

# Table of Contents

ACRONYMS AND GLOSSARY

ii

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>1. BACKGROUND OF THIS DOCUMENT</b> .....	<b>3</b>
<b>2. DEVELOPMENT ISSUES AND CHALLENGES</b> .....	<b>4</b>
2.1. BHUTAN AT A GLANCE .....	4
2.2. BHUTAN'S DEVELOPMENT TRAJECTORY .....	5
2.3. BHUTAN'S VISION FOR TRANSFORMATION .....	6
2.4. MAIN PROBLEMS AND RISKS .....	7
2.5. ACHIEVEMENTS OF RGOB'S 8 <sup>TH</sup> FIVE YEAR PLAN .....	9
2.6. STRATEGIES AND OBJECTIVES OF RGOB'S 9 <sup>TH</sup> FIVE YEAR PLAN .....	9
2.7. THE ROLE OF THE DONORS .....	10
<b>3. LESSONS LEARNT FROM THE 3RD COUNTRY PROGRAMME 1998-2002</b> .....	<b>11</b>
3.1. GENERAL .....	11
3.2. ASSESSMENT OF THE 3RD COUNTRY PROGRAMME .....	11
3.3. PROCESSES AND POLICY DIALOGUE .....	12
<b>4. SWISS ASSISTANCE 2003- 2007</b> .....	<b>13</b>
4.1. INTRODUCTION .....	13
4.2. GOAL AND WORKING AREAS.....	14
4.3. CROSS-CUTTING ISSUES .....	14
4.4. SECTOR OBJECTIVES, STRATEGIES AND ISSUES .....	17
4.4.1. <i>Education, Youth and Culture</i> .....	17
4.4.2. <i>Renewable Natural Resources</i> .....	20
4.4.3. <i>Rural Infrastructure</i> .....	23
4.5. PARTNERS.....	25
4.6. ASSUMPTIONS: OPPORTUNITIES AND RISKS .....	25
<b>5. PROGRAMME MANAGEMENT</b> .....	<b>26</b>
5.1. ORGANISATIONAL STRUCTURE.....	26
5.2. BUDGET AND HUMAN RESOURCES .....	26
5.3. MONITORING AND STEERING .....	27
Annex A: Maps of Bhutan	A-1
Annex B: Bhutan at a Glance	A-3
Annex C: Bhutan Background: Geography, History, Population, Economy, Institutions and Politics	A-5
Annex D: The Bhutanese System of Governance	A-13
Annex E: Review of Swiss Assistance to Bhutan	A-14
Annex F: Review of Country Programme 1998-2002	A-20
Annex G: Overview on Programmes and Projects	A-25
Annex H: Donor Support Matrix	A-29
Annex I: Country Programme Controlling Plan	A-33

## Acronyms and Glossary

ADB	Asian Development Bank
BCCI	Bhutan Chamber of Commerce and Industry
BDFC	Bhutan Development Finance Corporation
Chimi	Member of National Assembly
CHF	Swiss Franc (1 CHF = 32 Nu in July 2002)
CoOf	Helvetas/SDC Coordination Office
CP	Country Programme
CSO	Central Statistical Organisation (under Planning Commission Secretariat)
DADM	Department of Aid and Debt Management
Dzong	Seat of District Administration
Dzongda	Chief District Administrator
Dzongkhag	District
DYT	Dzongkhag Yargye Tshogdu (District Development Committee)
ECR-ADP	East Central Region – Agriculture Development Project
EU	European Union
FDC	Forestry Development Corporation (formerly BLC, Bhutan Logging Corporation)
FIDI	Forestry Institutional Development Initiative
FYP	Five-Year Plan
GDP	Gross Domestic Product
Geog	Administrative unit below Dzongkhag
Gup	Geog headperson
GYT	Geog Yargye Tshogchung (Geog Development Committee)
HRD	Human Resource Development
IDA	International Development Association (World Bank)
MoA	Ministry of Agriculture
MoC	Ministry of Communication
MoF	Ministry of Finance
MoHE	Ministry of Health and Education
MTI	Ministry of Trade and Industry
NCCA	National Commission for Cultural Affairs
NFS	National Finance Service
NIE	National Institute of Education (Samtse and Paro), previously TTC Paro
NRTI	Natural Resources Training Institute
NTTA	National Technical Training Authority
PEMT	Planning, Evaluation Monitoring and Transference into action
PFM	Participatory Forest Management
PITT	Partnership in Teacher Training (between the NIEs and TTC Zurich)
RAA	Royal Audit Authority
RBD	Road Bridge Division
RNR	Renewable Natural Resources
RC	Research Centre (RNR) or Resource Centre (Education)
RDTC	Rural Development Training Centre
RGOB	Royal Government of Bhutan
RCSC	Royal Civil Service Commission
SDC	Swiss Agency for Development and Cooperation
SEP	Second Education Project
SNV	Netherlands Development Organisation
STEP	Support to Teachers Education Project
TESP	Teacher Education Support Programme
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WB	World Bank

## Executive Summary

### Background

Since the opening up of the isolated Buddhist Kingdom in the early 1960's, Bhutan has made considerable socio-economic progress. Only 25 years ago, Bhutan was considered to be one of the poorest countries. Since then, the population has almost doubled to around 780'000, the GDP per capita increased fifteen fold to US \$ 713 in 2001 and access to social infrastructure has greatly improved health and education situation. Bhutan's economy has seen sustainable growth around 5-7 % annually during the past twenty years. Electricity, construction, manufacturing and services have been the most dynamic sectors in recent years. These have reduced the importance of agriculture as the main contributor to GDP, although still more than 70 % of the Bhutanese are farmers depending on farm income. The private sector is emerging rather slowly and accounts for only 5% of the labour force. Bhutan has made constant progress on the Human Development Index (UNDP) and now ranks 140<sup>th</sup> out of 174 countries, or 15 rankings higher than 4 years ago.

Bhutan has been guided by the concept of "Gross National Happiness" striving for improving living standards, spiritual well being and the preservation of culture and the environment. In 1998, full executive power was given to the Council of elected Ministers and decentralisation received a new momentum. Bhutan is one of the most mountainous and sparsely populated countries in the world. Hence, providing social and other infrastructure is very costly. Poverty is not as striking as in neighbouring countries but the number of land-less, share cropper and vulnerable people in rural areas is significant. Cash income levels in many rural areas are below US \$ 1 per day. The gender biases in the Bhutanese society appear to a lesser degree than in all the countries of this region. The environment is largely intact since almost 70 % of the area remains under forest. The rugged terrain remains a hurdle to transportation, accessibility and economic development.

### Swiss assistance in the past

The start of Swiss assistance dates back to the late 1960's. The priority areas were agriculture (incl. livestock and forestry), rural infrastructure (mainly bridge building), and education. Support to the health sector was phased out in the mid 1990's and small-scale entrepreneurship promotion had its peak during the 1980's. The assistance was concentrated to Bumthang in Central Bhutan for a long time, where impacts are easily traceable.

Since the opening of the joint Coordination Office in 1983, Helvetas is also representing the interests of SDC in Bhutan, under a separate mandate. Total Swiss assistance since 1975 amounts to CHF 134 million (ca. US \$ 85 million). Collaboration was especially close and fruitful with the World Bank/IDA in the forestry and education sectors.

### Major lessons learnt

- a) Technical Assistance could gradually be reduced, reflecting the increased availability of local technical expertise,
- b) RGOB remained the exclusive partner, and strengthening of the civil society remained difficult as it is at a nascent stage,
- c) a programmatic approach for larger projects was effective,
- d) aid and donor coordination can be improved,
- e) the concentration and continuity in the three Helvetas/SDC working sectors have positively supported a constructive policy dialogue,
- f) the combined support in hardware and software provides good impact and high visibility.

### **Country Programme 2003-2007**

It is the 4<sup>th</sup> joint Bhutan Country Programme providing a common perspective on sectoral priorities and implementation guidelines for Helvetas and SDC. It is a medium-term planning and management tool that is reviewed and updated with the joint Annual Programmes.

To address the needs of Bhutan, the Swiss assistance aims at the following

- promotion of good governance,
- alleviation of poverty and social disparities,
- encouragement of sustainable economic development,
- sustainable natural resources management and conservation of the environment,
- advancement of decentralised participation and private initiatives.

The Swiss support will continue to focus on the three main sectors already followed in the past

- a) Education, Youth and Culture with emphasis on teacher training, improving teaching learning processes (quality), Human Resources Development and selected cultural activities,
- b) Renewable Natural Resources (RNR) with emphasis on training, extension and research,
- c) Rural infrastructure, with emphasis on bridge-related know-how transfer.

Specific efforts within the three working sectors will be made to

- coordinate with bi-and multilateral donors,
- foster the programme approach wherever feasible and useful,
- strengthen monitoring and evaluation of activities,
- promote the three cross-cutting issues (decentralisation, private sector promotion and information technology) in all projects and programmes,
- realise synergies within and across sectoral projects and programmes,
- keep the management structure as effective as in the past.

Swiss assistance will continue to carefully evaluate and support community initiatives, support the different components of an emerging civil society, as well as private sector entities. The rural infrastructure sector will be phased out gradually.

The overall Swiss contribution for this Country Programme (including SDC mandated projects, Helvetas projects and other projects) will amount to approximately CHF 8-8.5 million per annum. The overall programme implementation of the SDC funded projects is mandated to Helvetas. Helvetas provides the required management capacities and institutional and personal network in Bhutan and Switzerland to guarantee an efficient and effective implementation of the joint Country Programme. Helvetas systematically clarifies with our partners and sectors' stakeholders the sharing of roles between SDC and itself in the different projects (SDC mandated, credit programme). Helvetas closely cooperates with the Swiss Embassy in Delhi on consular matters and cultural activities.

#### Major monitoring and evaluation instruments include

- a) Project/programme level: active participation at steering committee meetings and wrap-up meetings, half-yearly reporting based on performance indicators, quarterly financial planning and controlling, reviews and evaluations
- b) Country Programme level: monitoring of the development policy context, annual programmes, half-yearly reporting, and regular field contacts of Helvetas and SDC staff,
- c) Policy level: need based dialogue in combination with visits from SDC/Helvetas headquarters and the Swiss Embassy in Delhi.

## 1. Background of this Document

This document is the 4<sup>th</sup> Bhutan **Country Programme 2003-2007** elaborated by Helvetas/SDC. It is a medium term planning and management tool providing a perspective on sectoral priorities and implementation guidelines for an efficient and effective programme in Bhutan from the Swiss side. It is also the working document providing guidance for future programmatic discussions and decisions.

