Country and intercountry programmes and projects

COUNTRY PROGRAMME FOR

BHUTAN

UNDP assistance requested by the Government of Bhutan for the period 1980-1985

EMBARGO

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Third Country Programme

I am pleased to forward copies of the Third Country Programme (TCP) document requesting UNDP assistance for the period 1981-85. The document may please be transmitted to the UNDP headquarters so that necessary measures can be taken for its presentation to the June 1981 UNDP Governing Council.

2. Unlike the preparation of the previous two country programmes, the TCP document has undergone almost a year of intensive preparation. On all the proposals, detailed discussions have been held by the representatives of the Foreign Ministry, Planning Commission, technical departments and the UNDP office. Each proposal, including the existing projects which are to be continued through 1981-85, has been the subject of thorough review. Consequently, all the proposed activities under the TCP constitute important projects to be taken up during the next five years.

3. As in the past, the development of human resources would continue to receive priority throughout the TCP. About one-third of the IPF under the TCP is expected to be utilized in this sector, leaving the remaining two-thirds for equipment and consultancies in other project proposals. In line with the "continuous programming approach" advanced by the UNDP, block allocations have also been made in certain key sectors. The Royal Government wishes to continue with this programming approach and also intends to resort to the fuller application of "New Dimensions" in the future. It also wishes to express its appreciation for the flexibility shown by the UNDP in permitting the use of IPF resources, in selected cases, in meeting local costs without which some developmental projects cannot be implemented. It is hoped that the UNDP will continue to maintain this flexible approach during the TCP, taking also into account the special geographical situation and the present least developed state of Bhutan's economy.

4. Bhutan has derived considerable benefit from assistance received under the United Nations system since 1972. This assistance has increased substantially during the past eight years and, therefore, it has become instrumental in supplementing the Royal Government's efforts towards socio-economic development. The UNDP assistance itself has increased rapidly over the years; for instance, from an IPF of US$2.5 million in the first cycle (1972-76) to $12.25 in the second cycle (1977-81), and to an anticipated IPF of US$36.5 million for the third cycle (1982-86).

5. The co-operation of the United Nations system in Bhutan's development efforts has further strengthened since the establishment of the UNDP field office in Thimphu in May 1979. The opening of this office has enabled our officials to understand better the role and procedures of the United Nations system. The delivery of projects as well as their implementation and evaluation has also improved.

6. On behalf of the Royal Government of Bhutan, I would like to thank you and through you the United Nations system in general and the UNDP in particular for the continued co-operation in our socio-economic development. I would also like to express our deep appreciation for the manner in which you and your office staff have been co-operating with us in our joint efforts to make the United Nations programme more productive in Bhutan.
In the context of the TCP, I would like to say that without your personal effort and guidance and the capable support of your staff, our efforts alone may not have produced such an excellent document.

With warm personal regards,
INTRODUCTION

1. As a result of both geography and policy, the Kingdom of Bhutan remained in a state of near isolation until the early 1960s when a deliberate but measured programme of modernization and development was adopted by the Royal Government under the dynamic leadership of His Late Majesty, King Jigme Dorji Wangchuck. From the outset full public participation and the preservation of the traditions and cultural values of the country have been integral to all development efforts.

2. Bhutan has been the beneficiary of co-operation with the United Nations system since shortly after it became a member of the United Nations in 1971. However, the UNDP office was not opened until 14 May 1979. Its opening has greatly facilitated the Royal Government's understanding of the possibilities for co-operation and of the policies and procedures of the United Nations system, and has contributed to the closer supervision and more effective implementation of existing programmes and the development of appropriate programmes, including the present Country Programme.

3. The first UNDP Country Programme for Bhutan was sanctioned with an IPF of $2.5 million for the cycle 1972-1976. Implementation of the first IPF supported projects was started in 1974. The United Nations Children's Fund (UNICEF) started its co-operation with Bhutan in 1972. In 1975 the World Food Programme (WFP) initiated food aid and a first grant of more than $750,000 was approved by the United Nations Capital Development Fund (UNCDF).

4. For the second programming cycle, 1977-1981, the IPF was increased to $12.25 million. An additional $1.135 million was also approved from the Special Measures Fund for Least Developed Countries (SMLDC) and $20,000 from the Fund for Land-Locked Countries (LLC). In addition, a special allocation was made from the regional programme in 1979, for the LDCs of the region, including Bhutan. During this period, UNICEF and WFP expanded their programmes in the country; projects approved by the latter now exceed $10 million. New grants amounting to more than $5 million were approved by UNCDF. Assistance from the United Nations Fund for Population Activities (UNFPA) was initiated in 1979-1980 under a project estimated to cost over $2 million. Negotiations were started with the International Fund for Agricultural Development (IFAD) in 1979 and a project of approximately $7.5 million has been finalized.

5. As the Royal Government wished the third Country Programme to coincide with its Fifth Five Year Development Plan and thus cover the period 1981-1985 (see section II below), preparations for the formulation of the programme were launched in early 1980. From the outset, the Royal Government intended the third Country Programme to reflect to the extent possible the planned programme of co-operation with the United Nations system as a whole. With due account taken of the programmes of other sources of United Nations assistance, their differing programming cycles and procedures and the uncertainty as to what financial resources would be available, the third Country Programme exercise was used to identify needs which might be met by assistance from sources other than the IPF.

6. Recognizing that, despite the best advance planning efforts, the country's immediate needs and priorities could be expected to change or evolve during the course of five years and that the flexibility required to draw maximum benefit from other sources of assistance must be assured, the Royal Government decided to adopt the continuous programming approach. The present third Country Programme therefore includes, in addition to provisions for the continuation of some projects from the second Country Programme and new proposals already identified for implementation in the near future, block allocations in support of most of the sectors in which the Royal Government wishes to receive
UNDP assistance. The identification of specific proposals for the use of these block allocations is expected to emerge, in part, from special missions or sectoral or sub-sectoral reviews which have been or are to be planned in co-operation with the Specialized Agencies.

7. In pursuance of the continuous programming approach the Royal Government intends to undertake with UNDP and, as appropriate, with the Specialized and funding Agencies of the United Nations system, systematic annual reviews of the Country Programme to: assess the continued relevance of the programme and of previously identified proposals; develop proposals for the utilization of the block allocations as specific needs are identified; and in general continuously adjust the Programme in the light of the country's needs and of the assistance forthcoming from other sources. Given the particular flexibility required in the implementation of the manpower development component of the Programme (see section III below), reviews thereof are expected to be undertaken even more frequently. The continuous programming approach and, in particular, the systematic reviews planned in that context are expected to enhance the cohesion of the Programme and the co-ordination of all United Nations system inputs.

8. Preparation of the third Country Programme was carried out by the Royal Government in close co-operation with the UNDP office. The maximum possible use was made of the guidance and advice of missions and staff from the Specialized Agencies, both in reviewing existing programmes and proposals and in identifying needs and new proposals. Extensive discussions were held with each of the Government departments responsible for sectors or subsectors for which the Royal Government wished to draw upon United Nations system assistance. From the outset the Royal Government had determined that the existing UNDP programme should be reviewed in its entirety and that generally only those projects and proposals which continue to meet high priority needs should be retained. Since less than 20 per cent of the total IPF resources available represent commitments for continuing projects, the third Country Programme constitutes an essentially new Programme.

