

# EXECUTIVE SUMMARY

Bhutan is in the midst of a historic transition from monarchy to a full-fledged democracy after having established peace, stability and impressive gains in human development. High expectations to successfully manage the transition make it even more important for Bhutan's development partners—national and international—to reflect upon future support in order to further accelerate and sustain progress in the coming years. This is an opportune moment for UNDP to assess, and if needed, reposition and restructure its assistance to Bhutan in order to enhance development effectiveness. The Assessment of Development Results (ADR) exercise is timely in that it is an independent evaluation of UNDP's contribution to Bhutan's development, the results of which will be used as an input to UNDP's next country programme (2008-2012) in Bhutan.

Policymaking and programming in Bhutan are uniquely guided by the concept of gross national happiness (GNH), which emphasizes sustainable and equitable socioeconomic development, conservation of the environment, preservation and promotion of culture, and promotion of good governance.

UNDP Bhutan has, over the years, established an extremely positive relationship with the Royal Government of Bhutan (RGoB)—a relationship that is characterized by mutual trust, respect and constructive engagement. UNDP assistance, starting in 1973, has covered a number of fields from telecommunications and civil aviation to horticulture and promotion of cultural heritage.

During the period under review, January 2000 to December 2005, UNDP Bhutan has contributed mainly to five programmatic areas: governance, poverty reduction, energy and environment, gender equity, and natural disaster reduction. UNDP (in partnership with United Nations Capital Development Fund [UNCDF] and United Nations Volunteer [UNV]) is currently the largest UN

system development partner in Bhutan. Between 1997-2001, UNDP's programme budget in Bhutan totaled USD 18.2 million. In 2004, UNDP's total expenditure for Bhutan was USD 3.34 million. For the period 2002-2006, the amount budgeted was USD 13.2 million.

Currently, the staff in charge of managing the affairs of UNDP Bhutan include two international staff members, seven national officers, 23 general staff members, one Junior Programme Officer and five UNVs.

Several new opportunities for UNDP to enhance its contribution are expected to emerge with the transition to democracy in 2008, when a democratically elected government will begin to function under a new constitution.

**Development context:** Bhutan is a small country 672,425<sup>1</sup> people located in South Asia at the foot of the Himalayas. With a per capita gross national income of USD 1,005 in 2005—40 percent higher than that of India and more than 70 percent higher than the average income of low income countries—Bhutan has recorded impressive gains in human development after ending its self-imposed isolation in 1961. The country's human development index (HDI) has grown steadily from 0.325 in 1984 to 0.583 in 2003, placing Bhutan in the category of medium human development countries.

A sensible macroeconomic policy has ensured high growth, positive balance of payments, and manageable levels of inflation and public debt. Annual gross domestic product (GDP) growth since 1980 has averaged 7 percent. This has been sustained principally by hydropower development, export of surplus power to India, and creation of extensive infrastructure including road networks, feeder roads to improve rural connectivity, electricity and telecommunication facilities. Nevertheless, Bhutan faces several development challenges. Among

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1. Office of Census Commissioner, Population and Housing Census of Bhutan, Thimphu, Bhutan, 2005

the priority issues identified by RGoB and other partners are the need to eliminate poverty, reduce inequalities, generate employment (especially for young people), enhance reach and quality of basic social services, transition smoothly to parliamentary democracy, better manage the environment, develop civil society organizations and the private sector, and promote leadership, especially in local governments. Critical to Bhutan's future development will also be a peaceful resolution of the issue of the people in the camps in Eastern Nepal.

**Role of official development assistance (ODA):**

ODA has played an important role in financing and promoting human development in Bhutan. According to UNDP's Human Development Report 2006, Bhutan received USD 88 per capita as ODA in 2003, accounting for 11.1 percent of the GDP—the highest proportion in South Asia. ODA to Bhutan has more than doubled, from USD 71 million in 1990 to USD 147 million in 2004. The UN system has emerged as the largest contributor to Bhutan's development. ODA has been mostly used to fund investments in and expansion of much needed physical and social infrastructure, housing and urban development, and the Renewable Natural Resources (RNR) sector.

