



Country and Government Context

Bhutan is located in South Asia, borders India on the east, west, and south and by the People's Republic of China on the north. It covers an area of 38,394 square kilometres (km²), with a population of 716,896 (July 2012). Its capital is Thimphu.

In 2008, Bhutan completed transformation of its political system from an absolute monarchy to a democratic constitutional monarchy. Under the new political system, the Parliament comprises the *Druk Gyalpo* (the King), the National Council, and the National Assembly. The country's first general election for the National Assembly was held in March 2008 with a voter turnout of about 79%. The next legislative elections are expected in mid-2013.

Anchored in its unique development philosophy of Gross National Happiness (GNH), the country's development plans have consistently focused on the objectives of broad-based sustainable growth, quality of life, conservation of natural environment, preservation of culture and strengthening good governance. Bhutan continues to make its prominent presence in development discourse globally because of its efforts and intellectual leadership to promote the GNH philosophy.

Bhutan's **Human Development Index (HDI)** is 0.522, ranking 141 out of 187 countries.^a The HDI of South Asia as a region increased from 0.356 in 1980 to 0.548 in 2011, placing Bhutan below the regional average. The economy grew, on average, by about 8% from 2001 to 2010. While the economic growth rate increased to 10% in the fiscal year (FY) 2011 (ended 30 June 2011) from 9.3% in FY 2010, it was forecast at 7.5% for FY2012 and 8.6% for FY 2013. The average inflation rate was at 10.2% in FY 2012.^b

^a UNDP. 2011. *Human Development Report—Sustainability and Equity: A Better Future for All*. United Nations Development Programme.

^b ADB. 2013. *Asian Development Outlook 2013*. Manila.

Civil Society: An Overview

Volunteerism in Bhutan is deeply grounded in its traditional belief systems and community practices, in which emphasis is placed on the principles of national self-reliance, community participation, and social cohesion.¹ As a small, mountainous country with a rugged terrain, conditions for Bhutanese society were quite difficult in the past. While Bhutan has a rich pristine natural environment, the resources that people could use were, to an extent, limited. Due to difficult living conditions and small population size, Bhutanese society depended very much on helping each other. When Bhutan's First Five Year Plan started in 1961, the government provided money and material, while people in their respective districts and blocks contributed labor for a variety of projects, such as schools, health centers, and irrigation channels.

New and more modern types of associations and organizations have also come into existence in various groups of communities. Most have been formed by educated people and, unlike the traditional associations that operate on the basis of unwritten customary rules and norms, most of these new associations and organizations are governed by written rules and regulations. The first such association was the National Youth Association of Bhutan, formed by a group of young civil servants in 1973. This association was intended specifically to provide weekend radio broadcast in English. It became part of the Department of Information and Broadcasting in 1979 and later evolved into the present Bhutan Broadcasting Service.

Civil society organizations (CSOs) in Bhutan have existed for many years as community associations and organizations, forming an integral part of the traditional Bhutanese society. CSOs have provided people with opportunities to participate in taking decisions related to different activities that have a bearing on their day-to-day lives. Historically and traditionally, a cultural institution known as *kidu*, which has been in existence since the time of the first monarch, has as a royal prerogative provided for the well-being of the people, particularly the most vulnerable sections of society. This is enshrined today in the Constitution of the Kingdom of Bhutan as a fundamental responsibility of the king.

The new and emerging associations formed in modern Bhutan are an extension of the traditional associations. Most of the new associations act as links between the government and the people. For example, the Bhutan Chamber of Commerce and Industry, the Association of Bhutanese Tour Operators, and the Construction Association of Bhutan negotiate issues of interest to the business community in Bhutan. Likewise, the National Women's Association of Bhutan (established in 1981), besides helping women develop skills to earn incomes, works toward promoting gender equality.

In addition to acting as a mechanism or space for public participation in decision making, civil society in Bhutan plays an important role in economic development and in the environmental and cultural preservation of the country. Many communities have constructed farm and feeder roads on their own. This has provided them access to markets and other social services, such as schools and hospitals. Reliance on traditional norms in the allocation and management of communal pastures and the use of water have ensured efficient and sustainable utilization of resources. These practices are of paramount importance to the government's environmental policy. By assuring fair and just access to common properties, they prevent conflicts within the community. The role of associations and communities in the maintenance of monasteries and in the organization of religious ceremonies and traditional games are critical to sustaining Bhutan's rich cultural heritage and tradition.

