

**Third Party Evaluation 2006,
The Ministry of Foreign Affairs of Japan**

Country Assistance Evaluation of Bhutan

-Summary-

March 2007

Preface

This report is a summary of the Country Assistance Evaluation of Bhutan undertaken by the External Advisory Meeting on ODA Evaluation, which is an informal advisory body of the Director-General of the International Cooperation Bureau of the Ministry of Foreign Affairs of Japan.

Japan has been one of the top donor countries of ODA (Official Development Assistance) and there have been domestic and international calls for more effective and efficient implementation of assistance. The Ministry of Foreign Affairs, as the ministry coordinating ODA, has been conducting ODA evaluation mainly at the policy level with two main objectives: to support the implementation and management of ODA and to ensure its accountability. This evaluation study was conducted to evaluate Japan's assistance to Bhutan in terms of its purpose, process of planning and implementation, and results, to obtain lessons and make suggestions for conducting more effective and efficient assistance in the future, and to fulfill the government's accountability by disclosing the evaluation results.

The External Advisory Meeting on ODA Evaluation was formed to improve the objectivity in evaluation. The Meeting is commissioned to conduct an evaluation of ODA and to report results and recommendations to the International Cooperation Bureau of Ministry of Foreign Affairs. Ms. Kiyoko Ikegami, a member of the Meeting and Director of the UNFPA Tokyo Office, was in charge of this evaluation.

Mr. Shun-ichi Murata, former Resident Representative of the UNDP Bhutan Office and Professor of Kwansai Gakuin University/ Director of the UNDP Tokyo Office, being an advisor to the study, made enormous contribution to this report. Likewise, the Ministry of Foreign Affairs and the Japan International Cooperation Agency also gave their cooperation. We would like to take this opportunity to express our sincere gratitude to all those who were involved in this study. The ODA Evaluation Division of the International Cooperation Bureau of the Ministry of Foreign Affairs was in charge of coordination. All other supportive works including information collection and analysis were provided by the International Development Center of Japan under commission of the Ministry of Foreign Affairs.

Finally, we wish to add that the opinions expressed in this report do not necessarily reflect the view or position of the Government of Japan or any other institution.

March 2007

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Summary

1. Implementation Policy of the Evaluation

(1) Background and Purpose

Japan's Official Development Assistance (ODA) to Bhutan started in 1964 with the dispatch of a Japan International Cooperation Agency (JICA) agriculture expert. As one of the major donors in Bhutan, Japan has provided assistance centered on agriculture and basic infrastructure development since then. In the last few years Japan's basic policy has been to provide ODA in line with Bhutan's unique development principles, which is not a replica of other countries. These principles include Gross National Happiness (GNH), the development philosophy under which the final objective of development is the creation of a society in which the people can live happily. In 2006 Japan and Bhutan marked the 20th anniversary of their diplomatic relations. Taking this as a good opportunity to look back on Japan's ODA to Bhutan, the Ministry of Foreign Affairs of Japan decided to commission this evaluation.

This evaluation was conducted mainly for the following purposes: to (1) carry out a comprehensive evaluation of Japan's ODA Policy to Bhutan, and specify areas that could be improved and make specific recommendations for conducting more effective and efficient assistance, (2) fulfill the government accountability to the Japanese citizens by publishing the results of the evaluation, (3) feedback information that will be useful for the future development of Bhutan to the Government of Bhutan and other donors, and (4) contribute to public relations concerning Japan's ODA to Bhutan.

(2) Scope of the Evaluation

Though country evaluations are usually carried out on the Country Assistance Program¹ and other assistance policies, there is no Country Assistance Program or assistance policy based on well-defined formulation guidelines and policy consultations, formulated for Bhutan. The only official document available is the Basic Policy on ODA to Bhutan (hereafter, "basic policy") contained in the Japan ODA Country Data Book (published only in Japanese). The "basic policy" referred to here only gives a simple overview of the basic approach and priority areas based on Bhutan's development needs and the past assistance of Japan. Therefore, the subject of this evaluation is decided as "the whole of Japan's ODA to Bhutan in the last 20 years," including the "basic policy." In other words, all assistance projects are reviewed, including technical cooperation projects, grant aid, development studies, etc., implemented during the period from 1981, when the first individual project was implemented, to 2005. However, taking into consideration the availability of Bhutanese and Japanese data and documents, the focus of the evaluation was placed on the last 10 years. The list of projects subject to evaluation is shown in Table 1.

¹ Country Assistance Programs are a part of the effort by the Government of Japan to make its ODA more strategic, efficient, and transparent. They detail Japan's assistance program for a specific country over a period of five years based on the political, economic, and social conditions in the recipient country and taking into account that country's development plan and development challenges. Formulation of Country Assistance Programs began in 2000 and as of September 2006 they have been created for 23 countries.

Table 1: List of Projects Implemented in Each Priority Area

Priority Areas	Project Title	Scheme	Period (Japanese FY)
Rural and Agricultural Development	Machinery and Equipment for Agriculture Mechanization Plan *	Grant Aid	1981
	The Project for Construction of Agriculture Machinery Center *	Grant Aid	1983
	Agriculture Development Plan *	Grant Aid	1986-1987
	The Project for the Paro Valley Agricultural Development	Grant Aid	1989, 1990, 1993-1995
	The Project for Improvement of Machinery and Equipment for Construction of Rural Agricultural Road	Grant Aid	2004
	Grant Aid Program for Increased Food Production (2KR)	Grant Aid	84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 99, 00, 01, 02, 04
	Feasibility Study on the Lhuntshi and Mongar Integrated Agricultural Development Project	Development Study	1986-1988
	The Study on Groundwater Development in Wangduephodrang District	Development Study	1993-1995
	The Study on Agriculture and Farm Road Development in the Lhuntse and Mongar Districts	Development Study	2001-2002
	The Agricultural Research and Extension Support Project in Lhuntse and Mongar	Technical Cooperation Project	2004-2009
Infrastructure Development	Establishment Project for Micro Hydro Power Facilities	Grant Aid	1985
	The Project for the Construction of Micro Hydro Power Facilities	Grant Aid	1989-1990
	The Project for Improvement of the Equipment for Road Construction and Maintenance	Grant Aid	1987
	The Project for Improvement of the Equipment for Road Construction and Maintenance (Phase 2)	Grant Aid	1995
	The Project for the Development of the Domestic Telecommunication Network	Grant Aid	1991-1994
	The Project for Construction of the Domestic Telecommunication Network in the Western Region	Grant Aid	1995-1998
	The Project for Reconstruction of Bridges	Grant Aid	2000-2003
	The Project for Improvement of Equipment for Road Construction and Maintenance	Grant Aid	2003
	The Project for Reconstruction of Bridges (Phase 2)	Grant Aid	2004-2007
	The Study on National Highway Bridge Construction	Development Study	1997-1998
	Feasibility Study on the Development of Punatsangchhu Hydropower Project	Development Study	1998-2000
	The Integrated Master Plan for Dzongkhag-wise Electrification	Development Study	2003-2005
	The Project for Expanding Subscribers' Line Network and Human Development	Technical Cooperation Project	2003-2005
	Human Resource Development in Bridge Planning, Designing, Construction and Maintenance	Technical Cooperation Project	2004-2007
	The Project on Enhancement of Bhutan Broadcasting Service	Technical Cooperation Project	2005-2007
	The Project for the Improvement of TV Programs of Bhutan Broadcasting Service Corporation	Cultural grant aid	2005
	The Project for Construction of Mule Tracks	Grassroots grant aid	2000
	The Project for Construction of Khoma Suspension Bridge *	Grassroots grant aid	2002
	The Project for Construction of Gorthungla Suspension Bridge *	Grassroots grant aid	2002
	The Project for Supply of Reconditioned OB Van for Strengthening the TV Program Production Facility of Rural Areas	Grassroots human security projects	2004
The Project for Supply of Two Color Press	Grassroots human security projects	2004	
Social Development	The Project for Improvement of Maternal and Child Health and Essential Equipment	Grant Aid	2000
	The Project for Construction of Educational Facilities	Grant Aid	2005-2008
	Supply of Audio Equipment for Regional Exchange Training Center *	Cultural grant aid	1989
	Supply of Fumigation Equipment to the National Library *	Cultural grant aid	1991
	Supply of Dzongkha Typewriters to Schools *	Cultural grant aid	1993
	Supply of Equipment for Preservation and Recording of Cultural Assets to the National Museum of Bhutan *	Cultural grant aid	1997
	Project for Supply of Water Purifier for Education Facilities *	Grassroots grant aid	1992
	Project for Patient Transportation for JDW National Referral Hospital *	Grassroots grant aid	1994
	Project for Introduction of Computer to High Schools *	Grassroots grant aid	1995
	Construction of Multipurpose Hall for Chhume Primary School *	Grassroots grant aid	1996
	Supply of Physical Education Equipment for High Schools *	Grassroots grant aid	1996
	Supply of Equipment for Printing Braille for National School for the Blind *	Grassroots grant aid	1997
	Supply of Equipment for Environmental Education *	Grassroots grant aid	1997
	Supply of Medical Equipment for JDW National Referral Hospital *	Grassroots grant aid	1999
	Telemedicine Project in Trashy Yangtse *	Grassroots grant aid	2001
	Telemedicine Project in Lhuntse *	Grassroots grant aid	2001
	Supply of Recycled Computer for Environmental Education *	Grassroots grant aid	2002
	The Project for Recycled Refuse-Collector-Truck Aid	Grassroots grant aid	2001
	The Project for Supply of Recycled Fire Engines	Grassroots human security projects	2003
	The Project for Supply of Recycled Fire Engines and Ambulance to Paro International Airport *	Grassroots grant aid	2000
Equipment for Infectious Disease Control (Support to Polio Eradication and EPI)	Grassroots human security projects	2005	
Good Governance	Local Governance and Decentralization Project	Technical Cooperation Project	2004-2006