This Country Programme was elaborated through a participatory approach bringing together various representatives of the three different stakeholders during several brainstorming and workshops. A milestone towards this was the Thimphu workshop in April 2001, where RGOB, Helvetas and SDC officials reviewed the experience with the 3<sup>rd</sup> Country Programme and led the foundation for this document.<sup>1</sup>

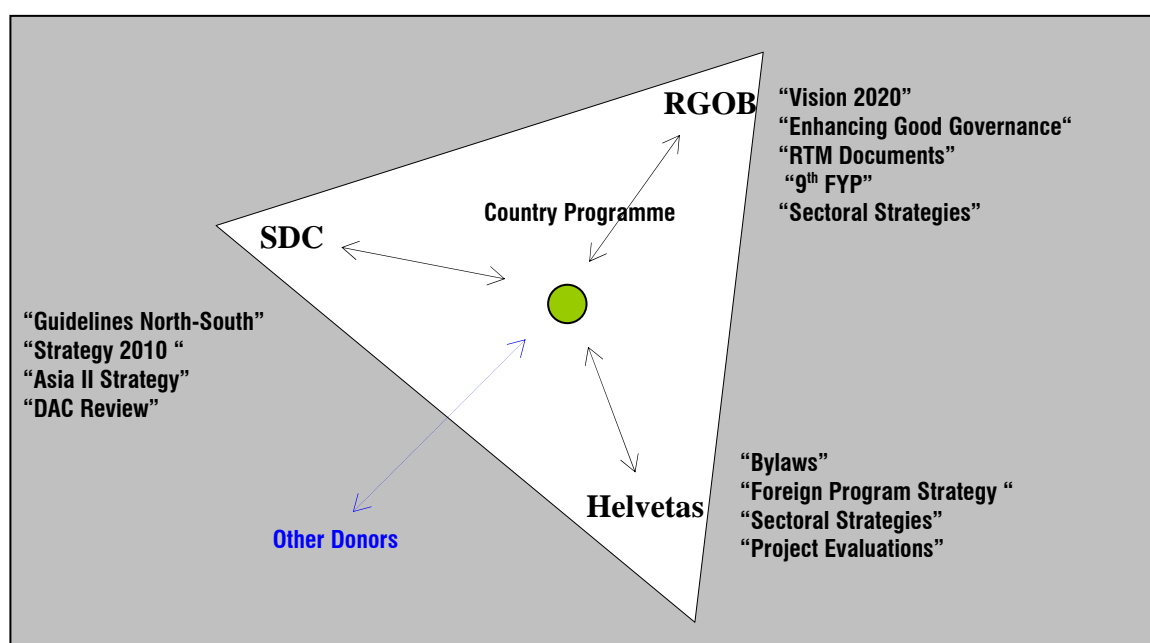


Figure 1: Overview of major framework documents that describe the goals, and approaches of Helvetas, SDC and RGOB.

So far, bilateral relations between Bhutan and Switzerland have consisted mainly in development cooperation; at the occasion of the visits of Federal Chancellor Deiss and the Ambassador of Switzerland, a dialogue has been established on constitution, decentralised management of public affairs and human rights issues. Besides Helvetas, there are no other Swiss organisations active in Bhutan. Although there exists potential for direct trade with Switzerland, it has been negligible in the past. Indian companies, which act as intermediaries for imports and exports of manufactured goods in both ways, are supplying Swiss goods to Bhutan. For example, ABB is a sub-contractor for the supply of electromechanical equipment for various power schemes in Bhutan.

As in the past, Helvetas will implement programmes in Bhutan on behalf of SDC and represent SDC in donor coordination and part of the policy dialogue. It will also closely collaborate with the Embassy in Delhi.

<sup>1</sup> Towards the fourth Helvetas/SDC Country Programme. Working Paper April 2001.

## 2. Development Issues and Challenges

### 2.1. Bhutan at a Glance

Both, Bhutan and Switzerland share many similarities, for example both are mountainous, landlocked and similar in size, yet they differ in many other aspects like the level of industrialisation, culture, resource consumption, etc. The following table shows some key indicators for Bhutan, Switzerland and the world (average), while maps are given in Annex A, and more detailed economic, social and environmental information about Bhutan is presented in Annex C.

<b>Comparison of Selected Key Indicators</b>			
<b>Physical indicators</b>	<b>Bhutan</b>	<b>Switzerland</b>	<b>World</b>
- surface (land, km <sup>2</sup> )	38,394	41'290	133'433'000
- population (1999, in millions)	0.78	7.3	5'950
- population density (persons/km <sup>2</sup> )	17	176	45
- cultivable land per capita (ha)	0.08	0.07	0.26
- forest area (percent of total area)	72	31	26
<b>Socio-economic indicators</b>			
- GDP in US \$ per capita (1998)	493	44'900	6400
- Purchasing power parity, in US \$ per capita (1999)	1'341	27'171	6'980
- Annual GDP growth rate 1990 -2000 (%)	6	1	ca. 4
- Percent urban population	15	62	47
- male/female literacy rate 1995	54/28	both close to 100	85/73
- population growth rate per annum (90-00 in %)	3.0	0.3	1.1
- life expectancy (1998 in years)	66	79	67
- No of telephone lines (per 1000 people)	18	699	158
<b>Environmental indicators</b>			
- protected areas (IUCN cat. I-V, as % of total)	21	26	6.4
- biodiversity (No. of plant species per 10'000 km <sup>2</sup> )	3'281	1'898	n.a.
- energy consumption (renewable/non-renewable) (1999, Giga Joule per capita)	22/1	22/129	10/59
- CO <sub>2</sub> emissions per capita (Mt.)	0.6	6.1	3.9
- Internal water resources (m <sup>3</sup> per capita)/ Annual withdrawal (% of available water)	45'000/0	5'400/6	7'600/9

*Table 1: Overview of selected indicators for Bhutan, Switzerland and the World. Bhutan is characterised by a high biodiversity and low resource consumption, especially of non-renewable resources (sources: 9<sup>th</sup> FYP, UNDP, World Resources Institute and World Bank).*

## 2.2. Bhutan's Development Trajectory

**Past:** Since the opening up of the completely isolated Buddhist Kingdom in the early 1960s, Bhutan has made considerable social and economical progress. 25 years ago, Bhutan was still considered to be the poorest country with a per capita GDP of US \$ 50. Since then, Bhutan has been guided by the concept of Gross National Happiness striving for improving living standards, spiritual well being and the preservation of culture and the environment. In 1998, the King changed the institutional framework and gave full executive powers to the Council of elected Ministers and decentralisation received a new momentum. The new Cabinet started restructuring of the Ministries in order to enhance efficiency, transparency and accountability of the civil service. Another significant development is the decision of the Government to introduce Geog level planning and implementation during the 9<sup>th</sup> FYP to further enhance the continuous process of political, administrative and fiscal decentralisation.

**Present:** Bhutan is one of the most mountainous and sparsely populated countries in the world with a surface size as comparable to Switzerland. It has a population of 780'000<sup>2</sup>, a GDP per capita of US \$ 713 (latest figures for 2001) and 79 % of the population are living in rural settlements. After the successful implementation of the past eight Five Year Plans, Bhutan has progressed slowly but steadily. It now ranks 140<sup>th</sup> out of 174 countries on the Human Development Index and Bhutan has gained 15 rankings in the HDI during the past 4 years, bypassing Nepal in 2002 for the first time<sup>3</sup>. Bhutan's economy has seen stable growth rates of 5-7 % annually during the past twenty years. Electricity, construction, manufacturing and transport have been the most dynamic sectors in recent years. These have reduced the importance of agriculture to 34% of the GDP. Still 70% of the Bhutanese depend mainly on farm income. The private sector is emerging rather slowly and absorbs only 5% of the labour force.

Bhutan's Development has been rapid. Once Bhutan embarked on far reaching development strategy, it has greatly developed physical infrastructure of roads, power supply, telecommunications and water supply. At the same time, heavy investments were made in the social infrastructure such as education and health. These have propelled a stable economic growth, which nevertheless took place at different speeds of the economic sectors. The following table illustrates the rapid transformation process from agriculture to a hydropower-based economy.

---

<sup>2</sup> This figure is from the World Bank. The Central Statistical Office gives a figure of only 658'000. This is an indication for the general scarcity of reliable data or their complete lack across all administrative levels and sectors for planning and monitoring purposes.

<sup>3</sup> UNDP still assumes a population size of more than 2 million for Bhutan. Reducing the figure to the official level would automatically move Bhutan further up the HDI ranking, and certainly out of the "low income countries".

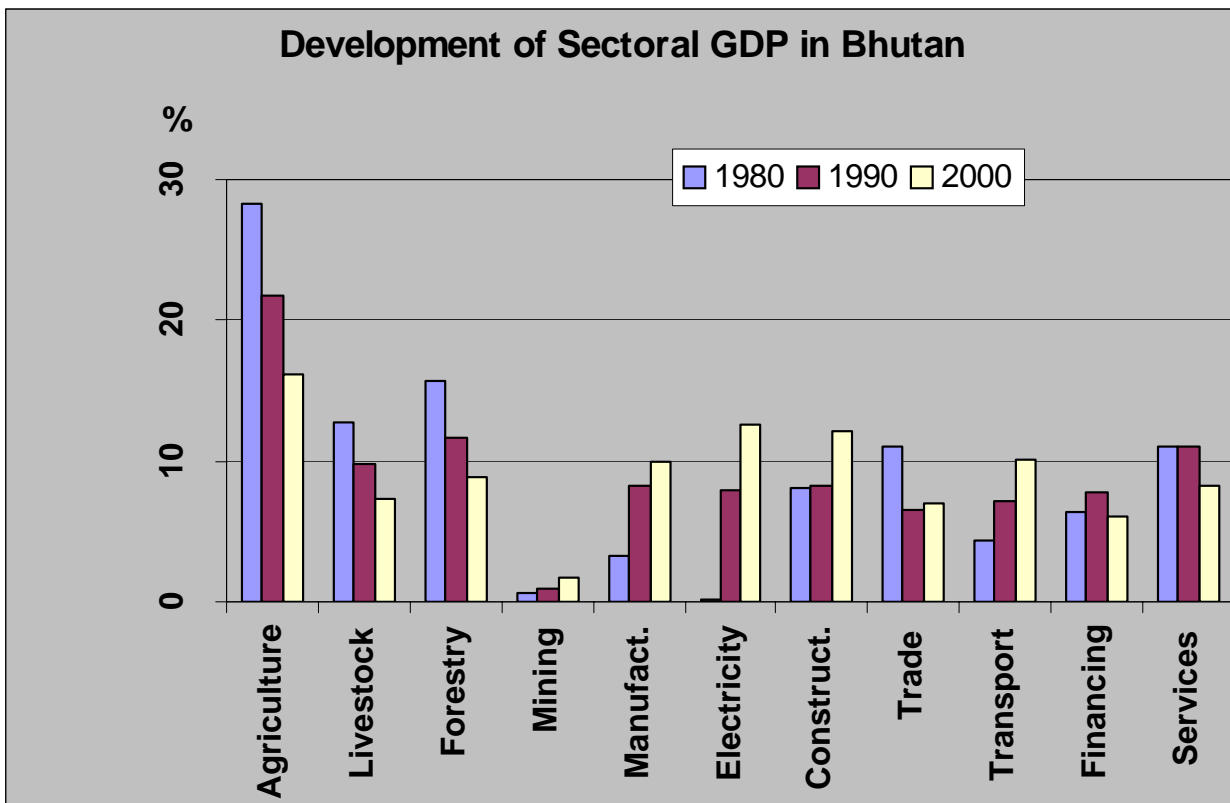


Figure 2: Agriculture continues to account for the largest share (34 % of GDP), Electricity is already 2nd with 13 % and followed by Construction (12 %). Manufacturing and Transport have also seen healthy growth rates, whereas Trade, Financing and Services were sluggish.

