

Development
Effectiveness
Brief

Bhutan ▶

Preserving a Proud Heritage while Building a Strong Future



ADB

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Asian Development Bank



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Bhutan

Development Indicators

Non-MDG

| | |
|--|------|
| Population in millions (2008) | 0.67 |
| Annual population growth rate (%) (2006–2008) | 1.9 |
| Adult literacy rate (%) (2007) | 55.6 |
| Percent of population in urban areas (2007) | 33.3 |

MDG

| | |
|---|------|
| Percent of population living on less than \$1.25 a day (2003) | 26.2 |
| Percent of population living below the national poverty line (2007) | 23.2 |
| Under-5 mortality rate per 1,000 live births (2007) | 84 |
| Percent of population using an improved drinking water source (2006) | 81 |

MDG = Millennium Development Goal.
Sources: ADB Fact Sheet.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

Bhutan and ADB: An Enduring Development Partnership

Temphey, a 50-year-old farmer living near the western Bhutan city of Wangdue, remembers well the days when his family's income depended on oxen. The farmer of potatoes, radishes, and chili peppers used an ox to plow his fields, and used the same animal to spend a grueling one-and-a-half days hauling his goods to market.

Today, Temphey lives an easier life. It takes about an hour to get his goods to market. The increased productivity of faster market access raised his income to the point that he could afford to buy an automated tiller that takes much of the punishing labor out of working his fields.

"I used to live like the ox in the field," he recalls. "Now, my work is easier and I can spend more time with my family."

The dramatic improvement in Temphey's life can be attributed to a single change: the Asian Development Bank (ADB)-sponsored improvement of Bhutan's East-West Highway. This landmark project is part of a broad portfolio of ADB's initiatives in Bhutan.

Bhutan is a small, landlocked country in Southern Asia that is undergoing a dramatic political, social, and economic transformation. Firmly rooted in its culture and traditions, Bhutan lacked telephones, an airport, hospitals,

postal service, and even a national currency until the 1960s.

In the last half century, Bhutan's sober, careful approach to development has yielded a steady rise in its gross domestic product (GDP), a decrease in overall rates of poverty, and steady movement toward achievement of the Millennium Development Goals (MDGs).

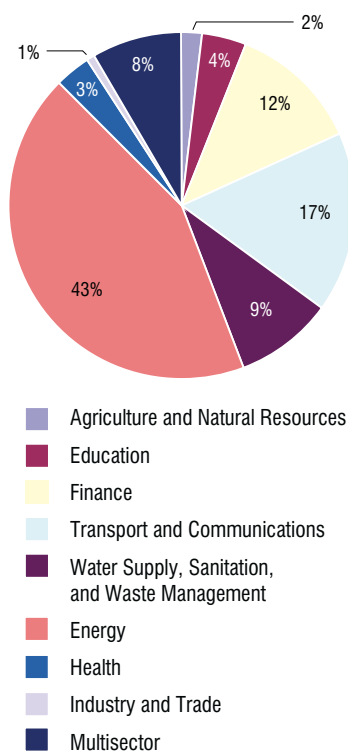
Bhutan has worked with external partners for many years in the country's development. ADB has been a partner in the country's transition and development since 1982, and today ADB is Bhutan's largest multilateral development partner.

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Temphey, a farmer in Bhutan, has benefited from an ADB-supported national highway project.

**ADB Loans to Bhutan by Sector
as of 30 June 2009**



ADB has provided 25 loans and 5 grants totaling \$303.5 million since it began working in Bhutan. Currently all of ADB's assistance comes in the form of grants. ADB has also provided \$42.4 million for 105 technical assistance projects. As of 30 June 2009, of the 30 approved projects, in value-terms, infrastructure-related sectors (energy, 43%; transport and communications, 17%) accounted for \$183 million (60%) of the total loan amount. The finance sector followed with \$37 million (12%) and the water supply, sanitation and waste management received \$27 million (9%).

Bhutan's 2008 transition from monarchy to democratic rule was handled smoothly, and the national focus on real human development—not simply economic growth—is evident in its

government policies. One-third of the national budget is devoted to health and education, and the country uses its own barometer of gross national happiness, which stresses a holistic approach to development.

