



# BHUTAN-DENMARK THE STORY ABOUT 30 YEARS OF BHUTANESE-DANISH PARTNERSHIP

2014





# **Bhutan-Denmark**

## **The story about 30 years of Bhutanese-Danish Partnership**

**November 2014**

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The report is the result of a collaboration between the Gross National Happiness Commission of Bhutan and the Ministry of Foreign Affairs of Denmark to document the results of the partnership between Bhutan and Denmark. It is based upon previous evaluations of Danish development assistance to Bhutan, reviews, programmes and project completion reports as well as statistics from National Statistics Bureau of Bhutan and international organisations, including the World Bank MDG database.

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## **Bhutan-Denmark: A Unique Partnership**


Bhutan has over the last couple of decades been through a tremendous development process. Results are impressive: Poverty has declined; people live longer; and access to health, education, and justice has been enhanced. The environmental standards are high and integrated at all levels of society. Democracy is taking root. Denmark has been a trusted partner in this journey.

This report documents the results of the partnership between Bhutan and Denmark. It has indeed been unique. It underscores that development partnerships are not just about financing. It is also about shared values. Bhutan chose Denmark as a partner based on the Danish approach to environmental protection. Managing the environment has been a cornerstone of our cooperation with excellent results. And today, Bhutan is internationally recognized for its achievements in this field. Another cornerstone has been the enhanced access to health, education and justice which is now enshrined in the Bhutanese Constitution.

While development cooperation is coming to an end, Bhutanese-Danish partnership will continue and intensify in other areas. We will continue to cooperate internationally based on our shared values – our respect for democracy and human rights and our common endeavour to preserve the environment for future generations. And we will continue our bilateral relations based on years of cooperation between our governments, and the many relations that have been built between institutions and organisations in Bhutan and Denmark as well as our peoples.



**Mogens Jensen**  
Minister for Trade and Development



**Rinzin Dorje**  
Minister for Foreign Affairs

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## 1 How it all began

In the early 1980s, His Majesty the King of Bhutan sent a delegation to Denmark and the other Nordic countries to explore possibilities for establishing development partnerships. Bhutan sought out cooperation with countries that were perceived as politically neutral, benevolent in their approach to development cooperation, and had something to offer that Bhutan saw as important for Bhutan's own development process. The choice of Denmark was based on the Danish approach to environmental protection that was found to be of interest to Bhutan, and the already established contacts in the health sector through Danish doctors. Through the Danish embassy in New Delhi, the partnership was gradually established, involving initially Danish funding of projects carried out by UN-organisations and the Asian Development Bank. In 1989 Bhutan was selected by Denmark as a programme country and formal bilateral relations were established. The first environment and health projects and programmes were initiated.



Village council, Chukkha province



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## 2 Holistic development partnership

Bhutan has gone through a tremendous development process over the past four decades. Having started its development process only in the 1960s with limited infrastructure and bare minimum of health and education facilities, today Bhutan has reached a stage where the quality of life of its people is vastly improved. Health coverage is 95%; literacy rate is 63%; access to safe drinking water is 94%; electricity coverage is 98%<sup>1</sup>. Modern institutions have been built, democracy established, and the foundation for the economy has been broadened. A clear vision has guided this process and Bhutan has led the way. Development partners have contributed to these achievements, and Denmark has been one of the most important of the development partners.

The Bhutan-Denmark partnership over the years has covered nearly all aspects of society: from provision of basic services in health, education, water supply and sanitation, telecommunication, to support to assessments, planning and monitoring tools for environmental protection and natural resources management, to urban development and planning, strengthening key governance areas: horizontally in the legislative, the judiciary and the executive branches of government and vertically to decentralisation and democratisation; and to culture and media, and civil society. With Danish assistance the gender aspect has been integrated into Bhutan's Five Year Plan.

All the way through this development journey laid out by Bhutan, the assistance and technical inputs have been accompanied with intensive discussions at all levels to promote development pathways based on democratisation, rule of law, and inclusion. The adoption of the Constitution and the first elections were important milestones in the process towards a fully functioning democracy. Bhutan recognizes that Denmark wanted the best for Bhutan, and Denmark has been seen as an honest and supportive partner in this process to the improved situation, we see today.

One aspect comes out as permeating all Danish activities in Bhutan. Running through all of the objectives, outputs and activities, there has been a strong focus on human resources development. Denmark has taken seriously the Bhutanese approach of focus on people. The aim has been to assist Bhutan in becoming self-reliant and making the results sustainable for generations. That can only happen through people.

Over the more than 25 years of development cooperation, Denmark provided about 1,7 billion DKK in support of Bhutan's development corresponding to about 90 DKK per person per year in Bhutan. For a long period, Denmark was the second largest donor to Bhutan after India. The Danish investment in Bhutan per capita has been large compared to other programme countries, but so has the impact. And when the international level of assistance to Bhutan and the impact is compared to those of other smaller economies, Bhutan has used development assistance quite effectively.

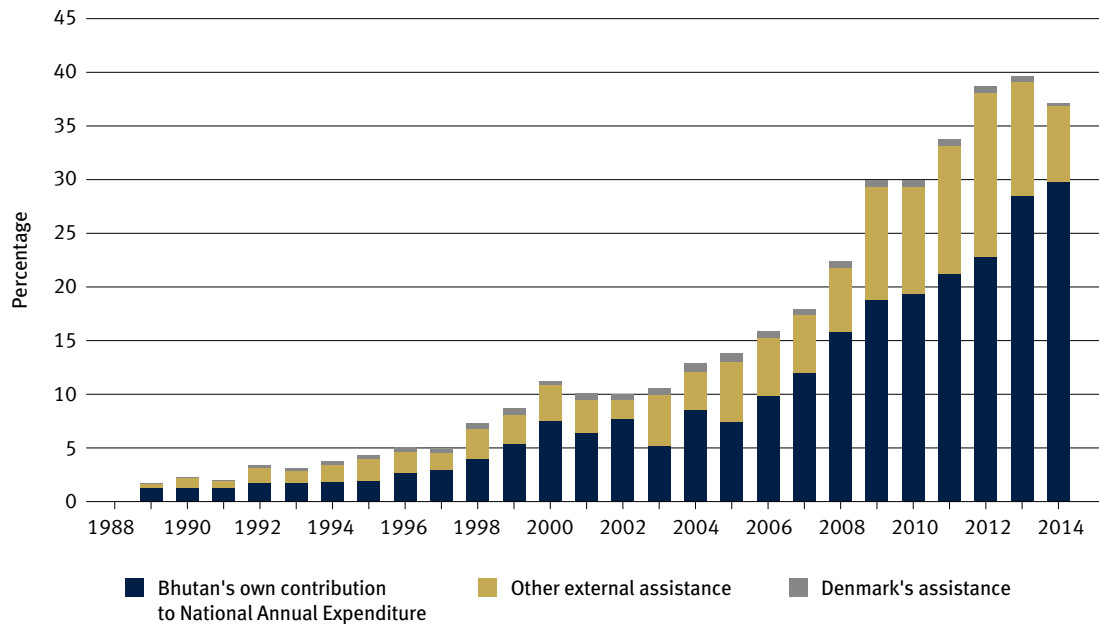
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1 The State of The Tsa-Wa-Sum, Tshering Tobgay, Prime Minister Royal Government Of Bhutan, Third Session Of The Second Parliament Of Bhutan, 19 June 2014 Thimphu, Bhutan



