

REPORT ON THE BHUTAN EIGHTH ROUND TABLE MEETING
18-19 February 2003

I. INTRODUCTION

1. The Bhutan Eighth Round Table Meeting (ERTM) was held in Geneva, Switzerland from 18-19 February 2003. The ERTM was co-chaired by Mr. Lyonpo Y. Zimba, the Minister of Finance, Royal Government of Bhutan and Mr. Hafiz Pasha, Assistant Administrator, United Nations Development Program (UNDP). Development Partners including delegates from 17 countries and representatives from international organizations, and other institutions participated in the ERTM. A list of participants at the ERTM is attached as Annex 1. The Asian Development Bank (ADB) was represented by Mr. S. Hafeez Rahman, Director, South Asia Operations Coordination Division (SAOC).

2. The four main discussion topics of the ERTM were (i) Security Issues; (ii) Ninth Five-Year Plan and Resource Mobilization; (iii) Decentralization and Management of Local Level Development, and (iv) Poverty Reduction. Among the documents presented at the ERTM were the Government's Ninth Plan, and Bhutan 2003: People at the Centre of Development.

II. ROUND TABLE DISCUSSIONS

A. Issues of Common Concern

3. In this session, the discussion was on security issues confronting Bhutan, i.e., status of refugees in eastern Bhutan, and rebel hideouts in southern Bhutan. The Government apprised the ERTM participants that after several years of little progress, recently the pace of discussion between Bhutan and Nepal on the refugee question has accelerated. In March 2001, a Joint Verification Team (JVT) of the two Government's began assessing the claims of the refugees, with the refugees being divided into four categories—genuine Bhutanese, Bhutanese who willingly left Bhutan, Bhutanese with criminal backgrounds, and non-Bhutanese. On 7 February 2003, the two-day 12th ministerial joint committee meeting in Katmandu harmonized the positions of the two governments on the four agreed categories of the refugees. It was agreed that the JVT would resume its work in Bhutan and joint verification work for the first camp would be completed by 24 February 2003 with the entire process being completed by 24 March 2003. Thus both the Governments of Bhutan and Nepal are working towards a speedy resolution of the issue. UNHCR is also informally involved in the process.

4. Regarding the issue of militant groups, the Government advised that two militant groups, the United Liberation Front of Assam (ULFA) and the National Democratic Front of Bodoland (NDFB) with a combined strength of 4,000 heavily armed rebels have established six bases in dense forests of southern Bhutan. The Government has adopted a cautious but pro-active approach in getting the rebels to vacate their camps. In this regard, the Government had reached an agreement with the rebels, which the latter did not fulfill. Recently, the rebels killed some innocent Bhutanese passing through the traditional commercial routes in southern Bhutan. The rebels' presence has also been hindering development work in the region. The Government is undertaking a final attempt to convince the rebels to shut down their camps and emigrate. Failing this, the Government may be compelled to use force, which would be unfortunate for this peaceful country.

5. These issues evinced keen interest among the bilateral donors and the UN agencies. Donors requested a speedy resolution of the refugee issue in eastern Bhutan, within a specified timeframe. On the question of rebels in the South, the donors encouraged Bhutan to seek a peaceful resolution of the issue. Some donors also asked Bhutan to take an “inclusive approach” regarding ethnic minorities and to respect their human rights within the context of the new written constitution, which is currently under preparation. However, the donor community expressed its unanimous appreciation of the complex problem of refugees and rebels being faced by Bhutan. It also expressed appreciation for the very significant progress achieved in democratization of the country.

B. Ninth Five-Year Plan

6. The Ninth Five-Year Plan (NFYP) launched in July 2002 outlines the following five overall goals: (i) improving quality of life and income; (ii) ensuring good governance; (iii) promoting private sector growth and employment generation; (iv) preserving cultural heritage, and environment conservation; (v) achieving rapid economic growth. The NFYP accords high priority to infrastructure (roads and power) development and social sectors (education and health).

