

SUMMARY

Annual Action Programme 2016 Part 2 in favour of Bhutan for support to civil society in Bhutan to be financed from the general budget

1. Identification

Budget heading	DCI-ASIA: 21.020 200 (EUR 2.5 million)
Total cost	Support to civil society in Bhutan (total cost): EUR 2.74 million EU contribution: EUR 2.5 million Of which: Direct Grant Agreement with HELVETAS (direct management): EUR 2.2 million Procurement of services (direct management): EUR 0.3 million The action is co-financed by the proposed grant beneficiary HELVETAS, Swiss Association for International Cooperation, by an indicative amount of EUR 244 445.
Basic act	Regulation (EU) No 233/2014 of 15 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020

2. Country background

Bhutan is a land locked Least Developed Country (LDC) in the Himalayas nestled between India and China. Bhutan has a total land area of 38,394 km² of which 72.5 percent of the total area is under forest cover. The population is about 765 000 persons. The population below the poverty line is 12 % (as defined by Bhutan: USD 1.25 daily purchasing power). The country developed from an absolute to a constitutional monarchy after a peaceful modernisation and democratisation process only since 2008.

Bhutan has defined its development vision based on peace, prosperity and a concept of 'happiness'. The development planning for Bhutan is based on a 5 year cycle. Bhutan is currently in its 11th Five-Year Plan (FYP) for the period 2013-2018, the overall developmental objective of which is to achieve self-reliance and inclusive, green, socio-economic development. National, sectoral and local government plans have all been prepared in accordance with the four pillars of the concept of Gross National Happiness (GNH) i.e. (i) equitable and sustainable socio-economic development; (ii) preservation of environment; (iii) preservation and promotion of Bhutanese culture; and (iv) strengthening of good governance.

The 11th FYP includes a chapter on promoting good governance with a particular emphasis on the role of Civil Society Organisations (CSOs) in the areas of education, health, women, children, culture, and environmental protection. It includes specific organisations already active in the country whose role would be to provide services alongside and complementary to public services. However, their ability to voice people's opinions and influence policy making is still at a very early stage and there is a clear need for a more structured dialogue with CSOs in the public policy processes in Bhutan. CSOs are legislatively framed within the CSO Act of 2007 and regulated within the CSO Rules and Regulations of 2010. The regulatory body is the Civil Society Organisations Authority (CSOA). Religious civil society groups are registered according to the Law on Religion of 2009 and regulated by a statutory body, the so called "*Chhoedey Lhentshog*". Cooperatives are registered under the Law on Cooperatives and regulated by the Ministry of Agriculture and Forestry (MoAF). There are also a wide range of informal Community Based Organisations (CBOs) which includes: farmer groups, community forestry groups, irrigation groups, drinking water supply groups etc, which carry out specific functions, but are also less structured and significantly less funded than the CSOs.

The CSO Act of 2007 distinguishes CSOs between Public Benefit Organisations (PBOs) and Mutual Benefit Organisations (MBOs). PBOs are entitled to tax and customs exemptions and some have successfully engaged with the government in service delivery to disadvantaged categories of citizens. MBOs have lower regulatory requirements and receive less state support. They are entitled to carry out a wide range of non-partisan activities, but there are some administrative and political peculiarities in this emerging area of Bhutanese democratic life. There are currently 47 registered CSOs divided into 35 PBOs and 12 MBOs.

CSOs stress the importance of 'sustainability', which is essentially seen as staff retention, the ability to pay salaries, and the need to reduce the high degree of dependence on foreign donor project-based funding. However, few CSOs have made significant efforts to diversify their sources of income. The main activities carried out by CSOs take the form of a substitute provider of government services in the area of social and educational welfare. A more effective and efficient CSOA and a structured policy dialogue with the government are seen as critical to enhance the contribution of CSOs to the national development process. A small number of CSOs are seeking to play a 'watchdog' role.

3. Summary of the Action Programme

1) Background:

The EU support to civil society in Bhutan takes place in the context where the role and responsibilities of civil society organisations in the national development process in Bhutan are still emerging and the political, legislative, regulatory and social environment is still evolving. The proposed EU support to civil society in Bhutan will thus contribute to the objectives of the current 11th FYP of Bhutan as well as the EU multi-annual indicative programme.

2) Coherence with the programming documents:

The EU support under the multi-annual indicative programme 2014-2020 adopted in August 2014, focuses on 2 sectors: (i) good governance and (ii) renewable natural

resources, while addressing the FYP's cross cutting issues in EU funded programmes and projects. Under 'good governance', EU support focuses on: a) fiscal decentralisation and capacity development for local government incl. public finance management reform; and b) capacity development for civil society.

3) Identified actions

The Annual Action Programme 2016 focuses on the priority areas mentioned in point 1.2 of the MIP i.e. Good Governance and Renewable Natural Resources.

The programme "Support to Civil Society in Bhutan" has the overall objective to enhance the contribution of civil society to Bhutan's 11th FYP and future 12th FYP's objectives in the areas of sustainable development and good governance. The specific objective of the action is to improve the environment and operational capacity for civil society engagement in sustainable development and good governance by promoting an inclusive approach to strengthen civil society actors.

