

MEMORANDUM OF UNDERSTANDING  
IN SUPPORT OF  
A PARTNERSHIP FOR GOOD GOVERNANCE IN BHUTAN

**1. Parties**

This document constitutes an understanding between the Royal Government of Bhutan represented by the Gross National Happiness Commission and international development partners providing support to good governance and democratization, including decentralisation.

**2. Purpose**

The purpose of this Memorandum of Understanding (MoU) is to establish a working relationship among the international partners providing support to good governance and decentralisation in the Kingdom of Bhutan to advance harmonisation and alignment of the support to the national priorities as expressed in the Constitution and the transition to a democratic governance system and the priorities stated in the 10<sup>th</sup> Five Year Plan 2008 - 2013.

The MoU specifies the way in which development partners intend to coordinate their activities and share information with a view to harmonise and maximise utilisation of existing resources. Furthermore, the MoU defines the modalities for the working partnership. It is anticipated that the Royal Government of Bhutan will take the lead in letting this happen.

The long-term goal of the signatories to the MoU is the development of a joint platform, which can form the foundation for pooling of human, financial and technical resources and knowledge available for support to good governance, democratization and decentralisation in Bhutan with targets and priorities as stated in the 10<sup>th</sup> Five Year Plan.

**3. Background**

Within a span of few years, Bhutan has made unparalleled and remarkable progress in the areas of governance, moving towards a democratic constitutional monarchy, whereby the rule of law is supreme within the Constitution. In 2008, the first democratic elections based on universal suffrage and multi-party system took place.

Subsequently, local government elections will be organized to establish Gewog (block) and Dzongkhag (district) councils.

In order to support the transformation to democracy, an impressive effort has been made to strengthen key constitutional institutions such as the Election Commission, the Anti-Corruption Commission, the Office of Attorney General, the Royal Audit Authority, the Royal Civil Service Commission and the Judiciary. A new Land Commission has been established to administer the vital issue of land distribution and management as stipulated in the Land Act of 2007.

Drawing on Article 22 of the Draft Constitution the Local Governments' Act of 2007 provides the legal basis for the functioning of local government and new representative arrangements. The Act defines the roles, responsibilities, privileges and immunities of local representatives to represent their communities. It also outlines the nature of council sessions, conduct of business and committee structure, and highlights the importance of transparency, direct accountability and monitoring of local government. The Act will be supplemented by revised DYT and GYT Chatrim (regulations), which will spell out detailed functions and financing mechanisms and other operational arrangements for Dzongkhags and Gewogs. Further policy initiatives on local governance are reflected in the 10<sup>th</sup> Five Year Plan which advocates the formulation of umbrella legislation on local government, an alternative planning framework for rolling plans and budgets, a revised fiscal formula for allocation of funds to local government and the adoption of discretionary annual grants.

Another important initiative impacting positively on the development of democratic structures in Bhutan includes the recent passing by the National Assembly of the Civil Society Organizations' (CSO) Act of Bhutan (2007). A strong and vibrant democracy must have a strong and active civil society and a strong economic sector. However, the civil society in Bhutan remains relatively fragile. Implementation of the Act and further development of CSOs are contingent on the establishment of the planned CSO Authority.

The media play a vital role in promoting access to information and ensuring transparency and accountability of the newly elected democratic government and other public institutions. Professional development of the media as well as strengthened access to public information will be important to support an enabling environment for an independent and pluralistic media as democracy begins.

Acknowledging the importance of advancing the efficiency of the utilisation of available resources, the development partners, together with the Gross National

Happiness Commission of Bhutan, have agreed in principle to initiate an open partnership for the support to good governance and decentralisation. This document outlines the principles within which this will take place.

#### **4. Partnership for support to good governance and local service delivery**

The Partnership for Good Governance covers the period from July 2008 to June 2013, the period of the 10<sup>th</sup> Five-Year Plan. It covers support within three thematic areas aiming at establishing good governance as enabling factor for poverty reduction as stipulated in the 10<sup>th</sup> Five Year Plan.

