



Joint Programme 2021 Annual Progress Report

SDG Financing Portfolio - Component 1

Cover page

UNCT/MCO: Bhutan

Reporting Period: 1 January - 31 December 2021

JP title: Additional Financing Leveraged to Accelerate SDG Achievement

PUNOs: UNDP, UNICEF

Government partner: Gross National Happiness Commission

Target SDGs: SDGs 1, 3, 4, 5, 8, 13, 15,17

Gender Marker: 2

Approved budget: USD 872,050

Co-funding: USD 60,000

Total Disbursement by 2021: USD 380,000

Total estimated expenditures: USD NA (est. Delivery rate: NA%)

Total estimated commitments (including expenditures): USD 264,359.3 (est. Committed rate: 69.6%)

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Executive Summary

The JP supported Department of National Budget under the Ministry of Finance to carry out assessment of the annual grant system of the sub-national governments in terms of achieving local government key result areas, which are aligned with national plan and SDGs. The findings of the assessment, once complete, will help the Finance Ministry revise the block grant guidelines and enhance the ownership and accountability of the local governments for the use of the funds. For the participating UN agencies like UNICEF, the assessment provides a better understanding of the local government's spending on social sectors, particularly child-focused investment vis-à-vis other sectors such as agriculture, livestock, etc. and will help sharpen UNICEF's future work on public finance for children.

The JP also supported development of sustainable social security scheme for one of the most vulnerable groups namely, monks and nuns under Dratshang Lhentshog (Central Monastic Body), the oldest institution in the country. The JP completed comprehensive assessment and recommendation of setting up a sustainable pension system and once approved by the Government, will provide crucial social security to improve livelihoods and increase

social security coverage in the country. The development of such a pension system has also improved the understanding of the key government officials in the context of providing meaningful social security to monks and nuns, who anchor society's spiritual and cultural ethos for peaceful and harmonious living.

Finally, the JP supported development of a strategic blueprint for resource mobilization for film and related industry which has been hit hard by the pandemic and has huge potential for employment of youth, that forms majority of labor force but has the highest rate of unemployment in Bhutan. The comprehensive strategic roadmap will among others support professionalizing the film and related services, provide job opportunities for the youths, enable access to finance, adopt technology, identify skills needs and gaps; and bring about much needed diversification to the economy through creative industries.

Annual Progress

Overall JP self-assessment of 2021 progress:

Satisfactory (majority of expected results achieved; 1 to 3 months delay in implementation)

Comments on self-assessment: The overall progress is rated as 'Satisfactory' as the implementation was delayed by six months due to multiple lockdowns (ranging 3-5 lockdowns and also submitting this annual report from lockdown) triggered by government's stringent COVID response and containment measures. The JP also faced further delays where government carried out system-wide re-prioritization exercise of all development activities and put in place temporary moratorium for any field surveys, assessments and consultancy works, which are fundamental and fully JP related activities. Additionally, the JP is implemented through NIM modality meaning IPs and RPs are mandated to follow due government processes, rules and regulations which added bureaucracy and red-tape in implementation. Nevertheless, with less than six months of implementation, the JP has achieved financial progress of 35% and is in track for accelerated results. During the reporting period, the project was able to establish strong national ownership and partnership through the leadership of the Ministry of Finance and the Gross National Happiness Commission (Planning Commission).

Overall progress and key developments to date (3 key JP milestones)

The JP supported the Department of National Budget, Ministry of Finance, carry out an assessment of the annual grant system of the sub-national governments in terms of achieving local government key result areas, which are aligned with national plans and SDGs. The assessment recommended further fiscal decentralization. As envisioned in the annual grant guideline, the assessment found that the annual grant system has enhanced citizen-centric local development and contributed significantly to the government's efforts toward enhancing the fiscal decentralization process since the local government (LG) authorities have greater flexibility in the usage of funds. It has also reduced the administrative burden as the LGs do not have to seek approval from the central government authorities on fund re-appropriation, which in turn improved turnaround time for public service delivery. However, there are instances of LGs prioritizing non-developmental works such as construction of gates, archery ranges, etc. Therefore, the assessment recommends that the LG need a clear guideline on the apportionment of annual grants for different sectoral priorities; better coordination between the district and sub-district authorities by reviewing the division of responsibilities framework among others.