The Buddhist Kingdom has made considerable progress in making governance more transparent and accountable through a series of institutional and political reforms during the past years. The present government structure is given in Annex D. The latest step was the formation of a committee, which for the first time is formulating a written constitution of Bhutan. It will be submitted to the National Assembly for possible approval in 2003/4. Despite these advances, human rights institutions remain concerned. Helvetas/SDC notes the absence of political parties, the freedom of expression and restrictions to proselytization and the requirement to wear the national dress code for official purposes. For example, there are no labour unions and the press consists of one weekly newspaper (Kuensel), which however functions independently to a large extent. The movement of persons is limited by the requirement to have security clearance certificates for procurement of passports and identity papers for Bhutanese and Bhutanese have to surrender their passports upon returning back to Bhutan. Foreigners require Road permits in many parts of the country due to the strict immigration regulation and requirements. However, there are various signs that the government is being more pragmatic and assertive on the above issues.

### 2.3. Bhutan's Vision for Transformation

In 1999, the Government produced a comprehensive vision statement "Bhutan 2020: A Vision for Peace, Prosperity and Happiness". This document interprets modernisation in a cautious way and puts human happiness, not economic growth, at the centre stage of the nation's development vision. The overarching goal of Bhutan 2020 is to "ensure the future independence, security and sovereignty of the Kingdom". The central development concept of "Gross National Happiness" stresses this goal and articulates five **development objectives**:

- Human Development: To enable all Bhutanese to achieve their full potential as human beings.



- **Culture and Heritage:** To promote awareness of Bhutan's rich cultural heritage and its role in meeting spiritual needs and maintaining its identity.
- **Balanced and equitable development:** To ensure that the benefits of modernisation are shared equitably by different groups.
- **Governance:** To develop institutions, human resources and governance that allows Bhutan to reduce its dependence on aid and to foster broad and effective participation of its people in the decision-making process.
- **Environmental Conservation:** To consider biological diversity and productivity as assets with global significance.

“Bhutan 2020” is the blueprint for a cautious modernisation of the Bhutanese society, which wants to retain its distinctive Mahayana Buddhist identity while respecting other beliefs and social groups. “Unity with diversity” will be a source of pride and cultural achievement.

## 2.4. Main Problems and Risks

The “Bhutan 2020: A Vision for Peace, Prosperity and Happiness” document was also an important background for the 7<sup>th</sup> Round Table Meeting that took place between November 7 and 9, 2000. It was organised by RGOB and for the first time 32 development partners gathered in Thimphu. It has been also an occasion to discuss and address the main problems and risks, which are:

### Political

- The development process in the South has been constrained earlier due to the disturbance (violence and terrorism) that was caused after the government's policy to clamp down illegal immigrants based on the enforcement of a new citizenship act 1985 and the introduction of language and dress codes. Many “Lhotshampas”, or Bhutanese of Nepalese origin, left Bhutan and settled in the refugee camps in Nepal. About 100'000 people in the refugee camps in Nepal, claiming to be mostly Lhotshampas represent around one seventh of the Bhutanese population. The refugees emphasise the issue of human rights and denationalisation, whereas Bhutan stresses the importance of clear citizenship criteria in order to avoid illegal immigration of people across the porous border. The donor community urged Bhutan and Nepal to resolve the complex problem at the earliest and to repatriate the refugees. A first camp has been verified and reports submitted to the two governments in 2001. There is still disagreement on the different categories of refugees, which has to be sorted out by the Joint Ministerial Committee. A speedy solution does not seem to be realistic given the political problems and changing governments in Nepal.
- Since 1993, ULFA and Bodo militants fighting for an independent, respectively autonomous, Assam state have used the jungle of south-eastern Bhutan as hideouts from the Indian army. Their presence has not only constrained the development process in the southern part of Bhutan but has become a serious threat to Bhutan's internal security as well as sovereignty. After difficult negotiations the separatist agreed to close camps. Although some camps were closed recently there are doubts whether the militants have reduced their forces. Presently there are 14 camps; 7 of ULFA and 7 of Bodos. Since 2002 the Kantapuri Liberation Organisation (a separatist group from West Bengal) has established two new camps. While the RGOB is committed to exhaust all possible political means to remove the militants, a difficult and dangerous military operation seems to become more and more likely to quell the influx of militants.

## Social

- The population growth rate slowly reduced to 2.5 %, mainly as a result of increased acceptability of family planning. However, the proportion of young persons is high and Bhutan will see around 10'000 young people leaving the school each year and entering the labour market. Additionally, almost 4'000 mostly young people are migrating out of rural areas annually. There are only around 2'000 places in higher education and 1'500 places in Vocational Training Institutes at the moment. The Government can absorb, in contrary to the past, only a few hundred candidates per year in the civil service. Therefore, competition for training and job opportunities spur social competition as well as economic and emotional stress.
- The exposure to the outside world through mass media, such as satellite TV and Internet that were introduced in 1999, are leading to a rapid transformation of values. This is possibly more powerful than changes induced through development cooperation. Together with the healthy purchasing power of urban people, this will see a boom in consumerism and possibly loss of cultural identity and communal cohesion.
- The Bhutanese society is considered as gender neutral, there is no preference for sons as in the neighbouring countries. In certain parts of the country, property belongs traditionally to the women and they are favoured in terms of inheritance in many parts of Bhutan. There is much progress in schools where gender balance is reached at the primary level and many women are entrepreneurs. But social, cultural and economic factors disadvantage women who are still underrepresented in the civil service and the National Assembly.
- The need to obtain a "security clearance certificate" for getting a business or driving licence, to get access to higher studies or to go for training abroad is for all the nationals without exceptions, but it raises issues of equity and cultural co-existence. The existing dress code, the policy of promoting Dzongkha as national language raise also questions about equity and cultural coexistence.

## Economic

- Still more than 70 % of the population depend on rural livelihoods and have little income. Given the small and fragmented landholdings and difficult access to urban markets, the prospects for productivity gains are limited. Some potential for niche markets, such as vegetables, fruits, and herbs, exists but have yet to be fully explored. The dynamic economic transformation in the urban areas on the other side could easily increase social and regional disparities. The remote rural areas lack infrastructure such as roads, electricity but sometimes also schools and health infrastructure. To supply and maintain this infrastructure is costly but nevertheless needed for decentralisation. A regionally and socially balanced development approach is therefore vital.
- Generally trained manpower for technical functions is still scarce. There is a social stigma attached to manual labour and also farming is not attractive anymore for the young. However, competition for daily labour is growing because the minimum salary for which Indians are working is lower than for Bhutanese. Therefore, the cost-conscious private sector prefers to employ Indians.
- Despite a healthy macro-economic development (which is based on income from hydropower development and aid), the private sector remains dormant. Some companies have been privatised recently but new businesses face various bureaucratic hurdles (e.g. licensing, small markets, high financial costs, etc.).
- With the further development of hydropower schemes, Bhutan may be able to reduce its dependency from aid substantially towards the end of the 9th FYP. However, this will increase the dependency from electricity exports to India and the Government's revenues will largely

depend on electricity revenues. Trade diversification will therefore become an important issue but there are limited potentials in tourism, handicraft, wood products, and agricultural produce.

### **Environmental**

- Bhutan, along with the rest of the Eastern Himalayas, has been declared to be one of the ten “hot spots” for the conservation of biodiversity. The pressure on land and natural resources is considerable as a result of growing human population and accelerating urbanisation. Solid waste disposal and pollution from rapidly increasing traffic raise concerns among urban citizens.
- The approach to forest utilisation is very conservative and Bhutan wants to maintain 60 % of forest cover at all times. The pressure on forests is growing especially around urban settlements because of timber and firewood extraction and regeneration in the broad-leaved forests is hampered through uncontrolled grazing of cattle.
- Bhutan is a net sequesterer of carbon (forest growth functions as a carbon dioxide sink). However, air and water pollution starts emerging as significant issues in urban areas as a result of increased traffic and waste disposal.

## **2.5. Achievements of RGOB's 8<sup>th</sup> Five Year Plan**

Beginning in the early 1960s, successive five-year plans have provided the basic framework for development planning in Bhutan. A Review of the 8<sup>th</sup> FYP revealed that it achieved satisfactory growth and improved living standards while ensuring the preservation of Bhutan's environment and cultural heritage. The performance review observed the following:

- The economic growth rate during the 8<sup>th</sup> FYP is expected to have been 6.5 %, above initial plan expectations. Especially the performance in the construction sector (+17 % per year) contributed to this. The agriculture sector grew with 3.8 %, at a higher rate than planned. The mining sector, on the other hand, could not accomplish the target (because of suspension of the Dungsung Cement Project for security reasons).
- Most social development goals have been achieved. There have been a substantial increase in the number of educational facilities (99 additional schools, including 7 private schools) and higher enrolment (34'580 more students, including 1'389 in private schools) and 90 percent of the population now have access to basic health services.
- Considerable progress has been made in expanding the road network (323 km new roads at varying stages of work have been accomplished), providing telecommunication facilities to all the district headquarters. National television and Internet services have been launched in 1999.
- The Royal Government's restructuring initiative of 1999 has led to the creation of new departments (e.g. Office of Legal Affairs) in order to improve efficiency, transparency and accountability. During this Plan decentralisation was fostered by the decision to base all activities for the 9<sup>th</sup> FYP on Geog and Dzongkhag planning processes. Subsequently each of the 201 Geogs and 20 Dzongkhags prepared their plans that provide the foundation of the 9<sup>th</sup> FYP.

## **2.6. Strategies and Objectives of RGOB's 9<sup>th</sup> Five Year Plan**

The 9<sup>th</sup> FYP has started in July 2002. There are five overall objectives to this 9<sup>th</sup> FYP:

- Improving quality of life & income, especially of the poor;
- Ensuring good governance;
- Promoting Private Sector growth and employment generation;

- Preserving and promoting cultural heritage and environmental conservation; and
- Achieving rapid economic growth and transformation.

The plan addresses several development themes:

- Governance: Legislative reforms, decentralisation and devolution of power, and more efficient management of public services;
- Preservation and Promotion of Historical & Cultural sites: maintenance of traditional architecture and preservation of cultural heritage;
- Environment: 60% forest cover to be maintained, baseline information & key environment indicators, environmental legislation, etc.;
- Poverty: very low average per capita income of less than US \$ 1 per day, poverty as a result of little or no land and limited rural access;
- Employment: accelerate growth, development of private sector, on and off-farm employment opportunities through land reforms, extension credit policies, crop diversification, cooperatives, infrastructure, etc.;
- Women/Children/Gender: mother/child health, education for all, counselling/guidance, favourable employment conditions for women, etc.;
- Private Sector: strengthening the legal & regulatory framework, infrastructure development, partnership between financial institutions and private sector, etc.

## 2.7. The Role of the Donors

Bhutan differs from most of the other aid-dependent countries in such that the Government has a very strong sense of comparative advantages of various donors and their role in the FYP. Bhutan follows a policy of limiting the number of donor countries/institutions so that effective coordination can/could be maintained.

Foreign aid used to represent half of the Government budget during the 1980s. This proportion has declined but has again increased during the last years mainly as a result of grant assistance from India towards realising the hydropower potential (which also benefits Indian companies and later the power consumers). During the last two Fiscal Years, Bhutan has received US \$ 250 million as grant and US \$ 4 million as loans from India (in Rupees), whereas all the other bi- and multilateral donors have contributed total grants of US \$ 70 million and US \$ 5 million in form of loans (from IDA/World Bank and ADB). That is again equivalent to almost half of the Government's budget. The heavy Indian engagement is related to the construction of the Kurichu (60 MW) and Tala (1020 MW) hydropower schemes, which is in full swing at present.<sup>4</sup>

The tentative outlay for the 9<sup>th</sup> FYP amounts to 70 billion Nu. or roughly 1.4 billion US dollars. This includes investment costs as well as recurrent costs. Half of this amount is expected from the traditional donor institutions to cover the capital investments.

