



UN BHUTAN COUNTRY FUND

Terms of Reference

Introduction:

1. The UN system in Bhutan is implementing the One Programme 2014-2018. The One Programme is the result of a highly consultative and participatory process involving the Royal Government of Bhutan, key national implementing partners, resident and non-resident UN agencies and other international partners. The One Programme reflects the activities of 19 UN agencies supporting Bhutan within four outcome areas: Sustainable Development; Essential Social Services; Gender Equality and Child Protection; and Good Governance and Participation.
2. As a result of this participatory approach, the One Programme is fully aligned with the 16 National Key Result Areas of the 11th Five Year Plan (2013-2018), and structured around the four pillars of Gross National Happiness (GNH)¹. The One Programme will act as a critical bridge between the final years of the MDGs and the post-2015 agenda.
3. The Government is fully involved at all levels of One Programme implementation. As reflected in the Outcome Group architecture (Figure 1), the joint Government-UN Country Programme Board² is responsible for the overall implementation and supervision. The Board provides supervision and guidance to the Outcome Groups who are responsible for the formulation, monitoring and evaluation of the implementation of the One Programme through the 18-month workplans³ with implementing partners.

Purpose of the UN Bhutan Country Fund:

4. The objective of the UN Bhutan Country Fund (One Fund), under the management leadership of the Joint Government-UN Steering Committee, is to support coherent resource mobilization, allocation and disbursement of resources to support the un(der)funded portions of the One Programme and new initiatives responding to emerging needs. This will enhance the flexibility and responsiveness of the UN system through the One Programme to address existing and emerging national priorities. The Fund will support allocation and disbursement of donor resources and coherent resource mobilization.
5. The Un Bhutan Country Fund is one of the proposed vehicles for new resources pooled by donors to support the unfunded gap of the One Programme. The Fund, under the guidance of the Outcome Groups and the joint M&E Group, and leadership of the Resident Coordinator and UNCT, is intended to facilitate

¹ Annex 1: Alignment between the national priorities and UN Bhutan areas of support-2014-2018.

² The Board comprises of Secretaries of all relevant ministries, representatives of UN agencies signatory to the One Programme. The Board is co-chaired by the Secretary, GNH Commission and the UN Resident Coordinator.

³ The 18-month workplan with indicative resource is implemented to align to the Government's fiscal year of July – June thus improving programme planning.

the realization of One Programme outcomes by strengthening the planning and coordination process, and channeling consistent and predictable funds towards the highest priority needs.

