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MID-TERM REVIEWS OF COUNTRY AND REGIONAL PROGRAMMES

Mid-term review of the country programme for Bhutan

Report of the Administrator

SUMMARY

The present report is submitted in accordance with Governing Council decision 89/11 of 23 February 1989, requesting the Administrator to report on a representative selection of mid-term reviews of country programmes.

MID-TERM REVIEW OF THE COUNTRY PROGRAMME FOR BHUTAN

INTRODUCTION

1. In accordance with standing instructions and in particular in compliance with Governing Council decision 88/17, a mid-term review of the fourth country programme for Bhutan was carried out from 14 to 16 June 1989.

2. The Planning Commission, as the government co-ordinating agency for external assistance, and United Nations Development Programme co-chaired the review. The Royal Civil Service Commission (RCSC), which is the focal point in the Government for human resources development, was represented at all but the closing session of the review and other government bodies participated in those sessions which were relevant to them. The review was attended by representatives of the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO).

3. The review consisted of four components. First, a financial overview of the country programme as of 31 May 1989, to which all review participants were invited. Second, a sector-wise project-by-project review with emphasis on additional financial and training requirements, if any. (Although the mid-term review is not required for the funds which are not taken into account in the indicative planning figure (IPF), advantage was taken of the opportunity to review projects and proposals funded from other sources, such as the Special Measures Fund for the Least Developed Countries (SMF/LDC), the United Nations Capital Development Fund (UNCDF), add-on funds, the United Nations Population Fund (UNFPA) and the United Nations Development Fund for Women (UNIFEM). Third, based on the foregoing project review, unmet training requirements related to ongoing and hard pipeline projects were reviewed collectively between RCSC and UNDP with a view to ensuring their inclusion in the ongoing umbrella human resources project (BHU/87/004). Finally, the Planning Commission and UNDP reviewed the progress of the fourth country programme to date in the light of the previous discussions and of a background paper prepared by UNDP.

4. The report which follows presents the findings and decisions of the mid-term review.

I. FINANCIAL DATA

5. The fourth country programme for Bhutan covers the six-year period 1986-1991. The country programme foresaw IPF resources of \$25 million for that period, of which the provisional IPF for the fourth cycle (1987-1991) accounted for \$20.1 million. As can be seen from list A in annex I, the actual IPF resources currently available amount to \$30.2 million, or some \$5.2 million more than originally anticipated.

6. During the period from January 1986 to May 1989, 16 new IPF projects were approved with budgets totalling \$18.9 million for the period 1986-1991

(\$18.7 million for the fourth cycle). As will be seen from list B in annex I, there is a slight over-commitment (\$33,000) of available IPF resources.

7. Expenditures against approved projects during the period of review amount to \$16.8 million and the unexpended balance of funds committed to projects is \$13.4 million, as can be seen from lists C and D in annex I.

8. The expenditure of Central Project Development Facility funds during the period under review has been \$18,000.

II. PROGRAMME/PROJECT DATA

A. The country programme as planned and as implemented

9. As can be seen from the information provided in lists A and B of annex II, the implementation of Bhutan's fourth country programme has, with only a few exceptions, been faithful to the profile indicated in the country programme (DP/CP/BHU/4) approved by the Governing Council in 1985. Of 48 specific projects (or project areas) mentioned in the approved document, 39 have been taken up or are under active formulation at the present stage of the country programme. Of the nine projects not taken up by UNDP, three were taken up by other donors, i.e., agricultural research and training by Swiss bilateral assistance; the Royal Institute of Management by the Asian Development Bank (AsDB); and support to radio broadcasting by India, the United Nations Educational, Scientific and Cultural Organization and the Danish Development Agency (DANIDA).

10. On the other hand, five IPF projects which have been taken up and a sixth which is under formulation do not appear specifically in the country programme. In each case, however, these projects relate to declared government goals referred to in the approved document.

