively covered by the media.

1.3 Priority areas of the EU's cooperation with Bhutan

Since 1982, EU's Development Assistance to Bhutan has made a substantial contribution to the national development agenda and economic growth, mainly through support to inclusive and sustainable rural development systems, and improvement of quality and access to service delivery including through decentralisation. With the main objective to fight poverty and inequality, the EU contributed to Bhutan's development success story cutting poverty by two-

² The 12th Five Year Plan 2018-2023 - the basis for Programming (National Development Plan) which will include the revised Nationally Determined Contributions to climate action expected by June 2021.

³ https://economicroadmap.gnhc.gov.bt/?page_id=44

thirds, improving development indicators and progress in shared prosperity.

Bhutan's development achievements can be attributed to the Gross National Happiness (GNH), its **unique development framework**, which has been supported by continued efforts to ensure good governance, one of the four pillars of the GNH. Bhutan has only recently become a democracy, having held its first national assembly elections in 2008. A democracy that is overall functioning smoothly, but still needs to be strengthened. With a development management system guided by the Constitution, with development strategies and annual budgets driven by the GNH principles⁴, Bhutan performs well on indicators of control of corruption and peace, ranking 24 out of 180 countries in the 2020 Corruption Perception Index and 19 out of 163 countries in the 2020 Global Peace Index.

The RGoB aims to continue strengthening **democracy and governance** through decentralisation of decision-making including administrative and financial authority with greater accountability. The COVID 19 pandemic has also highlighted the need for **digitalisation of services** in the country, to ensure better and inclusive service delivery. Building capacities of subnational governments would therefore be key to good governance and all around progress.

Actions financed in the framework of this programme will also contribute to building a shock-responsive **social protection system**, i.a. by promoting **decent work** (protection and promotion of labour rights, tackling human trafficking and promoting social dialogue) at provincial and municipal levels in a cross-cutting manner.

Regarding **climate change and the Paris Agreement**, Bhutan is the country with possibly the most ambitious Nationally Determined Contribution (NDC) worldwide as it is committed to permanent carbon neutrality. Its impressive forest coverage is at the cornerstone of its climate action. In its 2nd NDC⁵, Bhutan also envisages Greenhouse Gas GHG emissions reduction through four Low Emissions Development Strategies (LEDS) in Food Security, Transport, Human Settlements and Industry. Mitigation and adaptation actions, with a focus on disaster resilience, are integrated in the 12th Five Year Plan⁶. The country is also located in one of the most seismically active zones in the world and is prone to earthquakes, floods, glacial lake outburst floods, landslides and forest fires. The most significant climate change impact in the country is the formation of supra-glacial lakes. This poses a serious risk to development, particularly because livelihoods of people in Bhutan are highly dependent on climate-sensitive sectors (hydropower, tourism and agriculture). Increasing temperatures and subsequent rises in glacial water levels have caused significant resettlement for populations living in large river valleys. Approximately 60 percent of the population is employed in agriculture, and threats to agriculture yields, food security and livelihood opportunities have resulted on increased (mainly internal) migration.

Bhutan's expected **graduation** from LDC group in December 2023 is positive news, but requires special consideration of the challenge to reduce its economic vulnerabilities, adjusting to the loss of LDC-associated benefits. The EU has pledged to support Bhutan through the transition to graduation. This Multi-annual Indicative Programme will support the implementation of the 12th FYP (2018-2023), which has been designed to address the last mile challenges, with a particular focus on green and digital transitions and good governance, to bolster Bhutan's social and economic development.

⁴ GNH pillars (1) good governance, (2) sustainable socioeconomic development, (3) preservation and promotion of culture, and (4) conserving the environment.

⁵ The second NDC was published on the 5th June 2021.

⁶ National Key Result Area 6 is specifically dedicated to Carbon Neutrality, Climate and Disaster Resilience.

Based on the priorities identified by the RGoB and following discussions and consultations with stakeholders, **three priority areas** were identified for EU's cooperation with Bhutan. These priority areas are further based on three criteria, which are a) EU's comparative advantage and transformative impact, b) where EU's interests converge with those of Bhutan and c) where there is an ongoing reform process that can be supported. The priority areas are as follows:

- Priority 1 Climate change, green growth for resilient Bhutan;
- Priority 2 Good Governance for inclusive socio-economic development;
- Priority 3 Digital transition: a driver for change in education and public services delivery.

Cross Cutting/Mainstreaming

While implementing this MIP, all actions will follow a rights based approach, particularly in ensuring “no one and no place is left behind”, with a particular attention to vulnerable and marginalised groups.

Gender: Bhutan ranks 130 out of 156 in the Global Gender Gap Report 2021. Notably, women have low representation in public and political institutions, they experience a higher unemployment rate, gender payment gaps, and gender-based violence. In recent years, the government has adopted different instruments ensuring an institutional and legislative framework favourable to advance on gender issues – e.g. the National Gender Equality Policy (NGEP) with an overall policy direction for gender equality, the 12th Five Year Plan's National Key Results area 10 – “Gender equality”. In 2019, the National Commission for Women and Children (NCWC) developed a Gender Equality Monitoring System (GEMS) to manage, monitor and track progress on gender-mainstreaming activities. However, capacity and resources across sectors to support mainstreaming and gender policy implementation remain limited.

In line with the Gender Action Plan III (GAP) 2021-2025, 85% of actions under this Multi-annual Indicative Programme will have gender equality and women's empowerment as a principal or significant objective. These will contribute to address gender norms, women literacy, women empowerment, access to jobs and equitable salaries.

Migration: Actions within the MIP 2021-2027 will consider the nexus between climate change and migration. With a focus on families left behind and gender-based issues, as well as national preparedness systems, actions will contribute to RGoB's efforts addressing the root causes of climate related displacement, migration flows and related vulnerabilities.