7. Compared to the previous plans, decentralization of development expenditures to the *dzonkhags* (districts) and *gewogs* (cluster of villages) is an important hallmark of the Ninth Plan. The District Development Committees (DYT) and Block Development Committees (GYT) have been granted autonomy to make development plans, allocate resources and frame rules and regulations applicable within their respective jurisdictions. Some 25% of the total proposed outlay is earmarked for *dzonkhags* and *gewogs* executed programs. With the implementation of the NFYP Bhutan has adopted a blend of area-based *gewog* plans and central sector programs. Central organizations would be responsible for large projects, which cut across dzongkhags, and for such functions as national planning, policy, research, and establishment of national standards. Thus the dominant units of planning would be spatial, i.e., *dzongkhags* and *gewogs*.

8. Commenting on the NFYP, ADB congratulated the Government on the successful completion of the Eighth Five Year Plan which provides comfort about the Government's ability to implement the NFYP in an effective manner. ADB representative noted the comprehensive sectoral coverage of the NFYP as it covers all the critical challenges facing the country. These include (i) high growth with environmental conservation, (ii) decentralization, (iii) human development, (iv) poverty alleviation, and (v) private sector development. However, the NFYP is admittedly ambitious, and it raises a few issues, which need to be kept in mind. These relate to the impact of external borrowings on external debt to GDP ratio, the likely increase in domestic public debt, and the need for greater domestic resource mobilization. ADB will continue to support the Government's development priorities, and to this end will provide assistance for the development of infrastructure (roads and power), reforms of the financial sector and promotion of the private sector. Growth of service sector will help diversification and lead to increased revenue buoyancy. ADB's support to Bhutan will remain predicated on the mutually shared objective of poverty alleviation.

9. The Bhutan Finance Minister stated that the Government would prefer grant assistance and opt for borrowing only when grant assistance is not forthcoming. He noted that with the coming on stream of the under-construction Tala hydropower project, some additional revenues may become available thereby reducing Bhutan's dependence to some degree on external assistance, but this may not happen during the Ninth 5 Year Plan Period. The Government is committed to graduating Bhutan out of LDC status and to eventually become self-reliant.

C. Decentralization

10. The Government informed the ERTM participants that during 2002, effective measures were undertaken to deepen the decentralization process with special emphasis on devolving local development planning, implementation and monitoring. The District Development Committees (DYT) and Block Development Committees (GYT) Acts of 2002 endow the GYT comprising 201 committees and the DYT comprising 20 committees with enhanced administrative, regulatory and financial authority.

11. Donors including ADB welcomed the Government's policy of decentralization, as it would strengthen local level public institutions and improve service delivery. This will enhance broader ownership and sustainability of development programs. ADB representative noted that there are two essential dimensions to decentralization that need to be addressed. On the supply side, decentralization brings government nearer to the people and increases the coverage and quality of social services. However, to be effective decentralization has to be accompanied by good governance and substantial capacity building at the local level is critical. On the demand side, there is a need to raise awareness among the people to inform them about the new process, service delivery mechanisms and their implications for the beneficiaries. Civil society and donor agencies can strengthen the decentralization process by designing their projects and programs to target the demand side as well.

D. Poverty Reduction

12. Based on the Household Income and Expenditure Survey (HIES) of 2000, and using the benchmark of a minimum caloric intake of 2,124 calories per person per day, an absolute poverty line has been computed showing 29% of the population of rural areas and 2.4% of the urban population as poor. In order to measure the progress towards the achievement of Millennium Development Goals (MDGs), the Government plans to strengthen research and diagnostic work undertaking another HIES in 2003. To better assess the magnitude and situation of urban poverty, an urban poverty study is being launched.

13. Donors congratulated the Government for its excellent presentation of the multi-faceted dimensions of poverty in Bhutan. ADB representative stated that broad based and sustained high economic growth along with diversification of the economy hold the key to progressive reduction of poverty. He advised that ADB was very heavily involved in pro-poor projects in Bhutan. These include road connectivity, which enhances access to services and contributes to social sector development. In October 2001, the Government and ADB signed a Poverty Reduction Partnership Agreement that contains targets on income and human poverty consistent with the Millennium Development Goals (MDGs). These are being monitored jointly on an annual basis to track progress towards the achievement of MDGs.