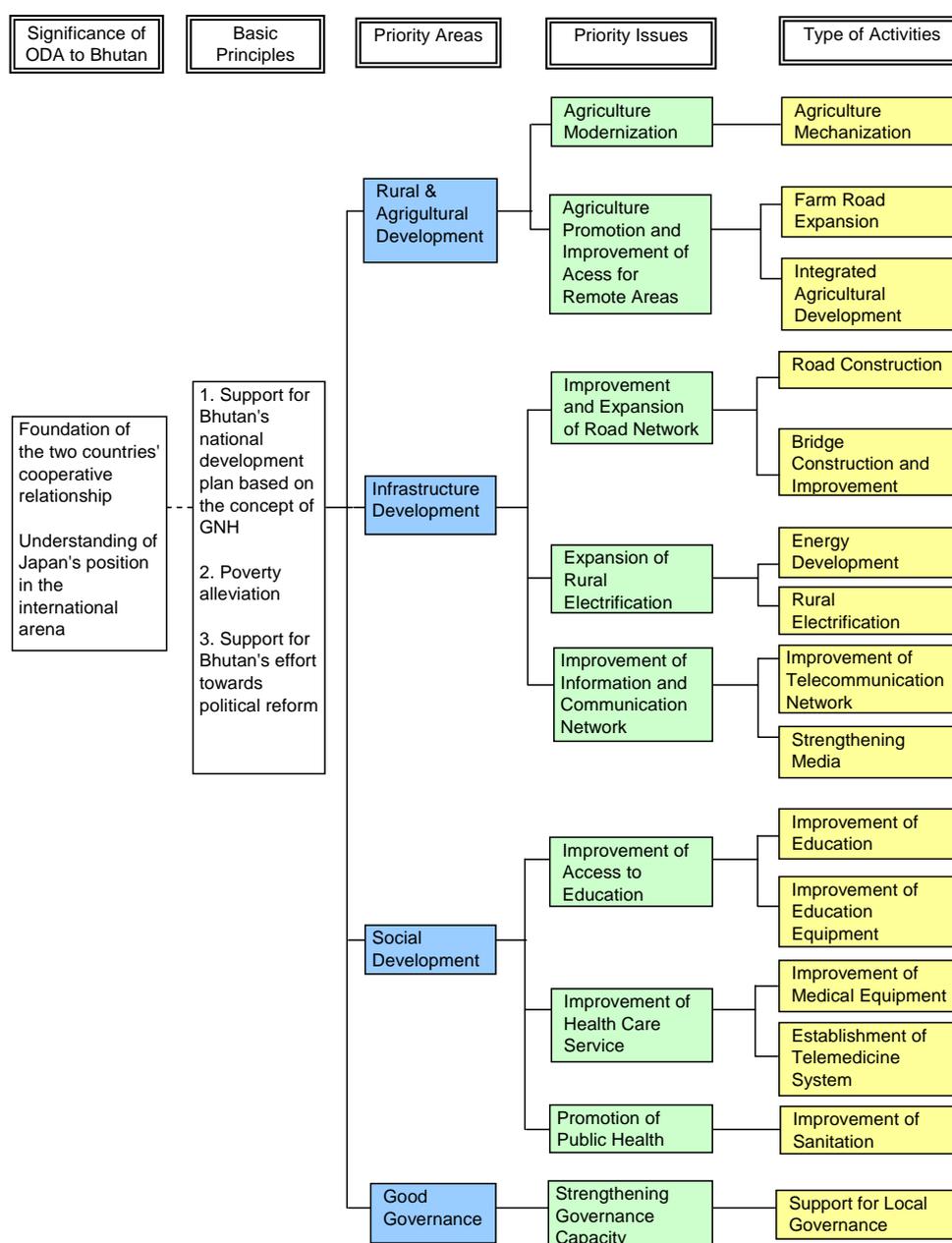
* : Project title is not an official title but translation by the evaluation team.

Note: Projects completed, started or continuing from 1981 to March 2006. Coloured projects are those from 1996 to March 2006.

(3) Methodology of the Evaluation

This evaluation was conducted based on the ODA Evaluation Guidelines in terms of the three evaluation criteria, namely relevance of purpose, effectiveness of results, and appropriateness of processes. Upon starting evaluation using these three criteria, the evaluation team developed an Objective Tree of Japan’s assistance to reach a common understanding of the general picture of Japan’s ODA policy to Bhutan with the officials in charge at the Ministry of Foreign Affairs, JICA, etc. (Figure 1). The Objective Tree was developed with reference to the “basic policy” in the Japan ODA Country Data Book and the “Overview of Japan’s ODA to Bhutan” (February 2006) available on the Ministry of Foreign Affairs of Japan web site, and it was then verified by officials at the Ministry of Foreign Affairs and other agencies.

Figure 1: Objective Tree of Japan’s ODA to Bhutan



2 . Development Trends in Bhutan

Since 1961 Bhutan has advanced its development based on its five year plans with the current 9th plan being the latest of these. Particularly since the second half of the 1990s, government documents have been clearly positioning GNH, which has the objective of a society in which the people can live happily, as the national development philosophy.