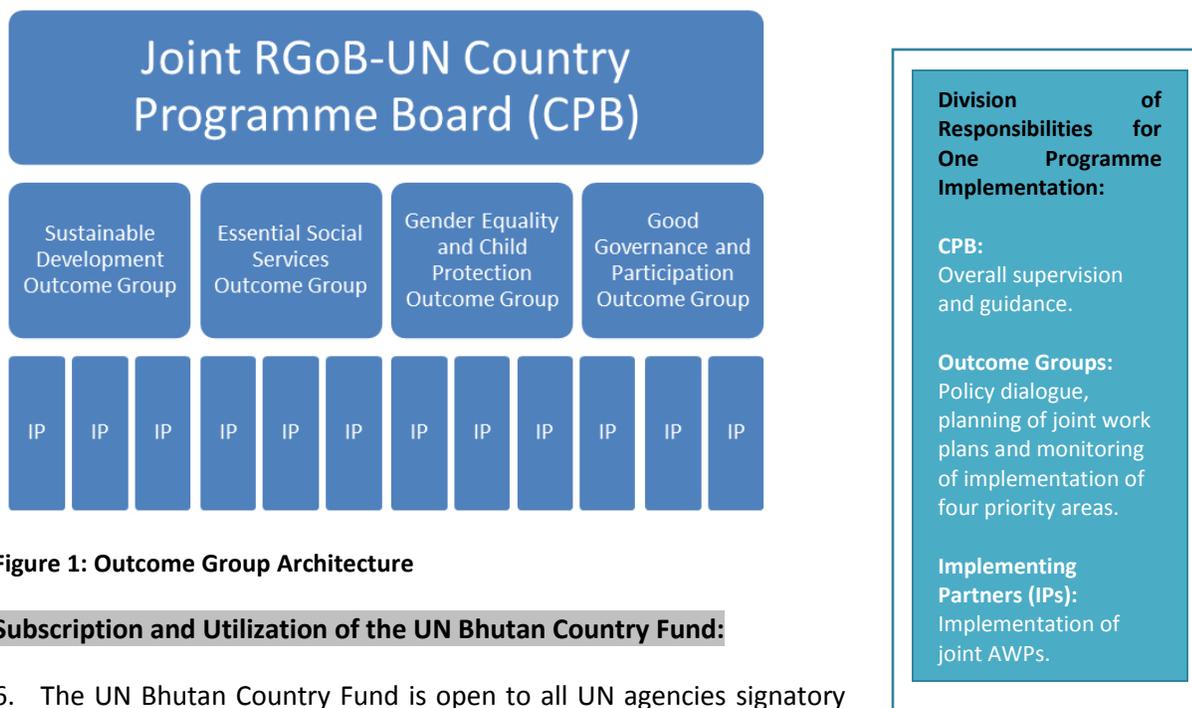


Figure 1: Outcome Group Architecture

Subscription and Utilization of the UN Bhutan Country Fund:

6. The UN Bhutan Country Fund is open to all UN agencies signatory to the One Programme. They can access the funds upon signing the Memorandum of Understanding as Participating UN Organizations, and upon submission of their annual funding gaps based on the One Programme Results Matrix.
7. Participating UN Organizations’ regular funds remain outside the UN Bhutan Country Fund and therefore, they will continue to manage and handle their own core funding. Participating UN Organizations will continue to raise other resources on an agency basis, and will be required to periodically inform the RC/UNCT on the amount mobilized and the planned allocation of those resources to ensure that the UN system has an up-to-date overview of the available and required resources to provide an accurate picture of the resource gaps for submission to the UN Bhutan Country Fund.
8. Joint resource mobilization increases the probability of realizing the One Programme results by ensuring adequate resources are raised in a structured manner. It will reduce transaction costs through integrated reporting by the UN system to donors on expenditures.
9. The Participating UN Organizations have appointed UNDP to serve as the Administrative Agent, and this has been endorsed by the Royal Government of Bhutan. UNDP, through its Multi-Partner Trust Fund Office (MPTF Office), will administer the Fund in accordance with the provisions of the Memorandum of Understanding for the UN Country Fund and the ToR.
10. The Administrative Agent (AA) and the Participating UN Organizations will be entitled to deduct their indirect costs on contributions received as stated in the Memorandum of Understanding. The Administrative Agent’s administrative fee will be 1%. The fee will be deducted from the contribution to the

One Fund at the time they are deposited. The indirect costs of the Participating UN Organizations will be 7%.

Contributions to the UN Bhutan Country Fund:

11. 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, from private sources, and other resident and non-resident donors. Acceptance of funds from the private sector will be guided by criteria stipulated in the UN system-wide guidelines on Cooperation between the United Nations and the Business Community available at: <http://www.un.org/partners/business/otherpages/guide.htm>
12. To achieve optimal progress and ensure maximum flexibility and adaptation to national priorities, a guiding principle for resource mobilization would be that donors are encouraged to contribute with multi-year un-earmarked resources. It is possible also for the contributors to earmark contributions by outcome, output and/or UN agency.
13. The UN Bhutan Country Fund responds to both the Delivering as One approach and commitment to Aid Effectiveness as per the Paris Declaration.
14. Contributions to the UN Bhutan Country Fund may be accepted in fully convertible currency. Such contributions shall be deposited in the bank accounts designated by UNDP. The value of a contribution-payment, if made in other currencies than United States dollars, shall be determined by applying the UN operational rate of exchange in effect on the date of payment.

Governance Arrangements:

15. The One Programme document, as well as joint programmes and agency programme documents falling thereunder is the programmatic planning document that will serve as the basis for funding requests and allocations.
16. For un-earmarked contributions, fund allocation will follow a two-tier process as reflected in the Fund Allocation Process in Annex B. The joint Outcome Groups (refer to Figure 1) will submit their priorities for funding based on the updated funding gap matrix, finalized at their Annual Review meetings in November each year. These proposed priorities will be compiled and reviewed by the Office of the Resident Coordinator and the GNH Commission and submitted to the Steering Committee.
17. The Steering Committee will review the proposed priorities and approve the initial prioritization if required, and based on it, the Steering Committee will submit an overview of the Resource Gap matrix to the development partners in December each year.
18. Upon receipt of funds from donors, the Steering Committee will make the allocation decisions, based on the financial status of the Fund and the needs of the Government. The Steering Committee will inform the Country Programme Board of the final endorsement at the Board's annual meeting. For decision making, at least half of the Steering Committee members should be present or provide delegated authority. Decisions will be based on a consultative process and will be documented jointly by the Office of the Resident Coordinator and the GNH Commission. (Refer: Annex C Fund Allocation Process).