The JP also supported development of sustainable social security scheme for one of the most vulnerable group, monks and nuns under Dratshang Lhentshog (Central Monastic Body), the oldest institution in the country. The study recommended setting up of a sustainable pension system, which will provide crucial social security and enhance social security during old age as the monks and nuns do not have any social security system. The study of such a pension system has also improved the understanding of the key government officials in providing meaningful social security to monks and nuns, who anchor society's spiritual and cultural ethos for harmonious living. In addition, the lack of institutionalized pension system, which can be uniformly applied to all monks and nuns, poses serious concerns around fundamental right to welfare and concerns in context of overall social policy.

Towards creation of employment for Bhutan’s educated youth, that forms majority of its labor force but has the highest rate of unemployment, and economic diversification, the joint programme supported the development of a strategic blueprint for resource mobilization for film and related industry. The comprehensive strategic roadmap, among others, will support professionalizing Bhutanese film and related industries which are currently operating largely in an informal manner; provide job opportunities for the youths; enable access to finance; adoption of technology; identify skills needs and gaps; and bring about much needed diversification to the economy through creative industries. Additionally, it will also provide the newly established National Film Commission (an autonomous agency tasked with building a strong and vibrant creative media sector in the country) with the much-needed guidance and roadmap on the future of film industry in the country including an enabling policy environment. Additionally, strong focus was accorded on inclusion of gender elements in the implementation of the assignment. For instance, in the baseline survey carried out for the blueprint, gender marker was considered where inclusion of females was given a priority, both in terms of survey respondents and enumerators, in which females making up nearly 60% of total respondents and 77% of enumerators. Likewise, relevant sex disaggregated data have been compiled to provide targeted interventions.

Changes made to JP:

Main Challenges: 1. Stringent COVID-19 containment and preventive measures adopted by the government where a single case triggers black-out and lockdown (already 3 to 5 rounds of lockdown has taken place);

2. Since JP is implemented through NIM modality, reprioritization efforts by the government in addition to following government processes and rules in procuring services has caused significant delays. For example, government’s temporary moratorium as part of re-prioritization exercise on consultants, surveys and assessments posed concerns on national ownership and also delayed implementation of JP.
3. Through joint efforts of RCO and PUNOs, most of the issues were resolved at the Steering Committee as well as the working group level such as surveys and assessments are being carried out and also hiring of both local and international consultants permitted. PUNOs can also directly hire consultants ensuring quality and time efficiency. Additionally, core governance task team (consisting of Ministry of Finance, GNH Commission and the UN) is planned to look into implementation issues and challenges and chart effective solutions.

Updates on SDG financing framework

| Inception phase | Assessment Diagnostics | Financing Strategy | Monitoring Review | Governance Coordination |
|-----------------------|---------------------------|--------------------|----------------------|----------------------------|
| Advancing (50-99%) | Emerging (1-49%) | Emerging (1-49%) | Emerging (1-49%) | Emerging (1-49%) |

Descriptions on progress by INFF building blocks

Inception Phase: While a separate INFF roadmap has not been developed, the government is currently undertaking financing strategies for priority sectors in alignment with its Five-Year Plan such as emergency health financing and innovative financing for RNR sector. In addition, government is leveraging the JP for overall domestic resource mobilization to boost economy and build back better.

Assessment & Diagnostics: The tools used in conducting the assessments were stakeholder consultations, survey and assessment of existing processes for the social security system for the monks and nuns and creative industry. Public expenditure review (PER) and public expenditure tracking survey (PETS) were used for the assessment of the annual grant system. The findings and recommendations of the assessments will contribute to the financing strategy of the respective sector. The social security system for the monks and nuns explores different financing strategy, including provision of seed funds from the central monastic body while the assessment of the annual grant system has proposed prioritization and realignment of expenditures at the sub-national level.

Financing Strategy: The government is currently undertaking two financing strategies for priority sectors in alignment and preparation of 13th Five Year Plan (2023-2028). The 13th Five Year Plan (FYP), like the current Plan, would be SDG-aligned and has overarching focus on economy and human capital, The 13 FYP formulation process has begun in January 2022.