I. DURATION, TIMEFRAME AND ANTICIPATED RESOURCES

9. The Fifth Five Year Plan covers the period 1 April 1981 to 31 March 1986. Desirous of aligning the third Country Programme with the Plan, the Royal Government seeks to have the former cover calendar years 1981 through 1985, both years inclusive, thus superseding the last year of the second Country Programme as approved by the Governing Council at its twenty-sixth session. Although finalization of the Plan has been delayed slightly, to early 1981, preparation of the present Programme has proceeded on schedule since the overall goals and directions of the forthcoming Plan were sufficiently well established to provide the necessary framework for the Country Programme exercise.

10. The twenty-seventh session of the Governing Council established the illustrative IPF for Bhutan for the third cycle, 1982-1986, at $36.5 million. The Royal Government has been informed that, due to the uncertain financial outlook, 20 per cent of this figure is to be left unprogrammed at present. Taking this as well as the overlap of the second and third IPF cycles represented by the third Country Programme into account the resources presently available for programming are estimated to be $26.132 million. (Annex I outlines the financial resources over the five year Programme timeframe.) Given the flexibility provided by continuous programming and the inclusion of block allocations, the need for a substantial reserve is reduced. Apart from the 20 per cent of the IPF which is expected to be restored for future programming and a small allocation specifically set aside as a contingency reserve, the whole of the IPF resources has been programmed.
II. DEVELOPMENT PERSPECTIVE

11. Bhutan comprises an area of approximately 47,000 square kilometres, bordering to the north on Tibet and to the east, south and west on India. Rugged, mountainous terrain and considerable extremes of climate, from tropical to alpine, and of altitude, from virtually sea level on the southern border to peaks of up to 8000 metres in the north, characterize the country. Although the country has historically served as a transit route for trade between Tibet and India, the terrain renders communications and transportation within and over the borders difficult and the small scattered communities have traditionally been very largely self-sufficient.

12. The total population is estimated at 1.2 million, for an average population density of 24 inhabitants per square kilometre. A few urbanized areas or towns now exist, the largest two having a population of approximately 20,000 each, and some vehicular roads have been constructed. The economy began to be monetized when the collection of Government revenues in cash was initiated in the late 1950s and early 1960s, but the country retains its traditional rural setting and the lives of the population remain essentially based on subsistence farming and animal husbandry.

13. The Royal Government launched formal development planning in 1961. The first and second five year development plans focused primarily on the development of basic infrastructure. The agriculture, animal husbandry and social service sectors, including education, have progressively gained in emphasis. The industrial sector has figured modestly since the third Plan.

14. GNP was estimated in 1978 at $120 million or $100 per capita. Foreign exchange earnings are marginal and internally generated revenues are inadequate. Development activities depend very heavily on external sources of support. In addition to United Nations system assistance, most external assistance has been provided bilaterally, principally by India. However, the economic potential of Bhutan is considerable; it includes, in particular, vast hydroelectric power resources, forests, as well as agriculture, especially horticulture, and small-scale resource based industries, including mineral extraction and processing. The main constraints to fuller realization of the country's economic potential are the inadequacies of the existing physical infrastructure; the lack of financial resources, including foreign exchange; and the shortage of trained and experienced personnel, which consequently weakens the administrative machinery.

15. The Royal Government is keenly aware of the need to promote human resources development and income earning activities in order to generate self-sustaining growth. At the same time the Royal Government is conscious of the need to avoid the pitfalls and difficulties to be expected in pursuing too rapid a pace of modernization and of the need to assure the preservation of national traditions and cultural values. While it wishes to increase the per capita GNP, it wishes also to maintain and increase the per capita happiness of the population.

16. In light of these factors and of the cardinal economic objective of attaining national economic self-reliance, to the maximum extent possible, the following objectives have been established for the Fifth Five Year Plan, and thus have guided the preparation and content of the present Programme:

(a) Balanced regional development and the decentralization of administration, with the fullest public participation and contribution possible and the avoidance of concentrations of economic power;
(b) Improved living standards for the population, including the improved delivery of social services and the reduction and avoidance of inequalities;

(c) Mobilization of internal resources and the promotion of revenue generating activities;

(d) Realization of natural resources potential;

(e) Continued strengthening of physical infrastructure and human resources development and the consolidation of past development achievements; and

(f) Maintaining the traditions and cultural heritage of the country and promotion of national solidarity.

17. The Royal Government wishes to use UNDP assistance to pursue these objectives on a multi-sectoral basis and to utilize the co-operation of the United Nations system to enhance the cohesion and co-ordination among, and consequently the impact of, various development activities. Except for those fields in which bilateral co-operation is well advanced and the development of which it wishes to pursue at least for the time being through continued bilateral co-operation, the Royal Government intends to devote UNDP resources to all priority economic and social sectors. Thus it will continue the co-operation developed with UNDP and the United Nations system during the first and second Country Programmes in the sectors of education, forestry, animal husbandry and transport and it will broaden the scope of such co-operation to include such newer priority sectors as industry, power, trade and tourism.

18. Bhutan at present lacks access to the wider ranging financial and technical experience it requires. The co-operation of UNDP and the United Nations system as a whole is considered an essential complement, particularly in terms of financial resources and technical experience, to the assistance available from bilateral sources. The Royal Government intends to use the UNDP assistance under the third Country Programme specifically for the following major types of activities:

(a) Preparation of the sectoral and subsectoral analyses and pre-feasibility and feasibility studies needed to develop programmes and attract capital investments and additional technical assistance;

(b) Removal of technical deficiencies inhibiting the more effective development of various sectors of the economy and the greater impact of development efforts and resources;

(c) Alleviation of acute shortages in the trained manpower required for development activities; and

(d) Establishment and initial implementation of activities aimed at generating new income and revenue earnings, including in foreign exchange.

III. DEVELOPMENT OBJECTIVES, PROGRAMMES AND RELATED UNDP ASSISTANCE

Manpower development

19. As noted in section II, a shortage of manpower constitutes one of the major constraints to development efforts and the Royal Government wishes to devote UNDP resources therefore to manpower development. The population pattern, of low absolute numbers and
low densities in itself constitutes a constraint to activities of a labour-intensive nature. The greatest manpower weakness, however, lies in the acute imbalance between the need for and the availability of trained and experienced personnel. This shortage exists at all levels, from graduates to skilled labour. There are, for instance, fewer than 200 national graduates occupying Government positions and virtually none in the private sector. Less than half the primary school teacher positions can be filled by nationals. There is an acute shortage of technicians and craftsmen. Skilled labour is imported.

20. Manpower planning, including identification of the manpower implications of development activities over the short- and long-term, the most effective allocation of the limited personnel available for meeting immediate needs or providing further training, and the co-ordination of training needs and opportunities, is crucial to the success of all development efforts. The Royal Government established the Manpower Department in 1973 for the specific purpose of arranging training in and outside the country and of apportioning available personnel so as to maximize their effectiveness in meeting priority needs. In undertaking these tasks fully, the Department is itself constrained by: a shortage of qualified staff, a lack of sufficient experience, an inadequate organizational structure and the limited numbers available for training, given the low output of the education and training institutions and low absolute population numbers; the high cost of training abroad, particularly outside the region; and the shortage of support for basic or long-term training under most external assistance programmes.