The three thematic areas are:

1. Support to democratic governance - with the expected outcome 'Strengthened capacity of democratic governance institutions'
2. Support to local governments – with the expected outcome 'Direct participation of the people in the development and management of their own social, economic, and environmental wellbeing facilitated by decentralisation and devolution of power and authority'.
3. Support to non-state actors – with the expected outcome 'Enabling framework for non-state actors (media, civil society and private sector) to strengthen the democratic process created'.

At the national level, a Joint Annual Review Meeting (ARM) with participation by key RGoB institutions dealing with good governance and local service delivery and development partners providing support to the area will be organised. The ARM shall be chaired by the Gross National Happiness Commission Secretary and meet according to needs, but not less than once a year, preferably in September. The purpose of the ARM is to monitor and review progress of the support to good governance and decentralisation at the macro level, , identify new areas of support and address other issues of importance for the ongoing governance and decentralisation reform in Bhutan. It is the intention that the ARM substitute separate bilateral reviews and thus reduce transaction costs.

Where support to the thematic areas has been formulated in specific interventions, the management set-up and financing mechanisms will vary according to the particularities of each intervention.

Under thematic area 2 a joint Danish/UNCDF/UNDP 'Support to Local Governance Support Programme' has been developed. Here the overall implementation responsibility will be assigned an Outcome Board/Steering Committee. However, the

strategic good governance dialogue will be assigned to the ARM as described above. Other development partners if they commit financially to LGSP will be invited to attend the meetings of the Outcome Board/Steering Committee as members.

Under thematic area 1 and 3 specific project Steering Committees are established as per the need of the support projects/programmes. Progress reports and technical review reports from these projects/programmes shall be made available to the ARM.

## **5. Principles of collaboration and coordination**

The parties will abide by the following principles:

- The MoU is intended to promote harmonisation and alignment of support to good governance and decentralisation in Bhutan. The long-term objective is development of harmonised and fully aligned implementation and monitoring approach, while it is acknowledged that individual development partners may continue to provide bilateral support in collaboration with the RGoB.
- The parties consent to establish a Partnership for Good Governance as outlined above. Furthermore, the parties strive at avoiding bilateral reviews for individual development partners, substituting these by joint annual reviews and planning exercises, including a joint outcome evaluation in 2012 of the partnership support to good governance and decentralisation.
- The parties agree to promote, as much as possible, the pooling of their support to good governance, e.g. in the form of cost sharing and basket-fund arrangements. Therefore, the parties agree to work together with the RGoB to further refine the principles of good governance.
- The parties consent to adopt a joint system for monitoring and review of GG indicators, based on indicators stipulated in the 10<sup>th</sup> Five-Year Plan/the National Monitoring and Evaluation System, the GNH indicator framework and the Bhutan Development Index being developed by the Centre for Bhutan Studies and the Gross National Happiness Commission. It may be considered to supplement these indicators with governance indicators under the MDGs. In addition, partners agree to take into account the indicators and observations of Monitoring Bodies of Conventions ratified by Bhutan like the CEDAW and CRC.

## 6. Period of agreement and modification

The MoU will become effective from the 1<sup>st</sup> of July 2008. The MoU will terminate by end of June 2013, but may be extended beyond that date by mutual consent of the parties.

The MoU may be amended and modified at any time by mutual consent of the parties.

The Partnership is open for other development partners, committed to and willing to provide support to the thematic areas identified above.

### Signatory parties

Royal Government of Bhutan,  
Gross National Happiness Commission

Name

Signature:

Date

*Chuntay*

Government of Denmark

Name

Signature

Date

*H. Niell*  
*9 July 2008*



UNDP

Name

Signature

Date

*John Jank*

UNCDF

Name

Signature

Date

*N. Pelli*  
*19 AUG 2008*

Austrian Development Agency

Name

Signature

Date

*Christian Rival*  
*15.8.2008*

Swiss Agency for Development  
Cooperation

Name

Signature

Date

Japan International Development Agency

Name  
Signature  
Date

Helvetas

Name  
Signature  
Date

SNV

Name  
Signature  
Date

European Commission

Name  
Signature  
Date

Government of Norway

Name  
Signature  
Date

Government of the Netherlands

Name  
Signature  
Date