4) Expected results:

The selected key results of the action are: i) Civil society engagement in sustainable development and good governance is improved; ii) Civil society operational capacity is strengthened; iii) The enabling environment for civil society in Bhutan is improved.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goal (s) No 16: Peace, Justice and Strong Institutions but also promotes progress towards Goal(s): 1. No Poverty and 10. Reduced Inequalities.

The proposed action seeks to strengthen civil society's ability to articulate their concerns and to engage with decision-makers, in order to improve government services and increase respect for the citizens' rights. The capacity of CSOs in policy advocacy and lobbying with government will be promoted. This will indirectly improve the downward accountability of the public service and elected representatives.

The present action is proposed to be implemented on the basis of direct management, through a direct grant award to the Swiss civil society organisation HELVETAS (EUR 2 200 000) and procurement of services by the EU Delegation (EUR 300 000) for technical assistance, including evaluations and visibility. A Financing Agreement is foreseen to be concluded with the Royal Government of Bhutan for the present action.

5) Past EU assistance and lessons learnt.

Civil society in Bhutan has so far been supported by development partners from EU member states (Denmark, Netherlands, Austria), Switzerland, international organisations such as United Nation Development Programme, Asian Development Bank/ Japan International Cooperation Agency, and by private foundations based mainly in Europe and the USA.

A significant intervention to support civil society in Bhutan was the establishment of the civil society fund facility (CSO FF) initially with funding from Denmark and then with further contributions from Austria, Netherlands and Switzerland. The fund, which ran from 2010 to 2015, was established to propel the role of civil society in the development of Bhutan through the implementation of projects and engagement in democratic discourse.

The study of the outcomes of the CSO FF concluded during November 2015 that the funding support to CSOs and CBOs contributed to the socio-economic development of Bhutan and opened the way to Bhutanese CSOs to a system and process on how civil society organisations can access funds to finance their projects. However the study also identified number of gaps which includes: strengthening the governance structure of CSO FF, implementation of effective monitoring system, insufficient capacity of CSOs and CBOs in sustainability of actions as well as access to funding and the persistent need for structured dialogue amongst CSOs with the government on policy advocacy issues at central and local levels.

In coordination with other development partners, EU assistance will address the gap by strengthening the CSO FF mechanism, capacity development support to strengthen the management and operational capacity of CSOs and by supporting a constructive dialogue between CSOs and public institutions at central and local levels.

6) Complementary actions/donor coordination.

The past CSO Programme also saw a high level of donor coordination and joint policy dialogue. Since 2008 Denmark, Helvetas and SNV Netherlands and more recently also Austria provided support jointly to the establishment of Civil Society Organisations Authority (CSOA) as well as the operation of the CSO Fund Facility to enhance capacities and implementation of activities of the CSO. Denmark completed its support at the end of 2015 and Switzerland will in principle close its programme at the end of 2016. The Austrian Development Agency (ADA) is working together with the CSOA on CSO FF and also engaged in supporting Access to Justice. UNDP have been supporting CSOs and CBOs on climate change adaptation work, and to a lesser extent in the area of challenges and opportunities for civil society and media. The private Bhutan Foundation has funded a range of projects in the area of good governance for Bhutan CSOs and CBOs and in particular in the environment field.

HELVETAS have a proven track record of 40 years in supporting civil society groups and in the facilitation of multi-stakeholder forums in Bhutan to engage CSOs in appropriate forms of policy dialogue and lobbying. Their current engagement in the field of capacity development to CSOs and CBOs in Bhutan through CSO Authority will be crucial for implementing the action.

In relation to donor coordination, the Gross National Happiness Commission (GNHC) of the Royal Government of Bhutan has the function of coordinating development partners' support. In addition, a development partners' group, chaired by the UN Resident Coordinator, meets infrequently on an informal basis. There are thematic sub-groups for interested partners such as a working group on governance

co-chaired by UNDP and the Swiss Agency for Development and Cooperation. There is no thematic sub-group focusing specifically on civil society.

Most EU Member States deal with Bhutan via their representation in New Delhi, and it is also possible to engage with Member States on Bhutan themes through the regular meetings of EU Development Counsellors' meeting in New Delhi.

The present action is coherent with and complementing to the forthcoming EU support to 'Local Government Sustainable Development Programme (LGSDP)' as well as 'Rural Development and Climate Change Response Programme' in furthering the objectives of promoting sustainable inclusive development and good governance. The institutional linkages to the local government institutions and the synergies in strengthening the capacities of CBOs and farmer cooperatives will be explored.

4. Communication and visibility

The Royal Government of Bhutan and the implementing beneficiary HELVETAS are expected to undertake suitable initiatives through media to increase awareness on the programme at national and local level. Programme activities, achievements and progress will be disseminated widely through the Royal Government of Bhutan and HELVETAS websites. Both channels (media coverage and website) will clearly mention the financial support of the EU to the sector.

Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts agreements. The Communication and Visibility Manual for European Union External Action shall be used to ensure visibility of the action and for ensuring appropriate compliance by civil society groups that receive support from the action.

5. Cost and financing

Total estimated cost:	EUR 2 744 445
Total amount of EU budget contribution:	EUR 2 500 000
Direct Grant Agreement with HELVETAS	
Swiss Association for International Cooperation	EUR 2 200 000
(direct management):	
Procurement of services (direct management):	EUR 300 000
Co-financing by grant beneficiary HELVETAS	EUR 244 445

The Members of the DCI Committee are invited to give their opinion on the attached Annual Action Programme 2016 Part 2, in favour of Bhutan for support to civil society in Bhutan.



