

STATEMENT
ASIAN DEVELOPMENT BANK
Kanokpan Lao-Araya, Country Director, Bhutan Resident Mission
The 14th Round Table Meeting
13 March 2019, Thimphu, Bhutan

Good afternoon to distinguished representatives from the Royal Government of Bhutan and development partners:

I am pleased to participate in this Round Table Meeting (RTM), which is my second participation over my 2 years in my assignment here in Thimphu as the resident Country Director of ADB Bhutan Resident Mission.

I would like to make 3 key points:

1. ADB is fully committed to align our support for 12th Five Year Plan (FYP), as will be reflected in our new Country Partnership Strategy (CPS).
2. Together with the government and other stakeholders, we need to act swiftly to make a strategic decision to ensure that Bhutan avail of large resources envelope from ADB that has become available to Bhutan over the next 5 years.
3. The government and partners are encouraged to make the best use of ADB's field office in Bhutan given its ever increased responsibilities and capacities to be responsive to the country's development needs.

ADB support for 12th Five Year Plan. ADB support for 12th Five Year Plan. This particular RTM is very critical given that it marks the beginning of a development journey to implement the 12th FYP, which aligns with the five-year tenure of the new government. And toward the end of the Plan in 2023, the country will graduate from the least developing country status.

As a long-term partner to Bhutan since 1982, we are happy to be part of the kingdom's amazing development journey. Since 1982, we have provided accumulative assistance in grants, loans, and technical assistance totaling \$891 million. ADB's ongoing portfolio of investment projects (grants and concessional loans) of \$285 million and ongoing TA grants of about \$12.8 million covers a comprehensive scope covering urban development projects (in Thimphu, Pheuntsholing, and secondary towns); hydropower and other sources of renewable energy; road and air connectivity projects; skill development project that update technical and vocational education curriculum, training, and facilities to match skills with market demand; health sector development to ensure financial sustainability of the Bhutan Health Trust Fund and efficiency of health service delivery. We also have an ongoing nonsovereign investment in equity of a hazelnut value-chain company that benefits more than 15,000 farmer households. There are ongoing several technical assistance projects that we are implementing, including technical assistance to the One Gewog One Product (OGOP) project aiming to enhanced livelihood of rural dwellers and building capacity of the new Public-Private Partnership (PPP) Unit in the Ministry of Finance in preparing an infrastructure PPP project so that private sector can participate and contribute to development.

Going forward, ADB is committed to support Bhutan's efforts in the 12FYP to promote sustainable and inclusive economic growth by building a more diversified economy and minimizing economic, social, and environmental vulnerabilities.

Absorbability of substantive resources available to Bhutan. Bhutan was assessed to perform outstandingly during the 2018 Country Performance Assessment, with the highest composite

scores among the ADF recipient member countries. From 2019–2023, Bhutan can access at least \$417.5 million of grant (for disaster risk reduction) and concessional loan from ADB for sovereign investment projects and reform programs. This amount does not include additional/ piggy-back technical and advisory assistance and cofinancing funds from partners and ADB-administrated special funds such as regional funds for special purposes. Plus, we are actively exploring nonsovereign investment opportunities and assistance to complement our sovereign program.

Based on the 12FYP, the financing gap (after incorporating commitments from bilateral partners and the UN agencies) is Nu 29 billion or \$400 million. So ADB's resource envelop of over \$400 million can fill this financing gap completely.

That sounds like good news, but there are challenges associated with it. The commitment of these resources is time-bound. We need to receive timely advice on the government's willingness and ability to absorb these resources. The government is in the driver seat of the country's development agenda. For priority investment projects, time and efforts for preparing them properly is required to avoid time and budget overruns. Project readiness is a requirement for us to program and plan projects in the pipeline.

We look forward to discussion and consultation with the government and other partners on our country program to plan a series of investment projects and reform programs. This way, we can timely commit these resources for efficient implementation, and the results can be realized during the 12th FYP period.

Strengthened capacity of Bhutan Resident Mission for greater responsiveness. ADB's Bhutan Resident Mission has been relocated to a new, larger office in August 2018 and staffed with additional human resource and become fully staffed by end 2019. In addition to leading country programming (formulating the new Country Partnership Strategy and Country Operations Business Plan) and portfolio management, BHRM this year starts to implement the first batch of delegated projects, including health sector development program, skills development project, and Pheunsholing Township Development Project. These projects were approved in 2018. The ongoing technical assistance project to support OGOP will also be delegated to BHRM in April 2019. This will enable the government agencies to have regular interactions to ensure efficient project implementation. We look forward to ever stronger interaction and collaboration with the government.

In closing, I am pleased to reiterate ADB's commitment to continuing support to Bhutan. Look forward to working together to implement the 12th FYP.

Tashi Delek.