Fund Allocation Criteria

19. The allocation criteria for the UN Bhutan Country Fund (Refer Annex C) provide an objective basis for resource allocation decisions by the Steering Committee to allocate un-earmarked resources to the respective outcomes/outputs of the One Programme. The criteria for initial allocation are mainly related to One Programme relevance, Delivering as One, resource gaps and agency comparative advantage. Additional criteria for subsequent allocation are related to absorption capacity. The Outcome Groups are responsible for ensuring that their proposed activities meet the fund allocation criteria. The requests should preferably not be below US\$ 100,000 in order to encourage programmatic approaches and ensure operational efficiency.

The Resident Coordinator

20. The overall management of the UN Bhutan Country Fund will be led and coordinated by the Resident Coordinator in consensus with the Heads of the Participating UN Organizations.

21. In line with the overall objective of 'Delivering as One' in Bhutan, the Resident Coordinator will be responsible for:

- Strategic leadership of the UN Bhutan Country Fund on the basis of the One Programme;
- Advocating and mobilizing resources for the UN Bhutan Country Fund in collaboration with participating UN Organizations;
- Leading a consultative process on allocations of un-earmarked contributions from the UN Bhutan Country Fund, and making final decision if consensus cannot be reached, with documented process and rationale for these decisions;
- Signing the Memorandum of Understanding with participating UN Organizations and the Standard Administrative Agreement(s) as witness; and
- Implementation of the programme activities funded by the resources from the UN Bhutan Country Fund will be the responsibility of the participating UN Organizations, as stipulated in the Memorandum of Understanding. The RC will hold the Heads of participating UN Organizations accountable for their Organization's components of the results of initiatives funded through the UN Bhutan Country Fund.

The Steering Committee

22. The Steering Committee is comprised of UN signatories to the UN Bhutan Country Fund and the Gross National Happiness (GNH) Commission, and is co-chaired by the Secretary of the GNH Commission and the UN Resident Coordinator. The ToR for the Steering Committee is attached as Annex D.

23. The Steering Committee will be responsible for prioritization and allocation decisions of the un-earmarked contributions to the UN Bhutan Country Fund. The initial prioritization for allocation will be guided by recommendations from the Joint Outcome Groups' annual review process.

24. The Steering Committee will guide the operations and management of the Fund; it will annually review the joint resource mobilization strategy and subsequently implement it. The Steering Committee will ensure that the Country Programme Board is informed of the allocations, and will take into consideration the Country Programme Board's strategic priorities.

The Administrative Agent

25. As stated in the Memorandum of Understanding, Section I, the UNDP MPTF Office will, as the Administrative Agent:

- a. Receive contributions from donors that wish to provide financial support to the Fund;
- b. Administer such funds received, in accordance with this Memorandum of Understanding including the provisions relating to winding up the Fund Account and related matters;
- c. Subject to availability of funds, disburse such funds to each of the Participating UN Organizations in accordance with instructions from the Steering Committee, taking into account the budget set out in the approved programmatic document⁴, as amended in writing from time to time by the Steering Committee;
- d. Consolidate statements and reports, based on submissions provided to the Administrative Agent by each Participating UN Organization, as set forth in the TOR, and provide these to each donor that has contributed to the Fund Account and to the Steering Committee;
- e. Provide final reporting, including notification that the Fund has been operationally completed, in accordance with Section IV below;
- f. Disburse funds to any Participating UN Organization for any additional costs of the task that the Steering Committee may decide to allocate (as referred to in Section I, Paragraph 3) in accordance with TOR.

29. In line with the provisions of the Memorandum of Understanding, the Administrative Agent will ensure that the finalized annual consolidated report on the UN Bhutan Country Fund, is compiled and distributed to all donors contributing to the Fund and to the Participating UN Organizations, including maintaining an appropriate level of fund information on the UN system website for Bhutan (www.unct.org.bt) and the UNDP MPTF Office's website (<http://mptf.undp.org/>) to ensure transparency and visibility of donor contributions.