MIP EU-Bhutan 2021-2027

PRIORITY	SECTOR DAC CODES	ALIGNING WITH GOV PRIORITIES 12 TH FIVE YEAR PLAN (NKRAS ⁷)	ALIGNING WITH THE EC PRIORITIES	SDGs TARGETED
1. Climate Change, Green Growth for Resilient Bhutan	<p>Agriculture, forestry, fishing (310);</p> <p>Multi sector - urban / rural development, DRR, food security, food safety /quality, statistics - General environment protection (430);</p> <p>Industry - SME, Cottage, Agro, Forestry (330);</p>	<p>3. Poverty Eradicated & Inequality Reduced;</p> <p>6. Carbon Neutral, Climate & Disaster Resilient Development Enhanced;</p> <p>8. Water, Food and Nutrition Security Ensured;</p> <p>10. Gender Equality Promoted, Women and Girls Empowered;</p> <p>11. Productive & gainful employment created;</p>	<p>Green Deal Alliances</p> <p>Alliances for sustainable growth and decent jobs</p> <p>Better management and governance of migration</p>	<p>SDG 1;</p> <p>SDG 2;</p> <p>SDG 5;</p> <p>SDG 8;</p> <p>SDG 12;</p> <p>SDG 13;</p> <p>SDG 15.</p>
2. Good Governance for inclusive socio-economic development	<p>Government and Civil Society - General - PFM, Anticorruption, DRM, macroeconomic policy, Statistics (151)</p> <p>Banking and Financial Services (240)</p> <p>Business and other Services (250)</p>	<p>1. Macro-economic stability</p> <p>2. Economic Diversity & Productivity Enhanced</p> <p>3 Poverty Eradicated & Inequality Reduced</p> <p>10. Gender Equality Promoted, Women & Girls Empowered</p> <p>12. Corruption Reduced</p> <p>13. Strengthening democracy & decentralisation</p>	<p>Alliances for sustainable growth and decent jobs</p> <p>Governance, Peace and Security, Human Development.</p>	<p>SDG 1;</p> <p>SDG 5;</p> <p>SDG 8;</p> <p>SDG 10;</p> <p>SDG16.</p>
3. Digital Transition: a driver for change in education and public services delivery	<p>Education (110)</p> <p>Government Administration (150)</p> <p>Other social infrastructure and services (160)</p>	<p>3. Poverty Eradicated & Inequality Reduced</p> <p>7. Quality of Education & Skills Improved</p> <p>9. Infrastructure, Communication & Public Services Delivery Improved</p> <p>10. Gender Equality Promoted, Women & Girls Empowered</p>	<p>Green Deal Alliances</p> <p>Alliances for Science, Technology and Innovation, and Digital</p> <p>Alliances for sustainable growth and decent jobs</p>	<p>SDG 1;</p> <p>SDG 4;</p> <p>SDG 5;</p> <p>SDG 9;</p> <p>SDG 10.</p>

⁷ National Key Results Areas for the 12th FYP

1.4 Justification and context

Bhutan holds a **strategic geographical position** between India and China. The mountainous kingdom of Bhutan is one of the most sparsely populated countries in the world, ranking 182 out of 215 countries. With nearly half of its land protected to preserve and promote biodiversity, Bhutan is also the only carbon-negative country in the world, absorbing more greenhouse gas emissions (GHG) than it produces. Self-sufficiency and conservation of environment and its unique culture remain Bhutan's main development goals.

Bhutan has a nascent **civil society**, which is progressively being involved in participatory decision-making processes. Building on past and ongoing actions, the EU-Civil Society Roadmap for Bhutan will identify ways to enhance Civil Society Organisation (CSO) participation in each of the below priorities (ref 3.0 Support Measures).

In addition, initiatives under the **Regional Multi-annual Indicative Programme** for Asia and the Pacific may contribute to facilitate regional cooperation/transboundary joint actions, in areas of strategic importance for Bhutan and for the EU such as water resources management⁸, migration, combating organised crime, promoting macroeconomic stability and/or facilitating intergovernmental collaborative platforms. It also synergises with the priorities of this Indicative Programme i.e. in supporting PFM /macroeconomic stability through the IMF's South Asia Regional Training and Technical Assistance Centre (SARTTAC), or via other areas such as disaster risk reduction, bringing support to civil society organisations, through GCCA+ (renewable natural resources), InterPares or SWITCH Asia. These should also enhance EU-Asia connectivity⁹, promote the EU Strategy for cooperation with the Indo-Pacific (2021) and contribute to the achievement of global goals, knowledge sharing and high-level policy dialogue.

1.4.1. Climate Change, Green Growth for Resilient Bhutan (Priority 1)

Particularly due to **climate change**, the last 10 years have witnessed recurrent extreme weather events and natural disasters, including glacial lake outburst, flash floods, landslides, forest fires, droughts, drying of spring sheds, incidence of new pests and diseases.

Despite these challenges, Bhutan has emerged as a global **leader** in the environmental and climate stewardship through its efforts to protect and govern natural resources sustainably, striving to balance economic growth and development and environmental conservation. The country has identified SDG 13 – Climate Action as one of its core priorities under the ongoing **12th Five Year Plan** (FYP). The 2020 Climate Change Policy and the 2nd NDC (2021) provide the framework of Bhutan's climate adaptation and mitigation priorities.

Bhutan is heavily dependent on rivers—through hydropower—for their own energy needs to fuel development and as a revenue source. However, the current run-of-river hydropower plants may make Bhutan's economy more vulnerable to climate change. Simultaneously, Bhutan faces **food security** issues and is heavily dependent on food imports from India, due to limited areas of land available for **agriculture** (2.6 % of land area is arable).

⁸ Council conclusions on Water Diplomacy (2018) and the UNECE Transboundary Water Convention.

⁹ "Connecting Europe and Asia: Building Blocks for an EU Strategy", 2020.

In addition, rapid **urbanisation** poses significant environmental challenges in terms of loss of prime agricultural land, solid waste management, illegal logging, over-exploitation of non-timber forest resources and of natural resources. Bhutan's economy, due to extreme dependence on natural resources, remains therefore very fragile, further exposing the agriculture-forestry-tourism dependent livelihoods. The situation is also exacerbated by the social and economic impact of COVID 19 expected to have long term consequences for the economy.

Bhutan's **Renewable and Natural Resources (RNR)** sector generates approximately 60 % of the employment and is the second largest driver of the national GDP. Development of the RNR sector is crucial for the achievement of Sustainable Development Goals especially SDG 1 (no poverty), SDG 2 (zero hunger) and SDG 13 (climate change). Employment in agriculture consists mainly of self-employed, small-scale subsistence farming, with the majority of farmers being women. The sector is increasingly divided between potential areas with opportunities for commercial agriculture and agribusiness and lagging behind regions where subsistence farming prevails and nutrition security remains challenging. This requires a multisector approach to ensure food security and nutrition for all, by enabling the development of inclusive and fair agriculture and forestry value chains that benefit people and nature while contributing to economic growth. The RNR sector, **and specifically the area of sustainable agri-food systems**, is therefore a **crucial element in the tackling of climate mitigation and adaptation**, as well as in strengthening of economic diversification, food self-sufficiency and nutrition security.

Since 2012, the **EU** support to the RNR sector has contributed to the reduction of poverty rates from 12.7 % in 2012 to 5.8 % in 2017. Our support to the sector has also resulted in achieving self-sufficiency with respect to enhanced Vegetable, Dairy and Poultry production, contributing to improved nutrition outcomes of people. The EU support has contributed to the conservation of natural resources (e.g. 2800 ha of land were afforested since 2016), supported the infrastructure needs (6000 km of farm roads built and 500 km of irrigation canals constructed), promoted climate resilient practices (e.g. 4000 household supported with bio-gas plants and 1000 tonnes of improved climate resilient seeds supplied), and created 1800 employment opportunities through 100 farmers groups and cooperatives in the country.