Firstly, under Innovative Financing for RNR sector, the Ministry of Agriculture and Forests leads to develop sustainable and innovative financing mechanism for the RNR Sector including financial model and provide financial viability analysis for innovative financing areas for the RNR Sector. It is aligned with RNR Strategy 2030 (which was supported by FAO, WFP and IFAD) and also review policy and regulatory instruments, identify gaps and provide recommendations on RNR sector financing.

Next, the Ministry of Health leads to look into development of financing strategy for health emergencies. As part of learning lessons from the COVID pandemic, the Ministry expects to stress test existing domestic funding mechanism. For instance, there is no existing SOP for direct and immediate release of emergency fund from government's reserve to Ministry to urgently procure medical equipment and supplies, which is critical in times of emergency. In addition,

In a nutshell, the above-mentioned financing strategies will not only unlock potential funding windows (both domestic and external) but also strengthen coordination on SDG financing, which is critical given the sharp decline in economy and sluggish recovery. These will contribute directly to the achievement of national policy in support of SDGs as indicated under specific UNSDPF outcome.

Monitoring & Review: Institution of the Joint Programme Steering Committee (chaired by the Director of Department of National Budget under the Ministry of Finance, with members from GNH Commission (Planning Commission) and other key partners and represented by heads of PUNO and RCO from the UN system. The Steering Committee as the highest programme oversight and governance body is put in place to coordinate, monitor, review and guide the implementation of the JP.

At working level, members also meet on regular basis to address implementation issues as well as monitor and review the progress. Additionally, PUNOs provide technical backstopping in implementation of the joint programme.

Governance & Coordination: The Joint Programme Steering Committee acts as the oversight body of the JP. To support implementation, PMU is housed under Department of National Budget under the Ministry of Finance, whose Director is the Chair of Steering Committee. Other members include GNH Commission (Planning Commission), Dratshang Lhentshög, National Film Commission, Ministry of Health, Ministry of Agriculture and Forests, UNDP, UNICEF and RCO.

JP Steering Committee is the apex body for approval and decisions concerning design, management and implementation of the JP and meets at least bi-annually or more to review and approve annual work plans, provide strategic direction and oversight, review implementation progress and address issues. Also provide strategic direction, review reports and communication, and note budget revisions/reallocations.

Priority Cross-cutting Issues

How did the JP adapt to the COVID-19 context

The JP design and implementation coincided with active phase of COVID-19 pandemic in the country where government put in place national COVID response and recovery efforts including reprioritization of all development activities. Accordingly, JP activities were adapted and aligned especially under UNSDPF outcomes. In addition, JP scope and activities were imbedded in development of SERP which was later integrated as part of UNSDPF.

The JP aligns closely with government COVID response and recovery plan supporting resource mobilization through innovative financing strategies for key sectors; supporting risk informed fiscal policy incorporating current learnings from the impact of pandemics on government fiscal position; introducing and strengthening social protection of the vulnerable population; and assessing impact of COVID on key sectors for evidence based response measures. Further, the JP pitches innovative financing strategies in key sectors which will support resource mobilization for Government's upcoming 13th Five Year Plan (2023-2028).

How did the JP apply the Gender Marker

In the implementation phase, gender elements were included in social protection and film industry blueprint. For example, initially the social protection scheme (pension) under the Central Monastic Body was considered only for monks (who were majority) and now nuns are also considered as part of the scheme ensuring gender equality and women's empowerment. Additionally, strong focus was accorded on inclusion of gender elements in the implementation of the film industry blueprint. For instance, in the baseline survey carried out for the blueprint, gender marker was considered where inclusion of females was given a priority, both in terms of survey respondents and enumerators, where females make up nearly 60% of total respondents and 77% of enumerators. Likewise, relevant sex disaggregated data have been compiled to provide targeted interventions.

Estimated % of overall disbursed funds spend on gender: 10%

Alignment with cross-cutting UN issues (e.g. human rights, decent work, inclusion, LNOB)

The JP results achieved in the reporting period fully aligns with and contributes to UN's overarching agenda and priorities as the JP activities are integrated under the UNSDPF Outcome Group 4 titled 'Bhutan's communities and its economy are more resilient to climate induced and other disaster and biodiversity loss as well as economic vulnerability'. The JP activities align very closely with government COVID response and recovery efforts, human rights, and leaving no one behind agenda through its support in innovative financing for development and building back better; risk informed fiscal policy incorporating current learnings from the impact of pandemic on government fiscal position; introducing and strengthening social protection of the vulnerable population; and assessing impact of COVID on key sectors for evidence based response measures.