21. The Royal Government intends to use approximately one-third of the total IPF resources available under the present Country Programme for manpower development in support both of strengthening education and training programmes within the country and providing long- as well as short-term fellowships abroad. In addition to the IPF, the Royal Government intends to make maximum use of the training opportunities available under the UNDP regional programme for Asia and the Pacific and the programmes of other organizations of the United Nations system as well as under other forms of co-operation. Taking into account the availability of training opportunities currently foreseen and the projected training needs a programme of individual fellowships to be provided for under manpower development allocation of the third Country Programme has been drawn up; the provisions related thereto are reflected in the table in Annex II. These provisions supplement the resources allocated elsewhere in the Programme for specific proposals or in block allocations for activities in certain sectors or subsectors. It is expected that in due course, these provisions will either be incorporated into related projects or developed into separate sectoral or subsectoral fellowship projects.

22. The fellowship provisions are to be regularly reviewed and revised so as to ensure that maximum advantage is taken of all other training opportunities as they become available and that the IPF resources are used only for those priority training needs which could not be better met otherwise. Further adjustments will be made as manpower requirements are analysed in the context of planned sectoral or subsectoral reviews. Such analyses will contribute significantly to the management and the long-term resolution of the shortage of trained manpower.

23. In order to alleviate immediate manpower shortages which critically affect the successful implementation of projects, including training programmes during the formulation of individual projects, the Royal Government intends to take fully into account and make maximum use of the potential contribution which United Nations Volunteers could make in complementing national personnel, in providing on-the-job
training and in facilitating the release of personnel for training; it also expects to make provision for the assignment of Volunteers to projects as appropriate. While national personnel pursue training, the Royal Government further proposes to review the appropriateness of providing project financing for the direct recruitment of suitably qualified expatriate personnel to fill extra budgetary positions, that do not call for or warrant the assignment of internationally recruited personnel.

Agriculture

24. Over 90 per cent of the population depends directly on agriculture for its livelihood. Although practised at present basically on a subsistence level, the sector is the mainstay of the country's economy and is likely to remain so. Currently the country is not quite self-sufficient and imports some 5,000 to 15,000 tons of cereals annually. However, with even limited inputs, the country has the potential not only to become self-sufficient and to improve nutritional standards but also to generate exportable surpluses, particularly of horticulture produce. The major constraints to development of the sector and fuller realization of agricultural potential is the lack of institutional capacity and of the financial and human resources needed to promote improved production.

25. The policy and objectives of the Royal Government in respect of the agricultural sector are to: (a) become self-sufficient in basic food commodities; (b) increase the income and living standards of farmers; (c) increase the productivity of arable land by bringing it under irrigation and promoting improved technical and farm management practices, including greater mechanization and the use of improved tools, seeds, natural manure and other fertilizers; (d) develop an effective storage, distribution, processing and marketing system for agricultural produce, including surpluses intended for export; (e) develop appropriate agricultural credit facilities; (f) promote horticulture development, including surpluses for export; and (g) strengthen plant protection and soil conservation services and practices.

26. The Royal Government is already undertaking several projects aimed at rehabilitating or expanding irrigation facilities. Certain of these are assisted by India, UNCDF and WFP. The Royal Government expects that a new programme, which also strengthens extension services and expands credit facilities, will be implemented with support from IFAD. UNCDF assistance to an agricultural credit programme has already been initiated, as has a large programme for the construction of horticulture produce storage and processing facilities. Technical co-operation inputs in support of this programme and aimed at improving marketing and maximizing the return to farmers are provided for under the present Country Programme. A Danish International Development Agency (DANIDA) funds-in-trust project executed by the Food and Agriculture Organization of the United Nations (FAO) is providing assistance for the development of improved potato and vegetable seeds.

27. In order to establish a firmer base for future planning and development with UNDF/FAO co-operation the Royal Government intends to undertake a review of both the agriculture and the animal husbandry sectors. Preparations are underway to field a mission the findings and recommendations of which should assist in further developing the policy framework for the two sectors, as well as the immediate and long-term planning and institutional arrangements and in analysing and programming manpower development requirements. A block allocation from the IPF of $1.5 million to be distributed between the two sectors has been set aside for implementation of some additional activities which the mission is expected to identify, and for such needs as later may be identified. Pending this review the Royal Government has identified
the following fields as the ones for which it would wish to draw upon the expertise and experience of the United Nations system: (a) a nucleus applied agricultural research programme able to serve the extension service for demonstration and training purposes; and (b) a pilot programme for river bank protection and soil conservation. Provision has accordingly been made from IPF resources.

Animal husbandry

28. Livestock rearing is an integral part of the activities of almost all agricultural producers in Bhutan. Furthermore, in some areas, animal husbandry, particularly yak rearing, is virtually the sole source of livelihood of the population. The carrying capacity of the natural pasture is limited and yields are comparatively low. However, productivity could be substantially enhanced. The main constraints to development of the sector and improved productivity are the low genetic quality of the existing animal stock, the insufficient nutritive qualities of the natural pasture, and the weakness of animal health and extension services.

29. The policy and objectives of the Royal Government in respect of the sector are to: (a) attain self-sufficiency in animal husbandry products, particularly butter and cheese; (b) improve the standard of living and income of animal husbandrymen, particularly those completely or largely dependent on livestock rearing; (c) develop an improved marketing system for meat and dairy products so as to better meet the nutritional needs of the population and provide better returns and incentives to producers; (d) improve the quality and productivity of stock through the introduction of improved breeds and the application of improved management practices, health coverage and better feed, including the improvement of pasture; and (e) develop aquaculture.

30. Since the initiation of the co-operation of the United Nations system with Bhutan, IPF resources for the development of the animal husbandry sector have been devoted notably to the improvement of sheep and yak, the survey of fishery resources and potential and, more recently, disease diagnosis facilities. The Royal Government has endeavoured to meet most of the priority needs of the sector through bilateral arrangements, particularly with Australia and New Zealand.

31. The review mission referred to in paragraph 27 above is expected, as in the case of the agricultural sector, to provide a firm basis for future development and co-operation with the United Nations system and other sources of assistance and to lead to the identification and elaboration of specific projects to be financed from the IPF block allocation made jointly for the agriculture and animal husbandry sectors. In addition the Royal Government has already provided IPF resources for continuation of the project for the veterinary diagnostic laboratory, under which capability for the production of vaccine will also be developed, and for co-operation in the following newer areas: (a) pasture and fodder development; (b) dairy products distribution and marketing; and (c) a pilot/demonstration programme of carp aquaculture.

Forestry

32. Forests cover approximately 70 per cent of the total area of the country and represent a major natural resource. A country-wide pre-investment survey carried out with the assistance of India has estimated the growing stock of coniferous forests at 300 million cubic metres and that of the mixed broadleaf forests at 200 million cubic metres. The potential annual cut in western Bhutan alone has been estimated to be of the order of 2.5 million cubic metres. By contrast, the timber commercially harvested throughout the country has not exceeded 300,000 cubic metres per year. To
date, very little processing of timber has been undertaken within the country. While already significant, the income and revenue generated by the forestry sector could therefore be very markedly increased. The main constraint to such an increase is the inadequacy of the existing infrastructure and human and financial resources needed to extract the timber from the difficult terrain and to transport and process it.

