

Joint Evaluation

DANISH-BHUTANESE COUNTRY PROGRAMME 2000-09 SYNTHESIS REPORT



DVD

BHUTAN AND DENMARK
THROUGH 30 YEARS

DIRECTED BY TSERING PENJORE



**Joint Evaluation:
Danish-Bhutanese Country
Programme 2000-09
SYNTHESIS REPORT**



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Contact: eval@um.dk

Responsibility for the content and presentation of findings and recommendations rests with the authors.

Preface

Denmark has provided development assistance to Bhutan for 30 years starting through multilateral agencies from 1978. Bilateral development cooperation dates back to 1985. In 1989 Bhutan was selected as one of Denmark's programme countries, and from 1992 development cooperation was concentrated within three areas: health, environmental and natural resource management, and urban development. Education was added in 2003. Support to good governance and public administrative reform, including decentralisation and democratisation, was initiated through the flexible Local Grant Authority right from the beginning of the bilateral cooperation, but emerged as a full programme from 1998. The early support to industrialisation was phased out in the late 1990s. The Local Grant Authority has provided flexible support to a number of activities throughout the period. The total Danish assistance since 1989 amounts to almost DKK 1.4 billion in current prices. As Bhutan's population is small, about 700,000 people, the assistance per capita, around DKK 2,000, has been the highest Danish assistance per capita to any of its 15 partner countries. In Bhutan, Denmark has for many years been the second largest bilateral provider of assistance after India.

The current period for the Danish Bhutanese Country Programme (2008-13) is expected to be the last full-fledged programme support period for Denmark's bilateral development assistance. This will be followed by a transition phase during which a gradual phasing of the sector programmes will take place with special attention to consolidation of the results achieved through previous Danish assistance. After this phase, the collaboration is expected to focus on other areas and relationships such as private sector development, cultural and civil society cooperation, but support to combating the effects of climate change may also be considered.

The evaluation was commissioned as part of the collaboration between Danida's Evaluation Department and the Research and Evaluation Division of the Gross National Happiness Commission Secretariat of Bhutan.

Inserted in the report is a brief – 33 minutes – documentary film on a DVD: "Bhutan and Denmark through 30 years". The film was directed by Tsering Penjore and written by Nyingtob Pema Norbu and shows the partnership as seen by the Bhutanese. The production of the documentary was supported by the Evaluation Department.

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6. Selected statistical data

Working Papers:

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- I. Sector note on Education
- II. Sector note on Health
- III. Sector note on Governance
- IV. Sector note on Environment and Urban Development
- V. Thematic paper on Decentralisation and Local Empowerment
- VI. Thematic paper on Local Service Delivery
- VII. Thematic paper on Private Sector Potential
- VIII. Thematic paper on Capacity Development

Acknowledgements

The evaluation team consisted of Jorgen Billetoft (team leader; environment & urban development and private sector), Anne Thomson (governance/decentralisation/local empowerment), Patrick Vaughan (public health), Jeef Bech (education and capacity development), Lham Dorji (local service delivery) and Tshoki Zangmo (local governance). Quality assurance was provided by Stephen Jones. The evaluation team visited Bhutan in November as well as December 2009. During its visit in December the team conducted interviews in four *dzongkhags*: Samtse, Punakha, Monggar and Bumthang. The key findings and recommendations were presented at a validation workshop in Thimphu in March 2010.

The evaluation team would like to express their gratitude to representatives of the Royal Government of Bhutan, Ministry of Foreign Affairs of Denmark, the Liaison Office of Denmark in Thimphu and all others that provided valuable input into the evaluation during interviews, discussions, informal chats and focus group meetings.

In addition to this report, which synthesises the findings of the evaluation, a number of sector notes and thematic papers were prepared (see list in Table of Contents). These can be found on the website of the Evaluation Department of the Danish Ministry of Foreign Affairs (www.evaluation.dk).

Views and opinions expressed in this report are those of the evaluation team alone and not necessarily the same as those of the Evaluation Department of the Danish Ministry of Foreign Affairs or the Research and Evaluation Division of the Gross National Happiness Commission Secretariat.

Abbreviations and acronyms

<i>ACC</i>	Anti-Corruption Commission
<i>AIDS</i>	Acquired Immunodeficiency Syndrome
<i>ADB</i>	Asian Development Bank
<i>ASR</i>	Annual Sector Review
<i>BBS</i>	Bhutan Broadcasting Service
<i>BHU</i>	Basic Health Unit
<i>BTN</i>	Bhutan Ngultrum (the national currency) 1 DKK equalled BTN 7.02 in October 2003 and 9.17 in October 2009
<i>CBS</i>	Centre for Bhutan Studies
<i>CSO</i>	Civil Society Organization
<i>CTEM</i>	Cleaner Technology and Environmental Management
<i>DAC</i>	Development Assistance Committee
<i>Danida</i>	Danish International Development Assistance
<i>DEO</i>	District Education Officer
<i>DEnO</i>	District Environment Officer
<i>DH</i>	District Hospitals
<i>DKK</i>	Danish Kroner
<i>DRC</i>	Department of Revenue & Customs
<i>DSP</i>	Decentralisation Support Programme
<i>DUDES</i>	Department of Urban Development and Engineering Services
<i>ECB</i>	Election Commission of Bhutan
<i>ECCD</i>	Early Childhood Care & Development
<i>EdSPS</i>	Education Sector Programme Support
<i>ESIP</i>	Education Sector Implementation Plan
<i>ESPS</i>	Environment Sector Programme Support
<i>EU</i>	Environment Unit
<i>EUSPS</i>	Environment and Urban Sector Programme Support
<i>FY</i>	Financial Year
<i>FYP</i>	Five-Year Plan
<i>GAO</i>	Gewog Administrative Officer
<i>GDP</i>	Gross Domestic Product
<i>GG</i>	Good Governance
<i>GG/PARP</i>	Good Governance/Public Administration Reform Programme
<i>GGSP</i>	Good Governance Support Programme
<i>GNHC</i>	Gross National Happiness Commission
<i>GOI</i>	Government of India
<i>HIV</i>	Human Immunodeficiency Virus
<i>HR</i>	Human Resource
<i>HR</i>	Human Rights
<i>HRD</i>	Human Resource Development
<i>HSPS</i>	Health Sector Programme Support
<i>ICBP</i>	Integrated Capacity Building Plan
<i>ICT</i>	Information and Communication Technology
<i>IFAD</i>	International Fund for Agricultural Development
<i>IT</i>	Information Technology
<i>JAR</i>	Joint Annual Review
<i>JICA</i>	Japan International Cooperation Agency

ABBREVIATIONS AND ACRONYMS

<i>JSP</i>	Joint Sector Programme
<i>LGA</i>	Local Grant Authority
<i>LOD</i>	Liaison Office of Denmark
<i>LGSP</i>	Local Government Support Programme
<i>LSS</i>	Lower Secondary School
<i>M&E</i>	Monitoring & Evaluation
<i>MDG</i>	Millennium Development Goals
<i>MFA</i>	Ministry of Foreign Affairs (Denmark)
<i>MoA</i>	Ministry of Agriculture (and Forests)
<i>MoC</i>	Ministry of Communication (now Ministry of Information and Communication)
<i>MoE</i>	Ministry of Education
<i>MoEA</i>	Ministry of Economic Affairs
<i>MoF</i>	Ministry of Finance, Bhutan
<i>MoH</i>	Ministry of Health
<i>MoHCA</i>	Ministry of Home & Cultural Affairs
<i>MoHE</i>	Ministry of Health & Education
<i>MoIC</i>	Ministry of Information & Communication
<i>MoLHR</i>	Ministry of Labour & Human Resources
<i>MoWHS</i>	Ministry of Works and Human Settlements
<i>MSS</i>	Middle Secondary School
<i>MTI</i>	Ministry of Trade & Industry (now Ministry of Economic Affairs)
<i>NBS</i>	National Statistical Bureau
<i>NCD</i>	Non-Communicable Disease
<i>NCWC</i>	National Commission for Women & Children
<i>NEC</i>	National Environment Commission
<i>NECS</i>	National Environment Commission Secretariat
<i>NFE</i>	Non-Formal Education
<i>NGO</i>	Non-Governmental organization
<i>NRM</i>	Natural Resource Management
<i>O&M</i>	Operation & Maintenance
<i>OAG</i>	Office of the Attorney General
<i>ORC</i>	Out-Reach Clinic
<i>PAR</i>	Poverty Analysis Report
<i>PHC</i>	Primary Health Care
<i>PLaMS</i>	Planning & Monitoring System
<i>PPD</i>	Policy & Planning Department
<i>PWD</i>	Public Works Department
<i>RAA</i>	Royal Audit Authority
<i>RCSC</i>	Royal Civil Service Commission
<i>REC</i>	Royal Education Council
<i>RED</i>	Research & Evaluation Division (of the GNHC Secretariat)
<i>RGoB</i>	Royal Government of Bhutan
<i>RIM</i>	Royal Institute of Management
<i>RNR</i>	Renewable Natural Resources
<i>ROACH</i>	Results Oriented Approach to Capacity Change
<i>RUB</i>	Royal University of Bhutan
<i>RWSS</i>	Rural Water Supply & Sanitation
<i>SBS</i>	Sector Budget Support
<i>SDG</i>	SAARC (South Asian Association for Regional Cooperation) Development Goals

<i>SESP</i>	Sustainable Environment Support Programme
<i>SNV</i>	Netherlands' Development Organization
<i>SSPS</i>	Social Sector Programme Support
<i>STI</i>	Sexually Transmitted Infections
<i>TA</i>	Technical Assistance
<i>ToR</i>	Terms of Reference
<i>UBE</i>	Universal Basic Education
<i>UN</i>	United Nations
<i>UNCDF</i>	UN Capital Development Fund
<i>UNDP</i>	United Nations' Development Programme
<i>UNEP UN</i>	Environmental Programme
<i>UNFPA</i>	UN Population Fund
<i>UNICEF</i>	UN Children's Fund
<i>USD</i>	US Dollar
<i>USPS</i>	Urban Sector Programme Support
<i>VET</i>	Vocational Education & Training
<i>VHW</i>	Village Health Worker
<i>WHO</i>	World Health Organization
<i>WSS</i>	Water Supply & Sanitation

Bhutanese terms

<i>Chathrim</i>	Act or statute
<i>Chiog</i>	Cluster of villages
<i>Dungkhag</i>	Sub-district
<i>Dzongdag</i>	District administrator
<i>Dzongkhag</i>	District – cluster of <i>gewogs</i> (there are 20 in Bhutan)
<i>Dzongkhag Thromde</i>	District Urban Local Government
<i>Dzongkhag Yargye Tshogdu (DYT)</i> <i>or Dzongkhag Tshogdu (DT)</i>	District Development Committee
<i>Gewog</i>	Administrative block (there are 205 in Bhutan)
<i>Gewog Yargye Tshogdu (GYT)</i> <i>or Gewog Tshogde (GT)</i>	Gewog Development Committee
<i>Gup</i>	Elected chairperson of GYT/GT
<i>Mangmi</i>	Elected deputy Chairperson of GYT/GT
<i>Tshogpas</i>	Elected members of GYT/GT

Executive Summary

This report presents the main findings, conclusions and recommendations of the evaluation of the Bhutanese-Danish cooperation during the period 2000-09. The evaluation was commissioned as part of the collaboration between Danida's Evaluation Department and the Research and Evaluation Division (RED) of the Gross National Happiness Commission Secretariat of Bhutan. The evaluation team visited Bhutan in November as well as December 2009. During its visit the team conducted interviews with government officials and agencies at national and local level (visit to four *dzongkhags* (districts)).

Objectives and methodology

The stated objective of the evaluation is 'to assess and document the relevance and effectiveness of Danish support to poverty reduction and democratisation in Bhutan 2000-09, and in particular to consolidate and enhance the sustainability of the outcomes achieved through learning and adjustments to the cooperation during the last programme period 2008-13 and beyond'. Hence, part of the aim of the evaluation was to contribute with recommendations on how to prioritise the support during the phasing out period.

The Terms of Reference (ToR) state three general questions that should guide the evaluation:

- What changes in the outputs and outcomes of the systems of organizations have taken place, both in effectiveness and efficiency?
- How have the changes occurred, considering the major contributing factors (including external assistance) in the public sector systems?
- Why have the changes occurred and what can be learned?

In accordance with the ToR, the evaluation assessed outcome achievements as indicated by access to services by various categories of the population within sectors supported by Denmark¹. On the basis of this, an assessment was made of the likely Danish contribution to the achieved results.

Rationale of Danish support

The evaluation period covers three country programmes, the country strategy from 1997, the strategy for development cooperation 2003-07, and the country programme covering 2008-13, supposed to be the last country programme in its present form. Danish support has focused on five sectors: Education, health, environment (including natural resource management), urban development, and governance (including public administration reform and decentralisation). The Danish support to Bhutan during the period 1997-2013

1) The evaluation applied a modified version of the ROACH approach which is a method developed to assess institutional change. However, it proved quite difficult to apply this approach in practice due to a combination of scanty outcome data and the relative shortness of the field phase which did not allow an in-depth analysis of 'drivers and constraints of change'.

is expected to reach DKK 945 million incl. technical assistance. This makes Bhutan the programme country which has received the most assistance per capita.

Throughout the period, achievement of the Millennium and the SAARC² Development Goals has been the overarching logic of the support. The 2003-07 country programme summarises excellently the rationale for the focus of the Danish support: Improvements in health and education are supposed to play a pivotal role in poverty reduction, and strengthening quality and coverage of services in these fields are key elements. Environmental management is critical because the poorest segments of the population for the main part depend on natural resources for their livelihood and progress in urban development is essential to provide opportunities for growth and employment in towns and prevent problems stemming from urbanisation, in particular urban poverty, from escalating. Finally, support to good governance, public sector reforms and decentralisation is believed to contribute to enhancing popular participation in the development process, leading to improvements in the living conditions of the poor and, at the same time support implementation of the Government's development strategy.

Promotion of private sector development was added as a cross-cutting priority area in 2008 because it is considered essential for diversification of the economy and hence for continued growth and poverty reduction also in the longer run and as a means to reduce the increasing youth unemployment.

Assessment of the Danish support

Support to education

Main achievements: Bhutan has achieved improved enrolment at all levels and at the same time improved quality in a way so that the main educational challenges have been pushed upward in the system and are now primarily found at lower secondary level with regard to ensuring appropriate linkages to the vocational and higher school systems. Specific outcome achievements include:

- At primary education level the enrolment rate has increased substantially, primarily due to continued school construction over the last decade. The Government reports enrolment rates at 92%, which is high by regional standards. Rather substantial disparities between *dzongkhags* were found. The poorest *dzongkhags* are in general characterised by the low education achievements, high dropout rates, and more students per teacher as compared to the national average.
- Bhutan has increased progression rates from primary to secondary level. While gender parity has widely been achieved for primary and lower secondary education, girls drop out or repeat classes to a higher extent than boys at the higher secondary level. The combination of long distances to secondary schools and the limited number of hostels affect access negatively.
- With a literacy rate of 54% in 2002 only growing to 59% in 2008, the aim of achieving 80% literacy rate by 2008 has not been achieved.
- The Danish support Human Resource Development (HRD) has contributed to substantially increasing the number of teachers with a Masters or diploma degree;

2) South Asian Association for Regional Cooperation.

all *dzongkhags* today have education officers with a Masters degree. The HRD approach has, however, been rather individualised and an institutional framework facilitating sharing/transfer of competencies or enhancing national in-service-training capacity has not been identified.

- Promotion rates and teacher/student ratios have improved substantially and continuous assessment has been operationalised. Curriculum reforms and up-grading of teacher skills as well as improvements in teacher-students ratios have led to qualitative improvements.
- It proved difficult to establish how the funds allocated as budget support has been distributed between *dzongkhags* and thus the extent to which the allocation has benefitted the *dzongkhags* and *gewogs* with the most significant education and poverty problems.

Assessment of Danish support: Denmark is in general by other donors praised for having explored potentials for harmonizing donor approaches. Although Denmark has been instrumental in e.g. formation of joint education sector reviews, other donors have not been prepared to fully harmonize and align to the extent Denmark has done.

Danish support provided as fully aligned sector budget support has been instrumental in reducing the financing gap for Royal Government of Bhutan (RGoB) interventions by providing approx 5% of the national budget for the educational sector during the period 2002-08. However, while support from development partners has increased more than four times between 2002 and 2008, the RGoB education sector expenditure has 'only' doubled, suggesting a certain level of fungibility.

Challenges: Issues calling for attention during the phasing out of Danish support include:

- There is scope for developing linkages between centralised and decentralised planning mechanisms including revitalisation of decentralised planning capacity in light of current block funding modalities being established. As part of this the capacities at the *dzongkhag* and school levels should be strengthened.
- Prioritisation of allocation and distribution of human and financial resources to poorer resourced schools in poor locations is critical as an immediate intervention to promote equity supplemented by strategies for targeting the most disadvantaged children and families.
- Development of a wide set of indicators for measuring and tracking sector progress against agreed indicators. This is a critical aspect, as the 10th Five-Year Plan includes more than twenty objectives and a wide set of strategies which cannot be captured by only having few targets – which furthermore are primarily related to access rather than quality of education.

Support to health

Main achievements: The analysis of health indicators for 2000-07 shows no increase in the number of hospitals, a small increase in hospital beds, basic health units and outreach clinics, and some increase in numbers of doctors, health assistants and technicians. The total number of nurses and village health workers has remained steady.

There has been a strong trend towards better health status over the period 1994-2005 as evidenced for instance by significant reductions in infant and under-five mortality and total fertility, and an increase in life expectancy. This improvement in Bhutan's health status is probably explained by a range of health related interventions, such as the marked expansion in access to primary health care facilities, greater access to essential drugs, rising nutritional knowledge, more awareness about health related behaviours, increasing coverage by a reproductive health programme, and improvements in rural and urban water supplies and sanitation. With Danish support, Bhutan made large investments in rural access to clean water and sanitation from 2000 to 2007. This may explain the modest fall in total number of reported cases of diarrhoea and dysentery. For other communicable diseases such as tuberculosis the total cases reported show no upward or downward trend. Malaria cases, however, show a very marked fall over the decade, although some of this trend could be due to a fall off in diagnosing real infections. The frequency of other diseases, such as heart disease and hypertension, has been increasing steadily.

The Joint Denmark Bhutan Health Sector Review in 2009 confirmed the Ministry of Health's (MoH) sustained focus on primary health care and an equitable expansion in access to and use of basic health services and traditional medicine. About 70% of the MoH budget was provided by the RGoB and 30% came from donors, mainly India and Denmark.

Assessment of Danish support: Denmark has focused on supporting the MoH as an institution and the expansion and implementation of primary health care. During 2000-09 Denmark also made a remarkable contribution to the development of the human resources in health by supporting both short-term and long-term overseas training and providing technical assistance (TA) at a high professional level. Since 2000, the major part of the assistance has been provided as sector budget support.

Hence, two broad trends may partially be attributed to the Danish support:

- A considerable early expansion in primary health care workers and services, which led to a substantial improvement in access to these services throughout Bhutan, and
- Capacity development which has almost certainly led to improvements in the quality of these primary services and the upgrading of secondary medical services provided by district and referral hospitals.

Challenges calling for attention during the phasing out of the support to Bhutan:

- As further decentralisation is implemented, the MoH will be under pressure to strengthen its capacity for high level health policy making, planning and management, production of guidelines for quality services and monitoring of service delivery, and to reduce its direct involvement in the implementation of vertical programmes.
- At present there is no nationally agreed health plan and health planning relies on the few broad objectives stated in the Five Year Plans. In addition, there appears to be no overall plan for how the health sector will be financed over the next 5-10 years.

- In order to take on more responsibilities at district level, the numbers and skills of local health staff at *dzongkhag* level will have to be strengthened. In addition, health planning at the district level, including for all inter-sectoral matters affecting health, need to be made stronger and more effective. Furthermore, most district hospitals do not have the proposed norm of medical staff, hence many severely ill patients have to be referred over long distances to referral hospitals. In addition, many services are of questionable quality.
- Effective health planning and efficient health management both rely on reliable data and valid information, supplied by a strong information system. The quality and reliability of present health data is both questionable and of doubtful usefulness.

Support to governance and decentralisation

Main achievements: The evaluation defined six outcome indicators to measure progress in the sector, reflecting the areas of Danish support:

- Over the period of the evaluation, the percentage of court cases resolved in less than 108 days has increased substantially. However the total number of cases has almost doubled during this period, which may well be due to a combination of technical improvements and an increase in access to the judicial process.
- Bhutan has increased the domestically raised revenue which is now covering the Government's recurrent budget. However the growth of the tax base has been slow, and much depends on revenue from the hydropower sector.
- The audit process has developed considerably since the passing of the Audit Act of 2006.
- There have been major developments in the media over the last decade. In 2000, there was only one newspaper. By 2009, there were five private newspapers and four radio stations. Bhutan Broadcasting Service has expanded access with regional transmitting stations.
- By September 2009 all local governments had approved their 2009/10 annual plans and budgets before the beginning of the financial year. However, the evaluation did not find much evidence that information on planning and budgeting was readily accessible in rural areas. Furthermore, the process of allocating annual block grants to *dzongkhags* and *gewogs* (blocks) started timely in July 2009. However, there is still some confusion in some areas as to the precise mechanisms for allocation and disbursement.
- There are no formal barriers to women's participation in local decision-making, but the results of the 2007/08 Gross National Happiness Survey indicate that there are strong cultural barriers, reinforced by poor literacy in adult women, which result in them taking a passive role in local decision-making.

These outcome results have taken place against a period of considerable change. Local elections were held in 2002, a Constitution was drafted in 2001, adopted in 2008, and national elections held in 2008.

Assessment of Danish support: Denmark has supported all three branches of Government (the legislative, executive and juridical) since the mid-1980s. This support has predominantly taken the form of funding for infrastructure, IT systems, HR, study tours, TA and policy dialogue. All these have helped both existing and new organizations to adapt to new challenges, through improving capacity, building better systems and providing the hardware to enable them to do their work. In some cases, Denmark has been the only development partner providing support, in other cases, such as support to local governance, Denmark has worked with partners to provide harmonized support.

Challenges: The challenges faced by the sector are very much a reflection of the speed of change in moving to a less traditional and more 'modern' professional approach in a short period of time. The speed of change means that in some areas shortages of key staff have developed, and in others, staff are learning by doing, in most cases very effectively.

There appears to be significant shortages of trained legal personnel, in particular in the government service. Furthermore, there are very few private sector lawyers who can act as defence lawyers in criminal cases, while the judiciary has less difficulty attracting qualified legal personnel. The other major area of challenge is the effective building of capacity in the *dzongkhags* and *gewogs*. There has been major progress in posting professional staff at both *dzongkhag* and *gewog* level, although some departments such as engineering and planning in general complained that the number of staff is insufficient to cope with the amount of assigned tasks. Furthermore, the interviewed *dzongkhag* administrations were seriously short of allocations to cover basic operational expenses such as equipment, transportation and staff upgrading.

Support to environment and urban development

Main achievements:

- An effective national environmental assessment and clearance system has been established by the National Environment Commission Secretariat and environmental concerns are slowly becoming part of decision making in sector ministries, district towns and in the private sector. There has been a progressive shift from focusing on national level capacity development to strengthening institutions at the regional, *dzongkhag* and *gewog* levels. As regards decentralised environmental management, District Environmental Committees have been established in all *dzongkhags* and *Dzongkhag* Environmental Officers appointed.
- Several important pieces of policies and legislation have come into existence, including the Bhutan Planning Act and the Urban Environmental Management Policy. In general, the drafting of the bills has taken longer time than envisaged due to shortage of legal capacity.
- As part of the effort to improve access to basic urban services, initiatives were taken to establish facilities such as water treatment and supply schemes, sewerage plants, solid waste landfills, drainage, car park areas, pedestrian paths, and street lights in five towns, all with Danish funding. Furthermore, urban development plans have been completed for the five towns. A Lessons Learned Study from Oct. 2008 noted that it is impossible to estimate to what extent the urban services have benefitted underprivileged groups.
- Reportedly, no substantive decentralisation of urban management has yet taken place although municipalities were allowed to retain the water charges and separate

municipal offices had been established (in physical terms). Apparently, administrative systems and roles and responsibilities of town administrations have not changed since 2004, and although town committees have been formed the administrative and financial formalities remain vested within the *dzongkhag* administrations. As regards the important Municipal Finance Policy, the draft policy document is pending Cabinet approval.

Assessment of Danish support: For more than a decade, Denmark has made a vital contribution to all major achievements in the areas of environmental legislation and management, decentralised natural resource management, cleaner technology and land-use planning with special attention to the legal and institutional framework for environmental and natural resource management and urban (small town) development. In other areas such as nature conservation, biodiversity, and mitigation against natural disaster the role of Danida has been less pronounced.

As regards urban management and planning and as well as access to basic urban services in the selected towns, the Danish support has been of decisive importance. Better understanding has been developed among policy makers at central and *dzongkhag* level in subject areas such as urban planning, participatory management and management of urban services. Although the capacity building has created the foundation for future urban management in the five municipalities, specific technical knowledge regarding urban planning, environmental management and participatory planning is still limited. Capacity development has been a cornerstone of the support to this sector as well, combining extensive use of TA, degree courses abroad and short-term skills upgrading.

Main *challenges* affecting the consolidation of the achievements and which thus require attention are (i) the HRD constraints experienced by almost all the supported organizations, (ii) the uncertainty concerning the future status of the municipalities vis-à-vis the *dzongkhag* administrations and the limited financial and technical capacity of these to operate and maintain basic services, and (iii) inability of private business to provide the services required by the Government especially at *dzongkhag* level. Furthermore, there appears to be a need to further strengthen the mechanisms for monitoring environment and climate changes, especially in light of the allegedly detrimental effect of the global warning on the environmental situation in Bhutan.

Lessons learned

The evaluation finds that a number of significant lessons can be extracted from the Bhutan case:

- For health and education, sector budget support has proved to be a flexible and adaptable aid modality, but it has also confined the opportunity to target the support to social groups or matters of particular concern to Denmark and to trace the outcome of the Danish support. A conducive policy dialogue may to some extent compensate for this.
- Extensive presence in a sector pays off, especially if the support does not exceed the absorption capacity of the partner organizations and is well aligned to its needs. The strong Danish presence in the environment, governance and health sectors confirms this.

- The advantages of merging environment and urban development and education and health into multi-sectoral programmes have been very limited. Firstly, the expected synergy effect of the merger appears not to have materialised, and, secondly, coordination and management procedures seem to have become complex, especially in the case of environment and urban development. Indeed, the evaluation is of the impression that the amalgamation was primarily spurred by an internal Danish requirement than by an assessment of the situation prevailing in Bhutan.
- Activities with an infrastructural element have in general suffered from delays as a result of low capacity on the side of the implementing partner and the private contractors.
- Monitoring of outcomes and results poses a challenge. The capacity of the implementing organizations – and of the GNHC Secretariat – to conduct qualitative monitoring is very limited. It would have been valuable if Denmark had paid more attention to strengthen the capacity of the partner organizations in this field.
- Directly and indirectly, cross-cutting issues have constituted an important element of the country programme. Environment, climate change and good governance are all focus areas, whereas gender issues have been given rather little attention. It is appreciated that Danida as part of the out-phasing considerations has launched an initiative to increase the attention to the gender dimension of the Danish support.

Support to capacity development

Without the extensive use of TA and substantial investment in capacity development, the same results would probably not have been achieved. However, especially the capacity development efforts appear at times not to have been focused and aligned to the specific needs of the organization. Furthermore, reflecting the at times uncoordinated implementation of the many components of the sector programmes, the potential for optimising resource utilisation for HRD across component and sub-components has not always been tapped.

The features of the Danish support to capacity development can be summarised as follows:

- It has to a high extent focused on strengthening targeted organizations through TA and development of organization specific systems and on providing training of staff.
- Relatively little attention has been given to internal organizational aspects, the relation between organizations and the distribution of authority.
- Aspects external to the targeted organizations, e.g. clarification of mandates, linkages and coordinative mechanisms between organizations as well as macro level issues such as the on-going decentralisation process and establishment of national planning, budgeting and fund release systems have been given little consideration.
- To some extent the support has focused on supporting governance institutions, the civil society and the media to act as watchdogs.

Hence, the Danish support to capacity development has primarily focused on functional, organization specific issues, not interfering substantially with external macro level functional aspects as well as internal power related issues – but supporting governance institutions, civil society and the media to perform a watchdog role in relation to decisions being made, managed and implemented by RGoB. By having done so, Denmark has supported the internal functional development of key organizations, while maintaining a balance between government structures and the public by supporting civil society and media organizations. This is well in line with the consensus culture characterising Bhutan.

Countdown to 2013 and the time thereafter

According to the present plans, the current Danish assistance to Bhutan will gradually be phased out after 2013, and the three current sector support programmes are expected to be completed by 2013/14. Furthermore, the Danish Finance Act 2010 includes a commitment of DKK 50 million as transition support to Bhutan to be approved in 2011. The transition support is seen as a means to ensure the consolidation of the results achieved through the previous Danish assistance.

At the high-level consultations in March 2009, it was agreed to work on a joint strategy to continue cooperation even after the transition support is phased out. Avenues presented for further exploration include accessing the Danish mixed-credit scheme, the business-to-business programme, public-private partnerships and collaboration with Danish NGOs.

Based on the above findings, the evaluation *recommends* that during the *remaining time of the present country programme* special attention be given to the following issues:

- (i) While the achievements in the health and education sectors appear to be reasonable consolidated and prospects of securing additional funding to replace the Danish support are quite promising, the situation of the governance and environment sectors is quite different. Achievements in these sectors appear to be rather fragile both in terms of institutional capacity and human resources, although the situation varies between institutions and the level of government. This calls for a differentiated out-phasing strategy with special attention to governance and environmental institutions. The exact content of support package will require a more detailed assessment but is likely to include a combination of targeted technical and financial assistance.
- (ii) Although the decentralisation process has made considerable progress, it is still in an early stage with a considerable risk of setback unless the constraints discussed above are addressed. These include unclear roles and mandates within several fields, occasional shortage of qualified staff, and not least an acute shortage of allocations for basic operational costs³. The capacity of *dzongkhags* to take on their new responsibilities should be carefully monitored and mechanisms found to overcome identified shortages.

3) The so-called block grant mechanisms is only catering for minor infrastructure projects and therefore not a solution to these problems. Indeed, the block grant facility has increased the workload of *dzongkhag* administrations considerably.

- (iii) The monitoring and evaluation capacity of relevant government institutions is weak and should be strengthened. Today, the practice of conducting qualitative evaluations is very limited in Bhutan. A special effort should be made to boost the M&E capacity of the GNHC Secretariat, including the use of the newly introduced management information system PLaMS for outcome monitoring purposes. In addition, the capacity of key government institutions to undertake qualitative assessments of the provided services should be strengthened in order to provide RGoB with a management tool enabling more effective utilisation of existing resources.
- (iv) As mentioned, serious regional inequalities still prevail concerning access to public services. In the interest of tackling poverty, mechanisms should as soon as possible be worked out to regularly monitor access to key services at *dzongkhag* level and within the *dzongkhags*. On the basis of the monitoring data, LOD should discuss with relevant government institutions how to overcome the inequalities. An enhanced version of the poverty formula-based *gewog* support could be part of the solution.
- (v) Furthermore, special initiatives aimed at strengthening the voice and dynamic of small private businesses should be considered as a means to enhance the employment opportunities for new entrants to the labour market. Danida has considerable experience from such initiatives in other countries. The support should address both the advocacy capacity of private business as well as access to relevant services.

Concerning the *transition support* to follow the finalisation of the present country programme, it is associated with considerably uncertainty at this point in time, 3-4 years before it is scheduled to take effect, to make more specific prediction on the needs. The governance and environment sectors are those most likely to be in need of further assistance beyond 2013, but also those where budget support appears to be least relevant.

Partnership agreements between Bhutanese and Danish institutions have been proposed as a possible instrument for knowledge transfer during and after the transition phase. Experience from other countries suggests that partnership agreements, especially twinning arrangements, can be difficult to implement and often suffer from cultural and organizational differences. Collaboration between research institutions is one of the areas holding the best promise for success.

Concerning private sector instrument such as ‘business-to-business’, it is difficult to imagine that the interest of Danish companies to team up with Bhutanese partners will increase significantly in the future. Several factors including the relatively unfavourable business climate, the shortage of skilled labour and the comparatively high cost of labour make mean that it is difficult to make Danish companies interested in Bhutan as a destination for their investments.

1 Introduction and background

This report presents the main findings, conclusions and recommendations of the evaluation of the Bhutanese-Danish cooperation during the period 2000-09. Specific findings in support of the synthesis report can be found in the Sectors Notes and Thematic Papers. The report is structured as follows:

- Chapter 1 describes the objectives and approach of the evaluation
- Chapter 2 presents and analyses the main economic and political trends characterising Bhutan during the period covered by the evaluation
- Chapter 3 summarises the main features of the three Danish-Bhutanese country programmes relevant to the evaluation
- Chapter 4, the core part of the report, presents and discusses outcome achievements and performance of the four sectors in focus of the Danish-Bhutanese country programme, i.e. education, health, governance, and environment and urban management, and the effect of Danish support to the achievements
- Chapter 5 assesses Denmark's role as development partner, including the chosen aid modalities
- Chapter 6 summarises lessons learned, key findings and the evaluation's recommendations, while
- Chapter 7 briefly discusses the situation after the current country programme comes to an end in 2013.