The donors expressed the need to further strengthen donor coordination during the 7<sup>th</sup> Round Table Meeting (November 2000). There were several efforts by Ministries to more actively engage donors in

---

<sup>4</sup> India usually provides 60 % of investment costs as commercial loan and 40 % as grant. The costs for Tala alone are estimated at roughly 30 billion Nu (US \$ 800 million), which is scheduled to be commissioned in 2005.

the policy dialogue, but these endeavours vary greatly among different ministries. Also the donors' commitment for coordination efforts varies, with some not participating at all. The cooperation among the multilateral (UNDP, UNICEF, WHO) and the European donors (Denmark, Netherlands, Austria and Germany) is very constructive. The coordination with IDA/World Bank, ADB and EU is constrained by the fact that these organisations do not have a liaison office in Bhutan. Annex H provides a brief overview on planned donor support during the 9<sup>th</sup> FYP.

### 3. Lessons Learnt from the 3rd Country Programme 1998-2002

#### 3.1. General

In 2000, Helvetas celebrated its 25-Year Jubilee of development assistance in Bhutan but the first development activities date back to the 1960s. The review of this Swiss assistance over three decades is provided in Annex E. This chapter assesses the achievements and shortcomings of the 3<sup>rd</sup> Country Programme 1998-2002.

The Country Programme was reviewed internally among the responsible RGOB partners, Helvetas/SDC collaborators and desk officers, and the Coordination Office. The following highlights have emerged:

- The elaboration of the CP was a time-consuming and costly experience. However, the long process of negotiating a common policy platform between Helvetas, SDC, other Directorates of the Swiss Foreign Ministry and RGOB was worthwhile. It resulted in achievement of good-will and programme guidelines that were accepted and followed during implementation by all stakeholders.
- The CP policy guidelines outlining the working sectors and cross cutting issues remained extremely valuable throughout the duration of the CP. Good governance and decentralisation aspects were integral part of programme and project development.
- The CP has been implemented in accordance to the plan and budget. Disbursements were in the range of 80-100 % of the annual plans. There were no major problems disturbing or altering project implementation, except that accessibility of the Southeast is hampered due to security issues (e.g. relocation of schools, no activities of Forestry III). There was a strong ownership of RGOB while implementing the programme.
- The elaboration of the Annual Programmes was based on the CP and acted as important strategic steering tool for programme adjustments and efficient management of the SDC/Helvetas programme.

#### 3.2. Assessment of the 3rd Country Programme

The major achievements, deviations and lessons learnt from implementing the Country Programme 1998-2002 are summarised below. This assessment is based on the experience of the first three and a half years of CP implementation.

Major Issues and Lessons Learnt		
Domain	Areas/challenges	Remarks/lessons learnt
Programme Level	<ul style="list-style-type: none"> <li>• Balance between Hardware and Software (Technical Assistance)</li> <li>• Donor Coordination in the three working sectors of education, RNR and rural infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• The level of external technical assistance could be gradually reduced. To balance and combine hard- and software is complex, but effective</li> <li>• In general, sub-optimal aid/donor co-ordination mechanism. Ownership and dynamics varied among ministries and donors. Good collaboration with IDA/World Bank in education and forestry</li> </ul>

	<ul style="list-style-type: none"> <li>• More regionally balanced activities: nation-wide focus (e.g. less in Bumthang).</li> <li>• Intensified cooperation with other donors (WB, FIDI, UNDP etc.</li> <li>• Increased national execution of projects</li> <li>• Focal programme officers in CoOf</li> <li>• HRD and training demand</li> <li>• Family based security clearance certificate from police for training/promotion etc.</li> <li>• Inter-ministerial Coordination</li> </ul>	<ul style="list-style-type: none"> <li>• A better balance among three sectors achieved, most programmes are at national level</li> <li>• The cooperation framework with UNDP for grass-root level initiatives was good but implementation was hampered by staff changes</li> <li>• Functioned satisfactorily. But lack of qualified RGOB staff has hampered implementation. Financial management and coordination needs to be further improved</li> <li>• Well established</li> <li>• Ever increasing training demand for courses abroad by RGOB staff. Annual HRD training plans requested by CoOf were helpful in avoiding ad-hoc training. Emphasis on long-term training</li> <li>• It raises concerns of equitable access to vocational training, training abroad and businesses and needs continuous dialogue with the RGOB</li> <li>• Is generally good. But the experience with the Wangdue bridge (change of site at a very late stage) suggests that pro-active role of Helvetas/SDC is required</li> </ul>
Sectoral Level	<ul style="list-style-type: none"> <li>• Expansion of RNR research facilities in the sub-tropical belt</li> <li>• Education: expansion of facilities &amp; promotion of quality</li> <li>• Fostering of civil society</li> <li>• Strengthening of construction management, incl. Private sector</li> <li>• Promotion of Small scale enterprise development</li> <li>• Cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>• Shift of location from Gedu/Tala to Bhur is pending</li> <li>• Project approach followed with World Bank. Expansion of teaching capacities and improvement of teaching learning processes achieved</li> <li>• Difficult environment. Beekeeping Association was established and new initiatives were encouraged but need long term approach</li> <li>• Regular problems in construction projects. Often lack of technical know-how and weak management of contractor</li> <li>• Difficult environment, no programme development could take place. Only limited accomplishments</li> <li>• Ad-hoc, but need-based support has shown good success (cable crane for reconstruction of Tasting and support to Folk Heritage Museum)</li> </ul>
Project Level	The major achievements and deviation have been detailed for projects in each sector under Annex F	

Table 2: *Review of major achievements, deviations and lessons learnt during the implementation of the Country Programme 1998-2002.*

During the past three years several activities were phased out. Especially the support to the various projects in the fodder/livestock sector was eventually phased out after 30 years of input (because of a lack of impact and reallocating resources to new sectoral priorities). The Skill Development Project was also phased out given a new project taken up by ADB/GTZ in this area.

### 3.3. Processes and Policy Dialogue

The past few years have seen an impressive increase in consultancy missions and official as well as semi-official visitors. This has resulted in additional administrative work on the one hand but has also allowed intensifying policy dialogue at all levels. Good governance, decentralisation and human rights issues were regularly on the agenda during such visits besides technical issues emerging from project implementation.

Despite a strong ownership of RGOB in the Helvetas/SDC programme, coordination and information flows can be improved. There is a need to strengthen the consultation at sectoral level and more open exchange of programme relevant information could increase efficiency. Helvetas/SDC have opted for a

coordinated programme approach in several areas and follow a transparent information policy. All development partners in Bhutan receive the semi-annual progress report of Helvetas/SDC.

The visits of SDC Director General, of the Federal Chancellor and of the Swiss Ambassador in 2000/01 have established a dialogue with Bhutanese authorities on the experiences with decentralised decision making of the Swiss political system. This can be utilised to further continue the dialogue on Good Governance, constitutional principles, public reforms and prospects of decentralisation. It is to be noted that a dialogue on decentralisation, local governance and people's participation takes place regularly in the project definition, implementation and evaluation.

In 2000, Helvetas celebrated 25 years in Bhutan, where a number of high-level dignitaries, including the Swiss Ambassador and the Secretary General of Helvetas visited Bhutan. The Director of Swiss Agency for Development Cooperation and the Helvetas Secretary General participated in the 7<sup>th</sup> RTM held early November 2001.

Within the frame of the CP 1998-2002, a number of internal and external workshops and meetings were supported to foster a programmatic approach in the RNR sector with other donors, sustainability issues were discussed and regular donor luncheons on development cooperation and southern issues with donors were held. The Coordination Office monitored and reported on semester basis the socio-economical and political developments in Bhutan. The Coordination office also attended a considerable number of project steering committees and wrap-up meetings of supervisory missions, which allowed monitoring, programme progress and reorient activities (if needed).

## 4. Swiss Assistance 2003- 2007

### 4.1. Introduction

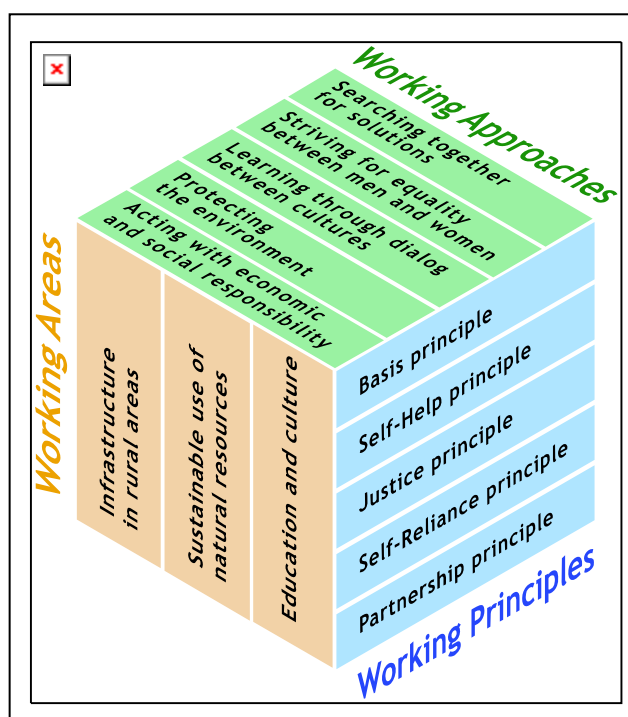


Figure 3: Helvetas strategic cube.

The figure illustrates the working areas, principles and approaches that Helvetas is following during programming and implementation of development activities. They also form the guiding framework for this Country Programme.

Many public as well as private players manage and implement development projects and their goals and guidelines are rarely fully in line with each another. Therefore, this Country Programme has to balance and reconcile several institutional and individual interests (see Figure 1, Chapter 1 “background of this document”).

The issue of policy coherence between different Departments and Directorates of the Swiss Federal Government and other private institutions is eased insofar as the bilateral relations between Bhutan and Switzerland are mainly in the field of development cooperation. Commercial bilateral trade relations between Switzerland and Bhutan are negligible.

Bhutan is one of the most important countries for Helvetas and is considered as a “priority country” by SDC.

## 4.2. Goal and Working Areas

The overarching goal for this 4<sup>th</sup> Bhutan Country Programme is

**to contribute to the reduction of poverty and socio-economic disparities through a sustainable social, economical and environmental development that also balances regional needs.**

Based on the review of the previous Country Programme and based on the policy dialogue with RGOB the sectoral programmes and projects of both Helvetas and SDC will continue in the **three sectors of the previous Country Programme**

- **Education, Youth and Culture** <sup>5</sup>
- **Renewable Natural Resources**
- **Rural Infrastructure (bridges)**

In Bhutan four fifth of the population live in rural areas, and poverty is to be found mainly in rural districts. By concentrating on those three sectors where we have a long standing experience, SDC/Helvetas can have a better impact on rural poverty. Improving rural livelihood, promoting a sustainable management of natural resources and strengthening community organisations (and their marketing capacities) contribute to increase the income base in a sustainable way. The suspended bridges allow to connect people from isolated areas to basic social infrastructure and to markets for their products. While improved access to quality basic education and development of employment and income possibilities for rural out of school youth will further contribute to fight rural poverty and the rural urban migration.