Support services provided by the Resident Coordinator's Office

30. The Office of the Resident Coordinator is responsible for support to the strategic leadership role of the Resident Coordinator for the UN Bhutan Country Fund, in line with the One Programme. It will provide support in all the designated tasks for the Resident Coordinator as listed in paragraph 20 and 21.

⁴ As used in this document, an approved programmatic document refers to the One Programme Joint Work Plans which is approved by the Steering Committee for fund allocation purposes.

31. Drawing on the Joint Outcome Groups' annual report, including results reports, the financial report and the funding gap matrices, the Office of the Resident Coordinator and the GNH Commission will compile and review the proposed priorities for funding allocation and submit to the Steering Committee for prioritization and allocation decisions.

Monitoring and Evaluation

32. Monitoring and evaluation shall be undertaken in accordance with the Monitoring and Evaluation Framework developed to monitor and evaluate the One Programme implementation. The M&E group will provide technical advice and support on all aspects of results-based-management (RBM) to the UNCT and to the Outcome Groups to monitor the Bhutan One Programme development results and DaO results. The UNCT opted to use the national monitoring and reporting system which is in accordance with the Paris Declaration on Aid Effectiveness.

Other Matters

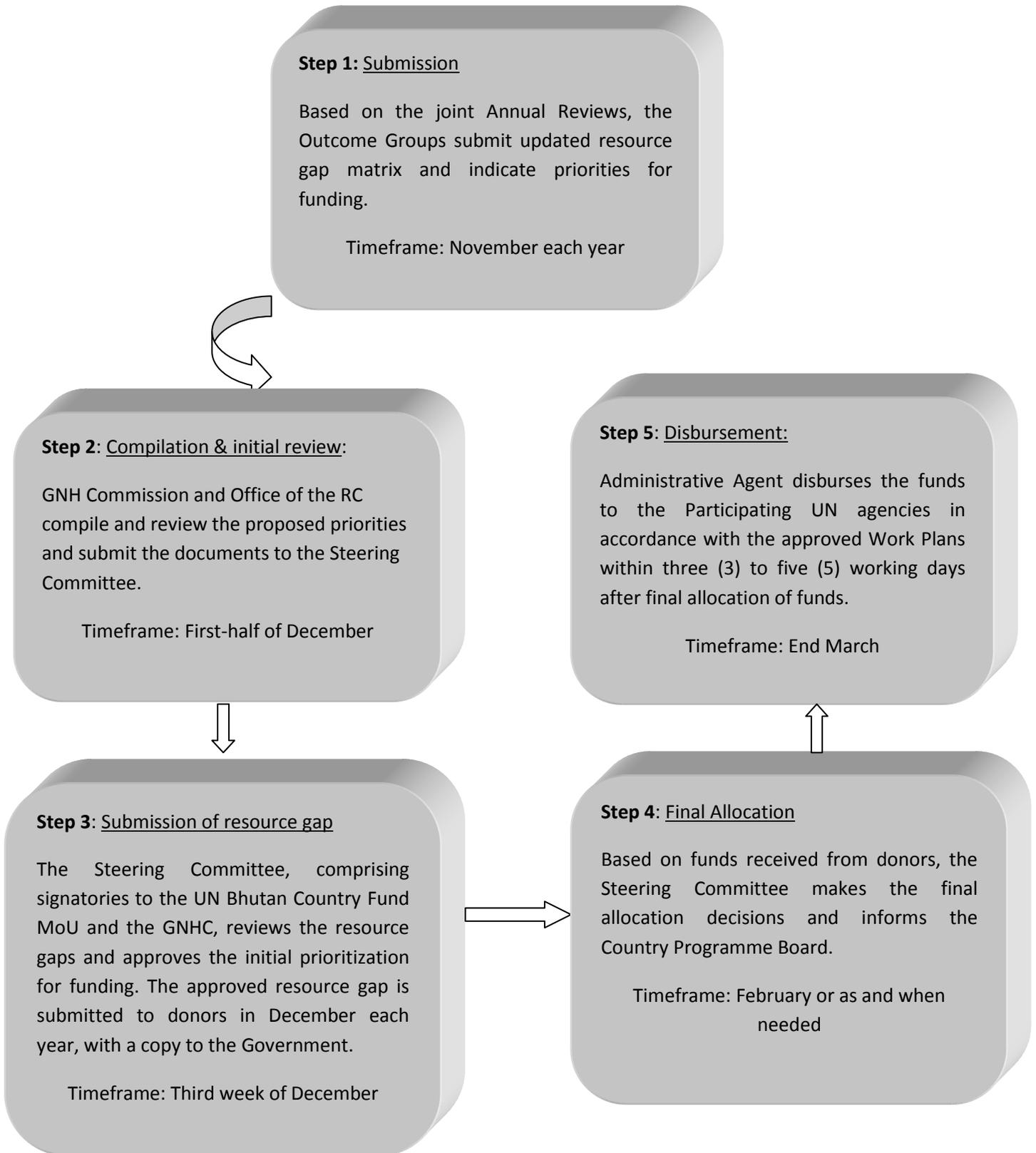
33. The UN Bhutan Country Fund will be established upon signing of the Memorandum of Understanding by at least two (2) Participating UN Organizations and the Administrative Agent. In principle, all Participating UN Organizations signatory to the One Programme can apply for the available funds upon signing the Memorandum of Understanding and upon submission of their annual funding gaps based on the One Programme Results Matrix. The UN Bhutan Country Fund will terminate upon completion of all projects/programmes funded through the Fund and after satisfaction of all commitments and liabilities, as stipulated in Section VIII of the Memorandum of Understanding.
34. Any balance remaining in the Fund Account or in the individual Participating UN Organizations' separate ledger accounts upon completion of the Fund will be used for a purpose mutually agreed upon or returned to the donor(s) in proportion to their contribution to the Fund as agreed upon by the donors and the Steering Committee.

