





Second Consolidated Annual Progress Report on Activities Implemented under the United Nations Bhutan Country Fund

Report of the Administrative Agent of the United Nations Bhutan Country Fund for the Period 1 January to 31 December 2011

Multi-Partner Trust Fund Office
Bureau of Management
United Nations Development Programme
http://mptf.undp.org

31 May 2012

United Nations Bhutan Country Fund

PARTICIPATING ORGANIZATIONS				
	Food and Agriculture Organization of the United Nations (FAO)			
Enabling poor rural people to overcome poverty	International Fund for Agricultural Development (IFAD)			
UNAIDS 400 400 400 400 400 400 400 400 400 40	Joint United Nations Programme on HIV/AIDS (UNAIDS)			
© OCHA	Office for the Coordination of Humanitarian Affairs (OCHA)			
UNCDF	United Nations Capital Development Fund (UNCDF)			
unicef 🚳	United Nations Children's Fund (UNICEF)			
UNCTAD	United Nations Conference on Trade and Development (UNCTAD)			
<u>U N</u> D P	United Nations Development Programme (UNDP)			
<u> </u>	United Nations Educational, Scientific and Cultural Organization (UNESCO)			
UNEP	United Nations Environment Programme (UNEP)			
WOMEN	United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)			
W UNFPA	United Nations Population Fund (UNFPA)			
UN Volunteers	United Nations Volunteers (UNV)			
With United Nations World Food Programme	World Food Programme (WFP)			

CONTRIBUTING DONORS				
3	Expanded Delivering as One Funding Window for Achievement of the MDGs (The Netherlands, Norway, Spain and the United Kingdom/DFID)			

Abbreviations and Acronyms

List of abbreviations and acronyms commonly used in the report:

cCPAP Common Country Programme Action Plan
DDM Department of Disaster Management

GNH Gross National Happiness

EFW Expanded Delivering as One Funding Window for Achievement of the MDGs

FAO Food and Agriculture Organization of the United Nations

IFAD International Fund for Agricultural Development

IMNCI Integrated Management of Neonatal and Childhood Illness

MDGs Millennium Development Goals

MPTF Multi-Partner Trust Fund

MPTF Office UNDP Multi-Partner Trust Fund Office MoAF Ministry of Agriculture and Forests

MoE Ministry of Education

MOHCA Ministry of Home and Cultural Affairs MOU Memorandum of Understanding

OCHA Office for the Coordination of Humanitarian Affairs

RC Resident Coordinator

RGoB Royal Government of Bhutan

SAA Standard Administrative Arrangement

TOR Terms of Reference UN United Nations

UNAIDS Joint United Nations Programme on HIV/AIDS UNCDF United Nations Capital Development Fund

UNCTAD United Nations Conference on Trade and Development UNDAF United Nations Development Assistance Framework

UNDP United Nations Development Programme
UNEP United Nations Environment Programme

UNESCO United Nations Educational, Scientific and Cultural Organization

UNIFPA United Nations Population Fund
UNICEF United Nations Children's Fund
UNV United Nations Volunteers

UN Women United Nations Entity for Gender Equality and the Empowerment of Women

WFP World Food Programme

Definitions

Allocation

Amount approved by the UN Bhutan Country Fund Steering Committee for projects/programmes.

Approved Project/Programme

A project/programme document, including budget, etc., that is approved by the UN Bhutan Country Fund Steering Committee for fund allocation purposes.

Donor Commitment

A contribution expected to be received or already deposited by a donor based on a signed Standard Administrative Arrangement (SAA), with the UNDP Multi-Partner Trust Fund Office (MPTF Office), in its capacity as the Administrative Agent of the UN Bhutan Country Fund.

Donor Deposit

Cash deposit received by the UNDP MPTF Office for the UN Bhutan Country Fund.

Indirect support costs

A general cost that cannot be directly related to any particular programme or activity of the Participating Organizations. Under UN MPTFs, these costs amount to 7 per cent as per the UNDG agreed MPTF cost recovery.

Net funded/transferred amount

Amount transferred to a Participating Organization, less refunds, of unspent balances received from the Participating Organization.

Participating Organizations

Organizations that have signed a Memorandum of Understanding with the UNDP MPTF Office.

Project Disbursement

The amount paid to a vendor or entity for goods received, work completed, and/or services rendered (does not include un-liquidated obligations).

Project Expenditure

Amount of project disbursement made plus un-liquidated obligations during the year.

Project Financial Closure

A project/programme is considered financially closed when all financial obligations of an operationally completed project/ programme have been settled, and no further financial charges may be incurred.

Project Start Date

Date of transfer of first instalment from the MPTF Office to the Participating Organization.

Project Operational Closure

A project or programme is considered operationally closed when all activities for which a Participating Organization is responsible under the approved programmatic document have been completed.

Total Approved Budget

Amount approved by the UN Bhutan Country Fund Steering Committee for projects/programmes.

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Executive Summary

Introduction

The United Nations (UN) Bhutan Country Fund was formally established on 30 June 2009 with the conclusion of the Memorandum of Understanding (MOU) between 14 Participating Organizations and UNDP's Multi-Partner Trust Fund Office (MPTF Office) in its capacity as the Administrative Agent of the UN Bhutan Country Fund. The UN Bhutan Country Fund became operational in December 2009 with the first contribution from the Expanded Delivering as One Funding Window for Achievement of the MDGs (EFW)¹.

The UN Bhutan Country Fund is consistent with the Paris Declaration on Aid Efficiency, including national ownership, alignment with national priorities, harmonization and coordination. Governed by its Steering Committee in accordance with the UN Bhutan Country Fund Terms of Reference, it also responds to the Delivering as One Initiative and the Secretary General's efforts to improve the integration of UN political, development and humanitarian activities in the UN system through an increasing network of integrated UN field offices.

This Second Consolidated Annual Progress Report on Activities under the UN Bhutan Country Fund reports on the implementation of programmes (i.e. UNDAF Outcomes) approved for funding as of 31 December 2011. In line with the MOU, the Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating Organizations to the MPTF Office. It is neither an evaluation of the UN Bhutan Country Fund nor the MPTF Office's assessment of the performance of the Participating Organizations. However, the Report does provide the Steering Committee and the Country Programme Board in Bhutan with a comprehensive overview of achievements and challenges associated with programmes funded through the UN Bhutan Country Fund, enabling it to make strategic decisions and take corrective measures, where applicable.

Strategic Framework

Through the UNDAF/cCPAP, the UN family in Bhutan has agreed to combine its efforts behind one overall priority of furthering the achievement of the MDGs in the country and five programmatic priorities:

- Poverty Reduction
- Health
- Education
- Governance
- Environment & Disaster Management

The overall priority and five programmatic priorities were chosen in line with the Government of Bhutan's 10^{th} Five Year Plan and Gross National Happiness (GNH) development philosophy.

The joint Government-UN Country Programme Board is responsible for the overall implementation and supervision. The Board provides supervision and guidance to the joint Theme Groups who are responsible for monitoring and evaluating the implementation of the cCPAP through the 18 month work-plans with the implementing partners. The Steering Committee is responsible for prioritization and allocation decisions of the UN Bhutan Country Fund.

¹ The Expanded Delivering as One Funding Window for Achievement of the Millennium Development Goals (EFW) is a global funding facility established to support UN Delivering as One countries. Current donors to the EFW are the Netherlands, Norway, Spain and the United Kingdom/DFID.