11. Not only have the majority of envisaged projects been taken up during the first half of the country programme period, but the sectoral distribution which was shown in the approved document has been closely followed. This is noteworthy in view of the fact that the country programme was formulated over four years ago, in early 1985, and that about one third of the estimated resources available was shown as reserve. An increase in transport and communications from 8.0 to 16.0 per cent reflects the emergence of telecommunications and civil aviation as major priorities. The reduction in the share of education from 11.0 to 6.0 per cent reflects the delay in the formulation of further assistance projects for technical and vocational training.

12. It may be concluded therefore that deviations from the original goals of the country programme have been negligible and that the specific project targets have been or are being met with few exceptions.

B. Progress in programme implementation (activities and results)

13. As can be seen from the preceding data and information, the programme is being implemented on target, in terms of commitments and delivery. IPF resources are fully committed and extensions plus new hard pipeline projects are in hand to ensure the degree of over-programming needed to guarantee full expenditure of the IPF funds available. Indeed, according to current projections, if all current firm proposals are approved, resort will have to be made to borrowing from the fifth cycle IPF funds. Efforts are under way to avoid such a situation by delaying implementation where feasible and by actively seeking out co-financing partners.

14. The principal constraint on Bhutan's socio-economic development is shortage of manpower, particularly in the trained and skilled categories. Since the inception of UNDP's assistance to Bhutan in 1972, human resources development (HRD) has constituted the single largest thrust of the country programmes. In the current programme, allocations for HRD (mainly under a multi-agency umbrella project) account for some 35 per cent of IPF resources available and a further 15 per cent is committed to a United Nations Volunteers (UNV) project - Bhutan has more serving United Nations volunteers than any other country. Thus, 50 per cent of IPF resources are specifically aimed at the alleviation of acute shortages of trained manpower. Both the human resources development and the United Nations Volunteers projects are rated highly by the Royal Government for the contributions they are making respectively to the building up of a trained/skilled manpower base, and to filling urgently needed posts pending the availability of qualified Bhutanese.

15. Other significant projects relate to the improvement and expansion of the country's infrastructure, the strengthening of its administration and the inventorying and rational exploitation of its natural resources.

16. Bhutan's topography is among the most rugged in the world. Until the last 20 years, communication with the outside world and also between different regions of the country was infrequent and difficult. This situation has improved substantially in recent years but much remains to be done. A government-executed mechanized road construction project (linked to UNCDF and AsDB projects) is introducing modern, capital-intensive road building and maintenance techniques appropriate to Bhutan's labour-scarce economy.

17. Telecommunications cover a small percentage of the population and inability to communicate between and among population centres - particularly development centres and institutions - is a major obstacle to the effective implementation of plans. A master plan for telecommunications, drafted by the International Telecommunication Union, is currently nearing finalization, which will be followed by a first implementation phase combining further technical assistance with a UNCDF grant and also, it is hoped, other grants from bilateral sources.

18. Civil aviation came late to Bhutan, the first Bhutan-registered plane flying only in 1983. The Royal Government is in the process of strengthening its own capability in this sector and is considering expansion of internal facilities. UNDP is assisting in this process through the provision of technical assistance from the International Civil Aviation Organization (ICAO) to the civil aviation authority and to the national airline, Druk Air.

19. Bhutan's population remains largely rural. In anticipation of an inevitable urban migration, town plans have been drawn up, with assistance from the United Nations Centre for Human Settlements, for a number of embryonic population clusters so that the expected growth of these clusters may proceed in a controlled and rational manner. A related project introduced housing technologies designed to improve the standard and comfort of housing while retaining the distinctive features and appeal of traditional Bhutanese architecture. Yet another project (government executed with some WHO input) has introduced improved, low-cost sanitation for housing and for schools and basic health units.

20. The hydroelectric potential of Bhutan is conservatively estimated at 20,000 MW. The first installation of any size, at Chukha, has a capacity of 336 MW. To ensure the prompt repair and maintenance of electricity generation, transmission and distribution equipment, a workshop has been set up with assistance from UNDP and the Department of Technical Co-operation for Development (DTCD) of the United Nations Secretariat. This has already saved considerable time and money by obviating the need to send equipment abroad for such servicing.