Over this period, Bhutan's own contribution to the growing national development budget has increased steeply deriving primarily from revenues from export of electricity to India and taxes.

**Figure 1: Contributions to Bhutan's National Annual Expenditure 1989-2014.**

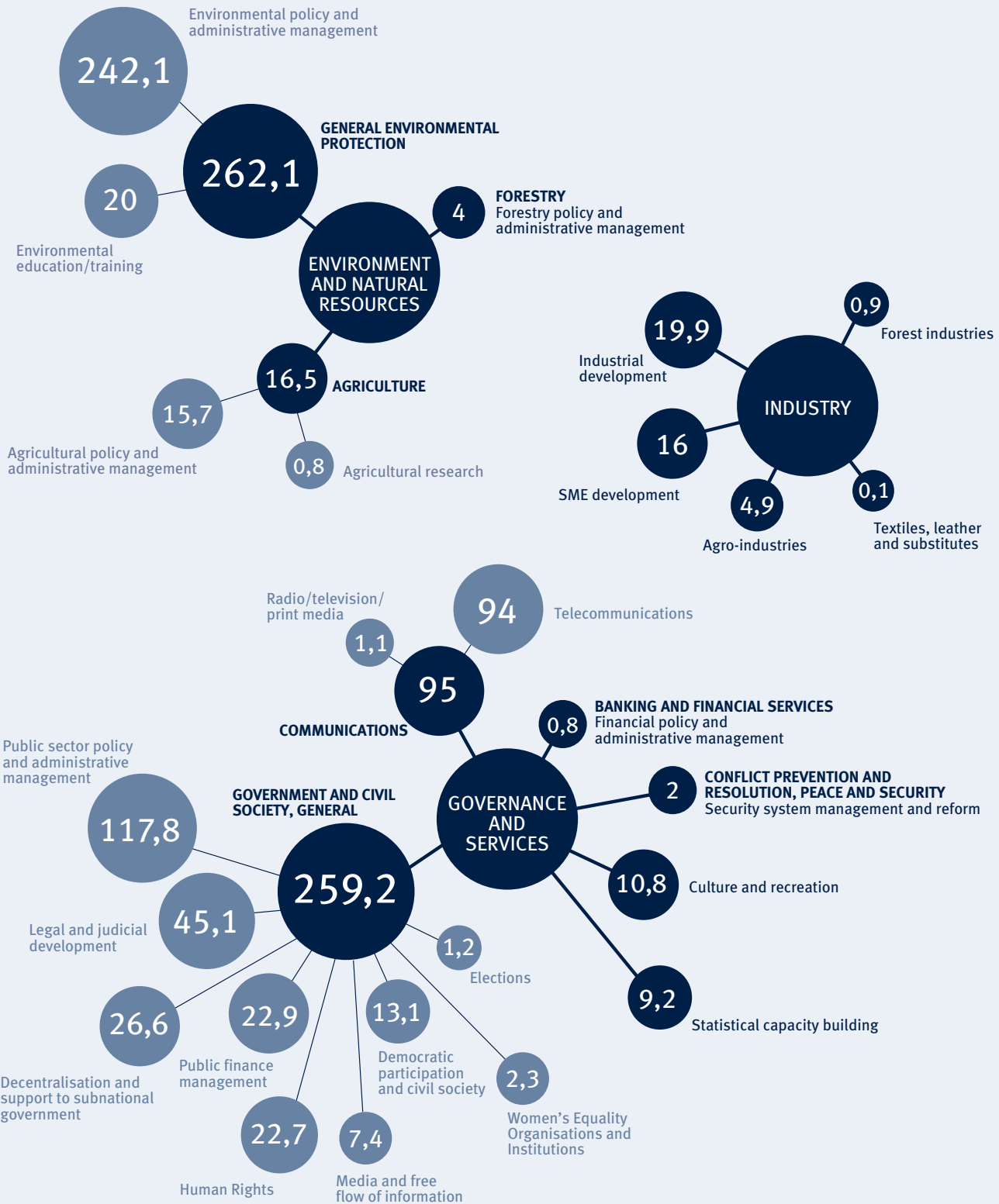


### Aid modalities, alignment and harmonisation

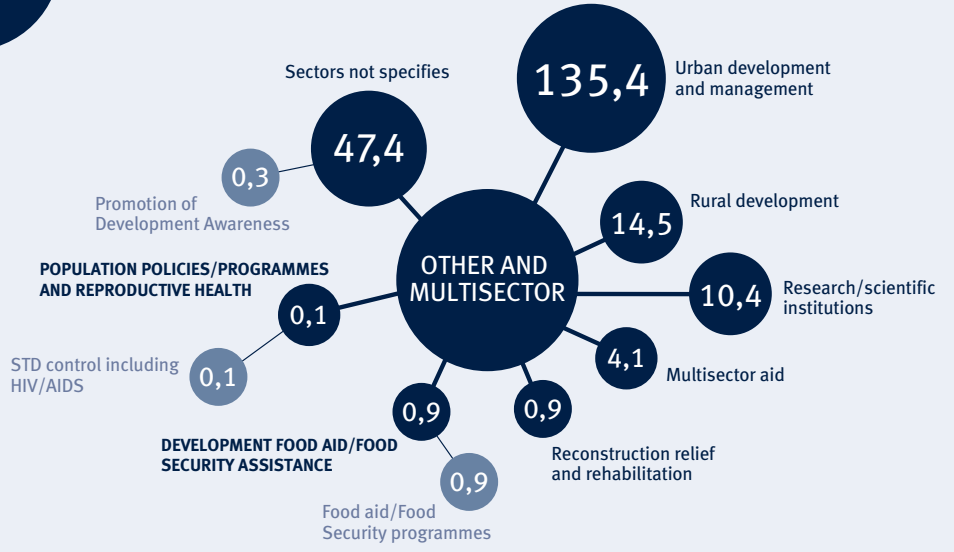
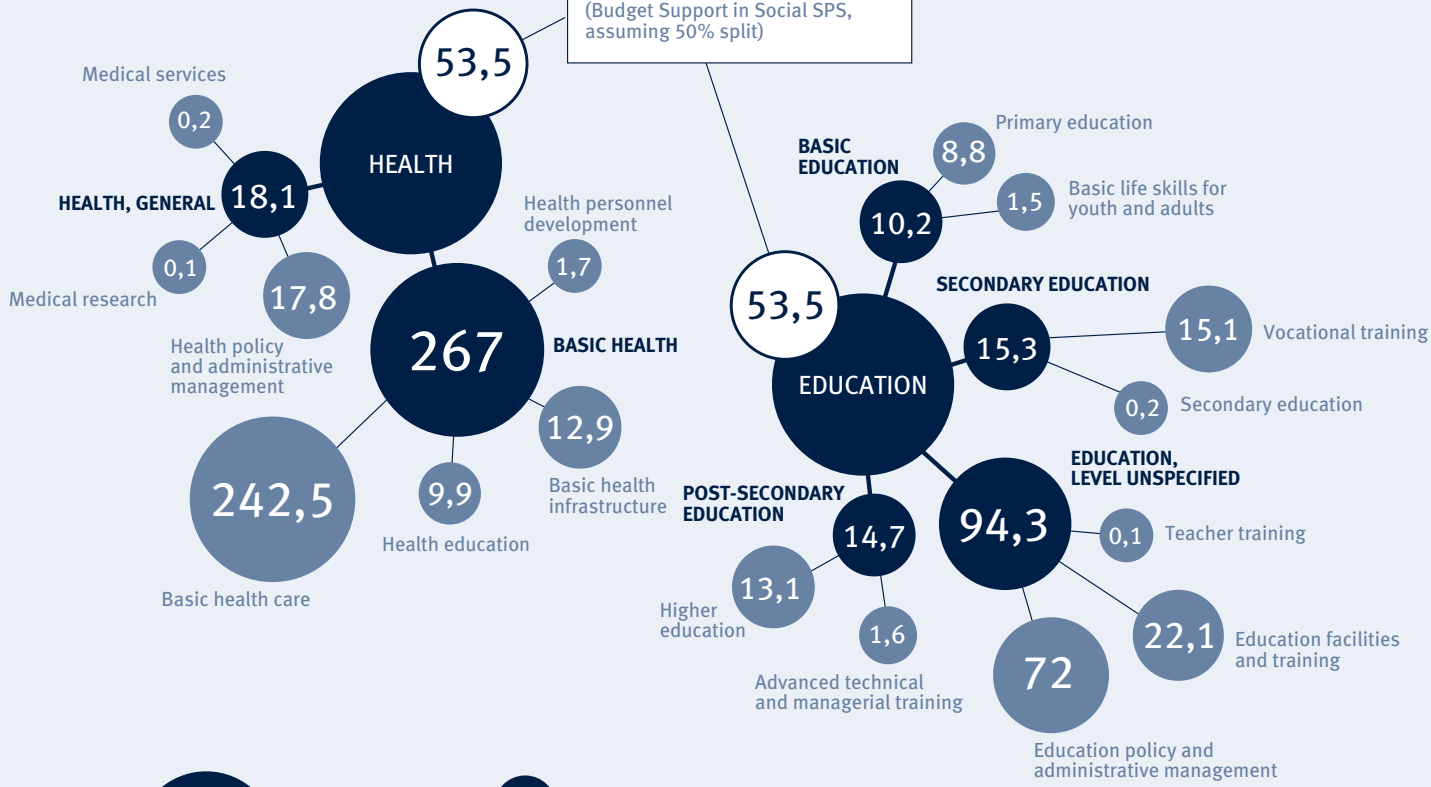
The strong ownership shown by Bhutan implied that new forms of aid modalities developed through the period quickly took root in Bhutan. National execution and sector budget support was introduced in Bhutan from early on. This was also possible due to the fact that fiduciary risks – after thorough review – were found to be small. Similarly, alignment and harmonisation to the objectives and targets in Royal Government of Bhutan's Five Year Plans were adopted early on. The programme management structures have had steering committees headed by Government of Bhutan and with a representative from Danish Representation Office in Bhutan.

Bhutan's ownership and leadership in the Bhutanese-Danish cooperation came to serve as the model for how Bhutan collaborated with other development partners. In particular, the pragmatism and flexibility shown by the Danes were highly valued by the Bhutanese partners. The Bhutanese experience with Denmark as a partner has been that once agreement about the goals and the framework for the cooperation had been reached, there was ample opportunity to amend and use lessons learned to steer programmes towards fulfilment of their objectives.

**Figure 2: Danida Support to Bhutan 1988-2013. Allocations by DAC code and purpose. All amounts are in DKK million.**



**OTHER SOCIAL INFRASTRUCTURE AND SERVICES**  
**SOCIAL WELFARE SERVICES**  
 (Budget Support in Social SPS, assuming 50% split)