The overall management of the UN Bhutan Country Fund is led and coordinated by the Resident Coordinator in consensus with the Heads of the Participating Organizations. In line with the overall objective of 'Delivering as One' in Bhutan, the Resident Coordinator is responsible for the strategic leadership of the UN Bhutan Country Fund on the basis of the UNDAF/cCPAP

Programme Approval and Implementation Status

In October 2011, the Steering Committee allocated a total of \$254,573 to Participating Organizations in support of four UNDAF Outcomes/programmes, as well as \$19,120 as Direct Costs. As of the end of the current reporting period, 31 December 2011, the net funded amount to Participating Organizations totalled \$1,774,536, with transfers being made to 9 Participating Organizations implementing activities within five outcomes/programmes.

Of the five UNDAF Outcomes, three (Health, Education and Environment and Disaster Management) had operational programme activities during the reporting period that were funded through the UN Bhutan Country Fund. Under Poverty, FAO was the only agency in 2011 to receive funding through the UN Bhutan Country Fund, but due to FAO internal delays in applying the contribution, implementation of activities FAO began in early 2012.

Financial Performance

The EFW contributed \$269,000 in September 2011 and \$239,000 in December 2011, for a total of \$508,000. Taking into account the \$1,538,000 contributed by the EFW in 2010, as of 31 December 2011, cumulative contributions from the Netherlands, Norway, Spain and the United Kingdom/DFID through the EFW to the UN Bhutan Country Fund amounted to \$2,046,000. An additional \$7,965 was earned as interest (both fund-level and agency-level interest). The EFW is the only donor to the UN Bhutan Country Fund, creating a dependency on this funding source. However, during the reporting period, the release of EFW funds has been unpredictable, contributing to an uncertain funding situation for the UN Bhutan Country Fund.

Of the total donor contributions to the UN Bhutan Country Fund (\$2,046,000), a net amount of \$1,774,536 had been transferred to Participating Organizations by 31 December 2011. The balance in the UN Bhutan Country Fund (with the AA) as of 31 December 2011 was \$239,843.

In 2011, the Participating Organizations reported expenditures amounting to a total \$187,051 across all five outcomes/programmes. As of the end of the reporting period, a total of \$1,658,059 was reported as expenditure by Participating Organizations, representing a financial implementation rate of 93.4 per cent of transferred amounts as of 31 December 2011.

The MPTF Office's Administrative Agent fee is charged at the standard rate of 1 per cent of donor deposits. In 2011 this amounted to amounted to \$5,080, the Cumulative Administrative Agent fee as of 31 December 2011 is \$ 20,460 as of the end of the reporting period. In addition there has been a direct cost approval of \$19,120 in 2011.

Transparency and Accountability of the UN Bhutan Country

The major vehicle for public transparency of operations under the UN Bhutan Country Fund during the reporting period was the MPTF Office GATEWAY (http://mptf.undp.org), and the dedicated UN Bhutan Country und website (http://mptf.undp.org/factsheet/fund/BT100) that was officially launched in 2010. The GATEWAY is a knowledge platform providing real-time data from the MPTF Office accounting system, with a maximum of two-hour delay, on financial information on donor contributions, programme budgets

and transfers to Participating Organizations. It is designed to provide transparent, accountable fund-management services to the United Nations system to enhance its coherence, effectiveness and efficiency.

Each MPTF and JP administered by the MPTF Office has its own website on the GATEWAY with extensive narrative and financial information on the MPTF/JP including on its strategic framework, governance arrangements, eligibility and allocation criteria. Annual financial and narrative progress reports and quarterly/semi-annual updates on the results being achieved are also available. In addition, each programme has a Factsheet with specific facts, figures and updates on that programme.

The GATEWAY provides easy access to more than 9,000 reports and documents on MPTFs/JPs and individual programmes, with tools and tables displaying related financial data. By enabling users in the field with easy access to upload progress reports and related documents, it also facilitates knowledge sharing and management among UN agencies. The MPTF Office GATEWAY is already being recognized as a 'standard setter' by peers and partners.

Introduction

The Second Consolidated Annual Progress Report on Activities Implemented under the UN Bhutan Country Fund is submitted to the Steering Committee and Donors contributing to the UN Bhutan Country Fund, in fulfilment of the reporting provisions of the UN Bhutan Country Fund Terms of Reference (TOR), the Memorandum of Understanding (MOU) between the United Nations Development Programme (UNDP) as an Administrative Agent (AA) and Participating Organizations, and the Standard Administrative Arrangement (SAA) between UNDP as an AA and donors. The UNDP Multi-Partner Trust Fund Office (MPTF Office) serves as the AA of the UN Bhutan Country Fund.

The Annual Report covers the annual reporting period, 1 January - 31 December 2011, but also includes information on programmes approved in 2009 and 2010. It provides information on progress made in the implementation of programmes funded by the UN Bhutan Country Fund, as well as on common challenges and lessons learned.

The Annual Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating Organizations to the MPTF Office. It is neither an evaluation of the UN Bhutan Country Fund nor the MPTF Office's assessment of the performance of the Participating Organizations — tasks that belong to an independent evaluation. However, the report does provide the Steering Committee with a comprehensive overview of achievements and challenges associated with programmes funded through the UN Bhutan Country Fund, enabling it to make strategic decisions and take corrective measures, as appropriate.

Report Structure

The Annual Report consists of five chapters: Chapter One provides an overview of the strategic framework of the UN Bhutan Country Fund. Chapter Two provides an overview of the UN Bhutan Country Fund's governance and fund management arrangements. Chapter Three provides an update on allocations and programme approvals and the implementation status during the reporting period, as well as highlights on programme implementation, with details on each of the funded programmes. Chapter Four provides an overview of the financial performance of the UN Bhutan Country Fund. Chapter Five elaborates on efforts made to ensure UN Bhutan Country Fund transparency and accountability.

1. Strategic Framework

Bhutan became a democracy following the successful elections to the country's first democratically elected Parliament in March 2008. This major political transition requires support over the long term. Challenges remain to build a firm foundation for the smooth functioning of a democratically elected government, through further strengthening of the constitutional bodies, enhanced capacity development of local governments, and expanding the role of civil society, an independent media and continued progress in the socio-economic arena. The credibility of democratic governance, central to the achievement of human development, is dependent on the success of this new democracy.

Bhutan's unique long term vision and guiding development philosophy of Gross National Happiness (GNH) is seamlessly aligned with the MDGs. The core pillars of GNH: sustainable and equitable socio-economic development, conservation of the environment, preservation and promotion of cultural heritage and good governance cover all of the MDGs. As such, just as the MDGs serve as a practical global road map for the Millennium Declaration, in Bhutan the MDGs are viewed as a highly relevant development strategic framework contributing to realizing Gross National Happiness as the country's long term development goal. This synergy between GNH and MDGs has enabled Bhutan to be one of the few countries in the region which is on track to achieving almost all of the MDGs by 2015. However Bhutan needs to pay attention on the increasing youth unemployment and the increasing number of HIV cases.

The UNDAF Action Plan for Bhutan (Common Country Programme Action Plan; cCPAP 2008-2013) was developed in response to the challenges and opportunities associated with this transition to democracy as well as the significant capacity constraints in most sectors to adequately support the country's socioeconomic development. It is the result of a highly consultative and participatory process involving the Royal Government of Bhutan, key national implementing partners, all resident and non-resident UN agencies supporting Bhutan and other international partners. As per below table, the UNDAF/cCPAP is fully aligned with national development priorities laid out in the 10th Five-Year Plan of the Royal Government, and encompasses the activities of 14 UN agencies supporting Bhutan (in addition, UNCTAD joined the cCPAP signatories on 30 June 2009, and UNODC joined the UNDAF in December 2010) within the five UNDAF outcome areas of support, namely: poverty reduction; health; education; good governance and environment conservation & disaster risk management, with gender, human rights, IT4D and evidence – based planning and decision-making as cross-cutting areas for support.