Bhutan's GDP has grown impressively, increasing 11.5% in fiscal year (FY) 2008. In 2009, Bhutan likely will be spared the worst of the global economic slowdown. According to ADB's *Asian Development Outlook 2009*, GDP will continue to grow at 5.5% in FY2009 and 6.5% in FY2010. This compares favorably to the overall growth rate of the South Asia region, which is estimated at 4.8% in 2009 and 6.1% in 2010.

Despite its high GDP growth, Bhutan has a narrow economic base that relies heavily on the generation and sale of hydropower to India. This accounts for about 12% of GDP and 45% of government revenues. Incidence of poverty remains high, and 23.2% of the population lived below the national poverty line in 2007.

ADB's work in Bhutan has followed closely both Bhutan's Ninth Five-Year Plan (2002–2007) and ADB's long-term strategic framework 2008–2020 (Strategy 2020), and has been harmonized with other international development partners to avoid duplication. ADB and the Government of Bhutan have focused their efforts on four sectors: energy, transport and communications, water supply and sanitation, and finance sector development.

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ADB's Contribution to Development and Poverty Reduction

When asked who has benefited from ADB's assistance in bringing electricity to Bhutan, Bharat Tamong Yonzen seems almost shocked by the question. The managing director of the Bhutan Power Corporation (BPC), which is mandated with bringing electricity to the nation, notes that ADB was a driving force from day one in the country's "electricity for all" initiative.

"ADB has been fundamental in providing assistance to the electrification program of Bhutan," notes Mr. Yonzen. "In that sense, nearly everyone in Bhutan is a beneficiary of ADB. They have touched the lives of everyone in the country who uses electricity."

ADB and the government have cooperated in building an impressive portfolio of successful development projects. Project completion reports or evaluations by ADB's Independent Evaluation Department (IED) ranked nearly every ADB project in 2007 and 2008 *successful*,

including projects in agriculture, energy, finance, and transport.

The results of ADB's support are partly reflected in the outputs it helped produce across different sectors. During 2004 and 2008, ADB-supported projects helped install or upgrade 1,260 kilometers (km) of transmission lines and 1,770 km of distribution lines, bringing electricity to nearly 17,000 households. In transport, ADB helped build or upgrade 346 km of roads and highways, reducing vehicle operating costs by 19%–38%, cutting travel time by 25%, and directly benefiting nearly 100,000 people. In water supply and sanitation,

ADB and the government have cooperated in building an impressive portfolio of successful development projects



Near Thimpu, Nachu and his wife keep up with world events now that they have electricity.

ADB helped develop drainage and river training projects. In finance, ADB helped prepare a finance sector development strategy that was incorporated in Bhutan's Ninth Five-Year Plan and developed capacities in project financing and risk appraisal.

These facts and aggregated numbers provide a broad gauge that reflects the outputs and outcomes of ADB assistance. ADB's work has touched individual people's lives throughout the country.

Energy: Lighting Bhutan's Path Forward

Nachu, a proud former military man who lives in a small village outside Bhutan's capital of Thimpu, built his home when there was nothing but a mule track leading to an empty expanse of raw land. The soft-spoken 82-year-old has since seen the road come in; electricity and clean, piped water followed.

When he built his home years ago, he used candles and kerosene lamps for light, and a wood burning stove for cooking. The soot and smoke that filled the home kept his family coughing and the house dirty.

The kerosene and wood burning stove are gone now, replaced by light bulbs and a rice cooker. A television brings the latest news and entertainment from around the world. His five children are grown, but two grandchildren live with him; he says they benefit the most from electricity.

"With electricity, the children can study at night," he says. "This gives them a better chance to get a proper education. This improves their opportunity in life. We couldn't go back to the darkness, to the time before we had electricity."

Nachu and his family benefited from the deep partnership between the government and ADB in the energy sector. Accounting for about 43% of its loan portfolio in Bhutan, energy

represents ADB's largest area of involvement in terms of financing. As of 30 June 2009, ADB's assistance to the energy sector included five loans totaling \$132.0 million.