### 3 Four pillars of Gross National Happiness

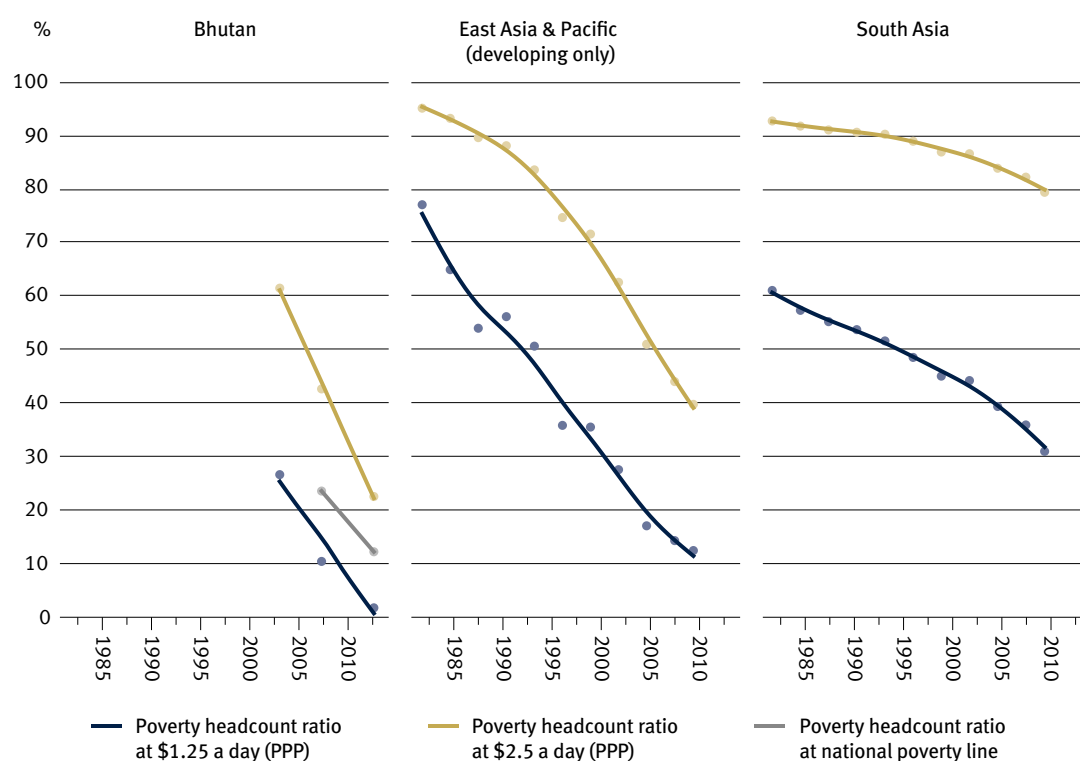
The story of the Bhutan-Denmark partnership in development is structured by the four pillars of Gross National Happiness: Equitable Socio-economic Development, Education and Health; Conservation and Promotion of a Vibrant Culture; Environmental Protection and Natural Resources Management; and Good Governance and Decentralisation.

#### 3.1 Equitable socio-economic development, education and health

##### Poverty reduction

Poverty reduction has been the overall development objective for the collaboration between Bhutan and Denmark. Commendable progress has been achieved, even if there is more to be done on this crucial aspect. In 2012, the incidence of poverty at 22% on the 2.5 US\$ a day headcount ratio is lower than the average for East Asia Pacific developing countries. The ratio of people below the national poverty line was 12% in 2012. The pace of poverty reduction over the past decade has been on par or better than the other Asian countries (Figure 2).

**Figure 3: Poverty reduction in Bhutan in a Regional perspective.**



##### Health sector

Denmark has been a very prominent partner in the development of the health sector and has contributed to the exceptional development in key health indicators. Overall,

life expectancy at birth has increased by 16 years, from 52 years in 1990<sup>2</sup> to 68 years in 2012<sup>3</sup>.

Bhutan has achieved impressive results towards reaching the Millennium Development Goals in the health sector (Table 1). Notably, infant mortality rate went down from 92 to 30, and maternal mortality rate from 900 to 86 over the 24 years between 1990 and 2013.

Bhutan invested heavily in health throughout this period, with Denmark and India as the most significant development partners.

**Table 1: Achievements towards health related MDGs.**

MDG indicators	1990	1994	1999	2000	2010	2012	2013
<b>Malnutrition prevalence, weight for age (% of children under 5)</b>			14		13		
<b>Maternal mortality ratio (modelled estimate, per 100,000 live births)</b>	900			390	140		86
<b>Mortality rate, infant (per 1,000 live births)</b>	92		62		38	36	30
<b>Mortality rate, under-5 (per 1,000)</b>	131		85		48	45	37
<b>Births attended by skilled health staff (% of total)</b>		15		24	65		75
<b>Incidence, prevalence and death rates associated with tuberculosis (per 100,000 people)*</b>		1,860		754	313		225
<b>Tuberculosis death rate (per 100,000 people)</b>	194		78		15	14	14
<b>Malaria cases reported</b>	9,497		12,237		436	82	

“In the Ministry of Health, we are where we are to a large extent due to the assistance from Danida.”

Secretary, Ministry of Health

The positive change in health indicators in Bhutan can be compared to South Asia and East Asia Pacific developing countries (Figures 3 to 8). Malnutrition (weight for age) is still a challenge, but much better than average for South Asia.

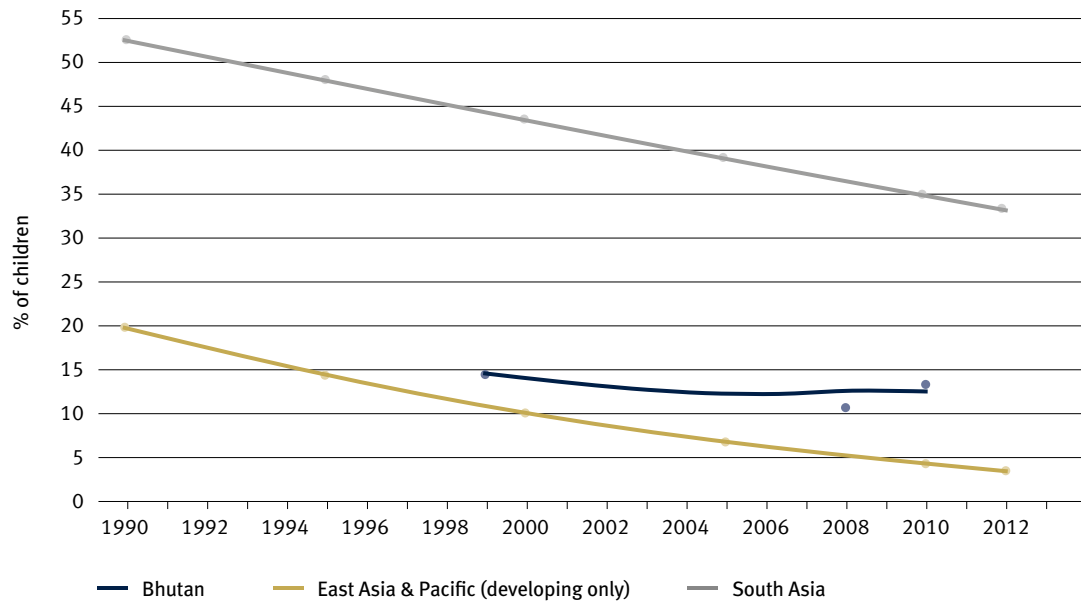
2 World Bank Data Bank – Bhutan Health indicators