Table 1.1 Alignment of UNDAF Outcomes to Royal Government of Bhutan National Priorities

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

The UN Bhutan's Delivering as One approach has several components:

UN Programme: The overall goal of a common CPAP, an UNDAF operational Plan, is to maximize the contributions of Participating Organizations by enhancing coordination, coherence, and programmatic synergies to assist in building an equitable, prosperous and democratic Bhutan. There has already been a significant reduction in the number of work plans and project documents between the Royal Government and the UN Organizations as a result.

Common Services and Harmonized Business Practices: Taking advantage of the robust UN harmonization, both at programme and operations level, a joint Business Continuity Plan was first developed in March 2009, which further reinforces UN Bhutan's Delivering as One with mutual back-up facilities and equipment in case of major disruptive events.

Joint Communication: The UN Bhutan Communications Group comprising of representatives from all six resident agencies is responsible for ensuring a One UN image. The Group provides advisory support to the UNCT and ensures UN advocacy and communications through various channels.

Common Premises: The design incorporates a one 'UN Operations Centre' as opposed to agency-specific administrations. Such a set-up is expected to achieve stronger integration of UN agencies' administration promoting more efficient work flows.

Common Budgetary Framework and Joint Resource Mobilization: The UN Bhutan Country Fund is an opportunity for the UN in the country to have a common Fund as a new pooled mechanism to mobilize and allocate additional resources at the country level, targeting the unfunded gaps in the cCPAP.

Organizational Change – Leadership, Structure, Skills and Culture: Organizational change has taken root in UN Bhutan through successful UN harmonization, both at programme and operations level. The Government has expressed its appreciation to the subsequent reduction in transaction costs as a result of the harmonized processes.

The UN Bhutan Country Fund responds to both the Delivering as One approach and commitment to Aid Effectiveness as per the Paris Declaration. It was established to channel additional donors' funding to support the underfunded portions of the UNDAF/cCPAP and new initiatives responding to emerging needs. This enhances the flexibility and responsiveness of the UN system through the UNDAF/cCPAP to adapt to national priorities. The UN Bhutan Country Fund contributes to realizing the UNDAF/cCPAP outcomes by strengthening the planning and coordination process, and channelling consistent and predictable funds towards the highest programme priorities. Contributions to the UN Bhutan Country Fund may be accepted from governments of Member States to the United Nations, from intergovernmental and non-governmental organizations, or from private sources.

2. Governance

2.1 Country Programme Board

The Country Programme Board comprises of secretaries of all relevant ministers and representatives of the UN agencies signatory to the UNDAF/cCPAP. The board is co-chaired by the secretary of the GNH Commission and the UN Resident Coordinator. The Government is fully involved at all levels of the UNDAF/cCPAP implementation. The Country Programme Board is responsible for the overall implementation and supervision of the UNDAF/cCPAP. It is kept abreast of developments under the UN Bhutan Country Fund through regular updates provided by the Steering Committee (see below).

2.2 Steering Committee

The Steering Committee is responsible for prioritization and allocation decisions of the UN Bhutan Country Fund. The initial prioritization for allocation is guided by recommendations from the Joint Theme Groups' annual review process. The Steering Committee also provides guidance on the operations and management of the Fund. The Steering Committee ensures that the Country Programme Board is informed of the allocations, and will take into consideration the Country Programme Board's strategic priorities. The Steering Committee is governed by its Terms of References.

The Steering Committee is comprised of the signatories to the UN Bhutan Country Fund MOU who have contributed to the resource gap analysis in any given year and the Gross National Happiness (GNH) Commission. Other UN signatories to the UNDAF/cCPAP may participate as observers.

Similarly to the Country Programme Board, the Steering Committee is co-chaired by the Secretary of the GNH Commission and the UN Resident Coordinator. The Steering Committee makes decisions by consensus. Prior to presenting their position on a significant issue to the Steering Committee, its UN members have to make sure that it is endorsed internally by their Agencies and is in line with their Agencies' regulatory requirements. Decisions on programme/project proposals will only be taken upon completion of a review by the appropriate thematic clusters, sector working groups or other Steering Committee agreed review bodies.

During the reporting period, one Steering Committee meeting was convened, on 9 June 2011. The purpose of the meeting was to review progress to-date (related to 2009 and 2010 allocations), and to assess and approve the proposed allocations for 2011.

2.3 Theme Groups

The Country Programme Board provides supervision and guidance for the joint Theme Groups who are responsible for policy dialogue, planning of joint work plans and monitoring of the UNDAF/cCPAP through the 18 month work-plans with their implementing partners (i.e. Ministries, Commissions and NGOs). The 18 month work-plans are a functional compromise to adapt to the national fiscal cycle and are in accordance with the Paris Declarations on Aid Effectiveness. These work-plans are derived from the budgetary framework of the UNDAF/cCPAP. The UNDAF/cCPAP have five priority areas; Poverty Reduction, Health, Education, Governance and Environment & Disaster Management. The joint Theme Groups submit their

priorities for funding based on the updated funding gap matrix, finalized at their annual review meetings in November-December each year.

2.4 UN Resident Coordinator

The overall management of the UN Bhutan Country Fund is led and coordinated by the UN Resident Coordinator in consensus with the Heads of the Participating Organizations. In line with the overall objective of 'Delivering as One' in Bhutan, the UN Resident Coordinator is responsible for:

- Strategic leadership of the UN Bhutan Country Fund on the basis of the UNDAF/cCPAP;
- Advocating and mobilizing resources for the UN Bhutan Country Fund in collaboration with Participating Organizations;
- Lead a consultative process on allocations from the UN Bhutan Country Fund, and make final
 decision if consensus cannot be reached, with documented process and rationale for these
 decisions;
- Signing the Memorandum of Understanding with Participating Organizations and the Standard Administrative Agreement(s) as a witness; and
- Implementation of the programme activities funded by the resources from the UN Bhutan Country Fund will be the responsibility of the Participating Organizations, as stipulated in the Memorandum of Understanding. The RC will hold the Heads of Participating Organizations accountable for their Organization's results that are funded through the UN Bhutan Country Fund.

2.5 Allocation Criteria and Decision-Making Process

The allocation criteria for the UN Bhutan Country Fund provide an objective basis for resource allocation decisions by the Steering Committee to allocate resources to the respective outcomes/outputs of the UNDAF/cCPAP. The criteria for initial allocation are mainly related to UNDAF/cCPAP relevance, Delivering as One, resource gaps and agency's comparative advantage. Additional criteria for subsequent allocation are related to absorption capacity. The Joint Theme Groups are responsible for ensuring that their proposed activities meet the fund allocation criteria. The requests should preferably not be below \$10,000 in order to encourage programmatic approaches and ensure operational efficiency.

The UN Bhutan Country Fund is open to all agencies that have signed to the UNDAF/cCPAP, and become Participating Organizations by concluding a Memorandum of Understanding with the MPTF Office. Organizations can access the funds upon signing the Memorandum of Understanding and upon submission of their annual funding gaps based on the UNDAF/cCPAP Results Matrix.