In FY2003/2004 the government's total revenue including grants was 9.671 billion ngultrum (approximately 25 billion yen)², of which 4.456 billion ngultrum (approximately 46%) were external grants, an amount equal to approximately half of the government budget. About 40-50% of the grants came from India, which has extremely close relations with Bhutan. Bhutan has received a large amount of budgetary support from India, as well as provision of human resources such as experts and support for major infrastructure development including roads and airport. The role of India in Bhutan's development in general therefore is overwhelmingly important. Thanks to the external assistance, the commitment of the government to development, and the hydropower development taking advantage of the country's abundant water resources, Bhutan has developed rapidly in the last few decades, and its GDP growth rate averaged at the height of 7% from 1999 to 2004. In particular, hydropower generation accounts for 40% of its exports and 38% of government revenue, and is the mainstay of the Bhutanese economy. According to the Asian Development Bank (ADB) and the World Bank, it is expected that when the Tala Hydropower Project (1,020 MW), which began operation in 2006, reaches full capacity, income from electric power will push the GDP growth rate up to 18%³ and per capita gross national income will rise above US\$1,025, which is the current threshold for assistance of the International Development Association (IDA).⁴

At the same time, approximately 80% of the working population is in the agriculture sector, and a third of the population lives below the national poverty line⁵. The population of roughly 670,000⁶ is diffusely spread throughout the mountainous terrain with little arable land. These harsh geographical conditions and underdevelopment of the socioeconomic infrastructure are the biggest factors impeding development. According to a household survey by the government, the poor are

² Statistical Year Book 2004. One ngultrum is approximately 2.6 yen.

³ This increase in revenue is expected to be offset by Bhutan's commencement of the repayment of loans for other power stations, the cost of new power station construction, and a reduction in general budget support from India. (World Bank: *Country Assistance Strategy for the Kingdom of Bhutan for the Period FY06- FY09*, November 2005; ADB: *Country Strategy and Program 2006-2010*.)

⁴ There are no official document stating the impact of the Tala Project on per capita GNI but the World Bank reports that per capita GNI in 2005 was US\$870 and if this figure is simply increased by 18% the result is US\$1,026. Furthermore, at a donor meeting in Thimphu in November 2006 the World Bank stated that per capita income is expected to reach US\$1,600. In its 2005 annual report the government forecasts that commencement of operation of the Tala Hydropower Project will lead to a GDP growth rate in 2006 of 14.2%. The report states that per capita GDP is US\$1,320 (2004) so it concludes that per capita GDP will increase to approximately US\$1,500.

⁵ Nationally, 31.7% of the population lives below the national poverty line of 740.36 ngultrum per person per month. Royal Government of Bhutan, *Poverty Analysis Report*, 2004.

⁶ Bhutan's population statistics in the past were rough estimates based on a variety of surveys and administrative records so the population figure that was used by the various agencies ranged from 500,000 to 2 million. However in 2005 the Government of Bhutan conducted the first national Population and Housing Census in compliance with international standards and this census showed that total population is 672,425 people, out of which 37,443 are floating population and the actual resident population is 634,982. Currently, the United Nations, the World Bank and other agencies are using these results.

concentrated in areas which are difficult to access and the poverty gap with urban areas is becoming a serious problem.

Under the leadership of the Fourth King of Bhutan the Government of Bhutan has gradually advanced decentralization and a shift from monarchy to a parliamentary system, especially since 1981. In 2001 the Constitution Drafting Committee was inaugurated and in 2002 the Decentralization Act (Chathrim) came into force. A national parliamentary election under the new constitution is planned for 2008 and political and administrative reforms are under way toward this momentum.

Japan has provided assistance, primarily grant aid, to Bhutan since 1981 at the rate of about 1-2 billion yen per year. By FY2005 Japan had provided a total of 23.232 billion yen in grant aid and 10.208 billion yen in technical cooperation. Japan first became the largest donor to Bhutan in 1987 based on the Development Assistance Committee (DAC) data and it has been one of Bhutan's major donors since then. However India does not belong to DAC and Japan's assistance is a mere one tenth of that offered by India. Formerly the vast majority of Japan's aid to Bhutan was grant aid, centered on "hard" assistance, but in the last 10 years, the proportion of technical cooperation, centered on "soft" assistance, has been increasing both in terms of the amount of money and the number of projects implemented (Figure 1). Japan has given no loan aid to Bhutan to date.

3 . Evaluation of Japan's ODA to Bhutan

(1) Evaluation of the Relevance of Purpose

1) Consistency with Higher Policies

As stated above, Japan's assistance policies to Bhutan are limited to the simple "basic policy" so it is difficult to use this to strictly verify consistency with respect to the former and new ODA Charter and Medium-Term Policy on ODA. Nonetheless, just looking at the series of individual projects implemented based on the "basic policy," it can be seen that they mostly match the goals aimed at by Japan's higher ODA policies. Therefore, it is concluded that the Japan's assistance to Bhutan was formulated taking into account the approach and goals of the higher policies.

2) Consistency with the Development Plans of Bhutan

The development plans formulated by Bhutan during the last 20 years include the 5th-9th five year plans, and *Bhutan 2020: A Vision for Peace, Prosperity and Happiness* (hereafter, Bhutan 2020), formulated in 1999 as Bhutan's first long-term development vision. Moreover, there is GNH, initiated by His Majesty Jigme Singye Wangchuck, the Fourth King of Bhutan, as a higher-level development philosophy (Table 2).

Table 2: Development Objectives of the Five Year Plans of Bhutan

	Objectives of Five Year Plans
5th FYP (1981-1987)	<ul style="list-style-type: none"> a. To achieve an acceptable and sustainable rate of growth of the economy b. To attain over time, <u>economic self-reliance</u> c. To achieve greater distributional equity among various sections and regions d. <u>To involve the people directly in the planning and execution of development programmes</u>
6th FYP (1987-1992)	<ul style="list-style-type: none"> a. Strengthening of the development administration of the government b. <u>Preservation and promotion of national identity</u> c. Mobilization of internal resources d. Enhancement of rural incomes e. Improvement of rural housing and resettlement f. Consolidation and improvement of development services g. <u>Development of human resources</u> h. Promotion of people's participation i. Promotion of national self-reliance
7th FYP (1992-1997)	<ul style="list-style-type: none"> a. Self-reliance b. <u>Sustainability</u> c. <u>Efficiency and development of the private sector</u> d. People's participation and decentralization e. Human resource development f. Regionally balanced development
8th FYP (1997-2002) < introduction of <u>GNH</u> * >	<ul style="list-style-type: none"> a. Self-reliance b. Sustainability c. <u>Preservation and promotion of cultural and traditional values</u> d. <u>National security</u> e. Balanced development f. Improving the quality of life g. Institutional strengthening and human resource development h. Decentralization and community participation i. Privatization and private sector development
1999 <i>Bhutan 2020: A Vision for Peace, Prosperity and Happiness</i> published	
9th FYP (2002-2007) (= PRSP)	<ul style="list-style-type: none"> < Five objectives > <ul style="list-style-type: none"> • Improving quality of the life and income, <u>especially of the poor</u> • <u>Ensuring good governance</u> • Promoting private sector growth and employment generation • Preserving and promoting cultural heritage and environment conservation • Achieving rapid economic growth and transformation < Strategies > <ol style="list-style-type: none"> 1 . Infrastructure Expansion 2 . Sound Macro-economic Policy 3 . Ensuring Good Governance 4 . Improving Access and Enhancing Social Services

* GNH is only mentioned in one place in the 8th Five Year Plan.

Note: The underlined text shows the major new objectives and keywords added to each five year plan.

Sources: The Five Year Plans and Akiko Ueda, *Development Concepts in Bhutan*, 2006 (text in Japanese).