The **main lessons learnt** from the EU-Bhutan past sector policy reviews¹⁰, indicate the need for a shift from the traditional sector-based approach, towards a multi-sector and systemic understanding of national and subnational food systems and their links to climate change and environment. The EU has started accompanying this shift through supporting a rapid food systems assessment, which will guide future EU action in Bhutan. Admittedly, the RNR sector plays a key role in supporting the development Sustainable Agri-Food Systems (SAFS). The RNR Strategy 2040 outlines the strategic vision of the sector and sets the direction to bring transformational changes to realise its full potential. The strategy underpins the importance of sustainable natural resource as the foundation of resilient socio-economic well-being. Therefore it will be important to continue supporting the RNR sector through scaling up climate resilient approaches to production and conservation; economic diversification and promoting private sector participation. This is also in line with the Government's desire to widen the scope of the sector. The EU-Bhutan joint sector reviews further highlighted the need **for increased engagement with CSOs in decision making**, mainstreaming gender and addressing data inconsistency.

This priority area 1 will contribute directly to the NDICI targets of **climate change, human development, gender and migration**. It will support a genuine transformative approach

¹⁰ Particularly those in September 2019 and December 2020.

allowing progress against the Farm to Fork policy commitments enshrined in the European Green Deal. In addition, it will contribute to strengthening national capacities to manage disaster risks.

Under this priority the actions are expected to **increase farmers' resilience** by promoting climate smart agriculture, improving sustainable rural livelihoods and generating employment opportunities, directly and indirectly contributing to mitigating climate induced displacement and migration. In doing so, the EU will also support the RGoB in addressing the root causes for internal displacement in Bhutan and the “depopulation” of the rural areas.

1.4.2. Good Governance for inclusive socio-economic development (Priority 2)

Governance is an integral part of the RGoB's policies, reflecting the administration's commitment to efficiency, transparency and accountability at all levels. The RGoB aims to continue strengthening democracy and governance through **decentralisation** of decision-making including administrative and financial authority with greater accountability. In addition to the aforementioned, the RGoB lays emphasis on promoting an active and vibrant **civil society** and independent media while highlighting that civil society is an essential building block of development and national cohesion.

As decentralisation of responsibilities to local authorities for the delivery of public services continues in Bhutan, effectiveness and efficiency of **service delivery** will depend heavily on intra-government coordination and greater subnational implementation capacity. In the 12th FYP, 50% of the total capital outlay has been allocated to the local governments to strengthen fiscal decentralisation.

The RGoB has drafted a **new decentralisation policy** and a Local Government (amendment) bill that will replace all the previous legislations and is likely to be presented at the winter session of the Parliament in 2021. The **proposed draft National Decentralisation Policy**¹¹ aims to (i) establish a coherent policy and legal framework; (ii) improve the operating environment for local governments; and (iii) lay the foundation for a Decentralisation Implementation Plan. The policy clearly states that devolution rather than delegation will be the main mode of decentralisation. Thus, it is of utmost importance that subnational governments have adequate capacity to deliver services effectively. Since provision of some important public services, such as water supply, can cut across several subnational governments, close coordination will be critical to ensure that resources are used effectively.

This priority will build on **existing EU initiatives** with ongoing programmes such as: Capacity Development for Local Governments and Fiscal Decentralisation budget support, Multi Donor Fund Public Finance Management and Civil Society programmes. It will support implementing the new decentralisation policy and local government reforms with innovative approaches for financial decentralisation, local capacity development, public finance management and service delivery. It will further mainstream environment, climate change, disaster risk resilience, poverty and gender in local governance.

The EU remains the only donor in Bhutan that supports the **Local Government Sustainable Development Programme (LGSDP)**. The programme focuses on strengthening capacity for better service delivery in addition to strengthening fiscal decentralisation, good governance, transparency and accountability. Introducing performance-based incentives to mainstream gender, environment, climate, disaster and poverty in the local government policies and

¹¹ Draft National Decentralisation Policy (2019)- <https://www.gnhc.gov.bt/en/wp-content/uploads/2019/09/NATIONAL-DECENTRALIZATION-POLICY-22.8.19.pdf>

promoting green business and inclusive development initiatives, remains at the core of the programme.

Lessons learned from the EU-Bhutan sector policy review (2019 and 2020) identified the need to ensure sustained growth, managing macro-economic pressures by assisting the government to strengthen the monetary and fiscal policies for resource mobilisation, public debt management and capital market development as well as diversifying the economy and creating more jobs to reduce unemployment among youths. There is a need to continue strengthening financial and control capacities to ensure consolidation of the existing - and implementation of next-generation - Public Finance Management (PFM) reforms. These include social protection measures (financed by the Goods and Services Tax (GST)), financial inclusion and fiscal decentralisation. The domestic revenue mobilisation measures will also focus on alternate revenue sources at the local levels. The Public Expenditure Financial Accountability (PEFA) assessment is foreseen in 2021/2022 and will be instrumental guiding future activities.

This priority area 2 is in line with the New European Consensus for Development - in that it promotes accountable and transparent institutions and will foster participatory decision-making and public access to information. It is further aligned with the RGoB's 12th FYP National Key Results Area 13 "Strengthening democracy and decentralisation". This priority will contribute to the NDICI focus area on 'Good governance, democracy, rule of law and human rights'.

1.4.3 Digital Transition: a driver for change in education and public services delivery (Priority 3)

The COVID 19 pandemic has highlighted the importance of digitalisation in contributing to more efficient public services. Bhutan is committed to transforming into a digital economy, but faces the **challenge** of addressing its population distribution and huge disparities, with the eastern and highland districts registering the highest percentage (35 %) of the total poor population. High youth unemployment (11.29 % in 2020), a concern for the previous and current administrations, is reportedly linked to a mismatch between skills and job market requirements. The RGoB is planning to work towards adopting robust digital solutions to enhance access, accountability and transparency of public services delivery and to strengthen social sectors including food security, judiciary, education delivery and health services.

There is a need for the expansion of digital solutions, automation and improvement of the telecommunication infrastructure in Bhutan to achieve **digital inclusion**. The government's **Digital Druknyul flagship programme** was launched in 2019 focusing on digitalising the economy, targeting public services, banking, e-commerce, education and health. Under this priority, the EU will support Bhutan's digital vision and contribute to enhance the country's Information and Communication Technologies (ICT) infrastructure especially in the **education sector and public service delivery**.

Further to **policy dialogue** on education and digital literacy, actions will be implemented aiming at the promotion of investments towards improving education opportunities and choice, as well as to enhance transparency and accountability of public services delivery at the national level (e.g. government departments, courts) particularly targeting at improving (sex disaggregated) data collection and analysis.