III. CONCLUDING COMMENTS

14. In his concluding remarks the Bhutan Finance Minister stated that security-related issues must be resolved quickly and peacefully. He assured development partners that the Government is fully committed to resolving these issues expeditiously. The strong support of the donor community was highly appreciated and advice received at this RTM will be sincerely implemented. The Co-chair¹ also noted and appreciated the strong support of the donors. He stated that the Government had done an excellent job in articulating its development vision,

¹ Assistant Administrator, UNDP.

strategic goals, and objectives. The high quality of government presentations was reflective of the superior quality of its civil service. He was hopeful that higher donor pledges would help to close the funding gap of the NFYP. He concluded by observing that Bhutan's economic management and civil administration is excellent and other larger countries can learn from it.

THE 8th ROUND TABLE MEETING FOR THE KINGDOM OF BHUTAN
Geneva, 18-19 February 2003

Provisional List of Participants
 (as distributed)

Delegation of The Royal Government of Bhutan

H.E. Mr. Lyonpo Yeshev Zimba	Delegation Leader Hon. Finance Minister Ministry of Finance
Mr. Dasho Ugven Tshering	Hon. Foreign Secretary Ministry of Foreign Affairs
Ms. Aum Yanki T. Wangchuk	Director General, DADM Ministry of Finance
Mr. Daw Tensin	Secretary Planning Commission Secretariat
Mr. Pema Chewang	Senior Programme Officer, DADM Ministry of Finance
Mr. Karma Penjor	Senior Planning Officer Ministry of Home Affairs
Mr. Dorji Norbu	Deputy Director Planning Commission Secretariat
Mr. Tashi Wangyal	Assistant Planning Officer, PPD Ministry of Finance
Ms. Tshering Lham	Coordinator, RSPN (Civil Society Representative)

Denmark

Mr. Carsten Nilaus Pedersen	Head of Department, Asia and Pacific, Danish Ministry of Foreign Affairs
Ms. Charlotte Laursen	Head of Section, Asia and Pacific Ministry of Foreign Affairs
Mr. Torben Bellers	Minister Counselor Resident Coordinator, LoD, DANIDA

Finland

H.E. Mr. Pekka Huhtaniemi
Ambassador
Permanent Representative
Permanent Mission, Geneva

Mr. Matti Keppo
Attache
Permanent Mission, Geneva

France

H.E. Mr. Bernard Kessedjian
Ambassador
Permanent Representative
Permanent Mission, Geneva

Mr. Francois Leger
First Secretary
Permanent Mission, Geneva

Germany

Mr. Eberhard von Schubert
First Counsellor
Permanent Mission, Geneva

Ms. Gonke Roscher
Counsellor
Permanent Mission, Geneva

Mr. Johannes Heiler
Permanent Mission, Geneva

India

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Director (NB)
Ministry of External Affairs, New Delhi

Singapore

H.E. Mr. K.V. Vanu Gopala Menon
Ambassador
Permanent Representative
Permanent Mission, Geneva

Sweden

Mr. Hans Nicklasson
Minister
(also Dealing Officer for Bhutan)
Ministry of Foreign Affairs, Stockholm

Switzerland

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Permanent Mission, Geneva

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Ministry of Foreign Affairs, Bangkok

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International Telecommunications Union, Geneva

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Director, Telecom Development Bureau

Mr. Ismet Hamiti

Telecom Development Bureau

SNV

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UNCDF, New York

Mr. Normand Lauzon

Executive Director

UNCHF-HABITAT

Ms. Svlvie Lacroux

Director, Geneva Office

UNESCO

Mr. Christian Manhart

Programme Specialist in the Sector for
Culture

UNITAR

Ms. Isabel Huber

Programme Coordinator

United Nations Population Fund (UNFPA)

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Director, Geneva Office

United Nations Children Fund (UNICEF), Bhutan

Mr. Timothy P. Sutton

Programme Planning Officer

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United Nations Organization for Industrial Development (UNIDO)

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United Nations Volunteers Programme (UNV)

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Economic Affairs Officer in the Technical
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Sub-Committee on Least Developed
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Mr. Carlos Perez del Castillo

Economic Affairs Officer
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WWF (Switzerland)

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Director General, WWF International, Gland

Observers

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Mr. Anders Knudby

Mr. Lars Pedersen

Mr. Andrev Kuleshov, CFC

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Ms. Deirdre Boyd	Deputy Resident Representative
Mr. Tenzin Dorji	Assistant Resident Representative

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