Desk research and analysis also confirm that social capital in the form of community leadership, and trust and cooperation among the people plays an important role in Bhutanese society.² It has not only enabled successful implementation of projects and programs initiated by the communities themselves, but also enabled the cost-effective implementation of several government-funded projects and programs in many parts of the country. Its role in the maintenance of development projects continues to be an important factor in promoting the policy of sustainable development in the country.

The Legal Framework for Civil Society

The emergence of bodies that can be called formal CSOs according to global understanding is fairly new in Bhutan.

The policy of decentralization, which the government introduced in 1981,³ has gone a long way in nourishing and promoting civil society in Bhutan. The government and civil society exist in a symbiotic relationship, where

each contributes to the other. To legally formalize the existence of civil society and further promote its growth in Bhutan, the government enacted the CSO Act of Bhutan in 2007 and the CSO Rules and Regulations made under the same act in 2010.

Section 3, Chapter 2 of the CSO Act defines CSOs as "associations, societies, foundations, charitable trusts, not-for-profit organizations or other entities that are not part of Government and do not distribute any income or profits to their members, founders, donors, directors or trustees. CSOs do not include trade unions, political parties, co-operatives or religious organizations which are devoted primarily to religious worship."

Section 4, Chapter 2 of the CSO Act distinguishes two types of CSOs in Bhutan: public benefit organizations (PBOs) and mutual benefit organizations (MBOs).

PBOs benefit a section of the society or society as a whole, whereas MBOs advance the shared interests of their members or supporters, such as people working in a particular profession, businesses engaged in a particular industry, youths studying in a university, or people who are interested in a particular cultural activity, practice, sport, or hobby.

The participation of civil society in enhancing the well-being of the nation is growing in Bhutan. CSOs now play an important role in complementing the government in education, health, gender equality and women's empowerment, child care and youth development, environmental and cultural preservation, and private sector development.⁴

The Ministry of Home and Cultural Affairs is mandated by the government to act as the lead agency responsible for maintaining linkages between the government and the CSO Authority.

Article 9: Principles of State Policy of the Constitution of the Kingdom of Bhutan states that "[t]he State shall endeavour to create a civil society free of oppression, discrimination and violence, based on the rule of law, protection of human rights and dignity, and to ensure the fundamental rights and freedoms of the people."

In recognition of the important role played by CSOs, the National Assembly enacted the CSO Act in 2007. The legislation of the CSO Act and the subsequent establishment of the CSO Authority have facilitated the emergence of civil society in Bhutan. Keeping in view existing government policies, these organizations are expected to operate in constructive partnership with the government to advance socioeconomic, cultural, and environmental public interests.

Government Relations with the Non-Profit Sector

The government plays an important role in sustaining a vibrant civil society in Bhutan. The policy of preserving the country's culture and tradition creates an enabling environment for the survival of the diversity of both traditional community organizations and contemporary associations and organizations.⁵ The rules and the forms of such associations are retained. The diversity and richness of such local institutions are often fed into national policy.

The government has initiated reforms in the existing governance system with an increasing emphasis on the role of civil society. This is reflected in the legislation of the CSO Act in 2007, establishment of the CSO Authority and a fully functional secretariat, and the formulation of the CSO Rules and Regulations in 2010. These developments are seen as signaling a new approach whereby CSOs can supplement government efforts by means of greater outreach in situations where nongovernment associations can mobilize and sensitize communities more effectively than government institutions. Civil society can also complement government efforts by drawing attention to new development challenges that require political attention and by launching initiatives that pilot new approaches that subsequently may inform government policies. Finally, as a young democratic country with associated political reforms taking place in Bhutan, civil society can encourage greater development effectiveness by promoting accountability in that legislators and central government institutions are receiving feedback on the relevance and impact of policies and programs.