Together with the **EFIs**, the EU will explore the promotion of investments enabling digital solutions such as i) to support the education sector e.g. through the creation of digital schools while also ensuring the required connectivity and ii) to promote transparency and accountability of government/public institutions.

Support to improved digitalisation of the Bhutanese education sector and public services

delivery is expected to further facilitate an enabling environment for **diversified income generating opportunities**. Support to digitisation will include determining the best possible solutions for last mile connectivity, addressing the root causes of the rural-urban divide and ensuring no one and no place is left behind. While significant progress has been made in building ICT infrastructure in Bhutan a lot remains to be done so that public service delivery can be transformed through improved coordination and integration, adoption of frontier technologies and enhancing digital literacy.

This is in line with the RGoB's 12th FYP, key result area (NKRA) 9 on "Infrastructure, Communication and Public Services", and with the RGoB's Digital Drukylul Flagship. This priority addresses the NDICI focus areas on "Poverty eradication, fight against inequalities and human development, job creation and digitalisation" and, while ensuring linkages with regional initiatives, it may contribute to the EU connectivity strategy "Connecting Europe and Asia - The EU strategy" (2019).

Moreover, Digitalisation will be mainstreamed across priority area 1 and priority area 2. This is in line with the council conclusions on mainstreaming digital solutions and technology in EU development policy (2016).

1.5 Duration of the MIP and option for synchronisation

The EU MIP 2021-2027 for Bhutan is expected to have a duration of 7 years (2021-2027) with a midterm review [indicatively] foreseen in 2024. The latter will coincide with the country's political cycle and the transition from the current 12th Five Year Plan (2018-2023) to the 13th FYP (2023 -2028). The mid-term review of the MIP 2021-2027 will provide an opportunity to take stock of partner country's engagement and will enable the confirmation of priorities and synchronisation of the programme with the new policy documents (e.g. 13th FYP and Roadmap for the 21st Century Economic Development of Bhutan).

2. EU support per priority area

2.1 Priority area 1: Climate Change, green growth for resilient Bhutan

The EU support will promote Bhutan's transition to a Sustainable Agri-Food Systems (SAFS) approach, as a way to promote green growth, combat Climate Change and address food security and nutrition. Measures to address conservation and sustainable utilisation of natural resources, green technology, innovative agricultural and livestock practices and climate resilient infrastructure facilities will form an integral part of the EU support. The initiatives will lay emphasis on commercialisation and market intensification programmes taking into consideration the strategic role of the Renewable and Natural Resources (RNR) sector, thereby contributing to Bhutan's GDP growth and employment.

2.1.1. Specific objectives (SO) related to the priority area:

SO1.1: Foster economic diversification of RNR sector;

SO1.2: Scale-up climate resilient approaches for sustainable management and conservation of natural resources;

SO1.3: Enhance food and nutrition security;

SO1.4: Promote inclusive and effective RNR service delivery.

2.1.2 Expected results per specific objective are as follows:

SO 1.1: Foster economic diversification of RNR sector

ER 1.1.1. Private sector participation (CSI/SMEs), green business opportunities and financing in the RNR sector promoted.

SO 1.2: Scale-up climate resilient approaches for sustainable food production, and management and conservation of natural resources

ER1.2.1. Climate resilient practices, technologies and infrastructure promoted.

SO 1.3: Enhance food and nutrition security

ER 1.3.1. Rice self-sufficiency and nutrition security enhanced

SO 1.4: Promote inclusive and effective RNR service delivery

ER 1.4.1. Gender transformative approaches promoted

ER 1.4.2 Digital/technological innovations in the RNR service delivery promoted

Active engagement and coordination with CSOs is expected through policy dialogue as well as through implementation of grant projects under the country and/or global allocations of the thematic and regional programmes (e.g. SWITCH Asia, CSO).

2.1.3 Indicators (including baseline and targets), per expected result

(re attachment 1)

Programme Results	Indicator	Baseline	End of Programme Target
ER1.1.1. Private sector participation, green business opportunities and financing in the RNR sector promoted	1.1.1.a. Number of CSI/Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support (EU RF 2)	0 (2021)	100 (2027)
	1.1.1.b. Number of green jobs supported/sustained by the EU (EU RF Level 2)	0 (2021)	500 (2027)
	1.1.1.c. Status of implementation of the public private partnership model promoted in the RNR / CSI / SME sector	0 (2021)	At least 1 PPP implemented (2027)
	1.1.1.d. Number of firms with access to financial services with EU support (CSI/SMEs) ¹² (EU RF Level 2)	0 (2021)	>15 (2027)
ER1.2.1 Climate resilient practices, technologies and infrastructure promoted	1.2.1.a. Areas of terrestrial and freshwater ecosystems under a) protection, b) sustainable management with EU support (ha) (EU RF Level 2)	Forest area ¹³ - 0 ha (2021)	155,000 ha (2027)
		Sustainable land management ¹⁴ - 0 (2021)	700 ha (2027)

¹² CSI-Cottage and Small Industries/SME- Small and Medium Enterprises.

¹³ The indicator measures the area of Forests land brought under sustainable forest management regime through Community Forests, Forest management Units, Local Area Forest Management Plans and CBNRM sites.

¹⁴ The indicator shall measure the total land area within the country developed and managed through sustainable land management regimes and practices set

	1.2.1.b. Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) (EU RF Level 2)	0 (2021)	400 ha (2027)
ER1.3.1 Rice self-sufficiency and nutrition security enhanced	1.3.1.a. Rice self-sufficiency	33.67 % (2019)	60% (2027)
	1.3.1.b. Number of women of reproductive age, adolescent girls and children under 5 reached by nutrition related interventions supported by the EU (EU RF Level 2)	0 (2021)	40,000 (2027)
ER1.4.1. Gender transformative approaches promoted	1.4.1.a. Number of proposed for adoption climate change adaptation and mitigation policies (including nationally determined contributions), and environment protection strategies and plans (including energy policies/ strategies) that include gender equality objectives, in line with the United Nations framework convention on climate change (UNFCCC) gender action plan (GAP III)	0 (2021)	10 (2027)
ER1.4.2. Digital/ technological innovations in the RNR service delivery promoted	1.4.2.a. Number of people supported by the EU with enhanced access to digital government services in the RNR sector (disaggregated by sex) (EU RF Level 2)	0 (2021)	100,000 (2027)

2.1.4 Possible use of blending and guarantees for investment under EFSD+

There is scope to use **blending** under EFSD+ to promote green growth opportunities, foster economic diversification, support cottage and small industries and contribute to overall strengthening the private sector participation in the RNR / CSI and allied sectors. The EU will engage with EIB to identify possible pipeline projects for sovereign as well as non-sovereign loans. Indicatively, projects spurring **green investments** (e.g. renewable energy resources diversification), integrating **climate and environmental risks** in financial systems, as well as projects establishing **regulatory standards** and certification systems, supporting branding and promotion of export oriented niche products, will be considered. Besides, opportunities to promote circular economy approaches in line with **EU Circular Economy Action Plan**¹⁵ and encourage innovative private sector investment (e.g. renewable energy, pollution, SMEs, waste management, sustainable tourism) may also be explored. Considering Bhutan is a net carbon sink, support to develop mechanisms of **Payment for Ecosystem Services** (water, forest) and sustainable use of niche biodiversity products will also be explored as alternate sources of climate financing. Subject to its confirmation through the implementation phase, it is expected that an indicative amount of EUR 2 million may be used to provision EFSD+ guarantee operations under this priority area.