Those three sectors are also Helvetas working areas, and do coincide with the priority sectors of SDC Section Asia II. Within these sectors, Helvetas/SDC support the efforts of RGOB to guide donors towards programmatic approach for regional or sectoral concentration in order to facilitate coordination as well as aid management. This also helps Helvetas/SDC to be a more competent partner to the government in the policy dialogue and to build up a solid base of experiences and specific know-how.

The programme should have enough flexibility to address other emerging issues that are not directly related to the three working areas.

## 4.3. Cross-cutting Issues

Cross-cutting issues are integral part of SDC's and Helvetas' development approach. Of the many potential themes, two have been given priority during the two days intensive workshop on the preparation of the new CP: **Private sector/Civil Society and Decentralisation**.

The "digital divide" is a growing concern among young people, departments, businesses and donors. This issue has come up additionally during the Country Programme discussion: Information technology and local content, with the objective to promote the development of Information and Communication Technologies as a tool contributing to gap extreme communication distances that are an outstanding hurdle in the rugged mountains of Bhutan.

---

<sup>5</sup> In the previous Countr Programme this sector was called "Education and culture". Youth has been added to it in order to show our willingness to do more to address the growing problem of youth unemployment.



Our contribution will be guided by need based hardware and a special focus on learning processes and maintenance aspects. ICT issues emerge in different projects but the new teacher education project shall specifically address the scope of digital media to improve efficiency and effectiveness in learning and teaching (incl. pedagogy).

These three issues will be considered while programming and reviewing all Helvetas/SDC programmes and projects. Although their relevance may differ slightly from one project to another, they will be closely assessed and monitored. Special projects might be designed to test innovative approaches in these areas (e.g. policy reviews, study tours).

The following table provides some guidelines on how the cross cutting issues will be addressed.

<b>Cross cutting issues in the Country Programme</b>			
<b>Objective: Advancement of self-help, decentralised participation and private initiatives through promotion of civil society organisations (such as cooperatives and associations) as well as the use of ICT to improve inclusion of people in modern development.</b>			
<b>Themes</b>	<b>Strategy &amp; Approaches</b>	<b>Issues &amp; Challenges</b>	<b>Indicators</b>
<b>Decentralisation</b> - Swiss experience with decentralised governance - RNR RC expansion, Rural Development Training (RDT), East Central Region- Agriculture Development Project (ECR_ADP) - HRD/NFS - PFM - Conflict and tensions	<ul style="list-style-type: none"> <li>• Regional balance of Helvetas/SDC activities</li> <li>• Support the political process of decentralisation</li> <li>• Policy dialogue on “Swiss experience/knowledge”, (training, study tours, workshops)</li> <li>• For on going, new and planned projects, assessment of the impact of decentralised management on community dynamics (tensions, discrimination)</li> </ul>	<ul style="list-style-type: none"> <li>• Planning and implementation capacities developed at the District and Geog level</li> <li>• RNR research system expansion in sub-tropical belt</li> <li>• Security situation in the south-east (Zhemgang/Sarpang)</li> <li>• Collaboration/coordination with UNDP/UNCDF/SNV</li> <li>• Prevention of corruption at the local level</li> <li>• Address sensitive issues which concern mainly areas with limited access for foreign assistance (fund and aid workers)</li> </ul>	<ul style="list-style-type: none"> <li>• RNR RC sub-station in sub-tropical belt established</li> <li>• Geog/Districts are capable to plan &amp; execute programmes</li> <li>• Empowerment through intermediary institutions is effective</li> <li>• Common events with UNDP/UNCDF/SNV</li> <li>• No irregularities/delays in the fund flow</li> <li>• A system is designed and implemented to monitor the effect of the projects on the dynamic of the communities where the interventions take place.</li> </ul>

<p><b>Promotion of Private sector/ Civil Society</b></p> <ul style="list-style-type: none"> <li>- NIE Paro/Samtse Construction</li> <li>- RDT, ECR-ADP</li> </ul>	<ul style="list-style-type: none"> <li>• Support in setting up an enabling environment (policy and legal)</li> <li>• Capacity and market development (RNR sector)</li> <li>• Tendering of all construction work</li> <li>• Selected management support for construction companies</li> <li>• Development of new civil society organisations (cooperatives, associations etc)</li> <li>• Need based support to the organisational strengthening of traditional civil society organisations (producers' groups, other traditional social structure)</li> </ul>	<ul style="list-style-type: none"> <li>• Technical and management capacities of construction companies</li> <li>• Licensing and credit access is eased</li> <li>• Coordination with other agencies</li> <li>• Cooperative act is enforced, and its potential is understood by the rural population</li> <li>• Existing traditional social organisations find their place in the new civil society environment</li> </ul>	<ul style="list-style-type: none"> <li>• Effective technical and managerial inputs provided</li> <li>• Emergence of new businesses/construction companies</li> <li>• Technical competence and sustainability improved</li> <li>• Cooperatives and associations can be registered and get support</li> <li>• Cooperatives and Producers' Associations exist and are managed properly.</li> </ul>
<p><b>ICT</b></p> <ul style="list-style-type: none"> <li>- NIE Paro/Samtse</li> <li>- New Teacher Education project</li> <li>- ICS</li> <li>- Decentralisation</li> </ul>	<ul style="list-style-type: none"> <li>• Training people in Maintenance and support</li> <li>• Provision of connectivity</li> <li>• Elaboration of Homepages and other devices for information sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Technical staff is made available</li> <li>• Druknet provides reasonable IT framework</li> <li>• Local content/lessons learnt are made available</li> </ul>	<ul style="list-style-type: none"> <li>• Use of internet/homepages for information exchange</li> <li>• Computers and LANs are well maintained</li> </ul>

Table 3: Overview on the three main cross-cutting issues and how they are addressed during the next years.

Other cross-sectoral issues are the consideration of cultural aspects and indigenous knowledge in programme development and the specific relevance of construction/architectural issues in infrastructure development (given the unique building culture Bhutan has). Environmental aspects such as biodiversity conservation and sustainable management of the renewable natural resources are crucial aspects in the planning and implementation of all RNR projects.

The following themes will be considered especially through the respective project and programme's development stages

- **Gender:** There is no institutionalised form of discrimination of women in Bhutan. There are increasingly more women seen in the political and development scene; it may be a concern in future that men may have less opportunity, as women being leaders in the household economic activities and as well owners of property that is deriving from cultural background. However, women in rural areas represent the major number of farmers, and their voices and concerns must be carefully considered. A check list shall be elaborated and maintained by the Coordination Office to monitor gender balance within the education system; enrolment in schools, training institutions and equal access to HRD/training.

- **Poverty** assessments indicate that poverty is prevalent in rural Bhutan, especially in many remote Geogs. The national average per capita income has been calculated at Nu 1200 per month, below which is rated as the poverty. This translated is below US \$1 per day, which means that more than 25% of the rural population is below poverty line and 3 % in urban areas. SDC/Helvetas will begin three new projects under the RNR sector in the East Central Region (Bumthang, Trongsa, Zhemgang and Sarpang). Most Geogs of Zhemgang and many in Trongsa and Sarpang belong to the poorest of Bhutan (low level of modern sector economic activities, low enrolment rates, lack of road access). These projects will enhance income generation activities for rural population, capacity development for Geog plan implementation, association/cooperative formation and fostering of marketing and institutional linkages.
- **Human Rights** are regularly reported through MERV. The dialogue is maintained at policy level by visiting dignitaries (e.g. Federal Councillor, Swiss Ambassador). At the project/programme level, the Resident Coordinator addresses the issue also through case-wise basis. A wide range of contacts is maintained to get access to reliable information.
- **Civil Society:** Civil societies institutions in Bhutan exist and most are functional in a very traditional way and in many forms, e.g. the Water Users Association, who take care of the irrigation facilities, water sharing regulations etc. The Tshogpas (committees) are in various forms who are appointees of communities to take care of the legal matters pertaining to the community as well development aspects. SDC/Helvetas will try to contribute to strengthening such indigenous associations and broadening them with income generating activities, but without interfering/changing their core values. Similarly, emerging modern associations or cooperatives shall be fostered keeping in mind the principle “help for self-help”.
- **Conflict Management & Prevention:** This is a new topic for SDC/Helvetas Bhutan. This is a learning area with no past experience. However, at the CoOf level, the conflict management and prevention are guided by rules/regulations and procedures. At the project/programme level, it is bound by the bilateral agreements and at the country level, it has been so far monitored through dialogues and exchange of views and experiences. Now that we are increasingly working in the Southern districts, we have to set up a monitoring system for the impact of our interventions on discrimination and conflict (do no harm, do good).
- Possible **Resettlement of refugees:** After the verification process in the camps in Nepal concludes, possible resettlement of refugees may begin. Switzerland has ample experience in similar reintegration efforts elsewhere and support in the outlined working areas (especially education and RNR) could be relevant to make the reintegration a success.

#### 4.4. Sector Objectives, Strategies and Issues

The following part provides the sectoral background in which the projects and programmes are implemented. A synopsis of all Helvetas and SDC programmes and projects is given in Annex G.

##### 4.4.1. Education, Youth and Culture

**Sector Objective:** Improve access and quality of basic education. Support the development of employment and income possibilities for out of school youth. Implement selected cultural projects or events that foster cultural cohesion.

With over 370 schools and educational institutes in the country as compared to less than 15 before 1960, Bhutan has been able to achieve 72 % of primary enrolment. Overall secondary (35 %) and tertiary (3 %) enrolment is still very low compared to international standards. In absolute terms, the enrolment in schools has increased from 74'000 in 1995 to 117'000 students in 2000.

There are an estimated 15'000 pupils in traditional institutes and monasteries. One of the principles for education in Bhutan is that it has to be free and accessible to everyone. Now about 70 % of the children enrolled complete at least seven years of primary education, compared to only 50 % in 1990. The literacy rate is estimated to stand at 54 %, with about 28 % women literate. To increase the literacy, 195 (as of 2001) non-formal education centres have been established with enrolment of 7500 (about 70 % are women participants).

Education has always received high attention as a key element to the Gross National Happiness with 14 % of the annual budgets allocated during the 8<sup>th</sup> FYP, which remains at the same level for 9<sup>th</sup> FYP. Bhutan has set an ambitious target to reach 90-95 % of the primary enrolment by 2007. However, this will be missed rather substantially: owing to lack of outreach in rural areas (especially in the South), rapid increase in number of school going children, lack of teachers and infrastructure.

Until recently, Bhutan depended heavily on expatriate teachers in education due to lack of national teachers. In 1995 out of 2'400 teachers almost 600 (25 %) were Non-Bhutanese. Through increased teacher training capacities in Bhutan, the number of non-Bhutanese teachers remained stable although the number of teachers went up by over 300. Improving education quality (teachers, curricula etc) and expansion at the secondary level have become challenges that will require major investments during the 9<sup>th</sup> FYP. The admission problems in urban areas have also given a boost for the establishment of private schools. The high number of pupils moving to another district poses a severe cost burden (boarding is expensive) and might actually accelerate rural-urban migration. The expansion of the secondary level and teacher training capacities, establishment of a national university and the ambitious goal to make all students computer literate over the next ten years will require substantial financial and human resources over the forthcoming decade.

Education will be the top priority during the 9<sup>th</sup> FYP. Education is now widely perceived to be the door opener for a successful career. However, the elaboration of the education sector strategy has revealed the need (and difficulties) to link the basic education system with the vocational training part. Despite growing employment problem, the vision as to how the school leavers are going to be absorbed in the labour market is still underdeveloped.