How did the JP work to build ownership and buy-in of key stakeholders

The JP is fully owned by the Government in its institutional set up, fiduciary responsibilities, and implementation arrangement. The JP Steering Committee is chaired by the Director of Department of National Budget under the Ministry of Finance. Other Steering Committee members include Gross National Happiness Commission (Planning Commission), key sectors such as Health, Agriculture, Dratshang Lhentshog, and the National Film Commission. From the UN system, the heads of the two PUNOs (UNDP and UNICEF), and RCO sits on the Steering Committee. The Steering Committee reviews, monitors, approves, and problem solves implementation of JP outputs along with providing strategic guidance.

Most importantly, JP is implemented through a National Implementation Modality (NIM) using government processes, procurement systems, and financial rules and regulations, where implementation of all the key activities are fully owned and driven by implementing partners.

Annual Reporting on Results

Results achieved in promoting the priority thematic SDG agendas

SDG 1 (No Poverty): The JP supported development of sustainable social security scheme for one of the most vulnerable groups namely, monks and nuns under Dratshang Lhentshog (Central Monastic Body), the oldest institution in the country. The JP completed comprehensive assessment and recommendation of setting up a sustainable pension system and once approved by the Government, will provide crucial social security to improve livelihoods and increase social security coverage in the country. In the last quarter of 2021, the Central Monastic Body has in-principle committed Nu.50 million (approx. USD 675,000) as seed-fund in setting up a sustainable pension system.

SDG 8 (Decent Work and Economic Growth): Strategic blueprint and resource mobilization plan, which is supported through JP, for the film industry (creative industry) will augment economic growth and employment creation especially among educated youth who form large share of the country's labor force. In this activity, govern-

ment has co-funded Nu. 3 million (approx. USD 40,500). In addition, JP's support in innovative financing for RNR Sector, will contribute immensely in agriculture and green sector, the largest employer in the country.

SDG 17 (Partnerships): The JP has catalytically positioned and strengthened UN's partnership with government in pursuing sustainable development. The government is currently in preparation phase for its next five year plan (2023-2028) and has already indicated aligning JP's innovative financing strategies to financing key sectors. Additional financing solutions are under initial phase with the government with a consideration for innovative climate financing in fulfilling SDG aligned nationally determined contributions.

JP contributions to the Joint SDG Fund's global results (especially around Outcome 2 & Output 4)

Financing solutions under initial phase of development. Potential additional financing for integrated multi-sectoral solutions to accelerate SDG achievement would be leveraged in health, RNR, and climate action. So far, the government has co-financed USD 40,500 for developing roadmap of creative industries in view of COVID and a non-government agency (central monastic body) has committed in-principle USD675,000 for social security system pending approval from the government.

Progress against JP-specific outcomes

The JP-specific outcome is reflected under UNSDPF Outcome Four: By 2023, Bhutan's communities and its economy are more resilient to climate-induced and other disasters and biodiversity loss as well as economic vulnerability with national policies foster innovative financing, an inclusive business environment and improved livelihoods through climate resilient and nature-based solutions economic vulnerability.

Progress against JP-specific outputs

Under Output 1: The JP supported development of a strategic blueprint for resource mobilization for film and related industry which has been hit hard by the pandemic and has huge potential for employment of youth, that forms majority of labor force but has the highest rate of unemployment in Bhutan. The comprehensive strategic roadmap will among others support professionalizing the film and related industries, provide job opportunities for the youths, enable access to finance, adopt technology, identify skills needs and gaps; and bring about much needed diversification to the economy through creative industries.

Under Output 3: The JP supported Department of National Budget under the Ministry of Finance to carry out assessment of the annual grant system of the sub-national governments in terms of achieving local government key result areas, which are aligned with national plan and SDGs. The findings of the assessment, once complete, will help the Finance Ministry revise the block grant guidelines and enhance the ownership and accountability of the local governments for the use of the funds. For the participating UN agencies like UNICEF, the assessment provides a better understanding of the local government's spending on social sectors, particularly child-focused investment vis-à-vis other sectors such as agriculture, livestock, etc. and will help sharpen UNICEF's future work on public finance for children.

