

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 urban development. Their support and that of other development partners is summarized in the table.

Major Development Partners			
Development Partner	Project Name	Duration	Amount (\$ million)
Loan-Financed Investment Projects			
ADB	Multiproject	1983–1987	5.00
	Water Supply and Sanitation in Six Towns	1983	0.40
	Urban Centers Water Supply and Sanitation	1984	5.10
	Urban Infrastructure Improvement Project (Loan 1625-BHU)	1998–2005	5.70
	Urban Infrastructure Development Project (Loan 2258-BHU)	2006–2014	24.60
	Urban Infrastructure Project (Loan 2816-BHU)	2011–2018	19.87
World Bank	Thimphu Road Improvement Project	2016–2019	4.26
	Bhutan Urban Development Project I	1999–2006	10.80
	Bhutan Urban Development Project II ^a	2010–2019	12.70
	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
	Urban Centers Sewerage	1987	0.40
	Urban Infrastructure Improvement	1996	0.40
	Urban Infrastructure Improvement Supplementary	1997	0.10
	Improved Urban Environmental Infrastructure Project (Project Preparatory Technical Assistance)	2013–2017	1.00
	Thimphu Road Improvement Project	2016–2019	4.26
DANIDA	Urban Centers Sewerage	1987	2.50
	Urban Centers Water Supply	1993	3.90
	Environmental Sector Program Support 1 and 2	1998–2005	3.20
	Urban Sector Program Support 3	1999–2005	9.60
UNDP	Environmental and Urban Sector Support Program 4 and 5	2005–2010	9.90
	Urban Development and Housing Technology	1983–1987	0.60
	Urban Planning	1985–1987	0.50
Government of India	Strengthening Capacities for Urban Management	1996–1999	0.50
	Upgrading of Punakha Town (Kuruthang)	1996, 2016	1.50
JICA	Support for Community Engagement in Local Governance	2015–2018	

ADB = Asian Development Bank, DANIDA = Danish International Development Agency, JICA = Japan International Cooperation Agency, UNDP = United Nations Development Programme.

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

Source: Asian Development Bank.

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 hydro power. The Bhutan–India Development Cooperation talks are the main mechanism for discussing and reviewing India's bilateral development cooperation and assistance to Bhutan. The Government of India provided assistance of ₹45 billion for implementation of development projects during Bhutan's Eleventh Five-Year Plan, 2013–2018. In 1996, it undertook a major urban development project to relieve congestion in the town of Punakha by developing the newly planned town of Kuruthang (Punakha). In 2011 it supported the Bhutan government's

Government to Citizen initiative to improve municipal management through improved financial practices, modernization of accounting procedures, tariff and user fee reforms, and making municipalities more efficient in delivering basic urban services.

3. During 2015–2018, JICA, through its three phases of local governance and decentralization technical assistance projects, 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 engagement of community groups in local governance.

4. 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 (1996–1999), which focused on urban strengthening reforms in Thimphu and Phuentsholing. UNDP is no longer active in the urban sector and has shifted its focus to governance change adaptation and disaster risk reduction in Bhutan.¹

5. DANIDA has helped the Government of Bhutan by providing urban infrastructure such as water and waste water 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 Damphu, Gelephu, Gyelposhing, Mongar, Samtse and Trashigang. From 1998 to 2010, DANIDA also provided long-term sector assistance through a set of urban development support programs.² Key components of DANIDA's support include (i) developing the capacity of the Thimphu and Phuentsholing city councils for all aspects of city corporatization, (ii) developing the 2010 draft municipal finance policy, and (iii) providing capacity building and training for *thromde* (municipality) staff in environmental management. The Government of India has provided similar support. As of June 2010, DANIDA was no longer involved in the urban sector, having shifted its focus to capacity development and policy support.

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 Gelephu, Phuentsholing, Samdrup Jongkhar and Thimphu, under the Bhutan Urban Development Project II.³ The World Bank has 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 (of \$5 million), with subcomponents for water supply, sewage, and solid-waste collection equipment.⁴ Five more urban loans were approved during 1983–2011 and a subsequent grant-funded project for road improvements in Thimphu was approved in 2016. The completed projects developed critical municipal infrastructure in seven selected towns and supported the orderly expansion of Thimphu through land pooling and governance reforms and urban planning. ADB's urban development strategy for Bhutan, which has been guided by the government's 5-year plans, targets orderly and sustainable urbanization by developing urban management systems and financing urban infrastructure. ADB

¹ Its current project, Addressing the Risk of Climate-Induced Disasters through Enhanced National and Local Capacity in Bhutan, supports flood protection in Pasakha industrial town.

² DANIDA. 2014. *Bhutan–Denmark: The Story About 30 Years of Bhutanese–Danish Partnership*. Copenhagen.

³ The latter two towns are supported under additional financing. ADB has undertaken the southern expansion of the city. ADB. [Kingdom of Bhutan: Urban Infrastructure Development Project](#). Manila (Loan 2258-BHU).

⁴ ADB. [Kingdom of Bhutan: Multi-Project Loan and a Technical Assistance Grant](#) (Loan 0637-BHU).

financing of Bhutan's urban sector as a share of its country lending volume increased from 8% during 1983–2003 to 12% during 2004–2013.⁵ 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.⁶

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 roundtable meetings with development partners provide a formal occasion at which development partners and the government can coordinate development assistance.⁷ ADB has used these meetings to coordinate its operations with those of other funding agencies so as to avoid overlaps and effectively leverage scarce resources. ADB will continue to closely collaborate with other development agencies to harness synergies.

C. Achievements and Issues

9. According to ADB's 2010 country assistance program evaluation for Bhutan (footnote 6), 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 roundtable meetings, have helped ADB harmonize its assistance to Bhutan. For example, 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.

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 should lead periodic discussions with development partners working on urban development, 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.

⁵ ADB. 2015. *Three Decades of Development Partnership: Royal Government of Bhutan and Asian Development Bank*. Manila.

⁶ ADB. 2010. *Country Assistance Program Evaluation: Bhutan*. Manila.

⁷ The Gross National Happiness Commission organizes the first roundtable meeting before the start of the 5-year period and the second roundtable meeting in the middle of the 5-year period.