The success of development outcomes in Bhutan, rising per capita incomes and the increasing ability of the country to meet its own development outlays have paradoxically created a situation wherein some of the development partners are now considering either reducing levels of ODA or a gradual phasing out of their assistance. This is a serious concern. A premature withdrawal or reduction of ODA resources could potentially jeopardize the development gains attained so far and adversely affect Bhutan's long-term sustainable development at this critical juncture when Bhutan has embarked on a transition to democracy. Even as revenue and GDP are expected to grow substantially with the commissioning of the 1,020MW Tala hydroelectric project (the biggest joint undertaking between India and Bhutan so far, which is expected to generate 4,865 million kWh/yr), social sector expenditures are projected to rise steeply as the state gears itself to meet the needs of a large young population and fulfill its commitment to assure citizens a decent quality of life. At the same time, the government

has to meet rising debt and interest obligations in addition to starting repayments for the hydro-power project almost immediately. Costs of governance are also expected to increase as many new institutions essential under democracy (such as the Parliament) are being set up for the first time and institutions of local governance are further strengthened.

In the immediate term, Bhutan may increasingly depend on ODA. In the long term, however, the country has the potential to reduce its dependence on foreign aid, especially as standards of living improve, incomes expand, and human capabilities are enhanced.

**UNDP's contribution as a development partner:**

RGoB provides a comprehensive development framework, articulated in the Five Year Plans and other policy documents, that set out national priorities and goals for the country.<sup>2</sup> In this sense, RGoB retains full ownership of policy and strategy development as well as field execution. Within this context, UNDP is called upon by RGoB to explore new approaches and new areas, mobilize technical assistance, conduct studies that can inform policy and programming, and bring lessons learned from the field to inform policy makers. In extending support, UNDP often works 'behind the scenes' in close partnership with RGoB. UNDP has acquired a high profile for its contribution in all the five programming areas (governance, poverty reduction, energy and environment, gender equity and natural disaster reduction). Contributing to UNDP's positive image are its alignment with and responsiveness to national development priorities, flexible funding modalities, cross-sectoral mandate, coordination role among UN partners, global access to high-level technical expertise, and ability to identify and help respond to emerging issues by keeping a finger on the international and national development pulse.

Some of UNDP's important contributions have been to raise awareness through effective advocacy, create an enabling policy environment through preparatory work, extend direct support for policy and strategy development, and enhance institutional capacity in the public sector. RGoB also recognizes the contribution of UNDP's 'soft assistance', such as donor coordination, assisting RGoB in international conventions, preparing Millennium

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2. See, for example, two reports brought out by RGoB: 'Bhutan 2020: A Vision for Peace, Prosperity and Happiness, 2000', and 'Good Governance Plus: In Pursuit of Gross National Happiness 2005'.

Development Goal (MDG) Reports and National Human Development Reports, advocating and supporting the development of the GNH concept, mobilizing ad hoc technical assistance, and supporting institutional strengthening in the public sector, such as the National Commission for Women and Children (NCWC).

On the whole, the assessment reveals that UNDP's contributions are in line with intended outcomes. Evidence for this comes from examining the systematic documentation of milestones and generation of reports following UNDP's move to adopt a results-based approach. In cases where results did not occur according to plan, this appears to be largely attributable to insufficient implementation capacities among institutions at the local level, exacerbated by the accelerating pace of reform and growing demands on central planning. Other constraining factors are perceived deficiencies in some UNDP institutional systems (for example, in financial and reporting systems), and processes that limit institutional learning.

**Comparative advantages:** UNDP is, by and large, seen as a catalyst that continues to undergo changes in order to keep pace with changing national and local needs. Compared to other development agencies operating in Bhutan, UNDP enjoys many advantages. These include a close partnership with RGoB, support to multisectoral interventions, the capacity to coordinate and mobilize support within the UN system, access to impartial global expertise, the capacity to extend funding support that is flexible and responsive, and the ability to take risks and to globally showcase Bhutan's achievements.