33. The Royal Government is conscious of the need to manage the utilization of its forests so as to maintain the renewable resource they constitute and to prevent their destruction and the consequent environmental damage. Bearing this in mind the policy and objectives of the Royal Government in respect of the forestry sector are to:

(a) promote the most appropriate land utilization and the most effective management of the utilization of forest resources, through, as appropriate, afforestation programmes, carefully planned logging and the curtailment of overgrazing and shifting cultivation; (b) meet the domestic need for timber and other forest produce, including fuelwood, construction material and forage, and promote their more effective utilization so as to reduce waste and, consequently, demand; (c) increase revenue from forest produce, principally through the development of wood processing industries and the significantly enhanced value added component and reduced transport costs which would result; and (d) develop the capacity for more productive and less costly logging.

34. A significant portion of the IPF resources made available under the first and second Country Programmes has been devoted to the development of the forestry sector. The particular objectives of one of the largest UNDP/FAO forestry projects are the building up of the institutional and human resources required for the preparation of detailed management plans, forest road construction and mechanized logging, and the development of nurseries and plantations. More recently the co-operation provided under this project has also been devoted to initiating the use of remote sensing imagery for land-use planning and to carrying out woodtesting and a study for the establishment of a wood-based industry. A programme of social forestry for community development, with particular emphasis on fuelwood, has been launched. Provision for the continuation of both projects, expected to be supplemented in part by WFP food aid, has been made under the third Country Programme. In addition, provisions have also been made for: (a) reinforcing the forest management and effective planning capability of the Royal Government; and (b) establishing a veneer mill, capable of being further developed into an integrated forest industries complex and of being replicated, and developing for it industrial management and technical experience and the appropriate institutional arrangements.

Power

35. Bhutan is endowed with vast water resources which, in addition to their agricultural uses, could potentially supply extensive hydro-electrical power in a region where power is in constant short supply and which thus provides a ready market. At present, however, Bhutan itself faces critical power shortages.

36. The power generating capacity within the country at present is only 4 megawatts, and depends entirely on imported fuel. In the south some additional electric power is imported. The total generating capacity does not suffice to meet even present needs. Under bilateral assistance from India, a beginning is being made in tapping the potential power generating capacity of the water resources with the construction, scheduled to be completed in 1984, of a large hydropower plant in the south. This will allow the immediate and projected future needs in the south, including those of the proposed forest industries plant, a cement plant and other existing and planned
industrial units, to be met. However, owing to the technical and other difficulties of establishing a national distribution grid, it will not be possible to supply most of the rest of the country and the bulk of the new plant's total production will in fact be exported. Additional arrangements have therefore to be made to meet the remaining needs of the country, including the Royal Government's programme of expanding electricity service beyond the 17 townships and 97 villages presently served.

37. The constraints to the development of an adequate power supply and the realization of the hydro-electric power generating potential are, primarily, the lack of the necessary basic infrastructure, including manpower and adequate survey and feasibility data, and the large financial resources required.

38. The policy and objectives of the Royal Government for the power sector are to:
(a) develop a masterplan based on demand rather than resources, for power development and for the establishment, in due course, of a nationwide distribution grid;
(b) collect the necessary hydrological and other data related to potential power generation and internal power requirements; (c) meet immediate and projected energy needs in all parts of the country through the establishment of medium scale hydro-electric plants or other facilities, with construction mechanized to the maximum extent possible, and explore the use of alternative, including non-conventional, sources of energy; (d) expand electricity service; and (e) generate revenue from power exports.

39. Arrangements have already been initiated, with UNDP assistance, for a full-scale survey of the energy sector and the elaboration of a plan for its future development. A block allocation of $1 million has been made from IPF resources under the third Country Programme to support implementation of the priority activities identified during the review. In addition, the Royal Government has also made provisions from the IPF for assistance in: (a) the development of non-conventional sources of energy; (b) electrical standards and safety; and (c) electrical equipment maintenance, repair and testing.

Industry and mining

40. Virtually no industry or mining activity of any kind existed in Bhutan prior to 1960. Two decades later, the development of the industry and mining sector is still only in its infancy, with industry estimated to contribute only some $3 million, or 2 per cent, to the country's GNP and total mining production only $1.5 million annually. There are at present only 42 industrial units in the country, all of modest scale, the largest being a distillery and a food processing plant. Given communication difficulties and the existing infrastructure, most are located in the south. Imports of manufactured goods, while modest, exceed exports by well over 100 per cent.

41. The development of the industry and mining sector is inhibited by: the limited size of the domestic market; power constraints; the lack of entrepreneurial experience and finance; and the absence of the necessary supporting information and services, including feasibility and marketing studies, and quality control or certification provisions.

42. The policies and objectives of the Royal Government for the development of the sector are to: (a) establish small and medium-scale resource based industries, mechanized to the maximum degree possible; (b) provide support for the private sector and private entrepreneurs; (c) promote appropriate quality control and standards; (d) encourage traditional crafts and cottage industries; (e) continue the exploration
and study of potential mineral resources and initiate some medium-scale mineral extraction programmes so as to build up experience in this field; and (f) generate revenue, including foreign exchange earnings.

43. A preliminary survey of projects for which the Royal Government would wish to draw upon the resources of the United Nations system has already been undertaken. Proposals for assistance from UNDP and the United Nations Industrial Development Organization (UNIDO), through the Special Industrial Services (SIS) were initiated and include the development of gypsum based, brick-making, marble and slate processing, and phyto-chemical industries. The Royal Government expects to pursue co-operation with the United Nations system in the follow-up to these proposals and, as appropriate, in the actual establishment of plants. Allocations have accordingly been made from the IPF. Provision has also been made from the IPF for assistance in: (a) technical and management advisory services; (b) the commercialization of public enterprises; (c) the development of an industrial development centre, in conjunction with the nucleus technology facility referred to in paragraph 71 below; and (d) the manufacture, within the country, of polythene pipes required for water supply and sanitation schemes. In addition a block allocation of $1 million has been made to support new proposals or to supplement the provisions made for the proposals referred to above, as and when their needs are further elaborated.

Trade and commerce

44. Internal and external trade have traditionally been carried out on a largely barter basis and, given the largely subsistence nature of the economy, have been restricted both in scale and the diversity of goods. The northern border with Tibet has been closed since 1962 and all external trade now is therefore either with or through India. Present and likely future exports consist primarily of: forestry produce; agricultural, particularly horticultural produce; and some minerals and manufactures. Given the fact that the actual and potential domestic market is very small and confronts difficulties identical to or even greater than those inhibiting external trade, the development of producing sectors depends, in large measure, on the development of export possibilities. The expansion of the external trade sector is therefore critical. The development of internal trade is also essential in order to avoid regional imbalances and to promote equitable growth within the country at large.

45. The constraints which limit internal and external trade at present and inhibit their future expansion are: the lack of entrepreneurial finance and experience of both traders and producers with particular regard to contacts with potential markets, market analysis and the consequent increased difficulty in aligning production with demand; the restricted size of the domestic market; high transportation costs; and the inadequacy of existing institutionalized support services and physical infrastructure.

46. The policy and objectives of the Royal Government in respect of the development of the sector are to: (a) promote both internal and external trade, including foreign exchange earnings; (b) improve the physical infrastructure including in particular that of transport and storage; (c) monitor markets and potential demand for Bhutanese produce and develop potential markets; and (d) promote entrepreneurship, including group ownerships, and encourage the setting up of financial services.