1.1 Objective of the evaluation

The stated objective of the evaluation is 'to assess and document the relevance and effectiveness of Danish support to poverty reduction and democratisation in Bhutan 2000-09, and in particular to consolidate and enhance the sustainability of the outcomes achieved through learning and adjustments to the cooperation during the last programme period 2008-13 and beyond'. An important role of the evaluation is thus to provide an input into the deliberations on where to focus the Danish support during the out-phasing period in order to maximise the sustainability prospects.

The ToR⁴ state three general questions that should direct the evaluation:

- What changes in the outputs and outcomes of the systems of organizations have taken place, both in effectiveness and efficiency?
- How have the changes occurred, considering the major contributing factors (including external assistance) in the public sector systems?

4) See Annex 1 for the ToR.

- Why have the changes occurred and what can be learned?

As proposed by the ToR, the evaluation was guided by an adapted version of the ROACH approach, focusing on how organizations transform inputs to outputs and outcomes under the influence of structural and institutional factors.

1.2 Approach and methodology

The evaluation follows the logic of the ToR which was further refined by the evaluation team in the Inception Report. Based on DAC standard criteria, the overall framework for the evaluation is the four-level hierarchy of aid effectiveness evaluation criteria applied by the DAC Network on Development Evaluation:

- (i) *Impact, looking at how the total aid effort by Denmark and other development partners contributes – positively and negatively – to the achievement of desired development outcomes at country level*
- (ii) *Effectiveness of the development cooperation at the systemic level, focusing on the alignment of external support with partner country development strategies and the harmonization of donor practices*
- (iii) *Effectiveness of the contribution of the individual donor in relation to the larger development cooperation effort, and*
- (iv) *Internal effectiveness of a particular donor agency (in casu Danida).*

The ToR state that because of the special interest by the evaluation in outcomes and sustainability prospects, the evaluation will in particular focus on levels (i), (iii) and (iv) with special attention to levels (i) and (iii). Level (iv) was included to shed light on Danida's institutional effectiveness to adjust its programme to improve outcomes and sustainability, in particular in view of the planned gradual phasing out of the cooperation programme after 2013.

The ToR mention that attention should primarily be given to effectiveness – which relates to outcomes and outputs – and sustainability. Although level (i) specifically mentions impact, the ToR ask the evaluation to focus more on outcomes, and in particular changes in service delivery outcomes.

Whereas the 'classical' ROACH approach takes an individual organization as its analytical starting point, the proposed starting point for this evaluation was the *systems of organizations* and the *linkages* between them as they produce public services. Also, the evaluation made an attempt to start from the level of outcomes and assessed the systems based on how they have caused the changes in the outcomes. In particular, as Bhutan has been undergoing a gradual process of decentralisation, the links between the centre and the districts, and the overall efforts to build capacity at district level are of particular interest.

Identification and thus 'assessment of drivers and constraints of change' proved to be more complicated than anticipated. The relatively short visit to Bhutan did not allow in-depth assessment of factors and institutional linkages that are likely to explain changes

within the evaluated sectors. Furthermore, in most instances these changes have occurred gradually during a considerable period of time. With these limitations, the evaluation made an attempt to identify factors and circumstances explaining the achievements within the sectors, including the role of Danish assistance.

Box 1 Modified ROACH approach

Based on the approach proposed in the ToR, the evaluation made an attempt to start from the level of outcomes and assess the systemic factors that have caused the changes in the outcomes through four main steps.

(i) Identification of changes in outcomes

First, the evaluation tried to identify *changes in outcomes* understood as changes experienced by beneficiary utilising the public services provided by RGoB over the evaluation period 2000-09. As per the ToR, the evaluation focused on identifying the nature of changes in service delivery, in terms of quantity, quality and geographical coverage, using existing data in e.g. the 9th and 10th FYPs and outcome studies commissioned by Denmark.

(ii) Assessment of drivers and constraints explaining the observed changes

The evaluation subsequently tried to work its way back up through the systems that deliver and produce those services to *uncover the factors and linkages between the institutions which explain the observed changes*. Issues addressed include whether changes have occurred because of greater funding, improved management processes, changes in design, or changes in political priorities? The evaluation tried to distinguish between functional rational considerations and politically driven changes. This was done by exploring how factors and relations between actors affected the identified changes. As part of this, the team tried to map the interconnections between different sectors and planning mechanisms, and the key nodes for funding and implementing service delivery at local level.

(iii) Assessment of selected service providers

An attempt was furthermore made to identify and assess the volume and quality of actual delivery of services with regard to effect on changes in outcomes. Key organizations were assessed with a view to understand the performance of the overall system.

(iv) Discussion of contributions from Danish support

Based on the observed changes in public services and the analysis of what have caused these changes, the *Danish contribution to the achievements were evaluated based on an assessment of causal linkages*. The Danish sector programmes differ in the way they interact with RGoB, the size of the contribution and thus their importance to the supported institutions. Also the focus of the sector programmes varies considerably in terms of actual effect on service delivery. Hence, it is not possible to establish a simple linear causal relationship between the Danish support and service delivery. This is particularly the case for the support to education and health, where the predominant aid modality is sector budget support. Instead, the evaluation focused on how the Danish assistance has contributed to improving the operations of the RGoB as a system based on the analysis in step (ii) above, and through this establish evidence based credible probabilities with respect to how specific Danish interventions are linked to improved outcomes as identified in step (i) and to the influencing factors identified in step (ii) and (iii).

(v) Discussion of sustainability prospects

The sustainability of the observed public service improvements were examined with focus on what Denmark can do to *strengthen sustainability during the remaining time of the programme period 2008-13 and beyond*. Two dimensions were used for assessing the sustainability of the achieved outcomes: The extent to which capacity developed can be maintained and the financial implications of the reduction of Danish funding. The assessment of the maintenance of capacity development drew on the findings of the first evaluation of Danish support carried out in 2006. The evaluation focused on capacity achievements both at central and local level, in particular how this has affected service delivery and local empowerment. In terms of financial sustainability, the evaluation analysed the trend in terms of domestic funding relative to external funding of the sectors assisted by Denmark and options for addressing the gaps that might occur in the framework of the 10th Five-Year Plan.

1.3 Outcome indicators

Operationalisation of the modified ROACH approach posed a challenge for the evaluation, especially as regards the definition of outcome indicators. The ToR suggest that for traditional service sectors like health and urban development, the relevant outcome assessment indicators should reflect the service delivery changes as experienced by the citizens, i.e. changes in terms of *coverage, quality, efficiency, demand responsiveness, flexibility*, while for sectors like environment, which produce public value through public sector functions that are not necessarily translated into direct services for citizens, the focus is suggested to be on the general services provided such as accountability, environmental protection etc. at the level where they ‘meet’ the citizens. Examples of outcome indicators include access to quality education, access to quality health services, well-functioning water supply and sanitation systems, well-functioning and transparent planning and budgeting processes, observed law enforcement by relevant authorities, access to voter registration and participation in elections etc.

However, with few exceptions, neither the 9th and 10th FYPs nor the Danish programme documents deal with this kind of outcome indicators. Therefore, for each sector the evaluation constructed indicative measurable outcome indicators reflecting the dimensions discussed above and, not least, the availability of data⁵. In practice, however, it proved rather difficult to obtain all the information needed to answer the evaluation questions, which in some instances necessitated a more pragmatic solution by simply relying on whatever data existed.

1.4 Sources of information

The evaluation draws on a combination of qualitative and quantitative data.

Qualitative data

As regards the assessment of outcomes as defined as the quality of and access to services provided by government institutions, data are very scarce. RGoB has no tradition for undertaking evaluations and qualitative surveys of the services delivered. For instance,

5) The evaluation matrix prepared by the Evaluation Team can be found in Annex 2.

the mid-term review of the 9th FYP alone assessed whether planned outputs were on track without assessing the qualitative aspects of the produced outputs. It should be mentioned, however, that the Gross National Happiness Survey 2007-08 by the Centre for Bhutan Studies provides information on the attendance of the health and education services.

As regards the performance and achievements of the Danish funded sector programmes, a rather rich body of secondary qualitative data is available. This includes minutes of meetings, review and completion reports, lessons learned assessments as well as tracer and outcome studies. This material is the primary source used for assessing the Danish support.

Finally, the evaluation conducted a considerable number of interviews with key informants from relevant ministries and government agencies, academia and development partners. During its visit in December 2009 the evaluation collected information on the situation of the four supported sectors through interviews and site visits in four *dzongkhags*, Samtse, Punakha, Bumthang and Monggar. In each *dzongkhag*, focus group discussions were conducted in two *gewogs* with participations of a combination of elected GYT members and *gewog* officials. The *dzongkhags* and *gewogs* were selected considering factors such as income, regional variations, accessibility and availability of senior staff. Household income is above the national average in two of the selected *dzongkhags* (Punakha and Monggar), while it is below the average in the two others (Samtse and Bumthang).

Quantitative data

No collection of quantitative data was undertaken. Instead, the evaluation drew on data available through existing sources such as the National Statistics Bureau, the Gross National Happiness Commission Secretariat, line ministries, the National Environment Commission, the Centre for Bhutan Studies, the UN system and the World Bank. A considerable body of data on for instance demographic, financial and regional developments are available through these sources, e.g. the Gross National Happiness and Material Welfare Study, the National HRD Report from 2007 and the Poverty Analysis Report 2007.

2 Trends in economic, social and political development since 2000

2.1 Macro-economic trends

Political stability and prudent economic management have contributed to a significant rise in living standards and improvement in development indicators. Since 1998, real gross domestic product (GDP) growth has averaged 7% per year, raising per capita GDP to around USD 1,900 in 2008. GDP growth has been steadily accelerating, from 6.8% in FY2005 to 7.1% in FY2006, 8.5% in FY2007, to 21.4% in FY2008 – this is higher than those of other South Asia Region countries, except the Maldives. Hydropower generation is the main driver of the economy, accounting for about 55% of government revenues and nearly a quarter of GDP. Most of Bhutan's hydropower is exported to India, which is also Bhutan's largest trading partner. At the end of FY2008, Bhutan's current account balance showed a surplus equivalent to 3.9% of GDP.

The National Assembly finalised the 10th FYP (2008/09-2012/13) in January 2009. The plan aims to bring down poverty from a headcount rate of 23.2% in 2007 to 15% by the end of 2012/13. The strategic priorities identified for the 10th FYP are to: (i) revitalise industry; (ii) strengthen national spatial planning; (iii) synergize rural-urban development; (iv) expand strategic infrastructure; (v) invest in human capital; and (vi) foster an enabling environment through good governance.

Growth is projected to slow down from 9% during the 9th FYP (2002-07) to below 8% during the 10th FYP (2008-13). To sustain a real growth rate of almost 8% during the 10th FYP, the Government intends to focus further on electricity and construction of hydropower plants as its sources of growth. The Government's ambitious plans for hydropower development are expected to yield dividends in growth and revenue especially beyond the 10th FYP. The fiscal deficit is expected to average less than 5% during the 10th FYP, but this depends critically on hydropower revenues and maintenance of the external assistance at the present level and the absence of natural disasters. Bhutan's debt is projected to increase significantly during the 10th FYP, due largely to hydropower development loans expected to be serviced through hydropower receipts in the long run. According to the Ministry of Finance, Bhutan is paying BTN 3.8 billion annually to service an outstanding debt of BTN 35 billion (Oct. 2009). The debt represents 53% of GDP with hydropower debt at BTN 21.5 billion and non-hydropower debt at BTN 13.5 billion. The most important creditors are Government of India (50%), ADB (20%), World Bank (15%), Austria (9%), IFAD (4%) and Denmark (2%)⁶. This indicates a need to develop fiscal and external debt policies in order to prevent serious financial and fiscal shocks.

Cautious monetary policies have helped to lower inflation and domestic credit growth. Though growth in credit to the private sector is high, access to finance is cited as the main investment barrier for private sector development. Growing youth unemployment and shortage of skilled workers for the industries and services sectors are important policy concerns.

According to the Asian Development Bank, 'despite the global economic crisis, growth prospects in Bhutan remain favourable. The Punatsangchhu hydropower project is under

6) Ministry of Finance, cited from Kuensel December 12, 2009.

construction, several other new hydropower projects are in development, and power demand in India remains strong. Tariffs for power exports to India were increased in 2009, and an automatic tariff-escalator clause was agreed upon. In addition, a new trade route to Bangladesh was agreed upon, which will expand trade between Bangladesh and Bhutan. Although tourism growth will slow in 2009, it is expected to grow by at least 10% a year in the medium term. Further, improvements in rural transport and rural electrification bode well for the development of rural micro and small enterprises, including rural handicraft industries, high-value agriculture, and agro-processing, thus creating jobs and reducing poverty' (ADB: Country Partnership Mid-Term Review, July 2009, p. 2).

Table 1 Summary of budget expenditures and source of funding. BTN million

Year	Current expenditure	Capital expenditure	Total expenditure	RGoB revenue	External funding	Total	Danish funding
2002-03	5,051	7,359	12,765	7,858	4,907	12,765	548
2003-04	5,768	7,064	14,006	8,885	5,122	14,006	541
2004-05	6,916	8,937	17,015	11,440	5,575	17,015	540
2005-06	7,348	8,785	19,386	13,300	6,086	19,386	305
2006-07	8,463	11,520	21,155	13,723	7,432	21,155	571
2007-08	10,612	14,213	27,015	17,767	9,248	27,015	654
2008-09	11,905	15,122	29,244	19,824	9,420	29,244	719
2009-10	13,594	13,827	30,402	23,461	6,941	30,402	317

Source: Ministry of Finance, RGoB.

In the last decade, the Government has invested heavily in the social sectors, which together account for approximately 25% of the realised budget during the 9th FYP. This is significantly higher than in most developing countries. Donor contributions particularly from India, but also from Denmark, have played an important part in balancing the budget. Hence, in spite of the favourable growth prospects and the decreasing dependency on external resources for funding of the development expenditure, Bhutan remains vulnerable to macroeconomic volatility on account of its dependence on hydropower revenues and external assistance. As shown in Table 1, external funding has fallen from about 70% to 60% of the Government's capital expenditures, while the Government's revenue has increased from about 60% to 70% of total expenditures. Moreover, the Danish funding has been reduced from a level of 10% to 5% of the total external funding.

2.2 Profile and achievements in poverty alleviation

Bhutan's progress in reducing poverty from 36.3% in 2000⁷ to 23.2% in 2007⁸ keeps the country on track to achieve the income poverty Millennium Development Goal (MDG). While rural poverty (30.9%) was significantly higher than urban poverty (1.7%) in 2007, only 5.9% of the population reported expenditures below that needed to meet minimum food requirements. A decline in the population growth rate from 3.0% per year in 2000 to 1.5% per year in 2007 has also contributed to poverty reduction.

7) Household Income and Expenditure Survey, 2000 (pilot), NSB.

8) Poverty Analysis Report, 2007, NSB.

Bhutan is characterised by increasing availability and use of public services throughout the country, particularly in urban areas. Bhutan is rapidly being urbanised with projections of half of the population living in towns by 2020. However, these changes have been slower to reach the more remote areas due to the rugged terrain and limited trained human resources. The expansion of infrastructure is an absolute requirement for the broader economic and social transformation of the country. Despite the rapid expansion of the road network, more than 50% of the population live half a day's walk from the nearest motor road. Only 57% of the population in rural areas have access to electricity.

RGoB has conducted two living standard surveys, in 2003 and 2007 respectively. Due to changes in definitions and survey methodology, a direct comparison of figures is not possible. The surveys confirm that poverty remains predominantly a rural phenomenon. The eastern and central parts of Bhutan are poorer than the western part, but living standards vary significantly across *dzongkhags* and within *dzongkhags* between *gewogs*. In relative terms, poverty is particularly severe in Zhemgang, Samtse, Monggar, and Lhuntse. In Zhemgang 52.9% of the population live under the national poverty line and 17.8% under the subsistence poverty line (see Annex 6, Table 1 for more details on relative poverty).

In absolute terms, four *dzongkhags* (Samtse, Monggar, Trashigang and Samdrupjongkhar) account for more than 50% of all poor households in Bhutan (see Annex 6, Table 2). In all of these *dzongkhags*, more than one third of the population live in poverty. It is a common feature of these *dzongkhags* that they are far from the capital, relatively densely populated, and experience high outmigration.

A UNDP study from 2007 found that public spending has tended to favour the less poor regions but that allocations for agriculture (a pro-poor sector) have declined. It also comments that additional revenues from upward adjustments in power export tariffs have been absorbed by salary increases for civil servants and elected representatives leaving little for the benefit of the poor.⁹

2.3 Introduction of constitutional democracy

The country has seen significant political changes and transitions in recent years. Bhutan's political system has evolved from an absolute monarchy into a parliamentary constitutional democracy, following a decade of planning and consultations. After 34 years on the throne, the Fourth King, Jigme Singye Wangchuck, stepped down on December 9, 2006, in favour of his son, Jigme Khesar Namgyel Wangchuck. The Constitution was prepared, following a process led by the Chief Justice as Chair of the Constitution Commission, involving widespread public consultations within Bhutan, and with the international community. The new democratic system comprises a National Council and a National Assembly, the latter based on political party affiliations. Elections for the National Council were held on December 31, 2007, while elections for the National Assembly were held on March 24, 2008.

In preparation for the new Constitution, a number of autonomous organizations were established, e.g. the Anti-Corruption Commission and Election Commission, to develop a more open and transparent environment for citizen participation and for government accountability. Existing organizations, such as the Royal Audit Authority, have had their mandates reviewed in line with the Good Governance Plus review of 2005.

9) Macroeconomics of poverty reduction: A case-study of Bhutan. UNDP 2007.

The new Parliament has developed a series of subcommittees to allow it to undertake its legislative work more effectively, and is beginning to provide an important oversight function. Local elections, delayed because of a delay in passing the Local Government Act, are expected to take place in 2010, and reinforce accountability at local level.

These major changes have not resulted from pressure from Bhutanese citizens, but rather, have been introduced by the King in an acknowledgement that a mature society had to have structures and mechanisms where decisions are not made by a small number of influential individuals at the top, including the King, but instead are the outcome of processes in which all Bhutanese should and could participate. Prior to the election, there has been concern among some citizens that the introduction of elections may lead to instability, but the process has gone smoothly so far, and citizens appear to have become more vocal and questioning according to observers interviewed by the evaluation.

2.4 Human rights

The Constitution of 2008 formally guarantees basic human rights to all in Bhutan. However, the country has yet to ratify UN conventions on Civil and Political Rights, Economic, Social and Cultural Rights, Racial Discrimination and Torture. The situation of people living in camps in Nepal is still unresolved¹⁰. The Core Working Group, of whom Denmark is a member, have, with the support of the Nepal Government, started repatriation to third countries, but the situation of those refugees who wish to return to Bhutan remains unresolved.

These issues, of the HR Conventions and of the refugees, have been explicit targets in the Denmark-Bhutan Strategies for Development Cooperation since 2003, and have also been discussed at Annual High Level Consultations between the two countries.

On its part, the Bhutanese Government argues that progress in the resolution of the situation of the people living in the camps in Nepal has been hindered by the inability of the Nepalese Government to engage meaningfully in the bilateral process due to the chronic political instability in the country. For the Nepali minority in the southern districts of Bhutan, the introduction of an elected democratic Government has implied improvements such as re-opening of schools and representation both in the Parliament and in the Cabinet.

10) This concerns over 100,000 Bhutanese refugees who are residing in camps in Eastern Nepal, most of whom have been in the camps for 15 years. Bhutan maintains that it will accept those who are genuine Bhutanese, i.e. those who were living in Bhutan in 1958. Currently, more than 30,000 residents have been resettled in third countries, and a similar number is expected to leave Nepal in the coming years.

3 Danish Bhutanese Country Programme

The basic principles and priorities of Danish assistance to Bhutan are expressed in the country programme documents. The evaluation period covers three country programmes, the country strategy from 1997, the strategy for development cooperation 2003-07, and the current one, the strategy for development cooperation 2008-13, which is supposed to be the last country programme in its present form.

3.1 Country Strategy 1997

The country strategy (1997-2002) – extending into the early part of the evaluation period – focused on health, natural resource management and sustainable development, urban planning and urban infrastructure. Decentralisation, governance and democratisation were primarily targeted as cross-cutting themes, but the first steps were taken to support these through direct interventions. The strategy period marked a shift away from support related to industrial development, agriculture and forestry, which had been part of the cooperation in the earlier periods. This period also signified the initial transition from project to sector programme support. Improvement of the populations' social and economic conditions was the overall objective of the country strategy.

During this period, which partially coincides with the 8th FYP, new sector programmes were launched within environment and natural resource management, urban development, health and rural water supply and sanitation. The total appropriation for these programmes was DKK 327 million, including long-term technical assistance.

3.2 Strategy for Development Cooperation 2003-07

The country strategy for 2003-07, which covers the core part of the evaluation period, maintained the focus on health, environment and natural resource management, and urban development. It also added education to the country programme and reinforced the support to democratisation, good governance and decentralisation through a full sector-programme. At the same time, from 2003 the environment and urban development programmes were merged into one programme with emphasis on natural resource management and sustainable development of towns. It was expected that by the end of the planning period, health sector development had reached a level, where substantial Danish assistance would no longer be necessary. Sector budget support was introduced during this period as the main modality for health and education.

The country programme was specifically designed to support the implementation of Bhutan's main development policy documents, especially the 9th FYP, as well as the MDGs and SGDs. The overall objective for the Bhutan-Denmark cooperation stated in the country programme is *'poverty reduction through promotion of sustainable economic development and strengthening of the democratic process, including popular participation, good governance, gender equality and respect for human rights'*.

The objective is further broken down into a number of sector specific sub-objectives:

- Increase access to quality health services for all, and in particular the poor and disadvantaged segments of the population
- Increase access to quality education for all, in particular the poor and disadvantaged segments of the population
- Promote sustainable and efficient management of natural resources as well as pollution abatement and mitigation
- Promote sustainable urban development and a framework for creation of employment opportunities
- Promote the rule of law, good governance, democracy and human rights, efficiency and professionalism in public administration and public participation in decision-making.

The distribution of the assistance between the sectors indicated in the country programme was¹¹:

- Health/rural water supply: 35%
- Education: 18%
- Environment and urban development: 35%
- Good Governance/Public and Administrative Reforms/Human Rights: 2%¹²
- Other initiatives 10%.

During 2003-07, sector programmes with a budget of DKK 359 million were launched, covering governance, health, education, and environment and urban development.

3.3 Strategy for Development Cooperation 2008-13

The current Danish-Bhutanese cooperation programme is aligned to the 10th FYP. The programme states the following objectives for the cooperation: *Poverty reduction through the promotion of sustainable economic development, strengthening of the private sector development, democratisation and good governance, gender equality and respect for human rights*. Hence, as something new, strengthening of the private sector is now one of the objectives of the country strategy. In the context of the evaluation, the country strategy is primarily relevant in relation to the discussion on consolidation and ownership of the Danish support.

The Danish support during 2008-13 is guided by five interrelated strategies:

1. Support for activities which promote private sector development

11) Bhutan-Denmark Partnership 2003-07, p. 19.

12) This figure refers to planned new programmes and not to the actual disbursement to the individual sector programmes. The de facto allocation during the 2003-07 country programme came to 13% of total country programme.

2. Continued support to the social sectors as an important aspect of poverty reduction.
3. Continued support to Bhutan in its transition to parliamentary democracy, good governance including strengthening of the rule of law, and safeguarding human rights
4. Promoting sound and sustainable management of natural resources with a direct impact of reducing poverty
5. Addressing the challenges of quality of services and basic infrastructure.

In terms of specific sector programmes, the country mentions three priority areas: Social sector (health and education), environment and urban development and good governance (which includes decentralisation). The private sector is intended to be strengthened through support in the focus sectors supplemented by activities financed under the Mixed Credit Programme, the Public-Private Partnership facility and the Business-to-Business Programme.

For the social sector programme, the sector specific goals are derived from the 10th FYP, whereas for the good governance programme and the environment and urban development programme the goals were adopted to the 10th FYP where possible (see Annex 5 for more details).

During 2008-13, the tentative distribution of the Danish assistance is¹³:

- Social sectors (health, education, vocational training): 48%
- Environment and urban development: 24%
- Good governance: 17%
- Other: 11%.

Since 2007, sector programmes with a total budget of DKK 260 million have been launched covering the social sector (education and health), governance and sustainable environment.

3.4 Intervention logic

Throughout the period, achievement of the MDGs and the SAARC Development Goals has been the stated overarching logic of the country programmes. The 2003-07 country programme summarises well the specific rationale for the specific focus of the Danish support to Bhutan: Improvements in health and education are supposed to play a pivotal role in poverty reduction, and strengthening quality and coverage of services in these fields are key elements in the Government's development strategy. Environmental management is critical because the poorest segments of the population for the main part depend on natural resources for their livelihood and progress in urban development is essential to provide opportunities for growth and employment in towns and prevent

13) Bhutan-Denmark Partnership 2008-13, p. 18.

problems stemming from urbanisation, in particular urban poverty, from escalating. Finally, support to good governance, public sector reforms and decentralisation is believed to contribute to enhancing popular participation in the development process, which in turn will lead to improvements in the living conditions of the poor, and at the same time, by its cross-sectoral nature, support implementation of the Government's development strategy.

Promotion of private sector development was added as a cross-cutting priority area because it is considered essential for diversification of the economy and hence for continued growth and poverty reduction also in the longer run. As a consequence of the fast increasing youth unemployment, which has made employment creation a priority for the Government.

3.5 Summary of Danish support

The table below summarises the distribution of Danish assistance to Bhutan since 1997. The table demonstrates that the health sector is by far the sector which has received the biggest amount of support. Next comes environment and urban development, while education and good governance are the sectors that have received the least support.

Table 2 Danish support to Bhutan 1997-2013 by sector and type of assistance. DKK million

Programme	Start Date	End Date	Total Appropriation (with long-term TA)	Danida long-term TA	Short-term TA	Sector Budget Support	Capacity Development*	Others
Urban SPS	Jan. 99	Dec. 05	77.000	6.725	13.645		50.499	6.131
Environment SPS	Aug. 98	Dec. 05	85.000	9.443	9.927		59.914	5.716
Health SPS II	June 97	Dec. 04	120.000		3.320		114.391	2.289
Good Gov./PARP	1998	2003	42.000**					
Good Governance II	Mar. 03	Dec. 08	53.900	3.421	2.518		44.810	3.155
Rural WSS	June 00	June 08	44.500	4.300	3.655		34.736	1.809
Health SPS III	Mar. 03	Dec. 08	93.700	12.399	2.633	51.878	26.134	655
Education SPS	Dec. 03	Mar. 09	86.500	6.308	3.260	61.831	13.710	1.390
Environment & Urban	Apr. 04	June 10	124.400	12.948	7.052		99.191	5.210
Social Sector***	Oct. 07	June 13	140.000		1.747	107.000	15.000	16.254
Good Governance	June 08	June 13	50.000			20.000	24.000	6.000
Sustainable Environment	Dec. 09	June 13	70.000			40.000	20.000	10.000
Total			998.831	55.444	47.753	280.709	502.385	58.609

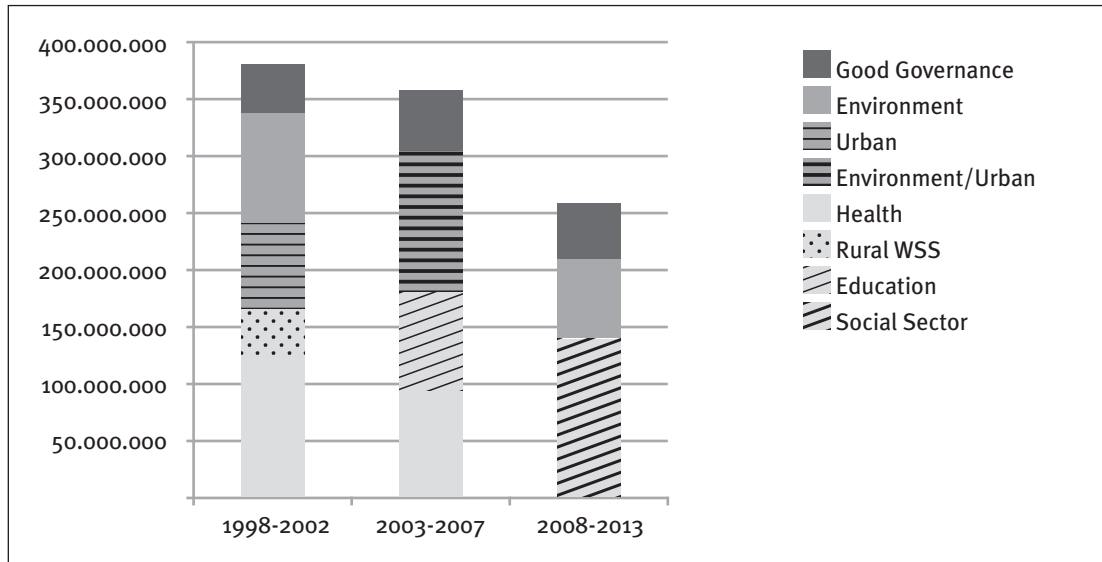
*Capacity Development includes investments on training, equipment and infrastructure

**Excluding 184 persons-months of long-term TA

***SSPS: Of DKK 18 million for TA and management, DKK 2.8 million from management has been re-allocated to SBS

Source: Liaison Office of Denmark.

Figure 1 Distribution of Danish support by sector and country programme. DKK

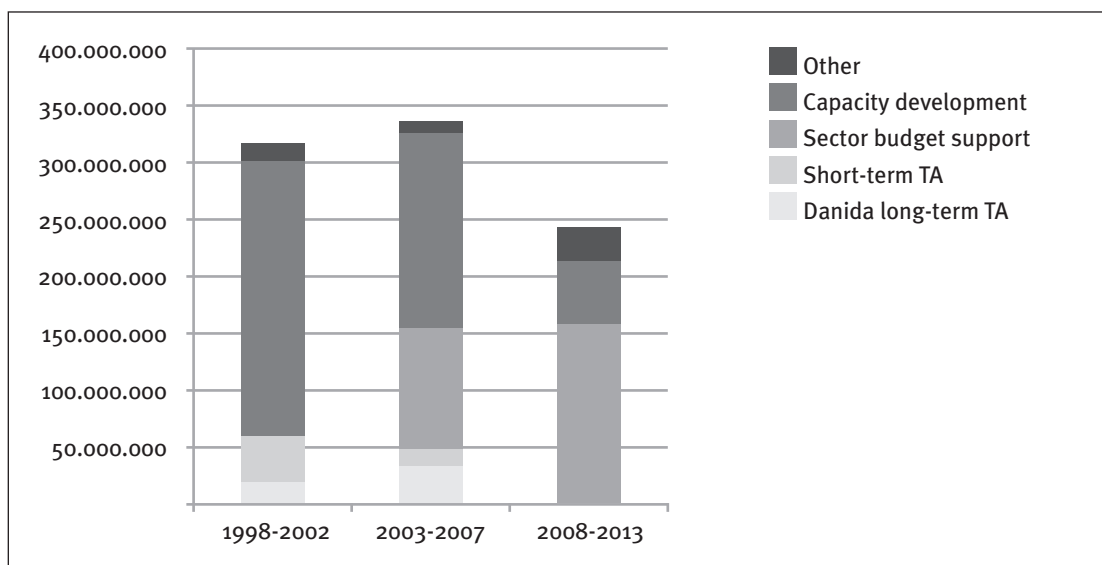


Note: While figures for 1998-2002 and 2003-07 are based on actual allocations, figures for 2008-13 are budget estimates.

Source: Liaison Office of Denmark

Figure 2 below clearly illustrates the gradual change of the nature of the support, i.e. the increased reliance on sector budget support and the reduction of resources classified as ‘capacity development’. However, the latter include advisers contracted through consultancy companies.

Figure 2 Danish assistance by type of support and country programme. DKK



Note: The figures do not include the Good Governance/PARP programme (1998-2003) as detailed financial data were not available.

Source: Liaison Office of Denmark.

4 Focus sectors: Achievements and challenges

This chapter, which constitutes the core part of the report, presents the main findings related to outcome achievement, the relevance and effectiveness of Danish support and the challenges ahead for each of the four sectors constituting the mainstay of the Danish Bhutanese country programme. Additional details on the individual sectors can be found in the sector notes.

4.1 Support to education

The modern education system in Bhutan was established in the 1960s with the launching of the country's first five-year socio-economic development plan. Bhutan has a seven-year primary cycle, including one year pre-primary, followed by a six-year secondary cycle comprising of two years lower, two years middle and two years higher education programme. Pre-primary to class X is considered by Government as the basic education cycle. It is enshrined in the constitution that the state shall provide free education for all children of school-going age up to tenth standard.

Technical and vocational training caters for school leavers at the end of class VIII, X and XII. The non-formal adult literacy programme was rapidly expanded nation-wide. From six centres with 300 learners in 1992 the adult literacy programme had increased to 688 centres (basic and post literacy centres) with 13,160 learners in 2009.

The higher education sub-sector was in 2002 rather small and comprised a national federated university, which together enrol roughly 1,000 students in Arts, Commerce, Sciences, Engineering, Education, Nursing and Traditional Medicine for degree level courses. By 2008, the Royal University of Bhutan comprised 11 institutions with a total of 5,051 students.

Achievements 2000-02 (during the 8th FYP)

The education sector in Bhutan experienced impressive improvements 1990 to 2002 in terms of access to education as the number of educational institutions and teachers increased substantially¹⁴. This also contributed to a growth in the gross enrolment rate from 72% in 1997 to 89% in 2002.