ANNEX

of the Commission Implementing Decision on the Support to Civil Society in Bhutan

1. Title/basic act/ CRIS number	Support to Civil Society in Bhutan CRIS number: ACA/2016/039-052	
2. Zone benefiting from the action/location	Bhutan (Asia) The action shall be carried out countrywide	
3. Programming document	Multi-annual Indicative Programme (MIP) 2014-2020, Bhutan	
4. Sector of concentration/ thematic area	Capacity development for Civil Society	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 2 744 445 Total amount of EU budget contribution EUR 2 500 000 The action is co-financed by the proposed grant beneficiary HELVETAS, Swiss Association for International Cooperation, by an indicative amount of EUR 244 445 .	
6. Aid modality(ies) and implementation modality(ies)	Project Modality: 1. Direct management – grants-direct award 2. Direct management – procurement of services	
7 a) DAC code(s)	15150 - Democratic participation and Civil Society - 100%	
b) Main Delivery Channel	21 000 - International NGO	

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
	9. Global Public Goods and Challenges (GPGC) thematic flagships	NA		

SUMMARY

The EU support programme to civil society in Bhutan takes place in the context where the role and responsibilities of civil society organisations in the national development process in Bhutan are still emerging and the political, legislative, regulatory and social environment is still evolving. In line with the national legislation, the country currently has 47 legally established civil society organisations (CSOs), a similar number of legally established Religious Organisations, 40 cooperatives and several thousand informal, registered and unregistered, community based organisations (CBOs).

As part of the multi-annual indicative programme (MIP) 2014-2020 in the area of good governance, an indicative amount of EUR 4 000 000 has been allocated to support civil society in Bhutan. Taking into account that (i) civil society is still weak in the country; and (ii) the past significant initiative funded by Denmark, Austria, Netherlands and Switzerland from 2010-2015 was not only instrumental in establishing *Civil Society Organisation Fund Facility (CSO FF)* but also provided a base for CSO engagement in Bhutan's democratic discourse, hence it is proposed to dedicate EUR 2 500 000 to support civil society through the present action.

The specific objective is to improve the environment and operational capacity for civil society engagement in sustainable development and good governance by promoting an inclusive approach to strengthening the capacities of CSOs, CBOs, Cooperatives, and the Government agencies responsible for the registration, regulation and support to these civil society actors. The proposed action, therefore, foresees three components: (1) support to civil society engagement in sustainable development and good governance (through a grant fund); (2) support to civil society institutional capacity (through a capacity development programme); and (3) support to legislative, regulatory and institutional environment for civil society (through technical assistance to the relevant authorities and facilitation of multi-stakeholder dialogues).

The present action is proposed to be implemented on the basis of direct management, through a direct grant award to the Swiss civil society organisation HELVETAS (EUR 2 200 000) and procurement of services by the EU Delegation (EUR 300 000) for technical assistance, incl. evaluations and visibility.

A Financing Agreement is foreseen to be concluded with the Royal Government of Bhutan.

1 CONTEXT

1.1 Sector/Country/Regional Context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Bhutan has defined its development vision based on peace, prosperity and a concept of 'happiness'. The development planning for Bhutan is based on a 5 year cycle. Bhutan is currently in its 11th Five-Year Plan (FYP) for the period 2013-2018, with the overall developmental objective to achieve self-reliance and inclusive, green, socio-economic development. National, sectoral and local government plans have all been prepared in accordance with the four pillars of the concept of Gross National Happiness (GNH) i.e. (i) equitable and sustainable socio-economic development; (ii) preservation of environment; (iii) preservation and promotion of Bhutanese culture; and (iv) strengthening of good governance.

The 11th FYP includes a chapter on promoting good governance with a particular emphasis on the role of CSO in the areas of education, health, women, children, culture, and environmental protection. It includes specific organisations already active in the country whose role would be

to provide services alongside and complementary to public services. So far, an active participation of CSO in the democratisation process such as, for instance, consultation in the decision making of the country is not yet in place and has yet to be developed.

CSOs are legislatively framed within the CSO Act of 2007 and regulated within the CSO Rules and Regulations of 2010. The regulatory body is the Civil Society Organisations Authority (CSOA). Religious civil society groups are registered according to the Law on Religion of 2009 and regulated by a statutory body, the so called "*Chhoedey Lhentshog*". Cooperatives are registered under the Law on Cooperatives and regulated by the Ministry of Agriculture and Forestry (MoAF). There are also a wide range of informal Community Based Organisations (CBOs). Among the largest categories, farmer groups, community forestry groups and irrigation groups are mapped and coordinated by MoAF, while (drinking) water supply groups are mapped and coordinated by the Ministry of Health (MoH).