47. Hitherto the Royal Government has not called upon the United Nations system for any appreciable assistance in the trade and commerce sector. Recently, however,
arrangements have been made under the regional programme for some limited assistance in the collection and, it is hoped, analysis of statistics on trade transport. Arrangements have also been made to undertake a survey of the sector in co-operation with UNDP and United Nations Conference on Trade and Development (UNCTAD) and International Trade Centre (ITC). The survey, which will include trade promotion, will help develop an institutional and policy framework for the development of the sector and formulate programmes, including those in co-operation with the United Nations system. A block allocation of $300,000 from the IPF has been made for the latter under the third Country Programme. In addition, a small provision has also been made for a study of the potential of the agricultural produce market in conjunction with the agricultural/animal husbandry sector review referred to above in paragraph 27.

Transport

48. No network of any kind existed in the country before the 1960s and all travel and transportation of goods was dependent on human or animal porterage. The development of roads was initiated and accorded the highest priority under the early development plans. Thanks to these efforts the network at present consists of 2,000 kilometres of road, of which approximately half is surfaced. Most connections run north-south but one lateral east-west road has been completed, although not yet surfaced or of all weather standard. About one thousand four-wheel vehicles ply the roads and are serviced by four Government managed workshops.

49. Given its impact on all facets of development, including the delivery of social services and production, the improvement and expansion of the existing communication and transport network continues to be accorded highest priority. The construction of 1,250 kilometres of new roads is planned during the Fifth Plan period; this will require the completion of an average of 250 kilometres per year, in contrast to the present annual figure of less than 50 kilometres per year.

50. A very marked expansion in the tempo of road construction will therefore have to be attained. In doing so, however, the Royal Government will confront serious difficulties. These include the nature of the terrain itself and the consequent high cost of construction and maintenance, the shortage of labour and the high social and economic cost of labour intensive construction, the shortage of equipment and trained personnel for more mechanized construction and the lack of adequate vehicle and equipment mobilization, maintenance and repair arrangements.

51. The policy and objectives of the Royal Government for the sector are to:
   (a) develop a masterplan for the continued large-scale expansion of the road network, including both district and feeder roads, and for improved road maintenance;
   (b) mobilize and develop local resources, including personnel and construction material, and limit the diversion of scarce labour and the use of non-national labour for construction by mechanizing to the maximum extent possible; (c) strengthen public transportation facilities; and (d) assure appropriate vehicle and equipment maintenance and repair facilities.

52. The assistance provided by UNCDF to increase the capacity of the Royal Government to mechanize road construction was complemented by a major input from the IPF under the second Country Programme. An important provision for additional assistance from the IPF under the present Programme has been made, and will be supplemented, it is hoped, by WFP assistance. UNCDF assistance has also been provided in connexion with the implementation of the Royal Government's programme for the construction of suspension bridges. WFP assistance was likewise approved for this purpose as well as
assistance for the improvement of mule tracks. The assistance under the IPF, from UNCDF and from WFP foreseen at present in respect of both road and suspension bridges construction cannot suffice to enable the Royal Government to attain its planned objectives for the coming five years and significant additional resources will therefore have to be sought.

53. Since the first Country Programme, substantial IPF inputs have been provided to assist the Royal Government in developing and building up the necessary vehicle maintenance and repair facilities. To consolidate these efforts, the provisions have been continued under the third Country Programme. The assistance provided for the standardization of major equipment items, as described in paragraph 50 below, should also enhance and facilitate maintenance and repair. Provision has also been made from the IPF under the new Programme for assistance in strengthening the vehicle body building facilities of the Bhutan Transport Service and hence its public bus services.

54. Arrangements have been initiated for the use of SMLDC funds, made available during the latter part of the second programming cycle, in support of the Royal Government's efforts to establish the minimum within-country fuel storage capacity required to assure regular supply of fuel to the different parts of the country. A programme for the construction of appropriate facilities is to be implemented during the third Country Programme period. The Royal Government intends to use the provisions made for LDCs in the regional programme to follow up: a pre-feasibility study, made earlier under LLC funding, of ropeway transportation; the development of an overall transportation plan; and the supply of equipment for both the internal and external transport of goods. These projects are expected to be implemented during the third Country Programme period.

Posts and telegraphs

55. The number of postal offices in the country at present totals only 81, the number of telephone exchanges only 15. Expansion and improvement of the network is essential in order to meet the need for improved communications in support of development activities. The inadequacies of the existing transport network and shortages of personnel and equipment, including transport equipment, inhibit the fuller extension of services.

56. Assistance under a UNDP/Universal Postal Union (UPU) project has been provided principally for the training of personnel and for some equipment and supplies. With the hope that most future requirements can be met under bilateral programmes or from other resources the Royal Government has provided for only marginal continued assistance in training and minor equipment under the third Country Programme.

Tourism

57. Given the natural beauty of the country, its cultural heritage, preserved traditions and the lure of the Himalayas, Bhutan has considerable tourist potential. Tourism already constitutes an important source of revenue and virtually the sole source of foreign exchange. Conscious of this potential and desirous of realizing it, the Royal Government is also acutely aware of the adverse effects which the too rapid or uncontrolled expansion of tourism could have on the traditional social culture and environment. It therefore intends to promote development of the sector at a measured pace and to maintain full control over it.

58. The first commercial tourists were admitted in late 1974. Less than 300 visited the country in the first year but in 1979-1980 the number rose to 1,550. The average
The annual growth rate has thus been of the order of 35 per cent. The continued growth in the number of incoming tourists is planned but at moderate levels. Major emphasis in the development of the sector is to be placed on increasing the income derived from each tourist.

59. In pursuing the development of the sector within these self-imposed limitations the Royal Government confronts constraints imposed by: the absence of adequate market studies or promotion work; the shortage of facilities, including limited activities and hotel facilities and services; the difficulty of travel within the country and high external travel costs; and the seasonal nature of the tourism trade.

60. In light of the above, the policy and objectives of the Royal Government for the development of the sector are to: (a) expand the number of incoming tourists, in selective group tours, to 5,000 per year by the end of 1985 but to do so gradually and spread as evenly over the year as possible; (b) develop a long-term masterplan for the sector including the development of physical facilities, activities and personnel; (c) undertake appropriate market studies and expand promotion activities; (d) improve and generally raise the standards of tourism facilities and services; (e) encourage domestic tourism; and (f) preserve and promote the country's heritage and provide incentives for the production of traditional handicrafts.

61. IPF resources under the second Country Programme have been used to provide buses to meet an acute shortage in tourist transportation. An initial survey of the sector was undertaken in co-operation with UNDP/World Tourism Organization (WTO) under funding provided by the regional programme. To support implementation of the priority activities emerging from this review, a block allocation of $1 million has been made under the third Country Programme.

Education and technical training

62. At the outset of the 1960s practically no education or training facilities existed within the country except in respect of the teaching of religion, the national language and traditional arts and crafts. The number of nationals who had pursued education outside the country was then extremely limited. Over the last two decades, however, larger numbers of students have been sent abroad and a regular education and technical training system has been established. At present there are some 113 primary schools, 22 junior high schools, 6 central schools, a junior college, one primary and one pre-primary teacher training facility, a technical school, a diploma level polytechnic as well as a school of fine arts and a number of seminaries. In addition, an inplant programme has been developed for the training of semi-skilled personnel and specialized training is provided on a regular basis by several of the technical departments.

