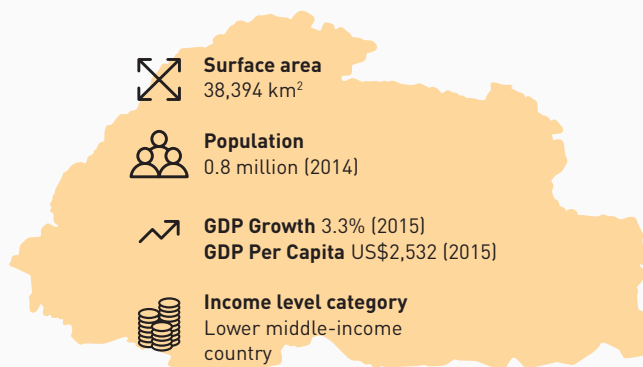




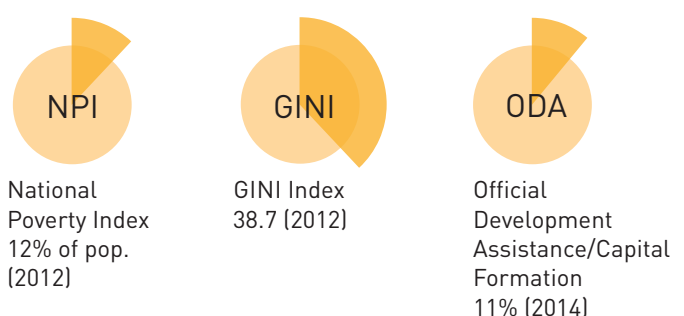
1. Country Context

A mountainous and landlocked country, the Kingdom of Bhutan is a lower middle-income economy with 775,000 inhabitants and a GNI per capita of US\$2,390 as of 2014. Largely fuelled by hydroelectric power, Bhutan's economy has rapidly expanded in the past decade with recent growth rates of 5.8% (2014) and 3.3% (2015). The small kingdom has made vital progress in many social aspects, such as halving poverty from 23.2% in 2007 to 12.0% in 2012 and achieving a medium human development with a value of 0.605, therefore ranking 132nd out of 188 countries participating in the 2015 Human Development Index. The percentage of deeply happy people increased from 40.9% in 2010 to 43.4% in 2015. For this year's monitoring round, a total development co-operation of US\$35 million is reported. The largest partner is Japan (45%), followed by the World Bank (21%) and Norway (15%). Among other themes addressed by external assistance, governance and health stand out as priority sectors.

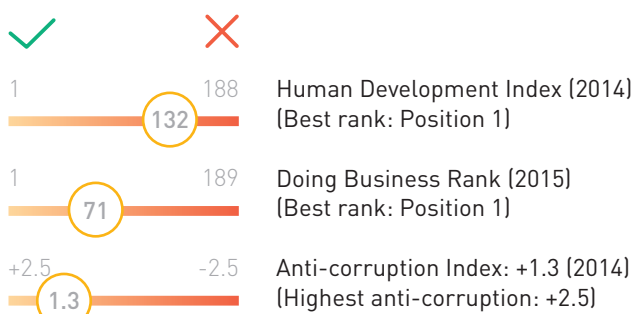
Quick Facts



Key Development Indices:

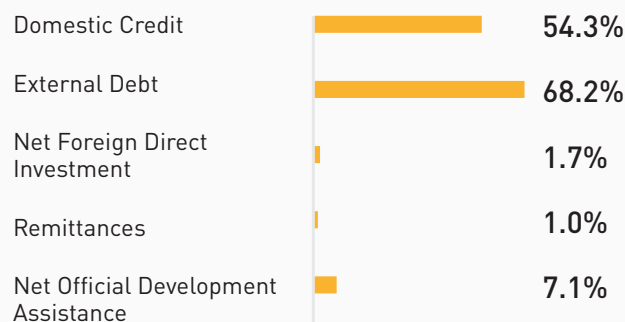


ODA per Capita US\$170 (2014)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Bhutan is consolidating its young democracy and achieving improvements, among other aspects, in poverty reduction, economic diversification and climate resilience. The latter is urgently needed, as climate change might threaten key economic sectors such as hydropower and agriculture. To ensure sustainable development, Bhutan can expand youth employment, support small enterprises as drivers for growth and jobs, invest in its infrastructure and further diversify its manufacturing sector, among other actions. Ongoing reforms to attract foreign direct investments need to be continued without compromising Bhutan's sovereignty.