The CSO Act of 2007 distinguishes CSOs between Public Benefit Organisations (PBOs) and Mutual Benefit Organisations (MBOs). PBOs are entitled to tax and customs exemptions and some have successfully engaged with the government in service delivery to disadvantaged categories of citizens. MBOs have lower regulatory requirements and receive less state support. They are entitled to carry out a wide range of non-partisan activities, but there are some administrative and political peculiarities in this emerging area of Bhutanese democratic life. Royal patronage of some PBOs, for instance, serves as an important element in the legitimisation of innovative responses to traditional and emerging social problems, and government often encourages developing appropriate public programmes based on PBO pilot projects. Cooperatives and CBOs have a clearer role, related to specific functions e.g. in productive sectors, but are also less structured and significantly less funded than the CSOs. Most CBOs have a traditional origin, with each family in a community required to contribute one adult for different forms of mutual benefit and public work activities. Particularly in remote areas, public infrastructure and maintenance works are hence contracted directly to the CBOs. While infrastructure investments are the responsibility of the line Ministries, maintenance of infrastructure is the responsibility of local government. The government is exploring options for transferring some rural maintenance works to selected CBOs, and encouraging different forms of self-management and cost recovery.

The EU support under the multi-annual indicative programme 2014-2020 adopted in August 2014, focuses on 2 sectors: (i) good governance and (ii) renewable natural resources, while addressing the FYP's cross cutting issues in EU funded programmes and projects. Under 'good governance', EU support focuses on: a) fiscal decentralisation and capacity development for local government incl. public finance management reform; and b) capacity development for civil society.

The proposed EU support to civil society in Bhutan will thus contribute to the objectives of the current 11th FYP of Bhutan as well as the EU multi-annual indicative programme.¹

1 See Communication from the Commission to the European Parliament, the Council. The European Economic and Social Committee and the Committee of the Regions: 'The roots of democracy and sustainable development: Europe's engagement with Civil Society in external relations', European Commission 12.09.2012.

1.1.2 Stakeholder analysis

The final beneficiaries of the action are the citizens of Bhutan in all 20 districts, and in particular the action aims to support vulnerable groups such as women, children, disabled persons, destitute etc., living in the 10 poorest districts. The direct beneficiaries include: CSOs, CBOs, Cooperatives, and the Government agencies responsible for the registration, regulation and support to these civil society actors.

There are currently 47 registered CSOs divided into 35 PBOs and 12 MBOs. CSOs stress the importance of ‘sustainability’, which is essentially seen as staff retention, the ability to pay salaries, and the need to reduce the high degree of dependence on foreign donor project-based funding. However, few CSOs have made significant efforts to diversify their sources of income. The main activities carried out by CSOs take the form of a substitute provider of government services in the area of social and educational welfare. A more effective and efficient CSOA and a structured policy dialogue with the government are seen as critical to enhance the contribution of CSOs to the national development process. A small number of CSOs are seeking to play a ‘watchdog’ role.

As mentioned above, the present, proposed intervention also includes cooperatives and CBOs. Cooperatives are trying to expand their membership and to develop collective services, typically in marketing and in food processing. The primary concern of CBOs is that of acquiring funding resources to deliver benefits to their members and/or wider target groups. The majority of service delivery at grass root levels is done through CBOs. CBOs working in income generation activities require basic administration and book-keeping skills. To some extent, farmers’ groups can be expected to develop into or join existing cooperatives. However, there is no logical progression from being a CBO to becoming a registered CSO, i.e. CBOs are not ‘CSOs in waiting’. Most CBOs are based on household, rather than individual membership, and membership could be considered as automatic or compulsory for all families in a given community. Cooperatives and CBOs are increasingly engaged with the government in discussions related to state funding of the agricultural sector, public infrastructure works and maintenance, and local governance issues in general. The Ministry of Home and Cultural Affairs – Department of Local Governance is working with the Japan International Cooperation Agency to develop and pilot new models of state-CBO cooperation in maintenance of public infrastructure. Both cooperatives and CBOs are characterised by a serious lack of organisational and managerial capacity.

There is a general consensus in Bhutan that the CSOA has insufficient capacity to execute its regulatory roles and responsibilities as per the CSO Act. The authority is currently undergoing an organisational development exercise to restructure its organisation in line with a general public service review in Bhutan. Alongside this, a review of the rules & regulations for CSOs will take place in 2016, in cooperation with HELVETAS (already agreed and now to be coordinated with the present action).

1.1.3 Priority areas for support/problem analysis

The roles and responsibilities of civil society in the national development process in Bhutan are still emerging and are evolving in policy and implementation by the government, development partners, and by the civil society groups themselves. This has resulted in clusters of problems for civil society related to (i) inappropriate funding modalities which restricts to be effective and sustainable partners in the development process; (ii) insufficient access to resources which would increase the capacities in the areas of project design, implementation, management, monitoring and reporting, and (iii) a legal and regulatory framework for civil society, the

application of which currently restricts the role of non-registered civil society groups in actions to reduce poverty.

Regarding funding modalities, it is important to note that Bhutan is expected to graduate in the foreseeable future from low income to middle income development status. For civil society, however, this is reflected in a decline in foreign donor and foreign civil society financial support, which has not been replaced by domestic state, corporate and private fund-raising and procurement of services. Bhutan is interested in developing its own grant schemes and procurement of works and services from civil society, as well as reforming the way local authorities interact with CBOs.

All civil society is in dire need of capacity building. Especially those organisations which focus on technical issues usually lack capacity on organisational or managerial issues, such as leadership, accounting, management, etc. Technically focussed CBOs usually receive technical advice from a line Ministry (for example dairy farmer groups on butter and cheese making) but no support at all on organisational or managerial issues which restricts their operational potential.