**External factors contributing to UNDP's effectiveness:** Public policy in Bhutan is guided by the concept of GNH which, in many ways, complements UNDP's idea of human development. Recent shifts in political priorities towards greater empowerment and engagement of people, for instance, are consistent with UNDP's human development approach. The move towards decentralization assists ground-level implementation by providing opportunities for better mobilizing and involving non-governmental organizations (NGOs), community-based organizations (CBOs) and civil society. UNDP has also benefited from RGoB's strong sense of ownership of UNDP's interventions and by a series of reforms in Bhutan spearheaded by RGoB. At the same time,

RGoB has been open to new ideas and has shown an eagerness to learn from local and international experiences. Equally important has been the acceptance of UNDP's leadership role by development partners in Bhutan.

**Internal factors contributing to UNDP's effectiveness:** Many internal factors have contributed to UNDP's effectiveness. As discussed earlier, UNDP has capitalized on its long association with RGoB, extended support to a wide range of activities, and remained flexible and responsive to the country's needs. It has tapped a broad range of expertise available in UNDP Headquarters, regional centres and across UN agencies. UNDP has also displayed a good ability to plan in a rapidly changing environment. It has encouraged participatory approaches to planning and focused on generating evidence to inform policy and decision making. Today, it is well placed to work on both upstream and downstream issues of development and has also capitalized on opportunities to establish strong policy-practice linkages in different sectors.

**External factors detracting from UNDP's performance:** Many external factors have prevented UNDP from being more effective. Bhutan's topography, rough weather, mountainous terrain and landlocked status pose serious challenges for accelerating human development. The country's small and widely scattered population compounds the challenges. As a result, while physical infrastructure has expanded considerably over the years, it is still inadequate to ensure universal reach and effective delivery of basic social services and to establish effective systems of local governance and connectivity to markets. Speedy political reforms towards democracy and decentralization have greatly increased the need for administrative and managerial capacity as well as leadership at many levels of government. A constraining factor has been RGoB's capacities for planning and implementation, especially in local governments. This is also a reason why inter-sectoral convergence and coordination remain weak. At the same time, CBOs and NGOs are few in number, and their capacities are also insufficiently developed. Similarly, very few independent research and consulting institutions, policy groups or agencies in the private sector serve the critical function of independent evaluation and public reporting.

**Internal factors detracting from UNDP’s performance:** A number of internal factors have limited the capacity of UNDP Bhutan to maximize its contributions. While UNDP has dovetailed its operations with government priorities, this has not necessarily ensured adequate coherence and programme focus. Being flexible, agile and capable of taking risks has enabled UNDP to be responsive and to function as a catalyst. However, it has also given rise to a feeling that UNDP’s interventions are small, scattered and unfocused. In addition, while UNDP has established strong ties with the central government, this is not the case with local governments. UNDP Bhutan’s relatively small staff seems over worked—burdened both by UNDP programming work and the coordination role emanating from the dual roles of the UNDP Resident Representative serving as the UN Resident Coordinator as well. Finally, there is room for improving monitoring and evaluation systems by focusing, to start with, on the changes that UNDP is aiming to bring about, rather than on what is being done.

**Partnerships:** UNDP Bhutan has built successful partnerships with UN agencies and bilateral and multilateral donors. Stakeholders applaud UNDP’s role as a partner and describe UNDP as being an honest broker, independent, with no associated agenda, and a transparent and effective coordinator. Most partners see a useful synergy between UNDP’s operations and their own. Partners regard UNDP as being most effective in providing international expertise, extending support for policy advice to the government, catalyzing development action, mobilizing resources, promoting collaboration and networks, strengthening capacity, and coordinating (not directing or dictating) development assistance among UN agencies and other partners. However, UNDP has been less successful in building partnerships with the private sector, NGOs and civil society organizations.