In spite of the improvements, at the outset of the 9th FYP in 2003, the education system was still characterised by relatively high repeat and drop-out rates, indicating that the quantitative growth has not been matched by a similar increase of the quality of education. In short, the challenges confronted the education sector by that time were:

- Need to raise intake and improve quality as to enhance survival levels to achieve Universal Basic Education (UBE) goals
- Inadequate physical capacity to provide full access to the basic education cycle
- Expanding the institutional capacity to manage the planned growth in the system, and

14) Please refer to Sector note on Education for further information.

- Uncertainty of donor funding to cover development costs
- Literacy rates among adults (due to be addressed through Non-Formal Education (NFE)) stagnating around 54%.

Achievements 2003-08 (during the 9th FYP)

The 9th FYP included the largest increase in government allocation to the education sector since the 1960s. The main goals of the plan were to increase access and improve quality of education at all levels, with particular reference to the attainment of the Education for All and the MDGs goals for education.

Reflecting the MDGs and long-term priorities set out in the Education Sector Strategy and the Education Sector Implementation Plan (ESIP) 2002-07¹⁵, the Ninth Plan included 11 outcome-related targets. Available data suggest the following achievement of the set targets:

- i) Provide support mechanisms for Early Childhood Care and Development (ECCD) for children between 0-6 years of age on a pilot basis*

In the 9th FYP, ECCD had been given a priority, and an ECCD Unit has been established in the Ministry of Education and a focal officer for ECCD appointed, but except for a few centres in urban areas, extending ECCD to rural areas remained as a hurdle.

- ii) Enhance enrolment of children between 6-12 years of age in primary schools to 90-95% by 2007*

The Gross Primary Enrolment Ratio has increased from 82% in 2003 to 112% in 2008 and the Net Primary Enrolment Ratio has increased from 63% in 2003 to 88% in 2008. The number of students enrolled in the primary schools increased dramatically such that the number of class X students entering class XI rose from 8,464 in the beginning of the 9th FYP to 16,155 in 2008. This was a double-fold increase, prompted by two main factors: increase in the number of students at the primary and lower secondary schools; and increase in the number of higher secondary schools. These achievements at national level were not evenly distributed as there is a significant rural urban disparity in education deprivation. About 28.4% of children in rural areas had not been enrolled in schools compared to 9.6% in the urban centres. Poorer *dzongkhags* in the southern region and partly in the eastern region furthermore had poorer delivery of educational services than other districts.

- iii) Enhance the quality of education in order to achieve competency in language, communication skills and Mathematics comparable to international standards*

Major curriculum reforms were undertaken in English, Mathematics and *Dzongkha* to improve the overall relevance and quality of education. As of 2007, all schools have been given an annual grant of BTN 10,000 per school and an additional small budget per student to procure library resources. Postgraduate diploma courses in English and Mathematics have been provided to teachers in these subjects. An Education Review Commission appointed by the National Assembly of Bhutan has submitted their findings on the quality of education in Bhutan.

15) Ministry of Health and Education (2002b).

- iv) *Improve and expand youth guidance and career counselling and 'values' education towards a programme for wholesome development of the youth*

Youth centres have been established. A youth centre named 'Harmony' to provide comprehensive youth services has been established in Thimphu.

- v) *Increase the basic education level from class VIII to class X*

Free basic education is provided to all children upto class X. Enrolment in MSS increased from 12,537 in 2003 to 17,608 in 2008.

- vi) *Increase promotion proportion from class XI to class X from 38% to 56%*

The promotion rate to class XI in 2008 was 67% (40% of class X graduates admitted to government schools and the rest to private schools).

- vii) *Develop an excellent higher education system under the umbrella of a National University*

The Royal University of Bhutan was established in 2006. The nine existing institutions of higher education were consolidated as member colleges under the umbrella of the University. In order to provide a coherent higher education policy for purposes of developing and regulating higher education in the country, a Comprehensive Policy document for Tertiary Education was developed by MoE.

- viii) *Enhance literacy rate by 50% of the 2002 level and establish a system of continuing and lifelong education opportunities*

Primarily women are attending NFE classes as to improve their literacy, reportedly motivated by a desire for being able to read prayers in *Dzongkha*. The Population and Housing Census of Bhutan 2005 confirmed the literacy rate of 60% while other surveys carried out by the MoE and its partners point at literacy levels between 56 and 60%. Whereas the literacy level was 54% at the start of the 9th FYP achievements have been rather nominal.

- ix) *Establish a programme of inclusive education (for children who are physically and mentally challenged) to enable them to take part in the general education*

A deaf education unit was established at Drugyal Lower Secondary School at Paro. The National Institute for the Disabled was supported so that children who pass out of the primary level attend classes in regular lower and higher secondary schools. The Special Education Resource Centre at Changangkha LSS was supported to allow mild and physically disabled children to access education.

- x) *Strengthen the MoE and the Dzongkhag Education Offices for more effective policy, management and monitoring functions*

All DEOs had in 2008 a Masters degree and all *dzongkhags* were provided with one or more Assistant DEOs depending on the size of the *dzongkhag*. MoE was also providing capacity building through in and out of country workshops and development of guidelines for DEOs.

- xi) *Develop a more sustainable education system through the introduction of private participation and cost sharing measures*

During the 9th FYP, all community primary schools were built on a cost sharing basis. The communities provided labour for their construction and maintenance while the Government provided construction materials that were locally not available as well as a budget for skilled labour. The Government, however, bears all recurrent costs including the salary of teachers. The Government has also encouraged the establishment of private schools to offer more choices to parents and also provide an avenue for private participation in the education sector. These private schools have primarily been established at secondary level and in urban settings.

Table 3 below summarises the achievements of the education sector from 1997 to 2008. For further data, see the statistical annex.

Table 3 Key education access milestones at beginning of 8th, 9th and 10th FYP¹⁶

	1997	2002	2008
Number of Educational Institutions	312	408	542
Number of Students	92,267	136,307	176,483
Number of Teachers		4,206	6,559
Gross Enrolment Rate (%)	72	89	112
Literacy rate (%)	54	54	59.5

Source: Ministry of Education, RGoB

Progress since 2008 (during the 10th FYP)

The 10th FYP identifies quality of and access to education services as the main challenges and based on more than twenty objectives and a wide set of strategies highlights the following four main targets:

1. Enhance Primary Net Enrolment ratio to near 100%
2. Enhance Basic Net Enrolment ratio to near 90%¹⁷
3. Enhance Enrolment of Girls in tertiary institutes to 80 girls for every 100 boys
4. Enhance adult literacy rate to 70%.

It should be noted that above issues are related to access to education, and not to quality of education although it is highlighted as a main challenges.

The Danish funded Social Sector Programme Support (SSPS) (see below) in addition to the above four FYP's targets included two targets related to vocational training¹⁸:

5. Accommodate 70% of school leavers pursuing a vocational education, and

16) For further information please refer to Table 1 in Annex 2.

17) Basic education is defined as from pre-primary to class X.

18) Danida (2008b).

6. 100% of courses conducted in vocational training institutes are in line with the labour market demand.

As the 10th FYP only started in 2008 limited data are available on achievements since the plan was launched. The latest statistics¹⁹, however, lead to the following key findings in relation to the main targets mentioned above:

1. Near 100% net primary enrolment:

The primary net enrolment has since 2005 improved from 73% to 92% in 2009 and it may be likely to achieve the target of close 100%. It should, though, be noted that this will not be a linear process as the last 8% are the hard to reach children who due to geographical location, poverty or special needs or other constraints may require extraordinary attention.

2. 90% net basic enrolment²⁰:

Basic completion rates have since 2006 improved from 40% to close to 60% in 2009. With the increased annual enrolment at lower and middle level secondary levels of more than 6% since 2002, it is likely that the target of 90% will be achieved by 2013.

3. Gender²¹:

Gender parity has improved significantly at primary and lower levels over the last decade. Actually, the enrolment rate at primary level is slightly higher for girls at most class levels and girls furthermore perform better in terms of promotion, repetition and drop-out rates than boys until class VIII. After class VII the picture changes as boys from this level and onwards perform better than girls on these indicators. This trend becomes even stronger after class XII and at tertiary level.

4. Adult literacy²²:

Adult literacy rate remains rather stagnant around 55% and with very modest improvements in the last decade, it may be an area requiring further attention if the target of 80% is to be reached.

5 & 6: Vocational targets:

With regard to the two Danish SSPS targets, the work under SSPS Component 2 on vocational curriculum and standards improvements has just started and it is too early to assess whether it will be realistic to achieve 70% of school leavers pursuing a vocational education and 100% of courses conducted in vocational training institutes are in line with labour market demand. Above targets are relatively ambitious, and although the component appears to be well underway it is given the fact that Denmark withdraws its support in 2013 and that very few other donors are active in vocational education important that progress is closely monitored and sufficient TA provided where needed²³.

Factors influencing outcome achievements

Looking at national contextual factors, the importance given to education in the Gross

19) Ministry of Education (2009b).

20) Ministry of Education (2009b) does not include information on basic enrolment rates – but on completion rates.

21) Ministry of Education (2009b).

22) Ministry of Education (2008a) and (2009b).

23) A mission assessing the status of Component 2 was carried out early 2010 after the field visit by the evaluation team, thus indicating that RGoB and Danida are aware of the importance to closely monitor progress.

National Happiness philosophy has played a significant role in securing broad political and financial support to education as well as public support. The rapid improvements in enrolment rates over the last years can in parts be explained by families having shown great interest and commitment to their children's schooling.

Poverty is another contextual factor influencing education achievement. A recent study by Centre for Bhutan Studies²⁴ identifies clear linkages between poverty levels and education achievements as children from better-off families generally achieve better results. The general poverty improvements experienced by Bhutan over the last decade have therefore provided a positive environment motivating parents to keep their children in schools.

With regard to outputs, increased access to education through construction of schools has contributed to *quantitative achievements* related to enrolment. As a result, it is likely that the MDG goal of Universal Basic Education may be achieved although the challenge of catering for the hard-to-reach children remains²⁵.

Curriculum reforms and up-grading of teacher skills as well as improvements in teacher-students ratios have led to qualitative improvements. While the quality improvements generally have contributed to increased promotion rates, the promotion rates are slightly lower at secondary levels. Girls' enrolment and promotion rates are high at primary level, but slightly lower from class VIII onwards possibly pointing at parents' reluctance towards sending the girls to boarding schools or even towards keeping them in schools. The relatively low status of the teaching profession is another factor affecting the quality of education. And often the less experienced and newly graduated teachers are sent to more remote *gewogs*.

Two decades back basic education was defined as completion of class VI, but is today defined as completion of class X. It is rather impressive that Bhutan has achieved improved enrolment at all levels and at the same time improved quality in a way so the main educational challenges have been pushed upward in the system and now primarily are found at class VII to XII and with regard to ensuring appropriate linkages to the vocational and higher school systems.

Considerable disparities between *dzongkhags* remain in terms of education performance. The poorer *dzongkhags* are characterised by the lowest education achievements and are also in general characterised by longer distances to the school, larger class sizes and more students per teacher as compared to the national average. This is also leading to higher proportions of children in these poorer *dzongkhags* are not attending schools as well as lower net enrolment rates at primary and basic levels and lower gender parity index. A more thorough analysis indicates a number of key factors leading to this correlation between poverty and education. Firstly, a high proportion of people in some *dzongkhags* such as Monggar and Trashigang live rather isolated and although many schools have been constructed and class sizes and teacher-student ratios are low, it has still proven difficult to construct enough schools to reach the scattered population. The establishment of extended classrooms if there are at least 10-20 children above six years for enrolment in the hard to reach villages may help to reduce this problem in some villages, but this will of course not influence on the shortage of teachers. Secondly, an insufficient number of schools has been constructed and too few teachers allocated in a number of *dzongkhags*

24) Centre for Bhutan Studies (2009b).

25) The establishment of so-called extended classrooms (satellites of existing schools) may somehow help mitigate this problem.

to the southwest such as Samtse and Chhukha that are characterised by very big classes and high teacher-student ratios. This highlights the importance of a pro-poor funding profile if regional differences are to be minimised.

Institutional assessment

While planning and construction of schools were decentralised at the start of the 9th FYP it was (re)centralised in 2005 and MoE is today the only line ministry maintaining centralised sector planning including decisions on schools to be constructed. Allocation of staff to *dzongkhags* is also made centrally, while *dzongkhag* administrations can allocate staff within their *dzongkhag*. The general planning capacity appears to have been strengthened at central level²⁶ and all *dzongkhags* today have DEOs with master degrees. It is the impression of the evaluation that as a result of the centralised planning approach *gups* (elected chairpersons of GT) and *Dzongkhag Yargye Tshogdu*²⁷ (DYT) are not fully informed about education planning at *gewog* level. The evaluation also noted that while democratic structures have developed at national level only few schools have elected and well functioning school management boards.

The Joint Education Sector Review of 2009 indicates that the relationships between several institutions supporting education (e.g. MoE, MoLHR, Royal University of Bhutan and Royal Education Council) are not always clear and further clarification on mandates and coordination is needed²⁸.

The two teacher training colleges in Samtse and Paro have a rather developed in-service training system. However, while the number of students attending pre-service training has expanded in recent years, the actual number of teachers attending in-service training has been rather stagnant.

With an annual number of adults attending literacy training of approximately 14,000 the challenge of more than 200,550 illiterates to become literate by 2015 appears rather unrealistic. One reason for the limited literacy improvements may be that while Bhutan has more than 680 NFE centres and more than 750 NFE instructors there is only limited capacity at MoE to support the NFE structure.

Monitoring of the education sector is another challenge. As noticed by the 2009 Joint Review the 10th FYP includes 18 objectives and 45 strategies – but only four targets²⁹. These targets are all related to quantitative aspects such as enrolment and literacy rates. This is rather critical as only targets are monitored by the monitoring system, not outcome achievements. There is therefore a risk that the performance in relation to qualitative aspects is ignored³⁰.

Danish support to the education sector

In the late 1990s, Bhutan requested Denmark to support the education sector as part of the Country Strategy. Following a series of discussions it was decided that the Danish support primarily would be provided through an Education Sector Programme Support (EdSPS) as Sector Budget Support (SBS) with focus on capacity building of ministerial and school based personnel.

26) The Policy and Planning Department of MoE was assessed as part of the ROACH based Danida evaluation in 2005 and found to have adequate capacity.

27) District Development Committee.

28) Danida (2009a).

29) Danida (2009a).

30) RGoB is in the process of implementing PLaMS and it could be considered to include more targets in that system.

The EdSPS was designed to support the education sector as outlined in the 9th FYP³¹ with focus on the above mentioned challenges. The programme comprised two components:

- (i) Component 1, to which was allocated DKK 60 million granted as sector budget support to meet capital budget outlays³²
- (ii) Component 2, to which was allocated DKK 15 million earmarked for supporting the Education Sector Implementation Plan's capacity development programme.

An amount of DKK 5.5 million was set aside for sector or programme reviews, technical reviews (if required) and contribution to the Liaison Office of Denmark (LOD).

Denmark was together with the World Bank, India and Swiss Development Cooperation the main contributors to the education sector and the only donor providing funding as sector budget support.

Since 2008, Danish support to the education sector has been provided through the Social Sector Programme Support (SSPS) which runs till 2013. It comprises three main components:

- (i) Component 1 on sector budget support to Health and Education (DKK 107 million) aiming at allocating sufficient funds for human resources and strategic planning development as well as infrastructure maintenance for the health and education sectors as outlined in the 10th FYP. Thus, emphasis is on monitoring the development in the quality of services as well as on access for all with special focus on the 'unreached', who constitute a significant number of mainly rural people who for different reasons do not make use of health and education services
- (ii) Component 2 on Vocational Education and Training (DKK 15 million)
- (iii) Component 3 on unallocated TA and Programme Management (DKK 18 million).

Assessment of Danish support

Denmark is in general, praised by other donors for having explored potentials for harmonizing its assistance with that of other development partners. However, although Denmark has been instrumental in e.g. formation of joint education sector review, other partners have not been prepared to fully harmonize and align their support to the same extent. Danish assistance to the education sector was founded on its overall policy of alleviating poverty through education. Denmark recognised that the specific support interventions could depend on the situational context and strategic priorities of the Bhutanese Government, and therefore, it did not prescribe any standard formula. The MoE enjoyed the independence of using the support programmes as per its national strategic needs.

31) The EdSPS was planned to be implemented from 2003 to 2008. Initially this period would stretch one year into the 10th FYP. However, due to the constitutional changes in Bhutan, the 9th FYP was extended for more than a year. As a result, the subsequent SPS 2008-13 covered the last period of 9th FYP as well as the full period of the 10th FYP.

32) The total budget for the education sector outlays for the 9th FYP was BTN 10,206 million.

With regard to funding, the Danish support provided as fully aligned sector budget support has been instrumental in reducing the financing gap for RGoB interventions³³ leading to substantive achievements in the education sector. The capital grant supported the MoE's effort to maintain a balance between the increased enrolment and infrastructure need, and to improve the learning environment and services of higher educational needs. RGoB has fulfilled conditions listed in the Bhutan-Denmark programme agreement in terms of securing high levels of funding for the education sector which has remained around 15% of national expenditure. However, while support from development partners has basically tripled between 2002 and 2008, education sector expenditure has 'only' doubled during the same period³⁴, indicating a certain level of fungibility. With regard to financial management, the actual expenditure has throughout the period remained lower than budgetary allocations implying certain capacity constraints related to disbursement. Unfortunately, it has not been possible to identify the geographical pattern of expenditure and therefore to assess whether the poorest *dzongkhags* and *gewogs* were targeted³⁵. Semi-annual financial reports of the education expenditures are presented from the MoF, but concern has been raised regarding the fact that the RGoB has not been able to – as envisaged in the Bhutanese-Danish programme agreement – produce quarterly financial reports, thus reducing the possibilities for continued monitoring of expenditures. Furthermore, the evaluation has not been able to obtain data on the actual allocation of the Danish support between the education and health sectors.

*With regard to support for capacity building*³⁶ Component 2 of the EdSPS targeted HRD of MoE and *dzongkhag* staff and school based teachers in terms of financing in-service training of 173 (against a target of 114) individuals at Masters, diploma and certificate level. The training focused on equipping teachers with up-dated competencies in a number of selected subjects, e.g. natural science with a high un-met demand for teachers and on equipping central and district planners with managerial competencies. This has contributed to substantially increasing the number of MoE staff and teachers with a Masters or diploma degree. The MoE expressed strong appreciation of the provision of funding for HRD as it has alleged that it is difficult to obtain funding through the Royal Civil Service Commission (RCSC) for developing the capacity of ministry officials and teachers at school level. The HRD approach has, however, been rather individualised and an institutional framework facilitating sharing/transfer of competencies or enhancing national in-service-training capacity has not been identified. The individualised approach to capacity building also represent a missed opportunity to further engaging Danida in more systemic discussions aiming at reducing overlaps in mandates between education institutions as identified by recent joint reviews.

Two long-term advisers (on Education Planning and on Curriculum Development) were provided under in EdSPS. Under the SSPS, funds are set aside for short-term TA to address ad hoc needs. The provision of long term advisers allowed together with qualified staff at LOD Danida to engage itself in *policy dialogue processes* on the strategic orientation of programme activities rather than the actual implementation, which largely has been carried out by Bhutanese ministerial staff. The overlaps in mandates between differ-

33) Please refer to Table 3 on page 9 of the Education Sector Note for further information.

34) Donor support increased from BTN 212 million in 2002 to BTN 982 million in 2007, while the RGoB allocation for the education sector 'only' doubled from BTN 1,476 million in 2002 to BTN 2,963 million in 2007. Please refer to Table 3 in the Education Sector Note for additional information.

35) Danida (2005c) and (2009a).

36) For further information see Thematic Paper on Capacity Development.

ent institutions identified by the recent joint reviews may represent a need for additional long-term TA.

While RGoB is leading developments related to *cross-cutting issues* such as governance, decentralisation and gender, Denmark has through EdSPS and SSPS as well as through other programmes and interventions engaged itself in dialogue with RGoB on these issues. While gender improvements have been made in terms of enrolment and education outcomes there is still a challenge in achieving gender balance at teacher and ministry levels. Governance structures have become more accountable and practices more transparent during the last decade, while the actual decentralisation process was altered in 2005.

Consolidation and sustainability challenges

While the financing gap left by the phasing out of Danish support from 2013 is rather limited the effect in terms of the long-term sustainability of the institutional and social achievements is a cause of concern. Issues calling for attention through continued policy dialogue and, where relevant, provision of targeted TA, include:

Institutional Capacity Development

There is a need for reviewing mandates and coordination mechanisms between MoE institutions at central level and linkages to *dzongkhag* and *gewog* levels. It is important to further develop capacities at decentralised levels by giving attention to developing linkages between centralised and decentralised planning capacity including revitalisation of decentralised planning capacity in light of current block funding modalities being established by GNHC Secretariat and MOF.

Financial Prioritisation

Presently a pro-poor funding profile matching the uneven achievement of education achievements in particularly the south western part and in more scarcely populated areas of Bhutan has not been clearly identified. Prioritisation of allocation and distribution of human and financial resources to poorer resourced schools in poor locations is therefore critical as an immediate intervention to promote equity supplemented by strategies for targeting the most disadvantaged children and families.

Financial Management

A particular weakness which compromises RGoB's management of the sector, which may deter new and existing donors from providing budget support is the absence of any in-year expenditure reports including information on geographical allocation as to be able to assess whether the poorest *dzongkhags* and *gewogs* are targeted. It is also important to ensure that financial reports provided on a quarterly basis will be developed to support RGoB/MoE in early identification of delays in programme implementation. They will also contribute to more accurate preparation of revised estimates and the re-prioritisation/elimination of budgets.

National Monitoring

Development of a wider set than the present four target indicators available in the 10th FYP for measuring and tracking sector progress against agreed indicators. This is a critical aspect, as the 10th FYP include more than 20 objectives and a wide set of strategies which cannot be captured by only having four targets – which furthermore are primarily related to access rather than quality of education.

4.2 Support to health

Bhutan was an early adopter of the Primary Health Care (PHC) approach promoted by the World Health Organization (WHO) and UNICEF in the late 1970s, which led in the 1980s to an ambition to expand local and rural health services in order to reach many underserved villages and households. This health policy relied mainly on Village Health Workers (VHWs), Out-Reach Clinics (ORCs), Basic Health Units (BHUs), and District Hospitals (DHs). The result today is a strong and reasonably equitably distributed PHC system, with about 90% of the total population now within three hours walk of a service unit. All government basic PHC and hospital services have remained free from charges.

By the mid-1990s weaknesses in this PHC approach resulted in the vertical health and disease control programmes being strengthened, including those for tuberculosis, leprosy, iodised salt, malaria, immunisations, and maternal and child health. However, the RGoB's general aim has continued to be to achieve greater equity in access to PHC basic health services by consolidation rather than by expanding these further³⁷.

Achievements 2000-02 (during the 8th FYP)

A review of the Danish support to the health sector in April 2000 found that: 'Bhutan had made impressive progress in development of its health care system. Access to services had been expanded significantly. Quality of care in general is reasonable, with some deficiencies in the areas of essential drugs, referral system and supervision'. It also noted that there were significant problems caused by a shortage in all categories of health workers and that the rapid urbanisation and the increase in non-communicable diseases, mental ill-health and road traffic accidents were causes for concern.

Development 2003-08 (during the 9th FYP)

The 9th FYP (2003-08) period accounts for the major part of the time covered by the evaluation. The long-term objective for the health sector in the Plan was the attainment of a healthy living standard by the people within the broader framework of overall development of the country. The specific objectives were:

- Enhancing the quality of health services
- Targeting health services to reach the unreached
- Strengthening traditional medicine system and its integration with overall health services
- Enhancing self-reliance and sustainability of health services
- Intensifying human resource development for health and establish a system for continuing education
- Strengthening health management information systems and research and their use
- Intensifying reproductive health services and sustain population planning activities
- Promoting community based rehabilitation and mental health, and find innovative means to enhance the mental well-being of people

37) More details on the support to the health sector can be found in the Health Sector Note.

- Developing appropriate secondary and tertiary health care services, while maintaining the balance between primary, secondary and tertiary health care
- Intensifying the prevention and control of prevailing health problems, as well as the emerging and re-emerging ones.

The RGoB Mid-Term Review of the 9th FYP in late 2004 noted that the MoHE had achieved a number of significant health initiatives. For instance, the National Assembly endorsed the Bhutan Medical and Health Council Act 2002 and the Bhutan Medicines Act 2003, which resulted in the establishment of the Bhutan Medical and Health Council and the Drug Regulatory Authority respectively. Another very significant health act was the Assembly's ratification of the WHO Convention on Tobacco Control, which resulted in the banning for sale of tobacco products from December 2004. In addition, in 2003, the Bhutan Health Trust Fund was established to underpin the long term financial support to childhood immunization. Denmark made a significant contribution to this fund by matching both government and voluntary Bhutanese funds.

The Danida Mid-Term Review, also from 2004, noted that reproductive health activities and advocacy on STI/HIV/AIDS had been intensified; the National Commission for HIV/AIDS had been revitalised and sentinel surveillance established in 15 sites in 13 *dzongkhags*; the Monggar referral hospital had been upgraded; national immunisation coverage had been maintained above 85%; equal emphasis was given to developing PHC as well as secondary and tertiary care services; the HRD Master Plan had been updated and published; and that construction of the Jigme Dorji Wangchuck (JDW) National Referral Hospital in Thimphu had been started.

The Mid-Term Review also highlighted a number of problems, including the continuing shortage of human resources, particularly of medical specialists; difficulties in achieving universal coverage by PHC services in hard to reach areas; need to strengthen curative and diagnostic capacities in district hospitals; need to strengthen central monitoring and supervision in the context of decentralisation of health services to *dzongkhags* and *gewogs*; and the increasing support required by *dzongkhags* for equipment and building maintenance.

In 2005 the Ministry of Health and Education (MoHE) was separated into two ministries and the newly established Ministry of Health (MoH) moved into its own new headquarters building in Thimphu which was constructed with support from Danish funding.

A joint donor review conducted in mid-2006 called attention to the challenges posed by the ongoing decentralisation process, which for the MoH included how to continue to implement PHC while also expanding the secondary and tertiary health services and how to balance this with strengthening the support for district health services, including district hospitals, under a more decentralised system. Other priorities identified were how to achieve a higher level of self reliance in financing and how to maintain the MoH's dedicated and valuable workforce.

A total of 217 health sector staff benefited from donor-funded training over the six years of the extended 9th FYP, made up of 185 who attended short overseas courses and 32 on longer term overseas courses. Both the short-term and long-term overseas studies were mainly paid for by specific projects.

Progress after 2008 (during the 10th FYP)

The 10th FYP contains many of the priorities stated in the 9th FYP. The broad objectives of the 10th FYP to reduce poverty and to improve the quality of life of the people gave high priority to achieving a number of health-related goals, including the MDGs for maternal and child health, continued development of the secondary and tertiary health services, control of both communicable and non-communicable diseases, improved access to primary health care services and enhanced traditional medicine services at all levels.

An important new emphasis in the 10th FYP is the potential for supporting greater involvement of the private sector. This includes private sector participation in tertiary medical care and the establishment of a five star private hospital, provision of some private diagnostic and non-technical services, outsourcing some non-medical services, and corporatizing the Pharmaceutical and Research Unit of the National Institute of Traditional Medicine.

A joint review of the health sector, involving RGoB, Danida, UNICEF, UNFPA and the World Bank, conducted in 2009 confirmed that the RGoB had sustained its focus on PHC and on an equitable expansion in both access to and use of basic health services and traditional medicine. It also noted that there were rising public expectations, increasing costs of health services, and that HRD continues to be a crucial issue.

Institutional development and capacity building: There have been several important developments in HRD. The GNHC now takes a lead role in liaison with the RCSC and the MoH and there is no funding ceiling to constrain the situation. Budget allocations for HRD in the MoH appear to have actually increased under the recently launched SSPS (see below), despite the lack of specific or earmarked funds. MoE and RCSC today support the overseas training each year of 25 doctors, 10 degree nurses and five dentists, as well as small numbers of pharmacists, dieticians and technicians. Certificate level training of nurses, midwives and technicians continues to take place in Bhutan.

The Government of India (GOI) recently supported a feasibility study for a new medical school and an agreement in late 2009 was made for academic and technical inputs with the All India Institute for Medical Sciences in Delhi. Donor financial support will come mainly from the GOI. The new JDW National Referral Hospital, Thimphu, will become the main teaching hospital, while the old hospital buildings will be designated for the new medical school. The Bhutan Institute of Health Sciences to be established as part of the Indian assistance will be given university status with various faculties, including one for the new medical school. An agreement in late 2009 was made for academic and technical inputs with the All India Institute for Medical Sciences in Delhi.

Pro-poor and equitable health expenditures: To improve coordination with the *dzongkhags*, the MoH in June 2008 established the District Health Service Programme to oversee district planning, including for staffing, training, supplies and construction. Human resources planning and employment, as well as purchase of drugs and maintenance of equipment, are still handled centrally whereas local deployment of staff is a matter for the district health teams. The MoH is focusing on improving staffing and facilities in all district hospitals. To overcome the present shortages of doctors, Bhutan has contracted 33 expatriate doctors.

At present only one *dzongkhag* does not have a district hospital but there are now two regional and one national referral hospitals. The MoH is determined that all districts should have a hospital and that they should all be able to offer basic emergency, outpatient and inpatient services.

Sector allocation: About 30% of the MoH's current budget funds are decentralised to the districts for day-to-day implementation and management of health programmes. As regards the total MoH budget for 2008/09 of BTN 1,764 million, about 55% is provided by the RGoB and 45% comes from donors. Actual expenditure will probably be less than this total. About 56% of the total MoH budget for 2008/09 was allocated to the Directorate of Medical Services but this includes the costs for all hospitals and most of the capital expenditure. Of the remaining allocations, about 16% is allocated to services falling under the Directorate of Public Health and a similar amount to PHC.

Epidemiology & Research Unit, PPD/MoH: The Unit has responsibility for producing the evidence for policy making and services planning. It also oversees all research studies carried out by the different MoH programmes, as well as being responsible for maintaining ethical oversight and organizing training for research studies. The Unit is currently understaffed. It often seeks policy advice from the WHO and support from the International Centre for Diarrhoeal Disease research in Dhaka for specialist laboratory facilities. The Unit is applying for a long-term institutional research strengthening grant from the Human Reproduction Programme at WHO Headquarters in Geneva.

Health sector coordination: The Directorate for Public Health is responsible for the central integration and organization of all prevention and public health programmes, while decentralised implementation is the responsibility of the *dzongkhags*, including programmes for mother, child and reproductive health services, immunisations, and training of birth attendants and VHWs. Important district communicable diseases control programmes include those for malaria and dengue in areas bordering India. A new MoH policy and strategy has recently been published for the prevention and control of the emerging non-communicable diseases (NCDs).

As a result of the decentralisation thrust of the 10th FYP, local governments will decide on local priorities and manage their own budgets, which could introduce greater competition for funds between sectors at the district level. However, the MoH will retain responsible for construction of larger hospitals and facilities, together with the selection, training and deployment of staff.

Trends in provision of health services

Applying different sets of indicators covering the four areas of inputs, utilisation, outcomes and impact, this section assesses the performance of the health sector in Bhutan in the last decade. Included are indicators for the provision of health facilities and staff, total number of patients diagnosed with selected diseases, population coverage of health service interventions, and for possible trends in health status.

Table 4 below shows selected indicators for provision of health infrastructure and staff 2000-08. Data was not available for 2009. The table shows that there has been no increase in the number of hospitals and only a small increase in hospital beds (13%), basic health units (6%) and out-reach clinics (13%). However, there have been more substantial increases in the number of doctors (38%), health assistants (42%) and technicians

(97%), while the numbers for all nurses and village health workers have remained fairly steady. In 2007 there was a ratio of one doctor to 3.6 nurses of all kinds.

Table 4 Indicators for provision of health facilities and staff 2000-08

Indicator	2000	2001	2002	2003	2004	2005	2006	2007	2008
Hospitals	29	29	29	29	29	29	29	29	30
Hospital beds		1,023	1,023	1,093	1,113	1,078	1,133	1,159	1,159
Basic Health Units	168	168	166	172	176	176	176	178	178
Out-Reach Clinics		461	455	440	476	485	514	519	519
Doctors		114	122	140	144	145	150	154	171
Doctors/10,000		1.3	1.7	1.9	1.9	2.3	2.3	2.4	2.5
Health assistants		163	173	144	201	171	229	232	425
Nurses		569	500	509	522	538	587	559	567
Technicians		259	252	290	368	438	420	510	552
Village Health Workers		n.a	n.a	1,097	1,201	1,200	1,087	1,200	1,200
Access to safe drinking water					53.6%	52.3%	57.1%	53.6%	66.3%

Source: Annual Health Bulletin, MoH, various years.

Given RGoB's steady investments in health staff and facilities in the 8th, 9th and 10th FYPs, there has been only a relatively small expansion in health infrastructure and more substantial increase in some professional staff over the period 2001-08, such as doctors and technicians. The ratio of doctors to population increased from 1.3/10,000 in 2001 to 2.4/10,000 in 2007³⁸.

Table 5 below shows the total numbers of patients diagnosed with some common communicable and non-communicable diseases over the period 2000-09. These figures must be interpreted with caution. For instance, there might be a real fall in the incidence of new cases in the population but this may be masked if more people actually use the health services. However, the downward trend is more likely to indicate a real decline in new cases.

Table 5 also shows total cases for some non-communicable diseases. Most noticeable is the six-fold increase in the cases of diabetes and the more modest rises in hypertension and alcohol related liver disease. Surprisingly road traffic accidents have been fairly constant over the decade. These figures demonstrate the increasing importance of the non-communicable diseases.