The CSOA and other relevant government agencies are characterised by limited human resources and skill capacities to execute their defined roles and responsibilities in an efficient and effective manner. Both government and parliament have not been exposed sufficiently to other democracies in order to appreciate the added value of civil society to development.

2 RISKS AND ASSUMPTIONS

The following summarises the risks associated with the present action, their levels and the proposed mitigating measures.

Risk	Level (H/M/L)	Mitigating measures
Ad hoc and unsustainable structures will be created with the primary purpose of accessing donor funds. Civil society groups will attempt to access EU funds for projects not related to the priorities agreed by EU and the Royal Government of Bhutan.	H	The grant fund will be designed to select projects that closely conform to the defined priorities. Preference will be given to established civil society groups. However, capacity development support will be offered to a much wider category of civil society, engaged in any legal activities.
CSOs will access a disproportionate share of EU funds, to the detriment of cooperatives and CBOs.	M	A project steering committee (PSC) will define indicative grant allocations and capacity development funds for different categories of civil society.
Civil society groups, particularly outside the capital, cannot absorb the envisaged funding and capacity development support.	M	A capacity assessment will be carried out prior to the design of the grant fund mechanism and capacity development plan. Partnerships between established civil society and others will be promoted.

Assumptions

- The Royal Government of Bhutan will provide sufficient human and financial resources to the CSOA to carry out its defined roles and responsibilities, throughout the implementing period.
- The Royal Government of Bhutan and civil society groups at central and sub-national level are willing to engage in constructive policy dialogue.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Civil society in Bhutan has so far been supported by development partners from EU member states (Denmark, Netherlands, Austria), Switzerland, international organisations such as the United Nations Development Programme (UNDP), the Asian Development Bank (ADB)/ Japan International Cooperation Agency (JICA), and by private foundations based mainly in Europe and the USA.

A significant intervention to support civil society in Bhutan was the establishment of the civil society fund facility (CSO FF) initially with funding from Denmark and then with further contributions from Austria, Netherlands and Switzerland. The fund, which ran from 2010 to 2015, was established to propel the role of civil society in the development of Bhutan through the implementation of projects and engagement in democratic discourse. It was essentially designed to support projects that supported the developmental objectives of the development partners rather than the growth of civil society. The study of the outcomes of the CSO FF² concluded that the funding support to 31 CSOs and 32 CBOs contributed to the socio-economic development of Bhutan and opened the way to Bhutanese CSOs to a system and process on how civil society organisations can access funds to finance their projects.

The CSO FF, however, failed to establish and implement an effective monitoring system and concerns have been highlighted on the expertise and professionalism of the private sector consulting company recruited to manage and implement the CSO FF. Other issues were also expressed regarding the effectiveness of the governance structure of the CSO FF and in particular the project steering committee. The transfer of the management of the CSO FF to the CSOA after the end of the contract with the managing private company raised concerns about the appropriateness of the regulator to take on the role of fund manager and their capacity and expertise to execute this role.

Nevertheless, the CSO FF demonstrated that it was possible to disburse funding directly to community based organisations (CBOs) – despite this appearing to contravene the CSO Act of 2007 which does not cover CBOs. However, the study highlighted that the bulk of the funding accessed by CBOs was primarily used to renovate temples and cultural centres. The issue of promoting and supporting the work of CBOs was not effectively addressed by the CSO FF and remains an issue which will have to be tackled through the proposed programme. An indirect positive outcome of the CSO FF is that the CSO community realised the need to develop a structure for collective dialogue among themselves and with the government. In that respect an informal CSO Network is in place but needs support to possibly operate in a more formal manner.

2 Study of the outcomes of the CSO FF, November 2015

The design and implementation of the CSO FF failed to address the vicious circle of lack of funding and insufficient capacity with the sustainability of the actions undertaken by the implementing organisations. The project funding modality is the current prevalent mode of CSO funding in Bhutan. With the ending of the CSO FF in December 2015, the need has emerged for a new, improved, support to civil society in Bhutan.

3.2 Complementarity, synergies and donor coordination

The past CSO Programme saw a higher level of donor coordination -. Since 2008 Denmark, Helvetas and SNV Netherlands and - Austria provided support jointly to the establishment of Civil Society Organisations Authority (CSOA) as well as the operation of the CSO Fund Facility to enhance capacities and implementation of activities of the CSO. Denmark completed its support at the end of 2015 and Switzerland will in principle close its programme at the end of 2016. The Austrian Development Agency (ADA) is working together with the CSOA on the closure of the CSO Fund Facility. Austria is also engaged in support to Access to Justice.. UNDP have been supporting CSOs and CBOs on climate change adaptation work, and to a lesser extent in the area of challenges and opportunities for civil society and media. The private Bhutan Foundation has funded a range of projects in the area of good governance for Bhutan CSOs and CBOs and in particular in the environment field.