Under Output 3: The JP also supported development of sustainable social security scheme for one of the most vulnerable groups namely, monks and nuns under Dratshang Lhentshog (Central Monastic Body), the oldest institution in the country. The JP completed comprehensive assessment and recommendation of setting up sustainable pension system and once approved by the Government, will provide crucial social security to improve livelihoods and increase social security coverage in the country. The development of such a pension system has also improved the understanding of the key government officials in the context of providing meaningful social security to monks and nuns, who anchor society's spiritual and cultural ethos for peaceful and harmonious living.

JP contributions to strengthening UN coherence, partnerships and reducing duplications of efforts

The JP results are integrated into the UNSDPF Outcome Group Four, which allows for collaboration in delivering results and reduced transaction cost to the implementing partners through reduction in duplications. It has also encouraged PUNOs to leverage on its comparative advantages in providing substantive technical support to enrich the JP results for the country. Periodic updates are provided to UNCT including Heads of PUNOs which contributes to harmonizing UN support to the government in preparing innovative financing solutions aligning with preparation for government’s 13 Five Year Plan (2023-2028).

Strategic Partnerships, Documents and Communications

How did the JP facilitate collaboration with diverse stakeholders in the SDG financing space

Following highlights JP facilitated partnerships:

- The JP was launched by the Prime Minister of Bhutan along with other cabinet members and senior government officials.
- For the reporting period, government has contributed Nu.3 million (approx. \$40,500) under Output 1.
- Additional technical expertise and assistance are currently explored from PUNO’s regional/global network.
- UNCT is involved in innovative financing strategy for RNR sector (specialized agencies such as FAO and WFP).

- Plans to engage and collaborate with private sector through Bhutan Chamber of Commerce and Industry in the Public Private Partnership policy review and revision in 2022.
- Innovative financing strategy to engage IFIs such as ADB and the World Bank.

- The JP will also engage with the Central Bank in potential financing strategies.

Did the JP secured additional financing (co-funding/co-financing) from the following stakeholders:

| Government | Donors & IFIs | Private Sector | PUNOs | Other Partners |
|------------|---------------|----------------|-------|----------------|
| Yes | No | No | No | No |

Comments on additional financing secured: Following highlights JP facilitated partnerships:

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- For the reporting period, government has contributed Nu.3 million (approx. \$40,500) under Output 1.
- Additional technical expertise and assistance are currently explored from PUNO’s regional/global network.
- UNCT is involved in innovative financing strategy for RNR sector (specialized agencies such as FAO and WFP).

- Plans to engage and collaborate with private sector through Bhutan Chamber of Commerce and Industry in the Public Private Partnership policy review and revision in 2022.
- Innovative financing strategy to engage IFIs such as ADB and the World Bank.

- The JP will also engage with the Central Bank in potential financing strategies.

JP organized events in 2021

| JP Launch Event | Annual Donor Event | Partners Event |
|-----------------|--------------------|----------------|
| Yes in 2021 | No | No |

Number of strategic documents produced by the JP: 0

Number of strategic documents contributed by the JP: 4

Number of communication materials produced: 3

2022 Plans & Way Forward

JP priority activities & expected results for 2022

Work Plan for 2022: Financing strategies developed (draft) for priority sectors (Emergency Health Financing and the RNR Sector); Analysis completed for film industry in view of Covid with financing options; Analysis carried out for production and manufacturing sector; Assessment of budgetary process for improved allocation mechanism and optimal utilization of resources; Assessment of social security system for Zhung Dratshang completed; Assessment of Local Government's potential for resource generation and roadmap developed; PPP Policy reviewed.

3 major transformative results that will be achieved by the end of the JP

1. The government will have at least three transformative innovative financing strategies to accelerate SDG financing as well as align with financing of key sectors under 13th Five Year Plan (2023-2028) which would look into internal and external resource mobilization and financing mechanisms.
2. Government will have a roadmap for film industry, which employs educated youth and drives creative industry in Bhutan, following JP's support in carrying out analysis and surveys with financing options.
3. The government will have more efficient and effective budgetary systems that will enhance optimal allocation and utilization of resources following JP's support in assessment of budgetary processes.

Estimated rate of completion for each result as of 31 Dec 2021

| Result.1 | Result.2 | Result.3 |
|------------------|------------------|------------------|
| Emerging (1-49%) | Emerging (1-49%) | Emerging (1-49%) |