2. Efforts to Implement the Effectiveness Principles

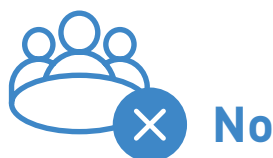
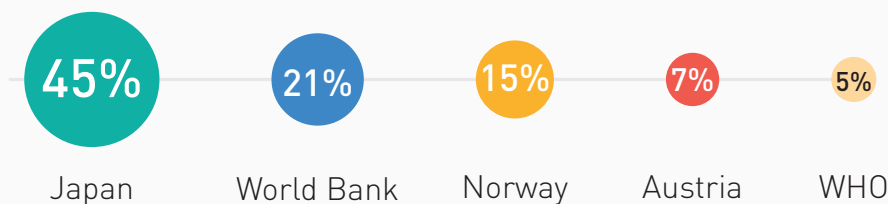
A. Policies and Tools for Partners' Alignment

All development efforts in Bhutan are framed by the desire to achieve Gross National Happiness (GNH) built on nine domains, including conventional sectors such as health and education as well as innovative dimensions reflected in psychological well-being, community

vitality and cultural diversity. These areas are captured in the long-term strategy Bhutan 2020: A Vision for Peace, Prosperity and Happiness, addressed by the 2010 Economic Development Policy (EDP) and operationalized in Five-Year Plans (currently 2013-2018) with national and sector key

result areas and performance indicators. Given the overlaps between Bhutan's singular development approaches with the global 2030 Agenda, the government has quickly identified ways to localize the Sustainable Development Goals (SDGs) at the national and particularly local levels.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring

No



Existence of a National Co-operation Policy

No

B. Governance and Management of Development Finance and Co-operation

Development co-operation is broadly framed by the Five-Year Plan and further operationalized in bilateral agreements that are taking an increasingly medium-term perspective (up to seven years). While there is no specific coordination policy, the government convenes partners in round table meetings, held every two and a half years. The next edition is planned for 2017 and will put particular emphasis on financing and supporting sustainable development. This is the first time Bhutan is participating

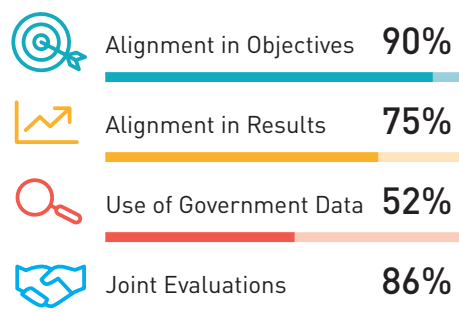
in Global Partnership monitoring, opening the opportunity to further discuss the quality and effectiveness of development co-operation in line with internationally agreed principles and indicators while respecting Bhutan's singularity. Institutionally, development is anchored at the Gross National Happiness Commission, which supports and supervises the implementation of development policies at the national, sectoral and local levels.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

In 2015, 90% of reported development co-operation was aligned to Bhutan's development objectives, mostly relying on joint government-partner strategies. Seventy-five percent was guided by country-led results and 52% used national monitoring systems, such as those related to the Five-Year Plan 2013-

2018. Where evaluations are planned, the Government of Bhutan is usually involved (at 86%), mostly by helping define the scope. Particularly the larger partners still might extend their alignment to the country-led results framework, taking into consideration the existing result areas and performance indicators.

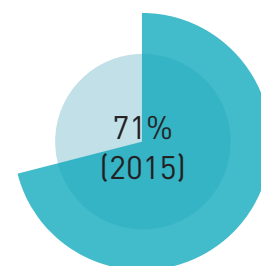


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

In 2015, almost three quarters of development co-operation was recorded in the government budget. Only the finance from the Asian Development Bank, Australia and the World Bank is fully reflected in the government budget (often with substantial over-disburse-

ment), while Japan stands at 26%, Norway at 62%, Austria and WHO at 50% and 49%, respectively. Efforts should be pursued to improve parliamentary access to credible disbursement projections on behalf of the development co-operation partners.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

The use of Bhutan's country systems remains still more the exception than the rule. Only 29% of development co-operation is channelled through national procedures for budget execution and 32% uses government financial reporting and auditing procedures. The national procurement systems are used by merely

29% of development co-operation partners. The Asian Development Bank, Austria, Japan and WHO are among the partners making more substantial use of Bhutan's public financial management (PFM) systems. Given the critical importance of national PFM for ensuring effective and efficient public expenditures and the

high impact of international development finance, the government and development partners might need to deepen their dialogue on how to strengthen and expand the use of these systems.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	29%	32%	32%	29%		
INDICATORS 9A & 10.					3.5	55%

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations (CSOs) and the private sector are slowly emerging as relevant players in Bhutan's development, traditionally driven by community cohesion and non-monetary economic interaction. At this stage, there are 16 national CSOs in Bhutan working on a wide range of development priorities. Only about 100 medium-sized companies dominate the private sector, complemented by a large number of small and micro enterprises, some of which are organized in associations such as the Bhutan Chamber

of Commerce and Industry, the Association of Bhutanese Tour Operators and the Construction Association of Bhutan. The government has shown its interest and commitment to broaden the participation of these emerging actors in country-led development efforts, for instance through public-private partnerships addressing key domains of GNH. In the past years, a series of economic reforms under the 2010 EDP has enabled increased foreign direct investment. Overall, there is a growing recognition of the need to

enlarge Bhutan's narrow economic basis while expanding public services and broader efforts of poverty reductions to remote areas of the country with limited state presence, potentially through partnerships with CSOs. For the future, the government might consider creating dialogue structures for CSOs and private sector players to deepen analysis of their prospective contributions to achieving GNH and the SDGs.

