



# 39<sup>TH</sup> ANNUAL MEETING

## BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

Hyderabad, India

4–6 May 2006

**GS-52**

### **BHUTAN**

Wangdi Norbu, Governor

First of all, I would like to join our fellow governors in expressing deep gratitude to the Government of India for hosting this meeting, and for the warm hospitality extended to us. This historic city of Hyderabad is a most appropriate selection as it is the fastest growing high-technology city in India.

We also join the other delegations in welcoming two new members, Armenia and Brunei Darussalam. Their presence will further strengthen the Bank.

As we come together to take stock of the policies and activities of the Asian Development Bank (ADB) during the past year, I believe ADB deserves praise. Much has been achieved in the past year of President Kuroda's stewardship.

We commend ADB for continuing to pursue innovative approaches in fostering and catalyzing development, such as regional and subregional initiatives. Bhutan believes that active participation in regional cooperation initiatives will be beneficial to all. We therefore place great importance on the South Asia Subregional Cooperation (SASEC).

We also welcome ADB's proposed second medium-term strategy (MTS II), which will allow ADB to focus its activities in the short term. We look forward to actively participating and cooperating with ADB in fulfilling its strategic priorities. Under our ongoing development agenda, we have already been pursuing some of the strategic priorities of MTS II.

We would like to commend ADB for its initiative in enhancing the development effectiveness of its operations by aligning its strategies with those of its member countries, especially the developing member countries (DMCs). This will greatly enhance the effectiveness of the joint efforts of ADB and of the DMCs.

We also appreciate the innovation and efficiency initiative (IEI) adopted by ADB in 2005. Under this initiative, the offer of a new array of financial services will greatly help the DMCs meet their investment needs and facilitate private sector development.

The move by the Bank to disburse funds to Asian Development Fund (ADF) borrowers and to accept repayments in one SDR-denominated currency instead of many currencies is greatly appreciated. This will increase predictability and help ADF countries to manage their debt services more effectively. We thank our ADF donor countries for their kind consideration in this matter.



**ADB**

Let me touch briefly on Bhutan's socioeconomic development. We have had GDP growth of over 7% in the past year. Other macroeconomic factors, such as inflation, exchange rates, and budget balances, have been stable. While we continue to have a trade deficit, our balance of payments has remained positive. Our international reserves are also at a satisfactory level. We expect conditions to improve markedly next year following the completion of one of our largest hydro-power projects.

Under the visionary leadership of our dynamic king, tremendous achievements have been made, and we are on the threshold of making further strides. Nevertheless, daunting hurdles remain. While our socioeconomic indicators have improved markedly within a relatively short span of time, we have still a long way to go. Bhutan's progress toward the Millennium Development Goals (MDGs), while on track at present, is still posing a considerable challenge because of a lack of resources. Our infrastructure base is still very poor, and needs much larger investments given the difficult terrain of the country.

Currently, we are at the end of our ninth five year development plan period. The tenth plan will begin from July 2008, and poverty reduction will be the main thrust. The tenth plan will also continue to focus on infrastructure development as the major means of reducing poverty, especially in rural areas. We want to increase connectivity, expand the network of social services, deepen the devolution and decentralization process, and foster greater private sector development.

Bhutan is undergoing tremendous changes under the visionary leadership of our extraordinary king. As I mentioned at our last meeting, Bhutan is moving steadily toward a new form of governance, a democratic form of constitutional monarchy, scheduled to begin in 2008. We have already established two important institutions, the Election Commission and the Anti-corruption Commission. In the same year as the adoption of the new form of governance, our present king, although still young, will pass on the throne to his son, the Crown Prince. With this transformation, we will be able to further our development objectives as we move toward becoming a fully-developed modern nation. The international community has expressed full support for this change, and we are confident that material assistance for development will also be forthcoming from our development partners, to maintain the confidence of a people under a fledgling democracy.

In this context, I would like to point out that the increase in revenues due to the new hydropower project will be largely offset by new expenditures in support of institutions and processes brought about by the Constitution, and by the increase in the maintenance costs of infrastructure. Furthermore, our expenditure is expected to grow because of increasing social sector spending in order to meet the high incremental costs of achieving the MDGs. The need for external assistance is therefore critical for Bhutan at this juncture to consolidate the development successes of the past and to chart a sustainable future.

In conclusion, I would like to express our appreciation of the reforms initiated by ADB under the dynamic leadership of President Kuroda. The Government and the people of Bhutan join me in wishing ADB every success in implementing the reforms and achieving our overarching goal of a poverty-free Asia and Pacific region.