38) This figure is a good illustration of the uncertainty of health statistics. While the number of doctors has increased by only 50% from 2001 to 2008, the ratio of doctors to population has almost doubled during the same interval. The Health Bulletins does not offer an explanation of this obvious discrepancy.

Table 5 Total diagnosed cases reported by year

No. Cases	2003	2004	2005	2006	2007	2008
Diarrhoea	70,145	69,539	67,301	70,939	64,100	58,537
Dysentery	35,018	31,110	31,404	31,631	26,601	24,411
TB	917	1,093	1,076	920	874	921
Malaria	2,130	1,479	1,323	1,306	479	251
Diabetes	442	634	944	1,470	1,732	2,541
Hypertension	12,716	14,195	16,570	20,501	19,347	20,347
Alcohol Liver Dis.	937	1,147	1,217	1,531	1,471	1,329
Road Traffic Acc.s	1,701	1,519	1,410	1,631	1,564	1,612

Source: Annual Health Bulletin, MoH, various years.

With Danish support, Bhutan made large investments in safe drinking water and sanitation from 2000 to 2007 and there appears to have been a modest fall in total number of reported cases of diarrhoea and dysentery. For tuberculosis the total cases show no upward or downward trend. Malaria cases, however, show a very marked fall over the decade, although some of this trend could be due to a fall off in diagnosing real infections and in case detection.

Unfortunately virtually no consistent figures could be obtained on outcome indicators over time, expressed as the percentage of the population in need of a service who actually received the intervention, also called population coverage. Such coverage indicators are essential if the delivery and up take of public health programmes are to be properly monitored. For instance, useful indicators would have been for coverage by modern family planning methods, antenatal clinic attendance by trimester, delivery by trained birth attendants, immunisation and household safe water supplies.

Although the data on trends for health status indicators in Table 6 below is patchy, they show a steady trend towards improvements in health status over the period 1994-2005. However, the actual indicator values should be viewed with some caution due to the uncertainty caused by the way data are collected.

Table 6 Health status indicators 1994-2005

Indicator	1994	2000	2005	10 FYP Target
Population Growth Rate, %	3.1	2.5		
Life Expectancy at birth, years	>50	NA	66	70
Child Malnutrition Low Weight for Age, %		19		
Infant Mortality Rate per 1000 live-births	70.7	60.5	40.1	25
Under-5 Mortality Rate per 1000 live-births	96.9	84.0	61.5	35
Maternal Mortality Ratio per 100,000 live-births	380	255	215	140

Source: Annual Health Bulletin, MoH, various years.

Factors influencing outcome achievements

Peoples' right to access free basic health services is widely recognised as a Human Right which is included in the new constitution. In addition, under the present Government the primary health care services and all health workers, including doctors, are not permitted to perform private practice or charge fees for basic health services. Launch of the much debated 'off-hour clinic' system at the hospitals is, as yet, still in the pipeline.

The apparent improvement in Bhutan's health status indicators is probably explained by a range of health improvements, such as the marked expansion in primary health care during the 8th FYP, greater access to essential drugs, rising nutritional knowledge, more awareness about health related behaviours, increasing coverage by a reproductive health programme, and improvements in rural and urban water supplies and sanitation.

Improvements in other sectors have almost certainly made a contribution, such as higher levels of female literacy through expanded schooling, better agricultural production, rural access roads, and greater availability of transport for referrals and health emergencies.

The MoH has also played an important role in nurturing new institutions with the long term objective that they evolve into autonomous organizations in their own right, such as the Bhutan Medical and Health Council, Bhutan Health Trust Fund, Drug Regulatory Authority, Royal Institute of Health Sciences and the JDW National Referral Hospital. However, this support for new institutions contrasts with an apparent lack of inter-sectoral coordination or cooperation, both at the central government or *dzongkhag* levels.

Prospects for long-term sustainability appear strong at this time since access to basic health services is enshrined in the new constitution. Hence, Bhutan recognises health as a fundamental right and a prerequisite for economic development, poverty reduction and the road to Gross National Happiness. Health is one of the nine domains for Gross National Happiness. In addition, the Bhutan public are used to accessing free basic health services. However, this all depends on how 'basic' is defined.

Danish support to the health sector

The first health sector programme (HSPS1) came into existence during the 7th FYP 1991-97 and had a budget of DKK 74.6 million. This support focused mainly on strengthening planning and management, HRD, health infrastructure, information technology, education and communications, and control of diseases.

This was followed by the Health Sector Programme Support Phase 2 (HSPS2) to be implemented simultaneously with the 8th FYP for 1997-2002, with an allocation of DKK 120 million. In 1999 the RGoB also requested Danish support for a large Rural Water Supply and Sanitation (RWSS) project, which started in 2000 as a continuation of a previous UNICEF financed programme. This had a separate budget of DKK 44.5 million and was due to be completed in 2005 but was later extended to 2007.

Under HSPS2, Denmark funded the construction and renovation of 33 BHUs, two district hospitals and started the construction of the new headquarters building for the Ministry of Health in Thimphu. It also supported five large urban drinking water supply and sewage projects in district towns through the RWSS programme. These projects were later extended into HSPS3 and all were finally completed by 2007. Denmark and India were the two largest donors to the health sector, while others included UNFPA, UNICEF, WHO and ADB.

As part of HSPS2, substantial TA was allocated to strengthening of health planning and management and HRD in the Ministry of Health and Education (MoHE). The HRD package included overseas in-service training, overseas visits and workshops, as well as overseas certificates, diplomas, postgraduate Master courses and medical specialist training.

Phase 3 of the support to the health sector (HSPS3) was closely aligned to the objectives in the Bhutan 9th FYP. The total Danish contribution to HSPS3 Components 1 and 2, shown below, were for DKK 82 million and for Component 3 a further DKK 44.5 over and above the agreed budgets for HSPS2 and HSPS3.

The three components of HSPS3 were:

- (i) Component 1: Health Sector Budget Support. This amounted to 74% of the total
- (ii) Component 2: Support to Capacity Building in Management and Monitoring
- (iii) Component 3: Support to the National Rural Water Supply and Sanitation (RWSS) Programme.

During the 9th FYP the health sector current and capital expenditures accounted for 11.2% and 6.3% of the gross national expenditure respectively.

The RWSS component was implemented in the five districts of Monggar, Samtse, Sarpang, Trashigang and Tsirang. The 2004 Mid-Term Review recommended that the MoH sector should fully decentralise its management to *dzongkhags* and *gewogs*. The review also noted that the health sector should coordinate much more closely with other sectors at the *dzongkhag* level, as well as between the *dzongkhags* and *gewogs* for local planning and implementation.

A technical review of the RWSS component in 2005 found that the RWSS was on track, but expressed concerns about the long term viability of relying on external financial and technical support and the need to integrate all public health engineering into regular public health activities when this component closed. The review also expressed concerns over the large discrepancies in coverage that remained between *dzongkhags*.

Under the SSPS 2008-13 the support to the health sector is essentially a continuation of the principle of budget support in the HSPS3. Two components are destined at the health sector: Component 1 (Sector Budget Support to Health and Education; DKK 107 million to be shared with the education sector) and Component 3 (Technical Assistance and Management of SSPS; DKK 18 million for health and education jointly). All Danish funds for the two sectors are coordinated by the GNHC Secretariat, while the Steering Committee that comprises representatives from MoE and MoH as well as LOD decides on the allocation of funds.

Assessment of Danish support

In summary, for over two decades, Denmark has been a steady, consistent, reliable and generous long-term donor partner with Bhutan in the health sector³⁹. Denmark's contribution has focused mainly on supporting the Ministry of Health as an institution and

39) See 'Danish Support to the Health Sector in Bhutan' for a previous assessment of the Danish assistance to health (Danida: Evaluation Report 1999/10, Copenhagen 2000).

the expansion and implementation of primary health care. Thus over the decade 2000-09 Denmark supported the strengthening of the overall health system, including a focus on health facilities (e.g. construction of BHUs), human resources (e.g. doctors and technicians), high level skills (e.g. health planning and financing), and senior programme management (e.g. communicable disease control programmes). Only more recently has there been some more expansion in hospital services.

Denmark support in HSPS1 and 2 was mainly through project related funding, while in HSPS 3 it also operated through sector budget support. Thus the impact of Danida's organizational support to the health system is most evident when it utilised project funding to target well defined entities in the MoH, while later in SSPS full sector budget support makes it almost impossible to attribute to Denmark any specific health developments.

The 9th FYP Bhutan Mid-Term Review Meeting in November 2004 acknowledged that Danish support had enabled the satisfactory completion of the Trongsa and Trashigang hospitals, while other funds had helped with the expansion of works on Thimphu and Monggar Hospitals.

HSPS3 supported the MoH with significant funding for HRD which was guided by the HR Master Plan for selection of health staff for overseas training. This training was for both short-term overseas visits and courses or for long-term overseas higher level certificate, diploma and postgraduate masters' courses. Most of the staff attended short courses in India (39%) and the others in Southeast Asia and the Philippines. The numbers attending short courses were relatively steady for years 2003-07 but were much higher for the last year 2008. As part of the short-term training a total of 185 staff each spent an average of 2.4 weeks away from Bhutan.

At the same time, there has been a steady decline in health staff receiving Danish funding for higher level training overseas, from 11 in 2003 to one in 2008. Each of the 32 staff on long-term study spent an average of 14 months overseas, with 59% (19/32) attending postgraduate courses in Australia. These high level courses were mainly for diplomas and masters in infrastructure development, epidemiology and public health.

However, two broad trends may partially be attributed to sector support from Denmark:

- Danish funding did facilitate a considerable early expansion in PHC health workers and services, which led to a substantial improvement in access to these services throughout Bhutan, and
- Danish support for capacity development almost certainly led to improvements in the quality of these primary services and the upgrading of secondary medical services provided by district and referral hospitals.

Technical assistance has been a key element of the support to the health sector. The TA included both short-term and long-term advisers. The total for the three phases and the RWSS amounted to 543 person months, or more than 45 years, equivalent to 2.5 full-time persons for each year from 1991 to 2008.

There is a noticeable change over the period 1991 to 2009 in the way TA was used to support the health sector. Initially in HSPS 1 the TA relied mainly on long-term advisers but by HSPS 3 it had become less reliant on long-term and more reliant on short-term

advisers. Moreover, for the Social Sector Programme Support (SSPS) 2008-13, there is no TA earmarked for the health sector.

The Joint Health Sector Review of the 9th FYP in April 2009 estimated that Bhutan's development partners were contributing 45% of the MoH's budget and identified the Government of India as the largest partner, contributing 20%. This was followed by Denmark at about 14% and the UN agencies combined at about 10%. Therefore, financial sustainability appears to be more problematic as the government revenues required to pay for an expanding health system, coupled with rising public expectations, come under increasing pressure from the needs of other sectors. This pressure will undoubtedly become even more marked with the withdrawal of Danish health sector budget support in 2013.

In conclusion, it is reasonable to attribute some part of Bhutan's apparent health status improvement to the consistent and long term support it received from Denmark for social sector development. It is not possible, however, to say how significant this contribution has been, nor what might have happened if this support had not been forthcoming.

Commenting on Denmark's contribution as a donor partner, the Director General Medical Services said in December 2009: 'Danida had been excellent, had a good impact, and had been subtle in meeting requests and in filling in gap.' In addition, it had been: 'Predictable, flexible, and considerate, while also insisting on tapering down its support.'

Consolidation and sustainability challenges

Decentralisation: As further decentralisation is implemented in the 10th FYP, the MoH will be under pressure to undergo reforms and internal reorganization in order to strengthen its capacity for high level health policy making, planning and management, and to reduce its direct involvement in the implementation of vertical programmes and the direct supervision and control of PHC services. However, at present decentralisation to the *dzongkhag* level centres is mainly only for administrative procedures, including budgeting and accounting. Central control by the MoH over the *dzongkhag* level remains strong and they have little local freedom to be innovative in programme implementation.

As decentralisation progresses the MoH will need to become stronger in such areas as health policy formulation and production of guidelines for quality services, as well as for stronger supervision and monitoring of PHC and for measuring programme implementation and impact.

In order to take on more responsibilities at district level, the numbers and skills of local health staff at *dzongkhag* level will have to be strengthened, particularly for programme implementation and supervision of BHUs, ORCs and VHWs. In addition, health planning at the district level, including for all inter-sectoral matters affecting health, will need to be made much stronger and more effective.

National Health Policy and Plan: At present there is no nationally agreed health plan and health planning relies on the few broad objectives stated in the Five Year Plans and, in addition, there appears to be no overall plan for how the health sector will be financed over the next 5-10 years. The health planning function in the MoH is the responsibility of the small Policy and Planning Department which has limited capacity.

The present draft National Health Policy (September 2009) covers the Bhutan health system, disease control, medical care, and partnerships in health. Although it states broad

objectives and future intentions for development, it does not indicate how health sector planning will take place under the newly decentralised health system. Nor does it define the Bhutanese health needs and main programme priorities, or the required activities to be implemented, a timetable for action, the necessary human and financial resources, or the future financing requirements to achieve greater sustainability.

Another weakness is that the draft health policy has no outline of the health planning process and it does not indicate how planning will be achieved in an interactive manner between top-down and bottom-up processes. In addition, much of the information necessary for successful planning appears far too patchy and inadequate for future projections.

Capacity of district hospitals: All district hospitals are supposed to be capable of carrying out routine procedures and caring for severely ill patients. Quality district hospitals are widely seen to be essential in all *dzongkhags*. They also act as the referral centre for all district primary health care services and public health programmes. However, most district hospitals do not have the proposed norm of three medical doctors, nor medical doctors trained as specialists in surgery, obstetrics or paediatrics. Hence, many severely ill patients have to be referred over long distances to referral hospitals.

In addition, many existing services are of questionable quality, such as laboratory and x-ray facilities, delivery services for mothers and children, and operating facilities for caesarean sections, accidents and fractures, and acute abdominal emergencies. In many districts there is also a severe lack of available ambulances for transporting patients and transport for supervision of BHUs and ORCs.

Human resources: In spite of the establishment of a number of health educations at Bachelor and Master level, the shortage of qualified health staff will continue for at least another 5-7 years. Furthermore, there will be need for resources for attendance of specialised and advanced supplementary health education abroad also in the future. With the phasing out of the Danish support, less resources will be available for this purpose.

Quality of health data: Effective health planning and efficient health management both rely on reliable data and valid information, supplied by a strong information system. This in turn requires data from routine reporting by health facilities and programmes, as well as additional population based data provided by censuses, surveys and qualitative case studies.

The present health information published by the MoH relies primarily on monthly routine reporting by facilities and programmes from the *dzongkhags*, main hospitals and disease control programmes. The quality and reliability of this information is questionable and does not provide information on delivery of services by public health programmes. Although this deficiency is partly compensated by topical surveys and the annual household survey, the overall finding is that health data are rather scarce for instance regarding coverage based rates for essential public health programmes. There is, however, good evidence for trends in improvement in health status over time.

4.3 Support to governance and decentralisation

Governance has been a significant part of the Denmark-Bhutanese Cooperation Programme from 1988 onwards. During this period there have been considerable develop-

ments in Bhutan. Good governance is one of the four pillars which underpin the concept of Gross National Happiness, and Vision 2020, published in 1999, lays out the Government's priorities in governance, focusing on sharing the responsibility for development away from the Royal Government, on the evolution of the legal system to respond to modern challenges while retaining its Buddhist principles, on decentralisation and building real autonomy at the *dzongkhag* level and building resources human development in order to enable effective institutional evolution. A draft constitution was developed from 2001 and adopted by the newly elected Parliament in 2008⁴⁰.

Achievements 2000-02 (during the 8th FYP)

During the 8th Five-Year Plan, there was a continuing process of institutional development, with particular emphasis on HRD. The 8th FYP recognised that decentralisation, which was moving quite swiftly in terms of the increase in state employment at both *dzongkhag* and *gewog* level, would require increased capacity in planning, implementation and monitoring. Efforts were made to build the capacity of the Royal Institute of Management (RIM) to provide in-service training to civil servants, both at national, but also at local level.

The process of developing an independent judiciary also took a step forward with the adoption of the Code of Civil and Criminal Procedure by the National Assembly in 2001.

Achievements 2003-08 (during the 9th FYP)

The overall objective under good governance in the 9th FYP was to increase the transparency, efficiency and effectiveness of Government and in particular to strengthen agencies enforcing accountability and law. To this end, funding was provided to strengthen a modern legal process, to rationalise administrative control and to increase both political and administrative decentralisation. Management of public services was also to be decentralised in a results-oriented system which focused more on the user or customer.

In terms of public fiscal management, the 9th FYP had as objective to cover recurrent expenditures with domestic revenue and move towards recurrent budget surplus. Efforts were made to increase revenue yield through improved tax administration and new tax sources were introduced to broaden the revenue base.

In addition to the 9th FYP, RGoB carried out a Good Governance Plus Review in 2005. This set out a number of recommendations to ensure that key organizations within Government were in a position to address the challenges of the transition to democracy in a decentralised context.

Assessing achievements in governance as a whole is difficult to undertake, until the final review of the 9th FYP has been produced. Unlike more traditional sectors, there are no overarching ministries to which one can refer to for RGoB's perception on progress. The targets as set out in the 9th FYP are themselves very general, and not susceptible to robust evaluation. However, general developments are reported on below, along with the achievements of individual agencies within the governance sector.

There have been a number of institutional changes in anticipation of the adoption of the Constitution.

40) See Sector note on Governance for more details.

- The Election Commission of Bhutan was set up at the end of 2005, to prepare for the elections in late 2007 and early 2008. This commission started from scratch and by 2007 had finalised the election roll, trained staff, sensitised citizens and conducted two mock elections. The 2007 election for the National Council was carried out without major incident and a turn-out rate of 55%. This was followed by the election to the National Assembly in March 2008, where the turn-out was 79.45%. The election was monitored by the EU who declared that, for the most part, the election met international standards for democratic elections, though in some cases it was felt that voters were not given a genuine choice of alternative ideologies.
- At the end of 2005, a Royal Decree was issued setting up the Anti-Corruption Commission and the Anti-Corruption Act was passed in 2006. The ACC Office was set up in January 2006, and is now receiving significant enquiries from the public. Nine cases went to full investigation in 2006 and 20 in 2007. The ACC has also looked at ways of dealing with cases administratively, and working pro-actively with the Royal Audit Authority, to share information, particularly on big cases.
- The Office of Legal Affairs was transformed into the Office of the Attorney General (OAG) in 2006. This was in line with the draft constitution, and set the OAG up as an autonomous body, part of the process of a modern legal system. The judiciary continued to make progress towards achieving a modern and effective approach. Over the period of the evaluation, the percentage of cases resolved in less than 108 days has fallen, from 66% in 2000 to 47% in 2008. However the total number of cases has almost doubled during this period, which may well be due to a combination of technical improvements, and an increase in access to the judicial process.

During the period, domestic revenue exceeded current expenditure in the latter three years, producing a surplus of over 25%. All elements of revenue increased over the period, but the only factor which increased at least as much as total current expenditure was non-tax revenue. These figures are likely to change over the next decade, as they are linked to the way in which RGoB is managing its significant holdings of assets. By far the largest source of non-tax revenue is the Tala Hydro Power Authority. When the authority becomes commercialised, and moves away from its current status as a government project, then it would be expected that income be paid more as corporate income tax.

Although the country has met its overall fiscal target, it is disappointing how narrow the tax base still remains. Business and personal income tax, although increasing, still make up less than 6% of total revenue. This may reflect the low growth rate and challenges facing the private sector in Bhutan.

There has also been substantial improvement in the performance of the RAA. In the mid-1980s, all audit reports were late, and by 2006 all audit reports were on time, and clearly planned. Follow-up has also improved. The audit process has developed considerably since the passing of the Audit Act of 2006. In 2007 the RAA conducted slightly more audits than were included in the annual plan, and undertook almost as many in 2008. Follow-up has been good, and Parliament has debated the 2007 audit report in full. The 2008 Annual Report indicates that almost 84% of significant audit observations had been resolved.

*Progress in Decentralisation*⁴¹

There were significant changes for decentralised government at the start of the 9th FYP. On the *political* front, the DYT and GYT Acts were passed in 2002, and following this *gups* were elected and appointed as chairpersons of GYT. The 9th FYP was based on a decentralised planning system, and funds have been transferred directly by the MoF to both *dzongkhag* and *gewog* level, with *gewogs* having their own accounts established. A Department of Local Governance was set up within MoHCA. It is estimated that 34% of the eligible voters participated in the 2002 elections. When the 2005 elections came around, estimates are that this had increased to 40%⁴². There should have been another election in 2008, but this was delayed until the Local Government Act was passed. As set out in the Good Governance Plus document of 2005, this revised act brought together the different elements of existing legislation and incorporate legislation on Municipalities; the introduction of block grants at *gewog* level from FY 2009/2010; and a fiscal formula to guide the size of discretionary grants to the *gewog* level. There were delays in the final passing of the LGA, until late 2009 but it is expected that local elections will take place in 2010. Until then the *gups* elected in 2005 have had their three-year terms of office renewed. The *gups* elected in 2005 appear to be younger and more educated than those of 2002, who mostly came from within the existing systems. This trend is likely to continue with the introduction of functional literacy requirements for the forthcoming local elections.

There has also been considerable *administrative* decentralisation over the period. The district administration now reports to the elected body, the DT, and staff numbers at *dzongkhag* level have increased, typically to 50-70 staff at *dzongkhag* level, plus extension workers. This includes a District Planning Officer, a District Education Officer, usually with a Master's degree, a District Health Officer, a District Environment Officer and a District Election Officer, as well as a District Engineer's Office. There is no devolved authority over the number of staff at *dzongkhag* level, for example the number of teachers in the education sector, but the *dzongkhag* has the authority to transfer staff within the *dzongkhag*, to evaluate performance and to recommend promotions. District Environment Committees have been set up, with a multi-disciplinary composition, to address environmental issues in a more holistic manner. There have also been improvements in staffing at the *gewog* level. Each *gewog* should have a *Gewog Administrative Officer* (GAO) with a bachelor degree, and *gewog* accountants are being trained at *dzongkhag* level, to be located physically in the *gewogs*. This will support the functional decentralisation described below. Up to now, GAOs have been posted in most *gewogs*.

Functional decentralisation addresses issues of regulation and planning. There have been some moves towards greater regulatory decentralisation, for example in terms of environmental clearances for projects. However, other environmental licences have to be dealt with at regional level. RGoB is currently exploring the possibility of one-stop centres for decentralised access for various kinds of licences and certificates, where the authority is still centralised, but can be accessed more easily at *dzongkhag* level.

Decentralised planning was introduced in the 9th FYP, in a bottom up process whereby *gewogs* developed plans which were based on their assessments of local needs, and then aggregated at *dzongkhag* and central level. The Decentralisation Outcome Evaluation (2005) indicates that this process has been limited by the lack of capacity to forecast

41) The implications of the changes outlines here for local empowerment are discussed in more depth in the thematic paper on decentralisation and local empowerment.

42) UNDP, Decentralisation Outcome Evaluation Report, Bhutan, 2006.

needs, citing as evidence that in the block grant pilot projects, 22 out of 25 projects chosen were outside the 9th FYP. For the 10th FYP, all GYT^s have produced and endorsed *gewog* FYP, which have been published by the GNHC as part of the national plan. However, their detailed operational use, and to which degree they reflect a participatory process, is an open question.

Fiscal decentralisation has accompanied functional decentralisation, and each FYP has gradually increased the level of responsibility at local level. The 9th FYP projected that local government would be allocated 24.5% of total plan financing. It has not been possible to assess to what extent the final outcome figures reflect this⁴³. However, the Decentralisation Outcome Evaluation indicates that, although there have been improvements in the funds flow process, compared to under the 8th FYP, there are still major issues in terms of the timing. *Dzongkhags* submit plans in the early part of the year (after January) but no real design and preparation for capital works seems to take place until the budget is confirmed in August-September. Effectively this leaves only six months for actual implementation, once time is allowed for preparation, contracting etc. In some parts of Bhutan, implementation may not be possible during the winter months. Although it may be possible to roll over funds, this has to be applied for and is a lengthy process with no guarantee of success⁴⁴.

HRD for decentralisation has been heavily dependent on donor funding. All *gups* received training at the RIM to allow them to carry out their duties. In 2007 the Local Government Act was passed by the National Assembly, though it was another two years before it was revised to include the urban aspects, and passed by the Parliament. During this period two donor-funded programmes were implemented which built capacity at local level, and also piloted Block Grant pilot projects.

Progress after 2008 (during the 10th FYP)

The 10th FYP lays out a number of challenges for governance, in terms of enhancing capacity at central and local government levels to enable greater professionalism in the context of democratisations and decentralisation. The Plan notes that Bhutan will be making its transition to a democracy during the plan period. The ability to do this by establishing relevant institutions and mechanisms for democratic governance will be critical in determining the country's future path. The Plan also sees good governance as important in accelerating poverty reduction, by enhancing the effectiveness of development assistance.

This has been, to some extent, a period of consolidation in Bhutan in terms of governance. There have been major changes in the recent past, particularly in terms of the development of the Constitution and the introduction of parliamentary democracy. To date these have occurred with only very limited obstacles. The evidence from organizations such as the ACC indicates that Bhutan is slowly embracing the concept of the involved, participating citizen. Complaints are increasing, not just at the level of the ACC but also at *dzongkhag* level. Where *dzongkhags* have complaints boxes, they are being used much more than in the past. The evaluation was told by many officials that they are now being challenged more by citizens, not because conditions have necessarily deteriorated, but because people are exercising their democratic rights.

The media has proliferated and has played an important role in holding Government, both the legislature and the executive, to account. In 2000, there was only one newspa-

43) The evaluation team had hoped that the final review of the 9th FYP would be available and could contain such an assessment.

44) The evaluation found that this was still a concern at *gewog* level in late 2009.

per, which had developed from the government press. By 2009, there were five private newspapers and four radio stations. BBS has expanded access with regional transmitting stations. Bhutanese are also using new media channels, such as the internet and blogging, to debate current events. Some of the strength of the media can be attributed to past Danish assistance. The evaluation was informed that many of the journalists and technicians in the more recently established newspapers had their training at *Kuensel*, with Danish support.

Progress appears to be slower at the level of decentralised governance. This partly reflects the delays in legislation outlined above. However, despite greater regionalisation of radio, and wide availability of *Kuensel*, and despite increased IT linkages between the centre and the districts on the government side, information flow between centre and districts does not appear to be quite as well established and clear as might have been hoped by now. Some of this could be improved by clearer and more frequent communication between districts and the centre. There have almost certainly been some improvements over the decade which are likely to continue, as more decentralised offices are established and properly staffed and functioning.

The same process for planning has been used for the 10th FYP as was used for the 9th FYP, and 80% of the annual grant allocated to the *dzongkhags* and *gewogs* must be used for projects identified within the district plan. It remains to be seen whether this will prove to be a constraint by year four of the plan implementation. Local communities now also have access to funding through the MP's Constituency Grants, which are not constrained in this manner. Their use may highlight some of the limitations of the current planning process, and of the weakness of the central/local government relationship.

The process of allocating annual block grants to *dzongkhags* and *gewogs* started in July 2009. A Resource Allocation Framework was introduced which determines, on the basis of population, geographical size and poverty level, the amount of capital resources going to the *dzongkhag* and *gewog* level. The budget notification is sent out to *gewogs* to facilitate the annual planning and budgeting process. When the GYT (and in the future the GT) has agreed on the *gewog* work plan and budget, it is forwarded to the DYT (in the future DT), to ensure that it corresponds to national requirements, including correspondence to the priority areas of the 10th FYP. This is then sent to the GNHC and the Department of National Budget for endorsement and subsequent incorporation into the National Budget. This is an advance on the previous system, whereby the *gewog* budget was based on individual negotiation, with no real planning or budgetary control. However, in contrast to the devolvement of planning responsibilities, which seems well embedded, there is still considerable central control over the disbursement and use of funds, with the 10th FYP very much serving as the overall framework. Allegedly, since July 2008 MoF appears actually to have accommodated all endorsed requested received from the *gewogs*.

The Civil Society Organization (CSO) Authority was set up in March 2009, to provide oversight of, and support to CSOs. At the end of 2009, registration of CSOs was about to begin. It is expected that in 2010, a Fund Facility to strengthen the capacity of civil society will be operational, the management of which has been contracted to a Bhutanese consultancy company.

There are no formal barriers to women's participation in local decision-making, but the results of the 2007/8 Gross National Happiness Survey indicate that there are strong

cultural barriers, reinforced by poor literacy in adult women, which result in them taking a passive role in local decision-making.

Factors influencing outcome achievements

RGoB has addressed issues of governance in a very systematic fashion, setting out first of all a reform programme for the public service, then a draft constitution and finally the Good Governance Plus document which set out road maps for individual organizations. The role of the RCSC has also been influential in terms of the control it maintains over staff training and placement, ensuring that new organizations are staffed (even if there are few individuals with appropriate qualifications and experience in the country) and then exposed to either training or study visits which can assist them in carrying out new duties.

There have been ambitious efforts to enlist new IT in support of individual organizations' short- and medium-term objectives, particularly in overcoming obstacles presented by the topography of the country, to enable greater decentralisation and improving access to services.

The one area where more could have been undertaken to assist in improving achievements is in setting up targets for individual organizations, and ensuring monitoring systems are in place to assess how well those targets have been addressed. The basis for systematic assessment are in place in most organizations, some of the newer organizations set up during the 9th FYP have effective reporting systems, but more needs to be done, particularly in the districts, to roll these out more generally.

Institutional assessment

Effective institutions, both at national and local level, are key to improving governance performance. Individual organizations need to function effectively and they also need to function in a well-coordinated manner.

At the national level, there are no obvious major institutional deficiencies. The 2006 evaluation examined the RAA and the Division of Revenue & Costumes (DRC) from an institutional perspective and indicated that both these organizations had shown considerable progress towards becoming modern effective bodies fulfilling their mandate. The same can be said for governance organizations: the Election Commission has effectively conducted two elections; the National Assembly and its Secretariat are responding to the challenges of a more democratic electoral process and its role in overseeing the accountability bodies; the ACC has improved performance over the time since it has been set up, and has helped foster an environment in which corruption is addressed by both government and citizens; and the RIM played an important role in training government cadres, both at national and local level. There are concerns about the number of legally trained staff available to support the move away from a traditional to a more modern legal system, particularly in terms of the OAG and the private sector. There have been major increases in the number of trained judges at all levels, but much less improvement in lawyers available to present cases in court.

At the local level, institutional capacity is less well developed and this is increasingly important as services come increasingly under the mandate of local authorities. An important dimension of local service delivery is whether every local government and community has equal capacity to absorb resources efficiently and effectively, or has equal access to goods and services. Despite increased efforts to channel goods, services and investments

to rural areas, some communities have not benefitted as much as others, in part because of constraints of low knowledge, expertise, technological capacities, shortage of skilled manpower and isolation. Having access to services does not indicate use of services.⁴⁵ In addition, some sectors have not been able to deliver services as effectively as others. The Bhutan Poverty Analysis Report, (PAR 2004) mentions that services in the industry and agriculture sectors have been chronically affected by low levels of labour productivity. Certain communities lag behind in socio-economic indicators either because they are isolated or face a shortage of personnel to deliver services.

The capacity of local government to deliver services effectively is also constrained by lack of an institutional framework for coordination even among different sectors. RNR tries to deliver agriculture sector services in a package comprising of forestry, livestock and agriculture services, but when it comes to actual delivery, this happens independently. The GT members who spearhead the local service delivery plans and programmes often lack knowledge on resource analysis, prioritisation of services and activities and financial management for effective service delivery planning.

The capacities of the *gewogs* vary across districts; some are at the state where they can fulfil functions and responsibilities devolved to them whereas some GTs are not. Therefore, for the future government support it is important to carefully review the capacities of respective GTs based on their track records, and decisions to assign responsibilities and power of each service delivery activity should be based on the absorptive and implementation capacities of respective GTs. Where necessary, this should be accompanied by reasonable support from the central ministries to the weaker GTs.

In order to enhance the effectiveness of local service delivery, decentralised reform is supposed to result in civil servants being posted closer to rural residents so that they can reach out to the community frequently and whenever their services are required. However, as reported by several local civil servants, there are many challenges faced by the local staff such as low number of technical personnel, a wide scope of responsibilities, limited budgets, poor means of transport and lack of incentives like limited rural travel allowances and training opportunities. It seems therefore relevant to look at addressing these problems, and delegating staff, equipment and other materials as per the magnitude and nature of functions and responsibilities assigned to the local governments.

Given the limited capacities of GTs to handle all aspects of service delivery activities, new avenues of cooperation should be explored, particularly with community-based organizations and private sector entities.

Role of Danish support to the governance sector

During the period of the evaluation, Denmark has provided support through three governance programmes: Good Governance/Public Administration Reform Programme (GG/PARP) from 1998-2002 (DKK 42 million); GG/PARP II 2003-08 (DKK 53.9 million) and the current Good Governance Support Programme (GGSP) (DKK 50 million). Prior to the full programmes, and later to complement the support programmes, a significant number of projects have been funded by the Local Grant Authority, e.g. supporting the judiciary, media, Anti-Corruption Commission and the Election Commission. Over 50% of the LGA during the period 2000-09 has gone to projects classified under Government and civil society.

45) Planning Commission (2007): Rapid Rural Impact Assessment, p. 23.