Criteria for initial allocation:

- UNDAF/cCPAP relevance
- Unfunded gap at outcome level
- Joint AWP i.e. 2 or more Participating Organizations implementing
- Implementation Capacity²
- Comparative advantage in implementing the activities
- Priorities which would otherwise not be funded

² This includes available human resources and financial contributions of the organizations to the result, in addition to the UN Bhutan Country Fund contributions.

- Activities which support core UN development priorities³ on the MDGs, such as gender, human rights and capacity development supplemented by priorities identified by the Steering Committee and Country Programme Board at the start of the annual programme cycle
- Realistic Outcome Budget

Subsequent allocations will in addition to the above include the following:

- Implementing partners and Participating Organizations' absorption capacity
- Previous track record: i) Results; ii) Expenditure rate and financial management; and iii) Reporting timeliness and quality of reporting

2.6 Administrative Agent

The United Nations Development Programme's Multi-Partner Trust Fund Office (MPTF Office) serves as the Administrative Agent (AA) for the UN Bhutan Country Fund. Its responsibilities as AA include the receipt, administration and management of contributions from Donors; disbursement of funds to the Participating Organizations in accordance with instructions from the Steering Committee, through the RC, and consolidation of narrative and financial reports produced by each of the Participating Organizations as well as the provision of these reports to the Steering Committee and Donors. The MPTF Office performs the full range of AA functions in accordance with the UNDG-approved "Protocol on the Administrative Agent for Multi-Donor Trust Funds and Joint Programmes, and One UN Funds".

In line with the Memorandum of Understanding (MOU) concluded between Participating Organizations and the MPTF Office, a clear delineation, including distinct reporting lines and an accountability framework, has been established and will be maintained within UNDP between its functions as an AA and its functions as a Participating Organization.

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³ UNDG has identified 5 core mandate areas for UN development interventions include human rights, gender, MDGs and capacity development.

3. Approval and Implementation Updates

3.1 Programme Allocation Overview and Status

In October 2011, a total of \$251,916 was allocated and approved for funding in support of 4 programme areas to 5 Participating Organizations. As of the end of the current reporting period, 31 December 2011, net allocations amounting to a cumulative total of \$1,774,536 across 5 programmes were approved and funds transferred to 9 Participating Organizations.

The Steering Committee approved the first UN Bhutan Country Fund allocations in December 2009. \$670,230 was allocated across 5 programme areas (5 UNDAF Outcomes) and funds transferred to 6 Participating Organizations. An additional \$852,390 was allocated in July 2010 across the same 5 programmes to 9 Participating Organizations. The MPTF- Office received a refund of \$2,657 from UNCTAD in 2011. In 2010, UNFPA refunded \$20,000 against the transfer made in 2009, for the Governance Programme. This refund was incorrectly recorded against the Health Programme, and the correction was done in 2011 as reflected in the Table 3.1.

Given that the UN Bhutan Country Fund relies on a single donor, the Expanded Funding Window (EFW), all allocations are made upon the release of these funds. The EFW has been unpredictable in their release of allocations, creating uncertainty also for the programmes.

Table 3.1, below, provides a brief overview of transfer of funds as of the end of the reporting period.

Table 3.1 Transfers of Funds as of 31 December 2011					
UNDAF Outcomes	2011 Net Transfers	TOTAL Net Transfers			
1. Poverty Reduction	FAO, UNCTAD, UNDP, UNICEF	209,392	37,343	246,734	
2. Health	UNFPA, UNICEF	178,099	125,767	303,866	
3. Education	UNFPA, UNICEF, WFP	410,370	101,806	512,176	
4. Governance	UNCDF, UNDP	324,199	(-20,000)	304,199	
5. Environment & Disaster Management	UNEP, UNESCO, UNICEF, UNDP	400,560	7,000	407,560	
Total	251,916	1,774,536			

3.2 Programme Implementation Status

Allocations were made to four outcomes in 2011 (Poverty Reduction, Health, Education and Environment & Disaster Management). In support of the Poverty Outcome, FAO was the only agency in 2011 to receive funding through the UN Bhutan Country Fund, but due to FAO internal delays in applying the contribution, implementation of activities FAO began in early 2012. For the Health Outcome, allocations were made in 2011 to UNFPA of \$70,000 and \$55,767 to UNICEF, amounting to \$125,767. The Education Outcome received a total of \$101,806 in 2011, distributed between UNICEF (\$42,392) and WFP (\$59,414). UNICEF received \$7,000 under the Environment Outcome.

Well targeted priorities and diligent follow-up by Participating Organizations contributed to the high financial implementation rate as of end-2011 (93.4 per cent). Table 3.2 provides a brief summary of the status of each programme, with further details provided in section 3.3 Implementation Achievements and Challenges.

In line with the UN General Assembly Resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system, a number of UNDG organizations adopted a common operational framework (known as the Harmonized Approach to Cash Transfers (HACT) Framework) for transferring cash to government and non-government Implementing Partners. Its implementation is expected to significantly reduce transaction costs and lessen the burden that the multiplicity of UN procedures and rules creates for its partners. As a HACT compliant country since 2008, the UN System (namely UNDP, UNICEF, UNFPA and WFP) in collaboration with the Royal Government of Bhutan (RGoB) have taken the necessary steps to ensure the effective implementation of the Framework in the country.

With the goal of reducing transaction costs on the part of the Government and to address the issues related to the fund request and release to and from the UN agencies to the Implementing Partners, the UN agencies with the Ministry of Finance and the Gross National Happiness Commission developed a guidance note on the Financial Procedures for UN Assisted Projects directed towards streamlining and shortening the fund request and release process between the UN agencies and the Implementing partners.

In addition, in a move towards using existing government reporting procedures, the UN agencies have adopted the Standard Progress Report template used by the government as the standard reporting format for the UN. Furthermore, in a strategic move to address problems related to the non-matching of financial years between the UN and the Government, the UN agencies adopted the 18 month rolling work plan, covering the months of January through June of the following year. This allows the Implementing Partners to incorporate UN supported activities into their respective sector work plans which follow the Government's fiscal year.

Yearly trainings are organized for both implementing partners and UN staff to refresh and redress problems faced in financial transactions.

Table 3.2, below, provides a brief overview of the programme implementation status as of the end of the reporting period.

Table 3.2 Programme Implementation Status as of 31 December 2011					
UNDAF Outcomes	Participating Organizations	Net Transfers	Programme Implementation Status	Financial Implementation Status	
1. Poverty Reduction	FAO, UNCTAD, UNDP, UNICEF	246,734	All activities funded prior to 2011 near completion. Additional funds were allocated in October 2011, but activities are projected to start in 2012.	83.2%	
2. Health	UNFPA, UNICEF	303,866	The planned and funded programmatic activities were all completed.	98.4%	
3. Education	UNFPA, UNICEF, WFP	512,176	All activities funded prior to 2011 near completion. The programme continues with the UN supporting similar support to the Government	90.4%	
4. Governance	UNCDF, UNDP	304,199	All activities funded prior to 2011 near completion. No allocation or activity in 2011.	96.1%	
5. Environment & Disaster Management	UNEP, UNESCO, UNICEF, UNDP	407,560	All planned and funded programmatic activities completed. Programme to continue providing similar support in 2012.	97.8%	
Total		1,774,536		93.4%	

3.3 Implementation Achievements and Challenges

The sections below provide an overview of the main implementation achievements and challenges encountered during the implementation of programmes, as reported by the respective Participating Organizations. It only reports on programmes that had operational activities during the reporting period. Additional information on the programmes, including future work plans, is available in individual programme reports posted on the MPTF Office GATEWAY (http://mptf.undp.org). Previous years' achievements and results are included in the 2010 UN Bhutan Annual Report (http://mptf.undp.org/document/download/6704).