While Bhutan earns most of its national revenues by selling power, many people living in the countryside remain in the dark. The government recognizes this dichotomy and, in partnership with ADB, is pursuing an aggressive rural electrification strategy. The government has set a goal of 100% electricity coverage by 2013.

The government also reached an agreement with India to increase Bhutan's generating capacity to 10,000 megawatts (MW) by 2020, with the power available for export. This will substantially increase its current power generating capacity of 1,500 MW.

ADB's assistance has been dramatic in the area of rural electrification. The Rural Electrification and Network Expansion Project, which began in 2004, currently brings electricity to more than 8,000 new consumers, including poor households, schools, and hospitals.

Completed in 2006, the project included the installation of solar panel units in some remote areas. This helped reduce fuel wood consumption by about 80%, according to the project's completion report. The project also resulted in the replacement of kerosene lamps with electric lamps, contributing to improved air quality in homes and enabling the use of electrical appliances, such as televisions, which provide better access to information.

The project completion report found that pressure on forests decreased in areas near the electrification project, and that it promoted gender equality and education for the poor. Greater use of electrical appliances, such as rice cookers, enables women to save time and engage in income-earning activities, such as weaving, to increase their family incomes.

ADB's assistance has been dramatic in the area of rural electrification



Tashimo's electronics shop in Thimpu is booming since the availability of reliable electricity.

On a broader scale, electrification links directly to building the capacity of the BPC. More than any single project, this one empowered Bhutan to increase its electrification efforts nationwide and in a sustainable manner.

ADB's technical assistance for capacity building for the BPC was completed in 2006 and rated as *highly successful* in the technical assistance completion report. The technical assistance involved helping BPC undertake a complete overhaul of its operations, increasing efficiency. Upon completion, the corporation generated net profits, including a 4.6% return on fixed assets that followed losses since 2002.

The ADB-supported Electrification Act of 2001 transformed the BPC from a government agency into a corporation, according to Mr. Yonzen. This transformation removed constraints on decision making and access to resources previously faced by government agencies.

"As a corporation, we can focus on our core business: the distribution and transmission of electricity," said Mr. Yonzen.

ADB-supported restructuring and capacity building also introduced a corporate culture of efficiency and modern practices that is now

benefiting consumers. Requests for new energy connections that once required weeks of waiting are now fulfilled in 3 days or less.

The BPC was also the first Bhutanese corporation to implement a performance-based management system, a merit-based bonus system, and other industry standards. Today, other corporations ask for the BPC's advice on how to implement these policies.

"This capacity that ADB helped us build is now being passed on by us to other corporations in Bhutan," said Mr. Yonzen, who added that the BPC has been able to stop hiring expensive foreign consultants because its own staff can complete the tasks under its mandate. "The money that was used to hire consultants is now going to electrifying Bhutanese homes."

The restructuring of the BPC shows specific, measurable outputs. The results of the corporation's latest customer satisfaction

ADB-supported restructuring and capacity building also introduced a corporate culture of efficiency and modern practices that is now benefiting consumers

survey indicated an impressive positive response (88.5%), a satisfaction rate comparable to that of Singapore. In addition, power interruptions declined to 6.5% in 2008, a level that compares favorably with other countries in the region.

Tashimo, a 33-year-old electronics shop owner, finds herself in a growth industry as a result of the changes at the BPC. Because of the increased reliability of electricity in Thimpu, her business is brisk.

“Everyone wants electronics now,” she says. “Everyone wants a TV and a DVD player. These are very popular items now.”

Transport: Paving the Way to Prosperity

Budhbir Tamang started driving trucks on Bhutan’s treacherous mountain roads when he was 15 years old. He tells stories of close calls on the country’s central East–West Highway that left him inches from plunging hundreds of meters off the side of mountains. Every trip across Bhutan was a hair-raising, white-knuckle experience on narrow roads with no barrier between him and a fatal skid into the abyss.

His job is not as exciting these days. The 27-year-old truck driver for the Tashi Commercial Corporation has benefited from ADB’s assistance in the renovation and upgrading of 328 km of the East–West Highway, a vital passage that connects the two sides of the country. All-weather, nonskid pavement was installed, along with concrete barriers that now line the most dangerous curves and stop vehicles from going over the side.

