

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB), the World Bank, the Danish International Development Agency (DANIDA), the Japan International Cooperation Agency (JICA), the United Nations Development Programme (UNDP), and the Government of India have been key development partners of the Government of Bhutan, providing external assistance for flood protection and urban development. Their support and that of other development partners is summarized in Table 1.

Table 1: Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Loan-Financed Investment Projects			
ADB	Multi-project	1983–1987	5.00
ADB	Water Supply and Sanitation in Six Towns	1983	0.40
ADB	Urban Centers Water Supply and Sanitation	1984	5.10
ADB	Urban Infrastructure Improvement Project (Loan 1625-BHU)	1998–2005	5.70
ADB	Urban Infrastructure Development Project (Loan 2258-BHU)	2006–2014	24.60
ADB	Urban Infrastructure Project (Loan 2816-BHU)	2011–2018	19.87
World Bank	Bhutan Urban Development Project I	1999–2006	10.80
World Bank	Bhutan Urban Development Project II ¹	2010–2019	12.70
World Bank	Additional Financing to the Bhutan Urban Development Project II	2014–2019	17.40
Grant-Financed and Technical Assistance Projects			
ADB	Urban Centers and Water Supply and Sanitation Program	1983	0.20
ADB	Urban Centers Sewerage	1987	0.40
ADB	Urban Infrastructure Improvement	1996	0.40
ADB	Urban Infrastructure Improvement Supplementary	1997	0.10
ADB	Improved Urban Environmental Infrastructure Project (Project Preparatory Technical Assistance)	2013–2017	0.80
ADB	Adapting to Climate Change through Integrated Water Resources Management	2014–2016	1.75
DANIDA	Urban Centers Sewerage	1987	2.50
DANIDA	Urban Centers Water Supply	1993	3.90
DANIDA	Environmental Sector Program Support 1 and 2	1998–2005	3.20
DANIDA	Urban Sector Program Support 3	1999–2005	9.60
DANIDA	Environmental and Urban Sector Support Program 4 and 5	2004–2010	9.90
UNDP	Urban Development and Housing Technology	1983–1987	0.60
UNDP	Urban Planning	1985–1987	0.50
UNDP	Strengthening Capacities for Urban Management	1996–1999	0.50
UNDP	Addressing the Risk of Climate-Induced Disasters through Enhanced National and Local Capacity in Bhutan	2012–2015	11.49
UNDP	Response and Recovery Preparedness in Bhutan	2014–2016	0.26
UNEP	Bhutan's Third National Communication to UNFCCC	2015–2018	
ADRC	Glacial Lake Outburst Floods Project	2012	
World Bank	Improving Disaster Management Capacity in the Kingdom of Bhutan;	2012–2014	0.40
GOI	Upgrading of Punakha Town (Kuruthang)	1996, 2016	1.50
JICA	Project for Capacity Development of Glacial Lake Outburst Floods and Rainstorm Flood Forecasting and Early Warning System	2013–2016	
JICA	Project on Support for Community Engagement in Local Governance	2015–2018	

ADB = Asian Development Bank, ADRC = Asian Disaster Reduction Center, DANIDA = Danish International Development Agency, GOI = Government of India, UNDP = United Nations Development Programme, UNFCCC = United Nations Framework Convention on Climate Change.

Source: ADB.

¹ World Bank. 2014. *Bhutan: Country Snapshots*. Washington, DC.

2. The Government of India remains Bhutan's principal socioeconomic development donor, having been a key development partner for large infrastructure projects such as roads, bridges, and hydropower. In 1996, it undertook a major urban development project to decongest the town of Punakha by developing the newly planned town of Kuruthang,² and in 2011, it supported the "Government to Citizen" initiative to improve municipal management by improving municipal finances and reforming tariff and user fees.

3. During 2013–2016, JICA supported a technical assistance (TA) project, "Glacial Lake Outburst Floods (GLOF) and Rainstorm Forecasting and Early Warning System," to enhance nationwide disaster resilience by enhancing the capacity of the Department of Hydro-Meteorological Services and relevant stakeholders.³ Through its three phases of local governance and decentralization TA projects, JICA has helped to enhance the capacities of local government officials and improve public service delivery to communities. The current Project on Support for Community Engagement in Local Governance supports measures to promote community groups' engagement in local governance.

4. The UNDP was active in the urban sector until 1999. With help from the United Nations Center for Human Settlements, it funded the Strengthening Capacities for Urban Management and Human Settlements Sector Planning Project, which focused on urban strengthening in Thimphu and Phuentsholing.⁴ The UNDP has since actively supported climate change adaptation and disaster risk reduction in Bhutan. Its current project, Addressing the Risk of Climate-Induced Disasters through Enhanced National and Local Capacity in Bhutan, supports flood protection in Pasakha.