HELVETAS has a track record of 40 years of presence in Bhutan and has developed trust, cooperation, relevant permissions and agreements with the Royal Government of Bhutan to operate in the country. Capacity development of civil society is part of HELVETAS core mission. They have a proven track record of supporting civil society groups and in the facilitation of multi-stakeholder forums in Bhutan to engage the CSOs in appropriate forms of policy dialogue and lobbying. HELVETAS is cooperating with Bhutan Centre for Media and Democracy to implement a three-year programme to strengthen civil society organisations in Bhutan (2015-2018) particularly on advocacy issues. The programme also supports the CSOA by way of (i) a review of the rules and regulations governing CSOs; (ii) clarification and strengthening of the roles and responsibilities of the CSOA/Secretariat vis-à-vis the government and CSOs; and (iii) consultations and cooperation between all stakeholders through mechanisms for regular dialogue with the government. Their current engagement with CSOs and CSO Authority will be crucial for implementing this project in a sector which is still very sensitive in Bhutan.

In relation to donor coordination, the Gross National Happiness Commission (GNHC) of the Royal Government of Bhutan has the function of coordinating development partners' support. In addition, a development partners' group, chaired by the UN Resident Coordinator, meets infrequently on an informal basis. There are thematic sub-groups for interested partners such as a working group on governance co-chaired by UNDP and the Swiss Agency for Development and Cooperation. There is no thematic sub-group focusing specifically on civil society.

Most EU Member States deal with Bhutan via their representation in New Delhi, and it is also possible to engage with Member States on Bhutan themes through the regular meetings of EU Development Counsellors in New Delhi.

The present action is coherent with and is complementing the forthcoming EU support to 'Local Government Sustainable Development Programme (LGSDP)' as well as 'Rural Development and Climate Change Response Programme' in furthering the objectives of promoting sustainable inclusive development and good governance. Strengthening the institutional linkages to the local

government institutions, as well as the capacities of agricultural CBOs and farmer cooperatives will be promoted by the present action.

3.3 Cross-cutting issues

The proposed action focuses on governance issues that affect civil society's capacity to contribute to the national development process in Bhutan. It seeks to strengthen civil society's ability to articulate their concerns and to engage with decision-makers, in order to improve government services and increase respect for the citizens' rights.

Bhutan ratified in 1981 the Convention on the Elimination of all Forms of Discrimination against Women and established the National Women's Association of Bhutan with the mandate of addressing the issues related to women and reporting and monitoring on the progress. On the basis of this starting point, the proposed programme will further strengthen the attention to gender equality. Gender equality will be addressed by specific activities and will be mainstreamed through both, the capacity building efforts and the grant fund mechanism. All cross-cutting issues will be specifically addressed in the design of the call for proposals. All proposals will be subjected to a gender equality screening and where required, an environmental impact assessment. Additionally, the current 11th FYP contains a specific chapter dedicated to civil society organisations recognising their complementary work to the efforts of the government in provision of certain services that the government is unable to deliver or services that can be delivered more effectively by such organisations. This is in particular the case in key areas such as women empowerment, children and environmental protection.

The participation of women in the decision making processes are of specific concern and will receive particular attention.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goals (SDG) No 16: Peace, Justice and Strong Institutions but also promotes progress towards Goal(s) : 1. No Poverty and 10. Reduced inequalities.

The **overall objective** of the action is to enhance the contribution of civil society to Bhutan's 11th FYP and future 12th FYP's objectives in the areas of sustainable development and good governance.

The **specific objective** of the action is to improve the environment and operational capacity for civil society engagement in sustainable development and good governance by promoting an inclusive approach to strengthen civil society actors.

It is expected that the action achieves the following three **results**:

Result 1: Civil society engagement in sustainable development and good governance (grant fund) is improved;

Result 2: Civil society operational capacity is strengthened;

Result 3: The enabling environment for civil society is improved.

4.2 Main activities

The indicative activities of the action are as follows:

1) Activities related to result 1:

- Establish the decision-making processes (e.g. project steering committee); Set up and operate grant fund mechanism;
- Support CSOs using grant fund mechanism to address specific issues related to sustainable development and good governance

2) Activities related to result 2:

- Understand capacity building needs using participatory approaches for civil society, indicatively including training, coaching, support to networks and information exchange and research;
- Provide capacity development to civil society including tailored project cycle management (PCM), thematic coaching for grant beneficiaries, training on domestic fundraising, member service development, accountability, strategic communications and advocacy tools;

3) Activities related to result 3:

- Understand capacity building needs of relevant Royal Government of Bhutan's entities incl. the CSOA;
- Provide technical assistance to strengthen the capacity of relevant Bhutanese authorities including the CSOA;
- Support multi-stakeholder consultation, advocacy studies and policy dialogue between civil society and the Royal Government of Bhutan;
- Support the project steering committee with studies, indicatively for monitoring (baselines, mapping etc.);
- Facilitate drafting of an *EU Roadmap for Engagement with Civil Society*.

4.3 Intervention logic

Support to civil society will consolidate Bhutan's constitutional monarchy and representative democracy, and facilitate the direct engagement of the citizens, particularly vulnerable and disadvantaged groups, in the pursuit of sustainable development and good governance.

Having access to additional funding, CSOs will develop their public benefit or mutual benefit missions, and will develop effective responses to the fundraising challenges of CSOs in middle income countries. Cooperatives and CBOs will improve their member services, and facilitate the engagement of their members in relevant local and sectoral planning processes. The capacity of CSOs in policy advocacy and lobbying with government will be promoted. This will indirectly improve the downward accountability of the public service and elected representatives.