3 World Development Indicators, The World Bank

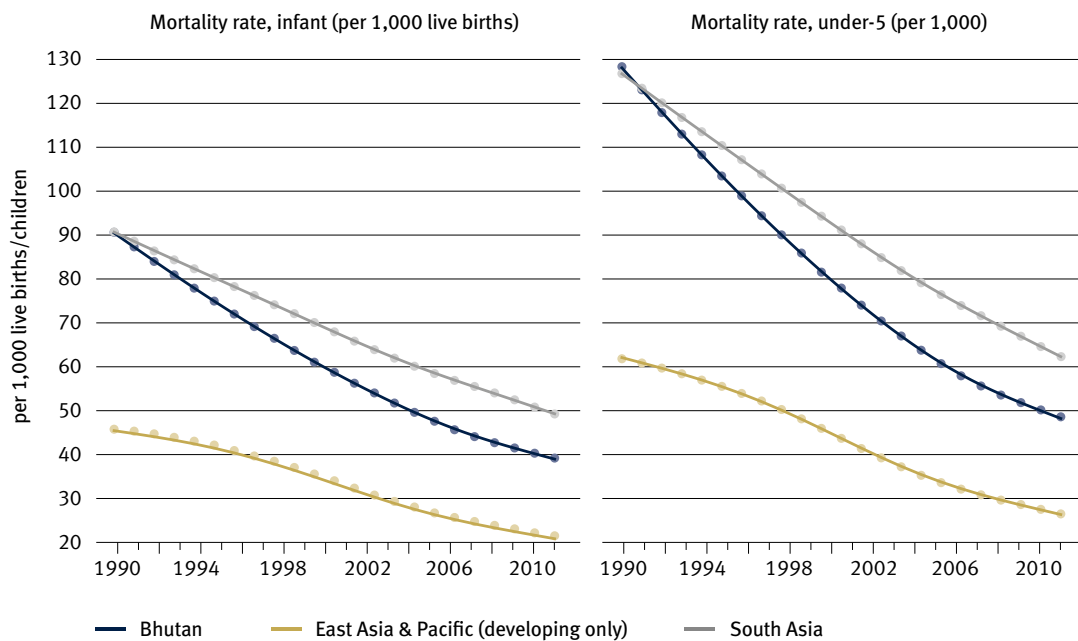
### 3 FOUR PILLARS OF GROSS NATIONAL HAPPINESS

Mortality rates for infants and under-five children, maternal mortality, and births attended by skilled health staff have declined dramatically and are moving towards East Asia Pacific averages. Tuberculosis incidence has gone down and is now on par with South Asia average, and deaths from tuberculosis have been reduced significantly to reach the East Asia Pacific level. Malaria has also been reduced very significantly down to a stable level.

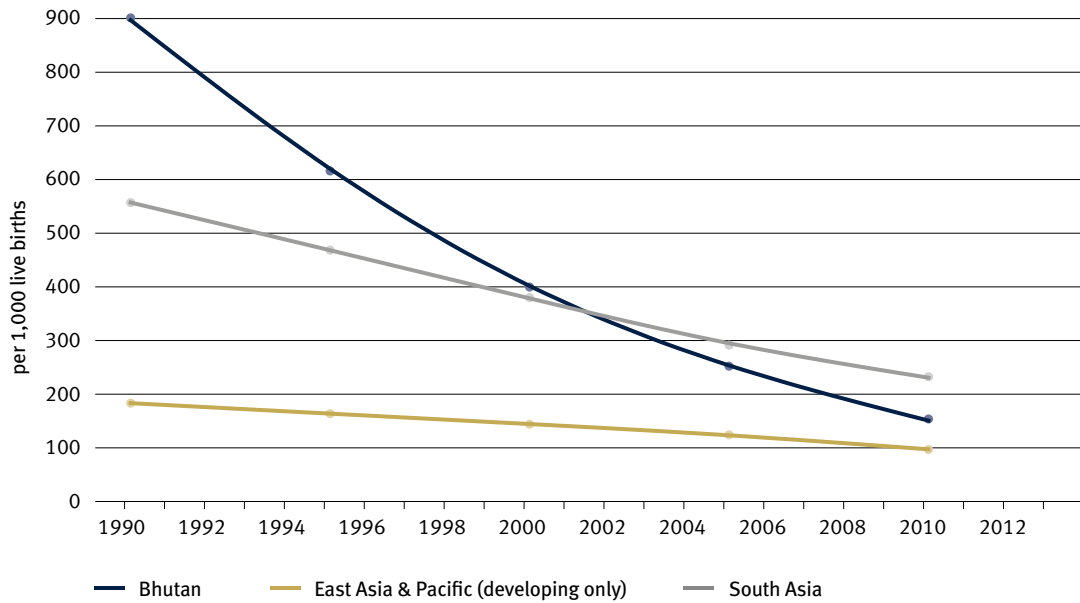
**Figure 4: MDG 1.C. Halve, between 1990 and 2015, the proportion of people who suffer from hunger. Malnutrition prevalence, weight for age (% children under 5).**



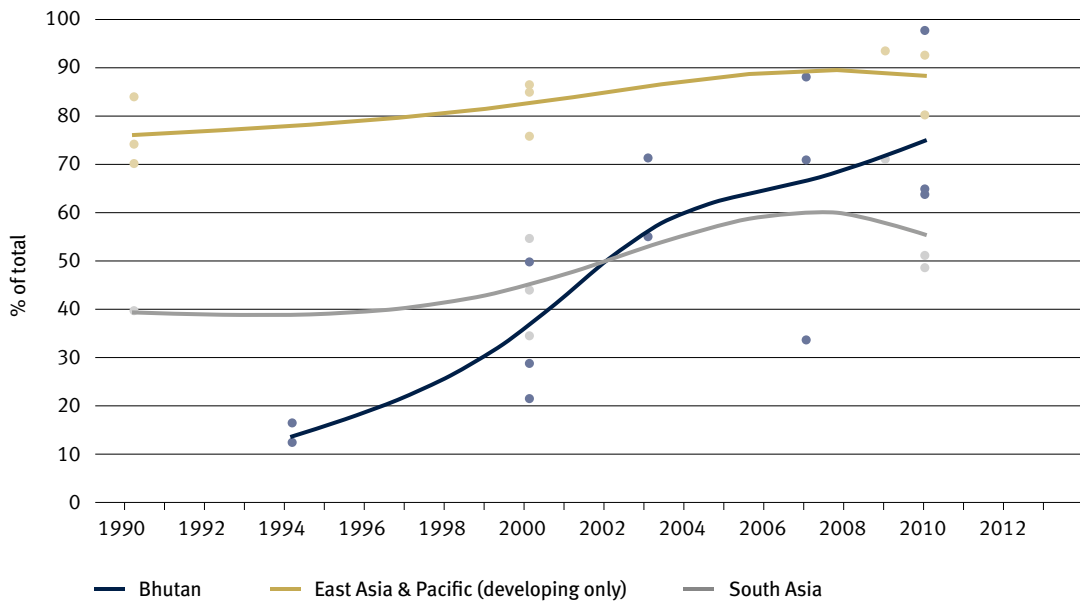
**Figure 5: MDG 4.A. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.**



