

1. PROGRAMME ENVIRONMENT - CONTEXT, TRENDS, CONSEQUENCES

1.1 POLITICAL DEVELOPMENT AND GOVERNANCE

Regional cooperation in terms of memberships to regional organizations as well as bilateral relations continues to be high on Bhutan's foreign policy agenda. SAARC, probably the most important body for regional cooperation in South Asia and of which Bhutan is a member, has expanded its membership to include Afghanistan and has conferred observer status to China and Japan. This recent induction of China into SAARC might have positive implications on further strengthening diplomatic relations between China and Bhutan.

Although it might be premature to draw any final conclusion, the ongoing deliberation on the Constitution of Bhutan has shown that the changes that would accompany the enactment of the Constitution were generally beyond people's comprehension. A positive measure that has been proposed in the Good Governance Plus¹ document has been the inclusion of the Constitution in the syllabus of schools, colleges and institutions. This document also proposes a review of the dormant NGO Act and to provide a platform at the national level and within districts for the encouragement of civil society organizations. Additionally, the 2005 session of the National Assembly has underscored the increasing trends of scrutiny and inquiry into government undertakings, and discussions of national relevance. Two new constitutional offices have been established – the Election Commission and the Anti-corruption Commission (headed by a lady).

The recently launched Position Classification System² is a significant step in strengthening the professionalism in the Bhutanese civil service. This, in principle, entails establishing a qualification and performance-based system into the civil service that has been criticized for recognizing the number of years in service over the professional capabilities of civil servants.

1.2 SOCIO-ECONOMIC DEVELOPMENT

Bhutan's economy grew at a record 8.7% in 2004-2005³, largely because of the explosion in hydro-power projects related construction activities, and growth in the tourism industry. However, Bhutan's external debt rose by 15% (US\$ 610 million), with a ratio of debt to GDP at a high rate of 87%. The average inflation rate in 2005 rose to 5.3%, from 4.6% in 2004.

Youth unemployment has fast become a major social challenge in Bhutan. Youth⁴ represents 20% of the country's population, and constitutes, on average, half of all those unemployed. While this challenge has been widely acknowledged, there is a tendency to explain it away as either being low by international standards or as a result of the mismatch between available blue-collar jobs and the aspirations of young people for white-collar urban-based employment. Recent focuses on skills-based vocational training have been on the increase, but a 'specific youth employment strategic plan' within the national employment policy would be highly warranted.⁵ The quality of education is an essential condition to enhance the employability prospects of youths. Related to this is the development of a competent teaching cadre, the major responsibility of which lies with the two National Institutes of Education.

¹ The Good Governance Plus document is the result of a review exercise of the government and its constituents.

² For details, go to www.rcsc.gov.bt

³ Source : Kuensel 15th February 2006 edition

⁴ Youth defined as 15-24 years of age

⁵ Bhutan National Human Development Report 2005

Poverty in Bhutan is largely a rural phenomenon, although increases in incidences of urban poverty exacerbated by rising trends in rural-urban migration could emerge as a serious challenge in the near future. 31.7 percent of the Bhutanese live below the national poverty line (Nu. 740.36 per capita per month).

Poverty reduction will be the overriding theme of the 10th Five Year Plan, and Bhutan is confident of meeting the MDG objective of halving poverty by 2015. Nevertheless, with growing social issues, disparities between rural and urban areas, and within segments of the population, this will likely be a very difficult task.

1.3 DEVELOPMENT POLICIES AND DONOR COORDINATION

The mid term review of the 9th five-year plan in 2005 brought out the significance of preparedness in assuming responsibilities that comes with decentralized power. An achievement of only 31% of the projected target means that most of the planned activities would likely spill into the 10th five-year plan. This was mainly attributed to a mismatch between plans and capacities at the geog levels. Nevertheless, this first-hand experience in planning and execution brought out important lessons – to continue with capacity strengthening of community leaders; to elect experienced and responsible village leaders; to strengthen coordination between the center and the Dzongkhags; to hasten procedures for decision-making; and to improve the monitoring system, among others.