In GG/PARP support went primarily to the administrative sector in Government, with some support going to ongoing programmes in the media. The support to administration took the form of IT support to systems and hardware in DRC, Royal Audit Authority (RAA) and Royal Civil Service Commission (RCSC)), HRD support (DRC, RSCS, RAA and RIM), infrastructure (RIM), TA (MOIC) and TA (DRC). These were critical inputs in establishing more professional systems for administration and management. In addition, technical support was given to DRC to support tax policy reform. Through its support to RCSC, Danida helped to coordinate national HRD efforts. Support to media was given to Kuensel and Bhutan Broadcasting Service (BBS), in terms of HRD for financial management and support to BBS for the expansion of FM transmission. These inputs helped develop the sustainability of Kuensel, and increased accessibility to the services of BBS.

GG/PARP was followed by GG/PARP II, in 2003. This programme had as overall objective to promote administrative efficiency and professionalism, strengthen the rule of law and enhance popular participation in decision-making, all consistent with the 9th FYP. GG/PARP II had four components:

- (i) to support the key institutions working towards decentralisation in Bhutan
- (ii) supporting existing and potential new legal institutions to be established under the Constitution
- (iii) support to the Bhutan Broadcasting Service, and
- (iv) phasing out support to the DRC and the RAA, which had been supported under GG/PARP Phase 1.

In the programme document the following five outputs are identified:

1. A policy and strategy framework established for the implementation of decentralisation of tasks and responsibilities in accordance with the 9th FYP and the newly approved Chathrim for DYT and GYT
2. The capacity of selected segments of the Bhutan civil service enhanced to fulfil tasks and responsibilities within the decentralised task and responsibility structure
3. Enabling legislation and rule of law established and sustained at all levels of society
4. BBS' potential as an important player in GG and in the democratic, social and cultural development of the country strengthened through increasing the number of audiences and decentralising the programme production and through reinforced professionalism and capacity to produce interactive media programmes
5. Core fiscal institutions strengthened as a prerequisite for fiscal decentralisation

GG/PARP II provided support to all of the organizations assessed above. Support was supplied and used strategically, to build IT systems which make governance more cohesive and linked, to provide a few key TA inputs, and build capacity through a mix of ex-country and in-country training, and also study tours which, in the context of an evolving democracy with new institutions, have been key in exposing staff to ways in which

problems new to Bhutan have been addressed in other parts of the world. The combination of study tours and twinning has been particularly appropriate in this context. In 2006, a grant was also provided to the Anti-Corruption Commission under the Local Grant Authority (LGA) for support to the development of their investigative capacity. Under LGA, Denmark also funded the construction of regional and district courts in Samtse, Samdrup Jongkhar and Gaylephug Courts in this period. Funds were also granted to build courts in Monggar and Tashigang, which are still ongoing. Denmark supported the SAARC Law Conference in 2007, through the LGA.

Denmark was the main source of external support for some of these organizations. For example, it was the only development partner supporting the DRC throughout the period, and Denmark provided between 6% and 14% of their total funding. The RAA received some support from UNDP in 2005/06, but otherwise Denmark was the only other source of external funding, providing between 5% and 21% of total funding. Other organizations, such as BBS, AAC and ECB, have received support from a number of organizations, thus making attribution more difficult. Both the 2006 evaluation of capacity development, which addressed three of the organizations supported under GG/PARP II and the draft Project Completion Report indicate that the objectives of the Danish support were achieved. This evaluation sees no reason to contest this view.

The Good Governance Support Programme, of May 2008, sets out three components where Denmark will provide support to Bhutan in the area of Governance:

1. Support to democratic institutions, viz. the National Land Commission and the Judiciary (28%)
2. Funding to the Local Government Support Programme, a Joint Programme with UNCDF, UNDP, and other bilateral partners (50%)
3. Support to non-state actors, comprising support to the establishment of a Civil Society Organizations' Authority and the funding of a Civil Society Organization fund facility. (10%).

In addition 8% of the programme is in unallocated funds, and 4% is for reviews and studies. Support to the National Land Commission has taken the form of provision of a consultant to assist in the formulation of a national Land Policy, plus support to a cadastral resurvey, in the form of essential equipment for surveying and for the electronic processing and accessing of results. A final draft of the Land policy is almost ready. The cadastral resurvey will not only collect information about land holdings, but will establish boundaries where these have been in dispute and will also lead to the allocation of government land currently being used privately.

Denmark's support to Local Governance was reviewed in August – September 2009. The support is through a joint programme, LGSP, with UNCDF and UNDP⁴⁶. Denmark is contributing DKK 20 million for budget support block grants to *dzongkhag* and *gewog* level, which is 62% of the total programme budget, and an additional DKK 5 million for

46) It was originally hoped that the whole GG programme could be developed within a joint framework with other development partners. However, it was decided that there had been insufficient interest from potential partners to take the framework forward, and instead only the support to local government was developed on a joint basis.

support to capacity building and policy support for local government. There have been delays in the overall implementation of local government reform, because, as mentioned above, there have been delays in passing the Local Government Act.

Progress has until lately been limited in the third component of the GGSP, support to civil society. The CSO Authority was set up in March 2009, although the Act itself was passed in 2007. At the end of 2009, registration of CSOs was about to begin. 43 applications had been received, though it is not clear that all of these will be able to comply with the requirements, which include articles of association and a work plan. The Danish-funded CSO Fund Facility has recently (June 2010) been joined by two NGOs, the Dutch SNV and the Swiss Helvetas.

Assessment of Danish Support

Denmark has supported all three branches of Government (the legislative, the judicial and the executive), both during the 1990s and in the last decade. This support has predominantly taken the form of funding for infrastructure, IT systems, HR, study tours and twinning and TA. All these have helped both existing and new organizations to adapt to new challenges, through improving capacity, building better systems and simply providing the hardware to enable them to do their work.

This has always been in response to requests from the RGoB, and has very much reflected their needs. In some cases, Denmark has been the only development partner providing support to a specific organization, in other cases, such as support to local governance, Denmark has worked with partners to provide harmonized support. In all cases the support has been highly valued by the recipient organization.

Given the changes in the governance environment, Danish support has been effective in enabling the concerned organizations to improve their capacity. A tracer study carried out in 2008⁴⁷ shows that Danish support covered 59% of the total training allocated in the HRD Plan to the seven relevant organizations, and that less than 1% of staff trained had since left the organizations. There has not been a similar study on the use of IT systems provided by Denmark, but the evaluation feels that these have been well utilised, particularly to improve communications between districts and the centre.

Overall, Denmark has played an important role in helping Bhutan access the knowledge and capacity it needs to adapt to the changes it faces in creating a modern state while maintaining key elements of its traditional culture.

Consolidation and sustainability challenges

The governance sector in Bhutan is still evolving, and will continue to do so in the foreseeable future. Bhutan is a small country and views on the appropriate size of organizations which address issues of accountability and transparency will most likely evolve over time. Danish support has been critical in helping build capacity, and the most appropriate approach to consolidating achievements in the sector will be to continue to address capacity issues.

The challenges faced by the sector are very much a reflection of the speed of change in moving to a less traditional and more 'modern' professional approach in a short period of time. The speed of change means that in some areas shortages of key staff have developed, and in others, such as the ACC and the ECB, staff are learning by doing, in most cases very effectively, with help from exposure to these institutions in other countries.

47) Wangchuk and Tamang, (2008) Tracer Study Report: GG/PARP II.

In the governance sector, the evaluation was made aware that there are significant shortages of trained legal personnel, in particular in the government service. This appears to be less of a problem in the judiciary, but changes in the law are increasing demands on government lawyers to conduct prosecutions in criminal cases. In addition, the OAG wishes to open three regional offices to improve coverage and time of response, all of which will have to be staffed. At the same time, there are very few private sector lawyers who can act as defence lawyers in criminal cases.

The other major area of challenge is the effective building of capacity in the *dzongkhags* and *gewogs*. There has been major progress in posting professional staff at both *dzongkhag* and *gewog* level, but there is need also for training of GT members, to enable them better to carry out their responsibilities in areas such as planning and implementation. The position of GAO has been established in all *gewogs* to support the elected members in matters of administration, and to be responsible to the *dzongkhag* for reporting on administrative matters, and many *gewogs* will shortly have a *gewog* accountant in place. However there is still need for capacity building for the newly elected members, and this will have to be carried out on a continuous basis, as turnover is reasonably high.

The 2009 JAR expresses concern about the comprehensiveness and depth of the current Integrated Capacity Building Plan (ICBP), in terms of both the extent of facilitation and support included in the overall roll-out, as compared to that included in the pilot districts. Also the JAR felt that it did not include all stakeholders. This is a very immediate challenge, given the current roll-out of the capital grant. Denmark has an important role to play in the LGSP Steering Committee, to raise some of these concerns, particularly about the ICBP, but also about some of the more general challenges facing local governments, and to be vigilant to ensure that the outcomes of local elections, and the implementation of the LGA are monitored appropriately.

4.4 Support environment and urban management

The RGoB is faced with the challenge of maintaining the pristine environment while at the same time extending development to its isolated mountain communities. Pressures are also mounting in the form of agricultural modernisation, urbanisation, industrialisation, infrastructure development, population growth, globalisation and climate change. In addition, Bhutan is vulnerable to the negative impacts of climate change despite its very insignificant contribution to global warming⁴⁸.

Hence, one of the biggest challenges faced by the democratic Government is to strike a balance between providing the population, especially the increasing number of young entrants to the labour market, with adequate economic opportunities and at the same time ensuring that the uniqueness of the Bhutan natural environment is maintained. This dilemma, which is subject to considerable concern and debate, is often called the 'middle path' to development.

The Government of Bhutan distinguishes between three 'pillars' related to environment and urban development, viz. environmental management and protection handled by the National Environmental Commission (NEC); nature conservation handled by the Ministry of Agriculture (MoA); and urban management and development handled by the Ministry of Works and Human Settlement (MoWHS).

48) More details can be found in the sector note on Support to Environment & Urban Development.

Achievements 2000-02 (during the 8th FYP)

During the 8th FYP period (1997-2002) the focus was on further development of the legal foundation for environmental management, on consolidation of the recently established National Environment Committee (NEC) and its secretariat, on strengthening natural resource management, and on provision of basic urban services with special attention to the cities of Thimphu and Phuntsholing.

Development 2003-08 (during the 9th FYP)

Similar to the 8th FYP, the main environmental theme of the 9th FYP is the pressure on the natural resources caused by the rapid pace of economic development, including population pressures, agricultural modernisation, hydropower and mineral development, industrialisation, urbanisation, and infrastructure development. Land degradation, soil erosion, loss of vegetation, deforestation and increased pollution are some of the challenges highlighted by the plan. In order to successfully integrate environmental concerns with economic planning there is, according to the plan, need for (i) baseline information on key environmental indicators; (ii) environmental legislation based on environmental quality standards; and (iii) effective monitoring mechanisms and effective enforcement procedures’.

While the Bhutan Environment Outlook 2008 offers an excellent overview of the state of the environment, it contains very few time series data allowing an evaluation of the development over time. The only areas for which data were found are access to safe drinking water and sanitation. Hence, according to data collected by MoH, the share of the population with access to safe drinking has increased from 67.4% in 2004 to 83.2% in 2008, while the share with access to a sanitary facility has gone up from 74.7% to 90.8% during the same period. For reasons mentioned above, other assessment of achievements during the 9th FYP have to be based on qualitative sources, of which documents produced in connection with the Danish support constitute an important part.

Environmental protection and management: There has been a discernible and progressive shift from focusing on national level capacity development to strengthening institutions at the regional, *dzongkhag* and *gewog* levels (Joint Review, Sep. 2008). The same source found that an effective national environmental assessment and clearance system has been established by NECS and environmental concerns are slowly becoming part of decision making in sector ministries, district towns and in the private sector. Other achievement during the 9th FYP include enactment of the National Environment Protection Act in 2007, publication of the urbanisation strategy 2008 and a survey on Solid Waste Management as part of the preparation of the Solid Waste Management Act. Steps were taken to establish an Environmental Information Management System (EIMS) and the Bhutan Environment Outlook 2008, the second State of the Environment Report mentioned above, was published. A draft Water Act to provide the legal framework for the management of water resources was finalised, but returned to NECS for revision.

In its own view, MoEA as the key agency for industries and mines has developed an ability to balance its role as promoter of industries and enforcer of environmental regulations. Furthermore, it has – with Danish support – been able to create awareness and knowledge in the industry and mining sector about environmentally acceptable ways of developing it.

As regards decentralised environmental management, District Environmental Committees (DEC) were established in all *dzongkhags* and *Dzongkhag* Environmental Officers

(DEnO) mandated to issue environmental clearance on certain issues appointed in all 20 *dzongkhags*. At the central level, on the request of NECS, MoEA, MoWHS, MoA established environmental units (EUs). In spite of these achievements, the Outcome Study (Nov. 2009) found that environmental planning at the *dzongkhag* level is in a preliminary stage.

Natural resource management: A key area of Danish support relates to decentralised natural resource management (NRM). The experience suggests that the capacity at local level to prioritise and implement such initiatives is limited and reinforced by long-standing difficulties in financial and administrative coordination between local and central institutions (Component Completion Report, Nov. 2009). ‘The main constraint in general at the *gewog* level in the short term is availability of a local RNR development (recurrent and capital) budget rather than local RNR skills and capacity’ (Lessons Learned Study on Decentralised NRM, Sep. 2008).

Urban management: Several important pieces of policies and legislation were drafted or came into existence during the 9th FYP, including the Bhutan Planning Act and the Urban Environmental Management Policy. Also, Land Pooling Rules based on the Bhutan Land Act of 2007 were prepared. In general, the drafting of the legislation took longer time than envisaged due to shortage of legal capacity in MoWHS. As regards the important Municipal Finance Policy, the draft policy document was finalised only recently and is pending Cabinet approval, but has been endorsed by the Minister for Works and Human Settlement. Implementation of the policy is critical for the establishment of municipal structures and thus the sustainability of the Danish-funded infrastructure projects.

As part of the effort to improve access to basic urban services, initiatives were taken to establish facilities such as water treatment and supply schemes, sewerage plants, solid waste landfills, drainage, car park areas, pedestrian paths, and street lights in five towns (Samtse, Damphu, Gelephu, Trashigang and Gyelposhing) of Bhutan, all with Danish funding. In addition, waste collection trucks and waste compressors for solid waste management, and office vehicles for site inspections and delivery of public services have been procured. While planning and construction started during the 9th FYP, some facilities were not operational until the beginning of 2010. Furthermore, urban development plans have been completed for all five towns and campaigns initiated with the objective to create awareness about the importance to pay for these services.

The Lessons Learned Study from October 2008 found that private contractors were conducting most of the construction work but some problems were noted with regard to tendering procedures and the capacity of contractors, i.e. under-bidding and the practice of always awarding contracts to the lowest bid, resulting in unsatisfactory work and delays. The study noted that it is impossible to estimate to what extent the urban services are available to underprivileged groups, the intended objective of the Danish support, as no monitoring of coverage in social or socio-economic terms was undertaken.

In each of the five towns, a separate municipal office has been established outside the *dzongkhag* administration, but the administrative and financial formalities remain vested within the *dzongkhag* administrations. Furthermore, town committees comprising a mix of businessmen, former government employees, ex-military personnel, *dzongkhag* and municipal officials have been formed, although they have no statutory status.

Reportedly, no substantive decentralisation of urban management and administration had taken place during the 9th FYP although municipalities were allowed to retain the water charges and separate municipal offices had been established (in physical terms). The study states that administrative systems and roles and responsibilities of town administrations had not changed since 2004. The lesson learned, according to the study, is that the decentralisation process takes more time and is more complex than assumed in 2004 when the component was designed (Small Town Component Lessons Learned Study 2008).

Progress since 2008 (during the 10th FYP)

In the 10th FYP environment is seen as a cross-cutting development theme. The plan maintains the strong commitment to environmental conservation found in the 9th FYP, while recognising the need to improve and sustain rural livelihoods as well as meet the challenges of increased economic growth and urbanisation. There is an increased focus on mainstreaming of environmental issues into sector policies, plans and programmes, as well as developing the appropriate strategies, legal and technical instruments, as indicated by the Poverty Environment Mainstreaming Guidelines developed in 2009. Within the renewable natural resource sector, the 10th FYP identifies improved and participatory management of natural resources and the sustainable utilisation of forests, land and water as one of the crucial mechanisms for poverty reduction.

There is not yet any assessment of the achievement of the 10th FYP available; however, there are indications of a discernible and progressive shift from focusing on national level capacity development to strengthening institutions at the regional, *dzongkhag* and *gewog* levels. This is well in line with the objective of the Danish support.

Factors influencing outcome achievements

Environmental conservation and natural resource management has always enjoyed a high priority in Bhutan's development agenda. While the Constitution sets the overall national goals in Article 5, the specific targets are spelled out in the five-year plans. It is interesting to note that the 10th FYP considers environment a cross-cutting theme rather than a sector, whereas urban management and RNR are discussed as specific sectors.

Apart from the effect of the strong support by the His Majesty and the Government, the marked improvements in the field of environmental and natural resource management experienced over the last decade can be attributed to a strong popular environmental consciousness combined with massive support from international partners. Alongside substantial investment in building up a cadre of qualified environmental specialists, extensive technical advice is the main international inputs into the development of a framework for sustainable environmental and natural resource management. A UNDP/UNEP study⁴⁹ estimated that donor financing accounted for approx. 34% of the total public environment expenditure during the 9th FYP period. However, a substantial number of environmental projects are 100% donor financed, including total current expenditure.

The public debate on environmental challenges facing Bhutan is limited. Reflecting the political culture of Bhutan, few non-government players challenge the policies and practice of the Government. Civil society organizations are yet too weakly organized to become strong dialogue partners, and the few environmental NGOs operating in the

49) Draft Report on Public Environment Expenditure Analysis of the Royal Government of Bhutan for the 9th FYP Period. Funded By: UNDP/UNEP. No year.

country such as the Royal Society for the Protection of Nature and WWF are directly involved in implementation of the Government's programmes.

As a result of the increasing pressure on urban facilities, urban management issues figure prominently in both the 9th and 10th FYP with special attention to affordable housing, access to urban services, urban planning and strengthening of municipal authorities. Especially the 10th FYP emphasises that the Government does not have the means to provide affordable housing for low-income groups and provide funds for the required investments in urban infrastructure at the same time. Furthermore, the Government is partially dependent on donor support for operation and management of utilities such as water and sewerage treatment facilities and handling of solid waste. Hence, the main factors contributing to the achievements in the areas of urban management include the political attention to the consequences of the fast urban development and the decentralisation thrust, availability of external funding of basic urban infrastructure as well as investment in development of the necessary human resources for management of the future municipalities.

Also CTEM enjoys support from the Government, but it seems as if the interest in CTEM issues is less manifest than that in other environmental matters. The limited resource allocated to management of the 'brown' environment is an indication of this. The fact that the Bhutanese industry is relatively little developed and often experiences difficulties competing with products from other countries means that the willingness to invest in cleaner technology and other environmental friendly measures is not very high. Furthermore, in-country expertise in this field is limited. There are no significant interest organizations lobbying for CTEM. As a result, although CTEM is on the agenda of the NEC, achievements within this area are widely the result of foreign support, especially from Denmark. The Government's increasing attention to the development potentials of the private sector may cause more interest in CTEM issues.

Institutional assessment

There are no indications that the attention given to environmental and nature conservation issues will diminish in the future. On the contrary, the effect of climate change on the Bhutanese environment is likely to raise the interest in these topics. Some few informants expressed concern regarding the consequence of the introduction of party-based democracy, arguing that the politicians would be tempted to relax the enforcement of environmental protection in order to spur economic growth. However, so far, there are no signs of this happening.

Reflecting the complexity of the environment and urban sectors, a considerable number of organizations are involved in executing the Government's policies. These include the National Environment Commission Secretariat (NECS), Min. of Economic Affairs, Min. of Agriculture, Min. of Works and Human Settlement (Department of Urban Development and Engineering Services/DUDES), as well as the *dzongkhag* administrations. The Capacity Development Outcome Evaluation of Danish support to Bhutan from 2006 reviewed the organizational capacity of NECS and DUDES of the MoWHS.

NECS: The 2006 Evaluation found that NECS, apart from water management, has achieved high technical sustainability with good capacity in environmental management. The staff members are well trained and staff turnover is relatively low. The 2009 Outcome Study noted that dearth of human resources is a serious constraint hampering NECS' capacity to undertake the multiple and expanding range of tasks 'required to

institute measures to integrated environmental management in the overall development process and ensure environmentally sustainable development. The dearth of human resources has been further compounded by staff absence for long-term training and departure of a number of qualified personnel.’ for more attractive employments. The observations by the evaluation confirm this impression.

MoA: Management of Renewable Natural Resources, nature conservation and management of protected areas is the responsibility of Ministry of Agriculture⁵⁰. MoA is represented at central, regional and local level down to *gewogs*. Several reviews have noticed that the Policy and Planning Division of MoA, which was the executing agency of the Decentralised NRM component, is short of qualified staff and has experienced difficulties in undertaking its intended coordinating role. MoA has never established the Environmental Unit which NEC requested it to set up, but a Watershed Management Division has been established recently and a Water Resources Coordination section was established in NEC. At *dzongkhag* and *gewog* level, sufficient qualified RNR staff appears to be available.

MoEA: The Environment Unit of MoEA is the most active of the ministerial EUs established on the request of NEC. There are conflicting views on the capacity of the EU. While several reviews mention that the EU is reasonably well staffed, the present evaluation was informed that the size of the EU has been steadily diminished and no replacements are expected in the immediate future. However, MoEA has a network of relatively competent inspectors who also deal with environmental supervision and guidance. But at the same, according to the NECS violations of existing rules and regulations seldom lead to legal action. As regards CTEM, the technical expertise of MoEA staff is limited and its ability to guide the industry inadequate.

DUDES (MoWHS): The capacity of DUDES is critical for the outcome achievements in relation to urban management and access to urban service. The 2006 Evaluation found that DUDES have a dynamic leadership and well qualified staff with strong technical competence. The 2006 Evaluation also noted that apparently the coordination between DUDES and other ministries is not optimal when it comes to the design of infrastructure such as schools. DUDES face a challenge of attracting and retaining an adequate number of qualified technical staff due to competition with the private sector for engineers. The findings by the present evaluation confirm this impression. The management of DUDES stated that resource constraints are hampering its ability to provide feedback to *dzongkhags* and municipalities and means compromises on the supervision of new infrastructure projects. An Environment Unit has been established, but is almost inactive.

Dzongkhags and gewogs: With the establishment of *Dzongkhag* Environment Committees and appointment of *Dzongkhag* Environment Officers (DEnO), the *dzongkhags* are quite well positioned to deal with environmental and nature conservation matters. However, it is the impression of the evaluation that there is scope for improvement of the coordination of the activities of RNR officers, the DEnOs and other relevant *dzongkhag* level structures. Hence, environmental planning at *dzongkhag* level is not very advanced. As regards *gewogs*, the RNR officers that can be found in almost all *gewogs* appear to be conversant with basic environmental management issues.

Institutional and organizational sustainability: Several of those interviewed hinted that

50) MoA is divided into three departments reflecting the three pillars of RNR: Agriculture, livestock and forestry.

Denmark somehow decided to phase out the support before the mission was fully accomplished. While the legal framework regulating environmental management and urban development is by and large in place and the corresponding institutional structure created, the actual implementation capacity is insufficient and inadequate. It was generally reported that enforcement of existing rules and regulations poses a problem due to lack of resources and expertise.

Danish support to environment and urban development

Danish involvement in the environment sector in Bhutan started on a project basis already in 1990 through various activities: (i) assistance to establish the National Environment Commission (NEC) Secretariat, (ii) reduction of air emissions from the Penden Cement Plant, and improvement of occupational health standards at the plant, (iii) establishment of a land use planning facilities in the Ministry of Agriculture, and (iv) provision of funds for the Bhutan Trust Fund for Environment Conservation.

This was followed by the Environmental Sector Programme Support (ESPS) 1998-2003 and the Urban Development Sector Programme Support (USPS) 1999-2003. These programmes were subsequently merged in the Environment and Urban Sector Programme Support (EUSPS) 2004-09. A continuation, Sustainable Environment Support Programme (SESP) with a capacity development component 'Joint Support Programme: Capacity Development for Mainstreaming Environment, Climate Change and Poverty Concerns in Policies, Plans and Programmes', together with UNDP/UNEP, was approved by the Danida Board in October 2009.

The ESPS 1998-2003 was designed to respond to the priorities of the National Environmental Strategy. Hence, the programmes focused on three main areas; (i) renewable natural resource management, (ii) bio-diversity conservation and (iii) pollution abatement and environmental management in industries. Besides the technical issues, the programme included institutional development aspects as well as human resource development activities. The programme was extended till March 2004 by means of unspent funds. ESPS, which has an aggregated budget of DKK 85 million, excluding long-term TA. The programme had five implementing organizations: NEC (legislation and regulatory functions), Ministry of Agriculture (MoA) (land-use, nature conservation, natural resource management), MoHE (environmental education), Ministry of Trade & Industry (cleaner technology, environmental management), and RSCS (human resource development). Certain activities were extended till 2005 due to implementation delays.

The USPS 1999-2003 was designed to focus on three areas: (a) policy development (Ministry of Communication (MoC)), (b) delivery of basic urban services (Thimphu and Phuentsholing City corporations, and MoC), and (c) strengthening of the planning capacity of local governments (*dzongkhag* administrations). The programme was designed according to the priorities of the 8th FYP, but an attempt was made during the last two years of implementation to adjust it to the emerging 9th FYP which came into existence in 2003. Due to slow disbursement, the programme was extended by one year till the end of 2004.

From 2004, the support to environmental and urban management was amalgamated into one programme. The EUSPS 2004-08, which had a total budget of DKK 110 million excluding long-term TA, consists of five components:

- (i) Component 1: Environmental regulation and management at national and local level (NECS) (DKK 9.7 million)
- (ii) Component 2: Decentralised natural resources management (MoA) (DKK 15.7 million)
- (iii) Component 3: Implementation of environmental regulation and promotion of cleaner technology and environmental management in industries and mines (MTI) (DKK 7.9 million)
- (iv) Component 4: Support to urban sector policy, planning, legislative framework and HRD development (MoWHS) (DKK 8.6 million), and
- (v) Component 5: Urban development and management in district towns (MoWHS) (DKK 44.9 million).

In addition, DKK 8.4 million were not allocated for any specific purpose, while the remainder of the budget was set aside for reviews, administration etc. As was the case for the previous programmes, implementation delays have caused an extension of the programme. Some activities will continue into 2010.

The Sustainable Environment Support Programme (SESP) 2010-13 is intended to address the environment, climate change and associated poverty concerns as expressed in the 10th FYP and to use the experience gained to help prepare the 11th FYP. The main thrust of the SESP is to support local governments with plan preparation and implementation, while also supporting the development of the national framework that would provide appropriate strategic directions and guidelines to local governments. The launch of the programme is supposed to coincide with the promulgation of the Local Governments' Act 2009, which constitutes the administrative, regulatory, financial, planning and implementation framework. The SESP will provide DKK 40 million as budget support to the *Gewog* Annual Capital Grant. In addition the SESP through its component 'Joint Support Programme (JSP)' will provide complementary support to capacity development of central and local government officers and local councillors; and preparation of guidelines that can sustain the mainstreaming process (DKK 20 million). JSP is co-funded by UNDP/UNEP (USD 860,000).

Assessment of Danish support

For a decade, Denmark has played a vital role in relation to environmental management and urban development in Bhutan with special attention to the legal and institutional framework for environmental and natural resource management and urban (small town) development. In other areas such as nature conservation and biodiversity the role of Danida has been less pronounced.

Hence, Denmark has made a vital contribution to all major achievements in the areas of environmental legislation and management, decentralised natural resource management, cleaner technology and land-use planning. Furthermore, as regards urban management and planning and as well as access to basic urban services in the selected towns, the Danish support has been of decisive importance. Better understanding has been developed among policy makers at central and *dzongkhag* level in subject areas such as urban planning, participatory management and management of urban services. Although the capacity building, which involved actors within and outside the targeted municipality, has

created the foundation for future urban management in the five municipalities, specific technical knowledge regarding urban planning, environmental management and participatory planning is still limited.

As is the case for the other discussed sector programmes, capacity development has been a cornerstone for the support to this sector as well. For example, the management capacities of urban planners have improved as compared to the past both at the *dzongkhag* and central levels with human resource strengthened through specific trainings based on a needs assessment. 'From 2004 to 2008, a total of 808 officials have been trained in fields related to urban planning, development and management of urban services' (Outcome Study, Nov. 2009). As for the Cleaner Technology and Environmental management Component of the EUSPS, approximately 97% of the budget was spent on capacity building of the MoEA officials, regional trade & industry officers and mining inspectors, private sector and other government agencies. However, the need to train new recruits or enhance the skills of existing staff seems to continue to remain. Recruitment of more qualified environmental staff continues to be an issue as well as creating a larger permanent base for monitoring and inspection closer to areas of industrial concentration. The support to HR development comprised both overseas Masters courses and, in particular, short term skills upgrading courses.

The Joint Review 2008 noted that the capacity development activities tended to address the specific needs of a particular ministry, department or division without assessing complementarities and linkages between agencies.

The use of TA has been considerable for all the three sector programmes discussed above. For the ESPS (1998-2003) the long-term TA amounted to more than 450 person-months, for USPS (1999-2003) long-term came to 221 person-months, while for EUSPS (2004-09) a total of 183 person-months of long-term technical assistance was available. In addition to this, Denmark has provided a substantial pool of short-term TA.

Consolidation and sustainability challenges

The main challenges affecting the consolidation of the achievements and thus require attention during the new Sustainable Environment Sector Programme (2010-13) are (i) the HR constraints experienced by almost all the supported organizations, (ii) the uncertainty concerning the future status of the municipalities vis-à-vis the *dzongkhag* administrations and the limited financial and technical capacity of these to operate and maintain basic services, and (iii) inability of private business to provide the services required by the Government especially at *dzongkhag* level.

HR challenges: The capacity to implement and enforce existing policies and legislation is weak for most organizations. This is particularly the case for NECS, MoA, MoWHS and MoEA. Shortages of qualified staff with environmental expertise, frequent staff transfers and shortage of resources to cover recurrent costs are the main reasons for this. Furthermore, the organizations have no strategies for how to optimise utilisation of existing human resources.

For almost all institutions involved in implementation of environment and natural resource management activities, resource constraints was reported to be a hampering factor. The frequent transfer of staff and the practice by the Royal Civil Service Commission to not always place people in positions matching their educational background aggravates the problem. Once they have acquired a reasonable level of expertise, they are transferred. RCSC policy reinforces the problem.

Status of and capacity of municipalities: The most serious outstanding issues in the view of MoWHS are (i) due to the unavailability of the relevant skilled personnel, the staff required for O&M is yet to be recruited and regularised, (ii) although the revenues generated by the towns by charging for water supply, sewerage and solid waste are collected and deposited in the district's revenue account, the municipalities are not allowed to use the amount collected, (iii) decentralisation of urban management and administration was not possible during the component implementation although separate municipal offices have been established and town committee's been elected/nominated (Component Completion Report, Nov. 2009).

'The EUSPS activities in the district towns did not provide the scope for financial autonomy as they were predetermined according to overall budget allocation per town, within which the towns had a limited degree of freedom to prioritise the infrastructure development activities' (Outcome Study, Nov. 2009).

In summary, the status of future small-town municipalities and their staff vis-à-vis *dzongkhags* remain unsettled; future funding of O&M of the urban services will be financed by RGoB, of which the allocation is uncertain; the targeted small town administrations have limited expertise in planning, operation and management of urban services; and the newly created town committees are not familiar with their rights and tasks.

Strengthening of private sector: Several reports have found that capacity constraints on the side of the private sector are hampering outsourcing of especially provision of urban service and consultancies. Lack of knowledge about how to tender successfully for Government contracts seems to be a problem. But also on the side of the government, especially at *dzongkhag* level, the familiarity with handling of tenders and contract management is at times limited. This opposes the Government's desire to stimulate the unfolding of the employment potential of the private sector. However, the World Bank has funded a large support programme to the MoF in this area, including the establishment of a new Procurement Division in the ministry and a comprehensive training programme for all local governments.

5 Aid relations: Denmark as development partner

This chapter assesses the role of Denmark as a development partner and the efficiency and effectiveness of Danish development assistance.

5.1 Policy dialogue

Policy dialogue has taken place through a series of mechanisms including high level consultations between ministry of foreign affairs representatives from Denmark and Bhutan respectively, Programme steering committee meetings and in connection with sector reviews.

According to LOD, especially sector reviews provide a useful opportunity to discuss sector specific policy and implementation issues, where as Steering Committees seldom serve this purpose. High level consultations tend to deal with general political topics and sector issues at the macro level without allowing for more detailed discussions of sector-related matters. Issues addressed at the high-level consultations include the situation of Bhutanese refugees held in camps in Nepal and the slow progress of the repatriation of these, challenges associated with the introduction of democracy and, more recently, the effect of the global financial crises and of the global warming. An examination of the minutes from the various channels of policy dialogue confirms the assessment by LOD. However, the influence of technical advisers as conveyors of experience and innovative ideas should not be underestimated as a means of indirect policy dialogue. The Danish support to the health and environment sectors is a good example of this.

The change towards sector budget support and the reduced reliance on technical assistance mean a change of the mechanisms for policy dialogue and put more pressure on LOD in terms of monitoring the performance of the supported sectors. There is a limit to which LOD can keep an eye on day-to-day matters of the sectors and hence ask the relevant steering committee to address Danida's concerns. Therefore sector reviews are becoming increasingly important as media for bringing up issues of importance for Denmark and thus for discussion of policy issues. It is not always evident that Denmark (and RGoB) acknowledges this vital role of reviews.