3.3.1 UNDAF Outcome 1: Poverty Reduction

Table 3.3.1 UNDAF Outcome/Programme 1: Poverty Reduction					
Participating Organizations	Financial Implementation Status				
FAO	25,743	40,000	65,743	39.0%	
UNCTAD	20,000	(2,657)	17,343	100.0%	
UNICEF	34,000	-	34,000	100.0%	
UNDP	129,649	-	129,649	98.9%	
Total	209,392	37,343	246,734	83.2%	

As of 31 December 2011, FAO, UNCTAD, UNICEF, and UNDP were the four Participating Organizations that had received funding under the Poverty Outcome. During the 2011 reporting period, FAO received an additional allocation of \$40,000, whereas UNCTAD returned \$2,657. The overall financial implementation rate of the programme was 83.2 per cent.

Whereas an allocation of \$40,000 was made to FAO in October 2011, due to delay in the internal process to make funds available to the Country Office, no programmatic activities took place during the reporting period. For more information on this programme/outcome, including previous years' achievements and results, see the 2010 Annual Report for the UN Bhutan Country Fund, available on the MPTF Office GATEWAY.

3.3.2 UNDAF Outcome 2: Health

Table 3.3.2 UNDAF Outcome/Programme 2: Health					
Participating Organizations	Priors Years Net Transfers	2011 Net Transfers	TOTAL Net Transfers	Financial Implementation Status	
UNFPA	121,453	70,000	191,453	97.4%	
UNICEF	56,646	55,767	112,413	100.0%	
Total	178,099	125,767	303,866	98.4%	

As of 31 December 2011, UNFPA and UNICEF were the two Participating Organizations that had received funding under the Health Outcome. During the 2011-reporting period, UNFPA received \$70,000 and UNICEF

\$55,767 in allocations under the Outcome. The overall financial implementation rate of the programme was 98.4 per cent.

The programme contributes to **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, tuberculosis, malaria and other non-communicable diseases (MDGs 4, 5 and 6).

The Specific Outcomes and Outputs under each activity are:

CT Outcome 1: Capacity of Government strengthened to formulate and implement results-oriented policies and strategies that create an enabling environment for reproductive health, maternal and child health, STIs, HIV/AIDS, TB and malaria programmes.

Outputs: UNICEF and UNFPA, in partnership with WHO will support the Government in ensuring quality standards of health care system. Support will be provided to develop a National Nutrition Policy and guidelines to extend supplementation and fortification interventions. UNFPA will assist the Ministry of Health and other partners in revising reproductive health policies and strategies and implementing interventions on improving safe motherhood and reproductive health services. UNAIDS will facilitate the operationalization of the National Strategic Plan (NSP) on HIV/AIDS. UNICEF and UNFPA will strengthen health information system to provide data requirements for result oriented programme and policy formulation and also support capacity development to conduct joint Demographic Health Survey (DHS) and Multi Indicators Cluster Survey (MICS).

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.

Outputs: UNICEF and UNFPA will strengthen quality services and expand emergency obstetric care and essential new-born care through training of health personnel and upgrading of existing health centres, supplying of medical equipment, improvement in infrastructure. UNICEF will provide technical assistance to sustain immunization coverage at more than 90 per cent. Capacity of health providers and caregivers will be strengthened to promote breastfeeding, infant and young child feeding practices, with a focus on under-5 children.

Achievements and Results

The UN Bhutan Country Fund allocation to the UNDAF Outcome 2 has contributed to increasing the 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 through:

- Training of five neonatal nurses in critical new-born care and four nurses on critical paediatric care has helped Ministry of Health to expand its Comprehensive Emergency Obstetric and New-born Care (CEMONC) centres and improve the skills of the nurses and enabled them to deliver better neonatal and paediatric care services.
- Participation of the programme manager of Integrated Management of Neonatal and Childhood Illness
 at the IMNCI monitoring and evaluation training in Delhi. Through this training, he has enhanced his
 capacity to monitor and supervise IMNCI programme at the districts and basic health units. The sixmonthly supportive supervision conducted by trained people at the basic health units has contributed
 to strengthen IMNCI implementation. Health workers at various basic health units have received
 guidance and constructive feedback helping them improve their performance.

• Procurement of contraceptives for 2011 thereby ensuring continued family planning and STIs/HIV/AIDS prevention services at all level of health facilities.

Specific achievements include:

- Neonates and children with serious problems are benefiting from the services of the skilled nurses through improved and timely nursing care services
- Improved IMNCI supportive supervision of health facilities with improved feedback to the health workers on their performance.
- Enhanced capability of IMNCI programme manager on supervision and monitoring of programme implementation.
- Bhutan Multi-Indicator survey 2011 shows that among the temporary family planning methods, oral
 contraceptive pills is the second most common method used by the Bhutanese women and the use is
 high among women between ages 20-34. The Contraceptive Prevalence Rate among the
 married/couple in union is 65.6 per cent which can be attributed to increased accessibility by the
 target population

3.3.3 UNDAF Outcome 3: Education

Table 3.3.3 UNDAF Outcome/Programme 3: Education					
Participating Organizations	Priors Years Net Transfers	2011 Net Transfers	TOTAL Net Transfers	Financial Implementation Status (%)	
UNFPA	29,729	-	29,729	100.0	
UNICEF	153,363	42,392	195,755	100.0	
WFP	227,278	59,414	286,692	82.9	
Total	410,370	101,806	512,176	90.4	

As of 31 December 2011, UNFPA, UNICEF and WFP were the three Participating Organizations that had received funding under the Education Outcome. During the 2011 reporting period, UNICEF received \$42,392 in funding, whereas WFP received \$59,414 in support of activities under this programme. The overall financial implementation rate of the programme was 90.4 per cent.

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

The Specific Outcome and Output under each activity include:

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

Outputs: UNICEF will support the Government with early learning (3- to 6-year-olds) to increase the developmental readiness of young children for school, and will contribute to the timely enrolment of children, especially girls, in schools as well as to the reduction of dropouts. The capacity of key partners, including parents and communities, will be strengthened to provide young children with early learning

opportunities. Early childhood care and education advocacy and awareness will be strengthened through the NFE curriculum.

The Child Friendly School concept will be implemented with assistance from UNICEF to strengthen the quality of education. Capacity of teachers will be strengthened to deliver a quality education using child-friendly methods and processes. In addition, targeted teachers and schools will be equipped to teach multiple grades as well as to teach children with special learning needs. Needs of young people aged 15 to 24 will be addressed through life skills education and non-formal education. WFP will support the Government in developing the capacity of the Ministry of Education to assume increased responsibility for school feeding.

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

Outputs: UNICEF, UNFPA and UNESCO will strengthen the capacity of Government counterparts to revise the curriculum to incorporate values education/life skills at basic education level.

Assistance will be extended to develop the capacity of teachers, through both pre- and in-service programmes, to practice child-friendly, active learning processes in the classrooms; to teach values-based education; and to monitor learning achievements. UNICEF and WFP will assist the Ministry of Education in developing capacity in the areas of multi-grade teaching methodologies and teacher supervision, and will provide extra guidance in the classrooms as well as in school feeding management and reporting.