Two significant themes have dominated, and will likely continue to be top priorities in the foreseeable future, the overall development policies in Bhutan – pro-poor development strategies with a focus on overall private sector and rural enterprise development, and governance in the context of the Democratic Constitutional System.

A development cooperation database (www.undp.org.bt/dcr/dcr.htm) has been initiated by UNDP in Bhutan to enhance information accessibility and sharing among donors. The MDGs have provided a common platform for donor coordination. The scenario of duplicating efforts is largely prevented through formal and informal information sharing among donors as well as efforts from the government to coordinate sector-specific donor coordination discussions. Despite the fact that donors have largely been involved in donor specific project-based interventions, in January 2005, a focal donor was agreed upon for each prioritized theme (Helvetas/SDC for the RNR sector). Focal donors are responsible for collecting common issues and challenges in the focal theme for discussion with the government. The Department of Aid and Debt Management has taken the lead role in linking the donors with the concerned Ministry for such discussions.

1.4 CONSEQUENCES FOR THE PROGRAMME

The comprehensive Bhutan national human development report of 2005 has outlined that poverty reduction interventions have mainly been through broad accessibility strategies (E.g. Suspension Bridges, farm roads). While this was important, a targeted strategy to reduce poverty through employment generation had become a necessity, especially in view of the increasing unemployment of young people, disparities between urban and rural populations, and rural to urban migrations. In this respect, interventions like the Rural Development Training Programme (RDTP) and the support for Local Development Initiatives under the East Central Region-Agricultural Development Project (ECR-ADP) would increasingly become more important as focused vocational and income generating avenues. Tied to these are the small-scale private enterprise developments in rural areas.

Specific poverty reduction interventions for pockets of the rural population that are often bypassed by broad development programmes have highlighted the importance of NGOs like the Tarayana Foundation. Although NGOs are relatively new entities and tend to be highly dependent on external fundings, the recommendation in the Good Governance Plus document to review and revive the NGO Act and to encourage civil society organizations promises to change the existing government dominated tradition of programme functioning. This might have future consequences for selection of Helvetas/SDC partners in Bhutan.

The general governance development in the country does not see an immediate consequence for on-going Helvetas/SDC projects. However, with rapid moves being made towards establishing institutions and creating positions necessary for Bhutan to become a democratic constitutional monarchy in 2008, Helvetas/SDC may need to consider focused support in this entire process. Complementary support through existing projects might also be an avenue – example: supporting teacher educators through STEP, should the study of the Constitution become a part of the NIEs’ syllabus.

2. REVIEW 2005 – PROGRAMME/PROJECTS

2.1 GENERAL DEVELOPMENT ISSUES AND CHALLENGES

Some of the major development issues and challenges are:

- In the governance context, while a variety of initiatives from the government as well as donors are ongoing to address the repeatedly expressed inadequacy in capacities for planning (including budgetary), implementation and monitoring at the geog level, there does not seem to be consistency in interventions. This may be attributed to the lack of a national analysis and assessment of different capacity needs, resulting in inconsistent and pocket-based interventions from different stakeholders. This challenge has, however, been recognized and the Department of Local Governance has taken the lead role in bringing about some coherence in interventions.
- Lack of a statistical base in almost any topic has been a chronic challenge development work faces in Bhutan. This situation is gradually improving, but still needs sustained efforts.
- Based on the largely rural nature of poverty in Bhutan, a common priority has been in the initiation of development of rural enterprises for income generation and employment. As in the case of capacity development, interventions again seem disorganized and inconsistent. The establishment of a national poverty monitoring system could bring about some consistency.
- Youth unemployment and the social consequences of such a situation have been recognized. Making agriculture an attractive option to bridge the widening gap between unemployment in urban centers and shortage of farm help in rural areas exacerbated by increasing rural-urban migration is an important challenge.
- The pace of the development of the private sector has been very slow. Both policy contradictions, which have seen some relaxation in recent years (recent example : efforts by the Ministry of Trade and Industry to speed up company registration), as well as the general lack of an entrepreneurial culture, are important issues.