5.2 Aid modalities, harmonization and alignment

The benefitting organizations interviewed by the evaluation appreciated the flexibility of the Danish support and Denmark's preparedness to align with the Government's priorities and goals as expressed for instance in the Five-Year Plans. For the same reason, the decision to gradually phase out the bilateral support to Bhutan in its present form was widely regretted.

Where programmes have supported a traditional sector, and where there has been a sector plan or framework, Denmark has made great efforts to provide sector budget support. In the other sectors, there has been a move towards greater block support where possible. Evidently, the support provided as fully aligned sector budget support has been instru-

mental in reducing the financing gap, although a certain – understandable – fungibility has been observed⁵¹.

Hence, in health and education, Denmark has provided much of its support in the form of sector budget support since 2002. In education, the EdSPS provided 80% of its funding as sector budget support to the capital budget outlay, and the remaining 20% was earmarked for supporting the ESIP's capacity development programme. In the health sector, HSPS3 had three components of which Component 1, health sector budget support, comprises 74% of the total; the remaining two components provided support to capacity building and rural water supply and sanitation. In the case of SSPS, which since 2008 has been the platform for support to education and health, just over 76% is allocated to sector budget support. The rest is allocated to the special VET initiative, TA and programme management.

As regards the governance and environment sectors, the support has been to individual organizations, allocated to HR, provision of equipment and TA. In one component of GG/PARP II (2003-08), Denmark provided funds in support of decentralisation which was coordinated with the Decentralisation Support Programme (DSP) funded by RGoB and UNCDF. In 2008, in the design of the Good Governance Support Programme, there was a serious effort to provide support under a joint framework for governance, which would include all the development partners who support the governance sector. However, while there was consensus to a common framework of a joint annual review meeting of the good governance, there was insufficient support to get a joint good governance support programme off the ground. Meanwhile, as an outcome and major step forward, the joint Local Government Support Programme (LGSP) was launched, with participation of Denmark (part of GGSP), UNDP, UNCDF, JICA, Austria, Helvetas and SNV. Of the DKK 50 million funding under GGSP, 45% of this is going directly to RoGB to fund part of the annual capital grants to local authorities.

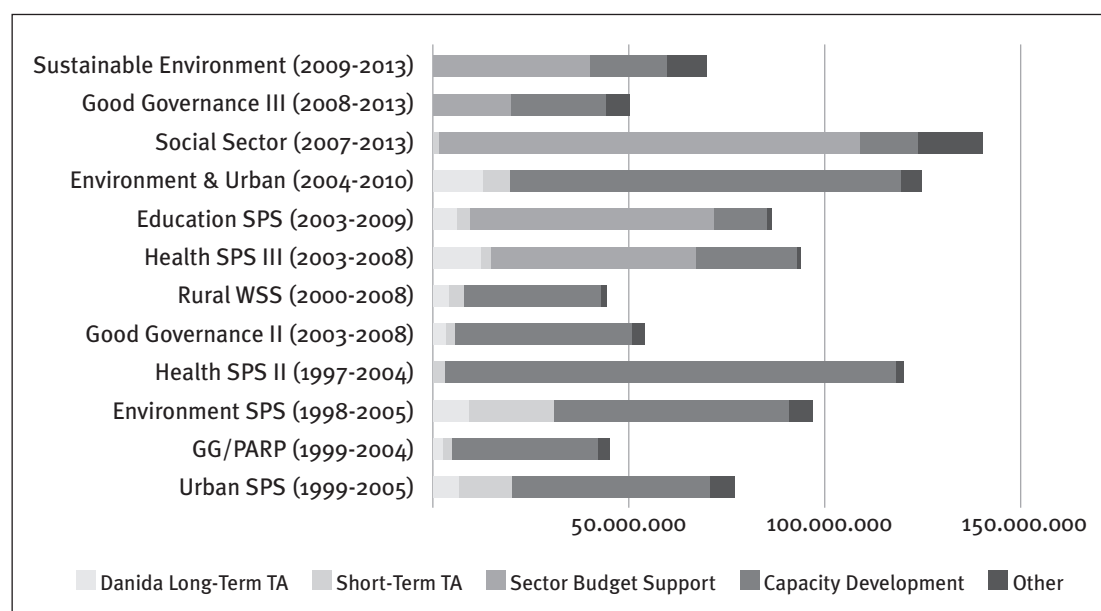
Support to environment and urban development has been channeled to the individual executing organizations, all of a traditional programme support nature. The recent Sustainable Environment Support Programme combines budget support to the *gewogs* through the Annual Capital Grant mechanism for funding of the *gewogs'* development plans, and support for capacity development for mainstreaming of environment, climate change and poverty concerns to be implemented jointly with UNDP/UNEP's Poverty Environment Initiative.

Bhutan has a relatively small number of development partners of which India provides by far the greatest amount of funding. Denmark has been the next most important contributor over the period since the mid-1990s. Donor harmonization is little developed, partly because only few of the donors providing aid to Bhutan have a permanent physical presence and partly because India, in spite of its massive support to Bhutan, does not perceive itself as a donor in the conventional sense of the term. Denmark has, as mentioned, in the governance area worked closely together with UNDP as well as UNCDF, and the newly launched Sustainable Environment Sector Programme is co-funded by UNDP and UNEP. Also, a number of sector reviews have been undertaken jointly with other development partners, especially in recent years. Apart from this, the evaluation is not aware of any examples of basket funding initiatives or delegated implementation. While the EU is in the process of joining the LGSP, delegation of its contribution to Denmark (LOD)

51) In the education and health sectors, there are examples of government allocations being reduced following increased donor assistance.

was not endorsed by Bruxelles, as they have never tried this modality of delegation of sector budget support to a memberstate. Hence, mechanisms for donor harmonization are weakly developed in Bhutan but the support is usually well-aligned because of the channeling of support through the GNHC Secretariat.

Figure 3 Danish support to Bhutan 1997-2013 by programme, amount and type of assistance. DKK



Source: Liaison Office of Denmark

In the view of the evaluation, the introduction of sector budget as the predominant modality for education and health has worked satisfactorily and ensured ownership on the side of the Government as well as increased flexible use of the allocation to the sectors. However, it also the evaluation's impression that the change to sector budget support has restricted the possibility of targeting the support to particularly vulnerable groups or regions, and in general reduced the chances of tracing the effects of the Danish assistance.

In summary, the support is now usually well-aligned because of the channeling of support through the GNHC Secretariat, and there appears to be limited duplication among the development partners. Denmark is seen as a very active promoter of donor coherence, and has often spearheaded the effort to undertake joint reviews and ensure that possible synergies between donor programmes are tapped. Unfortunately, India has not taken part in any of these initiatives.

5.3 Capacity development achievements⁵²

The fact that Danish support for capacity development primarily has targeted functional and, to a lesser extent, more political aspects, reflects that Denmark has widely based its cooperation with Bhutan on the premise that political aspects are defined and managed by RGoB.

The national context in Bhutan is furthermore characterised by a high level of continuity and consistency in political priorities and thus providing the required stability allowing

52) This paragraph is based on the Thematic Paper on Capacity Development.

the Danish support to focus on rather functional aspects within the political framework laid down by RGoB.

The evaluation noted a rather high level of commitment to pursue priorities defined by the King and the Government among interviewed civil servants. National characteristics such as stability, consistency in policy orientation and high commitment levels have contributed to capacity development in terms of organizations actually utilising the developed systems and in individuals returning from training and utilising the acquired skills in their job positions. This is an important factor leading to a substantial part of the functional support provided by Denmark actually being utilised in the daily work of RGoB staff to a higher extent than seen in many other countries. Similarly, the rather individualised approach to training including sending staff for overseas training would in many countries have led to a high number of staff not returning to their home country, which has not been the case in Bhutan. Although Bhutan applies a system whereby people who have achieved a degree overseas are obliged to pay back the cost if they do not return to Bhutan for a certain number of years to work afterwards, this is not believed to be the principal reason why the great majority actually return. Student who have themselves secured a scholarship are not subject to this rule.

The organization specific focus on system development and individualised upgrading of staff competencies appear to have had highest impact where the support was targeting well defined identities with a limited number of staff as e.g. the judiciary and the election commission under the GG programme and specific institutions under the EUSPS, HSPS and EdSPS. When bigger systems were targeted the impact from Danish support to capacity development is less evident.

Two main trends in achievement of outcomes provided by institutions supported by Denmark can be identified:

1. Danish support in terms of Sector Budget Support has facilitated expansion of services and substantial achievements have in general been made in terms of *access to services* provided by sector institutions supported by Denmark. Examples of this includes increased access to media and governance structures supported by the GG programme as well as to health and education services supported by HSPS and EdSPS.
2. Danish support to capacity development primarily targeting organization specific system development has led to a certain improvement in the *quality of services provided by the targeted organizations*. An indication of this trend is the improvement of the performance of organizations targeted by the GG programme and, in the education sector, where enrolment rates have increased remarkably and the school quality especially at primary levels has also improved as a result of targeted capacity development efforts. A similar trend was noticed for the health sector where access to health services as well as the quality of especially basic health services has improved.

However, several joint missions as well as the latest Danida evaluation⁵³ highlights that service provision provided on the basis of cross-sectoral cooperation between several institutions is negatively affected by *unclear mandates and insufficient linkages and coordination mechanisms*. The Danish support to capacity development has to a high extent focused

53) Danida (2006).

on targeting functional aspects of prioritised organizations and focused less on ensuring appropriate mechanisms ensuring cooperation between organizations⁵⁴.

Furthermore at the macro level a number of challenges can be identified. *The decentralisation process* has not been implemented with the expected speed and the evaluation mission noticed during meetings at *dzongkhag* and *gewog* level that officials at these levels were rather uncertain about their role and mandate. The GNH Commission plays an important role in relation to planning and budgeting and the MoF in relation to actual release of funds. While the introduction of PLaMS may improve transparency in planning and monitoring the rather consistent differences between budgets and actual expenditure indicate *problems related to national coordination and streamlining of planning, budgeting and fund release procedures*.

In summary, the features of the Danish support to capacity development can be summarised as follows:

- It has to a high extent focused on strengthening targeted organizations through TA and development of organization specific systems and on providing training of staff of the organizations
- Relatively little attention has been given to internal organizational aspects, the relation between organizations and the distribution of authority
- Aspects external to the targeted organizations, e.g. clarification of mandates, linkages and coordinative mechanisms between organizations as well as macro level issues such as the on-going decentralisation process and establishment of national planning, budgeting and fund release systems have been given less attention, and
- To some extent the support has focused on supporting governance institutions, the civil society and the media to act as watchdogs.

Hence, the Danish support to capacity development has primarily focused on functional, organization specific issues, not interfering substantially with external macro level functional aspects as well as internal power related issues – but supporting governance institutions, civil society and the media to perform a watchdog role in relation to decisions being made managed and implemented by RGoB. By having done so, Denmark has supported the internal functional development of key organizations, while maintaining a balance between government structures and the public by supporting civil society and media organizations. This, in many ways, is well in line with the consensus culture characterising contemporary Bhutan⁵⁵.

5.4 Relevance and effectiveness

Within the four sectors benefitting from the Danish support, there is ample evidence of the effects of the support. First and foremost, the very substantial investment in capacity development through technical assistance and training and education has had an indisputable impact on the capability of the targeted organizations and in many cases also on

54) An example of this kind of support is the long-term technical assistance to the Royal Civil Service Commission to upgrade the position classification system for all civil servants.

55) Thematic paper on Capacity Development.

the legal and institutional framework within which these operate. Furthermore, to some extent Danida has contributed to infrastructural improvements, particularly in relation to the judiciary, the health sector and urban services.

The evaluation found that the support has been predominantly relevant, timely and effective. In general, the executing organizations praised Denmark for being a flexible partner ready to adjust to the Government's priorities and requests. In the view of the evaluation, it would however have increased the possibility of further aligning the assistance to the priorities of the Five-Year Plans, had the Danish planning cycle fully coincided with that of the RGoB. On some occasion, due to delayed completion of the sector programmes, the time gap between the FYP and the programme has been up to one year, affecting the possibility of synchronising the planning and thus monitoring of the progress of implementation.

The use of technical assistance has been very substantial, in the beginning by consultant companies, later by use of long-term and short-term Danida advisers, and in the latest stages through ad hoc short-term adviser support. In relative terms the input of especially long-term advisers is probably among the highest for a Danida country programme. On the one hand, it is apparent that the significant achievements to a wide extent are attributable to the presence of long-term advisers, especially in the environment and urban development and health sector, but, at the same time, the evaluation has the feeling that the same result may have been achieved with less advisers, which would have further eased the phasing out of the use of these. It is the evaluation's impression that the quite fast reduction of the reliance on technical advisers during the last 3-4 years was widely motivated by the political agenda in Denmark which in turn was driven by the international debate on how to enhance alignment and harmonization, and not by a desire on the side of the RGoB or an assessment of the capacity of the executing organizations to continue on their own.

6 Lessons learned and recommendations

In many ways Bhutan represents a unique case. Firstly, it is a relatively small country with a quite homogeneous population. Although poverty is widespread in some parts of the country, social tension is limited. Secondly, there is a marked commitment to the social and cultural values expressed by the Gross National Happiness philosophy which, in turn, in many ways sets the direction for social and economic development in the country. And thirdly, Denmark has for many years been the most important bilateral donor after India, allowing easy access to policy-makers and the top of the administration. There are few, if any, other countries where the Danish contribution has accounted for such a substantial part of the sector budgets as is the case in Bhutan.

6.1 Lessons learned

Due to the relative uniqueness of the Bhutan case, any lessons learned should be applied with caution and due consideration of the specific features of Bhutan. With these limitations, the evaluation finds that a number of significant lessons can be extracted from the Bhutan case:

- Sector Budget Support has proved to be a relevant aid modality that enhances flexibility and adaptability, but it also confines the opportunity to target the support to social groups or matters of particular concern to Denmark, and to trace the outcome of the Danish support. A conducive policy dialogue may to some extent compensate for the former.
- Extensive presence in a sector pays off, especially if the support does not exceed the absorption capacity of the partner organizations and is well aligned to its needs. The strong Danish presence in the environment, governance and health sectors is a good example of this. There are few if any other countries where Danish assistance has set the same footprint.
- Without the extensive use of technical assistance and substantial investment in capacity development, the same results would probably not have been achieved. However, especially the capacity development efforts appear at times not to have been sufficiently focused and aligned to the specific needs of the organization. Furthermore, reflecting the at times uncoordinated implementation of the many components of the sector programmes, the potential for optimising resource utilisation for HRD across component and sub-components has not always been tapped. Hence, in some cases it appears to be quite arbitrary who has been sent abroad for further education and the criteria applied for selection of these.
- The advantages of merging environment and urban development and of education and health into multi-sectoral programmes have been very limited. Firstly, the synergy effect of the merger appears to have been quite limited and, secondly, coordination and management procedures seem to have become complex, especially in the case of environment and urban development. Indeed, the evaluation is of the impression that the amalgamation primarily was spurred by an internal Danish requirement than by an assessment of the situation prevailing in Bhutan.

- Activities with an infrastructural element have in general suffered from delays as a result of low capacity on the side of the implementing partner and the contracted private contractors. This confirms that the capacity is less than anticipated on the side of government structures to undertake such assignments which in turn suggests a need for further capacity development.
- Finally, monitoring of outcomes and results has proved to pose a challenge. The capacity of the implementing organizations – and of GNHC – to conduct this kind of monitoring is very limited. It would have been valuable if Denmark in addition to the outcome and lessons learned assessments of the sector programmes had paid more attention to strengthen the capacity of the partner organizations in this field. While the national Planning and Monitoring System (PLaMS) which has been developed with Danish assistance will allow monitoring of implementation of the Government's plans as stipulated e.g. in the FYPs, it does not address the issue of urgently needed qualitative M&E tools.

6.2 Recommendations

General recommendations

Based on the above findings, the evaluation *recommends* that during the *remaining time of the present country programme* special attention be given to the following issues:

- (i) While the achievements in the health and education sectors appear to be reasonable consolidated and prospects of securing additional funding to replace the Danish support are quite promising, the situation of the governance and environment sectors is quite different. Achievements in these sectors appear to be rather fragile both in terms of institutional capacity and human resources, although the situation varies between institutions and the level of government. This calls for a differentiated out-phasing strategy with special attention to governance and environmental institutions. The exact content of support package will require a more detailed assessment but is likely to include a combination of targeted technical and financial assistance.
- (ii) Although the decentralisation process has made considerable progress, it is still in an early stage with a considerable risk of setback unless the constraints discussed above are addressed. These include unclear roles and mandates within several fields, occasional shortage of qualified staff, and not least an acute shortage of allocations for basic operational costs⁵⁶. The capacity of *dzongkhags* to take on their new responsibilities should be carefully monitored and mechanisms found to overcome identified shortages.
- (iii) The monitoring and evaluation capacity of relevant government institutions is weak and should be strengthened. Today, the practice of conducting qualitative evaluations is very limited in Bhutan. A special effort should be made to boost the M&E capacity of the GNHC Secretariat, including the use of the newly introduced management information system PLaMS for outcome monitoring purposes. In addition, the capacity of key government institutions to undertake qualitative

56) The so-called block grant mechanisms is only catering for minor infrastructure projects and therefore not a solution to these problems. Indeed, the block grant facility has increased the workload of *dzongkhag* administrations considerably.

assessments of the provided services should be strengthened in order to provide RGoB with a management tool enabling more effective utilisation of existing resources.

- (iv) As mentioned, serious regional inequalities still prevail concerning access to public services. In the interest of tackling poverty, mechanisms should as soon as possible be worked out to regularly monitor access to key services at *dzongkhag* level and within the *dzongkhags*. On the basis of the monitoring data, LOD should discuss with relevant government institutions how to overcome the inequalities. An enhanced version of the poverty formula-based *gewog* support could be part of the solution.
- (v) Furthermore, special initiatives aimed at strengthening the voice and dynamic of small private businesses should be considered as a means to enhance the employment opportunities for new entrants to the labour market. Danida has considerable experience from such initiatives in other countries. The support should address both the advocacy capacity of private business as well as access to relevant services.

Sector specific recommendations

In addition to the general recommendations, the evaluation has the following sector specific ones:

Education

- Means to reinforcing capacity especially at *dzongkhag* and school level including considerations on establishing democratically founded management boards at school level should be considered as part of the Danish support to education.
- Mechanisms to further developing linkages between the basic education system and the vocational and higher education systems as to improve the transition from the school system to the world of work should be considered as part of the Danish support to VET.
- Development of a wider set than the present four target indicators available in the 10th FYP for measuring and tracking sector progress against agreed indicators should be part of strengthening of the MoE monitoring activities.

Health

- MoH should be handing over more responsibilities to the *dzongkhags* for local implementation and integration with district health services. The MoH should change to focus more on high level national functions, such as formulation of national health policies and plans, health financing, human resources development, health information, monitoring of district performance, and collaboration and coordination with other sectors. Furthermore, a review should be undertaken of the capacity of the district health offices, their role and responsibilities, and their planning and management capacity under decentralisation. The support to the health sector should assist MoH to undertake these activities.
- Although the present draft National Health Policy (September 2009) states broad objectives and future intentions for development, it does not indicate how health

sector planning will take place under the newly decentralised health system. Nor does it define the Bhutanese health needs and main programme priorities, or the required activities to be implemented, a timetable for action, the necessary human and financial resources, or the future financing requirements to achieve greater sustainability. A comprehensive health policy and plan is urgently required, which also addressed the issues of health planning and future health financing. The Danish support to health should assist MoH to develop a comprehensive and detailed health strategy and plan.

Good governance and decentralisation

- Although Danida has provided generous support to the Office of the Attorney General, this office has not reached the position of sustainability that the judiciary has. This is partly because of increasing demands placed on it by changing legislation and the success of the ACC, leading to an increase in corruption cases brought to court. It also felt that timely prosecution is a good indicator of political will to act against corruption. Hence, the issue of manpower remains. The issue of trained legal personnel available in Bhutan is not particularly amenable to short-term solutions. Danida should support an assessment of manpower needs of the public and private legal sector and the government administration, including the National Assembly Secretariat.
- Denmark should, through its role on the LGSP steering committee, encourage a number of steps which could strengthen local empowerment. This could include the development of materials on local leadership skills in NFE programmes, and assessment of the outcomes of the local elections in terms of diversity and gender.

Environment and urban development

- Capacity to implement and enforce existing policies and legislation is weak for most organizations. This is particularly the case for NECS, MoA, MoWHS and MoEA. Shortage of qualified staff, frequent staff transfers and shortage of resources to cover recurrent costs are the main reasons. Denmark should finance a study on ways to maximise utilisation of existing environmental expertise within the individual organizations and in Bhutan at large, including an assessment of the mandate and responsibility of the different organizations involved in implementation and enforcement of the existing environmental legislation.
- The status and mandate of small-town municipalities vis-à-vis *dzongkhags* is still partly unsettled, including their capacity to operate and maintain urban services. As part of the phasing out of the support to urban development, Danida should ensure that a solution to these challenges is found hereby allowing the municipalities to provide basic services to the town population in a sustainable manner.
- Several reports have found that capacity constraints on the side of the private sector are hampering outsourcing of especially provision of urban service and consultancies. Lack of knowledge about how to tender successfully for government contracts seems to be a problem. Denmark should therefore consider financing a programme on government tender rules and on how to prepare a competitive tender for private sector operators who are potential suppliers to the Government within the areas of environmental management and urban development.

7 Beyond 2013

According to the present plans, the current Danish assistance to Bhutan will gradually be phased out after 2013, and the three current sector support programmes are expected to be completed by 2013/14. Furthermore, the Danish Finance Act 2010 includes a commitment of DKK 50 million as transition support to Bhutan to be approved in 2011. The transition support is seen as a means to ensure consolidation of the results achieved through the previous Danish assistance.

At the high-level consultations in March 2009, it was agreed to work on a joint strategy to continue cooperation even after the transition support has come to an end. Avenues presented for further exploration include accessing the Danish mixed-credit scheme, the business-to-business programme, public-private partnerships and collaboration with Danish NGOs.

Concerning the *transition support* to follow the finalisation of the present country programme, it is associated with considerably uncertainty at this point in time, 3-4 years before it is scheduled to take effect, to make more specific prediction on the needs. The governance and environment sectors are those most likely to be in need of further assistance beyond 2013, but also those where budget support appears to be least relevant.

Partnership agreements between Bhutanese and Danish institutions have been proposed as a possible instrument for knowledge transfer during and after the transition phase. Experience from other countries suggests that partnership agreements, especially twinning arrangements, can be difficult to implement and often suffer from cultural and organizational differences. Collaboration between research institutions is one of the areas holding the best promise for success.

Concerning business support instrument such as ‘business-to-business’, so far rather few Danish companies have shown interest in forging partnerships with Bhutanese investors. Several factors including the relatively unfavourable business climate (Bhutan ranked 126 among 183 countries in the 2010 annual World Bank Doing Business survey), the shortage of skilled labour and the comparatively high cost of labour are the likely reasons for that. However, very recently there have been some indications that a potential may exist within some selected niche areas such as solar panels and enzymes where Danish companies have an internationally advanced position⁵⁷. While the employment effects of these projects are limited, they may, if successful, contribute to generate an export revenue and spur development of Bhutan’s expertise in these fields.

57) For further information, please see Thematic paper on Private Sector Potential.

Annex 1 Terms of Reference

1 Background

Denmark has provided development assistance to Bhutan for 30 years, first through multilateral agencies from 1978 while bilateral development cooperation dates back to 1985. In 1989 Bhutan was selected as one of Denmark's programme countries, and from 1992 the development cooperation has been concentrated within three areas: health, environmental and natural resource management, and urban development. In addition, democratization, good governance and decentralisation have been supported. In the early years, support to industrialisation was also part of the programme. The first Country Strategy was made for 1998-2002, while the second Country Strategy for 2003-07 added education as a priority sector. The total Danish assistance since 1989-2007 amounts to more than 1 billion DKK (DKK 1,275 million) in current prices. As Bhutan's population is small, about 700,000 people, the assistance per capita, DKK 1,820 has been the highest Danish assistance per capita to any of the 15 partner countries. In Bhutan, Denmark has through many years been the second largest bilateral provider of assistance (after India).

The economic growth of Bhutan has been quite substantial with annual growth rate of about 7-9 percent of the last years (per capita GDP raising from USD 443 in 1989 to USD 1,410 in 2006), in particular due to the investments in and export revenues from the hydropower sector. Poverty has also been impressively reduced from 31.7 percent in 2004 to 23.2 percent in 2007, although it is still widespread (about 30 percent) in the rural areas. In general, the very positive achievements in the fields of health and education reflect the high priority made by the Royal Government of Bhutan making the attainment of the Millennium Development Goals by 2015 within these areas highly probable. The historic transition from monarchy to constitutional democratic parliamentary governance prepared through many years has also been successfully implemented by the elections in 2008, and subsequent formation of a democratic government.

The third Country Partnership Strategy for the period July 2008-June 2013 has been endorsed in May 2008 as the result of a consultative process, based on Bhutan's development priorities and Denmark's development policies. It fully aligns to Bhutan's 10th Five Year Plan that is also Bhutan's Poverty Reduction Strategy. The strategy stipulates that Bhutan will continue to be a programme country for Danish development assistance. However, based on the positive macroeconomic trend, it is expected that the Danish assistance will be gradually phased out after 2013. Further, it is expected that a substantial part of the Danish development assistance in the strategy period will be given as sector budget support or general budget support, reflecting the strength of the partnership between Bhutan and Denmark.

The five-year strategy period July 2008-June 2013 is expected to be the last full-fledged programme support period for Denmark's development assistance to Bhutan followed by a gradual phasing out to ensure sustainability of Danish support. Thereafter, the partnership would focus on other areas and relationships, including cultural exchanges

and private sector collaboration through B2B, Mixed Credit Schemes and Public Private Partnership.

In 2005, a long-term three-staged joint evaluation of the Danish-Bhutan Development Co-operation was initiated. The first phase was undertaken in 2006 with emphasis on the capacity development outcomes of six key Bhutanese organizations. This is the Terms of Reference for the second phase of the evaluation to be undertaken in 2009. The evaluation will focus on outputs and outcomes with particular attention to sustainability of all major programmes supported by Denmark in 2000-07. As some of these Programmes have been extended into 2008 and 2009, it has been decided to extend the evaluation period from 2000-to the end 2009 also. It has furthermore been decided that the evaluation should also assess the new programmes starting from 2008 and onwards with respect to how these will contribute to the sustainability of already received results and prepare for the planned gradual phasing out after 2013. A final third phase of the joint evaluation with a focus on impact of the Danish country programme is planned at the end of or after the 2008-13 strategy period.

As Denmark has been a quite substantial donor to parts of the Bhutanese public sector for a long period, and as this is a joint evaluation between the Evaluation Department of the Ministry of Foreign Affairs of Denmark (EVAL) and the Research and Evaluation Division of the Gross National Happiness Commission of Bhutan (RED) it is important to specify what is meant by outcome and sustainability for this evaluation.

Outcome evaluation is an evaluation of whether the specific objectives – the intermediate results – of an aid intervention have been achieved. As such, an aid intervention is considered effective if its outputs produce the desired outcomes, usually meaning if it produces the intended benefits for a particular target group of beneficiaries. The Danish support has in various ways assisted RGOB in improving its service delivery to the Bhutanese population. Service delivery is one of the outputs of the public sector in Bhutan. But service delivery is not a direct output of the Danish support. Instead “*improved service delivery*” can be considered an outcome of the Danish assistance. If the Danish support has been effective in achieving its outputs, these outputs should lead to better service delivery by the RGOB.

Sustainability is a measure of whether the benefits of an intervention are likely to continue after external support has been completed. As Denmark expects to phase out its support to Bhutan from 2013, the second key topic of the evaluation is sustainability. Are the results achieved with Danish assistance sustainable, and further testing this, will RGOB be able to *continue its improved service delivery* also after Denmark gradually withdraws from the cooperation.

The ability of RGOB to provide and sustain service delivery to the Bhutanese population is by definition not only dependent on the Danish support. Rather the Danish support is just one element among many defining service delivery. The various Danish Programmes furthermore differ in the way they interact with RGOB, on how large or important they are to the supported institutions, and on how distant or close they are to service delivery. This cause particular challenges with attribution in an evaluation like this. It will not be possible to establish a simple linear causal relationship between the Danish support and service delivery. Instead, the evaluation will need to focus on how the Danish assistance has contributed to improving the operations of the RGOB as a *system*, and based on this establish credible likelihoods with respect to how specific Danish interventions are linked to improved service delivery through this system.

Parts of the Danish support to good governance have specifically aimed at facilitating the transformation of Bhutan into a constitutional democracy with separation of powers between the legislative, the executive and the judiciary, with equal rights for all, and free and vibrant media. The *outcome* of this particular part of the Danish cooperation will have to be defined based on how these changes have benefitted the population at large. What changes have the population experienced that – again through the Bhutanese institutions – with credible likelihood can be linked back to the Danish assistance?

The purpose of the evaluation is both accountability towards the Danish and Bhutanese populations with respect to the use of the Danish assistance, and learning with respect to how the Danish support and the cooperation between Bhutan and Denmark should be adjusted in order to improve the relevance, effectiveness and sustainability of the Danish support during the last programme period (2008-13) and beyond.

The evaluation will draw extensively on the results of the 2006 phase 1 joint evaluation of Danish capacity development support to six Bhutanese institutions, as well as on Danish and Bhutanese programme documentation, the Denmark-Bhutan Partnership Strategies from 1998, 2003 and 2008, and RGOB documents and data. Among the most important Bhutanese documents is the Bhutan 2020: A Vision for Peace Prosperity and Happiness from 1999, which outlines RGOB expectations for the future at the beginning of the evaluation period and can provide a kind of baseline for the Evaluation. The 9th (2002-08) 5-year plan analyses and summarises progress and plans during the core evaluation period, whereas the 10th (2008-13) 5-year plan, the Bhutan Millennium Development Goals, Need Assessment and Costing Report from 2007 and the first Gross National Happiness Index Survey from 2008 can provide information on the status of service delivery during the later part of the evaluation period and today. Primary data collection and a perception study will supplement available documents and data.

2 Objective

The objective of the evaluation is to assess and document the relevance and effectiveness of Danish support to poverty reduction and democratization in Bhutan 2000-09, and in particular to consolidate and enhance the sustainability of the outcomes achieved through learning and adjustments to the cooperation during the last programme period 2008-13 and beyond.

3 Outputs

The outputs of the assignment shall be:

- An Inception Report (not exceeding 15 pages, excluding annexes, to be delivered in Word and pdf files) based on desk study and a first visit to Bhutan by the Evaluation Team Leader. The Report will present the methodology for the evaluation, including a discussion of its strengths and weaknesses with respect to dealing with system dynamics and attribution. It will furthermore establish a sampling frame and sampling criteria for programmes or key organizations that will potentially receive particular attention during the evaluation. It will also suggest data collection methods, including for data collection in the field. Finally, the Inception Report will present detailed field schedules to facilitate the logistics of field work in advance.

- A Draft Evaluation Report (not exceeding 50 pages, with annexes as per need, to be delivered in word and pdf-files, with cover photo proposals)
- A Final Evaluation Report (not exceeding 50 pages, excluding annexes, with attached CD-ROM (of all major evaluation documents), to be delivered in Word and pdf-files, not later than three weeks after receiving the comments to the draft report from Danida and the Gross National Happiness Commission)

4 Overall analytical approach to the evaluation

4.1 DAC guidelines and adapted ROACH

This section outlines the main perspectives that will guide the evaluation. An overall reference is made to a four-level hierarchy of aid effectiveness evaluations prepared by the DAC Network on Development Evaluation⁵⁸. The four-level hierarchy includes:

- (vi) Evaluation of the impact of the combined support from donors to a particular country. The main question in an evaluation of this kind is how the total aid effort contributes – positively and negatively – to the achievement of desired development outcomes at country level.
- (vii) Evaluation of the effectiveness of the development cooperation system itself. In this case the evaluation focuses on questions concerning partnership, the alignment of external support with partner country development strategies and the harmonization of donor practices.
- (viii) Evaluation of the contribution of an individual donor to the effectiveness of a larger development cooperation effort. The question here is whether and to what extent the individual agency operates in a manner that is supportive of the development cooperation effort as a whole and makes a significant contribution to development results.
- (ix) Evaluation of the internal effectiveness of a particular donor agency. In this case questions concern the institutional effectiveness of an agency rather than its contribution to development impact.

Because of the special interest in the evaluation for outcomes and sustainability, the evaluation will in particular focus on level 1), 3) and 4). The main focus will be on levels 1) and 3). Least emphasis will be put on level 2) also because of the relative simple donor set-up in Bhutan with few actors within easy reach for coordination and all working under the clear direction of RGOB, and because of Denmark's planned gradual phasing out of the programme after 2013. Level 4) is included to shed light on Danida's institutional effectiveness to adjust its programme to improve outcomes and sustainability, in particular in view of the planned gradual phasing out of the cooperation programme after 2013.

The evaluation will be based on the standard DAC criteria (relevance, efficiency, effectiveness, impacts and sustainability). Effectiveness – which relates to outcomes and outputs – and sustainability will be given primary attention. But in light of the importance of Danish support in certain sectors, the evaluation will also pay attention to relevance

58) DAC Network on Development Evaluation: "Assessing the Contribution of ODA to National Development Results", 2004.

and efficiency. The impact-dimension will however be left for the evaluation's 3rd phase to address.