Indicator 8. Gender Empowerment

Informed by a number of pilots in the past years, gender-responsive budgeting is on the government's agenda, but tracking

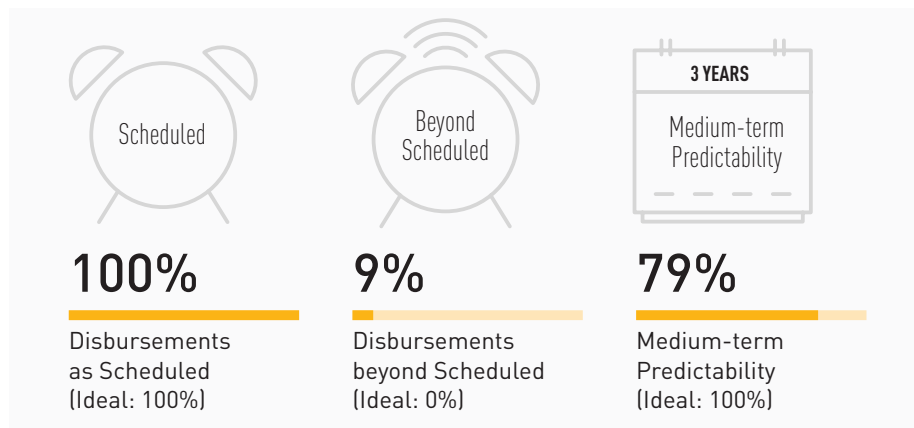
tools for expenditures with a gender perspective are yet to be developed and implemented. UN Women is supporting

the Budget Division at the Ministry of Finance to identify next steps in this line.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

In 2015, all development co-operation (100%) was predictable on an in-year basis and 79% of the partners contributed to medium-term predictability by indicating their forward expenditures for the next three fiscal years. Among major partners, Japan and Australia have not indicated any forward spending, and Austria has done so only for the next fiscal year. The government expects to continue to improve medium-term predictability by more effective joint programming at the bilateral level, for instance through multi-year country assistance strategies.



Indicator 7. Mutual Accountability

At this stage, there is no joint mechanism for mutual accountability, but mutual commitments are outlined and reviewed in the framework of bilateral co-operation agreements. While the partner community is relatively small, Bhutan might still benefit from a more structured, ultimately collective approach to external development finance to fully align to the country's priorities,

needs and opportunities. In line with experiences in other countries, a strategy for co-operation (i.e., clarifying principles, procedures and performance indicators) and a formal dialogue platform at the political and operational levels (ensuring the right process and implementation of effective development co-operation) have been established. These arrangements might help discuss lessons learned and

agree on joint action on critical areas where development co-operation might become more effective in the future. These areas might include, inter alia, the use of country systems, joint monitoring and evaluation or ways to broaden partnerships to include private sector and the emerging CSOs in line with national development priorities.

The Global Partnership Monitoring

Realizing the 2030 Agenda for Sustainable Development requires the mobilization and effective use of all types of development resources. The Global Partnership provides a unique platform to advance the effectiveness of development efforts by all actors, to deliver long-lasting results and to contribute to the achievement of the SDGs. It supports and ensures accountability for the implementation of shared principles and differentiated commitments at the political level.

Through its multi-stakeholder platform, the Global Partnership provides practical support and guidance and shares knowledge to boost development impact with a strong country focus to implement internationally agreed effectiveness principles at the country level – country ownership, a focus on results, inclusive partnerships and transparency and mutual accountability.

The Global Partnership tracks progress in the implementation of Busan commitments for more effective development co-operation through its monitoring framework comprised of a set of 10 indicators. These indicators focus on strengthening developing country institutions, increasing transparency and predictability of development co-operation, enhancing gender equality, as well as supporting greater involvement of civil society, parliaments and private sector in development efforts. The monitoring framework is currently being refined to fully reflect the 2030 Agenda and will contribute to the review of targets for SDGs 5 and 17 and implementation of the Financing for Development agreements.

Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The views presented cannot be used or cited as official UNDP or Government of Bhutan sources of information.

For ease of reference, the term 'country' is used to refer to developing countries and territories that reported to the Second Monitoring Round. Participation in this process and mention of any participant in this document is without prejudice to the status or international recognition of a given country or territory.