Sustainable finance represents a real potential in the region and could help accelerate financial

¹⁵ https://ec.europa.eu/environment/strategy/circular-economy-action-plan_en

flows towards green, inclusive and resilient transitions

2.1.5 Major risks and mitigation measures

The following are identified as **key risks** factors (and limitations):

- Extreme vulnerability to climate change and disasters.
- Slow economic recovery from the post COVID 19 situation.
- Limited opportunities for economic diversification and nascent private sector development in the RNR sector.
- Extreme dependence on Indian market for export and imports.

Mitigation measures:

The focus of this priority aims at addressing climate change issues as well as promoting private sector led green growth opportunities. Vulnerability to climate change and disasters is expected to be mitigated through regular policy dialogue, monitoring and specific remedial actions. Actions under priority area 2 of this MIP, under which it is envisaged to empower Local Governments, will play a key role in mitigating the risks related to climate change and disasters. Other mitigation measures include strengthening the capacity of the focal ministry for effective coordination with government agencies and development partners and piloting innovative financing models. Disaster Resilience and Disaster Risk Management will be systematically addressed during identification, formulation and implementation of specific activities.

2.2 Priority area 2: Good Governance for inclusive socio-economic development

Under this priority area, EU support will aim to strengthen Good Governance in Bhutan for socio-economic development. This will be done by implementing policies and programmes contributing to good governance through reforms in Local Governments, by strengthening administrative and financial decentralisation, governance institutions, public finance management, and enhanced transparency and accountability leading to effective public service delivery and civil society engagement.

2.2.1 Specific Objectives (SO) of the priority area

SO2.1: Strengthen Good Governance through reforms in Local Governments (LG) and public service delivery.

SO2.2: Strengthen Macroeconomic stability and Public Finance Management.

SO2.3: Enhance monitoring and oversight mechanisms.

2.2.2 Expected results per specific objective

SO2.1 Strengthen Good Governance through reforms in Local Governments and public service delivery

ER 2.1.1. Implementation of the RGoB's decentralisation policy supported.

ER 2.1.2. Women participation, gender-sensitive policies/plans/programmes mainstreamed in LGs.

SO 2.2 Strengthen Macroeconomic stability and Public Finance Management

ER 2.2.1. Financial sustainability, transparency and accountability consolidated.

ER 2.2.2. Macroeconomic and public finance governance institutions strengthened.

SO.2.3. Strengthen monitoring and oversight mechanisms

ER 2.3.1. Capacity of CSOs and independent governance institutions strengthened.

ER 2.3.2. Enhanced enabling environment for civil society

The preferred modality to implement this priority would be through direct budget support accompanied by support measures. Support to CSOs' active engagement and participation will contribute to improved coordination and monitoring mechanisms in place. Specific projects supported under thematic programmes (e.g. human rights and CSO) will reinforce the capacity to achieve the expected results.

2.2.3 Indicators (including baseline and targets), per expected result

(re attachment 1).

Programme Results	Indicator	Baseline	End of Programme Target
ER2.1.1. Implementation of the RGoB's decentralisation policy supported	2.1.1.a Level of implementation of the decentralisation policy: political, economic and social reforms	0 (2021)	1 (2027)
	2.1.1.b Annual Grants budget utilisation by LGs for effective and efficient public	At Gewogs level: 90%	100 % (2027)
	2.1.1.c Number of LGs mainstreaming climate change, Disaster Risk Reduction, employment/livelihoods opportunities	100 Gewogs (2021)	All Gewogs (2027)
ER2.1.2 Women participation, gender-sensitive policies /plans/ programmes mainstreamed in LGs.	2.1.2.a Proportion of seats held by women in local governments (GAP III)	12% (2021)	>12 % (2027)
	2.1.2.b Number of LGs mainstreaming gender into LG policies and actions	100 Gewogs (2021)	All Gewogs (2027)
ER2.2.1. Financial sustainability, transparency and accountability consolidated.	2.2.1.a Number of actions supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency (EU RF Level 2)	0(2021)	1 (2027)
	2.2.1.b Number of new actions supporting public finance management (PFM) reforms that include a gender budgeting component, by year.	0 (2021)	1 (2027)
ER2.2.2. Macroeconomic and public finance governance	2.2.2.a Number of National Public Service Institutions strengthened (OD strategy and action plan development and implemented)	0 (2021)	3 (2027)
ER2.3.1. Capacity of CSOs and independent governance institutions strengthened.	2.3.1.a Number of CSOs capacitated for enhanced monitoring and advocacy	0 (2021)	8(2027)
	2.3.1.b Status of CSO Authority strategic plan	No plan (2021)	CSO Authority strategy action plan adopted and implemented (2027)
ER2.3.2. Enhanced enabling environment for civil society	2.3.2.a Number of government policies developed or revised with CSO participation through EU support (EU RF	0 (2021)	5 (2027)
	2.3.2.b Number of government policies facilitating CSO participation, actions,	0 (2021)	3 (2027)

2.2.4 Possible use of blending and guarantees for investment under EFSD+

There is limited scope for the use of blending and/or guarantees under this priority. However, opportunities will be explored to support the development of innovative financial instruments and provide appropriate risk-sharing mechanisms to mobilise private investors towards sustainable investments. In particular, **green bonds may contribute to scaling up sustainable finance** and implement the RGoB's sustainable infrastructure plans and NDC.

2.2.5 Major risks and mitigation measures

The following are identified as **key risks** factors (and limitations):

- Delays in signing human rights conventions before the country's LDG graduation .
- Limited capacity of local governments may lead to delay in implementation and pose a threat in the judicious utilisation of EU commitment.
- Government policies and reforms remain gender biased.
- Increasing youth unemployment may impact macro-economic stability.

Mitigation measures may include:

- Continued policy dialogue to propel the signing of international human rights conventions.
- Possible technical assistance to RGoB to ratify and implement the remaining key international human rights and International Labour Organisation conventions.
- The national monitoring and evaluation system (NMES) will help identify delays and weaknesses.
- Capacity building interventions will provide remedial actions by strengthening the management of planning, budgeting and reporting capabilities of local government officials.
- Gender sensitive budgeting as part of the PFM reforms will facilitate gender mainstreaming.