There are several other donors in education: WB, UNICEF, WFP, India and Canada. The programmes are complementary in most cases. Helvetas/SDC will continue to closely work with IDA/World Bank, and actively promote Donors'coordination. The partnership with TTC Zurich is planned to be maintained; collaboration arrangements with possibly other institutes in teacher training shall be explored and established. With the announced entry of Denmark in the basic education sector, comparative advantages and complementarities of the various projects have to be reassessed. Preliminary assessments conclude that Switzerland should focus on teacher education during the 9<sup>th</sup> FYP.

During this phase of the Country Programme, some 70'000 jobs will have to be created in order to absorb the workforce (50'000 students will enter the labour market and 20'000 active rural persons are expected to migrate to the cities). But the private sector in Bhutan is underdeveloped, and there is a social stigma attached to blue collar jobs (to the point that construction jobs are taken mainly by foreign workers). The priorities for SDC/Helvetas will be to support projects aiming at making rural areas more attractive and promising for young people, mitigating the social stigma attached to manual work (through the education project), developing counselling capacities of teachers for out of school and in all our projects promote the development of private sector. Our priority target will be early school leavers from rural areas.

To link cultural activities with education is complex. Need-based support of ad-hoc projects that are of national or special importance shall be continued. It can include artist exchange activities between Bhutan and Switzerland as well as specific support for cultural projects in Bhutan. Proposals will be scrutinised on the basis of the sectoral concept prepared by Helvetas (1997) and reviewed in 2001.

<b>Education, Youth and Culture</b>			
 <p><b>Sector Objective:</b> Improve access and quality of basic education. Support the development of Employment and income possibilities for out of school youth. Implement selected cultural projects or events that foster cultural cohesion.</p> <p><b>Note:</b> Training, cultural aspects and indigenous knowledge will receive due attention in project planning and implementation throughout the project and programmes.</p> <p>Pure HRD projects are considered under Education and Culture.</p>			
Priorities Projects/components	Strategies & Approaches	Issues and Challenges	Indicators
<p><b>Expansion of basic and post basic education</b></p> <ul style="list-style-type: none"> <li>- NIEs Paro/Samtse Construction</li> <li>- Second Education Project</li> <li>- STEP</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of teacher training capacities (NIEs)</li> <li>• Expansion of school facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable cost estimates/ committed construction companies</li> <li>• Skilled labour force available</li> <li>• Adequate facilities in remote areas</li> </ul>	<ul style="list-style-type: none"> <li>• Enrolment increased from 650 to 980 at NIE Paro</li> <li>• Primary enrolment increased to 95 %</li> <li>• Equitable access to education</li> </ul>
<p><b>Enhance quality learning and teaching processes at NIEs and in the schools</b></p> <ul style="list-style-type: none"> <li>- Second Education Project</li> <li>- STEP</li> </ul>	<ul style="list-style-type: none"> <li>• Curriculum development at the NIEs</li> <li>• Integration of curriculum development and educational research</li> <li>• Improve teacher support system</li> <li>• Monitoring/assessment tools developed</li> <li>• Headteacher qualification upgraded</li> <li>• Pre- and In-service Training programme improved</li> </ul>	<ul style="list-style-type: none"> <li>• Education decentralisation enhanced further</li> <li>• Wholesome education and quality standards met</li> <li>• Trained staff remains within the education system</li> <li>• Good coordination between different education departments and divisions takes place</li> </ul>	<ul style="list-style-type: none"> <li>• New curricula's available and introduced</li> <li>• Additional and well functioning Resource Centres, Continuous Assessment and Quality Management</li> <li>• Evaluation of results of exams</li> <li>• Performance of head teachers</li> <li>• Teacher training stages/phases reviewed and curriculum adapted</li> <li>• Action research in schools takes place</li> </ul>
<p><b>Information Technology in education</b></p> <ul style="list-style-type: none"> <li>- STEP</li> </ul>	<ul style="list-style-type: none"> <li>• IT centres set up at the two NIEs</li> <li>• Capacity building (training of IT knowledge at the NIEs incl. maintenance)</li> <li>• IT fostered in teaching/learning</li> <li>• Knowledge management at the NIEs fostered</li> </ul>	<ul style="list-style-type: none"> <li>• Interested and motivated teachers/students available</li> <li>• Content development takes place</li> <li>• Maintenance of hardware and software is given importance</li> </ul>	<ul style="list-style-type: none"> <li>• Usage of labs</li> <li>• Exchange between the NIEs intensified</li> <li>• Joint learning programmes developed and conducted</li> <li>• IT is used effectively for management and didactic purposes at NIEs/schools</li> </ul>
<p><b>Human Resources and Institutional Development</b></p> <ul style="list-style-type: none"> <li>- Second Education Project</li> <li>- STEP</li> <li>- HRD/NFS</li> </ul>	<ul style="list-style-type: none"> <li>• Support to organisational development of NIE Paro</li> <li>• Use of IT in management</li> <li>• Training of teacher in multigrade teaching</li> <li>• Enlargement and improvement of IT know-how at NIEs and among teachers</li> <li>• Min. of Finance: Training of accountants &amp; financial managers</li> </ul>	<ul style="list-style-type: none"> <li>• RGOB accept to give the necessary staff to NIEs</li> <li>• Transparent selection of candidates</li> <li>• Strengthening of in-country training facilities</li> <li>• Accountability &amp; transparency, decentralised financial management</li> </ul>	<ul style="list-style-type: none"> <li>• Management system in place</li> <li>• Necessary staff available with clear cut responsibilities</li> <li>• Better qualified teachers, education staff</li> <li>• Better qualified accountants and financial personnel at central and field level</li> </ul>
<p><b>Promote and develop the cultural heritage</b></p> <ul style="list-style-type: none"> <li>- Project to be identified</li> </ul>	<ul style="list-style-type: none"> <li>• Need based support of vital cultural activities</li> </ul>	<ul style="list-style-type: none"> <li>• Fostering of co-existence in a multicultural society</li> </ul>	<ul style="list-style-type: none"> <li>• Projects identified and implemented</li> </ul>
<p><b>What should be avoided:</b> Too many short term training abroad, &amp; unbalanced biased cultural perception</p>			

*Table 4: Overview on priorities, strategies, issues and indicators to be addressed in Education and Culture sector during the 9<sup>th</sup> FYP*

#### **4.4.2. Renewable Natural Resources**

**Sector objective:** To improve the living standards of rural households and to foster sustainable management of natural resources through facilitating relevant research and extensions, as well as strengthening community organisations and their marketing capacities.

Owing to extremely mountainous terrain, only 7.8 % of the total land area is arable. Most agricultural lands are scattered around small settlements located on steep slopes or valley bottoms. The extreme range of environments ranging from sub-tropical to alpine ecosystems has led to the development of extremely diverse farmers' needs. They still practice a subsistence-oriented mixed farming, integrating crops, horticulture, livestock and forest. The natural forests and the traditional integrated farming systems remain largely intact, although forest resources seem to be heavily utilised and encroached. The present figure of 72 % forest cover includes 8 % scrubland and degraded forest.

The RNR sector continues to be the main source of livelihood for the vast majority of the Bhutanese households providing employment for over 70 % of the population. Although the economy has been diversified, the RNR Sector remains the single-most important sector accounting for 34 % of GDP in 2000, down from 40 % in 1996 despite solid growth rates between 3-4 %.

Export of cash crops such as apples, oranges, and potatoes has developed favourably and balanced the increased import of rice (in monetary terms). The national food security objective is challenged by settlement growth and infrastructure construction taking place on fertile paddy land (though strict rules in the Land Act should prevent this). There has been a maize surplus in recent years with little alternative use. Mechanisation is still at its infancy and many farm communities suffer from the pre- and post harvest losses incurred by wild animals (up to 30 % of the total production). Household food security is still critical in remote areas of Bhutan because of landlessness, fragmented land-holdings, lack of off-farm income opportunities, lack of access to markets. . The planned revision of land act and grazing regulations during 9<sup>th</sup> FYP may bring prospects to the marginal land-holders and sharecroppers.

Much of the agricultural production is for home consumption as market integration is marginal and cash income level is very low in rural areas (less than 1 \$ per capita per day). The natural resources dynamic is complex and varies among regions. The natural resource base seems to be used quite intensively in some areas (e.g. around settlements, and intensive grazing in broad-leafed forests). In remote and inaccessible areas an increasing portion of land is converting to fallow at the same time because of low economic return and labour shortage due to out-migration of the young people. On the other side, the sub-tropical and naturally more productive belt faces difficulties to contribute more to the in-country supply of food, mostly due to destruction by wild animals, difficult road access and also security reasons.

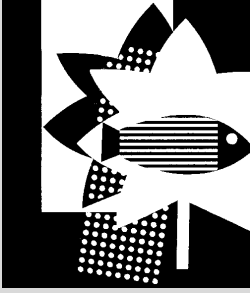
Regarding forest products, despite the export ban of round log to India timber is in short supply and prices remain high due to high extracting costs. The opening up of new forests management units with road construction is costly. Nature Conservation has been fostered in protected areas, which represent 26 % of the total land area. But only four out of nine national parks are actively managed. Social- and community as well as private forestry remains at infant stage despite the endorsement of Social Forestry Rules and Regulations in April 2000. The livestock sector has seen steady progress but productivity improvements (cross breeding) is slow because of religious sentiments and cattle migration, which seems to be gradually declining.

Capacity building on several levels has taken place and shows good results, since Human Resources Development was given high importance in most of the RNR projects. The capacity and willingness to discuss controversial policy issues in an open manner have increased. How far the capacity of farmers

has been improved through Helvetas/SDC projects is an open question. Some careful steps toward organising farmers' groups were undertaken with reasonable success. The National Assembly has passed a Cooperative Act in 2001 and the formulation of an NGO Act has started. Their endorsement improves the framework to establish intermediary organisations in rural areas.

The RNR sector, similar to other sectors of RGOB, has seen several restructuring exercises. While trying to improve accountability and transparency such institutional changes tend to create a lot of staff and other changes which often make coordination more difficult and responsibilities less clear. The planned restructuring of the RNR sector may lead to another round of changes with hopefully improvements in service delivery.

The RNR sector sees the highest number of donors. Despite dedicated efforts of the MoA, and several RNR donor coordination meetings during the past years, aid and donor coordination in this sector remains challenging issue given the various aspects: agriculture development, rural development and decentralisation. With the Forestry Institutional Development Initiative (FIDI), financed by the World Bank, Helvetas obtained the mandate to support MoA to elaborate the 9<sup>th</sup> FYP in this sub-sector.