NGO Registration

The CSO Act requires all new nongovernment organizations (NGOs) in Bhutan to register with the CSO Authority. Chapter 5 of the CSO Act provides for "Registration and Establishment" of CSOs in Bhutan. Chapter 7 of the CSO Rules and Regulations stipulates in detail the "Requirements for Registration" of CSOs. Chapter 8 of the CSO Rules and Regulations stipulates the "Grounds for Refusal of Registration" of CSOs.

As per Section 49 of the CSO Act, a CSO registered as an NGO in a foreign country that is operating or intending to operate in Bhutan shall apply for accreditation with the CSO Authority. Section 48 of the Act requires that "[a] Foreign CSO shall request a government agency in a relevant sector to act as a technical collaborator to implement the CSO's goals and activities in Bhutan."

Unless NGOs are registered with the CSO Authority, they cannot access donor funds including those provided by the Asian Development Bank (ADB).

As prescribed in Schedule 1 of the CSO Rules and Regulations, there are registration fees for different types of CSOs in Bhutan:

Activity	Fee (Nu)
Registration of mutual benefit organization (MBO)	3,000
Registration of public benefit organization (PBO)	3,000
Registration of foreign civil society organization	15,000
Each amendment	500

\$1 = Nu55.67
Nu1 = \$0.02

As per Section 41 of the CSO Act, the CSO Authority may refuse to register any organization as a CSO where, in its opinion,

- the name of the CSO is similar to the name of another institution, other organization, or entity likely to mislead the public as to its true identity;
- the name of the CSO is offensive to good morals or national symbols;
- the application for registration does not comply with the requirements of the CSO Act or any regulations made thereunder; or
- the objectives of the proposed CSO are in contravention of the provisions of the laws of Bhutan.

Tax Treatment of NGOs

As per Section 38 of the Act, "A registered CSO shall be exempt from the payment of tax on income or other gains which it has earned as a result of investing its endowed property or other funds in accordance with regulations promulgated by the Department of Revenue and Customs."

As per Section 39 of the Act, "PBOs may be granted exemptions from payment of customs duties or other taxes besides income tax, on a case by case basis in accordance with regulations and procedures issued jointly by the Authority and the Department of Revenue and Customs."

As per Section 40 of the Act, "MBOs shall not be entitled to receive any of the exemptions granted to PBOs under the preceding sections of this Act, except on a case by case basis in accordance with regulations and procedures issued jointly by the Authority and the Department of Revenue and Customs."

List of Umbrella, Coordinating Bodies, and CSOs

There are 30 registered CSOs in Bhutan today, of which 24 are PBOs and 6 MBOs.⁶ The following is a sample of the prominent local CSOs in Bhutan:

1. Ability Bhutan Society, <http://www.absbhutan.org.bt/>
2. Association of Bhutanese Tour Operators, <http://www.abto.org.bt/>
3. Bhutan Association of Women Entrepreneurs (BAOWE), <http://baowe.org/>
4. Bhutan Centre for Media and Democracy (BCMD), <http://www.bhutancmd.org.bt/>
5. Bhutan Youth Development Fund, <http://bhutanyouth.org/>
6. Construction Association of Bhutan (CAB), <http://www.cab.org.bt/>
7. Disabled Persons' Association of Bhutan, <http://www.dpab.org.bt/new/>
8. Draktsho Vocational Centre for Special Children & Youth, <http://www.draktsho-bhutan.org/>
9. Guide Association of Bhutan (GAB), <http://www.gab.org.bt/>
10. Handicrafts Association of Bhutan (HAB), <http://handicraftsbhutan.org/>
11. Lhak-Sam (BNP+), <http://bhutandirectory.com/ads/lhaksam-bhutan-network-of-positive-people/>
12. Lhomon Society, <http://www.lhomon.bt/>
13. Loden Foundation, <http://www.loden.org/>
14. RENEW (Respect, Educate, Nurture and Educate Women), <http://www.renewbhutan.org/>
15. Royal Society for Protection of Nature (RSPN), <http://www.rspnbhutan.org/>
16. Royal Society for Senior Citizens, <https://www.facebook.com/pages/Royal-Society-for-Senior-Citizens/291243740973798>
17. Tarayana Foundation, <http://www.tarayanafoundation.org/>

The full list of registered CSOs, along with their dates of registration and organized by PBOs and MBOs, is available on the website of the CSO Authority, <http://www.csoa.org.bt/>.