Specifically, in the 5th Five Year Plan for the first time a situation analysis on the ground was carried out from the planning stage and cross-sectoral objectives rather than sector-specific objectives were proposed. In terms of the content, this plan began to place the priority on achieving economic self-reliance through hydropower generation and mining development. Then beginning with the 6th Five Year Plan the preservation and promotion of “national identity” was added to the objectives, and a new policy of pursuing development while preserving Bhutan’s unique culture was adopted. The central issues in the 7th and 8th plans were “self-reliance” and “sustainability.” In Bhutan 2020, which was formulated in 1999, GNH is adopted as the development philosophy and five long-term

development objectives are established. These are “human development,” “culture and heritage,” “balanced and equitable development,” “governance,” and “environmental conservation.” The current 9th Five Year Plan was designed to be an implementation plan of these objectives of Bhutan 2020. The 9th plan also serves as Bhutan’s Poverty Reduction Strategy Paper. Finally, the 10th Five Year Plan, which is currently being formulated, will place more priority on poverty reduction.

Since 2002 Japan has reflected GNH in Japan’s ODA to Bhutan by including its support for the realization of GHN in its “basic policy” (Table 3). Comparing Japan’s priority areas with Bhutan’s sector budget allocations in the five year plans, it can be seen that Japan’s assistance placing priority on the agriculture and economic infrastructure sectors is consistent with the changes in Bhutan’s priority areas. On the other hand, the Government of Bhutan has also placed importance on the social development sector and although Japan has also positioned this as a priority area the amount of financial input has been limited. This is because Japan has prioritized the agriculture and economic infrastructure sectors due to the fact that there were many other donors supporting the social development sector. Therefore, it is concluded that Japan’s ODA to Bhutan did address Bhutan’s priority development issues, and was relevant.

3) Consistency with the Development Priorities of the International Community

As a major example of the development priorities of the international community, there is the Millennium Development Goals (MDGs). The MDGs establish eight goals to be achieved by 2015. Japan’s ODA to Bhutan is consistent with the directions of Goal 1: Eradicate extreme poverty and hunger, Goal 2: Achieve universal primary education, Goal 4: Reduce child mortality, and Goal 5: Improve maternal health.

4) Division of Support among Other Donors

Japan’s “basic policy” and the priority areas of major donors are compared. In addition to Japan, Switzerland and some other donors are focusing on the “agriculture” sector. With respect to “infrastructure development,” India, ADB, the World Bank, and others give priority to the “roads and bridges” sector. India, Austria, ADB, and others give priority to the “energy” sector, and Denmark and India prioritize the “communications” sector. With respect to the “social development” sector, the World Bank, India, Switzerland among others give priority to “education” and Denmark, India, ADB, and the United Nations Population Fund (UNFPA) are the major donors in “health.” Finally, UNDP, Denmark, and the Netherlands have made the “governance” sector a priority area. Many donors other than India tend to focus on assistance for “soft” sectors, such as technical assistance, due to their budget constraints and other factors. Given this, Bhutan’s and UNDP officials interviewed highly praised Japan for providing assistance that combines “hard,” or infrastructure and other hardware, with “soft” assistance. Details about inter-donor financial contributions in Japan’s priority areas and coordination among donors are given later in this report as part of evaluations of “the effectiveness of results” and “the appropriateness of processes” respectively.

Table 3: Changes in Japan's Basic Policy Regarding ODA to Bhutan

Fiscal Year	Significance of ODA to Bhutan	Basic approaches and principles	Priority Areas
1999		1) (Promotion of) friendly relations 2) (To move away from) LLDC	<ul style="list-style-type: none"> Grant Aid: agriculture, basic infrastructure development Technical Cooperation: agriculture, Basic Human Needs (BHN), receiving trainees, dispatch of JOCV Human resources development through UNDP's Japan Human Resources Development Fund
2001		1) (Promotion of) friendly relations 2) (To move away from) LLDC	<ul style="list-style-type: none"> Grant Aid: agriculture, basic infrastructure development Technical Cooperation: agriculture, Basic Human Needs (BHN), receiving trainees, dispatch of JOCV Human resources development <i>and strengthening of local governance</i> through UNDP's Japan Human Resources Development Fund
2002		1) (Promotion of) friendly relations 2) (<i>Support the realization of</i>) GNH, Bhutan's basic development philosophy	<ul style="list-style-type: none"> <i>Agriculture sector, a key industry</i> <i>Social infrastructure development such as roads, communications, etc.</i> <i>Basic Human Needs (BHN) sector</i>
2004	1) ODA is the foundation of friendly relations between Japan and Bhutan. It leads to the understanding of Japan's position in the international arena. 2) Bhutan is a good example of the effective implementation of Japan's ODA.	1) <i>Support the realization of</i> GNH, Bhutan's basic development philosophy	<ol style="list-style-type: none"> <i>Rural and Agricultural Development (development of agricultural infrastructure including promotion of agriculture mechanization; development and dissemination of agricultural technology)</i> <i>Infrastructure Development (development and upgrading of roads and bridges; expansion of rural electrification; expansion and upgrading of communications and broadcasting)</i> <i>Social Development (improvement of access to education; improvement of health care including the prevention of infectious diseases; promotion of public health)</i> <i>Good Governance (promotion of decentralization)</i>
2005	1) ODA is the foundation of friendly relations between Japan and Bhutan. It leads to the understanding of Japan's position in the international arena. 2) Bhutan is a good example of the effective implementation of Japan's ODA. 3) Contribute to human resources development through the dispatch of a large number of experts, JOCVs, and senior volunteers	1) Support for Bhutan's efforts toward the political reform 2) Support based on GNH, Bhutan's basic development philosophy 3) Poverty alleviation, the biggest issue faced by Bhutan *	<ol style="list-style-type: none"> <i>Rural and Agricultural Development (agriculture modernization; agriculture promotion and improvement of access for remote areas, etc.)</i> <i>Infrastructure Development (improvement and expansion of roads and bridges; expansion of rural electrification; improvement of information and communications network, etc.)</i> <i>Social Development (improvement of access to education; improvement of health care; promotion of public health, etc.)</i> <i>Good Governance (Strengthening governance capacity, etc.)</i>

* This is not found in the *ODA Country Data Book* but is stated in the *Overview of Japan's ODA to Bhutan*.

Note 1: Text in *italics* indicates modifications from the previous year.

Note 2: Text in brackets in the middle column was inferred from the context and added by the author.

Sources: *Japan ODA Country Data Book*; Ministry of Foreign Affairs: *Overview of Japan's ODA to Bhutan* (February 2006).

5) Considerations concerning the Purpose

No variance is found between Japan's ODA to Bhutan and Japan's higher policies, the development plans of Bhutan, and international developmental priorities. Nonetheless, from the "results-orientated" viewpoint, the current international standard, concrete aims of each priority

issue, including objectives to be achieved, development challenges, targets of assistance, needs of beneficiaries, etc., were difficult to communicate. In other words, it was difficult to sufficiently work out the relationship between the purpose and means from Japan's ODA to Bhutan. Given that no Country Assistance Program has been formulated and the only policy document available is the "basic policy", it was insufficient as the methodology for communicating Japan's aid policy, the purpose of the assistance and the strategy for achieving it, to the Bhutanese government and within both Japan and Bhutan. In comparison, the aid policies of other donors (excluding India, the biggest donor) are documented in more detail and revised regularly.

(2) Evaluation of the Effectiveness and Impact of Results

Individual projects implemented based on the "basic policy" have achieved the desired purpose and have largely contributed to improvements in the priority areas. However, the effectiveness of Japan's assistance in the priority areas cannot be accurately measured for the following reasons. Firstly, the "basic policy" did not establish any result indicators so the degree to which results have been achieved can not be measured, and secondly, not all of the results of the "basic policy" can be realized through the assistance activities of a single country or agency alone. Therefore, in this evaluation Japan's financial contribution in its priority sectors is reviewed and then the effectiveness and impact of Japan's ODA to Bhutan is verified by examining the extent to which macro and regional indicators have improved in each sector, the extent to which the needs of the Bhutanese side have been met, and the extent to which the assistance has contributed to improving the lives of the beneficiaries.