63. Despite the success of past efforts, the illiteracy rate is still over 80 per cent and the availability of trained personnel is severely limited and falls far short of minimum requirements. In the education sector itself far less than half the teaching posts can be filled by nationals. Continued efforts are therefore to be made to strengthen the education and training establishment. These efforts are, however, constrained by the inadequacy of the available resources, including physical facilities, the existing number and quality of the national teaching staff and difficulties in attracting the best national or expatriate staff, the small number of candidates qualified for higher education and specialized training, and the need to develop curricula and examination methods in line with local needs and conditions.
64. The policy and objectives of the Royal Government with regard to the development of the sector are to: (a) preserve the rich cultural and religious heritage and promote national solidarity while developing a modern education system suited to conditions and the development needs of the country, through, inter alia, the introduction of basic agriculture, animal husbandry and health/hygiene/nutrition in the school curriculum and the development of appropriate national textbooks, curricula and teaching staff; (b) improve the quality of and consolidate existing facilities and programmes of education and training and, where necessary, formulate new programmes to better meet manpower needs in various fields and at various levels; (c) expand the network of primary schools, to the extent possible, to assure fuller geographical coverage; (d) promote community participation in the overall education development programme; (e) strengthen the national service programme for school and university graduates; (f) introduce, on an experimental basis, a programme of functional literacy for development; (g) reduce costs, including those involved in sending students abroad; and (h) make every effort to avoid the problem of unemployment or underemployment amongst the educated.

65. Assistance for the strengthening of the primary teacher training institute has been provided under IPF financing during the second Country Programme and for the pre-primary teacher training centre under UNICEF. Continued assistance from UNICEF is envisaged and the Royal Government now intends to extend its co-operation with UNDP/United Nations Educational, Scientific and Cultural Organization (UNESCO) to upgrade the institution into a National Institute of Education, which will train secondary school teachers, provide an expanded in-service training programme, promote the improved teaching of science and mathematics and the use of the most effective teaching methods and materials throughout the school system, develop the role of teachers in community development and initiate a functional literacy experiment. Appropriate provision has been made from IPF resources under the third Country Programme. The Royal Government also intends that a comprehensive review of the education sector be undertaken including, as appropriate, the integration of the technical training subsector with the education system as a whole. It expects to avail itself of the expertise and experience of the United Nations system in this connexion, possibly under the segis of the assistance provided for the National Institute of Education. Provision has also been made from the IPF in support of the plans of the Royal Government to upgrade the junior college, in due course, into a full-fledged degree institution. Particular emphasis is expected initially on upgrading the agricultural curriculum of the college.

66. Under the first and second Country Programmes, support has been provided for the development of technical training facilities at the three levels of diploma, technician and semi-skilled personnel. The Royal Government expects to continue co-operation with UNDP/International Labour Organisation (ILO) under the third Country Programme to further strengthen the subsector and to consolidate and ensure the co-ordination of the existing facilities in a cohesive integrated system in line with present and projected needs for technical manpower. In order to establish a firmer basis for such continued co-operation, arrangements have been made for a thorough review, with UNDP/ILO co-operation, of the existing technical training programmes and future technical manpower development requirements. A block allocation of $400,000 has been provided from the IPF in support of assistance in the implementation, under the third Country Programme, of priority activities identified following this review.

67. In addition to the formal training of all levels of necessary technical personnel, the successful application of modern science and technology for development also calls for applied research, experimentation, adaptation and documentation as well as dissemi-
nation of new techniques and tools. The country's present capabilities in these respects are totally inadequate. The Royal Government therefore welcomed the establishment of the Interim Fund for Science and Technology for Development (IFSTD) and through it looks forward to obtaining assistance from the United Nations system for the establishment of a nucleus facility serving the above needs and developed in full co-ordination with the agriculture research and industrial development centre programmes, as referred to in paragraphs 27 and 43 above, and other related activities. Arrangements are being made for a mission from IFSTD to review the overall situation and elaborate specific proposals.

Health

68. Although a hardy people, the life expectancy at birth of the Bhutanese is only 46 years. Infant mortality is very high. Gastro-enteritis, bronchitis, broncho-pneumonia and pneumonia, skin infections, intestinal parasites, goitre, malnutrition, anemia, tuberculosis, leprosy and malaria are prevalent. Modern health services have been introduced gradually over the last two decades: three central referral hospitals, nine zonal hospitals, 36 Basic Health Units (BHUs) and 38 dispensaries now exist. There are, however, only 50 doctors working in the country at present, and only ten of these are nationals. The number and qualifications of health service personnel including nursing staff, medical technicians, health assistants, basic health workers and midwives remain inadequate. Further efforts are therefore required to meet minimum basic preventive and curative health needs throughout the country. The efforts of the Royal Government, however, are constrained by the shortage of trained medical personnel, physical facilities and equipment as well as by the inadequate supply of potable water and sanitation facilities and the low level of education in public health and nutrition.

69. The policy and objectives of the Royal Government in respect of the development of health services are to: (a) upgrade the existing dispensaries to BHUs and the quality of service the BHUs offer while expanding their number to ensure the minimum geographical coverage; (b) pursue goitre, tuberculosis and leprosy control programmes; (c) pursue the Expanded Programme of Immunization (EPI) and develop maternal/child health (MCH) programmes; (d) promote public education in health/hygiene/nutrition and improve water supply and sanitation facilities; (e) develop a public health unit, and (f) develop and improve the facilities and services offered by the traditional medicine hospital.

70. In addition to the assistance, particularly in leprosy control, received from missionary and other non-governmental organizations and a hospital established under bilateral assistance from India, the Royal Government has received important support from UNICEF for the development of health services, particularly in support of basic health programmes. Assistance to the health sector has also been provided from the IPF, particularly for the strengthening of referral hospital facilities in support of the basic health services and for the introduction of the EPI. The continuation of assistance under both UNICEF and IPF funding in support of basic health services and the associated referral hospitals is envisaged. UNFPA has also approved and recently initiated assistance which is expected to be continued throughout the third Country Programme in support of MCH and family planning services. The possibility of providing for further assistance from UNFPA in the health sector will be reviewed in light of the findings of the recently completed Needs Assessment Mission.

71. The Royal Government has initiated preparations with UNDP and in co-operation with UNICEF and the World Health Organization (WHO) for the development of a country-wide water supply and sanitation programme for the next two decades. In the past UNICEF
has provided very significant support for rural water supply schemes and the Royal Government expects that while the level of such assistance will be maintained and, it is hoped, increased, large-scale supplementary assistance will be forthcoming in the context of the United Nations International Drinking Water Supply and Sanitation Decade. The support expected under the third Country Programme IPF for the manufacture of polythene pipe, as referred to in paragraph 43 above, would also be expected to contribute directly to the effective expansion of improved water supply and sanitation facilities.

72. The Royal Government has also recently established a co-ordination machinery aimed at evolving a national nutrition policy and developing and implementing nutrition improvement programmes in co-ordination with all concerned Government departments and services. UNICEF and WFP have already provided support for improved nutrition and are expected to continue to do so. In addition, a small provision has been made from the IPF under the present Programme in special support of the efforts of the Royal Government to develop a co-ordinated programme in nutrition.