21. The Royal Government lays considerable emphasis on having a small, modern and efficient civil service. UNDP is assisting in this endeavour in several ways. Given the manpower shortages already referred to, computerization is particularly appropriate to the country's circumstances, in addition to the intrinsic advantages it offers. A computer centre has been established with UNDP/UNDTCD assistance, and in the relatively short period of four years, hardware and software were introduced, several hundred persons trained in their use, and systems installed. Moreover, a small group has been trained in the repair and maintenance of hardware, and personal computers are being assembled from imported components and marketed locally.

22. With the expansion of development activities and especially since the decision to decentralize such activities wherever possible, the auditing of accounts has assumed added importance. UNDP, through DTCD, has been assisting the Royal Audit in establishing and refining systems and in training Bhutanese audit staff. A somewhat similar project has been assisting the Central Statistical Organization at first with IPF funding and latterly with financing from SMF.

23. The Royal Government supports government execution of externally assisted projects wherever feasible and desirable. UNDP has funded a project to assist in government execution, initially financed from the IPF and subsequently from add-on funds. This project has strengthened the Royal Government's skills in negotiation and management, not only of UNDP-funded projects but also of projects funded by international financing institutions.

24. The knowledge of Bhutan's natural resources base, like its detailed mapping, is far from complete. The Royal Government decided to introduce modern mapping techniques in the Survey of Bhutan and for the past four years UNDP, through UNDTCD, has been providing assistance to the Survey, which now has the capability to produce and print high-quality maps from traditional as well as photogrammetric survey material.

25. An FAO-executed project is assisting the Royal Government in forest conservation and management. One component is the introduction of forest inventory techniques utilizing computers. This and other components, such as forest, watershed and nursery management, research and social forestry, are designed to permit the conservation and exploitation of Bhutan's forest wealth on a sustainable basis. Another project has for the past seven years been supporting the establishment and running-in of Bhutan's first, sizable timber-processing factory. The introduction of modern machinery and modern management and industrial labour practices into a traditional society has proved to be a complex and challenging task: the lessons learned extend well beyond the immediate plant. After several teething problems, the plant is now functioning viably, and UNDP assistance will terminate at the end of 1989.

26. Two further projects, both government-executed, aim at the sustainable exploitation of natural resources. Each is concerned with the development of a specific geographic area, one in Eastern Bhutan, the other in Western Bhutan. The focus is principally on increasing agricultural production and both are supported by concessional loans from the International Fund for Agricultural Development (IFAD). In both areas, farmers have already become aware of the scope for enhancing production and income through better agricultural practices and crop diversification.

27. Two projects, both FAO-executed, have been supporting UNCDF grants to the food production sector. The first is assisting the promotion of horticulture through the design and construction of auction halls and in the provision of equipment for existing processing plants. The second has provided technical assistance to a medium-scale irrigation project which is partly linked to a resettlement scheme. Both projects have been of a somewhat pioneering nature in the Bhutanese context, and are expected to have achieved their immediate objectives when completed, in 1990.

28. Each project, regardless of size, is subjected to an annual tripartite review, an arrangement which has worked well to ensure that the parties concerned are informed of the problems and progress of each project under implementation. With a few minor exceptions, projects - and hence the country programme - are on track and have attained, or are likely to attain, their objectives.

III. PROGRAMME ANALYSIS

A. Country programme implementation

29. No significant problems have been experienced in the implementation of the country programme. Recruitment delays in the case of experts and difficulties in locating qualified counterparts have been experienced in some cases but neither has been a major impediment. Similarly, equipment delivery is frequently time-consuming, mainly because of Bhutan's land-locked location, but this has seldom had a serious impact on the implementation of projects.

30. Bhutan's adherence to the New Dimensions Approach is evidenced by the fact that, of the 20 operationally ongoing IPF-funded projects, 6 are government-executed and 15 have national project managers. Experience with national project management has been positive and is routinely considered to be a possible option when new projects are being appraised.

31. As a result of reducing the number of projects and consolidating efforts around successful ongoing projects, the programme has gained in focus, in depth and, there is reason to believe, in impact.