1) Purpose of Japan's ODA to Bhutan

From the statements in the "basic policy" it can be deduced that the three purposes of Japan's ODA to Bhutan are "deepening of friendly relations between Japan and Bhutan," "support Bhutan's efforts towards the political reform," and "advancement of development suited to Bhutan's unique situation." The study reviewed, to the extent possible, in what ways the individual assistance activities had contributed to achieving these purposes, and the extent to which they were effective.

Most of the Japanese living in Bhutan are JICA-related development workers and volunteers. In particular, officials of the government and other donor agencies have an extremely high level of awareness of the volunteers. Moreover, Mr. Keiji Nishioka, the agricultural expert in Bhutan for 28 years from 1964, is the only foreign national ever awarded the honorary rank of "Dasho" (equivalent level of undersecretary) by His Majesty and is widely known in Bhutan as "Dasho Nishioka." Furthermore, Japan's ODA projects such as 2KR have been featured on postage stamps in Bhutan. Japan's ODA to Bhutan is often reported in newspapers and other media. For example, *Kuensel* (published twice a week since 2005), Bhutan's only newspaper until April 2006, published approximately 30 articles about Japan's assistance in the nearly two years between February 2005 and December 2006, which is a rate of more than once a month. In this way, Japan's ODA has played a large role in the promotion of friendly relations between Japan and Bhutan. Furthermore, although it is difficult to quantitatively measure the contribution of Japan's ODA, it can be

concluded from the mutual visits of high-ranking officials, Bhutan's consistent support for Japan's position in the international arena, and the activities of the Japan-Bhutan Friendship Association and other such organizations, that friendly relations between Japan and Bhutan have deepened.

Regarding the political reform, Bhutan has been steadily advancing decentralization since 1981 and in particular in recent years momentum has grown toward the promulgation of the constitution and the holding of a general election in 2008. Japan's Local Governance and Decentralization project and trainings are in line with these developments. Moreover, according to interviews with Bhutanese officials, Japan's assistance for the development of a domestic telecommunications network has made communications between the central office and local offices more efficient and this has contributed to strengthening local governance.

Regarding advancement of development suited to Bhutan's unique situation, although one-third of the population still lives below the poverty line, the country is making good progress toward moving away from a Least among Less Developed Countries (LLDC) country and toward poverty reduction. Specifically, according to UNDP's Human Development Report 2005, Bhutan's human development index had improved from 0.338 in 1994 to 0.536 in 2003 meaning that Bhutan has gone from being a low human development country to a medium human development country. The assistance of Japan, Bhutan's biggest donor except for India, can surely be said to have made a contribution to this progress.

2) Priority Area 1: Rural and Agricultural Development

The Government of Bhutan has positioned the agriculture sector, a key industry in Bhutan which accounts for 27% of GDP and 79% of the working population, as a priority development area. In line with this, as the major donor Japan has provided a lot of assistance in this sector, starting from the dispatch of experts and then for agriculture mechanization, development of rural roads, and the overall development of agriculture. The core program in Japan's agriculture sector assistance, and one which is widely known in the government and among the people of Bhutan, is assistance for Increase of Food Production (From FY2005 renamed Grant Assistance for Underprivileged Farmers, hereafter, "2KR"). Japan extended 2KR to Bhutan 19 times between 1984 and 2004. According to Ministry of Agriculture statistics, production of rice, maize, and wheat, the major grain crops in Bhutan, nearly tripled from 56,565 million tons in 1990 to 150,503 million tons in 2004 (Table 4). Furthermore, the food (grains) self-sufficiency ratio, one of the major national challenges, improved from 66% in 1990 to 86.2% in 2004. From these facts it can be concluded that Japan's assistance has made a large contribution to agricultural development in Bhutan. Moreover, in interviews with farmers using power tillers extended under the 2KR scheme by purchase or rental, it was confirmed that agricultural work has been made more efficient and the standard of living of farmers has improved as a result of an improvement in their incomes. In addition, the counterpart funds put in reserve through 2KR have been effectively utilized for the development of agricultural roads and irrigation. Finally, Japan's technical assistance has contributed to upgrading and disseminating technology for cultivating high-value-added crops such as fruits and vegetables.

Table 4: Change in the Production of Major Grain Crops

Production (million tons)	1990	1992	1996	1999	2000	2002	2003	2004
Rice	31,320	28,560	42,500	45,212	68,573	63,752	45,806	54,325
Maize	22,000	26,050	47,597	47,597	77,298	66,177	49,682	90,566
Wheat, barley	3,245	3,480	8,500	10,436	6,109	6,341	5,748	5,612
Total	56,565	58,090	98,597	103,245	151,980	136,270	101,236	150,503

Source: Documents provided by the Ministry of Agriculture.

On the other hand, 2KR to date has been premised on the purchase of agricultural machinery by individual farm households so the main beneficiaries of the support have been farmers with above average income level who could afford to purchase the machinery. Furthermore, the number of power tillers extended through 2KR was fewer than the number of farmers who wanted to purchase them so there were some farm households who had to wait several years to purchase one. Meanwhile, the income and standard of living of farm households that have purchased the machinery are improving year by year thanks to their utilization of the machinery. Regarding this point, the Ministry of Agriculture has already begun to give consideration to fair distribution among farmers of the benefits of 2KR. For example it has created a guideline for distribution of agricultural machinery, and is promoting purchase of machinery by groups of farm households.

In addition, Bhutan is located in a precipitous mountain region and there are a significant number of rural areas where cultivation takes place on narrow and steep slopes, making the introduction of power tillers and other machinery difficult. In these regions the poverty rate is high as in many places there is no access to roads and access to the market for agricultural products is also poor. To date Japan's assistance in the issue of "agriculture promotion and improvement of access for remote areas" has been targeted at regions (for example, the eastern regions) that are remote from the urban areas in the west of the country such as Thimphu and Paro. However it is thought that direct assistance has been limited for remote rural regions, if this is defined not purely in terms of how far the region is from the urban areas but in the sense of "regions for which access to national roads is difficult." While Japan is already providing assistance including the Project for Improvement of Machinery and Equipment for Construction of Rural Agricultural Roads (FY2004), there is a growing importance of assistance conscious of poverty spots in each region for which access is difficult.

3) Priority Area 2: Infrastructure Development

Since Bhutan has no railways or domestic air routes, roads are the only means of transportation. Therefore the underdevelopment of the roads is the biggest constraint on the development of the country. In the roads and bridges sector Japan has extended the machinery necessary for road repair and development and has replaced bridges. Bhutan's Department of Roads appreciated that Japan's assistance has contributed to improving road traffic capacity and improving road safety. Since there is no statistical data available this could not be quantitatively confirmed. In addition to Japan, India, the World Bank, and ADB are providing assistance in this sector, and Japan's assistance is limited on

a financial contribution basis. Nonetheless, the Government of Bhutan commended that the dispatch of experts and volunteers has given Japan a bigger presence in this sector than that of the other donors and that, even though nothing can be said about direct links to results, the bridges built with Japan's assistance are extremely durable and of high quality. So it is thought that with respect to these points Japan's contribution in this sector has been highly effective.

Japan's assistance in the electric power sector includes 13 small hydraulic power generators extended through grant aid, the Rural Electrification Master Plan Study, and the Feasibility Study on the Development of Punatsangchhu Hydropower Project. While India, the World Bank, ADB, and other organizations are providing assistance for large-scale hydropower generation projects, Japan has not focused only on economic feasibility but has also supported rural electrification which places importance on poverty reduction. The Government of Bhutan has established the objective of 100% rural electrification by 2020 and the Department of Energy in Bhutan's Ministry of Trade and Industry highly rates the importance of Japan's Rural Electrification Master Plan on the grounds that it meets the needs of Bhutan and assists the drawing up of a plan to achieve the above objective.