ANNEX A: ALIGNMENT BETWEEN NATIONAL PRIORITIES AND UN BHUTAN AREAS OF SUPPORT

2014-2018

Gross National Happiness	NKRAs 11 th FYP	One Programme Outcome
Sustainable and Equitable Development	Sustained Economic Growth	<i>By 2018, increased and equitable access, utilization and quality of inclusive essential social services for all with a focus on sustaining the MDGs and addressing emerging challenges</i>
	Poverty Reduced	
	MDG + Achieved	
	Food Secure and Sustainable	
	Full Employment	
	Needs of Vulnerable Group Addressed	
Promotion and preservation of Culture	Historical, Cultural Property and Bhutanese Identity Promoted And Preserved.	Cross-Cutting
	Indigenous Wisdom, Arts and Crafts Promoted For Sustainable Rural Livelihood	
Conservation and Sustainable Environmental Management	Carbon Neutral/ Green and Climate Resilient Development	<i>By 2018, sustainable and green economic growth that is equitable, inclusive, climate and disaster resilient and promotes poverty reduction, and employment opportunities particularly for vulnerable groups enhanced.</i>
	Sustainable Management and Utilization Of Natural Resources	
	Integrated Water Utilization and Management	
	Imp. Disaster Resilience and Management Mainstreamed	
Good Governance	Improved Public Service Delivery, Motivated Public Servants GPMS	<i>By 2018, Governance institutions and communities exercise the principles of democratic governance at the national & local levels with a focus on inclusiveness, transparency, accountability and evidence-based decision making.</i>
	Democracy and Governance Strengthened	
Governance	Gender Friendly Environment For Women's Participation	<i>By 2018, communities and institutions strengthened at all levels to achieve enhanced gender equality, empowerment and protection of women and children</i>
	Corruption Reduced	
	Safe Society	

ANNEX B: Allocation Process for Un-earmarked Funds



ANNEX C: UN BHUTAN COUNTRY FUND ALLOCATION CRITERIA

The UN Bhutan Country Fund is open to all Participating UN Organizations signatory to the One Programme. Organizations can access the funds upon signing the Memorandum of Understanding and upon submission of their annual funding gaps based on the One Programme Results Matrix.