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

Outputs: WFP will support the Government in its policy of improving access to education by providing nutritious meals for primary and secondary school students, particularly those from rural families who are vulnerable to food insecurity. UNICEF will assist the Government in promoting the importance of education in rural/remote communities. In areas with low primary net enrolment, communications strategies will be developed and implemented to increase enrolment, while support also will focus on increasing retention and completion rates. Support will also be provided to innovative strategies to increase the enrolment in underserved areas. WFP will place special emphasis on increasing girls' enrolment, especially at the secondary level, by increasing the availability of safe boarding facilities equipped with matron quarters and trained matrons, while UNICEF will provide training to matrons on health, hygiene and protection issues. UNICEF and WFP will also assist the Ministry of Education in improving sanitation and hygiene practices at selected schools through the upgrading of water and sanitation facilities and advocacy on good hygiene practices. Monastic institutions will be provided with safer water and sanitation facilities and will be enabled to include an English-language curriculum. Capacity development will continue in the areas of nutrition and hygiene, which will contribute to an improvement in the overall health of children, and increase attendance and retention of children in schools.

CT Outcome 4: National capacity strengthened to address the emerging challenges faced by young people. **Outputs:** UNFPA and UNICEF will support the Government in developing capacity at the national, local and community levels to promote healthy and positive behaviour amongst young people. UNFPA will support establishment of additional Youth Information Centres to conduct youth forums and winter youth programmes that provides opportunities to young people to discuss their issues openly among themselves. UNICEF will provide life skills-based education to young people enrolled in non-formal education centres to improve the quality of their lives. UNICEF also will develop the capacity of the Government, CSOs and the media to increase participation of children and youth and support their empowerment.

Toward that end, UNICEF will provide technical and financial assistance to expand mechanisms, structures and opportunities for children's and youth's participation in planning and implementation of policies, programmes and measures that affect their lives. It will strengthen partnership with CSOs to improve knowledge and life skills for children and youth so they can protect themselves from adverse influences, violence, abuse and exploitation, and can actively participate in social activities as well as involve in Gross National Happiness process.

UNICEF reported the following achievements and results during the reporting period:

Study visit on Activity Based Learning (ABL): Ten participants from the government including eight teachers went to India's Rishi Valley Institute of Education Resource (RIVER) at Bangalore and brought back best practices on Activity-based Learning. ABL approach is critical for quality education, so these teachers will implement the ideas on Multi Grade Multi Level (MGML) methodology benefitting the children of especially remote schools in acquiring quality education. Addressing quality of education in remote areas is further likely to reinforce the equity aspects.

International Literacy Day: With equity focused approach significance of literacy was advocated among officials and community leaders of two districts that have high illiteracy rates; out-of-school youths 15-24 years old were also sensitized on the issue.

Procurement of key textbooks for instructional pedagogy on early child care and development (ECCD): The availability of a course on ECCD in Bhutan is enabling many teachers in addressing the different developmental domains of children 3 to 5 years old, skilfully. These teachers will be readily available to facilitate community based ECCD centres in rural areas. The availability of these textbooks is contributing to effective teaching and learning of ECCD curriculum.

Functional English curriculum for non-formal learners: Young people contributed to the curriculum's development, ensuring its relevance for youth. The young adults, who are out of formal education system have access to an alternate education programme and can improve their chances in life. Particularly for the disadvantaged young women, it will pave the way to acquire equal and greater opportunities in their lives. The implementation of this curriculum is expected to go nationwide in the 3rd quarter of 2012. The result is that post literacy learners now have access to a functional English curriculum equivalent to class 6. It is piloted in six districts

WFP reported the following achievement and results during the reporting period:

School feeding and infrastructures in selected primary/secondary schools: 110 metric tons of rice was procured providing over 36,500 students (almost half of them girls) from 225 schools with two meals a day for the whole academic year 2011. The Government and WFP worked together to identify needy schools that are most in need of the feeding programme. This collaboration has proved to be helpful to target the most vulnerable areas for school feeding programme according to the Ministry of Education. The activity was implemented by an 18 month rolling work plan detailing outcome, output, indicators, and activities, sources of funds, responsibility, timeframe and budget. Progress was monitored through quarterly progress report submissions and mid – term and annual review meetings, field visits, in addition to close cooperation between the implementing partners from the government, UNICEF and WFP.

The school feeding programme has been seen as vital in further closing disparities in enrolment and enhancing access to education for hard-to-reach segments of the population. Non-food support to the

education sector has included construction of more than 120 community primary schools with clean water and sanitation facilities and appropriate school furniture. New primary curricula have been developed and distributed to 143 multi-grade schools and more than 250 teachers trained in specialized multi-grade teaching methods

Future Work Plan

Under the 2012 Annual Work Plan, signed with key national counterparts (MoE and MoAF), the UN will continue to support similar programmes in the area of quality education through capacity building in life skills, educating for GNH, non-formal education, school feeding and other service delivery activities

3.3.4 UNDAF Outcome 4: Governance

Table 3.3.4, below, provides a brief overview of UNDAF Outcome 4: Governance as of 31 December 2011

Table 3.3.4 UNDAF Outcome/Programme 4: Governance					
Participating Organizations	Priors Years Net Transfers	2011 Net Transfers	TOTAL Net Transfers	Financial Implementation Status (%)	
UNCDF	20,000	-	20,000	93.3	
UNDP	284,199	-	284,199	96.3	
UNFPA	20,000	(20,000)	0	-	
Total	324,199	(20,000)	304.199	96.1	

As of 31 December 2011, UNCDF, UNDP and UNFPA were the three Participating Organizations that had received funding under the Governance Outcome. No new allocations were made during the reporting period. The overall financial implementation rate of the programme was 96.1 per cent.

In 2010, UNFPA refunded \$20,000 against a transfer made in 2009 for the Governance Programme. This refund was incorrectly recorded against the Health Programme, and the correction of this error was done in 2011.

As no allocation was made to this outcome in 2011, no programmatic activities took place during the reporting period. For more information on this programme/outcome please see the "2010 Annual Report for the UN Bhutan Country Fund.

3.3.5 UNDAF Outcome 5: Environment & Disaster Management

Table 3.3.5 UNDAF Outcome/Programme 5: Environment & Disaster Management					
Participating Organizations	Priors Years Net Transfers	2011 Net Transfers	TOTAL Net Transfers	Financial Implementation Status (%)	
UNEP	48,165	-	48,165	99.6	
UNESCO	25,000	-	25,000	99.0	
UNICEF	70,935	7,000	77,935	100.0	
UNDP	256,460	-	256,460	96.6	
Total	400,560	7,000	407,560	97.8	

As of 31 December 2011, UNEP, UNESCO, UNICEF and UNDP were the four Participating Organizations that had received funding under the Environment and Disaster Management Outcome. During the 2011 reporting period, UNICEF received \$7,000 under this programme. The overall financial implementation rate of the programme was 97.8 per cent.

The Programme contributed to **UNDAF Outcome 5**: By 2012, national capacity for environmental sustainability and disaster management strengthened. (MDG 7)

The Specific Outcome and Output under each activity are listed below:

CT Outcome 5.2.: National capacity for disaster risk management strengthened.

Outputs: The United Nations will continue to provide assistance to enhance the capacity of national focal agencies, relevant sectors and disaster management authorities at all levels to implement the disaster management framework.