Japan's assistance to the information and communications sector was provided in a concentrated manner through grant aid from 1991 to 1998 and it accounted for the second biggest proportion of Japan's ODA to Bhutan, in monetary terms, after the agriculture sector. Japan's biggest contribution in this sector is that it integrated the telephone network, which was previously divided into three separate regional networks, into one nationwide network, thus increasing the telephone penetration rate, and increasing convenience for people living in regions that are geographically isolated from surrounding regions. Specifically, the number of major telephone lines has increased approximately 17-fold, from 1,900 lines in 1990 to 33,200 lines in 2005 (Table 5). In addition, through the technical cooperation project implemented from 2003 to 2005 a range of training materials was developed, and Bhutan Telecom is still using these materials to continue the development of IT human resources, even after the completion of the project.

Table 5: Change in the Number of Major Telephone Lines

	1990	1996	2001	2002	2003	2004	2005
Number of Major Telephone Lines	1,900	6,100	17,730	20,168	23,657	30,285	33,200

Source: Documents provided by the Ministry of Information and Communications.

4) Priority Area 3: Social Development

To date, Japan has only made a small financial contribution to the social development sector through its ODA to Bhutan. The first grant aid support for the education sector, the Project for Construction of Educational Facilities, commenced as recently as 2005 so it is difficult to measure the extent to which results have been achieved. The World Bank, India, and many other donors are giving priority assistance to this sector, and the financial contribution through Japan's assistance, which is centered on grassroots grant aid projects and the dispatch of volunteers, is small. Education indicators have shown marked improvement. For example the primary school attendance rate greatly increased from 55% in 1990 to 84% in 2004. However as Japan's assistance in this sector has been limited, no

association between Japan's assistance and the change in these indicators can be deduced. According to Bhutan's Ministry of Education, the machinery and materials extended through Japan's cultural grant aid and grassroots grant aid projects are being utilized effectively, and so it is inferred that they have made a contribution to developing the educational environment in the targeted schools. However, due to time constraints the evaluation team was not able to actually visit the schools and confirm this. The Ministry of Education also appreciated the secondary schools under construction that although the construction costs for schools built with Japanese aid were higher than those built by other donors, the quality of the building would be higher and this could eventually keep down maintenance and management costs.

Looking at the health sector, in 2000 Japan extended essential medical equipment for maternal and child health through general grant aid. Through multilateral and bilateral cooperation with the United Nations Children's Fund (UNICEF) Japan has also extended equipment and supplies for vaccinations, including vaccines, over the last 10 years. Concerning the general grant aid project, information obtained through site visits and interviews with officials at the Ministry of Health and related facilities indicates that the equipment and supplies have largely been utilized effectively. As can be seen in Table 6, between 1994 and 2005 the under-5 mortality rate improved from 96.9 per 1,000 births to 61.5 per 1,000 births and the infant mortality rate improved from 70.7 per 1,000 births to 40.1 per 1,000 births. It is inferred that the equipment and supplies provided through Japan's assistance have contributed to the improvement in these indicators. It would also be fair to say that the multilateral and bilateral cooperation has contributed to improving these indicators. It should be noted, however, that there have been some operational problems in the latter program. For example the division of roles between the UNICEF Bhutan country office and JICA has been unclear and the UNICEF Bhutan country office did not sufficiently publicize Japan's contribution. In response it was decided to have regular meetings between the officials beginning in 2006. India, Denmark, and others are the major donors in the health sector, and it is concluded that, apart from the above, the aggregate contribution of Japan's assistance for the health sector, which is centered on grassroots grant aid projects and the dispatch of volunteers, is limited.

Table 6: Change in Major Maternal and Child Health Indicators

	1984	1990	1994	2000	2005
Under 5 mortality rates (per 1,000 births)	162.0	123.0	96.9	84	61.5
Infant mortality rates (per 1,000 births)	103.0	90.0	70.7	60.5	40.1
Maternal mortality rates (per 1,000 births)	770	560	380	255	NA
Births attended by skilled health personnel (%)		7 *	10.9	23.6	49.1

* : 1987

Sources: Ministry of Health. *National Health Survey 1990, 1994, 2000; Annual Health Bulletin 2006; 6th Five Year Plan.*

5) Priority Area 4: Good Governance

Good governance was added to the list of priority areas in 2004. One individual project, the Local Governance and Decentralization Project, has been carried out, and in addition Japan has accepted a

large number of trainees including a number of prefectural governors (heads of dzongkhags). Because Japan's input has been quantitatively limited it is difficult to measure the degree of Japan's contribution, relative to the aggregate contribution of the donors, to the strengthening of government capacity and the advancement of decentralization. On the other hand, the formulation of development plans at the local (gewog) level began with the 9th Five Year Plan, and the Government of Bhutan has decided to introduce funds allocations to the localities in block grant form beginning with the 10th Five Year Plan. Given this, it is concluded that Japan's assistance for local capacity-building on planning and implementation of development plans matched the needs of Bhutan. As Bhutan approaches its first general election under the new constitution in 2008 the importance of assistance for the governance sector is growing. To this end, Japan's contribution, including its cooperation with similar activities by UNDP, was both timely and important.

(3) Evaluation of the Appropriateness of Processes

1) Systems for the Implementation of Assistance on the Japanese Side

Japan does not have a diplomatic mission residing in Bhutan, and the Embassy of Japan in India is accredited to Bhutan. No local ODA Task Force⁷ comprised of officials from the embassy and the local JICA and JBIC offices has been established. Therefore, effectively all of Japan's assistance is implemented at the local level by the JICA Bhutan Office as the only Japanese aid office established in Bhutan. Formerly being a JOCV Office and having assumed its capacity in 2003, the JICA Bhutan Office is a representative office with limited personnel systems (manpower) compared to the regular offices. In addition it is confirmed that due to the fact that there is no diplomatic mission in Bhutan the JICA office spends an extremely large amount of time on coordination work such as preparing for various events or diplomatic missions visiting Bhutan and on administrative work, including obtaining visas and reserving flights for JICA associates, in addition to the work under its original mission. Moreover, according to the JICA office and embassy officials, consultations between the embassy and the JICA office are normally carried out by telephone or e-mail. On the other hand, due to time and budgetary constraints the official at the embassy in charge of economic cooperation to Bhutan is only able to travel to Bhutan a few times a year on average so there are few opportunities for the embassy and the JICA office to hold direct consultations. Moreover, it is necessary for the official to gain the consent of the Ministry Headquarters in Tokyo each time he or she makes the trip, which makes flexible traveling difficult. Overall, there is not a major problem during the implementation of assistance but it can be concluded that there is room for improvement regarding the points mentioned above to ensure that assistance is implemented more effectively and efficiently.

2) Process of Project Formulation and Implementation

Looking at project formulation, the JICA Bhutan Office reports that because only a small number of projects can be selected in each fiscal year in Bhutan they are working to gradually eliminate the

⁷ Local ODA Task Forces are an all-Japan coordination body in the field set up in order to achieve more efficient and effective aid implementation. They research development needs, draft and study assistance policies, formulate and select projects, and strengthen partnerships with the aid community. As of September 2006 they had been established in 72 countries.

backlog of pipeline projects⁸ accumulated to date so there is little space to formulate new projects at this time. JICA Country Program was formulated taking into account Bhutan's five year plans and Japan's comparative advantage, as there was no Country Assistance Program or other higher policy for Japan's ODA to Bhutan to refer to. There is no variance with the content of Japan's "basic policy" which itself was formulated with reference to the JICA Country Program (Table 7). While the JICA Country Program is positioned as a mid- to long-term plan, it is in fact revised each year in line with the projects for which implementation is anticipated.