“It’s still dangerous being a truck driver,” said Mr. Tamang, “but now my wife doesn’t worry that I won’t come home alive when I have to drive cross-country.”

Bhutan did not have a single motorized vehicle until the 1960s, but now recognizes the vital impact of roads on economic and human development. Half of the country’s population lives more than a half-day walk from the nearest drivable road, limiting access to markets and basic services. There are few other transport options—no domestic flights, no railways, no rivers fit for water transport.

Bhutan did not have a single motorized vehicle until the 1960s, but now recognizes the vital impact of roads on economic and human development



Driving on Bhutan’s highways is a lot safer these days, says truck driver Budhbir Tamang.



Sangey Tenzing, director general of Bhutan's Department of Roads, says accidents have decreased on renovated highways.

Bhutan's vehicle fleet has grown rapidly in recent years, but the country's road network, comprising 4,153 km of drivable roads, provides only limited coverage and cannot meet the growing demands of larger and heavier vehicles. The government partnered with ADB to aggressively address the needs of the transport sector. At 17% of its investment portfolio, transport represents ADB's second greatest area of financial involvement. As of 30 June 2009, ADB's assistance to the sector included four loans and two grants totaling \$51.1 million.

Bhutan currently depends on a single highway that bisects the country from east to west. According to a report by ADB's IED, improvements and upgrades implemented by the ADB-supported Bhutan Road Improvement Project reduced vehicle operating costs for East-West Highway motorists by 19%–38% and cut travel time by 25%, benefiting hundreds of thousands of people like Mr. Temphey and his customers. ADB is also working to improve about 140 km of the Trongsa–Gelephu highway, enhancing cross-border trade along that vital route linking Bhutan to the Indian border, and about 100 km of other important road sections in the country.

"The benefits of that project have been immense," says Pherub Phuntsho, an engineer with the Bhutan's Department of Roads who

reports that incidents of heavy vehicle and bus accidents have fallen dramatically. Highway renovation also allowed heavy construction vehicles to enter cities along the route and spurred a building boom.

ADB's road work in Bhutan has improved economic prospects, living conditions, and the quality of life for communities near the project by providing jobs, shortening travel times, decreasing transport costs, and improving access to health services and education.

"If you ask any Bhutanese what they need most, they will say: 'roads,'" says Sangey Tenzing, the director general of the Department of Roads. "They need electricity. They need schools. They need clinics. They need many things, but they can't have anything until they get the

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road. Without roads, we cannot progress as a nation.”

The impact of upgrading the East–West Highway is highly visible. Traffic in some sections of the highway has increased from as few as 4 or 5 vehicles per day before improvement to 300–400 vehicles per day, and twice as much in other sections.

“ADB is a very reliable partner,” says Mr. Tenzing. “Once they make a commitment, they will fulfill that commitment.”

That commitment moved Kapil Manigajmer out of the dirt. The 34-year-old roadside vendor along the East–West Highway sold fruits and vegetables from a basket while sitting in the dirt on the side of the road. Today, the hundreds of vehicles that pass each day have allowed her

The \$13 million ADB-supported Financial Sector Development Program was designed to improve governance, promote a better investment climate, and encourage greater private sector participation

and other vendors to move to a well-built stall, away from the dust and dirt of the roadside. Now Ms. Manigajmer stocks and displays a much larger amount of fruits and vegetables.

The Finance Sector: Getting Down to Business

Banks have never been very customer-friendly in Bhutan. They generally served a few large customers and left most regular consumers by the wayside.

“Banks and financial institutions never went to the doorstep of the customer,” says Eden Dema, chief of the financial institutions division of Bhutan’s Royal Monetary Authority (RMA), the equivalent of its central bank. “The customers had to come to the doorstep of the banks. There was always a firewall between the customers and the banks, and there was little the RMA could do about it.”

The \$13 million ADB-supported Financial Sector Development Program was designed to improve



Roadside vendor Kapil Manigajmer’s business and working conditions improved with the upgrading of Bhutan’s main highway.