**UN resident system coordination role:** The Resident Coordinator is credited with taking a lead role in promoting and coordinating actions around the MDGs. The Common Country Assessment (CCA) and United Nations Development Assistance Framework (UNDAF) provide the unified overall planning structure for the United Nation’s development assistance in Bhutan. The Round

Table Meetings (RTMs), co-chaired by RGoB and UNDP, have served as a useful forum for promoting consultations between developing countries and assistance partners on issues of common interest and development themes. Stakeholders appreciate UNDP’s role in improving coordination through the Theme Groups, promoting policy dialogue with RGoB, and harmonizing programming efforts. At some level, however, many in government and civil society are unable to distinguish between UNDP and the United Nations. This has sometimes resulted in incorrectly or inadvertently crediting UNDP with achievements that the organization is not entirely responsible for. Also, there is little evidence to suggest that the UN country team is engaged in actively promoting joint programming, monitoring and evaluations, although the intention to do so is often expressed.

**Lessons learned:** Some general lessons are obvious. It is important for the UNDP country office (CO), for instance, to avoid normal development pitfalls such as top-down planning, superficial consultation and insufficient emphasis on empowerment when building capacity and executing projects. However, there are three specific lessons from the UNDP Bhutan’s experience that are worth noting.

**Cultivating partnerships:** UNDP Bhutan has lessons to offer in cultivating relationships with governments. The trust that the CO enjoys reflects the sensitivity, astuteness and respect with which UNDP has cultivated its relationships with RGoB. The CO has chosen not to ‘impose’ or even ‘appear to impose’ its own prescriptions. It has partnered with RGoB to think through several interventions and implement them at a pace set by RGoB. Three issues are important while nurturing government relations. One, close proximity to and dovetailing of UNDP’s programmes with that of government, while necessary, make it difficult for UNDP to clearly identify what its specific contributions are to the country’s development. Often, the tendency is for UNDP to take credit for national achievements and absolve itself of responsibility for any shortcomings by pointing to deficiencies in government. It is therefore important to develop within UNDP a stronger culture of results-based management where continuous monitoring and evaluation become integral to performance assessment and reporting. Two, there is need to strike a balance

between developing relationships with the government on the one hand and with the private sector and civil society on the other. This may not always be easy and needs to be consciously and proactively pursued. Three, given the rapidly changing external environment, it is necessary for UNDP to constantly review the underlying pathways of change that guide its programming efforts by reviewing what actions with what people and in what settings will produce the desired outcomes. This will make the organization more alert, more responsive and more capable of making mid-course corrections to its programmes.

**Balancing upstream and downstream work:**

Ensuring development effectiveness requires both appropriate upstream and downstream interventions. UNDP Bhutan, by and large, scores well in terms of its upstream policy contributions to Bhutan's development. Much less visible, however, is the contribution to downstream effectiveness and impact at the local level. Three factors need to be better understood. First, at the project design stage, UNDP and the central government must discuss and develop a decentralized system of programme implementation that can ensure effective flow and use of funds by local bodies. The flow of resources must be adequate to deliver the expected outputs and outcomes. Second, the CO must work towards developing scaling up strategies, especially where interventions start as pilot projects and need to be expanded. Third, the CO needs to put in place effective quality evaluation mechanisms that can highlight lessons for replication as scaling up occurs.

**Becoming a knowledge organization:** RGoB has been drawing upon UNDP Bhutan's support for tapping information and knowledge in many areas where local expertise has been insufficient. This feature, and not the amount of funds, has been the basis for the relationship of trust that has been built between UNDP Bhutan and RGoB. The CO has drawn upon expertise from UNDP's regional centres, Regional Bureau for Asia and the Pacific, and corporate divisions of UNDP, especially in areas where UNDP Bhutan has not had the necessary

skills to respond to requests from RGoB. This function needs considerable strengthening. In the years to come, UNDP's contribution will be determined increasingly by the extent to which it informs public decision making by drawing on its global knowledge of what works and what doesn't. To better do this, UNDP will need to rapidly transform itself into an effective knowledge organization.

**Recommendations:** Improvements in the functioning of UNDP Bhutan as well as enhanced support from the UNDP Regional Bureau for Asia and the Pacific, regional centres and other UNDP headquarter units can further strengthen UNDP's development effectiveness in Bhutan. Listed below are specific recommendations for the consideration of different stakeholders within UNDP.