2.3 Priority area 3: Digital Transition: a driver for change in education and public services delivery

The EU support to Digital transition will aim at leveraging investments to support the digital vision of Bhutan and transform the country into a smart and inclusive economy using information, communication and technology solutions. This is expected to lead to improved public services delivery, and education services, enhanced accountability and transparency at the national level (government departments, courts, other public services) including through improved data collection and analysis.

2.3.1 Specific Objectives (SO) of the priority area

SO 3.1: Strengthen digitalisation in Education nationwide.

SO 3.2: Strengthen digitalisation of public services to enhance efficiency, efficacy, transparency and accountability.

2.3.2 Expected results per specific objective

SO 3.1. Strengthen digitalisation in Education nationwide:

ER 3.1.1. Digital solutions designed, developed and deployed enabling inclusive access to education and ICT skills with a particular focus on women and girls

SO 3.2 Digitalisation of public services to enhance efficiency, efficacy, transparency and

accountability

ER 3.2.1. Improved access to digital connectivity and services

ER 3.2.2. Digital solutions deployed to improve transparency and accountability of government/public institutions.

ER 3.2.3. Improved data collection, analysis and exchange.

CSOs' active engagement and participation under this priority area will contribute to policy dialogue as well as monitoring activities in remote areas and mainstreaming gender. Specific projects supported under thematic programmes (e.g. human rights and CSO) will align with the above objectives and reinforce the capacity to achieve the expected results.

2.3.3 Indicators (including baseline and targets), per expected result

(re attachment 1).

Programme Results	Indicator	Baseline	End of Programme Target
ER3.1.1. Digital solutions designed, developed and deployed enabling inclusive access to education and ICT skills, with a particular focus on women and girls	3.1.1.a Number of students having access to online schools disaggregated by sex and age	NA (2021) ¹⁶	10 000 (2027)
	3.1.1.b Number of people who have benefited from institution or workplace based VET/skills development for digitalisation supported by the EU (disaggregated by sex and age) (EU RF Level 2)	0 (2021)	1 000 (2027)
ER3.2.1. Improved access to digital connectivity and services	3.2.1.a Number of people supported by the EU with enhanced access to digital government services (EU RF Level 2)	0 (2021)	15 000 (2027)

¹⁶ No sex disaggregated data available currently on students having access to online schools. Verification of the aforementioned shall be done based on reports provided by the Ministry of Education.

ER3.2.2. Digital solutions deployed to improve transparency and accountability of government/public institutions	3.2.2.a Number of digital tools adopted / updated to enhance efficiency and quality of data	0 (2021)	2 (2027)
ER3.2.3. Improved data collection, analysis and exchange.	3.2.3.a Status of integrated digital data systems for multi-hazard disaster response	No system (2021)	Integrated system disaster response data deployed and in use (2027)

2.3.4 Possible use of blending and guarantees for investment under EFSD+

The use of blended financing and guarantees for investment in digitalisation is foreseen under EFSD+. Under this priority, actions would include support for **developing ICT infrastructure, platforms in specific sectors** where EUFI's and IFTs are lending to the government. Subject to its confirmation through the implementation phase, it is expected that **an indicative amount of EUR 3 million** may be used to provision EFSD+ guarantee operations under this priority area.

2.3.5 Major risks and mitigation measures

The following are the **key risks** factors (and limitations) which may have adverse effect in achieving the objectives of this priority area and includes:

- Inadequate/obsolete digital infrastructure.
- Remoteness, tough mountain terrain and poor connectivity.
- Impact related to natural disasters.
- Lack of skilled manpower/capacity on digital technologies.
- Dependence of neighbouring countries for ICT support.

Mitigation measures will rely on continued policy dialogue and will:

- Promote innovative financing and leverage investments in digitalisation.
- Support robust, resilient digital infrastructure.
- Promote capacity building in digital technologies.
- Promote reform-oriented policies on digitalisation.
- Build national capacity/ skills as per the ICT infrastructure developed and adopted.
- Create enabling environment to mobilise private sector in ICT.

2.4 Proposals of country/multi-country/regional Team Europe Initiatives

No Team Europe initiative is proposed for Bhutan.

3. Support measures

3.1 Measures in favour of civil society

A new Roadmap for engagement with Bhutanese CSOs is currently being prepared for the period 2021-2024. The lifetime of this roadmap will allow coordination and alignment with several EU strategic documents: (1) the EU Action Plan on Human Rights and Democracy 2020 - 2024¹⁷ that calls for increased engagement with civil society; (2) the 2017 Council conclusions on EU engagement with civil society in external relations¹⁸, which calls for a more strategic engagement with CSOs to be mainstreamed in all external instruments and programmes and in all areas of cooperation; (3) EU Gender Action Plan (GAP) III 2021 - 2025¹⁹, calling for closer cooperation with CSOs on gender-related issues.

The CSO Roadmap is expected to (i) promote an enabling environment allowing the Bhutanese Civil Society Organisations Authority (CSA), the Bhutanese CSOs and the International NGOs to better contribute to the development and governance of Bhutan; (ii) support Civil Society engagement in gender and climate change adaptation/mitigation, including moving towards a low-carbon, resource efficient, green circular economy; (iii) support Civil Society in promoting inclusive growth for sustainable economic diversification and; (iv) promote the involvement of CSOs in support of the ratification and implementation of the remaining human rights international conventions.

The EU aims to continue its efforts strengthening Civil Society Organisations, including social partners, building networks, platforms and alliances, to promote policy dialogue and perform their role as change agents and advocates of citizens in Bhutan, in particular regarding gender equality and human- as well as labour rights.

3.2 Cooperation facility

The Cooperation Facility will allow cooperation on areas where the EU interests should and could be pursued in Bhutan, i.e. via capacity building, policy dialogues, cooperation with EU agencies (e.g. Copernicus, JRC) or affiliation to EU programmes, as well as strategic communication and fight against disinformation and visibility actions on EU cooperation and public diplomacy. In particular, the public diplomacy actions should enable to build trust, improve understanding of EU values and priorities and facilitate cooperation across policy areas.

The Facility may also target (demand driven) technical assistance to share EU's knowledge, expertise, best practices, tools and technologies based on the priorities identified by Bhutan (e.g. ICT, Disaster Preparedness and Water Facility, skills development, construction work/Build Bhutan Programme). TAIEX and Twinning may also be instrumental in this framework.

In addition, the facility will be used to support the implementation of the EU Strategy for cooperation with the Indo-Pacific (2021), to promote and increase access to ERASMUS + as well as cooperation opportunities under the EU research and innovation programme Horizon Europe. The cooperation facility may also be used to mobilise expertise to mainstream gender in the EU initiatives.