5. DANIDA has helped the Government of Bhutan by providing urban infrastructure such as water and wastewater treatment plants in Thimphu and Phuentsholing, a landfill in Phuentsholing, and a pilot social housing project in Thimphu. DANIDA has also supported urban infrastructure in Gelephu, Damphu, Samtse, Trashigang, Mongar, and Gyelposhing. From 1998 to 2010, DANIDA also provided long-term sector assistance through a set of urban development support programs.⁵

6. The World Bank has funded various infrastructure and capacity building projects in the urban sector, including (i) utility billing and account management in 10 towns through its Bhutan Urban Development Project I; and (ii) the expansion of Thimphu city by developing local area plans in north Thimphu and strengthening municipal management systems in Thimphu and Phuentsholing under the Second Urban Development Project.⁶ It has also supported improved disaster management capacity in Bhutan. It shifted 60% of its lending toward budgetary support for the National Treasury, and uses the remaining 40% to support road and urban development programs in alternate years.

7. In 1983, ADB approved its first urban multisector loan in the amount of \$5 million, with subcomponents for water supply, sewage, and solid waste collection equipment.⁷ Five more

² Sewerage improvements are currently being undertaken in Kuruthang with the support of the Government of India.

³ The National Weather and Flood Warning Centre was established under this project.

⁴ The UNDP has now shifted its focus to governance.

⁵ Including developing the 2010 draft municipal finance policy. DANIDA. 2014. *Bhutan–Denmark: The Story About 30 Years of Bhutanese–Danish Partnership*. Copenhagen.

⁶ ADB has undertaken the southern expansion of the city. ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for Urban Infrastructure Development Project*. Manila (Loan 2258-BHU).

⁷ ADB. 1983. *Report and Recommendation of the President to the Board of Directors on a Proposed Multi-Project Loan and a Technical Assistance Grant to the Kingdom of Bhutan*. Manila (Loan 637-BHU).

urban loans were approved during 1983–2011. The completed projects improved water supply and sanitation facilities in seven selected towns and supported the orderly expansion of Thimphu through land pooling. ADB's urban development strategy for Bhutan, which has been guided by the government's five-year plans, targets orderly and sustainable urbanization by developing urban management systems and financing urban infrastructure. ADB financing of Bhutan's urban sector as a share of its country lending volume increased from 8% during 1983–2003 to 12% during 2004–2013.⁸ In the agricultural and natural resources sector, ADB has also provided TA through the Adapting to Climate Change through Integrated Water Resources Management Project for preparing the National Integrated Water Resources Management Plan, Wangchhu River Basin Management Plan, and National Irrigation Master Plan; and support for strengthening water resources governance. ADB's long-term commitment, continuity, adequate resource levels, and well-sequenced holistic approach to addressing sector constraints have been highly effective in delivering development results, leading senior government officials to assess ADB's involvement in Bhutan as indispensable.⁹

B. Institutional Arrangements and Processes for Development Coordination

8. Development coordination in Bhutan has been project-based, with the government coordinating new projects through discussions with development partners. The establishment of ADB's Bhutan Resident Mission in 2012 has strengthened coordination with other development partners. The government's round table meetings with development partners provide a formal occasion at which development partners and the government can coordinate development assistance.¹⁰ ADB has used these meetings to coordinate its operations with those of other funding agencies by avoiding overlaps and effectively leveraging scarce resources.

C. Achievements and Issues

9. According to ADB's 2010 country assistance program evaluation for Bhutan (footnote 9), major achievements of recent ADB assistance include the successful development of urban infrastructure, particularly in Thimphu and Phuentsholing. Dialogues with the government and other development partners, primarily through the round table meetings, have helped ADB harmonize its assistance to Bhutan. For example, with regard to the urgent need to develop infrastructure in newly expanded areas of Thimphu, the government, ADB, and the World Bank agreed to divide their assistance geographically, with ADB focusing on southern Thimphu and the World Bank on northern Thimphu.

D. Summary and Recommendations

10. As a major development partner in Bhutan's urban sector, ADB is focusing on developing and rehabilitating essential municipal infrastructure. As ADB continues to coordinate through the Ministry of Finance, it is recommended that the Ministry of Finance should lead periodic discussions with development partners working on public sector management, financial sector development, and disaster risk reduction. Such discussions will enable future development assistance projects to address gaps proactively and complement the activities of ongoing projects.

⁸ ADB. 2015. *Three Decades of Development Partnership: Royal Government of Bhutan and Asian Development Bank*. Manila.

⁹ ADB. 2010. *Evaluation Study; Country Assistance Program Evaluation: Bhutan*. Manila.

¹⁰ The Gross National Happiness Commission organizes the first round table meeting before the start of the 5-year period, and the second round table meeting in the middle of the 5-year period.