In this regard, support will be provided to formulate a National Disaster Management Act as well as dzongkhag- and gewog-level Disaster Management Plans. Dzongkhag and gewog Disaster Management Committees will be established with United Nations support to ensure institutional coordination and enhance sub-national capacity to deal with disasters. UNDP and UNICEF will support capacity development for mainstreaming of disaster risk reduction as well as disaster preparedness and response for the focal agency (the Department of Disaster Management), other key agencies and dzongkhag administrations, to prevent, mitigate and cope with climate change/disasters.

Achievements and Results:

UNICEF reported the following achievements and results during the 2011 reporting period:

As planned, the programme contributed to the establishment of better preparedness and response mechanism and tools for conducting post disaster needs assessment. Key achievements include:

•	A Bhutan Disaster Assessment (BDA) tool which has been drafted with the help of an international
	consultant was updated in accordance with the draft Disaster Management Bill. The rollout of the
	BDA tool and training has been postponed for implementation in 2012.

- For information management and analysis, the Emergency Info, which is a DevInfo application, was adapted in the form of BDA-Info within the Department of Disaster Management.
- Standard Operation Procedures (SOPs) has been drafted and revised in accordance with the draft Disaster Management Bill for implementation of the BDA tool.

4. Financial Performance

This financial performance section includes key financial data on the UN Bhutan Country Fund. Financial information is also available on the UN Bhutan Country Fund website on the MPTF Office GATEWAY (http://mptf.undp.org/factsheet/fund/BT100). Due to rounding, totals in the tables may not add up.

4.1 Financial Overview

The below table provides a financial overview of the UN Bhutan Country Fund as of 31 December 2011, highlighting the key figures as well as the balance available, both with the Administrative Agent (MPTF Office) and with Participating Organizations.

Table 4.1.1 - Financial Overview

	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL
Sources of Funds			
Gross Donor Contributions	1,538,000	508,000	2,046,000
Fund Earned Interest Income	2,233	960	3.192
Interest Income Received from Participating Orgs	2,258	2,514	4,773
Refunds by Administrative Agent (Interest/Others)	-	-	-
Other Revenue	-	-	-
Total - Sources of Funds	1,542,491	511,474	2,053,965
Uses of Funds			
Transfers to Participating Organizations	1,567,365	254,573	1,821,938
Refunds Received from Participating Organizations	(44,745)	(2,657)	(47,402)
Net Funded Amount to Participating Organizations	1,522,620	251,916	1,774,536
Administrative Agent Fees	15,380	5,080	20,460
Direct Costs (Steering Committees etc.)	-	19,120	19,120
Bank Charges	-	7	7
Other Expenditures	-	-	-
Total - Uses of Funds	1,538,000	276,122	1,814,122
Balance of Funds Available with Administrative Agent	4,491	235,352	239,843
Net Funded Amount to Participating Organizations	1,522,620	251,916	1,774,536
Participating Organizations' Expenditure	1,471,008	187,057	1,658,059
Balance of Funds with Participating Organizations	51,612	64,865	116,477

Apart from donor contributions, the UN Bhutan Country Fund also receives funds from the interest earned income. The two sources of interest income are: (1) Interest earned by the MPTF Office on the balance of funds with the Administrative Agent's (Fund) account; and (2) Interest Income from the Participating Organizations, which is the amount earned by the Participating Organizations on the undisbursed balance of the UN Bhutan Country Fund. By the end of 2011, the fund-earned interest amounted to \$959. The Administrative Agent fee is charged at an approved rate of 1 per cent on deposits to the UN Bhutan

Country Fund, amounting to a cumulative total of \$20,460 as of 31 December 2011 (2010: \$8,610 and 2009: \$6,770).

As of 31 December 2011, Participating Organizations had refunded \$44,745. In 2010, UNFPA refunded \$20,000 against a transfer made in 2009 for the Governance Programme. This refund was incorrectly recorded against the Health Programme, and the correction of this error was done in 2011.

4.2 Donor Contribution

Table 4.2.1 displays the breakdown of the contributions received. Total contribution received in 2011 as of 31 December 2011 is \$508,000 (from the Expanded DaO Funding Window), bringing the total cumulative contribution amount, as of 31 December 2011, to \$2,046,000. Given that the UN Bhutan Country Fund relies on a single donor (EFW), all allocations are made on the basis of this donor's release of funds.

At the time of the Steering Committee meeting, in June 2011, the expectation was that the EFW would release its 2011-funding allocation to Bhutan in two tranches; a first tranche of \$527,000, and a second tranche of \$190,000, a total of \$717,000. However, as of the end of 2011, the amounts that had been released had been reduced to \$269,000 and \$239,000, a total of \$508,000, with a probability that a third tranche would be released in 2012, subject to the approval and confirmation of the EFW Steering Committee. This unpredictability in funding availability has caused some concern, adding uncertainty at the programme implementation level.

Table 4.2.1 - Donor Contributions

Donor	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL
Expanded DaO Funding Window	1,538,000	508,000	2,046,000
Total	1,538,000	508,000	2,046,000

4.3 Interest Earned

Fund-Earned Interest: Fund earned interest (i.e. interest earned by the UN Bhutan Country Fund Administrative Agent; the MPTF Office) amounted to \$960 in 2011, bringing the cumulative total earned as of 31 December 2011 to \$3,192. This amount is an additional source of income for the UN Bhutan Country Fund and increases the amount of funds available for project funding.

Agency-Interest Earned by Participating Organizations: All interest earned by the Participating Organizations is expected to be credited to the UN Bhutan Country Fund unless the governing bodies of the said Organization has approved decisions that govern the specific use of interest earned on donor contributions. The refunded interest will be used to augment the availability of funds for project funding. In 2011, the interest generated by Participating Organizations was \$2,514, bringing the cumulative total earned as of 31 December 2011 to \$4,773.

Total Interest earned for the UN Bhutan Country Fund is \$7,965.

Table 4.3.1 - Received Interest at the Fund and Agency Levels

	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL
Fund Earned Interest (Administrative Agent)	2,233	960	3,192
Total - Fund Earned Interest	2,233	960	3,192
UNCTAD	-	235	235
UNDP	2,209	2,279	4,488
UNFPA	50	-	50
Total – Interest Income Received from PO	2,258	2,514	4,773
Total Interest Earned	4,491	3,474	7,965

4.4 Transfer of Approved Funding to Participating Organizations

As of 31 December 2011, the UN Bhutan Country Fund had funded approved projects/programmes for a net total of \$1,774,536. In 2011, UNICEF received the largest share of funding, followed by WFP and UNFPA. The distribution of approved funding by Participating Organizations is summarized in the below tables.

Table 4.4.1 - Transfer of Net Funded Amount by Participating Organizations

	Net Funded Amount			
Participating Organization	Prior Years as of 31 Current Year Dec 2010 (2011)		TOTAL	
FAO	25,743	40,000	65,743	
UNCDF	20,000	-	20,000	
UNCTAD	20,000	(2,657)	17,343	
UNDP	670,308	-	670,308	
UNEP	48,165	-	48,165	
UNESCO	25,000	-	25,000	
UNFPA	171,182	50,000	221,182	
UNICEF	314,944	105,159	420,103	
WFP	227,278	59,414	286,692	
Total	1,522,620	251,916	1,774,536	

Table 4.4.2 – Transfer of Net Funded Amount by UNDAF Outcome/Programme

		Net Funded Amount			
UNDAF Outcome / Programme	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL		
Education	410,370	101,806	512,176		
Environment & Disaster Management	400,560	7,000	407,560		
Governance	324,199	(20,000)	304,199		
Health	178,099	125,767	303,866		
Poverty Reduction	209,392	37,343	246,734		
Total	1,522,620	251,916	1,774,536		

4.5 Expenditure

As of 31 December 2011, a total of \$1,658,059 was reported by Participating Organizations as expenditure, which is the equivalent to a delivery rate of 93.44 per cent.

