

BHUTAN
WANGDI NORBU, Governor ad interim

It is a great privilege and honor for me to represent Bhutan and to address this august gathering on the occasion of the 34 th Annual Meeting of the Asian Development Bank (ADB). On behalf of my delegation, I would like to thank our hosts—the beautiful city of Honolulu and its people for the warm welcome and gracious hospitality extended to us. I would also like to congratulate the management and staff of ADB and the Hawaii/United States (US) Committee for the efficient and flawless arrangements made for this meeting. May I also join the other Governors in extending a warm welcome to the delegation of Turkmenistan who are attending this meeting for the first time, as the fiftyninth member of ADB.

During their deliberations in Chiang Mai a year ago, many Governors had noted the stronger-than-expected recovery, and the continued good prospects for the countries our region. Looking back over the past year, it is reassuring to note that the global economy recorded the best growth performance in the last 13 years. However, the latter half of the year was somewhat marred by the emergence of some uncertainties—particularly the slowdown in the US economy, and the fall in global equity markets. These uncertainties, which have the potential to affect the lives of millions of people throughout the world, have somewhat clouded the prospects for sustained growth of the global economy just as the countries of our region were beginning to get back onto the high-growth track. ADB must be prepared to respond quickly and flexibly to meet any challenges that may lie ahead. In light of the agility and responsiveness with which it reacted to the crisis that affected our region in 1997, we have no doubt that ADB has the innate ability and the willingness to face any eventuality.

We are happy to note that the first year of the millennium has been another year of successful operations by ADB. With the effects of the Asian crisis gradually waning and the favorable international economic environment, ADB was able to refocus on its fundamental role as a broad-based development institution. Lending totaled \$5.85 billion, which is an increase of 17.5 percent over the previous year. We are particularly happy to note that as a result of ADB's implementation of its poverty reduction strategy, Asian Development Fund (ADF) loans increased by 48.8 percent during the year.

We would like to congratulate President Chino and the Management of ADB, as well as the donors, for bringing the ADF VIII negotiations to a successful conclusion. In the context of ADB's overarching and crosscutting objective of reducing poverty in our region, the availability of ADF resources is crucial for many of the poorest members in order to enable them to achieve equitable and sustainable development. While ADB has agreed to the new operational priorities and approaches in the form of performance-linked allocations, we trust that ADB will continue to take into consideration the constraints and the circumstances of each country, in their application.

Bhutan supports the various initiatives taken by ADB during the year, particularly its efforts to formulate a long-term strategic framework (LTSF), which will allow it to focus on the core strategic areas of sustainable economic growth, inclusive social development, and good governance. Although a relative latecomer to the process of economic development, from the very beginning, a distinguishing hallmark of Bhutan's development strategy has been the adoption of a holistic approach to the development process. This places the individual at the center of all development efforts. Conceived by His Majesty the King, Bhutan's development philosophy not only emphasizes material progress as measured in terms of GDP growth, but also the development of social structures, cultural values, and spiritual beliefs, as well as environmental considerations. Given our Buddhist faith, which forms the bedrock of our country, we firmly believe that without these essential elements of human existence, economic growth by itself would be meaningless.

In the year 2000, the Bhutanese economy continued to experience robust growth with GDP growing by over 6 percent compared with 5.9 percent in the previous year. Much of this growth emanated from the construction sector as a consequence of the implementation of a number of large hydropower projects. The harnessing of our hydropower potential continues to be the cornerstone of our development efforts. Although the overall budget deficit grew to 3.9 percent of GDP from 1.9 percent in 1999, Bhutan continued to enjoy macroeconomic stability. The current account deficit was more than covered by capital inflows, mostly in the form of grant assistance.

Bhutan is now nearing the completion of its Eighth Five-Year Plan. Although much was achieved during the plan period, a lot more remains to be done. At the present stage of our development, the priority areas before us are to provide an enabling environment for faster private sector growth, the development of physical and social infrastructure, and ensuring an equitable distribution of growth. Although the Royal Government has made a lot of effort to strengthen the role and capacity of the private sector, due to inherent weaknesses, it still remains at an embryonic stage. Therefore, our policy dialogue with ADB focused largely on promoting private sector development. We will continue to seek ADB's assistance in creating an enabling environment including strengthening the banking sector, liberalizing the foreign trade and investment regimes, and reforming the legal and regulatory procedures in order to make them more transparent.

Since Bhutan became a member in 1982, ADB has played a significant role in supporting our development. So far, ADB has approved loans amounting to \$94.76 million, and technical assistance grants amounting to \$26.5 million. Much of this assistance has been in the areas of infrastructure and institution building, both of which are vital to our development objectives and goals. During the year 2000, ADB provided two loans amounting to \$19.6 million for health care reform and road improvement. The health care reform program includes major policy initiatives to strengthen the financing, management, and regulatory framework of the health sector. The road improvement project will support the improvement and maintenance of the vital highway linking the western and eastern parts of the country. Given the difficult mountainous terrain of the

country, a network of roads is essential in increasing access to essential services, and bringing remote communities into the economic mainstream.

On behalf of the Royal Government, I would like to thank ADB for its support to our development efforts. The level of cooperation between Bhutan and ADB has been excellent, and ADB has always demonstrated a deep understanding of our development priorities and efforts. We will continue to look to ADB as one of our foremost development partners.

In conclusion, I would like to express our appreciation to President Chino and his colleagues in ADB for their sincere and unstinting efforts toward realizing ADB's goal of an Asia-Pacific region free of poverty, and I wish them every success in their endeavors.