32. The programme is being implemented with flexibility in line with the continuous programming approach supported in the approved document (DP/CP/BHU/4, para. 10). As mentioned earlier, projects, regardless of size, are subjected to tripartite review, and annual programme reviews are held. In this way, adjustments and amendments are made in response to situations as they emerge.

B. The country programme as a frame of reference

33. The Governing Council has repeatedly urged that country programmes be used as a frame of reference for other assistance programmes, especially those of other organizations of the United Nations system. On the basis of experience so far during the current cycle, it cannot be claimed that the country programme for Bhutan has been much used in that manner. As mentioned above, three projects, initially intended for IPF funding, were taken up by other donors. In two other cases, bilateral donors (Australia and the Netherlands) have virtually taken over projects with cost-sharing contributions. Further collaboration of this kind is being actively sought for selected other projects. Non-IPF funds under the responsibility of the Resident Representative have been utilized to supplement or substitute for the IPF in a few cases; for example, SMF funds for support to the Central Statistical Office and aquaculture, and "add-on" funds to support government execution. UNCDF resources have been used wherever possible to support IPF projects and vice versa. Out of seven operational UNCDF projects, six are benefiting, or have benefited, from IPF technical assistance. Similarly, two UNCDF hard pipeline projects are designed to reinforce ongoing technical assistance projects, one for warm-water fisheries and the other for telecommunications.

34. While the examples given above reveal that the country programme has attracted funding beyond the IPF, mainly from UNDP-controlled funds, the extent and the diversity of such funding has been limited.

C. The continued relevance of the country programme

35. The philosophy and the objectives of the country programme as approved have remained valid, and relevant to the situation which prevails in mid-1989. The programme was elaborated during the later years of Bhutan's fifth five-year development plan. The present sixth plan began in April 1987, just three months into UNDP's fourth programming cycle. The objectives of the sixth plan are essentially a continuation of those of the fifth plan emphasizing self-reliance,

people's participation in the development process, improvement of rural conditions, government administration, development services, and human resources development. In terms of the use of UNDP resources, referred to in the approved country programme (DP/CP/BHU/4, paras. 29 and 30), four major types of activities were specified:

1. Preparation of sectoral and sub-sectoral analyses, pre-feasibility and feasibility studies needed to develop programmes and projects to attract capital investment and additional technical assistance;
2. Removal of technical weaknesses and gaps irhibiting the more effective development of various productive sectors of the economy and the greater impact of development efforts and resources;
3. Strengthening of management capabilities, planning and delivery systems, and the institutional base for development;
4. Alleviation of acute shortages of the trained manpower required for development activities.

36. All four have been or are being taken up to a greater or lesser extent:

(a) Sectoral analyses have been or will be prepared for industry, agriculture and horticulture: pre-feasibility and feasibility studies for industry will be taken up by the industrial planner while an ITU team is preparing a master plan for telecommunications. Some of these activities are funded from United Nations funds other than the IPF funds.

(b) Removal of technical weaknesses in productive sectors has been the aim of a number of projects, e.g., survey, forest management, electrical maintenance workshop, road mechanization workshop, the Bhutan Government Transport System (BGTS) workshop, fisheries and area development schemes.

(c) Management capabilities and the institutional base for development have been strengthened through in-country management training courses, assistance to government execution, and assistance to the Central Statistical Office, the Royal Audit Authority and the Royal Civil Service Commission.

(d) Alleviation of acute shortages in the trained manpower required for development activities has been the main thrust of the country programme, to which 50 per cent of IPF resources have been allocated, principally through the HRD and UNV projects.