¹⁷ <https://data.consilium.europa.eu/doc/document/ST-12848-2020-INIT/en/pdf>.

¹⁸ <https://data.consilium.europa.eu/doc/document/ST-10279-2017-INIT/en/pdf>.

¹⁹ https://ec.europa.eu/international-partnerships/system/files/join-2020-17-final_en.pdf.

4. Financial overview (in million EUR)

Although the duration of this MIP is seven years, the indicative allocations for Bhutan and for each of the priority areas and support measures laid down in the table below are provided for the 2021-2024 period only. The indicative allocations for 2025-2027, as well as the possible modification of other substantial elements of this MIP, will be subject to a decision by the EU. This decision should be preceded by a review of the implementation of this MIP, which should include a dialogue with the authorities and other stakeholders of Bhutan.

<i>Priority Areas</i>	<i>Indicative Amount</i>	<i>Percentage of total allocation</i>
<i>P1 - Climate Change, Green Growth and Self-reliant Bhutan</i>	<i>15</i>	<i>48 %</i>
<i>P2 - Good Governance for inclusive socioeconomic development</i>	<i>12</i>	<i>39 %</i>
<i>P3 - Digital Transition: a driver for change in education and public services delivery</i>	<i>2.5</i>	<i>8%</i>
<i>Support measures</i>	<i>1.5</i>	<i>5 %</i>
<i>TOTAL for initial period – 2021-2024</i>	<i>31</i>	<i>100 %</i>

Attachments

1. Intervention framework
2. Donor matrix showing the current indicative allocations per sector

Attachment 1 - Intervention Framework**Priority 1: Climate Change, Green Growth for Resilient Bhutan**

The overall objective: To promote inclusive, sustainable and resilient agri-food systems in Bhutan.

Programme Results	Indicator	Baseline	End of Programme Target	Source / Means of verification
Specific Objective 1.1. Foster economic diversification of RNR sector by strengthening private sector participation and supporting CSI/SMEs				
1.1.1. Private sector participation, green business opportunities and financing in the RNR sector promoted	1.1.1.a Number of CSI/Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support (EU RF 2)	0 (2021)	100 (2027)	Cottage and Small Industries Statistics WB reports (ease of doing business)
	1.1.1.b Number of green jobs supported/sustained by the EU (EU RF Level 2)	0 (2021)	500 (2027)	RNR Report MoAF / MoEA Report
	1.1.1.c Status of implementation of the public private partnership model promoted in the RNR / CSI / SME sector	0 (2021)	At least 1 PPP model implemented (2027)	MoAF / MoEA Annual Reports
	1.1.1.d Number of firms with access to financial services with EU support (CSI/SMEs ²⁰) (EU RF Level 2)	0 (2021)	>15 (2027)	Reports by Financial Institutions M&E reports of EU supported actions RNR policy implementation reports/RNR 12 th FYP implementation report

²⁰ CSI-Cottage and Small Industries/SME- Small and Medium Enterprises.

Specific Objective 1.2. Scale-up climate resilient approaches for sustainable food production, management and conservation of natural resources				
1.2.1 Climate resilient practices, technologies and infrastructure promoted	1.2.1a Areas of terrestrial and freshwater ecosystems under a) protection, b) sustainable management with EU support (ha) (EU RF Level 2)	Forest area ²¹ - 0 ha (2021) Sustainable land management ²² - 0 (2021)	155,000 ha (2027) 700 ha (2027)	Forestry Facts and Figures/ RNR Statistics
	1.2.1.b Agricultural and pastoral ecosystems where sustainable management practices have been introduced with EU support (ha) (EU RF Level 2)	0 (2021)	400 ha (2027)	Agriculture Statistics
Specific objective 1.3. Enhance food and nutrition security				
ER1.3.1 Rice self-sufficiency and nutrition security enhanced	1.3.1a Rice self-sufficiency	33.67 % (2019)	60% (2027)	RNR Progress Report, 2019
	1.3.1b Number of women of reproductive age, adolescent girls and children under 5 reached by nutrition related interventions supported by the EU (EU RF Level 2)	0 (2021)	40,000 (2027)	RGoB Annual Education Report
Specific Objective 1.4. Promote inclusive and effective RNR service delivery				
1.4.1. Gender transformative approaches promoted	1.4.1.a Number of proposed for adoption climate change adaptation and mitigation	0 (2021)	10 (2027)	RNR Strategy 2040/NDC

²¹ The indicator measures the area of Forests land brought under sustainable forest management regime through Community Forests, Forest management Units, Local Area Forest Management Plans and CBNRM sites.

²² The indicator shall measure the total land area within the country developed and managed through sustainable land management regimes and practices.set

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	policies (including nationally determined contributions), and environment protection strategies and plans (including energy policies/ strategies) that include gender equality objectives, in line with the United Nations framework convention on climate change (UNFCCC) gender action plan (GAP III)			UN specific reports
1.4.2. Digital/technological innovations in the RNR service delivery promoted	1.4.2.a Number of people supported by the EU with enhanced access to digital government services in the RNR sector (disaggregated by sex) (EU RF Level 2)	0 (2021)	100,000 (2027)	MoAF report

Priority 2- Good Governance for inclusive socio-economic development

Overall Objective: To strengthen Good Governance for inclusive socio-economic development

Programme Results	Indicator	Baseline	End of Programme Target	Source / Means of verification
Specific Objective 2.1. : Strengthen reforms in Local Governments (LGs) and public service delivery.				
2.1.1. Implementation of the RGoB's decentralisation policy supported	2.1.1.a Level of implementation of the decentralisation policy: political, economic and social reforms (EU RF Level 2)	0 (2021)	1 (2027)	Government reports on the Decentralisation Policy (Department of Local Governance)

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	2.1.1.b Annual Grants budget utilisation by LGs for effective and efficient public service delivery	At Gewogs level: 90% (2021)	100 % (2027)	Government reports on the implementation of the Decentralisation Policy
	2.1.1.c Number of LGs mainstreaming climate change, Disaster Risk Reduction, employment/livelihoods opportunities into LG policies	100 Gewogs (2021)	All Gewogs (2027)	Government reports - Department of Local Governance UN specific reports
2.1.2 Women participation, gender-sensitive policies /plans/ programmes mainstreamed in LGs.	2.1.2.a Proportion of seats held by women in local governments (GAP III)	12% (2021)	>12%(2027)	Government reports- Department of Local Governance UN Specific reports
	2.1.2.b Number of LGs mainstreaming gender into LG policies and actions	100 Gewogs (2021)	All Gewogs (2027)	Department of Local Governance EU reports including mid-term and final evaluation
Specific Objective 2.2 Strengthen Macroeconomic stability and Public Finance Management				
2.2.1. Financial sustainability, transparency and accountability consolidated.	2.2.1.a Number of actions supported by the EU to strengthen revenue mobilisation, public financial management and/or budget transparency (EU RF Level 2)	0 (2021)	1 (2027)	MoF, World Bank, PEFA
	2.2.1.b Number of new actions supporting public finance management (PFM) reforms that include a gender budgeting component, by year-	0 (2021)	1 (2027)	MoF, World Bank, IMF