<b>Renewable Natural Resources</b>			
 <p><b>Sector objective:</b> To improve the living standards of rural households and to foster sustainable management of natural resources through facilitating relevant research and extensions, as well as strengthening community organisations and their marketing capacities.</p> <p>Note: Farm access roads are considered to be part of the RNR sector (MoA responsibility)</p>			
Priorities	Strategies & Approaches	Issues & Challenges	Indicators
<p><b>Improve rural livelihood</b></p> <ul style="list-style-type: none"> <li>- RNR RCs (Livestock, Forestry, Field Crops)</li> <li>- NRTI</li> <li>- East Central Region Agriculture Development Project (ECR-ADP)</li> <li>- Rural Development Training Centre (RDTC)</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of economic opportunities and market links</li> <li>• Linking research, extension and training in an effective manner</li> <li>• Promotion of entrepreneurial skills</li> <li>• Rural infrastructure development (e.g. farm roads, irrigation,)</li> </ul>	<ul style="list-style-type: none"> <li>• Marginal agriculture opportunities in mountain environments</li> <li>• Enhanced farmers participation</li> <li>• Improved access to markets</li> <li>• Limited options for farm mechanisation given the topography and small holdings</li> <li>• Sustainability of infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• New technological packages available to farmers</li> <li>• Product diversification and increased cash crops</li> <li>• More off-farm income</li> <li>• New employment created in rural areas</li> <li>• Participation in the development and maintenance of infrastructure by beneficiaries</li> <li>• Reduced rural to urban migration</li> </ul>
<p><b>Sustainable management of natural resources</b></p> <ul style="list-style-type: none"> <li>- RNR RCs</li> <li>- NRTI</li> <li>- PFM</li> <li>- ECR_ADAP</li> <li>- Participatory Forestry Management</li> <li>- RDTC</li> </ul>	<ul style="list-style-type: none"> <li>• Research extension and training</li> <li>• Promotion of systems adapted to mountain environments and exploiting opportunities given by the specific conditions (niche opportunities, e.g. organic farming)</li> <li>• Fostering the formulation and implementation of</li> </ul>	<ul style="list-style-type: none"> <li>• Wide range of environments and production systems pose major challenge in the allotment of research, training and extension resources</li> <li>• Confliction priorities between conservationists and rural households</li> <li>• Active participation of rural population in the</li> </ul>	<ul style="list-style-type: none"> <li>• Generated and applied technologies for sustainable management of resources</li> <li>• Maintained and/or improved crop/animal and forestry production</li> <li>• More and better management of private and community forest and grazing land resources</li> <li>• More activities in private/community forestry</li> </ul>

	<p>legal systems supporting sustainable use of land and forest resources</p> <ul style="list-style-type: none"> <li>• Compensation for conservation related opportunity costs</li> </ul>	<p>formulation of conservation strategies</p> <ul style="list-style-type: none"> <li>• Functional research, training and extension system</li> <li>• Enabling framework to realize private and social forestry</li> <li>• Development of economically and socially sustainable compensation mechanism</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<p><b>Human Resources</b></p> <p>- NRTI and RDTC - PFM</p>	<ul style="list-style-type: none"> <li>• Formal and non-formal training of research/ extension and teaching staff</li> <li>• Training of farmers (early school leavers, young farmers and community leaders)</li> </ul>	<ul style="list-style-type: none"> <li>• Long term HRD master plan for the sectors and its sub-sectors is made available by MoA</li> <li>• Motivation and leadership of government staff</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity and dedication of RNR staff increased</li> <li>• Farmer marketing skills improved</li> <li>• A pool of experts are created in RNR Sector</li> </ul>
<p><b>Institutional Strengthening</b></p> <p>All RNR projects</p>	<ul style="list-style-type: none"> <li>• Support programme approach and national execution wherever feasible</li> <li>• Support institutions through infrastructure and other facilities</li> <li>• Use of IT in knowledge dissemination for efficient database management and enhanced communication</li> <li>• Enhance coordination from farmer to central level, and among RNR institutions</li> <li>• Improved planning capacities at the Geog and District and HQ levels</li> <li>• Capacity development for private sector (market development, enabling environment etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Skilled human resources available</li> <li>• MoA is reorganised and roles of institutions are clarified</li> <li>• Cooperative and NGO Acts are endorsed and applied</li> <li>• Price mechanisms are transparent and market information is accessible</li> <li>• Group formation and motivation</li> </ul>	<ul style="list-style-type: none"> <li>• IT based knowledge exchange in the RNR sector has expanded</li> <li>• Coordination platforms (RNR conference, regional and national workshops) are efficient and effective</li> <li>• Number of intermediary institutions, such as community groups, cooperatives and associations, sustainably increased</li> <li>• Effective and efficient implementation of Geog plans</li> <li>• Increased market oriented activities</li> </ul>
<p>What should be avoided:</p> <ul style="list-style-type: none"> <li>• Forgetting to plan and implement phasing out/handing over of projects</li> <li>• No real ownership by partners or targeted groups</li> <li>• Under estimating the need/resources for monitoring and evaluation</li> </ul>			

*Table 5: Overview on priorities, strategies, issues and indicators to be addressed in Renewable Natural Resources sector during the 9<sup>th</sup> FYP*



### 4.4.3. Rural Infrastructure

**Sector Objective:** To improve access to social infrastructures and services through construction and maintenance of trails, suspension bridges and selected road bridges.

In Buddhist conviction, bridge building is a very beneficial activity; it means alleviating other people's obstacles. Thus, bridge building has a long tradition in the hills and mountains of Bhutan. 40 years ago people crossed rivers by locally made bridges, like log, bamboo, wooden cantilever and chain bridges. Most of these bridges could not carry animals, and some of them had to be dismantled before the beginning of each monsoon to prevent them from being washed away by the torrential floods. In the southern part of Bhutan, where the rivers are much wider, the old techniques are not adequate to build bridges of the required spans. These rivers could only be crossed during the dry winter season by ferryboats.

Bhutan's mountainous topography presents extraordinary difficulties for the construction of a reliable road network. By end of 2001, more than 3'700 km of roads (incl. 1558 km of national highway and large lengths of forest roads) and 380 suspension and suspended bridges have been constructed. Almost 200 pedestrian bridges were financed with SDC assistance. Given all the steep valleys and rivers, bridges are a vital and expensive part of the transport and communication network. Maintenance and upgrading of the roads and tracks to meet the ever-increasing traffic volumes is a challenge, given the rough topography.

The Swiss assistance in the infrastructure sector has focused mainly on bridge building (suspension/suspended and road bridges) and will continue to do so. Other donors involved in road improvement and bridge building programmes are Japan (turn key construction), ADB in road maintenance, India with road maintenance and bridge replacements in the south, WB/SNV with the Rural Access Project through which new feeder roads will be built. Helvetas has also constructed a few feeder roads, which are, however, considered to be part of the RNR sector.

Transport and communication in a substantial part of the rural areas still continue to depend on foot trails, mule tracks and pedestrian suspension bridges. Trail bridges over Bhutan's deep river valleys can cut walking distance by several hours or sometimes even by more than a day. During the monsoon, whole valleys of the hinterland can be cut off from the road network unless they are accessible via safe suspension bridges. The availability of suspension bridges brings benefits to residents in remote areas. By connecting foot trails to the road network, they also provide access to more distant markets, allowing seasonal migratory movements and facilitating social and administrative services.

During the Round Table Meeting (November 2000), RGOB illustrated the need to tackle poverty issues with providing remote rural communities with basic infrastructure such as road access, which is then a catalyser to attract other important infrastructure like electricity, schools and health facilities. While this was appreciated, the donors also pointed to the high marginal cost of providing these facilities to the remotest areas and the rapid increase in maintenance budgets.

Other donors active in bridge construction are the World Bank (Rural Access Project), the Government of India (various steel bridges) and Japan.

Although the need for new suspension bridges grows with the expansion of the road network and the demand will increase with the new decentralisation policy, it can be projected that after another five to ten years saturation will be reached with pedestrian bridges (and marginal benefit of new bridges will drop). Helvetas/SDC will not finance major new road bridges. Therefore, support will shift towards on-the-job training and HRD of graduates. It is foreseen, that the Helvetas/SDC support in this sector will gradually be phased out, starting with the support to the RBD. After the completion of the Wangdue Bridge selected training support is foreseen. The fifth phase SBP is also designed to be the final stage before complete handing over to RGOB after the 9<sup>th</sup> FYP.

	<b>Rural Infrastructure (Bridges)</b>		
<b>Sector Objective:</b> To improve access to social infrastructures and services through construction and maintenance of trails, suspension bridges and selected road bridges.			
<b>Note:</b> The construction of schools and training institutes is classified in the education sector and the construction of farm access roads as part of the RNR sector.			
Priorities	Strategies & Approaches	Issues & Challenges	Indicators
<b>Institutional capacity building</b> - Suspension Bridge Project - Support to RBD	<ul style="list-style-type: none"> <li>• Long term training in engineering for young graduates</li> <li>• Computer (CAD) and management training</li> <li>• In-service and on-the-job training</li> </ul>	<ul style="list-style-type: none"> <li>• Engineering division is able to design, standard bridges in Bhutan</li> <li>• Reduction in staff transfers/long term absences</li> </ul>	<ul style="list-style-type: none"> <li>• Engineers have received training in bridge designing and construction supervision</li> <li>• Enhanced professional engineering skills</li> <li>• RBD can manage bigger bridge projects effectively and efficiently</li> </ul>
<b>Enhancement of Sustainability</b> - Suspension Bridge Project	<ul style="list-style-type: none"> <li>• Proper technical and financial feasibility studies conducted</li> <li>• Strengthening of evaluation and monitoring Processes</li> <li>• Further improvement of maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Clear-cut responsibilities at central, district and Geog.</li> <li>• Trained staff is available</li> <li>• Careful final check and post-project calculations done</li> </ul>	<ul style="list-style-type: none"> <li>• District and Geog plans, implement and maintain their own bridges</li> <li>• Monitoring (combined with corrective measures) implemented</li> <li>• Maintenance schemes applied</li> </ul>
<b>Promotion of Private Sector</b> - Suspension Bridge Project	<ul style="list-style-type: none"> <li>• Partial or complete privatisation of Government entities</li> <li>• Outsourcing of designing/engineering work</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory support to RGOB</li> <li>• Entrepreneurship skills enhanced</li> <li>• Enabling framework for private businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of new construction companies</li> <li>• More competitive environment</li> <li>• More comprehensive services available from the private sector</li> </ul>
<b>Appropriate technology</b> - Suspension Bridge Project - Support to RBD	<ul style="list-style-type: none"> <li>• Appropriate and cost effective designs (standardisation vs. site specific solutions)</li> <li>• Technical assistance to upgrade skills at RBD</li> </ul>	<ul style="list-style-type: none"> <li>• Standardisation for common designs</li> <li>• Cost effective solutions for case specific bridges developed</li> </ul>	<ul style="list-style-type: none"> <li>• Standardisation implemented</li> <li>• Careful site investigations conducted (and standard designs optimised)</li> </ul>
<b>Building bridges</b> - Suspension Bridge Project	<ul style="list-style-type: none"> <li>• Construction of suspension and suspended bridges</li> <li>• Introduction of cost effective intermediate technology</li> <li>• Selected technical support in road bridge construction</li> </ul>	<ul style="list-style-type: none"> <li>• Beneficiaries contribute labour (community participation)</li> <li>• Intermediate technology reduces costs for trail bridges</li> <li>• Phasing out of technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Construction of around ten suspension bridges per year</li> <li>• Improvements in site/selection and bridge designs achieved</li> <li>• Reduced construction costs</li> <li>• RBD fully capable to plan/manage new bridges</li> </ul>
<b>What should be avoided:</b> <ul style="list-style-type: none"> <li>• Tunnel syndrome (purely technical approach)</li> <li>• Over stressing local implementation capacity</li> <li>• Marginalisation vis a vis other donors inputs</li> </ul>			

Table 6: Overview on priorities, strategies, issues and indicators to be addressed in Rural Infrastructure sector during the 9<sup>th</sup> FYP.