Thimphu tourist shop manager Namgya Dolma is losing business without credit card facilities.

governance, promote a better investment climate, and encourage greater private sector participation. Among its other objectives and achievements, the program helped build the capacity to license new banks.

“We tried everything to break the ice between the banks and customers, but we couldn’t succeed because it couldn’t be done through regulations,” she says. “It required that the banks be proactive. It wasn’t a regulatory issue. It was a customer service issue.”

The program helped the RMA develop the capacity to evaluate the license applications, including one from a foreign joint venture investor, while ensuring legal compliance and consumer protection. In 2008, with capacity-building support from the program, the RMA granted licenses to two new banks and one new insurance company.

“After we gave the approval in principle of these two new banks, we immediately saw changes in the existing banks,” she says. “They felt the oncoming competition and we saw mobile banking, we saw increased customer services, we saw a menu of new services being offered to attract customers.”

“This is just the tip of the iceberg,” Ms. Dema says. “Once the new banks start operations, the financial changes we will see in terms of services offered and quality of customer service will be much more than what we are seeing even now.”

The licensing of the new banks is just one example of a far-reaching ADB program to modernize the finance sector, which accounts for more than 8% of ADB’s loan portfolio in Bhutan. As of 31 December 2008, ADB’s assistance to the financial sector included four loans totaling \$21 million.

Although Bhutan has enjoyed a high rate of economic growth, based primarily on exporting power to neighboring India, it remains a country with a small, underdeveloped economy. The government and ADB are working together to boost private sector development, diversify the economy, and create jobs. A key constraint to improving Bhutan’s economy is limited access to finance for entrepreneurs.

The government and ADB are working together to boost private sector development, diversify the economy, and create jobs



Bhutan's banks are more customer-friendly these days.

"We have seen that some financial institutions have too much of an appetite to offer credit but they do not have the funds to offer credit," says Ms. Dema. "We have seen others who have too much funds to offer but no appetite to extend credit. They traditionally only lend to a few clients, not to entrepreneurs and new businesses."

"We have made it very clear to the financial institutions that had too much concentration in a few borrowers that we want to see their lending diversified," she says. "As a result, we have seen a growth in the extending of loans and the use of credit in the country."

While ADB helps build a credit information system that will further enhance the use of credit and lending in the country, she says, the results of ADB's program are already evident.

"Lending is already increasing," Ms. Dema says. "On average, we have seen a 28% growth year on year over the last 5 years."

For Namgya Dolma, the modernization of Bhutan's financial system cannot happen too soon. The Lungta Handicrafts shop manager in Thimpu says the lack of ATMs, credit card authorization systems, and other international financial systems hurt the country's tourism businesses. She has to e-mail credit card information to a bank in Nepal to get clearance, a process that can take 2 to 3 days. And that is only for Visa cards; she has yet to find a way to get clearance for Mastercard users.

"Some of our customers want to buy so many things," she says. "They are piled up on our counter. Then they take out their Mastercard, and we can't process it, and they have to put it all back. We lose those sales."

"It's difficult for us to do business," she says. "We still have a very old-fashioned financial system in Bhutan. We have to run a cash business and our foreign tourist customers don't travel with a lot of cash. Every tourist in Bhutan is on a tight budget, counting their cash."

Bringing the Market Home

Kinley Wangde grew up on a dairy farm. He has known since he was a child how to produce good quality milk and cheese, but for years he was not able to put those skills to use. He was a potato farmer who literally scratched his tiny income out of the earth.

The 43-year-old farmer, who lives in a village about 30 km from the western Bhutan city of Wangdue, no longer depends solely on the periodic, tough income from growing potatoes. He has been able to achieve his dream of dairy farming.



Kinley Wangde has doubled his farming income with a microloan

Mr. Wangde benefited from the \$15 million ADB-supported Micro, Small, and Medium-Sized Enterprise Sector Development Project, which provides microloans to entrepreneurs, farmers, and small business people.

Mr. Wangde borrowed 200,000 ngultrum (\$4,400) in 2006 to purchase 10 brown Swiss cows and a calf, and to fence his 3-acre pasture. Bhutan's commercial banks do not lend to farmers, so his only other option for obtaining the capital to buy the cows would have been to go to high interest local lenders.