Housing and urban planning

73. The Royal Government has received some bilateral assistance in the field of town planning but further support, particularly in respect of urban development planning, is required. Provision has been made under the IPF to enable the Royal Government to draw upon the experience of the United Nations system in this field during the third Country Programme.

74. The Royal Government also wishes to draw upon the United Nations system in promoting the use of local materials in the construction industry and in improving traditional construction, particularly of kitchen and sanitary facilities. Missions funded from the IPF and from the United Nations Centre for Human Settlements (HABITAT) have already been fielded and specific proposals related to low-cost improvements have been developed. Provision from the IPF for their implementation under the third Country Programme has been made, in addition to provision for follow-up activities and assistance from HABITAT.

Planning and public administration

75. The Royal Government attaches supreme importance to assuring proper and adequate planning direction to developmental activities in order to produce optimum impact and to ensure that best use is made of the limited national resources and external assistance available. Although considerable experience has been accumulated through the preparation and implementation of development plans, the Royal Government considers that its planning machinery needs further strengthening and refinement so as to be better able to undertake long-term resource planning and to ensure co-ordination and effective administration and monitoring under the decentralization policy which has recently been adopted. The major difficulties which the Royal Government confronts in this respect include the shortage of personnel, the absence of an adequate statistical data base and organizational weaknesses.

76. Assistance in planning has been provided thus far only under bilateral arrangements. While that assistance will continue the Royal Government also intends to avail itself of the expertise and experience available in the United Nations system. Provisions from the IPF have been made under the present Programme for projects in general planning and organization, the standardization of equipment, the commercialization of public sector enterprises and the development of statistical services. Assistance from UNICEF is also expected in connexion with the development of social statistics.
77. Neither a country-wide radio service nor a print newsmedia, properly speaking, currently exists, although limited broadcasting services have been initiated and the Royal Government itself issues a weekly news bulletin with a circulation of about 5,000 in three languages, covering development activities and related information. The Royal Government believes the stage has now been reached where a proper country-wide development support communication system is called for to promote the greater awareness of and participation in development efforts by the population and to provide support to the individual departments in their extension and outreach activities.

78. The Royal Government intends to use the co-operation of the United Nations system for the development of such activities. Provision has been made from the IPF for this purpose, in addition to the assistance expected from UNICEF.

IV. RELATIONSHIP WITH INTERCOUNTRY PROGRAMMES AND THE PROGRAMMES OF ASSISTANCE OF OTHER ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

79. A land-locked country, Bhutan has an inherent interest in and is critically dependent on regional co-operation for all external trade. The development of appropriate intercountry transit transport and handling facilities is an essential complement to all national efforts, including those pursued in co-operation with the United Nations system from IPF resources to develop or benefit from wider markets. The Royal Government has therefore focused particular attention on the assistance available under the regional programme for trade, transport and related fields. Most of the regional resources specifically allocated for Bhutan under the special allocation to LDCs made from the 1977-1981 regional programme have been directed towards the strengthening of trade and transport facilities, both internal and external. The Royal Government is particularly appreciative of the special allocation for the LDCs, both in terms of the special additional assistance thereby made available for the particular development needs of the country and because of the recognition it implied of the difficulties confronted by LDCs, including Bhutan, in drawing more fully upon the potential benefits of the regional programme.

80. By the same token, the Royal Government has been pleased to note the continued efforts to take the particular needs of the LDCs into account in the preparation of the regional programme for 1982-1986. This concern is reflected in the, albeit very modest, new allocation proposed for projects exclusively directed towards the LDCs and the preferential access to be accorded the LDCs in the regional programme as a whole. The Royal Government expects to draw most actively on the 1982-1986 regional programme for support in the trade and transport sectors. The trade sector review, referred to in paragraph 47, which is to help define needs and the priority activities to be undertaken in the sector, will also be called upon to take into account and elaborate upon the support to be provided under the regional programme and to develop appropriate co-ordination and linkages. In addition to the trade and transport sectors, the Royal Government hopes to be able to make maximum use of training opportunities available under the regional programme and to draw upon and participate in regional programmes envisaged in such fields as aquaculture development, agricultural machinery, technology transfer, high altitude agriculture and health. Support to these fields, to one degree or another, is provided for in various degrees under the IPF during the third Country Programme. The closest co-operation between and linkage of IPF and regional programme supported activities will be sought. Continuous programming and the systematic reviews planned in this context should afford the opportunity to do so.
81. Continuous programming and review will also provide the means of facilitating the co-ordination of all activities supported by the United Nations system as and when the programmes of other organizations of the system are elaborated. Those activities already approved or tentatively identified during the third Country Programme exercise, for which the Royal Government envisages co-operation with other organizations, have been indicated to the organizations concerned. The Royal Government at present visualizes the further programming of co-operation with organizations of the United Nations system as follows:

(a) WFP: A programming mission is to be arranged, probably at the beginning of 1982;

(b) UNCDF: A pending list of pipeline proposals for UNCDF consideration already exists. As and when UNCDF funding possibilities are clarified a mission will be fielded to develop the priority proposals;

(c) UNFPA: A Needs Assessment Mission was undertaken in late 1980. The possibility for further assistance from UNFPA will be reviewed as needs are more clearly identified in light of the Mission's findings and of the availability of funds;

(d) IFAD: Two pipeline projects have already been identified, by the initial IFAD identification mission, for possible further elaboration and consideration;

(e) UNICEF: The programme for the next cycle, expected to focus particularly on health, child welfare, education, agriculture, women, and water supply and sanitation related activities, is in the process of being finalized;

(f) HABITAT: The possibility of additional assistance for the wider application of the improved facilities developed under the already approved programme, referred to in paragraph 78 above, will be considered in due course.

(g) ITC: In light of the findings and recommendations of the trade sector review referred to in paragraph 47 above, the possibility of providing assistance under ITC's own or funds-in-trust programmes may be considered.

82. The major source of bilateral assistance to Bhutan and of external assistance generally is India. Most such assistance is received in the form of budgetary support and thus absorbed under the country's own development programmes and budget. Additional assistance from India is also provided separately for the road construction programme, the Chukha hydel plant, the Penden cement factory, the Gaylephug irrigation project and the proposed establishment of a microwave communication network and a radio station, plus some smaller projects. The Royal Government ensures the necessary co-ordination of such assistance.

83. Assistance other than that provided through the United Nations system or bilaterally by India, has to date been very marginal. Assistance from Australia and New Zealand has focused primarily on the animal husbandry sector, while Swiss non-governmental assistance was directed particularly towards integrated forestry/rural development and health activities, and the Colombo Plan concentrated on the provision of training opportunities.

84. The Royal Government anticipates that the United Nations Conference on LDCs scheduled for 1981 will provide the opportunity for Bhutan to gain access to a wider range of sources of external assistance. In co-operation with the United Nations system,
V. SIGNIFICANT FEATURES OF THE COUNTRY PROGRAMME

85. From the outset of the exercise, the third Country Programme has been conceived and prepared in line with a continuous programme approach and the co-ordination of co-operation of all organizations of the United Nations system (see paragraphs 5, 6, and 7 above).

86. Under the third Country Programme the Royal Government intends to resort to the fuller application of "New Dimensions" and the use of the procedures and measures encouraged thereunder and wishes to express its appreciation of the flexibility shown by UNDP in allowing for the use of IPF resources to meet local costs, in selected areas, particularly in that of construction. Without this, for want of the necessary internal resources, development projects would sometimes not be implemented or have the desired impact.