## RECOMMENDATIONS TO UNDP BHUTAN

### POSITIONING

- **Improve responsiveness:** There is considerable room for UNDP Bhutan to improve its ability to assist RGoB in identifying and articulating policy choices to more proactively address many of the challenges facing Bhutan. These would include, for instance, examining and finding appropriate solutions to concerns of poverty and inequality, youth unemployment, rural-urban migration, limited capacities at the local level, a weak private sector and capacity building of civil society organizations.
- **Rearticulate a theory of change:** A 'theory of change' is the product of 'a series of critical-thinking exercises that provides a comprehensive picture of the early-and intermediate-term changes in a given community that are needed to reach a long-term goal articulated by the community.'<sup>3</sup> Re-examining four variables—actions, people, setting and outcomes—is a useful way for any organization to further improve its development effectiveness. Strategic thinking and a common understanding of the development path will enable UNDP Bhutan to tap better into

3. Articulating a Theory of Change helps to (i) identify the issue(s) that an intervention will address, (ii) spell out the roles and responsibilities of different stakeholders, (iii) set benchmarks for groups that will benefit from the programme, (iv) analyse the policy environment in which the programme will be implemented, and (v) outline strategies that will help achieve specific outcomes. For details, see discussions, such as [www.evaluationtools.org/plan\\_theory.asp](http://www.evaluationtools.org/plan_theory.asp) and [www.gse.harvard.edu/hfrp/eval/issue30/expert3.html](http://www.gse.harvard.edu/hfrp/eval/issue30/expert3.html)

global knowledge and enable Bhutan to create an appropriate environment for policy reforms and programmatic interventions. Doing so will also enable UNDP Bhutan to strike a better balance between upstream and downstream interventions, and address the issues of scatter of projects, focus, policy and field linkages.

- **Develop into a knowledge centre:** There is a real opportunity for UNDP Bhutan to position itself as a knowledge centre. Doing so will greatly strengthen the supporting role that it plays vis-à-vis RGoB and will also fulfill the expectations of other development partners. There is, however, a need to formalize and improve knowledge creation, management and dissemination. This will require paying more attention to concurrent project (and even programme) monitoring and evaluation, synthesis of action research and evaluation lessons. In addition, UNDP Bhutan could play a constructive role in encouraging knowledge networks within the country. Effective use of information and communications technology can help make the generation and sharing of knowledge more inclusive and participatory. UNDP can also play a useful role in ensuring that knowledge dissemination results in further enriching the quality of public discourse.

## PROGRAMMING

- **Consolidate interventions:** There is still much ground to cover in terms of advancing human development, eliminating human poverty and reducing inequalities. While continuing its activities in the current programming areas, UNDP Bhutan should pay special attention to national development challenges that are likely to assume importance in the coming decade. This would include focusing on RGoB-articulated priority areas including anti-corruption, good governance, leadership, culture and ethics.
- **Sharpen focus:** UNDP has been particularly effective in evolving with the needs of RGoB. Although a majority of UNDP's resources are concentrated in only two large projects—Rural Enterprise Development Programme (REDP) and Decentralization Support—its efforts appear scattered due to the ambitious design of the two projects and the slow progress towards results because of insufficient institutional and individual capacities. The results-based approach and Multi-Year Funding Framework have helped to sharpen UNDP's work towards outcomes, but they still need to be better internalized in order to become more outcome and less process orientated.
- **Strengthen downstream delivery:** UNDP Bhutan has been successful in supporting RGoB in a number of upstream policy initiatives. Its support and impact downstream need to be made more effective and obvious. Work at the field level requires more effort, resources and monitoring capacity. The potential contribution of NGOs and CBOs can be substantial, but this requires both nurturing and investments in capacity building. Assessing downstream contribution should be improved by better monitoring at the project level, specifying clear methodologies in project evaluation and resolving conflicting views on the effectiveness of partnerships.
- **Capacity building:** UNDP Bhutan should work towards improving efficiency as well as government capacity at central and local levels to deal with the demands of implementation. It should focus on further developing public sector capacity, particularly in the areas of disaster management, gender analysis and mainstreaming, sustainable use and management of natural resources, and in fulfilling human rights treaty obligations. The CO should generate adequate synergies and linkages between executing agencies and work to ease rigid and ineffective institutional systems. The UN country team should assess whether it has sufficient policy and analytical capacity to help the RGoB use direct budget support. At the same time, it will be important for UNDP Bhutan to find ways and means of enhancing the capacity and resources of the private sector and NGOs as well.
- **Monitoring and evaluation:** Better monitoring, evaluation and knowledge management systems are needed to maximize UNDP's impact and that of its partners in advancing the development agenda. UNDP, together with the UN system in Bhutan, should assist in building national capacity for monitoring and evaluation.
- **Aid mobilization and coordination:** Given the resource pressures on RGoB, UNDP Bhutan can assist by better leveraging its resources to mobilize additional external funds and help with