Criteria for initial allocation of un-earmarked funding:

1. One Programme relevance
2. Unfunded gap at outcome level
3. Joint AWP i.e. two or more participating UN Organizations implementing
4. Comparative advantage in implementing the activities
5. Priorities which would otherwise not be funded
6. Activities which support core UN development priorities and priorities identified by the Steering Committee and Country Programme Board at the start of the annual programme cycle
7. Realistic outcome budget

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

8. Implementing partners and Participating UN Organizations' absorption capacity

Previous track record:

1. Results
2. Expenditure rate and financial management
3. Reporting – timeliness and quality of reporting

ANNEX D:

STEERING COMMITTEE OF THE UN BHUTAN COUNTRY FUND Terms of Reference

Composition:

The Steering Committee (SC) is co-Chaired by the Secretary of the Gross National Happiness Commission (GNHC) and the UN Resident Coordinator (RC). Members include signatories to the UN Bhutan Country Fund MoU who have contributed to the resource gap analysis, and the Gross National Happiness (GNH) Commission. The Administrative Agent can be an ex-officio member of the Steering Committee. Other UN signatories to the One Programme may participate as observers.

Key Tasks and Responsibilities:

- To review and approve their Terms of Reference and Rules of Procedures, based on the generic SC TOR, and update and/or modify them, as necessary, in case of compelling requirements. In case of departures from the generic TOR, the TOR of the SC should be referred for endorsement to the HQs Fiduciary Management Oversight Group;
- For funds earmarked by donors to thematic clusters/sectoral groups or Agencies and prioritized/allocated within thematic clusters, to review and ensure the alignment of the allocations with the strategic development framework of the country and approved national priorities;
- For un-earmarked funds, (1) to review and approve the criteria for the allocation of available MPTF resources; (2) to allocate available resources to thematic clusters, making sure that the allocations are aligned with the strategic development framework of the country and approved national priorities. The clusters will be responsible for the prioritization within the cluster allocation;
- To review and approve proposals from Agencies submitted (by thematic clusters/sectoral groups or otherwise) for funding; ensure their conformity with the requirements of the MPTF agreements (MoUs). To ensure the quality of proposals to receive funding from the MPTF.
- To discuss the MPTF requirements and priorities concerning, inter alia:
 - Programme/project management, including consistent and common approaches to programme/project costing, cost recovery, implementation modalities, results-based reporting and impact assessment,
 - Information management including appropriate MPTF and MPTF donor visibility;
- To define Terms of Reference and composition for the thematic clusters/sectoral groups or other similar review bodies.
- To ensure appropriate consultative processes take place with key stakeholders at the country level so as to avoid duplication or overlap between the MPTF and other funding mechanisms;
- To review and approve the periodic progress reports (programmatic and financial) consolidated by the Administrative Agent based on the progress reports submitted by the Participating Agencies⁵. To ensure consistency in reporting between clusters; Consolidated annual reports should include a section on the activity of the Steering Committee.

⁵ The standard reporting period is as per the MoU.

- To review findings of the summary audit reports consolidated by the internal audit service of the Administrative Agent. To highlight lessons learnt and periodically discuss follow up by Participating Agencies on recommended actions that have MPTF-wide impact;
- To agree on the scope and frequency of the independent “lessons-learned and review” of the MPTF commissioned by the SC, in consultation with the HQ Fiduciary Management Oversight Group.
- To review the draft/final reports on lessons learnt, ensure the implementation of recommendations and identify critical issues for consideration by the HQs Fiduciary Management Oversight Group (to be brought up to the ASG Group, if/as required).

Decisions:

The Steering Committee makes decisions by consensus. Decisions of the Steering Committee shall be duly recorded.

Prior to presenting their position on a significant issue to the SC, 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, sectoral working groups or other SC agreed review bodies.

Role of the UN co-Chair/Chair of the Steering Committee:

- To make sure that the decisions taken by the Steering Committee are in accordance with the regulatory requirements and frameworks of the Participating Agencies and agreements with the programme country and donors;
- To ensure that the decisions taken by the Steering Committee are duly recorded and promptly communicated to the members of the Steering Committee, including Participating Agencies, the programme country, and donors, as appropriate;
- To monitor the implementation of the decisions of the Steering Committee;
- To report to the MPTF Fiduciary Management Oversight Group on the evolving risks and to flag issues that may affect the implementation of the decisions of the Steering Committee or otherwise impede the operations of the Fund;
- The UN co-Chair, representing the SC, is accountable to the Chair of the MPTF Fiduciary Management Oversight Group, representing the Committee, for the inter-agency fiduciary issues related to the Participating UN Agencies on issues related to funding through the UN for the MPTF activities.