**Figure 6: MDG 5.A. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.**



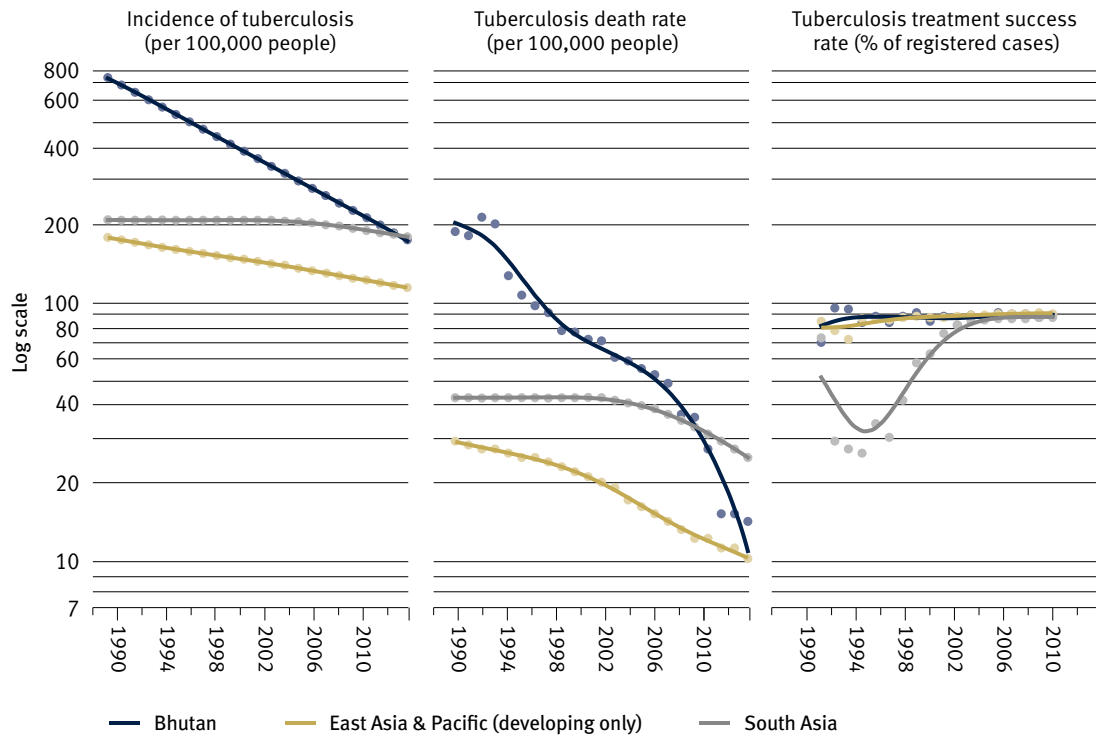
**Figure 7: MDG 5.B. Achieve, by 2015, universal access to reproductive health. Births attended by skilled health staff.**



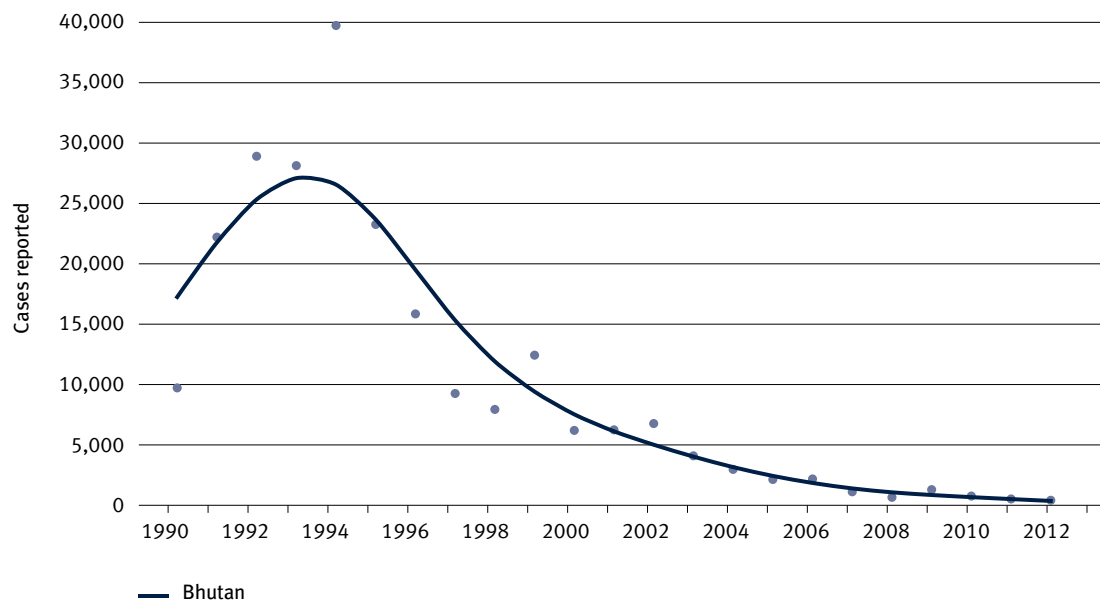


### 3 FOUR PILLARS OF GROSS NATIONAL HAPPINESS

**Figure 8: MDG 6. C. Tuberculosis.**



**Figure 9: MDG 6.C. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.**



#### **Major achievements and outputs in the health sector funded by Denmark**

- Human Resources Development: 11 Postgraduate Masters, 18 Certificates/Diplomas, 3 Medical Specialisations; 185 people on short-term training/study tours.
- Institutional development of Royal Institute of Health Sciences, Information and Communication Bureau, Quality Assurance and Standardisation Division, Health Planning, Research and Information System.
- Disease control (TB control, STD/AIDS Control, Hepatitis B Prevention, Community Based Rehabilitation, Mental Health).
- Construction of 67 Basic Health Units.
- Construction of 3 district hospitals.
- Provision of 21 ambulances.
- Construction of Ministry of Health administrative building.

In the three phases of the Health Sector Support Programme, and the budget support in the Social Sector Programme, the majority of the Danish funds have been allocated to basic health care, with smaller amounts to the health system, basic health infrastructure and health education.