Prominent foreign CSOs active in Bhutan include the following:

1. Helvetas Swiss Intercooperation, <http://www.helvetas.org.bt/>
2. SNV Bhutan, <http://www.snvworld.org/en/countries/bhutan>
3. Bhutan Foundation, <http://www.bhutanfound.org/>

4. Japanese Overseas Cooperation Volunteers (JOCV), <http://www.vib.org.bt/html/who/jica.htm>
5. Danida Bhutan, <http://bhutan.um.dk/en/danida-en/>
6. Save the Children, <http://www.savethechildren.org/site/c.8rKLIXMGIpl4E/b.6150525/k.B90D/Bhutan.htm>
7. World Wildlife Fund, <http://www.wwfbhutan.org.bt/>

The Ministry of Home and Cultural Affairs is mandated by the government to act as the lead agency responsible for maintaining linkages between the government and the CSO Authority, the regulatory authority for CSOs in Bhutan.

There are no formal associations of NGOs/CSOs and foundations in Bhutan.

Some of the prominent umbrella coalitions and networks of NGOs/CSOs in Bhutan include the following:

- (a) **Bhutan Chamber of Commerce and Industry (BCCI):** Established by royal command in 1980 as a nongovernment and nonprofit organization, comprising business community members from all around the country, to augment and supplement the efforts of the government toward development of a formal private sector in Bhutan. As the bridge between the government and the private sector, BCCI's mission is to promote, develop, and further the economic participation of the private sector in the nation-building process, by providing a collective voice in advocacy to represent and protect members' interests and business facilitation services to help the private sector enhance its competitiveness in their businesses.
- (b) **Bhutan Media Foundation (BMF):** Established through a royal charter on 21 February 2010 to foster the growth of a strong responsible media capable of playing an important role in the social, economic, and political growth of the nation. BMF is mandated to support wholesome development of the media industry so that it can carry out its roles and responsibilities in the interest of democracy.
- (c) **Association of Bhutanese Tour Operators (ABTO):** Founded in 2000, as a nonprofit organization, ABTO is the recognized representative of tour operators in Bhutan. It is the mutual and official voice of all Bhutanese tour operators who constitute its primary membership. It also represents and protects the collective interests of the tourism industry in the country.
- (d) **Handicrafts Association of Bhutan (HAB):** Established in 2005 with the mandate to support

and develop various arts and crafts of Bhutan, HAB is an NGO representing the handicrafts sector (both artisans and retailers) in Bhutan.

(e) **Construction Association of Bhutan (CAB):**

Formed in 2000, CAB provides a common forum for the discussion of issues that affect the construction industry and associated activities in the country.

Civil Society Directories

In Bhutan, information on registered CSOs is kept up to date through the secretariat of the CSO Authority, which can be publicly accessed at <http://www.csoa.org.bt/>. The website also provides links to foreign CSOs that are accredited by the CSO Authority and operationally active in Bhutan.

As required under the Act, the Secretariat also maintains the following:

- a register recording all CSOs (including accredited foreign CSOs), which shall be made available for viewing by any member of the public during regular business hours at the secretariat's office or on the internet, listing all CSOs that are or were operating or authorized to operate in Bhutan, and stating each CSO's name, address, and telephone number, the names of the members of its governing board and its chief executive officer, the CSO's general purposes, the total amount of the CSO's current assets, liabilities, income, and expenditures, and the date of its dissolution or of its loss, termination, or cancellation of registration, and
- an annual record of the total amount of contributions received and made to each CSO.

ADB-Civil Society Cooperation in Bhutan

Bhutan became a member of ADB in 1982. As of December 2012, it has received \$284.27 million in loans and \$51.37 million in technical assistance.⁷ ADB is now Bhutan's largest multilateral development partner. In recent years, ADB assistance has focused on energy, transport, urban development, and finance.