The dairy business has doubled Wangde's income, and made it easy to repay 20,000 ngultrum (\$440) every 6 months. He was able to pay for a new roof on his home and buy modern appliances. He could also afford to put one of his children into private school.

"The dairy income is daily and steady. People come to me to buy milk and cheese," he says. "I have to transport the potatoes to market. With dairy farming, the market comes to me."

Operational Effectiveness: Improving Efficiency and Performance

In general, ADB's projects and programs in Bhutan have performed better than ADB's portfolio as a whole, with a higher success rate. Only the first two loans for Bhutan—the multiproject loan in 1983 and the second multiproject loan in 1984—were rated *unsuccessful*. These loans shared a common weakness of overly ambitious scope and a lack of sound, detailed design. Since then, project design and implementation have improved significantly.

Despite the early setback, Bhutan views ADB as a very reliable and important development partner. Some ADB procedures, which were designed for all its client countries, are seen as needing more flexibility and tailoring more specific to Bhutan's development needs. Many Bhutanese believe ADB loans have too many strings and reporting requirements, and that meeting those requirements not only uses a lot of resources but also causes project delays.

Some issues and concerns are not unique to Bhutan, and ADB has worked to systematically improve its operational effectiveness in all of its developing member countries. In its June 2009 Country Partnership Strategy Midterm Review of operations in Bhutan, ADB acknowledged areas in which it has learned valuable lessons.

The report noted that tightly focusing and aligning ADB assistance with national plan

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priorities, while maintaining flexibility, has contributed to a sense of certainty and confidence in terms of resource availability.

Project success has been most sustainable when long-term participation in the key areas of ADB's involvement combines sector policy reform and institutional capacity development. The introduction of innovative institutional approaches that involve the private sector in infrastructure development is also important to improving environmental sustainability and broadening participation in the growth process.

Improving coordination between concerned government agencies and among funding agencies will avoid delays in project implementation. Additionally, capacity building of project implementation staff should be completed before a project begins or during its early phase to avoid unnecessary implementation delays.

Evaluation reports determined that project designs be flexible during implementation, and that tender and procurement procedures consider the unique circumstances of Bhutan and be managed to ensure the delivery of high quality goods in a timely manner.

ADB evaluators also found that there should be a strong commitment and full ownership of projects by stakeholders. This is vital to the design, implementation, and sustainability of the projects. The tenure of key government stakeholders and executing agencies associated with project implementation should be stable.

ADB is working to address these concerns by focusing on capacity building efforts, including portfolio, disbursement, and

procurement workshops both in Bhutan and at ADB headquarters. ADB has also worked at canvassing project stakeholders to crosscheck the priorities outlined in the government's national development plan.

ADB's efforts have achieved results. Two start-up indicators for Bhutan's loan portfolio are

within ADB's average range of 3.9 months from approval to signing and 4.3 months from signing to effectivity. In addition, no ADB loans in Bhutan are considered "at risk" and all ADB-administered loans are currently rated *satisfactory*. However, greater improvements on all of these indicators are desirable and feasible.

Operational Effectiveness: Improving Efficiency and Performance

Future Challenges

Bhutan's economy is driven by hydropower project cycles. Significant new hydropower investment and output have contributed to rapid GDP growth in the recent past. For the next few years, the growth rate will return to its long-term growth rate (around 6% per annum) until construction of new power plants lifts it again. Because Bhutan exports most of its generated power to India under long-term contracts, and due to the dominance of the power sector, the global economic slowdown likely will have relatively little impact. However, the close trade and foreign exchange links with India, as well as a possible downturn in tourism, may still affect Bhutan's economy.

Despite its progressive policies, Bhutan faces serious challenges to the economic development needed to further improve the lives of its people. The small landlocked country has a narrow economic base that relies primarily on power export to India to finance its national budget. Bhutan's principal source of foreign exchange—tourism—is limited by concerns about the impact large numbers of visitors would have on the country's culture and traditions.