Table 7: Comparison of the Priority Areas in the Basic Policy and the JICA Country Program

Japan's Basic Policy on ODA to Bhutan (FY2005)		JICA Country Program (FY2005 version)	
Priority areas	Priority issues	Priority areas of assistance	Development challenges
Rural and agricultural development	Agriculture modernization, and agriculture promotion and improvement of access for remote areas, etc.	Agricultural and rural development	Development and dissemination of agricultural technology; agriculture mechanization and agricultural infrastructure development; agricultural management and improvement of farmers' income
Infrastructure development	Improvement and expansion of roads and bridges; expansion of rural electrification; improvement of information and communications network, etc.	Balanced infrastructure development	Improvement and expansion of the road network and bridges; expansion of rural electrification; promotion of information dissemination through improvement of telecommunications and broadcasting
Social development	Improvement of access to education; improvement of health care; promotion of public health, etc.	Improvement of social services	Quantitative and qualitative improvement of primary and secondary education; qualitative improvement of vocational education and employment generation; improvement of health levels through expansion and improvement of health care service
Good governance	Strengthening governance capacity, etc.	Improvement of government functions	Strengthening of government capacity and functions; improvement of government capacity and strengthening of systems in disaster management (under consideration)

Concerning determining the order of priorities among the priority areas, although opportunities exist to discuss views between the Ministry Headquarters and local offices, such as during the formulation of the country documents on "items to consider" upon the selection of new project requests⁹, a consensus on shared policy views is not reached among officials on the Japanese side,

⁸ Pipeline projects are projects that the recipient country's government has requested the Government of Japan to implement, and that Japan also wishes to support, but which were postponed to a later fiscal year, due to budgetary constraints.

⁹ This document is formulated every year based on discussion of the Ministry Headquarters and the embassy. It gives instructions regarding the priority areas of the "basic policy," development challenges in each of the priority areas, points to consider regarding selection of project requests for that year, the standard number of requests, and points to consider for each scheme. Up until 2005 the Technical Cooperation Division was in charge of the formulation but in future this task will be transferred to the country divisions. In the case of Bhutan, it is planned to transfer jurisdiction to the First Country Assistance Planning Division from the coming fiscal year.

including the JICA office, based on policy-level discussions, nor it is clearly explained to the Bhutanese side, in advance of invitation for the request. As can be seen from the fact that good governance was added to the list of priority areas after formulation of a technical cooperation project in that sector, project formulation takes place not necessarily based on policies but rather in an ad hoc fashion in response to the situation at the moment. Based on these facts, it is regarded that project formulation in Japan's ODA to Bhutan sometimes does not reflect the strategic formulation of projects that aim to achieve well-defined assistance policies.

Regarding the project implementation process, the Ministry of Finance commends that procedures of Japan's ODA are systematically organized and efficient and that once started projects complete as planned. No major problem was identified in the visits to each ministry and individual projects. Therefore it is concluded that the project implementation process was managed largely without any problems. On the other hand, the Bhutan's Ministry of Foreign Affairs, the Ministry of Information and Communications, the Ministry of Education, and others were concerned that Japan's ODA system is sometimes rigid and lacking in flexibility, and that the procurement of spare parts for the machinery and materials supplied through Japan's assistance was difficult. For example, in the grant aid project for construction of educational facilities, exchange rate fluctuations resulted in decrease of the total amount of the assistance in ngultrum, and a few components in the basic design, such as staff quarters, were not included in the final design (detailed design) following the conclusion of the exchange of notes, meaning that the Ministry of Education had to secure additional funds. In addition to the Ministry of Education, this was also mentioned by the Director Generals of the Department of Aid and Debt Management (DADM) in the Ministry of Finance and the Department of Bilateral Affairs in the Ministry of Foreign Affairs as an example of difficulties faced during project implementation¹⁰. Possible ways to avoid these kinds of problems in future include further enhancing explanations about aid schemes to the Bhutanese side, and obtaining the agreement of the recipient government in advance by clearly recording the possibility of a modification to the components due to exchange rate fluctuations in the Minutes of Discussion (M/D) of the basic design study.

It is confirmed that monitoring of the project implementation process is carried out at the field level. Regarding the state of use of machinery and materials, the recipient government is mainly carrying out passive monitoring. Also, the Japanese side is conducting ex-post monitoring through mid-term, terminal, and ex-post evaluations of technical cooperation projects, and ex-post fact-finding assessment implemented on technical cooperation projects and grant aid projects at fixed intervals after their completion. As necessary Japan also sends volunteers or utilizes follow-up projects in an effort to sustain the results of the project. However, neither Japan nor the recipient government had sufficient mechanisms in place to monitor the extent to which the machinery and materials supplied

¹⁰ In the case of grant aid the Basic Design is not used unmodified in construction. After the Cabinet has decided the maximum amount of the funds to be extended and the two parties have signed the exchange of notes (E/N), the detailed design is drawn up and the specifications are finalized. For this reason, the example mentioned here is the result of Japan complying with the procedures of its grant aid scheme and therefore it does not mean that inappropriate procedures were employed in light of the current scheme.

by Japan met the needs of the beneficiaries.

3) Communication with Officials of the Recipient Country

Concerning communication during the project formulation and implementation process, the ODA Seminar held by the JICA Bhutan Office every year has promoted the understanding by officials of Japan's ODA policy and procedures, and both the JICA office and the Bhutanese government regard it as valuable. It is therefore concluded that communication in this respect was good. JICA also publishes an English version of the JICA Country Program, and shares it with the Bhutanese government. On the other hand, many ministries including the Ministry of Finance, the Ministry of Foreign Affairs, and the Ministry of Works and Human Settlement commented that with Japan's assistance the process from a request to adoption and implementation of a project takes a long time and if the project is not adopted it is already too late to request assistance from other donors.

Furthermore, while ministries that have been receiving Japan's assistance for many years, such as the Ministry of Agriculture, had a deep understanding of Japan's aid schemes, ministries like the Ministry of Education which were receiving Japan's grant aid for the first time showed a partial lack of understanding of unavoidable problems related to the mechanisms of schemes, such as the example of exchange rate fluctuations noted above. With respect to policy level dialogue it is concluded that there was room for improvement, as policy consultations were not held between the two governments and the shared understanding among the Japanese officials necessary for such consultations was not sufficiently reached. The holding of the first ever bilateral review meeting in India in April 2006 was extremely valuable. However, the items on the agenda of the meeting included confirmation of the basic policy of assistance and a review of the state of progress of projects in the implementation or request stages, and no specific policy-level consultations were included regarding Japan's medium- to long-term aid policy or other such issues.

4) Systems for Receiving Assistance on the Bhutanese Side

As all assistance projects, except for the volunteer and training programs run by the Royal Civil Service Commission (RCSC), are formulated based on the sector-specific five year plans formulated by each ministry and are requested through DADM, there is a high level of ownership by the Government of Bhutan in the formulation and selection of projects. To date, the data gathering and analytical capacity of the government has been weak but the quality of the data available is steadily improving, most notably with the implementation of the national Population and Housing Census in 2005.

5) Coordination with Other Donors

The Government of Bhutan prefers not to play an active role in donor coordination, and rather, coordination of the content of assistance is carried out by DADM through individual meetings with each donor. Given these conditions, Japan has worked on coordination with other donors at the operational level, including coordination with other donors in the form of drawing up and implementing master plans and participating in mutual project evaluations with UNDP in the

governance sector. At the policy level, once every two and half years there is a Round Table Meeting sponsored by DADM, held in Bhutan's capital Thimphu or in Geneva, which provides an opportunity for the officials in charge of aid and the donors to meet. Japan sends a mission to the Round Table Meeting consisting of its ambassador (or minister), the head of the JICA Bhutan Office, administrative officials in charge of aid, and others. At the local level on the other hand, although the JICA office, including the representative, project formulation advisors and experts, is participating in the various donor meetings as much as possible, Japan's participation and statements in such meetings are limited relative to the high expectations for Japan as a major donor, according to local donor agencies. The infrastructure assistance and the volunteers were well known while on the other hand understanding on the donors' side of Japan's strategies in each priority area and the specific content of its assistance was not always high. It is important for Japan to actively utilize the opportunities provided by donor meetings to strengthen information gathering and dissemination about Japan's assistance.