Between 1990 and 1997, the health sector received budget support; Paro hospital and 67 Basic Health Units (BHUs) were built; and the health system in general was strengthened. In the years that followed further two district hospitals and the Ministry of Health building in Thimphu were constructed.

An evaluation conducted in 1999 concluded that the rural population had now better access to health services, medical and health education had developed and were organised better, prevention of diseases was improved, and there was progress in planning and management at all levels of the health sector.



Paro Hospital

In 2010, the Joint Evaluation of the Danish-Bhutanese Country Programme 2000-09, looking in particular at technical capacity building, concluded that Denmark had 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 at a high professional level. It was found that two broad trends might be partially attributed to the Danish support:

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

Human resource and capacity development has been key for success of the partnership in the health sector. Between 2003 and 2008 Danida funded a large number of overseas trainings for health staff.

A lesson learned from Bhutan is that a good partnership depends on two governments' commitment to achieving results. Bhutan's commitment to ensure good health for its citizens is enshrined in the Constitution, which stipulates free access to basic health services. According to the the National Health Policy, Royal Government of Bhutan (RGoB) spends around 7.4 to 11.4% of total government expenditure on health (2009). As a proportion of Gross Domestic Product (GDP), public health spending alone (not counting private health expenditure) constitutes approximately 4%.

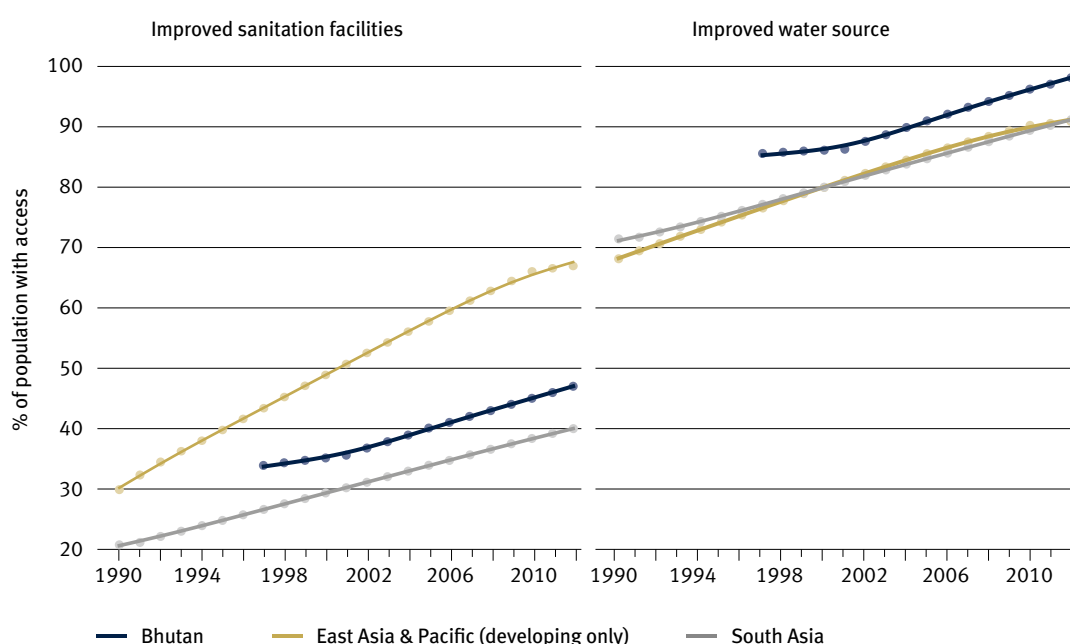
The initiation of Danish support to the health sector is interesting. Back in 1968 and again in 1979 a Danish doctor, Dr. Claus Brun, visited the country. After the later visit, he suggested that the Bhutanese government made a formal request to the Danish authorities for a hospital and back-up training, which they did the same year. It took several years before the relations were formalized, starting with support through multi-lateral agencies, and eventually the first health sector support programme in 1990, with Dr. Bjørn Meldgaard as Advisor.

#### Public health – water supply and sanitation

Danida has supported all aspects of both urban and rural water supply and urban sanitation: technical, managerial, operation and maintenance and financial viability. The investments in basic drinking water supply and basic sanitation have been 134.6 million DKK (US\$ 23.5 million).

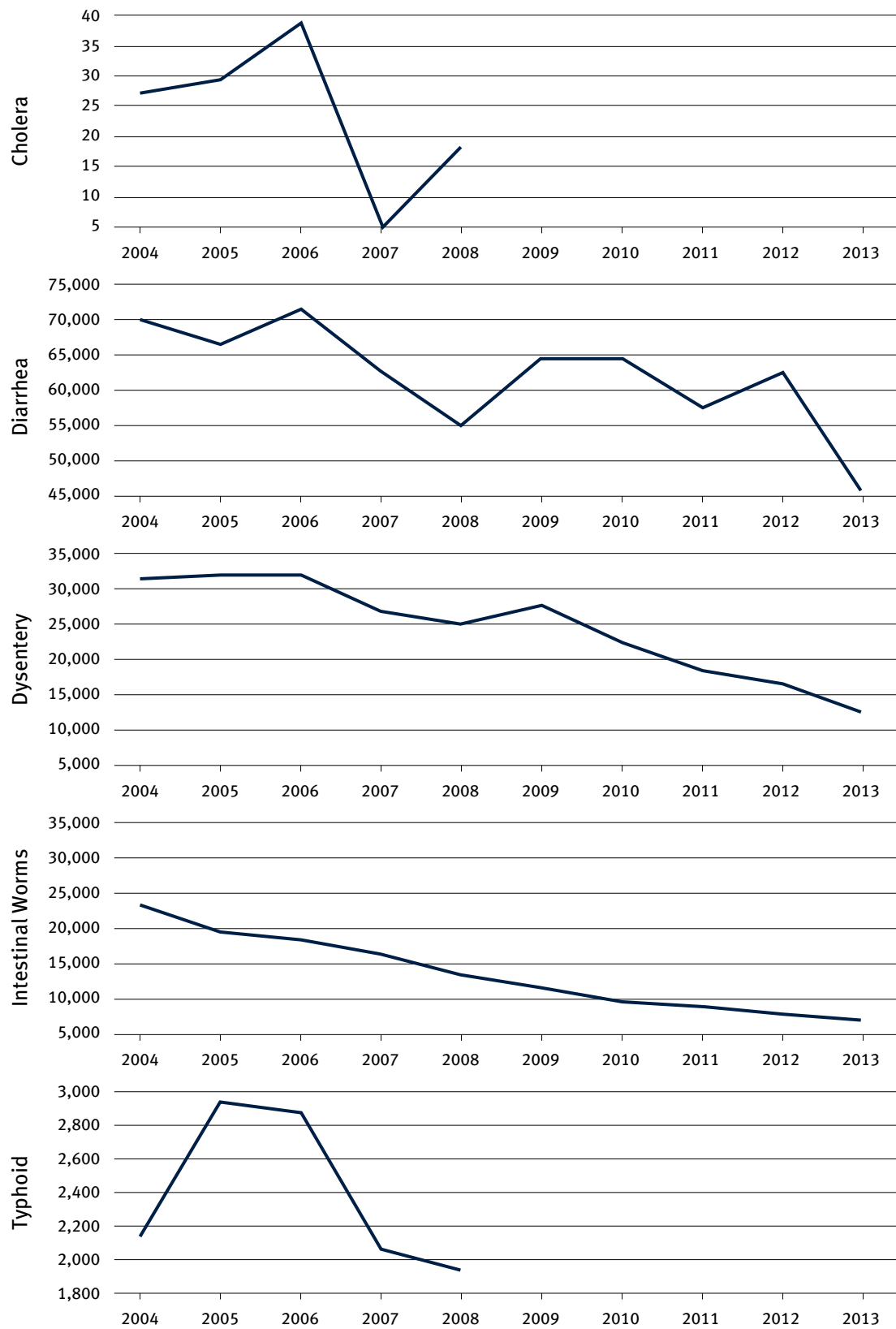
The indicators on coverage of drinking water and sanitation and the decline in waterborne diseases show significant progress during the period of Danida's engagement. Coverage with an improved drinking water source is close to 100%, and higher than the regional averages. Coverage with sanitation at 66.3% (NHS, 2012) remains a challenge (Figure 9). The incidence of all waterborne diseases has declined between 2004 and 2013: cases of dysentery and intestinal worms have more than halved, cholera, diarrhoea and typhoid have declined significantly (Figure 10).