37. While the original country programme objectives remain relevant, the emphasis on self-reliance has been intensified in Bhutan during the past two years. In 1987 a decision was taken by the Government which affected the country's sixth five-year development plan and, in turn, to some extent the fourth country programme. The original sixth plan, endorsed by the National Assembly, was reviewed, and the outlays on new projects were reduced somewhat in favour of recurrent outlays. This was largely because the conclusion was reached that the rate of growth achieved

during the fifth plan could not be sustained without risking a collision with traditional cultural values and practices and without maintaining or increasing the number of non-nationals working in Bhutan on development projects, which was considered to be already unacceptably high. Consequently some new projects were shelved and manpower - always a major constraint - became even more of a preoccupation when proposals for assistance were being assessed. In the case of UNDP-assisted activities, it was decided to concentrate primarily on expansions and extensions of ongoing projects where manpower was known to be available, confining new projects to sectors of known high priority. In short, for the past 18 months, the emphasis in the country programme, as in the national development plan, has been on consolidation.

IV. EVALUATION

38. In view of the continued relevance of the country programme, its generally satisfactory implementation and the fact that all available IPF resources are committed, an evaluation of the programme as a whole was not considered necessary.

39. Evaluation of significant projects, whether in terms of funding or of their intrinsic nature, are undertaken as and when appropriate. During the period under review, 1986 to mid-1989, seven evaluations of IPF projects were carried out, of which two also covered UNCDF inputs.

40. A sector review of agriculture, animal husbandry and forestry is foreseen in late 1989, mainly as a preparatory step for the fifth country programme.

V. RECOMMENDATIONS OF THE MID-TERM REVIEW

41. The overall conclusion of the mid-term review is that Bhutan's fourth country programme is essentially on track and that its objectives remain relevant.

42. Two issues emerged relating to the management of the country programme during the remaining two and a half years.

43. In view of the manpower constraints faced in every sector and in line with the Royal Government's own policy of consolidating development efforts in the interest of self-reliance, it was agreed that the number of active IPF projects should be kept at a level permitting their adequate staffing and monitoring. In this context, the current number of about 20 IPF projects is considered appropriate.

44. At the time of the mid-term review, IPF resources of \$25,702,000 were fully committed against available resources totalling \$25,669,000. However, delivery is historically below commitments. Taking an implementation rate of 70 per cent for the years 1989, 1990 and 1991, to deliver the balance of the IPF resources, i.e. \$16 million, \$22.9 million of approvals will be needed. Against this latter figure, approved budgets and very firm pipeline proposals for the three years total \$24.5 million. In the light of this situation, it was agreed that no further projects or extensions should be considered involving expenditure before 1992 and

that sustained efforts should be made to attract co-financing - preferably cost-sharing - to reduce the overshooting of IPF resources. At the same time, it was felt that the slight excess of likely commitments over the target was a healthy situation which should ensure the full utilization of IPF resources available for the present, the fourth cycle, without overly encumbering the resources to be made available for the next, the fifth cycle.

Annex I

FINANCIAL DATA

Thousands of dollars

List A. IPF resources available at the time of the mid-term review

1986 expenditure	4 578
carry forward from third cycle	1 313
1987-1991 IPF	21 918
75 per cent of supplementary IPF allocation	<u>2 438</u>
1986-1991 total resource availability	<u>30 247</u>

List B. Uncommitted IPF balance (as of 31 May 1989)

Carried forward from third cycle	1 313
IPF 1987-1991	21 918
75 per cent supplementary IPF allocation	<u>2 438</u>
Total IPF resources, 1987-1991	25 669
Approved budgets 1987-1991	<u>25 702</u>
Uncommitted balance	(33)

List C. Expenditures against approved projects during the period under review

1986	4 578
1987	3 221
1988	6 487
1989 estimate for first five months	<u>2 500</u>
Est. expenditure, 1 January 1986-31 May 1989,	16 786
of which est. expenditures during fourth IPF cycle	<u>12 208</u>

List D. Unexpended balance of funds committed to projects

Total IPF resources, 1987-1991	25 669
Less expenditures (estimated) to 31 May 1989	<u>12 208</u>
Balance (all committed to projects)	<u>13 461</u>

Annex II

COMPARISON OF PLANNED PROJECT LIST AGAINST ACTUAL PROJECT
APPROVALS, 1987 TO MID-1989

List A. Sectors, programmes and projects included in the fourth
country programme document (DP/CP/BHU/4)