The implementing organisation of the present action will use innovative mechanism such as matching funds and conditional provision of multi-phase funding. The grant fund mechanism to be proposed will respect the following indicative principles:

- The majority of funds will be allocated to activities outside the capital, i.e. rural areas.

- Specific support should be provided to those organisations that have most needs. To reach the smaller and less formal civil society structures, the implementing organisation will consider different delivery mechanisms.
- The participation of women in decision-making processes and civil society at large will be particularly promoted.

The implementing organisation will reinforce the organisational capacity of Bhutanese training providers, and promote sustainable provision of capacity development. This may include cost recovery from beneficiaries. Wherever appropriate, capacity development activities will include relevant government officials, for their own capacity development and to facilitate networking and better mutual understanding.

Support to the Royal Government of Bhutan entities responsible for supervision of and support to civil society will take the form of technical assistance (TA), for instance support through consultants embedded in the CSOA or other Royal Government of Bhutan entities responsible for civil society related issues.

The preferred implementation modality (direct management, directly awarded grant) will allow the implementing organisation HELVETAS to propose innovative and locally appropriate solutions, based on their 40 years of experience in Bhutan. It also allows for the use of '*financial transfer to third parties*' using the grant fund mechanism, which offers considerable flexibility and simplified procedures, compared to other grant modality options.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **40 months** from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities for an action under project modality

5.3.1 Grant: direct award to HELVETAS (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results:

A single direct grant award to HELVETAS for EUR 2 200 000 is envisaged for the implementation of all components of the action in accordance with the objectives set out in section 4.1. In addition, procurement of services directly contracted by the EU, for a maximum

of EUR 300 000 is envisaged for technical assistance, monitoring and evaluation, audit and visibility actions.

(b) Justification of a direct grant:

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to HELVETAS, Swiss Association for International Cooperation.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified under Art. 190 c) of the [Rules of application for the financing regulation \(RAP\)](#) "bodies with a de jure or de facto monopoly", because of the relevant competence in the field of activity and geographical area to which the grant relates. The beneficiary organisation is *the only organisation with long term experience in enabling environment for CSOs in Bhutan, capable of operating in the field and having already good relations with the Royal Government of Bhutan.*

More generally, HELVETAS has an unparalleled 40 years presence in Bhutan and has developed relations of trust and cooperation far beyond its formal project relationships. HELVETAS has five professional and five support staff, with an international country manager and national deputy country manager, both of whom have worked for the organisation for more than 10 years. HELVETAS has the relevant permissions and agreements with the Royal Government of Bhutan to operate in the country.

(c) Essential selection and award criteria:

The essential selection criteria are the financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

HELVETAS satisfies selection and award criteria for the following additional reasons:

- It has a track record and current (i.e. *de facto* and not potential) engagement in the field of capacity development to CSOs and CBOs in Bhutan;
- It is actively supporting the partner country government in the field of the enabling environment in particular through the CSO Authority.
- Capacity development of civil society is part of HELVETAS core mission, and current activities in this field are financed by own funds, Swiss support in the form of project based funding (which will be completed in 2017) and core funding which will continue throughout the implementation period of the proposed action.
- Proven track record of support to civil society groups and facilitation of multi-stakeholder forums so as to develop locally appropriate forms of policy dialogue and lobbying; the active engagement of citizens in these fields is very new in Bhutan, and the social, cultural and political environment is still adjusting to the introduction of a constitutional monarchy and representative democracy.
- HELVETAS prior and current experience and relations with the Royal Government of Bhutan will be crucial for implementing this project in a sector which is still very sensitive in Bhutan. The Royal Government of Bhutan has strong preference for delivery through national mechanisms, but otherwise prefers implementation arrangements that build on existing DP and local capacity within the country. Capacity of the Royal Government of Bhutan and CBO counterparts at the sub-national level, including both

project management and English language skills, is relatively weak, and HELVETAS has a demonstrated capacity to engage with and support these counterparts.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90%.

In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to conclude the grant agreement

First quarter of 2017.

5.3.2 Procurement (direct management)

The following indicative number of contracts is foreseen to be procured by the present action:

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance (legal framework, third country experience, EU roadmap for engagement with civil society, other to be decided)	Services	4	T2/2017

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

The action will consist of a Grant Agreement with HELVETAS, to which the EU will contribute 90% or a maximum of EUR 2 200 000, whichever is the lower, as well as technical assistance, audit, evaluation and visibility services directly contracted by the EU, for a maximum of EUR 300 000.

The indicative budget for the present action is planned as follows:

Component	EU contribution (EUR)	Indicative third party contribution (EUR)
Direct Grant Agreement with HELVETAS (direct management), see section 5.3.1	2 200 000	244 445
<u>1. Regarding Result 1:</u> Composed of a grant fund of approximately 1 500 000 which includes the management of the grant fund (exact amount to be agreed with implementing organisation).	1 400 000	
<u>2. Regarding Result 2:</u> Services for civil society capacity development	500 000	
<u>3. Regarding Result 3:</u> Services to support policy dialogue, support to the TAC and PSC for studies (baseline, mapping, information management/statistics, other to be decided),	300 000	
Procurement of services (direct management), see section 5.3.2	300 000	
Monitoring and Evaluation (mid-term and final)	140 000	
TA (legal framework, third country experience, EU roadmap for engagement with civil society, other to be decided)	100 000	
Audit	60 000	
Total	2 500 000	244 445

