

Country Director, ADB Bhutan Resident Mission
Statement on the Occasion of 13th Round Table Meeting
Thimphu, Bhutan (15–16 March 2017)

Your Excellency Lyonpo Damcho Dorji, Minister, Ministry of Foreign Affairs, Royal Government of Bhutan; Your Excellency Haoliang Xu, UNDP Assistant Secretary-General; distinguished delegates; ladies and gentlemen.

I am honored to participate as the representative of the Asian Development Bank in this 13th Round Table Meeting. This forum is important, because it offers an excellent opportunity for the Royal Government of Bhutan (RGoB) and development partners to discuss policies and coordinate assistance.

The presentations by RGoB and the roundtable discussions have given me important insights about Bhutan's Gross National Happiness (GNH) approach, socioeconomic development, and the alignment of the 12th Five Year Plan (12FYP) to Sustainable Development Goals (SDGs).

We note from the guideline for preparation of the 12FYP that overarching objective is – “Just, Harmonious and Sustainable Society through Enhanced Decentralization.” The government will allocate a comparatively greater amount of the budget in the 12FYP to local governments and to social sectors through the Ministry of Health and the Ministry of Labour and Human Resources. This wise decision aims to reduce youth unemployment and improve quality human resources that will help the country to foster sustainable economic development and growth.

ADB has been a steadfast development partner of RGoB since 1982. ADB is one of the top contributing development partners to Bhutan, with a total financial assistance of about \$380 million (grants and loans) for the period from 2013–2017 plus about \$9M TA grant during the same period. For 2018 alone, we are programmed \$255 million (grant & loans). Our development journey together has deepened our collaboration and achieved tangible results. In 2014, ADB established our Resident Mission in Bhutan. ADB reaffirms its commitment to enhance operations in Bhutan through expanding and strengthening capacity of our field office. This is particularly critical to ensure that the implementation of our projects is timely. We will continue to support RGoB's development agenda through our lending and non-lending assistance, and through our TA and knowledge products. Going forward, ADB will continue to serve RGoB as a reliable financier, a catalyzer in finance, and a coordinator for regional cooperation and integration.

ADB is confident that Bhutan will continue to overcome emerging challenges given its proven success record. Presently, Bhutan still receives grants from ADB's concessional fund window, but such grants are now being provided by ADB only to member countries that are experiencing urgent debt distress. Fortunately, Bhutan is not experiencing high debt stress. Therefore, from January 2019 Bhutan will no longer be eligible to receive ADB grants from the concessional fund window. Next year, ADB will reassess Bhutan's economic situation and creditworthiness to determine whether the country should graduate from the status of Group A country to that of a Group B country. The expected graduation will enable RGoB to access more resources. We are also preparing a new Bhutan Country Partnership Strategy (CPS) 2019–2023, which will be used as the guiding document for our collaboration. As we prepare the new CPS we will continue to ensure that it is fully aligned with the 12FYP.

We are operating under an ever-changing development landscape. Therefore, we have to allow reasonable flexibility. Although our current CPS suggested that we focus on infrastructure and finance sectors, we have in our 2018 and 2019 pipeline, 2 grant projects programmed to support health and skills development. As Bhutan moves toward middle-income status, the need to develop its private sector has become more important in achieving sustainable, inclusive, and diversified growth.

ADB has been supporting RGoB in finding innovative solutions to facing up to new challenges including the development of private sector projects (one of them in collaboration with IFC) and PPP in hydropower projects. We also helped to establish the Better Business Council, who proposes policy recommendations to improve Bhutan's business environment and to support private sector development. And we included diversifying sources of renewable energy in our rural renewable project to pilot alternative sources such as wind turbines, solar energy, and biomass.

Having said this, ADB's country allocation is not sufficient to meet the financing cost of capital-intensive investment projects needed by the country. We welcome cofinancing proposals from other development partners, including private companies, to jointly finance and implement these projects.

In conclusion, I would like to reaffirm ADB's continued commitment to strengthen our partnership with the government, to achieve the national development goals.

Tashi Delek!