## 4.5. Partners

With a few minor exceptions, RGOB will remain the single most important partner. With the changing policy framework more direct development support is expected to go directly to District/Geog levels or intermediary organisations (community-based groups, cooperatives, associations etc.).

More and more projects and programmes of Helvetas/SDC are executed under the national execution modus where the Bhutanese project managers have overall responsibility. All technical assistance is provided as advisory input. The continued decentralisation and possible liberalisation may offer potential to strengthen the civil society, cooperative institutions or farmer associations, especially under the RNR sector. Strong emphasis will be given to the integration of micro-meso-macro aspects so that the policy dialogue can be based on field experience. In line with the partnership principle of Helvetas, continuous efforts will be made to integrate all levels of beneficiaries in the project planning, implementation and handing over process. Participation shall go beyond mere information and include the fostering of local decision-making processes within the framework of the decentralisation policy of the 9<sup>th</sup> FYP.

In order to increase the "ownership" of the various projects, Helvetas/SDC will request corresponding contribution of the partners either in kind, in labour or in finances. It would further pursue the programmatic approach, which is in line with RGOB policy and Helvetas/SDC to gain broader donor participation rather than competition in all three sectors. Helvetas/SDC will continue close partnerships in their working areas (such as with the World Bank) and remain open for strategic alliance with other bi- or multilateral donors.

## 4.6. Assumptions: Opportunities and Risks

Regarding the development in key areas, the following assumptions have been made and will determine the success of the Country Programme 2003-2007:

- **Natural resources:** Natural catastrophes, such as earthquakes, land slides, glacier out-burst floods, or technical failures of hydropower schemes do not retard harnessing of agriculture and hydropower resources.
- **Population:** The rate of population growth is expected to decline from 2.5 percent at present to less than 2 percent by 2010 as a result of increased family planning. Although AIDS cases are increasing, the risk of catastrophic diseases seems negligible nowadays. Nevertheless mainstreaming of HIV/AIDS prevention messages will be introduced in the different projects.
- **Economy:** Economic growth is expected to increase to 7-8 percent per year for the coming years. But economic growth could take place without adequate generation of employment. Youth unemployment is on the rise and could lead to higher levels of crime and social instability.
- **Institutional Framework:** The decentralisation process, advanced accountability of government staff and participation of local people and user groups are continuously strengthened. Privatisation efforts are continued and a legal framework for the creation of intermediary institutions (e.g. associations) will be promoted.
- **Political situation:** If we assume that joint verification of refugees in Nepal finally results in a satisfactory solution for all parties involved and in the repatriation of proved Bhutanese, the integration and reconciliation process will be complex and pose local risks on social stability.
- **National security:** The situation due to the presence of 3 Indian militant groups will not escalate in a military operation and will see a peaceful withdrawal or disarmament of the

militants. It is assumed that Bhutan will continue to guarantee a stable security situation through continued collaboration with its neighbours (especially India and China) and the donors.

## 5. Programme Management

### 5.1. Organisational Structure

The Swiss Agency for Development and Cooperation (SDC) has entrusted Helvetas with the execution of most bilateral projects in Bhutan. Helvetas has long-standing experience in Bhutan<sup>6</sup>, a well-established partnership and a very good understanding of contextual developments through its broad network of resource persons.

Helvetas/SDC continue to operate the joint Coordination Office in Thimphu. This provides strategic, monitoring and evaluation as well as administrative services to the projects and programmes and elaborates the joint Annual Programme of Helvetas/SDC. It is responsible for coordination with other donors in Bhutan, whereas technical coordination is directly done through the projects.

The Helvetas Programme Coordinator (desk officer) is responsible for all contracts (expatriates and international consultants) and represents the programme in Switzerland. At SDC Berne, the Bhutan Desk Officer of Asia Section II coordinates and supervises the mandate of Helvetas. The Asia Section II is responsible for Donor Coordination outside of Bhutan as well as policy dialogue on sectoral and cross cutting issues with RGOB inside as well as outside Bhutan. Asia II Section integrates additional departments of SDC and the various Directorates of the Swiss Foreign Ministry in the decision-making process as per requirements. The Coordination Office directly liaises with the Swiss Embassy in Delhi for consular matters.

Given the different project types the „zone of influence“ of the above organisational entities varies:

- **Helvetas projects** are implemented under the responsibility of Helvetas (they are approved by the Board of Directors of Helvetas) and are subsidised by SDC with two thirds.
- **Bilateral SDC projects** are fully funded by SDC and implemented by Helvetas. Programme planning and administration have to comply with the SDC regulations and guidelines. The implementation is mandated to Helvetas. This particular situation has to be clearly communicated to our partners in Bhutan as well as in the public relation work.
- **Trust fund projects** are obtained through bidding or negotiation with funding institutions. They are implemented under contractual obligations. Bidding for such projects is only possible if projects are within the framework of this Country Programme.

### 5.2. Budget and Human Resources

The financial contributions of Helvetas/SDC during the 9<sup>th</sup> FYP are partly determined by the existing commitments for ongoing projects. However, several new projects will be programmed at the early stages of this CP to fully address the goals and objectives. During various meetings with RGOB officials, Helvetas/SDC have signalled that the overall ceiling for fund disbursement shall remain between CHF 7.5 – 8.5 million per year. The following table shows the existing commitments plus some tentative projections for the sectoral allocations.

---

<sup>6</sup> See also Annex E "Review of Swiss Assistance"

Prospects beyond the 9<sup>th</sup> FYP are difficult. However, with further economic progress and the electricity income Bhutan will become a lower middle-income country and Bhutan will be able to reduce its dependency on foreign aid. Accordingly the Swiss contribution might be reduced and thematically as well as geographically reoriented.

Overview of Financial Indicators								
	Effective Expenses		Plan					Pro-spects
	Ø 93/97	Ø 98/00	2003	2004	2005	2006	2007	Ø 08/12
Overall budget (in millions of CHF, excl. overheads, e.g. PLE)	7.5	6.7	8.3	8.3	8.0	8.0	7.5	5
Allocation per project type (Mio. CHF)								
- Helvetas projects (incl. Trust funds)	1.8	2.0	1.8	1.8	1.5	1.5	1.5	1.2
- SDC mandated projects	2.9	4.0	6.0	6.0	6.0	6.0	5.5	3.8
- Multilateral projects/others	2.8	0.7	0.5	0.5	0.5	0.5	0.5	n.a.
Sectoral allocation (mio. CHF)								
- Education and Culture	2.3	2.4	3.5	3.3	3.5	3.5	3.0	n.a.
- RNR	4.2	2.7	3.5	4.0	3.5	3.5	3.5	n.a.
- Rural Infrastructure	0.5	1.2	1.0	1.0	1.0	1.0	1.0	n.a.
- Others (incl. health)	0.5	0.4						n.a.
Committed (approximately)	85 % <sup>1)</sup>	88 % <sup>1)</sup>	8.3	7	6	5	3	0
No. of expatriates	15	8	7	5	5	5	5	4
Proportion of technical assistance (% of total expenditures)	45	25	25	25	25	20	20	n.a.

1) Average bilateral expenditures compared to budgets

*Table 7: Overview of selected financial indicators (all figures are indicative). The Swiss contribution during the 9<sup>th</sup> FYP will amount to approximately CHF 7.5 to 8.5 million per year.*

### 5.3. Monitoring and Steering

Monitoring and evaluation at the country programme level shall assess the achievements, provide information for the management and draw lessons from experience. Annex I gives an outline on the rolling controlling plan for reviewing the progress within this Country Programme.

The regular application of the Planning, Evaluation, Monitoring and Transference into Action (PEMT) instruments developed by SDC will be vital at programme and project level. Monitoring and steering functions have to be performed according to the terms of references of the different functions of the staff involved and all staff has to be regularly informed and trained on his/her duties and competencies. It shall take into account the following PEMT dimensions:

1. **Relevance:** Were the project objectives and outcomes relevant compared to the overall development strategy of RGOB and the Helvetas/SDC Country Programme?
2. **Efficacy:** Were the stated physical, financial, institutional and policy-related objectives reached?
3. **Efficiency:** Were the results achieved by the project, highly cost-effectiveness?

4. **Sustainability:** What is the likelihood (at the time of evaluation) that the project will maintain its results in the future.

Regular external evaluations shall be made where needed or justified, such as mid-term reviews for larger mandated projects and final evaluations in all projects. Comprehensive impact assessment is complex and only justified for larger or experimental projects. The question of cost-effectiveness of such monitoring and evaluation shall be carefully taken into account. Financial monitoring and auditing for all programmes and projects shall be further strengthened in cooperation with the Department of Aid and Debt Management (DADM/MoF).

A specific monitoring of the impact of on going, new and planned projects on the dynamic of the communities (empowerment, tensions, discriminations) will be developed and implemented. The results will be included in the progress reports, or in special reports (if need be).

Additionally, the Coordination Office on the basis of the SDC concept will implement a monitoring of the development policy context. This monitors the socio-economic and political trends and processes along selected fields of observation. Observation of human rights issues and discriminatory practices will be an integral part. Efficient and effective monitoring and steering will depend upon good and transparent communication and information flows among the involved institutions and their various departments.

The following table depicts an overview on major monitoring and steering instruments applied for the implementation of the Bhutan Country Programme.

<b>Major Monitoring and Steering Instruments</b>		
<b>Instrument</b>	<b>Responsibility</b>	<b>Reporting/Documentation</b>
<b>Strategic Aspects</b>		
<b>Monitoring of the development policy context</b>	Resident Coordinator	Internal half yearly reporting on fields of observation (Bhutan being a middle risk country). Specific ad-hoc reports as per need
<b>Country Programme</b>	Helvetas Programme Coordinator/Desk Officer SDC	Status of Country Programme commented in Annual Programmes
<b>Annual Review Meeting Helvetas-SDC</b>	SDC, Asia II Section	Internal minutes
<b>Annual Programme Review Helvetas</b>	Head Foreign Department Helvetas	Internal minutes
<b>Steering Committees/Task Forces</b>	RGOB Partner , Resident Coordinator	Internal minutes
<b>Operational Aspects</b>		
<b>Annual Programme</b>	Programme Coordinator Helvetas, Desk Officer SDC	Minutes of annual discussion
<b>Regular progress reports</b>	Expatriate advisers, National Project Managers/Directors, Resident Coordinator (compilation)	Half-yearly reporting Interim Report (July) Annual Report (February)
<b>Project Evaluations/Backstopping missions/Mid Term reviews</b>	Helvetas Programme Coordinator ZH/Desk Officer SDC	Mission report/aide memoir
<b>Programme Status</b>	Resident Coordinator	Quarterly up-dates of budgets and programme status (expatriates, missions etc.)

<b>Projects Status Sheets</b>	Expatriate advisers, National Project Managers/Directors	Half yearly up-dates of the one page summary
<b>Project visits or home leave</b>	Helvetas Programme Coordinator, Desk Officer SDC	Travel report, office memorandum
<b>Financial Aspects</b>		
<b>Budget/expenditure control</b>	Helvetas Finance & Accounting Section ZH and Finance Section, Coordination Office Thimphu	Quarterly consolidated expenditure statements
<b>Audit of the projects</b>	Resident Coordinator for Terms of Reference of audit and follow up	Audit report by RAA, and private audit company (if need be)
<b>Audit of Helvetas</b>	Helvetas board members	Audit report by external auditor

*Table 8: Overview on Helvetas/SDC controlling and monitoring tools applied for programme steering.*