87. Since the shortage of qualified manpower constitutes one of the major constraints to development, the Royal Government has determined to allocate one-third of the total available IPF resources to manpower development for the support of training both within the country and abroad, within the region and beyond. Exceptionally, but in line with "New Dimensions", this includes the long-term and basic, as well as specialised, training required in connexion not only with the immediate objectives of specific projects or programmes but also with the preparation of the personnel required to meet long-term needs (see paragraphs 20 and 21 above).

88. The Royal Government expects the balance of the IPF resources available to be divided in roughly equal parts between equipment and personnel. With regard to the latter, the Royal Government has taken a policy decision to the effect that maximum use should be made of short-term consultancy services, and with long-term expert posts limited to the extent possible.

89. In the spirit of "New Dimensions", the Royal Government proposes to use IPF resources, in selected cases, for the direct recruitment of expatriate personnel and has been pleased to note the positive response from UNDP to such proposals. The Royal Government also proposes to make maximum appropriate use of United Nations Volunteers to meet its needs and overcome immediate manpower shortages (see paragraph 23 above).

90. Arrangements have already been made to appoint national project directors for four of the projects supported from the IPF under the second Country Programme, as well as for the FAO/DANIDA funds-in-trust project. Furthermore, plans are already well advanced for the Royal Government to assume directly responsibility for the execution of major elements of the UNDP financed inputs to the forest industries programme. As its own capabilities are strengthened, the Royal Government expects to increase its effective direction and direct active control over the design and implementation of individual project activities, as well as the projects and programmes carried out in co-operation with the United Nations system overall. In this context it intends to pursue the possibility of assigning national project managers and of directly executing projects when appropriate.

91. The application of technical co-operation among developing countries (TCDC) is under consideration by the Royal Government. Concrete plans have, however, not yet been made.
been developed. The Royal Government has nevertheless set aside an allocation from the IPF specifically for the support of activities for which the TCDC concept is to be applied.

92. In Bhutan women play a prominent and active role in community life and contribute significantly to the economy of the country and the implementation of development activities. Some programmes of more immediate or exclusive relevance to women's activities, such as training in weaving and carpet making, have already been set up, particularly with assistance from UNICEF. However, the Royal Government proposes to pay increasing attention to ensuring that the design and implementation of all development activities and programmes, including those supported in co-operation with the United Nations system, take fully into account the actual and potential role of women, and to developing additional special programmes as required. The Royal Government will also review possibilities under the Voluntary Fund for the Decade of Women.

93. The Royal Government is fully aware of environmental dimensions and the country's obligations towards its neighbours in this respect. Steps are taken to ensure that, in the name of development, damage is not done to the environment or the ecological balance is not irrevocably upset. Two missions from the United Nations Environment Programme (UNEP) have already visited the country. The Royal Government intends to examine the potential impact of development activities on the environment as these are initiated and, unless costs are prohibitive, take appropriate measures to avoid adverse effects.
FINANCIAL SUMMARY

I. Resources taken into account for programming for 1981-1985

(a) Illustrative IPF for 1982-1986
(b) Minus 20 per cent unprogrammed at present
(c) Minus negative carry-over from 1977-1981 IPF (i.e. borrowing from next IPF)
(d) Minus proportionate amount of 1982-1986 IPF allocated for 1986

Total resources taken into account for programming

\[ \begin{array}{c}
\text{$000} \\
36\,500 \\
(7\,300) \\
(1\,000) \\
(6\,210) \\
4\,142 \\
26\,132 \\
\end{array} \]

II. Use of resources

(a) Programmed

(i) On-going projects
(ii) New projects
(iii) Manpower development
(iv) Earmarked for objectives in specific sectors or subsectors for which projects are to be defined

Subtotal

\[ \begin{array}{c}
\text{$000} \\
3\,900 \\
9\,435 \\
5\,616 \\
5\,100 \\
24\,051 \\
\end{array} \]

(b) Reserve (contingencies)

Total resources programmed

\[ \begin{array}{c}
\text{$000} \\
2\,081 \\
26\,132 \\
\end{array} \]
## SUMMARY OF IPF ALLOCATIONS BY SECTOR

<table>
<thead>
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<th>Sector</th>
<th>New proposals</th>
<th>Continuing projects</th>
<th>Manpower training provisions</th>
<th>Block allocations</th>
<th>Total</th>
<th>Percentage of total</th>
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<td>1 500[^a]</td>
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<td>-</td>
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<td>3 900</td>
<td>5 616</td>
<td>5 100</td>
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<td><strong>Grand total equals total IPF resources available</strong></td>
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[^a]: The amount of $1.5 million is the block allocation for both the agricultural and animal husbandry sectors. In arriving at the total of $2.904 million and $1.750 million, $0.750 million has been included in both agriculture and animal husbandry, with the final distribution to be made later.
## CONTINUING AND NEW PROJECTS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Continuing projects</th>
<th>New proposals</th>
<th>$000</th>
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<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>Horticulture processing and storage</td>
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<td>Applied agriculural research programme 300</td>
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<td></td>
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<td>Bank protection and soil conservation 530</td>
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<tr>
<td><strong>Animal husbandry</strong></td>
<td>Veterinary diagnostic laboratory</td>
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<td>Pasture development 270</td>
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<td>Dairy products marketing and distribution 115</td>
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<tr>
<td></td>
<td></td>
<td>Carp aquaculture 115</td>
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<tr>
<td><strong>Forestry</strong></td>
<td>Forestry development in selected areas of Western Bhutan</td>
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<td>Forestry for local community development</td>
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<td></td>
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<td>Forest industries 1 500</td>
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<td></td>
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<td>Resource management advisory services 100</td>
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<td><strong>Power</strong></td>
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<td>Electrical standards and safety 120</td>
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<td>Electrical equipment repair, maintenance and testing 150</td>
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<td><strong>Industry and mining</strong></td>
<td>Marble and slate</td>
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<td></td>
<td>Gypsum based industries 500</td>
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</table>

\( a/ \) excluding block allocations and manpower development fellowship provisions.
Trade and commerce

- Brick making plant: 60
- Marble and slate processing: 100
- Phyto-chemical plant: 100
- Polythene pipe manufacture: 350
- Industrial development centre: 350
- Technical and management advisory services: 100
- Commercialization of public corporations: 35
- Subtotal: 1,635

Transport

- Road mechanization
  - Workshops: 750
  - Subtotal: 60
- BGTS bus body building: 1,030
- Subtotal: 1,940

Posts and telegraphs

- Development of postal services
- Postal equipment: 40
- Subtotal: 45

Education and technical training

- Teacher Training Institute: 270
- Royal Bhutan Polytechnic: 100
- Kharbandi Technical School: 130
- In-plant training programme: 130
- National Institute of Education: 1,500
- Junior College: 500
- Technical/vocational training system: 400
- Subtotal: 3,030

Health

- Development of Health Services
- Strengthening hospital services: 230
- Subtotal: 200
<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
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<tbody>
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<td>Housing and urban planning</td>
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<td>Urban planning consultancy</td>
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<td>Planning and public administration</td>
<td>Programme/administrative support</td>
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<td>United Nations Volunteers (UNV)</td>
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<td>Equipment standardization</td>
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<td>Organization and general economic planning</td>
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<td>Data processing/retrieval facilities</td>
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