5.6 Organisational set-up and responsibilities

A project steering committee (PSC) will be established, including Royal Government of Bhutan representatives who work closely with the various categories of civil society groups that the project addresses. This is likely to include the Civil Society Organisation Authority, the Gross National Happiness Commission, the Ministry of Agriculture and Forests, the Ministry of Home and Cultural Affairs-Department of Local Governance and possibly the Ministry of Health and the "*Chhoedey Lhentshog*". The EU will assist as observer. The PSC will be responsible for overall supervision and strategic decision-making. It will also be responsible for the grant fund component, approving the themes and define indicative allocation of grant and capacity development funds between themes and between categories of civil society groups. The PSC will meet at least annually.

Grant selection will take place in line with applicable EU guidelines and further details will be confirmed by the PSC.

Day-to-day management will be carried out by the implementing partner HELVETAS who will also provide secretariat support to the PSC.

5.7 Performance monitoring and reporting

Performance monitoring and reporting arrangements will be specified in the Grant Agreement between the implementing organisation and the EU.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for learning purposes, in particular with respect to the indicative intention to commit a further EUR 1 500 000 to support civil society in Bhutan.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the support to civil society in Bhutan is still relatively new and subsequent support would incorporate lessons learned from the present experience.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract approximately 24 months after the start of the project and one contract for evaluation services shall be concluded under a framework contract after completion of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits

or expenditure verification assignments for one or several contracts or agreements. Indicatively, one for audit services shall be concluded (under a framework contract) approximately 36 months after the start of the project.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX 1- Indicative Log frame matrix (for project modality)

The expected results, outputs, activities and all the indicators, targets and baselines included in the log frame matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision.

	Results chain	Indicators	Baselines (incl. ref. year)	Targets (incl. ref. year)	Sources and means of verification	Assumptions
Overall Objectives: Impact	To enhance the contribution of civil society to Bhutan's 11 th FYP and future 12 th FYP's objectives in the areas of sustainable development and good governance.	Number of functional registered CSOs [Nat. Key Result Area 1]	42/47 (90%) (2016)	Remains >90% until Year 4	CSOA maintains this information	The Royal Government of Bhutan provides sufficient resources to the CSOA to carry out its core responsibilities. Royal Government of Bhutan and civil society groups are willing to engage in constructive policy dialogue.
Specific objective: Outcome	To improve the environment and operational capacity for civil society engagement in sustainable development and good governance by promoting an inclusive approach to strengthen civil society actors.	Number of functional CBOs [National Key Result Area 12]	1080, of which < 20% functioning effectively. No deregistration/ fusion mechanism	1350, of which >40% functioning effectively, pilot deregistration/ fusion mechanism	# from GNHC Effectivity, analysis of deregistration/ fusion from JICA baseline study for LGSDP	
Induced Outputs	Improved legislative, regulatory and institutional environment for civil society.	CSOA carries out core mandate. More CSO- Royal Government of Bhutan dialogue incl. gender	Multiple weaknesses. <3 dialogues/year, 0	Fully functioning. >8 dialogues/year.	CSOA annual reports. Civil society group reports.	
Direct Outputs	<ul style="list-style-type: none"> - Improved civil society engagement in sustainable development, good governance. - Improved civil society operational capacity 	<ul style="list-style-type: none"> - Increased civil society engagement, particularly in poorest districts and on gender issues - Increase in domestic resources mobilised by civil society groups - Coops, CBOs increase membership/female member & leadership 	<ul style="list-style-type: none"> - CSO FF grants 3/20 districts. 10 poorest districts <25% funds, 1/68 grants, 2% funds gender focused - CSO Survey underway. Coop/CBO no data - Coop 1966/43%/31% - Farmer CBOs 6,375/47%/19% 	<ul style="list-style-type: none"> - EU grants 20/20 districts. 10 poorest districts >50% funds >15% grants, funds gender focused - 100% increase in € terms, 50% CSOs diversify funding - Coop 2500/60%/40% - Farmer CBOs 7000/60%/25% 	<ul style="list-style-type: none"> - Baseline: CSO FF - Final: Project implementation reports. - CSO Baseline & final: CSOA Coop/ CBO: HELVETAS - MoAF maintains and updates this data 	

Appendix 2: List of Abbreviations

ADA	Austrian Development Agency
CBOs	Community Based Organisations
CSO FF	Civil Society Fund Facility
CSOA	Civil Society Organisations Authority
CSOs	Civil Society Organisations
EU	European Union
EUR	Euro
FYP	Five Year Plan
GNH	Gross National Happiness
GNHC	Gross National Happiness Commission
GPGC	Global Public Goods and Challenges
LGSDP	Local Government Sustainable Development Program
MBOs	Mutual Benefit Organisations
MIP	Multi-annual Indicative Programme
MoAF	Ministry of Agriculture and Forestry
MoH	Ministry of Health
PBOs	Public Benefit Organisations
PRAG	Practical Guide for Contract Procedures for EU External Actions
PSC	Project Steering Committee
RGoB	Royal Government of Bhutan
TA	Technical Assistance
UN	United Nations
UNDP	United Nations Development Program