As observed outcomes will be the result of the combined efforts of a number of RGOB organizations (supported by development partners), a “systemic” perspective will be adopted. The outcome and output changes will be defined and assessed at the level of the public systems as a whole, which means a main evaluation focus will be on the constellation and interaction of products and services produced by, possibly several, organizations in the sector and across sectors to achieve the outcomes. The interest will be with where the different parts of the public system come together to produce public value for citizens. The outcomes and outputs will be defined at the level that is closest to the citizens who are beneficiaries of the interventions.

As a consequence, a slightly adapted version of the ROACH will guide the evaluation. As in ROACH, the starting point will be to view organizations as “open systems” which transform inputs to outputs and outcomes under the influence of structural and institutional factors, some of which can be influenced and others which cannot. But whereas ROACH takes an individual organization as its analytical starting point, the starting point in this evaluation will be on *systems of organizations* and the *linkages* between them as they produce public services. Also, the evaluation will start from the level of outcomes and assess the systems based on how the systems have caused the changes in the outcomes. Following ROACH, the general questions that will guide the evaluation are:

- What changes in the outputs and outcomes of the systems of organizations have taken place, both in effectiveness and efficiency?
- How have the changes occurred, considering the major contributing factors (including external assistance) in the public sector systems?
- Why have the changes occurred and what can be learned?

Based on the above, the approach will be to evaluate the change in public services (outcomes) that have been supported by Danish interventions. First, the evaluation will identify changes in the public services provided by RGOB over the evaluation period 2000-end of 2009, the evaluation will subsequently work its way back up through the systems that deliver and produce those services to uncover the factors and linkages between the institutions which explain the observed changes. Individual organizations will be evaluated primarily with a view to understand performance in the overall system. Based on the observed changes in public services and the analysis of what have caused these changes, the Danish contribution to the achievements will be evaluated based on an assessment of causal linkages. Finally, the sustainability of the observed public service improvements will be assessed with focus on what Denmark can do to strengthen sustainability during the programme period 2008-13 and beyond.

A number of key service delivery areas central to the Danish support might need to be selected initially to delimit the scope of the evaluation and keep it manageable.

4.2 The approach in more detail

The approach is set out in more detail below:

What has changed in public service outcomes?

Outcomes are a main area of interest of the evaluation. They have been defined as an (aid) intervention's specific objectives or intermediate results in terms of the intended benefits for a group of beneficiaries.⁵⁹ An intervention is considered effective if its outputs produce the desired outcomes, usually meaning if it produces the intended benefits for a particular target group of beneficiaries. The Danish support to Bhutan has in different ways aimed at assisting RGOB in improving its service delivery, however service delivery has not been an output of the Danish support itself. Instead "improved service delivery" can be considered an outcome of the Danish assistance. If the Danish support has been effective in achieving its outputs, these outputs should lead to improved service delivery by the RGOB.

The outcomes will be defined and examined at the public sector systemic level. This goes in particular for the health and education sectors, which receive sector budget support from Denmark, but also for the sectors where the Danish support has a sector-wide focus such as urban development, environment and in good governance and decentralisation. Examples of outcomes at this level can be access to quality education, access to quality health services, well-functioning water supply and sanitation systems, well-functioning and transparent planning and budgeting processes across government, observed law enforcement by relevant authorities, functioning accountability mechanisms, access to voter registration and participation in elections, access to extension messages on sustainable natural resource management etc.

In case of traditional service sectors like education, health (including rural water and sanitation), and urban development, the relevant focus is on the service delivery changes experienced by the citizens, which can be defined in terms of coverage, quality, efficiency, demand responsiveness, flexibility, or other. In case of sectors like environment and governance, which produce public value through public sector functions that may not constitute direct services for citizens, such as providing a legal framework, planning mechanisms, management information systems etc. the focus will be on the more general services provided, such as accountability, environmental protection etc. These public services will be defined at the level where they "meet" the citizens benefitting from the services, or where they provide their most critical input into the wider systems.

Subsequently the changes in the selected public services (outcomes) will be identified. To obtain a baseline, the Vision 2020-document has information on the status on each indicator around the start of the evaluation period. The 9th and 10th FYPs are further key reference documents on RGOB's service delivery priorities and trends. For information on the trends and end-of-period status on the selected public service focal areas, Government documents such as the 9th FYP Mid-Term Review and 10th FYP are important as well as UNDP's study on the status of the MDGs (2008)⁶⁰

How and why did the changes happen – trace the factors explaining the public service-changes upwards through the public system

The identified changes in service delivery will be viewed by the evaluation as the result of factors and developments that may cut across the public system as a whole. The evaluation will try to uncover the roles and linkages between the different public entities and processes in the service delivery-change identified. This will be looked at in the context of the intended functioning of the Bhutanese public sector as determined by the administrative reforms and decentralisation efforts.

59) Evaluation Guidelines, Danida, 2006.

60) Bhutan's Progress: Mid-Way to the Millennium Development Goals, UNDP, 2008.

The approach will be to analyse the constellation of products and processes across the public institutions that are involved directly and indirectly in delivering the particular service. This may cover several organizations within a sector, or across sectors, and it will in most cases involve the central and local levels of government. The underlying implication is that the outputs produced by individual organizations will be considered in relation to how they feed into the outputs of the wider public sector in paving the way for the outcomes.

The linkages and interaction between the various players will be important to focus on. Given the key role envisaged for the local government levels in service provision and development planning, a main interest will be the vertical linkages backwards from lower government levels to central level, and how well local governments are able to function as units of horizontal development planning in line with the local government law; how well do functions and responsibilities, funding levels and sources, staff resources, etc. come together at local government level to enable them to effectively deliver the services they are mandated to?

The evaluation will combine a functional-rational and a political-power-drivers of change perspective in the analysis of the changes in the public system. One reason change has happened may be that key organizations within the system have received more resources, better qualified staff, better guidelines, clearer mandates, better knowledge sharing, information and the like. Other reasons may relate to shifts in power for example new management with a clear vision and more bargaining power vis-à-vis other institutions, better alignment of organizational objectives and personal self-interest among management and staff, the establishment of effective change coalitions based on common visions or shared loyalty towards external drivers of change. Barriers to change can likewise be functional-rational, for example shortage of funds or staff, or unclear structures, but can also relate to loss of opportunities or loss of power if changes are implemented, undermining of kinship or patronage relations, violation of social or cultural norms, status and rank, or challenging of socially embedded norms for what government authorities or civil servants should and should not do.

The analysis of why changes in public service outcomes have occurred based on the analysis of what changes have occurred in the public system and what have been the main drivers of these changes is the focal point of the evaluation. For the analysis to be useful, it has to produce an overview of what have been the main changes in the functioning of the public system during the evaluation period and an overview of the main barriers and drivers of these changes in the form of cause-effects chains.

How did Denmark contribute to the public service changes?

The Danish contribution to development in Bhutan will need to be assessed against the changes in outcomes and the functioning of the public system above. The Danish support broadly falls in two categories: 1) Sector budget support to the 9th and 10th FYP (health, education), and 2) traditional programme support based on earmarked funding and project-type interventions that aim at strengthening of national systems and service delivery mechanisms through support to specific institutions (governance, urban, environment). Capacity development support is a strong feature in both categories.

The ability of RGOB to provide and sustain service delivery to the Bhutanese population is by definition not only dependent on the Danish support. Rather the Danish support is just one element among many defining service delivery, including RGOB and other donors. The various Danish Programmes furthermore differ in the way they interact with

RGOB, on how large or important they are to the supported institutions, and on how distant or close they are to service delivery. This cause particular challenges with attribution in this evaluation. It will not be possible to establish a simple linear causal relationship between the Danish support and service delivery. Instead, the evaluation will need to focus on how the Danish assistance has contributed to improving the operations of the RGOB as a system based on the analysis in step 2 above, and through this establish evidence based credible likelihoods with respect to how specific Danish interventions are linked to improved service delivery as identified in step 1.

Parts of the Danish support to good governance have specifically aimed at facilitating the transformation of Bhutan into a democratic constitutional democracy with separation of powers between the legislative, the executive and the judiciary, with equal rights for all, and free and vibrant media. The *outcome* of this particular part of the Danish cooperation will have to be defined based on how these changes have benefitted the population at large. What changes have the population experienced from democratization – again through the performance of Bhutanese institutions – and what can with credible likelihood be linked back to the Danish assistance?

In case of the direct support to the 9th and 10th FYPs in the form of sector budget support, the evaluation of the Danish contribution can be difficult to separate from step 2 above. However, it is important to consider the counterfactual – what would have been the situation without the Danish sector budget support or if other aid modalities had been used by Denmark? In case of the programme support, the key question is to which specific areas of the overall service delivery and outcome achievements the Danish support has contributed in particular, in what way, and by how much. Both positive and possible negative influences should be considered.

From the systems perspective adopted for this evaluation, the Danish support can be said to work both on the vertical and horizontal linkages in the Government system: Part of the support targets capacity strengthening vertically within sectors, other parts of the support target the strengthening of the cross-government functions of planning and budgeting and accountability at central level and at local level with the *Dzongkhags* and geogs as horizontal units of development planning and service delivery. Therefore, to understand how the Danish support has contributed to outcomes through the Bhutanese systems, the key issue is how the Danish supported efforts to strengthen the vertical and horizontal linkages have contributed to the changes in public service outcomes.

It will be necessary to examine the issue by presenting a number of hypotheses about effects and linkages which can be tested by the evaluation. The alternative option of a more open-ended assessment of the Danish supported interventions only after there is full clarity about the achievements by the Bhutanese systems might be too unwieldy for the evaluation to manage within the time and resources available. Even so it can be expected that the Danish support because of its significance and presence in key processes has had significant effects on the service outcomes. The main sub-questions around which the hypotheses will be structured include: Have the relevant organizations, linkages and processes been supported by Denmark? Has the support been effective – have the linkages and processes been strengthened in a reasonable way? Has it been efficient? Have the right approaches been used? Again the evaluation will both address functional-rational and political-power-drivers of change perspectives of cause and effects of change.

Capacity development has been an important element of the Danish assistance throughout the evaluation period. The approach to capacity development is important to outcomes, and a key factor of sustainability, which will be dealt with in more detail below.

The starting-point for assessing capacity development will be ‘capacity for what’ (in line with OECD/DAC best practice guide)⁶¹: Has it been results-oriented, and how effectively has the support helped develop the capacity of the systems to deliver the services and public goods identified in step 1? While the focus will be on capacity at systemic level, the capacity of individual organizations to perform their function in the overall system will also be looked at to understand the larger picture. The 2006 outcome evaluation of capacity development support to six government bodies will be an important contribution to this.

Some of the main questions that will be considered are presented in the box below:

Box 1. Capacity development factors

- Has the CD support for improved service delivery been based on nationally owned (if this can be defined clearly) policies or strategies? Have different stakeholder groups with differing, perhaps opposing, interests been considered? For instance, are there different interests between central and local levels, or other groups? Could differing levels of ownership or interests in the support among these groups affect the sustainability of the outcomes?
- Have efforts been made to ensure involvement and participation in the design and implementation of the support from the different groups of stakeholders in a way that takes into account their different interests?
- Has the national ownership to the focus and content of the support been ensured (again considering that national interests may differ)?
- Has the support emphasised developing the capacity of the institutions for continuing to deliver services over times that are relevant to the beneficiaries in the various locations and at various times? Has the focus been on developing the capacity of the institutions to detect and respond to needs of the beneficiaries – and to plan for and respond to future needs?
- Are the main constraints for developing the capacity of the institutions for improved service delivery clear – financial, skills-related, functional issues, incentives, etc? Do the actors or levels with the mandate and responsibility for undertaking tasks also have the resources and powers to deliver on their mandates (especially the local governments)? Has the capacity development support to the institutions focussed on addressing the main constraints for their ability to plan for and to deliver relevant services to the beneficiaries? Have the relevant constraints been alleviated through the support?
- Management, coordination and monitoring requirements of outcomes relative to national capacity and the special characteristics of the Bhutan. Especially the difficulties of working at local government level in Bhutan because of weak capacity and distances and separation.

61) The Challenge of Capacity Development – Working towards Good Practice, OECD/DAC, Paris 2006

Evaluate sustainability of the public services with specific focus on institutional, financial and ownership factors

The evaluation will focus on the sustainability of the identified public service improvements. It will follow Danida's Evaluation Guidelines and consider sustainability dimensions such as policy support measures, technology choice, environmental matters, socio-cultural aspects, institutional aspects, economic and financial aspects, and external factors. But given the preoccupation with preparing for the upcoming phasing out and the time after 2013, three categories will be given primary attention, namely:

- Policy support measures – essentially ownership, though not just ownership by “government” defined as a specific ministry, but broader ownership involving several relevant Government actors, at both central and local levels, but also non-government.
- Institutional aspects – the institutional and organizational capacity to continue to manage and deliver the outputs, services, or other public values created (or to detect the need for changes and plan and adjust services and outputs in response to changing needs)
- Economic and financial factors – whether the interventions are cost effective, if the economic benefits are justifiable given the investment, and finally whether there will be sufficient funding and commitments to ensure future maintenance and operation of the infrastructure.

Ownership and policy support is decisive for the sustainability of outcomes and outputs of the Danish assistance after Denmark has phased out its support. Denmark had formulated its country programmes in response to RGOB owned documents: such as the Bhutan Vision 2020 and the 5-year plans, and based on policy dialogue. The evaluation should assess how and to what extent ownership by RGOB to the Danish programmes has manifested itself throughout the evaluation period. With the introduction of parliamentary democracy, competition between political parties and common elections, the future political dynamics in Bhutan will be different from the past. Bhutan is characterised by a high degree of inequality and massive differences in living conditions between the urban elite and the rural poor in remote areas. The evaluation should investigate the expected political dynamism in Bhutan in the coming years considering whether the pro-poor policies of the past are in danger of discontinuation and whether outcomes so far could come under pressure?

The institutional capacity naturally depends on the capacity of the individual organizations in the public sector to play their roles in delivering the focal service areas. At organizational level, the usual determinants of capacity include human resources, structures, management systems, leadership, hardware and equipment, etc. But with the evaluation's focus on service delivery as outputs of the wider public system, the main interest becomes how well the intended linkages and processes between the organizations to deliver the services are working: Is the overall system designed in a coherent way – and is it working according to the objectives? These questions are particularly relevant for service delivery in health, education, and urban development, which are being decentralised and therefore will depend on the coherence of the local governance system: Is there consistency between the service delivery functions devolved to the local levels, decision-making authority over staffing, finances, and other resources, and have sufficient resources have been devolved to enable them to carry out their functions?

The economic and financial sustainability aspect will be important particularly in areas where infrastructure-support has been significant, like education, health and in urban development. Here it will be important to explore the cost-effectiveness of the infrastructure: Will it be considered the most economically viable option also in competition with a broader range of funding-demands when the maintenance and operation has to be met fully from domestic resources? Whether sufficient recurrent funding will be made available after the Danish support ends will also be important: Will recurrent costs for maintaining the infrastructure and services be on-budget; what is the level of recurrent costs for maintaining outcomes relative to other priority-items under the relevant national budget line; what is the outlook on the macro-fiscal situation and budget trends from where the recurrent funding will be drawn from? Are there any plans for how to achieve financial sustainability once the Danish support is phased out?

5 Key evaluation areas

5.1 The combined support from development partners to Bhutan and Bhutan's own efforts

This concerns an assessment of development outcomes, based on the policies and priorities of RGOB, changes in the international context and the capacity of the public sector system to deliver services to the population:

- What trends, patterns and achievements have happened with regard to the poverty and social development trends in Bhutan? How has the gradual democratization affected the lives of ordinary citizens? Highlight regional, rural/urban, gender and ethnic differences in the overall poverty and development patterns.
- What major changes have happened with respect to key public service delivery? Consider at least outcomes relating to health, education, water/sanitation, environment, natural resource management, urban development, democratization, governance. Some outcomes will relate to service delivery, others will relate to broader public services and functions. What are the key challenges today, including targeting, quality, sustainability and others?
- What changes have taken place in the overall policy and institutional framework, incl. the new Constitution, Vision 2020, 9th and 10th FYPs, local governance legislation, administrative reforms, governance etc.? What main developments have taken place in the public sector which influence the delivery and management of public services, centrally and locally? Assess main drivers and barriers to change. Highlight the main strengths and weaknesses in the public sector and how these affect the system's ability to deliver development and poverty reduction.
- What are the main factors, processes, and changes in the public sector and its wider policy and institutional environment that have led to the changed public service outcomes and outputs and how?
- What are lessons-learnt of relevance to sustainability of public sector outcomes? Are these outcomes politically and institutionally viable? What major developments happened in the macro-economic environment, Government's fiscal position, and the productive sectors? Assess major challenges in relation to financial sustainability, including the balance between investments and recurrent costs, and

the implementation of the 10th FYP, including activities to consolidate and further strengthen the public sector as service provider.

5.2 Effectiveness of the development cooperation itself

This focuses on questions concerning partnership, alignment of support, harmonization, government revenues, remittances, possible negative effects of ODA.

- What has been the trend with regard to Bhutan's reliance on development assistance?
- What have been the overall trends and composition of development assistance to Bhutan from different donors? What have been the focus areas? What has characterised the dialogue and partnership between donors and government? What has characterised the level of harmonization and coordination between donors?
- What has been the trend in the relative significance and role of Denmark and Danish assistance to Bhutan?

5.3 Contribution of Danish funded activities to Bhutan's development

The question here is whether Denmark has operated in a supportive manner and which contribution Denmark has made to the development results.

- Has the composition of the Danish country programme been relevant in terms of Bhutan's development challenges and in terms of RGOB priorities during the evaluation period? The country programme has gradually changed focus over the evaluation period. Have these changes increased its relevance or not? Why?
- What can be said about the significance and nature of the Danish contribution through sector budget support to the changes in national education and health service outcomes? Has the support been relevant? Has it been effective in terms of contributing to the desired outcomes?
- What has been the contribution of the Danish support focused on strengthening the "cross-government" functions and service delivery (urban, environment, governance, and decentralisation) to the changes in the national public service delivery? Has the focus of the Danish support in these areas been relevant? Has it been effective in promoting the national public service delivery?
- Has the Danish support, including the support provided by the Local Grant Authority, contributed to the democratization of Bhutan – and if so, how? Was the support relevant? How has this support changed the living conditions of the Bhutanese population? Was the support effective?

5.4 Implementation modalities in Danish development cooperation with Bhutan

The Danish-Bhutanese country programme has changed composition and modalities during the evaluation period. In the early years, equipment and investment combined with technical assistance and a project mode was the main feature. In the last years, sector budget support and programme approaches combined with technical assistance have become dominant. In the new sector programmes, direct financial support to local government is planned in parallel to continued sector budget support. In addition, a limited number of Mixed-credits and Business-2-Business projects have been implementation

or are under preparation. With the expected phasing out of the support after 2013, this raises questions with respect to efficiency and sustainability.

- Has the Danish support been efficient with its mix of and change in modalities over time?
- Have the strategies for capacity development and the use of TA been effective (especially in achieving systems-wide outcomes)?
- Are the outcomes of the Danish support sustainable – financially, institutionally, and with respect to ownership?
- What recommendations can be made to RGOB and Danida for creating a framework for a sustainable phasing out strategy beyond 2013 with the purpose of consolidating and sustaining the outputs and outcomes from the Danish support to Bhutan?

6 Methodology – basic elements

The methodology will ultimately be detailed by the evaluation team based on the analytical approach and the evaluation questions. The relative prioritisation of time and resources between each of the overall evaluation areas are indicated in the table further below.

General features

- The evaluation will be based on a combination of quantitative and qualitative analysis. The quantitative analysis will be based mainly on secondary data and information. The quantitative data will be collected from various sources and it will be part of the evaluation to assess the quality and coverage of the available statistical data. The qualitative data will be collected through key-informant interviews at central and local government levels, as well as through key informant/focus groups at community level and in public sector institutions.

Triangulation of both quantitative and qualitative information will be used throughout the evaluation.

- Visits to selected *dzongkhags* and *gewogs* will be used to evaluate service delivery issues from a local level provider and beneficiary perspective. The beneficiary perspective on service delivery is important and methods should emphasise this. The representativeness of the visited *dzongkhags* and *gewogs* should be assessed and taken into account when analysing the collected information.
- It is envisaged that during the evaluation process a number of evaluation issues will be selected for more in-depth examination. Depending on the issue, it is expected that more focused methods will be required.
- The methods and process should be participatory. Workshops at critical junctures of the evaluation will be used to validate results and ensure involvement and ownership to the results both at central and selected local levels.

More specifically the elements that will be relevant to consider for evaluating questions under each of the main evaluation areas are listed in the table below.

Evaluation area	Weight (%)	Methodology – main elements
Impact of the combined support from development partners to Bhutan and Bhutan's own efforts	35	<p>Desk study (statistical data, analytical reports, and Government reports on policy goals. etc. Reference to Vision 2020, SGNH, 9th FYP, 10th FYP, UNDP MDG reports, Gross National Happiness Index etc.)</p> <p>Field work at community level (citizens/beneficiary perspectives on service delivery issue and democratisation)</p> <p>Mapping of the interlinkages between different public sector institution and their respective contribution to service delivery.</p> <p>SWOT analysis of the contribution by key organizations</p> <p>Interviews (central, <i>Dzongkhags</i> and geog level, focus on key interlinkages in the public system, and barriers to and drivers of change in service delivery covering both functional-rational and political/power/drivers of change perspectives).</p> <p>Triangulation</p> <p>Definition of key sub-themes for in-depth study (e.g. decentralisation and service delivery; public service planning, budgeting and financing; staffing and quality of services in remote locations; and/or other)</p>
Effectiveness of the development cooperation itself	10	<p>Desk study (donor reports)</p> <p>Interviews for information gap-filling only</p>
The contribution of Danish funded activities to Bhutan's development	30	<p>Desk study (Danida programme documents, evaluation reports, review notes, appraisal reports, etc.)</p> <p>Focus group discussions on Denmark as cooperation partner and on the contribution of Denmark to changes in service delivery and democratisation (central level and local government level, i.e. selected <i>Dzongkhags</i> and geogs based on representative criteria)</p> <p>Focus group discussions with key informants on likely cause and effects linkages between the Danish programmes and service delivery, identification and collection of available evidence.</p> <p>Triangulation</p> <p>Separate background studies on selected sub-themes as deemed relevant (e.g. capacity development and the use of TA)</p>

Evaluation area	Weight (%)	Methodology – main elements
The internal effectiveness of the Danish assistance (implementation modalities and follow-up to Danish development cooperation with Bhutan)	25	<p>Efficiency issues: Desk study + interviews, centrally and at local government level</p> <p>Policy priority/ownership issues: Qualitative interviews with key officials and political leaders, central and local levels</p> <p>Financial sustainability: Budget analysis (central and local level budgets), service financing analysis (central/local levels)</p> <p>Institutional sustainability: Institutional capacity assessment (draw on sub-theme study on support to capacity development)</p>

7 Evaluation principles and management

The evaluation principles and management set-up will replicate the joint set-up established for the first phase of the Evaluation in 2006.

The basic DAC-evaluation principles of independence of those responsible for the design and implementation of the development intervention, and of utilisation of evaluators external to the donor and implementing organizations will be applied. Responsibility for the content and presentation of the findings and recommendations of the evaluation rests with the evaluation team. The views and opinions expressed in the report will not necessarily correspond to the views of the Danish Government, the Royal Government of Bhutan, or the implementing organizations. The report of the evaluation will be published and made available to all relevant stakeholders. Two sets of roles are contained in the evaluation process: the Evaluation Management and the Evaluation Team (Consultant).

EVAL and RED will each designate an officer for the evaluation. Together, the designated officers will form the Evaluation Management. EVAL will take a lead role as regards funding, tendering, contracting and implementation management. RED will take part in tendering and will take a lead role in guiding the Evaluation Team (Consultant) to the large amounts of existing relevant RGOB documents and data covering the period 2000-09 that can greatly facilitate the working of the Team as well as assist the Team with planning and logistics of field work.

The Evaluation Management will:

- Approve the ToR of the evaluation.
- Ensure quality throughout the evaluation process.
- Comment on and approve the draft and final Evaluation reports.
- Advise their own agencies and staff on the evaluation as well as coordinate internal agency contributions.
- Provide feed-back to the Evaluation Team and the Peer reviewers.

- Ensure local offices are aware of the evaluation and fully involved and available to contribute to the evaluation.
- Chair, organize, facilitate and participate in evaluation workshops as per need.
- Organize the presentation of the evaluation results, and assist with necessary follow up of the evaluation.

The Evaluation Team will collectively:

- Carry out the evaluation as per ToR.
- Be responsible for the findings, conclusions and recommendations of the evaluation.
- Report to the Evaluation Management, be in regular contact, coordinate mission timing and key events with the Management and seek its advice when needed.
- The Team Leader is responsible for the team's reports, and for the organization of the work of the team;
- The Team Leader will participate in workshops, assisted by the National Expert, and any other meetings as required.

The Liaison Office of Denmark in Thimphu, and the Development Cooperation Division, GNHC, representing the Danish and the Bhutanese Governments, respectively, is responsible for the implementation of the Danish assistance to Bhutan. As such, they are key stakeholders to the evaluation process and will follow the evaluation process closely, but will not be responsible for the evaluation process or the results. Other civil service staff members, both in Copenhagen and in Thimphu, will be consulted as deemed relevant.

Copenhagen, September 10th, 2010.

Annex 2 Evaluation Matrix

The evaluation matrix was prepared by the team in order to guide the collection of information and data during the visits to Bhutan. During the course of the work it turned out that data or time constraints, or a combination of these, did not allow a full investigation into the posed question. This concerns particularly identification of factors supposed to have triggered the outcomes achievements. The lesson learned is that such investigations require in-depth investigations far beyond what can be achieved during a relatively short field visit.

	Indicative Evaluation Questions	Indicators/ Method of verification	Data Source
Outcomes of combined support from development partners and the Bhutanese government	What changes have taken place in the overall policy and institutional framework during the evaluation period? What are the main drivers and barriers to change?	Changes in laws, policies and regulatory frameworks. Political economy analysis of changes	Desk study (statistical data, analytical reports, and government reports on policy goals, etc. Reference to Vision 2020, 9 th FYP, 10 th FYP, UNDP MDG reports, Gross National Happiness Index etc.) Key informant interviews
	What changes in the outputs and outcomes of the systems of organizations have taken place, both in effectiveness and efficiency? What has contributed to these?	Mapping of interlinkages between different public sector institution (ROACH)	Key informant interviews
	What trends, patterns and achievements have happened with regard to poverty and social trends in Bhutan with focus on regional and gender differences?	Data on poverty, health, education etc. by gender and district	NBS publications, NGHC publications, UNDP HDR
	How has the gradual democratization affected the lives of ordinary Bhutan citizens?	Qualitative analysis focusing on participation, and service delivery	Field work at community level (citizens/beneficiary perspectives on service delivery issue and democratisation) Thematic papers on decentralised service delivery, and on decentralisation and local empowerment
	What major changes have happened with respect to key public services delivery within the areas supported by Danida?	Sector indicators as suggested in section 4 of this report Any organizational changes	M&E reports, annual reports of key ministries and organizations Key informant interviews
	What are lessons learnt of relevance to the sustainability of public sector outcomes? Are these outcomes politically, institutionally and financially viable?	Organizational analysis	Interviews (central, <i>dzongkhags</i> and <i>gewog</i> level, focus on key interlinkages in the public system, and barriers to and drivers of change)
	What are lessons learned with respect to the role of civil society?	Analysis of changing role of civil society, and its impact on citizen empowerment	Field trip interviews, key informant interviews
	Major macro economic development during the evaluation period their respective contribution to service delivery	Analysis of macroeconomic trends, public sector financing etc.	Budget reports, NBS and MoF publications

	Indicative Evaluation Questions	Indicators/ Method of verification	Data Source
Effectiveness of development co-operation	What has been the trend concerning Bhutan's reliance of development assistance?	% ODA to overall government expenditure, and capital expenditure	Data from MoF
	What has characterised the dialogue and partnership between donors and the Government of Bhutan?	Analysis of nature of donor engagement	Key informant interviews with donors, MoF and GNHC
	Mechanisms for harmonization and coordination between donors	Existence of joint programmes, joint donor agreements, joint steering committees	Analysis of documents, key stakeholder interviews
	What has been the trend in the relative significance and role of Denmark and Danish assistance to Bhutan?	% of Danish assistance to Bhutan, by sector, and of overall expenditure, capital and recurrent	National data. LOD and Danida programme files and documents
Contribution of Danish funded activities to Bhutan's development	Has the composition of the Danish country programme(s) been relevant in terms of Bhutan's development challenges and the government's priorities during the evaluation period?	Analysis of relevance of Danida support to 9 th and 10 th FYP	Danish country programme plans and agreements
	Have the gradual changes the country programme has undergone during the evaluation period increased the relevance?	As above	As above
	The significance and nature of the Danish support through sector budget support to the changes in national education and health service outcomes and outputs and outcomes	Sector-level analysis of Danish financial contribution to education and health sectors	Sector work plans, key informant interviews
	What has been the contribution of the Danish support focused on strengthening 'cross-government' functions and service delivery (urban, environment, governance and decentralisation) to the changes in national public service delivery? Has the focus of the Danish support been relevant and effective?	Mapping of interlinkages between different public sector institutions (ROACH) Contribution of Danish support in this context	FYPs, organizational work plans, annual progress reports of Danish programmes
	Has the Danish support, including that provided by the Local Grant Authority contributed to the democratization of Bhutan? How? Has the support been relevant and effective? Has this support contributed to changing the living conditions of the Bhutanese population?	Analysis of progress in decentralisation programme Assessment of any impact so far	Annual reports of LGP and other decentralisation programmes Annual reports of GG programme Key informant interviews Field work interviews Thematic paper on decentralisation and local empowerment

ANNEX 2 EVALUATION MATRIX

	Indicative Evaluation Questions	Indicators/ Method of verification	Data Source
The Internal Effectiveness of the Danish Assistance	Has the changing mix of Danish support provided an efficient response to the challenges of Bhutan and the priorities of the government?	Analysis of changes in Danish support, as above Assessment of key Bhutanese challenges	Key informant interviews Dandi programme documents FYPs
	Have the strategies for capacity development and the use of TA been effective (especially in achieving systems-wide outcomes)?	Update of 2006 evaluation. Adapted ROACH analysis at whole-of government level	As above Thematic paper on capacity development
	Are the outcomes of the Danish support likely to be sustainable – politically, institutionally and financially?	Assessment of outcomes, and ongoing contribution of Danish assistance. Analysis of future plans of relevant sectors, and current pledged support from other development partners	Key informant interviews

Annex 3 List of persons met

Liaison Office of Denmark

Mr. Henrik A. Nielsen	Head of LOD
Mr. Tek B. Chhetri	Deputy Head/Programme Office
Ms. Karma Dema	Programme Officer

Gross National Happiness Commission Secretariat

Ms. Kunzang Lhamu	Head, RED
Mr. Phuntsho Wangyel	PMCD
Ms. Karma Hamu	Head, LDD
Ms. Tenzin Wangmo	DCD, Officiating Head
Mr. Sanjay Penjor	DCD
Ms. Rinzin Wangmo	RED

Royal Court of Justice

Judge Norbu Tshereng	Registrar General. High Court
Mr. Bhola Nath Dahal	Administrative Officer & Assistant Project Manager
Mr. Dorji Dukpa	Accounts Officer
Mr Sonam Tobgay	Electrical Engineer

Ministry of Education

Ms. Sangay Zam	Secretary
Mr. Jambay Wangchuk	Chief Planning Officer, PPD
Mr. Rinchen Samdrup	Asst Planning Officer, PPD
Ms. Bhumika Ghalley	Dep. Chief, HRD
Mr. Jamba Jobden	KR Officer
Mr. Pema Wangdi	BBE
Mr Tshewang Tanding	DG, DSE
Mr Dorji Tschewang,	Chief CAPSD
Mr Wangda Dorji	Chief EMSSD
Mr Thubten Gyatsho	Director, National Institute of Education
Mr. Chenco Dorji	Director, Youth and Sports
Ms. Sonam Pelden	Counsellor
Mr. Bahadur Tannang	Voc. Coordinator
Mr. Sonam Tshering	Chief Programme Officer, Adult Education

Ministry of Health

Dasho (Dr.) Gado Tshering	Secretary
Mr. Kado Zangpo	PPD

Royal Audit Authority

Mr. Ugyen Chewang	Auditor General
Mr. B. B. Chetri	Deputy Auditor General
Mr. P. M. Pradhan	Assistant Auditor general
Mr. Yonten Phuntsho	Officiating Chief

National Statistics Bureau (NSB)

Mr. Kuenga Tshering	Director
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Ministry of Works and Human Settlement

Mr. Rinchen Doyi Director, DUDES
Mr. Pema Choda Programme Manager
Ms. Lhaden Pema CPO, PPD
Mr. Sonam Desel EO, PPD

National Housing Development Corporation

Mr. Rinchen Officiating Managing Director

Bhutan Chamber of Commerce and Industry

Mr. Phub Tshering Secretary General

Ministry of Economic Affairs

Ms. Yeshey Selden Chief Planning Officer
Mr. M.K. Pradhan Chief Minig Engineer, DGM
Mr. Donsehu Dukpa Geologist, DGM

UNDP

Ms. Chencho Gyalmo Dorjee UNCDF
Mr. Karma L. Raptan UNDP/Energy, Environment & Disaster Cluster
Ms. Dorji Choden UNDP/Poverty & MDG Unit

Ministry of Information and Communications

Mr. Kinley Dorji Secretary
Mr. Sonam Phuntsho Director, Inf. & Media Department
Mr. Bhimlac Suberi Chief, PPD

SNV (NL)