2.2 SECTORS

Swiss assistance in Bhutan has three priority sectors: Education, Youth and Culture; Rural Infrastructure; and Renewable Natural Resources. For details, refer to the sector descriptions in pages 11 to 61.

2.2.1 Education, Youth and Culture

One of the major focuses in the education sector in Bhutan has been the physical coverage of both infrastructure and teachers. While these would remain priorities, especially in view of the fact some far-flung schools have administrative personnel substituting classes (librarians, apprentice teachers etc), a major impetus would now be accorded to quality and professionalism of teachers.

- *STEP fits in very well with this renewed impetus.*

Baseline study of the four phases of teacher education and the internal mid-term review of STEP completed.

- *The findings from the study would form a good basis for future decisions in teacher education; the review report has already been used to base future action plans for the remainder of the STEP phase.*

As with other infrastructure development in Bhutan, the major concern under the NIE Expansion project is sustainable infrastructure.

NIE Expansion continues to develop the maintenance unit of NIE Paro as an integrated part of its implementation process. The project seeks to develop this unit to a facility management service unit. This could become an exemplary service unit to duplicate to other infrastructure development projects in Bhutan.

2.2.2 Rural Infrastructure

Two key issues that afflicts geog-based construction activities in the country have impacted the Suspension Bridge Programme as well – free labour contribution and maintenance.

- *Dissemination of the need for proper and regular maintenance of bridges have been done for DYT and GYT members as well as engineers from all the Dzongkhags. This will be followed up by capacity development.*
- *The need for better planning to avoid overloading community members for interventions that require community labour contribution has been acknowledged. This would be a practical reality check when prioritizing community social infrastructure needs, which in the past have been criticized for being 'wish lists'.*

2.2.3 Renewable Natural Resources

The individual research centers (RCs) have well-established mandates and numerous on-going activities within those mandates. Additionally, there exist annual platforms for the centers to come together.

- *The institutional linkages between the RCs; between the RCs and CoRRB; and with the line departments are still considered a challenge. An important area that would need continued strengthening is enhanced linkages between research and extension.*

A positive indication regarding the acceptability of community-managed forests has been the increased coverage of the Participatory Forest Management Project (PFMP) to 14 districts. Additionally, the community forestry management groups provide a platform for aspects of civil society development.

- *The contradiction between the policy of decentralized forest management versus the disincentive of a strictly conservationist strategy (handing over only degraded forest) has seen a positive shift with the indication that both degraded as well as stocked forest areas would be handed over for community management. However, PFMP needs to continue to closely monitor the ongoing discussions on the revision of the Forest and Nature Conservation Rules (2003).*

An external mid-term review of NRTI has been completed in 2005. An important recommendation was the need for immediate discussion on the revision of the curriculum.

- *An extensive survey was done to assess needs in the field and the accompanying relevance of the curriculum. NRTI has yet to incorporate the findings of this survey.*

Vocational training in rural development, and specifically youth employment generating initiatives in rural areas, has become a national priority. RDTP has even been mentioned in the National Assembly 2005 deliberation as a crucial strategy for rural-based youth employment opportunity.

- *RDTP as a 'new training approach in an area deemed non-attractive to youth'⁶ would need to prove itself with visible results in the first few years. An important strategy proposed in the project report 2005 is to pilot with a small selected group, document results and disseminate information.*

The mid-term review of ECR-ADP was carried out in 2005. An issue highlighted during the review is the high potential of the support for Local Development Initiatives in enhancing the income-generating potentials for rural communities.

- *ECR-ADP would need to strengthen measures to improve the economic viability and sustainability of the LDIs. An important pointer for consideration by other projects as well is the tendency for the more 'better-off' households to benefit more from the LDIs as well as the farm roads. A specific focus and strategy to enable the poorer sections to benefit more from these interventions has been recommended.*

2.3 CROSS-CUTTING ISSUES

Generally, with the exception of turn-key projects, all projects follow a mode of decentralized system of execution within the decentralization process of the government. Additionally, certain projects (eg. NFS with its decentralization focus; ICT as a tool within STEP; PFMP, ECR-ADP, RDTP with their specific rural civil society participation mandate) have their focus on selected cross cutting issues, while one-time contributions have also addressed particularly ICT as a tool for good governance in 2005. However, cross-cutting issues have not received institutionalized attention across all projects. A revision in the interim and annual reporting system has tried to partially address this concern by making it a requirement for projects to report on cross-cutting issues and interventions within their projects.