ADB has consistently supported rural electrification programs through a series of lending operations. The three completed ADB-financed rural electrification projects, together with two ongoing ones, will have collectively electrified more than 37,000 households, or 43% of rural households in Bhutan, contributing

significantly to the government's 100% electrification target. Since 2006, ADB has increased its support for hydropower and renewable energy to support economic growth and mitigate climate change by increasing hydropower exports. In addition, ADB has been providing support to improve the main road network by providing assistance for the development of national highways under a series of road projects. ADB has also supported the government in improving rural access through the construction of new feeder roads.

In urban development, impacts of ADB's involvement to date include the provision of much-needed investments in urban infrastructure in Thimphu and Phuentsholing, which has improved the quality of life, public health, and environment of more than 130,000 residents. In finance, ADB has been a key development partner for Bhutan. The current assistance program focuses on, among other things, fostering a more competitive finance sector, developing microenterprises, and enhancing private sector development.

ADB has maintained close cooperation with other multilateral and bilateral funding agencies, and with some CSOs, to strengthen the effectiveness, quality, and sustainability of the services it provides. However, ADB-NGO cooperation in Bhutan has been a fairly recent affair.

In 2010, the Bhutan Rural Renewable Energy Development Project included a biogas pilot subproject, under which 1,600 new biogas plants were constructed for rural farmers. This subproject was jointly funded by SNV and ADB under a unique cofinancing and consultancy arrangement. With expertise in promoting the biogas market in 15 developing countries (including Nepal and Bangladesh), SNV has a long-term presence in Bhutan as well as experience working with rural farmers in the country. SNV implemented numerous activities, including institutional strengthening, capacity building, project management, and monitoring. ADB helped the government set up a biogas fund that supported a microcredit scheme to help recipient farmers meet construction costs.

Plans are under way to set up an ADB resident mission in Thimphu in 2013, which could provide the primary operational link between ADB and the government, and private sector and civil society stakeholders in its activities.⁸ ADB's future activities in Bhutan will be aligned with the government's upcoming 11th Five Year Plan for 2013–2018.

ADB-Supported Activities Involving Civil Society

ADB recognizes CSOs/NGOs as significant players in the development process and cooperates with them to improve the impact, sustainability, and quality of its services. CSOs/NGOs provide value addition in promoting sustainable development through innovation—identifying new approaches and models for specific development activities and drawing upon their close knowledge of local communities; accountability—helping ensure that project components are implemented as envisaged and planned; responsiveness—encouraging the implementation of projects to respond to local needs; participation—serving as bridges between project authorities and affected communities, and providing structures for citizen participation; and sustainability—nurturing continuity in project work, especially when implementing agencies lack capacity or when there are changes in personnel.

ADB has started implementing projects in Bhutan that incorporate CSOs in various ways to capitalize on their areas of strength. For example, two CSOs (Bhutan Association of Women Entrepreneurs [BAOWE] and Tarayana Foundation) are involved in the ongoing Advancing Economic Opportunities of Women and Girls project.

Japan Fund for Poverty Reduction

The Japan Fund for Poverty Reduction (JFPR) was established in May 2000 and provides direct grant assistance to the poorest and most vulnerable groups in developing member countries of the ADB while fostering long-term social and economic development. The grants target poverty reduction initiatives with the direct participation of NGOs, community groups, and civil society.

The following are examples of JFPR-financed projects that have involved CSOs in Bhutan:

Project Title	Project Objective and NGO Involvement
<p>Advancing Economic Opportunities of Women and Girls</p> <p>JFPR 9155-BHU (US\$1,950,000)</p> <p>Approved: 4 Feb 2011</p>	<p>The project aims to contribute to improving the economic status of vulnerable women and girls in selected urban and rural areas by enhancing their capacity to access livelihood (including microenterprise) and employment opportunities. The outputs are (i) increased capacity of government and nongovernment organizations responsible for the economic empowerment of women; and (ii) increased economic benefits to women and girls resulting from improved capacity of self-help groups to sustain livelihood and microenterprise activities and access business development services, and increased employment opportunities for girls in selected districts.</p> <p>NGOs involved in the project are Bhutan Association of Women Entrepreneurs (BAOWE) and Tarayana Foundation. These NGOs have been retained through a competitive selection process.</p>
<p>Improving Gender Inclusive Access to Clean and Renewable Energy in Bhutan, Nepal, and Sri Lanka</p> <p>JFPR 9158-REG (US\$3,000,000)</p> <p>Approved: 18 Mar 2011</p>	<p>The project aims to increase access for poor rural women to affordable and reliable clean and renewable energy sources and technologies by supplementing three current and future ADB energy projects in Bhutan, Nepal, and Sri Lanka. The project's outputs will be the (i) good practices it identifies for incorporating pro-poor and gender-inclusive provisions in energy sector policies, laws, and regulations in developing member countries of the South Asia Department; (ii) effective interventions it achieves to support gender-inclusive access to clean and renewable energy in the projects sites, which can then be replicated; and (iii) data generated through the project performance and monitoring system on social and gender-equality results. The outcome will be more systematic integration of gender issues and approaches in the design of energy operations in all South Asian developing member countries. The project impact will be increased access to affordable and reliable clean and renewable energy sources and technologies for poor rural women.</p> <p>The Royal Society for Protection of Nature (RSPN) is involved in this project. This NGO has been retained through a competitive selection process.</p>

Endnotes

- 1 Tashi Choden. 2003. *Traditional Forms of Volunteerism in Bhutan*. The Centre for Bhutan Studies, Thimphu.
- 2 Karma Galay. 2001. Bhutanese Context of Civil Society. *Journal of Bhutan Studies*, Vol. 04, The Centre for Bhutan Studies, Thimphu.
- 3 Dzongkhag Yargye Tshogdue (District Development Committee) was established in 1981 and the Gewog Yargye Tshogdue (Block Development Committee) in 1991.
- 4 Fourth Annual Report of Lyonchhen Jigmi Yoeser Thinley to the Ninth Session of the First Parliament on the State of the Nation. 9th July 2012, Thimphu.

- 5 Note 4.
- 6 Website of the CSO Authority of Bhutan, www.csoa.org.bt/
- 7 ADB. 2013. *Asian Development Bank and Bhutan Factsheet*. Manila.
- 8 ADB. 2012. ADB to Open Bhutan Office in Early 2013. Press release dated 16 October. <http://www.adb.org/news/adb-open-bhutan-office-early-2013> (retrieved on 14 Feb 2013).

For more information about ADB's work in Bhutan, visit www.adb.org/countries/bhutan; www.adb.org/publications/bhutan-fact-sheet

Definition and Objectives of Civil Society Collaboration

Civil society is an important stakeholder in the operations of the Asian Development Bank (ADB) and its borrowers and clients. It is distinct from the government and the private sector and consists of a diverse range of individuals, groups, and nonprofit organizations. They operate around shared interests, purposes, and values with a varying degree of formality and encompass a diverse range—from informal unorganized community groups to large international labor union organizations. Of particular relevance to ADB are nongovernment organizations, community-based organizations and people's organizations, foundations, professional associations, research institutes and universities, labor unions, mass organizations, social movements, and coalitions and networks of civil society organizations (CSOs) and umbrella organizations.^a

ADB recognizes CSOs as development actors in their own right whose efforts complement those of governments and the private sector, and who play a significant role in development in Asia and the Pacific. ADB has a long tradition of interacting with CSOs in different contexts, through policy- and country strategy-level consultation, and in designing, implementing, and monitoring projects.

In 2008, ADB launched Strategy 2020, which articulates the organization's future direction and vision until 2020.^b Above all, Strategy 2020 presents three complementary strategic agendas to guide ADB operations: inclusive economic growth, environmentally sustainable growth, and regional integration. These agendas reflect the recognition that it is not only the pace of growth but also the pattern of growth matters in reducing poverty in the region. In this new strategic context, partnerships with a range of organizations, including CSOs, will become central to planning, financing, implementing, and evaluating ADB projects.

^a ADB. 2012. *Strengthening Participation for Development Results*. Manila.

^b ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.