Memorandum of Understanding between the European Commission and Bhutan regarding the Multi-annual Indicative Programme 2007-2010

1. Framework of cooperation between Bhutan and the European Community

The Financing Instrument for Development Cooperation under which EC development assistance to Bhutan is provided, has as its main objective the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals. The Country Strategy Paper 2007-2013 and the Multi-annual Indicative Programme 2007-2010 for Bhutan have been designed on the basis of such principles, the “European Consensus on Development”, and also the Declaration on Aid Effectiveness adopted in Paris in 2005.

The EC development assistance will help Bhutan to meet the Millennium Development Goals by providing support to the Renewable Natural Resources and the Good Governance sectors, encompassing best practice models in good governance, decentralised decision-making and development, including innovative methods for improved service delivery to address poverty, gender issues, institutional reforms and public sector management.

The present Memorandum of Understanding reflects the indicative assistance priorities for the period 2007-2010 as outlined in the Multi-annual Indicative Programme 2007-2010.

2. Assistance priorities for the period 2007-2010

The overall objective of the Multi-Annual Indicative Programme (MIP) 2007-2010 is to support the sustainable reduction of poverty in Bhutan within the framework of:

- **Renewable Natural Resources**: Assist Bhutan with the sustainable development of its Renewable Natural Resources sector, by creating an enabling environment, including further development of its institutional regulatory frameworks, developing the value chain of Renewable Natural Resources in creation of niche markets, such as medicinal plants.

- **Good Governance**: Strengthening of the Royal Government’s capacity and institutions to ensure that a smooth transition to democracy is achieved and is sustainable.

3. Indicative Financial Envelope

The indicative financial envelope for the period 2007-2010 is EURO 8 million. This allocation is indicative. It is subject to budget availability and may be adjusted in the course of identification and formulation.

The Multi-annual Indicative programme 2007-2010 for Bhutan foresees the following indicative budget for each priority as follows:
<table>
<thead>
<tr>
<th>Assistance (million EURO)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Natural Resources</td>
<td>5.6</td>
</tr>
<tr>
<td>Good Governance</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
</tr>
</tbody>
</table>

4. **Final provisions**

This Memorandum of Understanding does not contain obligations under international law.

5. **Signature page**

For the European Commission

The Commissioner in charge of External Relations and Development Cooperation Instrument, Ms Benita Ferrero-Waldner

or

The Head of Delegation

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**For the Government of Bhutan**

Secretary
Planning Commission

Done in XXXXXXX

This \( \text{th} \) day of 2008