2.3.1 Good Governance/Decentralisation

The external review of NFS within the overall decentralization process in the country has highlighted the value of the decision of the project steering committee to engage local responsible personnel in the communities within the training activities of the project.

- *In addition to completing the remainder of the planned ex-country training activities, the extended last year of the NFS project phase will focus on in-country capacity development of hitherto un-reached geog-based personnel.*

The Department of Local Governance (DLG) has begun to better organize good governance/decentralization efforts of different stakeholders in order to better assess capacity needs and to consolidate interventions.

- *The effectiveness of this effort by the DLG still needs to be seen. Should Helvetas/SDC decide on good governance/decentralization as a focused area for intervention in the future, DLG would be an important partner.*

2.3.2 Private Sector and Civil Society

Several recommendations⁷ for the development of the private sector in the country go well with certain Helvetas/SDC supported projects in Bhutan. Additionally, these recommendations might also serve as a good framework for further enhancing the effectiveness of these on-going projects.

⁶ Annual Report 2005 of RDTP

⁷ From a summary of recommendations extracted from reports by the Committee for Private Sector Development, and the Bhutan Private Sector Survey

- *Entrepreneurial training and skills development with equal accessibility for rural youth could impact the recent significant rise in rural unemployment levels (RDTP, ECR-ADP). However, such interventions sometimes do not include or have weak tie ups with the entire chain of the various post-training support.*
- *Promoting small-scale businesses and self-employment ventures, specifically with a rural dimension, is seen as an important employment generation and rural poverty reduction strategy (ECR-ADP, PFMP). However, rural enterprises face the challenges of market accessibility, economies of scale, marketing, quality standards etc.*

Although too early to gauge the success of Bio Bhutan as a business enterprise, support for starting such pioneer enterprises are a positive contribution to the entire private industry development in the country. Support for civil society has been intricately linked with livelihood support in rural communities (group formation planning management under PFMP and ECR-ADP for example) and capacity development (financial training under NFS).

2.3.3 Information Communication Technology

Comparatively small but focused contributions to help launch an initiative of the government or an NGO has had positive experiences in the past. ICT as a tool for good governance has received significant importance in the country, and Helvetas/SDC has supported certain initiatives:

- Support for ‘ICT to promote accountability for good governance’ of the Royal Audit Authority of Bhutan.
- Support for ‘Support to E-governance’ of the Ministry of Information and Communications.

2.3.4 Gender Equality

Bhutan is on track to meeting the target on eliminating gender disparity in primary and secondary education levels under MDG 3. In general, the country is making positive progresses with respect to gender issues – the active Commission on Women and Children⁸ is the process of finalizing a national gender plan of action (this should provide a framework for Helvetas/SDC gender strategies); the Royal Bhutan Police has set up a woman and child unit; the NGO RENEW (Respect, Educate, Nurture, and Empower Women) has started providing counseling services for women in need. With respect to Helvetas/SDC programme in Bhutan, institutionalized planning, monitoring and evaluation of gender still needs strengthening.

2.5 PROGRAMME MANAGEMENT

The overall Swiss contribution in 2005 was CHF 1.4 million (Helvetas programme) and 5.8 million (SDC programme). It is expected that 2005 would see about 90% expenditure despite the difficulties faced by nationally executed projects to submit expense statements on time.

- The different fiscal years of the RGoB and Helvetas/SDC remains a challenge for planning and proper budgetary control and management;
- Helvetas/SDC continues to support nationally executed projects in procurements, trainings etc.

Staff Movement:

- Hans Beukeboom succeeded Bill Buffum as the project advisor for the Participatory Forest Management Project in 2005.

⁸ the website of the Commission : www.ncwcbhutan.org