

# Outline of Japan's ODA to Bhutan

Ministry of Foreign Affairs of Japan  
September 2009

## 1. Overview

Japan established diplomatic relations with the Kingdom of Bhutan in 1986. The Fourth and former King envisioned transforming Bhutan into a democratic polity and its process has been ongoing since 1998, including restructuring the government and establishing appropriate political system. The first general election was held in March, 2008. The people of Bhutan respect the King and the country's political situation is stable.

Japan's ODA has been the core of the bilateral relations with Bhutan since the Japanese agricultural expert, Keiji Nishioka, was sent to Bhutan in 1964. Japan's ODA has contributed to improve the agricultural productivity and human resource development especially by Technical Cooperation and Grant Aid. (Japan's first ODA loan to Bhutan was extended in 2007.)

Note: Main Economic Data (World Bank, 2007)

Population: 0.66 Million

GNI/Capita: US\$1,770

Economic Growth Rate: 19.1%

National Revenue: 18.32 billion nultum (app. 36.8 billion yen)

## 2. Japan's ODA Policy to Bhutan

Japan supports Bhutan's own efforts toward its socio-economic development because of the bilateral relations with Bhutan and Bhutan's earnest efforts for development and democracy in spite of the geographic disadvantage. Japan respects Bhutan's development policy based on the concept of Gross National Happiness (GNH)\* and offers assistance for poverty reduction that is one of the main development goals of Bhutan.

\*Gross National Happiness: A concept that the most important goal of development is peace and happiness of the people as well as security and sovereignty of the nation. This concept is introduced in the 1970s by the Forth and former King of Bhutan who enthroned in 1972.

## 3. Priority Areas

Main fields of Japan's ODA to Bhutan are as follows:

1. Agriculture and Rural Development:  
Agricultural modernization, Agricultural infrastructure development
2. Economic Infrastructure Development:  
Road network development, improvement of rural electrification
3. Improvement of Social Services:  
Human resource development and employment generation, improvement of education service and health care service
4. Good Governance:  
Decentralization, improvement of information equity

## 4. ODA Loan

Exchange of Notes for the first ODA loan to Bhutan, Rural Electrification Project (up to 3.576 billion yen), was signed in April, 2007. This project aims to improve electricity access of rural farmers by developing power distribution network. This will improve rural farmers' living condition and increase economic and social activities in the rural areas.

## 5. Grant Aid

Japan's Grant Aid to Bhutan has focused on the areas of basic infrastructure and rural development since 1981, considering that Bhutan is an agricultural country categorized as Least Developed Country. Japan has been providing grant assistance for underprivileged farmers almost every year and extended its first Non-Project Grant Aid to Bhutan in FY 2008. The total amount of grant aid for Bhutan of 2008 is 2.1 billion yen and the cumulative amount is 28.3 billion yen.

Main Projects of the year 2008:

1. Construction of Bridges (Phase III) (62 million yen)  
This project is to reconstruct six bridges which are obsolete and connected to the national highway 5 that runs across the country.
2. Construction of Educational Facilities (1.064 billion yen)  
This project is for the Ministry of Education of Bhutan to construct educational facilities (72 classrooms and 3 libraries) at four project sites in three regions.
3. Improvement of Equipment of Bhutan Broadcasting Service Corporation (594 million yen)  
This project is for Bhutan Broadcasting Service Corporation to install TV news and program gathering system at five different Telecom stations.
4. Non-Project Grant Aid (200 million yen)
5. Grant Assistance for Underprivileged Farmers (180 million yen)

## 6. Technical Cooperation

As Bhutan lacks human resources for its development, on which Japan's technical cooperation focuses, technical assistance is highly demanded. The areas of human resource development that Japan assists in are agriculture and rural development, infrastructure development (roads, bridges, and power distribution), democratization (decentralization), and improvement of administrative capacity and social services.

In FY 2008, Japan provided 676 million yen for technical cooperation to Bhutan, while cumulative amount is 12.5 billion yen. The total number of counterparts trained in Japan up to FY 2008 is 1,207, dispatched experts 108, and volunteers 308.

Japan's ODA to Bhutan (past 5 years) 100 million yen			
Fiscal Year	ODA Loan	Grant Aid	Technical Cooperation
2003	–	10.32	7.75
2004	–	8.86	10.70
2005	–	7.84	9.31
2006	–	12.96	8.81
2007	35.76	17.06	8.10
2008	–	21.00	6.76
Cumulative Total	35.76	283.34	125.76

(Note) Amount :  
Grant Aid is on E/N basis,  
Technical Assistance is JICA's disbursement basis.

# Japan's main ODA projects in FY 2008

Including projects continued from previous year

Project for Expanded Program on Immunization

Improvement of Equipment of Bhutan Broadcasting Service Corporation

Capacity Development of the Bhutan Broadcasting Service Corporation



Project for Construction of Bridges (Phase III)

Construction of Educational Facilities

Agricultural Research and Extension Support Project in Lhuntse and Mongar

Local Governance and Decentralization Project (Phase II)

Grant Assistance for Underprivileged Farmers

Rural Electrification Project

Non-Project Grant Aid

Legend:

- Grant Aid
- Technical Assistance
- ODA Loan