Hydropower and tourism will unlikely be able to absorb the 50,000 youths and 20,000 rural migrants who will enter the workforce in the future. The government aims to diversify the economic base by enabling greater private

ADB's country strategy and program for Bhutan and the priorities identified in Bhutan's national poverty reduction strategy synchronize with ADB's Strategy 2020, emphasizing transport, power (including rural electrification), urban development, and finance and private sector development

sector participation in development, a central pillar of its growth, employment generation, and poverty reduction strategy.

Bhutan's 10th Five-Year Plan targets full employment, particularly among educated youth, and emphasizes economic diversification. The unemployment rate more than doubled to 3.7% in 2007, from 1.8% in 2003. Private sector development and expansion are vital to Bhutan's continued growth. The government is also addressing the employment situation through vocational education and training, for which ADB has provided support.

The government's focus on private sector development and economic expansion through financial reform and infrastructure development aligns closely with ADB's work in Bhutan.

ADB's country strategy and program for Bhutan and the priorities identified in Bhutan's national poverty reduction strategy synchronize with ADB's Strategy 2020, emphasizing transport, power (including rural electrification), urban development, and finance and private sector development. These sectors are vital to Bhutan's socioeconomic progress. ADB will combine investment support with other measures to build the institutional, policy, and regulatory capacities of the policy-making and executing agencies.

ADB has a deep relationship with the government and people of Bhutan, and a strong track record and competitive advantage as a regional development institution that supports Bhutan's development program. ADB has established itself in Bhutan as a vital partner in the effort to achieve the targets of the government's national poverty reduction strategy and accelerate attainment of the MDGs.

Ms. Dema notes that Bhutan is a unique country and that ADB plays a special role in its development.

A Career for the Future

Chimi Yuden does not mind getting her hands dirty. The 19-year-old from the eastern Bhutan city of Trashigang has spent the last 8 months in an auto repair training course in the capital city of Thimphu. She entered the course because of the country's changing transport situation.

"There are more vehicles on the roads now," she says. "This is a good career for the future."

When she graduates and returns to Trashigang, she will be the city's first female auto mechanic. She says many of her classmates work on the farms or are homemakers, but she is proud to have taken a different path. "This is a chance to earn more than I could on the farm," she says.

Yuden has benefited from ADB-supported Basic Skills Development Project, which champions vocational training programs in Bhutan.



Yuden (right) will be the first female auto mechanic in her city.

The auto repair training center was established in August 2008 not only to train new mechanics but also to serve as an example for other auto shops. It is designed to upgrade the standard of repair and working conditions in auto shops. When the 25 students in the program graduate, they will bring international standards to the auto repair shops where they are employed.

"Now, Bhutan is dependent on skilled technical people from other countries," says Tshewang Norbu, with Bhutan's Ministry of Finance. "Most auto mechanic jobs are filled by other nationalities. We need these skills to be developed in Bhutan by Bhutanese."

Yangchen, a 21-year-old student from the eastern Bhutan town of Pema Gatshel, is working hard to help the country in its effort to grow local technical skills. Yangchen's four brothers are proud of her enrollment in the auto repair training course, and she dreams of returning to Pema Gatshel one day and opening her own repair shop.

"We are in our own unique situation here in Bhutan," says Ms. Dema. "We cannot simply imitate the development strategies of other Asian countries. We are not going to cut and paste. We are going to tailor our economic development to our situation, and we are taking it step by step. ADB understands this and is working closely with us."

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Photography by James Hutchison.

For more information, please visit www.adb.org/Bhutan/ or contact Abid Hussain, Country Team Leader (ahussain@adb.org)
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Development Effectiveness Brief: Bhutan

Bhutan's sober, careful approach to development has yielded a steady rise in its gross domestic product, a decrease in overall rates of poverty, and steady movement toward achievement of the Millennium Development Goals. The Asian Development Bank (ADB) has been a partner in the country's transition and development since 1982, and today ADB is Bhutan's largest multilateral development partner. ADB has provided 25 loans and 6 grants totaling \$303.5 million since it began working in Bhutan. Currently, all of ADB's assistance comes in the form of grants. ADB has also provided \$42.4 million for 105 technical assistance projects.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.