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2.2.2. Macroeconomic and public finance governance institutions strengthened.	2.2.2.a Number of National Public Service Institutions strengthened (OD strategy and action plan development and implemented)	0 (2021)	3 (2027)	Institutions reports, World Bank, IMF
Specific Objective 2.3. Enhance monitoring and oversight mechanisms				
2.3.1. Capacity of CSOs and independent governance institutions strengthened.	2.3.1.a Number of CSOs capacitated for enhanced monitoring and advocacy	0 (2021)	8 (2027)	UN reports, CSO reports
	2.3.1.b Status of CSO Authority strategic plan	No plan (2021)	CSO Authority strategy action plan adopted and implemented (2027)	CSOA Report
2.3.2. Enhanced enabling environment for civil society	2.3.2.a Number of government policies developed or revised with CSO participation through EU support (EU RF Level 2)	0 (2021)	5 (2027)	Reports by EU supported Projects Results Oriented Monitoring
	2.3.2.b Number of government policies facilitating CSO participation, actions, funding	0 (2021)	3(2027)	CSO, UN reports Government notifications, legislations

Priority 3: Digital Transition: a driver for change in education and public services delivery

Overall objective: To harness the power of Information Communication and Technology (ICT) contributing to transform Bhutan into a smart and inclusive economy with focus on education and public service delivery.

Programme Results	Indicator	Baseline	End of Programme Target	Source / Means of verification
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Specific Objective 3.1. Strengthen digitalisation in Education nationwide				
3.1.1. Digital solutions designed, developed and deployed enabling inclusive access to education and ICT skills, with a particular focus on women and girls	3.1.1.a Number of students having access to online schools disaggregated by sex and age	NA (2021)	10 000 (2027)	Ministry of Education
	3.1.1.b Number of people who have benefited from institution or workplace based VET/skills development for digitalisation supported by the EU (disaggregated by sex and age) (EU RF Level 2)	0 (2021)	1 000(2027)	Ministry of Education and other Government agencies reports on the Five Year plans
Specific Objective 3.2. Enhance efficiency, efficacy, transparency and accountability of public services through digitalisation				
3.2.1. Improved access to digital connectivity and services	3.2.1.a Number of people supported by the EU with enhanced access to digital government services (EU RF Level 2)....	0 (2021)	15 000 (2027)	Public Service Delivery Division (PSDD, under Prime Minister's Office)
3.2.2. Digital solutions deployed to improve transparency and accountability of government/public institutions	3.2.2.a Number of digital tools adopted / updated to enhance efficiency and quality of data	0 (2021)	2 (2027)	Country reports Donor consultations
3.2.3. Improved data collection, analysis and exchange	3.2.3.a Status of integrated digital data systems for multihazard disaster response	No system (2021)	Integrated system disaster response data deployed and in use (2027)	Country reports

Attachment 2: Donor Matrix - showing the current indicative allocations per sector

Bhutan Donor Matrix 2016-2024

Key Sectors/Areas of work	Funds (in €) Committed /estimated	Donor	Key Sectors/Areas of work	Funds (in €) Committed/ estimated
Hydropower and Urban Development, Roads and bridges, Industrial Parks, Agriculture, Irrigation, Education, TVET, Health, Culture, Trade, COVID-19 response	519 M	WHO	Health, Technical Assistance, Monitoring and assessment, Emergency preparedness and responses	27.7 M
Hydropower Rehabilitation, Renewable Energy Urban Development (Housing), Air Connectivity, Roads, Industrial Estate, Trade Facilitation, Agriculture, TVET, Health, water, Flood risk management, Disaster Risk Reduction (DRR), COVID-19 Active Response, Financial Market Development, Rural Finance	447 M	UNICEF	Education, Teachers capacity, Reproductive health, maternal, child health & protection, Water, Sanitation and Hygiene, Social Policy, Justice Services, integNational Financing Framework	23.4 M
Hydropower, Green Transport, Public Finance Management (PFM), Investment Climate, Rural entrepreneurship, Agricultural productivity, Nutrition education, Social Behaviour Change, COVID-19 emergency response, health sector, DRR, Water, Private Sector, Fiscal Sustainability/Investment Climate	244 M	WWF	Wildlife Conservation, Sustainable livelihoods, Nature Conservation	19.8 M
Power Sector, Rural Electrification, Urban Development (SWM/waste treatment), National Spatial Infrastructure, Geospatial data, Bridges Construction, Community entrepreneurs, Mineral Resources, Farm Machinery, Farm Roads, Irrigation infrastructure, Horticulture, Health	156 M	Netherlands/ ORIO	Roads, Climate Smart Agriculture, vegetable value chain, Non-timber forest production, Cooperative Sector development	11 M

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Food and nutrition, Livelihoods, Renewable Natural Resources (RNR), Local Governments & Fiscal Decentralisation, Drinking water, Construction training centre for National Search & rescue (SAR), Trade development, PFM, revenue administration, macroeconomics, SWITCH, CSO, DRR, Parliament with Partnerships	71 M	WFP	RNR, Agriculture marketing, agri-business, regulatory & compliance framework, nutrition, health of school children, DRM, Hazard specific preparedness and mitigation	11 M	
Green transport, Trade facilitation, Biodiversity Finance, Water (National Adaptation Plan), Climate Resilience of Forest and Agricultural Landscape, Gender Responsive, Climate-induced Disasters, Biodiversity Conservation, Gender, LEDS, Climate resilient agriculture, National Financing Framework, Governance, COVID-19 response	57 M	Austria	Hydropower, Renewable Energy and Energy Efficient Technologies, Rural electrification, Covid-19 Preparedness, Competency-Based HRD program, , Legal Support (judiciary), PFM	8.2 M	
Donor					
India					
ADB					
World Bank					
Japan / JICA					
EU					

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UNDP					
IFAD	Climate resilient dairy and vegetable value chains	33.9 M	Germany	Sustainable Consumption and Production; Climate related projects	10 M
FAO	Food safety/standard, Supply chain, Rural Livelihoods, Natural Resources, Nutrition Security index, on-farm conservation, agricultural productivity	5.3 M	Australia	Building Human capacity, Tertiary education TVET, Gender	3.6 M
UNFPA	Sexual and reproductive health education, sexual harassment prevention, cervical cancer elimination strategy, maternal care, EmONC services	2.5 M	SAARC Development Fund	Small farmers, agro-business, value chain development, Bamboo enterprise development, Post harvest management	1.6 M