<u>Programme/sectors</u>	<u>Project content</u>	<u>Paragraph</u>
	Strengthening Capacity for Government Execution (BHU/84/023)	34
	Introduction of Micro-computers (BHU/87/001) and (BHU/84/019)	36
	Advisory services for Statistical Services (BHU/87/017) and (BHU/84/019)	36
Land use planning <u>a/</u>		37
United Nations Volunteers (BHU/86/009)		39
	Strengthening of Survey of Bhutan (BHU/83/019) and (BHU/82/627)	41
Survey and exploitation of mineral resources <u>b/</u>		41
	Electrical and Equipment Maintenance Facility (BHU/81/019) and (BHU/89/006)	42
	Exploitation of Micro- and Mini-hydel Technology <u>b/</u>	42
	Maximizing Use of Electric Power <u>a/</u>	43
Promotion of horticulture <u>a/</u>		45
	Extension Training and Research <u>b/</u>	46
Aquaculture (BHU/87/002)		47
	Feed-mixing Plant (BHU/84/020)	47
Improving availability of dairy, meat and poultry products (BHU/81/020), (BHU/82/013) and (BHU/82/032)		47
	Assistance to Gedu Wood Manufacturing Corporation (BHU/80/014)	48

<u>Programme/sectors</u>	<u>Project content</u>	<u>Paragraph</u>
	Management of logging operations and planning of forest roads (BHU/83/007) and (BHU/85/003)	49
	Social forestry and training of village artisans (BHU/85/013) and (BHU/85/016)	49
Industrial feasibility studies and assessments (BHU/83/025)		51
Entrepreneurial development and guidance <u>a/</u>		51
	Polythene mini-plant (BHU/83/025)	52
	Bhutan Government Transport System Workshop (BHU/83/028)	53
Mechanization of road construction and maintenance (BHU/86/004), (BHU/85/005) and (BHU/86/010)		54
	Construction of suspension bridges (BHU/83/026)	55
	Construction of prefabricated bridges (BHU/84/010)	55
Co-ordinated long-term road plan <u>b/</u>		56
	Installation of telex facilities (BHU/84/016)	57
Development of air services (BHU/87/021)		58
	Postal services and philately (BHU/83/018)	59
Export development (BHU/82/030)		60, 62, 63
	Training of staff of Royal Monetary Authority (BHU/82/005) and (BHU/84/018)	64

<u>Programme/sectors</u>	<u>Project content</u>	<u>Paragraph</u>
	Urban development (BHU/84/024)	67
	Appropriate housing technology (BHU/80/002)	67
Urban development in Himalayan zone <u>b/</u>		68
	Training health personnel (BHU/82/006)	70
	Creation of a nursing school (BHU/82/003)	70
	Anti-rabies campaign (BHU/82/012)	70
Family health and population programme (UNFPA) (BHU/86/P01) and (BHU/87/P01)		71
	Institutional sanitation (BHU/82/001)	72
	Restructuring technical education system <u>a/</u>	74
	Support to Sherubtse College (BHU/84/013)	76
	Workshop on human resources programme (BHU/84/026) and (BHU/85/006)	78
Meeting external and in-country training needs (BHU/87/004)		78
Establishment of a Royal Institute of Management <u>b/</u>		79
Promotion of science and technology <u>b/</u>		81
Tourism development <u>b/</u>		83
	Promotion of development-support communication (BHU/82/020)	85
	Support to radio broadcasting <u>b/</u>	86

a/ Item under active formulation.

b/ Item not so far taken up by UNDP.

List B. Projects approved or under serious consideration which did not figure specifically in the fourth country programme document (DP/CP/BHU/4)

<u>Project number and title</u>	<u>Country programme, paragraph</u>
(BHU/82/025) Mushroom development	46
(BHU/88/022) Telecommunications planning	57
(BHU/89/005) Telecommunications development <u>a/</u>	
(BHU/89/COI) <u>a/</u> Domestic telecommunications <u>a/</u>	
(BHU/85/015) Tashigang-Mongar Area development	46
(BHU/87/019) Punakha-Wangdi area development	46
(BHU/89/001) Accelerated food production programme	44

a/ Pipeline project.