All expenditure reports were submitted by the Headquarters of the Participating Organizations through the MPTF Office's UNEX Financial Reporting Portal, and extracted and analysed by the MPTF Office. The below tables provide different cuts on this expenditure data. Additional tables on expenditure, including expenditure tables by Participating Organization with breakdowns by budget category are available on the MPTF Office GATEWAY (https://mptf.undp.org).

Table 4.5.1 below displays transfers and expenditures of the UN Bhutan Country Fund in 2011 and presents the financial delivery rates. Financial delivery rates are measured in terms of expenditure as a proportion of the amount transferred.

Table 4.5.1 - Expenditure by UNDAF Outcome / Programme

	Net Funded	Expenditure			Delivery - Rate
UNDAF Outcome / Programme	Amount	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL	(%)
Education	512,176	377,282	85,809	463,091	90.42
Environment & Disaster Management	407,560	387,983	10,443	398,427	97.76
Governance	304,199	292,374	52	292,426	96.13
Health	303,866	205,065	93,840	298,905	98.37
Poverty Reduction	246,734	208,304	(3,093)	205,210	83.17
Total	1,774,536	1,471,008	1,371	1,658,059	93.44

Table 4.5.2 - Expenditure by Participating Organization

	Net Funded	Expenditure			Delivery
Participating Organization	Amount	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL	Rate (%)
FAO	65,743	27,543	(1,928)	25,617	39.0
UNCDF	20,000	18,653	-	18,653	93.3
UNCTAD	17,343	18,506	(1,163)	17,343	100.0
UNDP	670,308	649,732	51	649,783	96.9
UNEP	48,165	47,994	-	47,994	99.6
UNESCO	25,000	21,293	3,445	24,738	99.0
UNFPA	221,182	178,147	38,073	216,220	97.8
UNICEF	420,103	314,950	105,159	420,105	100.0
WFP	286,691	194,188	43,418	237,606	82.9
Total	1,523	1,471,008	187,051	1,658,05	9 93.4

Table 4.5.3 - Expenditure by Budget Category

	E	Delivery Rate		
Budget Category ⁴	Prior Years as of 31 Dec 2010	Current Year (2011)	TOTAL	(%)
Supplies, Commodities, Equipment	543,742	71,445	615,187	39.68
Personnel	346,359	11,923	358,282	23.11
Training of Counterparts	297,081	58,432	355,513	22.93
Contracts	175,646	32,274	207,920	13.41
Other Direct Costs	13,627	(302)	13,325	0.86
Total - Programme Costs	1,376,456	1,285	1,550,226	100.00
Indirect Support Costs	94,552	13,280	107,832	6.96
Total	1,471,008	187,051	1,658,059	

4.6 Balance of funds

As per the Financial Overview (Table 4.1.1), as of 31 December 2011, a net amount of \$1,774,536 had been transferred to Participating Organizations. The available balance of \$239,943 (11.7 per cent) also includes interest earned by the Administrative Agent and Participating Organizations as of 31 December 2011, and may be allocated by the Steering Committee to programmatic activities. The unutilized balances remaining with Participating Organizations as of 31 December 2011 was \$116,477 (or 6.4 per cent of transferred amount).

⁴ Standard UNDG Budget Categories used in all MPTFs to enable standardized financial reporting across all Participating Organizations

4.7 Cost Recovery

The cost recovery for the UN Bhutan Country Fund is guided by the applicable provisions of the Terms of Reference, the MOU concluded between the Administrative Agent and Participating Organizations, and the SAAs concluded between the Administrative Agent and Donors.

Cost recovery, as of 31 December 2011, was as follows:

- The Administrative Agent fee: One per cent charged at the time of donor deposits and is for the entire duration of the UN Bhutan Country Fund. In the reporting period this amounted to \$5,080. The cumulative Administrative Agent fee charged by the MPTF Office on the total EFW contributions amounted to \$20,460. Similar to a few other MPTFs that are exclusively funded by limited contributions from the EFW, the AA fee does not cover the cost of the MPTF Office's AA services which poses a challenge for continued provision of the standard services.
- *Indirect Costs of Participating Organizations:* As per the UN Bhutan Country Fund TOR, Participating Organizations may charge 7 per cent indirect costs. As of the end of the reporting period indirect costs across all programmes and projects amounted to 6.96 per cent of reported programme cost.
- Direct Costs: May be charged to the UN Bhutan Country Fund to cover costs associated with the Steering Committee etc. In 2011 \$19,120 were charged to the UN Bhutan Country Fund as direct costs.

5. Transparency and Accountability of the UN Bhutan Country Fund

The major vehicle for public transparency of operations under the UN Bhutan Country Fund during the reporting period was the MPTF Office GATEWAY (http://mptf.undp.org), with its dedicated website for the UN Bhutan Country Fund (http://mptf.undp.org/factsheet/fund/BT100).

Launched in 2010, the MPTF Office GATEWAY serves as a knowledge platform providing real-time data from the MPTF Office accounting system, with a maximum of two-hour delay, on financial information on donor contributions, programme budgets and transfers to Participating Organizations. It is designed to provide transparent, accountable fund-management services to the United Nations system to enhance its coherence, effectiveness and efficiency.

Each MPTF and JP administered by the MPTF Office has its own website on the GATEWAY with extensive narrative and financial information on the MPTF/JP including on its strategic framework, governance arrangements, eligibility and allocation criteria. Annual financial and narrative progress reports and quarterly/semi-annual updates on the results being achieved are also available. In addition, each programme has a Factsheet with specific facts, figures and updates on that programme.

The GATEWAY provides easy access to more than 9,000 reports and documents on MPTFs/JPs and individual programmes, with tools and tables displaying related financial data. By enabling users in the field with easy access to upload progress reports and related documents also facilitates knowledge sharing and management among UN agencies. The MPTF Office GATEWAY is being recognized as a 'standard setter' by peers and partners.

Conclusion

This Second Consolidated Annual Progress Report on Activities under the UN Bhutan Country Fund reports on the implementation of the projects approved for funding up to 31 December 2011. The Progress Report is consolidated based on information and data contained in individual progress reports and financial statements submitted by Participating Organizations to the MPTF Office.

In line with its mandate, in its second year of operation, funds channelled through the UN Bhutan Country Fund have contributed to providing resources to under/unfunded components of the UNDAF/cCPAP's five Outcome areas: Poverty Reduction, Health, Education, Governance and Environment & Disaster Management.

Experience from the reporting has proven that the dependency on only one donor, the EFW, makes the UN Bhutan Country Fund vulnerable. Unpredictable funding amounts and delayed timing of the release of the 2011 allocation caused considerable concern at the level of programme implementation.

The MPTF Office, in its capacity as the Administrative Agent of the UN Bhutan Country Fund, envisages that this Second Consolidated Annual Progress Report on Activities under the UN Bhutan Country Fund will, despite its limited scope, provide the Steering Committee the basis on which to better assess resource requirements and to advocate and mobilize additional funding in support of the five UNDAF Outcomes in Bhutan.