priority setting. UNDP Bhutan can act as a filter for RGoB, initiate a dialogue with potential partners, and help identify and articulate better the resource needs of different sectors. More attention will also need to be paid to managing aid by introducing greater transparency and emphasizing the importance of mutual accountability.

- **Round Table Meetings (RTMs):** A unique feature of development cooperation in Bhutan is the extremely useful role that the RTMs have played in advancing the development agenda. As co-chair of the RTMs, UNDP Bhutan has supported RGoB in this initiative that has had several beneficial outcomes. The RTM is not a ‘pledging’ meeting where different international agencies commit financial resources. Over the years, it has emerged as a platform for development dialogue and discussions on issues of interest and concern to all participants. UNDP should continue to support the RTMs and make them an even more effective forum for promoting development dialogue and for follow-up with RGoB on issues discussed at the RTMs.
- **Harmonization:** UNDP’s substantive upstream as well as downstream work places it in a good position to better link policy and practice effectively. There is scope for developing more effective mechanisms to build bridges and promote harmonization between UNDP and its development partners. This will require more actively promoting management practices that are results oriented and harmonized.
- **Advocacy:** Bhutan is likely to experience rapid political, social and economic transformations occurring with varying time lags and varying intensities. In this context, it is important for the Resident Coordinator—and for UNDP—to advocate for the set of universal values enshrined in the Millennium Declaration: freedom, equality, solidarity, tolerance, respect for nature and shared responsibility. The Millennium Declaration also identifies several key objectives in order to translate these shared values into actions: peace, security and disarmament; development and poverty eradication; protecting our common environment; human rights, democracy and good governance; and protecting the vulnerable. Incorporating these values into its policies will be critical for Bhutan and UNDP can play a

useful role in advocating for their inclusion in policy formulation.

## RECOMMENDATION TO REGIONAL CENTRES

UNDP Bhutan has received periodic and specialized support from the regional centres in Colombo and Bangkok in its main areas of programming. In the coming years, the potential for UNDP regional centres to contribute to Bhutan’s development is likely to increase substantially. It would help to identify specific areas where UNDP can be more effective in mobilizing external aid and technical support. Creating a knowledge base and a comprehensive resource centre are likely to enhance the contribution of the regional centres.

## RECOMMENDATION TO UNDP HEADQUARTERS

There are two areas that require the attention of UNDP’s management. The first is simplification of bureaucratic procedures. Staff members in the CO as well as government counterparts commonly express the view that UNDP’s corporate procedures are unnecessarily cumbersome and time consuming. Indeed, many staff members seem to be over burdened by routine reporting requirements leaving little time for thinking creatively about their programmes. Use of staff time and staff deployment need to be examined and improved upon if more tangible results are to accrue. Second, it is necessary to assess the viability of multiple planning and results frameworks. The Evaluation Team reviewed several key documents such as the Strategic Results Framework, Multi-Year Funding Framework and Results-Orientated Annual Reports. The usefulness of these documents is not apparent. It would be useful for UNDP to undertake a systematic assessment of the extent to which these instruments are effective in actually enabling the CO to plan, implement and deliver better on results.

At the Headquarters, there is also a high potential for the Regional Bureau for Asia and Pacific to enhance its contribution to Bhutan’s development. The Bureau has specialized knowledge of countries in the region and countries that have undergone or are undergoing political transitions. This knowledge base needs to be better tapped and used to inform policy formulation and decision making in Bhutan.