Mr David Stiedl Portfolio Coordinator
Mr Kencho Wangdi Programme Officer

Bhutan Broadcasting Service Corporation

Ms. Pema Choden Managing Director
Mr. Ashok Moktan Head, R&D
Mr. Parchama Rai Chief Engineer
Mr. Jagarath Shavma Manager, Radio

Ministry of Labour and Human Resources

Mr. Sangay Dorjee Director, DOS
Ms. Kunzang Wangmo HRDD
Mr. Jigme Samdrup PPD
Mr. Phuntsho Raptu PPD
Mr. Karma Loday DOS
Mr. Sonam Rinchen Director
Mr. Tshewang Director, DOS
Mr. Carsten Hyttemeier Adviser

Kuensel Corporation

Mr. Chencho Tshering Managing Director
Mr Thinley Dorji General Manager, Finance

Royal Institute of Management

Mr. Karma Tshering Director
 Mr. Indraman Chhetri Chief Planning Officer

Ministry of Finance

Mr. Lam Dorji Finance Secretary
 Mr. Choiten Wangchuk Director, National Budget

National Environment Commission (NEC) Secretariat

Dasho Nado Rinchen Deputy Minister
 Mr. Sonam Yangley Director General
 Ms. Tshewang Zangmo Programme Officer

Royal Civil Service Commission

Mr. Bachu Phub Dorji Commissioner
 Mr Ugyen Tshewang Commissioner, HR Division

CSO Authority

Mr. Kencho Norbu

Ministry of Agriculture

Mr. Chencho Norbu Director, Agriculture
 Mr. Chadho Tshering Forestry Specialist
 Mr. Pelgang Wangchuk Forestry Specialist
 Mr. Tashi Jamisho Policy and Planning Division

Ministry of Home and Cultural Affairs

Mr. Karma Galay Officiating Director, Department of Local Governance
 Mr. Sonam Yarphel Assistant Planning Officer,
 Mr. Karama W. Tashi Planning Officer

Helvetas/SDC

Mr Walter Reder Resident Coordinator

RENEW

Mr Pema Gyaltsen Deputy Director

Unicef

Dr Gepke Hingst Representative
 Ms Vatinnee Jitjaturunt Deputy Representative

Monggar Dzongkhag

Mr. Tenzin Choeda District Environment Officer
 Mr. Tashi Gyempo Agriculture Extension Officer
 Mr. Ugyen Tshering Assistant District Forestry Officer
 Mr. Tandiin District Statistical Officer
 Ms. Sonam Pelda Asst. Adm. Officer
 Mr. Tashi Norbu District Engineer
 Mr. Tenzin Dakpa Officiating District Education Officer
 Mr. Tenzin Wangdi Branch Manager (BDFCL)
 Mr. Tashi Wangchuk Asst. District Livestock Officer

ANNEX 3 LIST OF PERSONS MET

Mr. Mani Kr. Ghalay	District Electoral Officer
Mr. Pema Chewang	District Health Officer
Mr. Karma Tshering	Accounts Officer
Mr. Kinley Namgay	District Judge
Monggar Gewog	
Mr. Dechen Yeshi	Gup
Mr. Ugyen Tshering	Gewog Administrative Officer
Mr. Tshering Penjor	Gewog Extension Forest Officer
Mr. Namgay Tshering	Gewog Extension Agriculture Officer
Ms. Deki Yangzom	Gewog Accountant Officer
Mr. Neten Wangchuk	Mangmi (Deputy Gup)
Mr. Dorji Wangchuk	Tshogpa (Village Head)
Mr. Yongba	Tshogpa
Mr. Karma	Tshogpa
Mr. Lungten	Tshogpa
Mr. Rinzin	Tshogpa (also member of Milk Association)
Mr. Tashila	Tshogpa
Ms. Karma Choezom	Tshogpa
Mr. Dechen	Tshogpa
Saleng Gewog	
Mr. Sonam Yeshey	Gup
Mr. Nakila	Mangmi
Mr. Sonam Phuntsho	Gewog Administrative Officer
Mr. Pema Dhendup	Gewog Forestry Extension Officer
Mr. Tshering Norbu	Clerk
Ms. Tashi Zangmo	Teacher
Ms. Dema	Gewog Agriculture Ext. Officer
Mr. DB Sumar	Sr. Ranger (NRDCL)
Mr. Dorji Rinzin	Chupon
Mr. Phuntsho	Tshogpa (Village health worker)
Mr. Jigme	Gewog Livestock Ext. Officer
Mr. Kesang Sherub	Gewog Accountant
Bumthang Dzongkhag	
Mr. Tashi Norbu	District Engineer
Mr. Mani Kr. Ghalay	Dzongkhag Electoral Officer
Mr. Pema Chewang	Dzongkhag Health Officer
Mr. Tenzin Choeda	District Environment Officer
Mr. Ugyen Tshering	Assistant District Forestry Officer
Mr. Karma Tshering	Accounts Officer
Ms. Kezang Lhamo	Budget Officer
Choekhor Gewog	
Mr. Tashi Dorji	Gup
Mr. Tshering Dorji	Gewog Forestry Ext. Officer
Mr. Kinley Dorji	Health Assistant
Mr. Yeshey Samdrup	Principle
Mr. Tenzin Dema	Chupon

Mr. Dorji	Tshogpa
Mr. Draduel	Mangm
Tang Gewog	
Mr. Sangla	Gup
Mr. Tashi Wangdi	Mangmi
Mr. Phurba Namgyel	Gewog Livestock Ext. Officer
Mr. Tshoing	Gewog Forestry Ext. Officer
Mr. Pema Drugyel	Gewog Clerk
Ms. Maya Tamang	Gewog Accountant
Ms. Neta Tamang	Gewog Agriculture Ext. Officer
Mr. Leki Dorji	Principle (community school)
Mr. Dorji	Tshogpa
Mr. Sonam Dorji	Member of Farmer's Cooperative Association
Samtse Dzongkhag	
Dasho Lobzang R. Yargay	District Judge
Ms. Kamala Gurung	Administrative Officer
Mr. Phuntsho Chogyel	Statistical Officer
Mr. Tshering N. Penjor	Agriculture Officer
Ms. Sonam Choden	Civil Registration and Census Officer
Mr. Nima Tshering	District Development Committee Secretary
Mr. Thongkay Drukpa	Livestock Officer
Mr. Sangay Tenzin	Municipal Engineer
Mr. Tshering Wangchuk	Health Officer
Mr. Thinley Jamtsho	Electoral Registration Officer
Ms. Pema Choden	Education Officer
Mr. Gyem Dorji	Forestry Officer
Mr. Sherab Chojay	Project Engineer, Samtse Municipality
Mr. Choeda	Junior Engineer, Samtse Municipality
Sibsoo Gewog	
Mr. Ranjit Gurung	Gup
Mr. Kinley Tshering	Forest Range Officer
Mr. Sangay Dorji	Assistant Clinical Officer, Health
Mr. Arthaman Rai	Livestock Extension Officer
Ms. Chandra Maya Adhikari	Agriculture Extension Officer
Mr. Sonam	Gewog Administrative Officer
Ms. Sushila Subba	Teacher, Education
Mr. Dilip Kumar Giri	Representative of the Civil Society
Mr. Ram Kumar Sharma	Tshogpa
Mr. Damber Raj Giri	Farmer
Mr. Lamzang,	Mangmi
Mr. Tshering Dorji	Farmer
Mr. Gonpo Tsheten	Tshogpa
Mr. Gauri Shankar	Farmer
Mr. Sharma	Farmer
Samtse Gewog	
Mr. K. B. Pradhan	Livestock Extension Officer
Mr. Leki Samdrup	Health Officer

ANNEX 3 LIST OF PERSONS MET

Mr. Khemraj Bhandari	Village Health Worker
Mr. Mandoj Subbha	Village Health Worker
Mr. Shyam Bahadur Subbha	Tshogpa
Mr. Bakta Bahadur Ghaley	Tshogpa
Mr. Yang Lepcha	Tshogpa
Mr. Dhan Kumar Subbha	Tshogpa
Mr. Dhol Man Rai	Druk Phuntshum Tshogpa Party coordinator
Mr. Hari Orowu	Ex Tshogpa
Mr. Nawang Norbu	Farmer
Mr. Gadra Bahadur Gurung	Tshogpa
Mr. Pema Gyeltshen	Farmer
Mr. Meg Raj Ghaley	COWH
Mr. Gudra B. Suunwar	Farmer
Mr. Indra Bahadur Subbha	Farmer
Mr. Tshering Phuntsho	Gewog Administrative Officer
Mr. Dorji Wangdi	Gup
Mr. Doley Drukpa	Mangmi
Mr. Shiva Prasad Ghaley	Clerk
Ms. Set Man Ghaley	Farmer
Ms. Tendrel Zangmo	Farmer
Ms. Khari Maya Suunwar	Farmer

Phuntsholing Municipal Corporation

Mr. R. S. Tamang	Deputy Chief Administrative Officer
Mr. D. C. Dhimal	Executive Officer
Mr. Karsang Norbu	Head, Environment Division
Mr. Karma Dupchu	Deputy Executive Engineer, Development Control Division

Phunaka Dzongkhag

Tan Droji	DEO
Karma Dorji	DCO
Ugyen	DLO
Pema Jampel	DSO
Yogindhi Chapagei	CEFCO
Pema Wangda	BO
Yeshley Samdrup	BDPC
Tshering Zabgong	Chairman
Tashi Penjor	DYT Secretary
Dorji Daupa	Administrative assistant, Education Sector
Zangmo	District Health Officer
Kinga Dorji	District Engineer
Ugyen Tshomo Ghaley	Acting Planning Officer

Guma Gewog

Kuenzang Wangmo	Gewog Administrative Officer
Namgay Tshering	Clerk
Bago Dorji	Mangmi
Bago Wangdi	Gup
Sameen	Punakha Hospital
Thuktan Lhamo	Agricultural Officer

Yeshey Tshering
Kunzang Chophel
Dorji Penjor

Livestock Office
Accountant
Teacher

Sipsu Gewog

Yeshi Dorji
Pema Loday
Ugyen Dema
Loday Tshering
Pema Tshering
Jeewan Guring
Sonam Gyamtsho
Kinley Tshewang
Tshering Gyelmo

Mangmi/Officiating Gup
Gewog Administrative Officer
Tshogpa
Gewog Accountant
Gewog Clerk
Assistant Livestock Extension Officer
Assistant Agriculture Extension Officer
Principal
Village Representative

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Annex 5 Present and recent Danida programmes

Currently, Danish assistance to Bhutan comprise two major sector programme, the Social Sector Support programme, launched in 2008, and the Governance programme, launch at the beginning of 2009. In addition certain activities of the Good Governance & Public Administrative Reform Programme (2003-08) and Bhutan Environment and Urban SPS 2004-08 have been extended and are still ongoing.

Good Governance and Public Administration Reform Sector Programme 1998-2003 Budget: DKK 42m (excl. long-term TA)

Development objective: To support the RGoB objective of having a small, compact and efficient public sector through institutional strengthening and capacity development.

Immediate objectives: The RGoB will enhance its efficiency and effectiveness through developing and strengthening institutional training capabilities of RIM

Improve accountability, transparency and control measures within RGoB's financial management thereby improving the sustainable utilisation of the available resources

Increased resources available for local development financing

Effective computerisation of Bhutan's public sector.

Components: Support to Royal Institute of Management (DKK 8.9m)

Support to Royal Audit Authority (DKK 6.7m)

Support to Division of revenue & Customs (DKK 16.0m)

Computer Support Centre (DKK 4.5mm)

Reserve for additional activities: DKK 5.9m

Health Sector Programme Support II 1998-2003 Budget: DKK 120m (excl. long-term TA)

Development objective:

Intermediate objective:

Immediate objectives:

<i>Components:</i>	<i>Immediate objective:</i>	<i>Budget:</i>	<i>Executing organization:</i>
Human resource development		DKK 10m	MoH
Infrastructure strengthening		DKK 52.3m	MoH
Disease Control and other services		DKK 13.5m	MoH
Planning and development		DKK 6.6m	MoH
Information, Education & Communication for Health (IECH) and community participation		DKK 8.2m	MoH
Quality Assurance		DKK 0.633m	MoH

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

Environment Sector Programme 1998-2003	Budget: DKK 55m (excl. long-term TA)
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Development objective: To raise the material well-being of our citizens and to meet their spiritual aspirations without impoverishing our children and grandchildren. The key is to find a development path that will allow the country to meet the pressing needs of the people, particularly in terms of food, health care and education, without undermining the resource base of the economy. New industries, new agricultural markets and new forestry products need to be carefully developed with respect to their broader environmental ramifications.

Intermediate objective: Use of natural resources in Bhutan sustained; biological diversity and essential ecological processes and life support systems maintained and the awareness thereof increased; and adequate pollution abatement techniques and environmental management systems put in place to mitigate the impact of industrialisation

Immediate objectives: Institutional framework of Bhutan, central and local level, capable of carrying out professional environmental management

Utilisation of natural resources (renewable & non-renewable) and related pollution abatement & control conducted in an environmental acceptable manner

Utilisation of natural resources (renewable & non-renewable) and related pollution abatement & control conducted in an environmental acceptable manner

Components:

Renewable Natural Resource Management

1. Support to the NEC Secretariat. Phase II (including environmental legislation). NEC Secretariat
2. Land Use and Natural Resources Planning II. MoA
3. Soil Survey and Land Resources. MoA
4. Environmental Education. MoHE

Pollution Abatement and Waste Management

5. Capacity Building of Division of Geology and Mines and Division of Industries. MTI
6. Cleaner Technology and Environmental Management Pilot Programme. MTI/NECS

Biodiversity Conservation

7. Bomdiling Wildlife Sanctuary. MOA
8. Flora of Bhutan with Herbarium. MOA

Human Resources Development – Cross Cutting Support

9. HRD Programme, RCSC

Note: Certain parts extended beyond 2003

Urban Sector Programme Support (1999-2003)	Budget: DKK 74 m (excl. TA)
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Development objective: Urban growth accommodated efficiently and effectively on a social, economic and environmental sustainable basis through: a) appropriate central government policy and administrative interventions; b) democratically governed and well performing urban local authorities; c) delivery of appropriate and cost-effective urban services; and d) continuous and adequate supply of qualified manpower at all competence levels to sustain urban growth

Components:	Immediate objective:	Budget:	Executing organization:
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ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

1. Support to central government for development of the urban sector	Enhanced central government policy and administrative framework that creates an enabling environment for further decentralisation and increased autonomy to local authorities. Focal points: (i) spatial urban development; and integrated social, economic and physical development; (ii) policies and strategies for infrastructure and housing provisions; (iii) legal framework for urban local governance.	DKK 6.5m	-Public Works Department (of the Ministry of Communication) -Urban development Unit/PWD-MoC -Urban Water & Sanitation Unit/PWD-MoC
2. Urban development and management of Thimphu City	Improved living standards and livelihood for residents in Thimphu City, in particular for low income groups, achieved through efficient and effective urban development and management. Focal points: (i) increased competence for urban planning and management; (ii) provision of immediately needed water supply and sanitation infrastructure; (iii) testing of affordable low income housing.	DKK 24.6m	-Thimphu City Corporation
3. Urban development and management of Phuentsholing City	Improved living standards and livelihood for residents in Phuentsholing City, in particular for low income groups, achieved through efficient and effective urban development and management. Focal points: (i) increased competence for urban planning and management, (ii) provision of immediately needed water supply and sanitation infrastructure; (iii) testing of affordable low income housing.	DKK 12.6m	-Phuentsholing City Corporation
4. Urban development and management of district municipalities	Improved living standard and livelihood for residents in selected district municipalities, in particular for low income groups, achieved through efficient and effective urban development and management. Focal points: testing of urban development policies in district municipalities; testing of infrastructure and housing; and testing of municipal governance.	DKK 12.8m	-District (Dzongkhag) Administrations

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

5. Enhancement of capacity in support of urban management	Key Bhutanese educational and training institutions capable of supplying professional, skilled and semi skilled craftsmen in support of urban development, management, operations and maintenance to the public and private sectors. Focal points: (i) support to educational and VET institutions to provide public and private sector manpower for urban management and operations; (ii) capacity development of the existing work force; (iii) public-private partnerships for operation and maintenance of urban services.	DKK 2.8m	-Public Works Department (of the Ministry of Communication)
Good Governance & Public Administrative Reform Programme (PARP Phase II) – Bhutan (2003-08)		Budget: DKK 44.5 m (excl. TA)	
Development objective:	The Bhutanese system of governance developed in accordance with the national vision, retaining administrative efficiency, effectiveness and professionalism, respecting rule of law and enabling increased participation		
Programme level output:	<ol style="list-style-type: none"> 1. A policy and strategy framework established for the implementation of the decentralisation of tasks and responsibilities in accordance with the 9th plan and the newly approved Chathrims for DYT and GYT 2. The capacity of selected segments of the Bhutan civil service enhanced to fulfil tasks and responsibilities within the decentralised task and responsibility structure 3. Enabling legislation and rule of law established and sustained at all levels of society 4. Bhutan Broadcasting Service (BBS)' potential as an important player in GG and in the democratic, social and cultural development of the country strengthened through increasing the number of audiences and decentralising the programme production and through reinforced professionalism and capacity to produce interactive media programmes 5. Core fiscal institutions strengthened as a prerequisite for fiscal decentralisation 		
Components:	Immediate objective:	Budget:	Executing organization:
1. Support to decentralisation and civil service strengthening	Decentralisation and Civil Service in Bhutan strengthened to facilitate the new tasks and responsibilities in accordance with the 9th plan and the newly approved chathrims for DYT and GYT	DKK 14.0m	<ul style="list-style-type: none"> -Ministry of Finance -Ministry of Home Affairs -Royal Civil Service Commission -Royal Institute of Management
2. Support to legislative and judiciary	Enabling legislation and rule of law established and sustained at all levels	DKK 5.2m	<ul style="list-style-type: none"> -Office of Legal Affairs -Ministry of Communication

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

3. Support to media	BBS' potential as an important player in good governance and in the democratic, social and cultural development of the country strengthened through increasing the number of audiences and decentralising the programme production and through reinforced professionalism and capacity to produce interactive media programme	DKK 7.0m	-Bhutan Broadcasting Service
4. Support to core fiscal institutions	Two core fiscal institutions strengthened and consolidated as a prerequisite for fiscal decentralisation	DKK 7.0m	-Department of Revenue and Customs -Royal Audit Authority

Notes: a) This programme is a continuation and extension of the support granted by Denmark to the Royal Government of Bhutan in the area of Good Governance and Public Administrative Reforms. The former programme (GG/PARP Phase I) covered the period 1998-2002.; b) Some activities were extended beyond 2008.

Education Sector Programme Support 2003-08

Budget: 80.5m (excl. TA)

Development (programme) objective:	To contribute to national wealth and happiness through the development of a well-educated population enabling the people of Bhutan to control their own material and spiritual destinies
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Specific (immediate) objectives are those of the ESIP 2002-07:	<p>Provide support mechanisms for early childhood care and development for children between 0-6 years of age on a pilot basis;</p> <p>Enhance enrolment of children between 6-12 years of age in primary schools to 90-95% by 2007;</p> <p>Enhance the quality of education in order to achieve competency in language, communication skills and Mathematics comparable to international standards;</p> <p>Improve and expand youth guidance and career counselling and values education towards a program for wholesome development of the youth;</p> <p>Increase the basic education level from class VIII to class X;</p> <p>Increase promotion proportion from class X to class XI from 38% to 56%;</p> <p>Develop an excellent higher education system under the umbrella of a National University with federated colleges that will meet the needs of the Bhutanese society and economy;</p> <p>Enhance literacy rate by 54% to 80% and establish a system of continuing and lifelong education opportunities complemented through the establishment of the National University;</p> <p>Establish a program of inclusive education (for children who are physically and mentally challenged) to enable them to partake in the general education that is provided to all children so that they could live with dignity and participate in the development of the Bhutanese society;</p> <p>Strengthen the Education Ministry and the DEOs for more effective policy, management and monitoring functions; and</p> <p>Develop a more sustainable education system through the introduction of private participation and cost sharing measures.</p>
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Components:	Immediate objective for Danida support:	Budget:	Executing organization:
1. Sector budget support	None	DKK 60m	MoE
2. Capacity development	None	DKK 15m	MoE

Note: Continued under the Social Sector SPS (2008-13)

Health Sector Programme Support, Phase III (HSPS III) 2003-2008 Budget: DKK 82 m

Development objective:	<p>- The development objective of HSPS III is identical to the objective of the 9th FYP Health component:</p> <p>To facilitate the attainment of a standard of healthy living by the people of Bhutan that permits them to lead a socially, mentally and economically productive life and, within the broader framework of overall national development, to enhance the quality of life of the people through better and professional health care in the spirit of social justice and equity.</p> <p>- The vision for the end of HSPS III is a health care system that provides improved quality health services, which are equitably distributed, and that is sustainable institutionally, financially and in terms of human resources.</p>
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ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

Specific objectives of the Health Sector 9FYP, which the HSPS III supports:	<p>Enhance the quality of health services</p> <p>Target health services to the un-reached</p> <p>Strengthen the traditional medicine system and its integration with the overall health services</p> <p>Enhance self-reliance and sustainability of health services</p> <p>Intensify human resource development for health and establish a system of continuing education</p> <p>Strengthen health management information system and research and their use</p> <p>Intensify reproductive health services and sustain population-planning activities</p> <p>Promote community based rehabilitation and mental health and find innovative means to enhance the mental well-being of people</p> <p>Develop appropriate secondary and tertiary health care services, while maintaining the balance between primary, secondary and tertiary care</p> <p>Intensify the prevention and control of prevailing health problems and the emerging and re-emerging ones.</p>		
Components:	Immediate objective:	Budget:	Executing organization:
1. Budget Support	The component objectives, outputs and activities are those of the 9th FYP	DKK 61m	-Ministry of Health and Education
2. Support to Capacity Building and Monitoring	To strengthen the management capacity (planning, implementation and monitoring) in the health sector for managing health care resources and monitoring their impact	DKK 13.4m	-Ministry of Health and Education
3. RWSS – Rural Water Supply and Sanitation	The development objective of the component is ‘Sustainable improvement of the welfare of rural households’. The immediate objective ‘Sustainable capacity at all levels for provision of sufficient water in terms of quantity and quality and for safe use of water’. The vision is full coverage of rural water supply within a time span of 10 years.	DKK 44.5m (June 2000-June 2005) NB: Separate allocation	-Ministry of Health and Education

Note: Support to the National Rural Water Supply and Sanitation (RWSS) Programme under the MoHE (Component 3) was added to the HSPSII in June 2000 as a continuation of an earlier UNICEF financed programme which started in 1974. The RWSS was scheduled to end in June 2005. The component has its own budget with a separate Danish grant of 44.5 million, over and above the budget of HSPSII and HSPSIII.

**Environment and Urban Sector Programme
2004-2008**

Budget: DKK 110m (excl. long-term TA)

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

Development objective:	Balanced development on a social, economic and environmental sustainable basis through enforcement of appropriate legislation and policies, decentralised land use and management of natural resources, appropriate development of industries and mines, strengthened capacity to promote and support decentralised urban management, and delivery of cost effective urban services with public participation.		
Components:	Immediate objective:	Budget:	Executing organization:
1. Environmental Regulation and Management at national and local level	The development of appropriate environmental legislation and modalities for implementation and enforcement.	DKK 9.7m	-National Environmental Commission Secretariat (NECS)
2. Decentralised Natural Resources Management	The development and implementation of a model for decentralised land use and management of natural resources.	DKK 14.4m	-Ministry of Agriculture (MoA).
3. Implementation of Environmental Regulation and Promotion of Cleaner Technology and Environmental Management in Industries and Mines	Appropriate environmentally acceptable development of the mining and industrial sector.	DKK 7.9m	-Ministry of Trade and Industry (MTI).
4. Support to Urban Sector policy, planning, legislative framework and HRD development	The development of urban management capacity to facilitate, support and sustain decentralised urban management.	DDK 8.6m	-Ministry of Works and Human Settlements (MoWHS).
5. Urban development and management in district towns	Improved living standards for urban dwellers in selected district municipalities through delivery of sustainable urban services with increasing public participation.	DKK 49.8m	-Ministry of Works and Human Settlements (MoWHS).
Note: Certain parts extended beyond 2008			

Social Sector Programme 2008-13

Budget: DKK 140 m

Development objective:	The programme is in line with the objectives and goals set in RGoB's 9th and proposed 10th Five Year Plans (FYP). Consequently the overall objective of the programme is poverty reduction and will contribute to the 10th FYP's goal of reducing poverty from 31.7 per cent to 20 per cent by the end of the plan.		
Components:	Immediate objective:	Budget:	Executing organization:

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

1. Sector Budget Support to the Social Sector	<p>Health:</p> <ul style="list-style-type: none"> - The long-term objective of health services in Bhutan is to facilitate the attainment of a standard of healthy living by the people of Bhutan that permits them to lead a socially, mentally and economically productive life and, within the broader framework of overall national development, to enhance the quality of life of the people through better and professional health care in the spirit of social justice and equity (9th Five-Year Plan) - Facilitate, through a dynamic professional health care, the attainment of a standard of health by the people of Bhutan to lead a socially, mentally and economically productive life and, within the broader framework of overall national development, enhance the quality of life of the people in the spirit of social justice and equity (10th Five-Year Plan) <p>Education:</p> <ul style="list-style-type: none"> - The development objective of the education sector in Bhutan is to contribute to national wealth and happiness through the development of a well-educated population enabling the people of Bhutan to control their own material and spiritual destinies (9th Five-Year Plan) - Education Sector: consolidation and further enhancement of the quality of education (10th Five-Year Plan) 	DKK 107m	-Ministry of Health -Ministry of Education
2. Support for Vocational Education and Training (VET)	<ul style="list-style-type: none"> - Enhance quality and access to VET programmes (9th Five-Year Plan) - To attain full employment, especially among the educated youth (10th Five-Year Plan) 	DKK 15m	-Ministry of Labour and Human Resources
3. Technical Assistance and Management of the Programme	Component three of the SSPS is intended to be a support function with no other objective than facilitating the two other components	DKK 18m	-Liaison Office of Denmark
Good Governance Sector Programme 2008-13			Budget: DKK 50m
Development objective:	To realise good governance principles as the enabling environment for poverty reduction, and as such contribute to the 10th FYP's goal of reducing poverty from 23% to 15% by 2013		
Components:	Immediate objective:	Budget:	Executing organization:

ANNEX 5 PRESENT AND RECENT DANIDA PROGRAMMES

1. Support to Democratic Governance Institutions	Strengthened capacity of democratic governance institutions in Bhutan	DKK 18m	-National Land Commission -Judiciary -Anti-corruption Commission
2. Local Governance Support Programme	Democratic governance at local levels enhanced and services delivered effectively and efficiently as a mechanism to reduce poverty.	DKK 25m	-Gewog Annual Capital Grant facility
3. Support to Non-state Actors	An enabling framework for non-state actors (media, civil society and private sector) created to strengthen the democratic process and hereby supporting poverty reduction.	DKK 5m	-Civil Society Organizations' Authority -CSOs

Note: **Component 2**, Local Governance Support Programme is a joint programme of support from Denmark, UNCDF, UNDP and other development partners like SDC, Austria and JICA to RGoB's local government reform. The component comprises a direct contribution to a capital block grant mechanism to all geogs (villages) in Bhutan and earmarked support to capacity development of the local governments.

Annex 6 Selected statistical data

Table 1 Incidence of poverty and subsistence poverty by dzongkhag 2007. Percentage

Dzongkhag	POPULATION		HOUSEHOLDS	
	Incidence of Poverty	Incidence of Subsistence Poverty	Incidence of Poverty	Incidence of Subsistence Poverty
Bumthang	10.9	0.9	6.6	0.4
Chhukha	20.3	4.5	14.3	2.7
Dagana	31.1	9.7	21.9	5.8
Gasa	4.1	1.0	2.1	0.4
Haa	13.2	5.1	10.5	3.5
Lhuntse	43.0	11.2	32.2	6.9
Monggar	44.4	10.2	34.4	7.1
Paro	3.9	0.6	3.1	0.4
Pemagatshel	26.2	4.5	18.5	2.9
Punakha	15.6	1.9	9.8	1.1
Samdrupjongkhar	38.0	12.2	31.7	8.9
Samtse	46.8	17.6	36.0	11.5
Sarpang	19.4	3.3	11.8	1.7
Thimphu	2.4	0.1	1.4	0.1
Trashigang	29.3	7.0	21.8	4.2
Trashiyangtse	14.3	0.5	9.7	0.4
Trongsa	22.2	4.8	14.4	2.9
Tsirang	13.9	2.5	9.7	1.0
Wangdue	15.8	1.9	9.6	0.8
Zhemgang	52.9	17.8	43.6	13.2
BHUTAN	23.2	5.9	16.9	3.8

Source: National Statistical Bureau: Poverty Analysis Report 2007

Note: i) Households consuming less than the food poverty line of BTN 687 per person per month are considered subsistence poor

ii) Households consuming less than the total poverty line of BTN 1,097 per person per month are considered poor

Table 2 Number of poor and subsistence poor by dzongkhag 2007

Dzongkhag	POPULATION				HOUSEHOLDS			
	Poor	% of Total Poor	Subsistence Poor	% of Total Subsistence Poor	Poor	% of Total Poor	Subsistence Poor	% of Total Subsistence Poor
Bumthang	1,800	1.2	100	0.4	200	0.9	-	0.3
Chhukha	13,700	9.4	3,000	8.1	2,000	9.5	400	8.0
Dagana	5,900	4.0	1,800	4.9	800	3.6	200	4.2
Gasa	200	0.1	-	0.1	-	0.1	-	0.1
Haa	1,700	1.1	600	1.7	200	1.2	100	1.7
Lhuntse	6,700	4.6	1,800	4.7	1,000	4.5	200	4.4
Monggar	17,000	11.6	3,900	10.4	2,500	11.9	500	10.8
Paro	1,400	1.0	200	0.5	200	1.0	-	0.5
Pemagatshel	6,200	4.2	1,100	2.9	900	4.3	100	2.9
Punakha	4,000	2.7	500	1.3	400	2.1	100	1.1
Samdrupjongkhar	13,300	9.1	4,300	11.4	2,200	10.4	600	13.0
Samtse	26,100	17.8	9,800	26.3	4,100	19.3	1,300	27.5
Sarpang	7,800	5.3	1,300	3.6	1,000	4.5	100	3.0
Thimphu	2,100	1.4	100	0.2	300	1.2	-	0.3
Trashigang	14,000	9.6	3,300	8.9	2,200	10.5	400	9.0
Trashiyangtse	2,600	1.8	100	0.3	400	1.7	-	0.3
Trongsa	3,200	2.2	700	1.9	400	1.8	100	1.6
Tsirang	2,600	1.8	500	1.3	400	1.7	-	0.8
Wangdue	5,700	3.9	700	1.8	600	2.8	100	1.1
Zhemgang	10,400	7.1	3,500	9.4	1,500	7.0	500	9.4
BHUTAN	146,100	100.0	37,300	100.0	21,300	100.0	4,800	100.0

Source: National Statistical Bureau: Poverty Analysis Report 2007

Note: i) Households consuming less than the food poverty line of BTN 687 per person per month are considered subsistence poor

ii) Households consuming less than the total poverty line of BTN 1,097 per person per month are considered poor

Table 3 Key education access milestones at beginning of 8th, 9th and 10th FYP

	1997	2002	2008
Number of educational institutions	312	408	542
Number of students	92,267	136,307	176,483
Number of teachers		4,206	6,559

ANNEX 6 SELECTED STATISTICAL DATA

Gross Enrolment Rate (%)	72	89	112
Literacy rate (%)	54	54	59.5

Table 4 Relations between poverty and education⁶²

Top 5 poor Districts	Poverty Data of 2007				Education Data of 2009						
	Absolute number of poor	% of national poor	% of dzongkhag population who are poor	Class size	>1 hr distance from public school	6-16 yr Not in School	% Class <40	TP ratio	NER Primary	NER Basic	GPI
Samtse	26.100	17.8	46.8	39	63%	12%	75%	34	88%	86%	0.93
Chhukha	13.700	9.4	20.3	36	56%	24%	85%	26	80%	77%	1.21
Monggar	17.000	11.6	44.4	24	69%	6%	98%	25	97%	88%	0.89
Trashigang	14.000	9.6	29.3	24	58%	0%	100%	23	93%	88%	0.93
Zhemgang	10.400	7.1	52.9	23	77%	1%	97%	24	99%	98%	0.94
Total	81.200	55.5									
	National average			29	56%		92%	25	92%	88%	1.01

62) National Statistic Bureau (2007a) and Ministry of Education (2009b)

ADMINISTRATIVE MAP OF BHUTAN



BHUTAN AT A GLANCE

Area (sq. km):	38,394
Dzongkhags (districts):	20
Gewogs (blocks):	205
Population (2009):	683,407
Population density (person/sq.km):	17.8
Life expectancy (2010):	66
GDP per capita (2008):	USD 1,900

Land use

Arable land:	2.3%
Permanent crops:	0.43%
Other:	97.27%

Source: RGoB and WB

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GROSS NATIONAL
HAPPINESS COMMISSION/BHUTAN
Gross National Happiness Commission
Royal Government of Bhutan
P.O Box 127, Tashi Chhodzong, Thimphu, Bhutan
Tel: 00975-2-325192
Fax: 00975-2-326779
www.gnhc.gov.bt

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL
DEVELOPMENT COOPERATION

2 Asiatisk Plads
DK-1448 Copenhagen K
Denmark

Tel +45 33 92 00 00
Fax +45 32 54 05 33
um@um.dk
www.um.dk