6) Coordination among Japan's Aid Schemes

It is confirmed that coordination among schemes is taken into account from the planning stage and coordination such as follow-up of grant aid projects by experts and volunteers and involvement of volunteers in technical cooperation projects is promoted. Grassroots projects are not only utilized as a scheme for meeting small-scale and urgent needs but in many cases also implemented based on an idea suggested by an expert or senior volunteer, and these approaches are getting good results. The Bhutanese government also praises Japan's assistance for combining "hard" with "soft" assistance through a diverse range of schemes. Therefore, it is concluded that coordination among schemes is functioning well.

4. Recommendations

Recommendation 1: Enhance the Exchanges of Views between the Embassy and JICA and Continue the Bilateral Review Meeting with the Bhutanese Side

In order to implement ODA to Bhutan effectively and efficiently, it is necessary for the officials on the Japanese side to hold regular discussions amongst themselves regarding issues related to Bhutan's development and the future direction of Japan's ODA policies to Bhutan. Through this process they should reach a consensus at the policy level on the Japanese side, and then communicate that consensus to the Bhutanese side through policy consultations. For this purpose, it is desirable to establish a local ODA Task Force consisting of officials from the Embassy of Japan in India and the JICA Bhutan Office. Practically, it is recommended to start with the following two proposals during FY2007.

1.1 Begin to Hold Regular Exchanges of Views between the Embassy of Japan in India and the JICA Bhutan Office

With a view to establishing a future ODA Task Force, it is necessary for the Embassy of Japan in India and the JICA Bhutan Office to commence regular consultations in order to reach a consensus

at the policy level on the Japanese side. In doing so it is important to involve the representative office of JBIC, which is scheduled to merge with JICA in FY 2008, as much as possible in New Delhi. Through the consultation, regular analyses of the current situation and challenges in each priority area, identification of more specific targets for assistance, and, taking all this information into account, the ordering of priorities among the priority areas, will lead to more strategic assistance. In countries like Bhutan for which there is no plan to formulate a Country Assistance Program and/or where Japan does not have a diplomatic mission, this approach can increase the strategic qualities of assistance and it is expected to be a model for strengthening systems for the implementation of ODA.

1.2 Continue to Hold the Bilateral Review Meeting with the Bhutanese Side on a Regular Basis

The Japan-Bhutan bilateral review meeting first held in Delhi in 2006 is important as a framework for policy dialogue between the two governments and it should be held regularly. It is important to communicate a unified view of the situation and policies of Japan to the Bhutanese side by reaching a consensus among the Japanese side through holding the exchange of views described in 1.1 above in advance of this meeting. By doing so it will be possible to switch the bilateral meeting from the project level to the policy level discussion and this is expected to make the meeting a more valuable forum for dialogue for both parties.

Recommendation 2: Areas of Assistance that should be Strengthened

Bhutan is undergoing major change as the country works toward the formulation of a constitution, the holding of national parliamentary elections, and the launching of the 10th Five Year Plan in 2008. It is desirable for Japan to accurately assess the changing situation in Bhutan and provide assistance that is appropriate to the moment. The following are the sectors and approaches which Japan should strengthen in the project formulation.

2.1 Strengthen Support for the Good Governance Sector Toward 2008

Toward 2008, it is important for Japan to continue its assistance for the good governance sector. With respect to the local governance sector, which is gaining in importance under the new political systems, it is critical for Japan and UNDP, which have a proven record in this sector, to jointly assess the lessons learned from past assistance and present the results to the Government of Bhutan and the other donors. It is also vital for the two to actively publicize at donor meetings what kind of coordination is possible going forward regarding the role distribution of target regions and methods among donors, and what kind of coordination is possible with donors newly entering this sector.

2.2 Strengthen Assistance for Poverty Reduction

The upcoming 10th Five Year Plan starting from 2008 will put a strong emphasis on poverty reduction. It is necessary for Japan to review its cooperation to ensure that the kind of assistance and the target regions are in line with the upcoming plan and chosen with the focus on their contribution to poverty reduction. At this point, because the budget of Japan's assistance to Bhutan is limited Japan should determine its order of priorities among the priority areas from the perspective of

“selection and concentration” while paying careful attention to the latest donor trends, including a shift to budget support and a withdrawal from the social development sector, and latest trends in Bhutan’s economic indicators.

As for the agriculture sector, if 2KR is to be continued in Bhutan in future, it will be vital to take into account the characteristics of the poor in each region and provide assistance which places importance on poverty reduction. At the same time, to complement or substitute for 2KR, it is worthwhile to consider the continuation of assistance that places importance on “soft” aspects and the enhancement of the development of rural roads and other assistance directly targeted at farmers with poor access to roads.

Japan’s assistance for “social development (education and health)” is extremely minimal compared to its assistance for its other three current priority areas. If, for instance, the assistance to the infrastructure sector can be supported by other than grant aid assistance, it will be possible to allocate part of the budget for grant aid or technical cooperation to the social development sector. While maintaining combination of “hard” and “soft” assistance, which is the strength of Japan’s ODA, and observing the possibility for the future loan assistance, it is necessary for Japan to review its allocation of resources among its priority areas with a view to making a contribution to poverty reduction, and to enhance especially the “soft” assistance in the social development sector.

In addition, because poverty reduction is a cross-sectoral challenge, Japan should take not only a sector-specific approach but also an inter-sectoral approach, such as combining road development with agricultural development, education, or health, at the project formulation stage, and study ways to achieve synergistic benefits.

2.3 Strengthen Support for Statistical Data Development

Though Bhutan’s statistical data has improved greatly over the past few years, there is no doubt that assistance in this sector still continues to be necessary. Development of GNH indicators and improvement of the statistical data collection and analysis, which is used to measure the progress of poverty reduction and MDGs achievement, are crucial not only for the Government of Bhutan but also for donors including Japan. In this light, one idea would be for Japan, in cooperation with UNDP and the government, to commence assistance for this sector by firstly dispatching an expert or volunteer to the Statistics Bureau or the policy and planning divisions (PPDs) of the ministries related to Japan’s priority areas, etc. Moreover, in order to enhance ODA’s accountability it is important to verify the impact of the assistance on the final beneficiaries. This again emphasized the needs for assistance for statistical data development.

2.4 Position Volunteers in Priority Areas to the Extent Possible

In the JICA Country Program some of the volunteer activities are incorporated in its assistance programs. This approach should be strengthened. Taking into account the nature of the volunteer projects and the different characters of the JOCVs and the senior volunteers, it should be organized

the types of work that can be positioned in priority area programs (road construction equipment maintenance and management, etc.) and those cannot but nonetheless for which there is a strong local need (preservation of traditional architecture, urban planning, etc.). Regarding types of work positioned in programs, it is desirable to draw up a dispatch plan taking into consideration coordination with Japan's other projects and the contribution volunteers can make to achieving objectives in the priority areas.

Recommendation 3: Continue Public Relations Activities

The active public relations activities by the JICA Bhutan Office and the Ministry of Foreign Affairs of Japan promote understanding of Japan's ODA to Bhutan both in Japan and Bhutan, and lead to the promotion of "visible" assistance. It is vital that these activities be continued in future. Furthermore, the experience in Bhutan such as how to have the information about Japan's assistance taken up in the local media could also be useful in other countries. Therefore it is desirable to share the lessons learned from these experiences widely.