**Figure 10: MDG 7. C. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.**



### 3 FOUR PILLARS OF GROSS NATIONAL HAPPINESS

Figure 11: Waterborne diseases in Bhutan 2004-2013.



#### **Major achievements and outputs in water supply and sanitation funded by Denmark**

- Urban sewerage system and wastewater treatment plant in Thimphu.
- Waterworks for Thimphu.
- Water supply and compact waste water systems in six towns: Phuntshogling, Gelephu, Damphu, Samtse, Mongar, Gyelposhing.
- Water meters installed and tariffs for water introduced, operation and maintenance systems established in all towns.
- Modern biological based wastewater treatment introduced with success and replicated in many towns.
- Rural water supply schemes, rehabilitations, spring protections and extensions, benefitting in total 22,148 households, or around 100,000 people.
- More than 1,600 caretakers for rural water supply trained.
- 2,000 ‘Community development for health’ workshops conducted.
- 32 private contractors as well as district teams, and public health engineers at central levels trained in 28 short and 5 long courses.

#### **Urban water supply and sanitation**

The sewerage system and the wastewater treatment plant in Thimphu was constructed in the early 1990s, and became almost iconic as the first such system in Bhutan. Under the urban development support water supply and compact wastewater systems were installed in six towns, including in Phuntshogling. In Thimphu, technical difficulties due to terrain and underground conditions were eventually overcome. Modern biological based wastewater treatment was introduced with impressive success.

Water meters and tariffs for water were introduced, raising considerable debate about the cost of services and responsibilities of citizens and the state, respectively. Today water meters and water tariffs are fully accepted and they ensure funding for operation and maintenance of the systems and thus their sustainability.

#### **Rural water supply**

Between 2000 and 2008 Denmark supported rural water supply by funding construction of new schemes, rehabilitations, spring protections and extensions, benefitting in total 22,148 households, or around 100,000 people. More than 1,600 caretakers were trained, 2000 community development for health workshops conducted, 32 private contractors as well as district teams, and public health engineers at central levels did 28 short and 5 long courses.

Provision of safe drinking water and improved sanitation has resulted in gradual decrease of the annual reported cases of water borne diseases (diarrhoea and dysentery) from 119,940 in 2001 to 90,701 in 2007. These activities and outputs significantly contributed to Bhutan achieving the 2015 MDG 7 target 10 of halving, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

The case of Bhutan proves that investments in water supply and sanitation have clear and significant impacts on public health.

#### **Education**

Danida has provided support through the Education Sector Programme Support 2003-08 and the Social Sector Programme Support from 2007-2013. Progress on the key indicators for access to and quality of education has been impressive:

- From 1998 to 2013 the Adjusted Net Enrolment Ratio Primary increased from 55% to 98.5%<sup>4</sup>, reaching the average for South Asia and East Asia Pacific developing countries in only 15 years.
- The primary enrolment went up from 78,000 to 104,000 between 1998 and 2013<sup>5</sup> and the girls-to-boys ratio in primary and secondary increased from 82 to 103 from 1998 to 2012<sup>6</sup>.
- Bhutan is today almost self-sufficient in teachers, starting from almost full dependency on expatriate teacher in the 1960s.
- From 2002 to 2007 the number of students at Colleges of Education increased by 23%.
- The teacher-pupil ratio has improved dramatically from 40-50 pupils per teacher in 1998 in Primary, Lower and Middle Secondary schools, to 20-25 in 2013. A similar positive development has taken place for Higher Secondary schools.
- The size of classes has decreased from an overall average of 30.4 in 2007 to 22 pupils across all levels per classroom in 2013.
- In 2008, a target for Technical and Vocational Education and Training (TVET) was set at 60% of school leavers pursuing TVET training, and the result in 2013 was 84% (including all public and private training institutes).
- The percentage of courses conducted in vocational training institutes in line with occupational standards increased from 33% to 100% between 2008 and 2013.

**“We are well on track towards the MDGs. Danida support has contributed immensely to this”.**

Secretary, Ministry of Education, 2014

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4 Annual Education Statistics, 2013, Ministry of Education

5 Annual Education Statistics, 2013, Ministry of Education/  
World Bank Data Bank, Education Statistics

6 World Bank Data Bank, Gender Statistics



### Major achievements and outputs in the education sector funded by Danida

- 186 persons at various level of professional, managerial and administrative support have received training. All the trainees returned to Bhutan to work after the completion of their studies and training abroad.
- Danida's contribution covered 35% of the HRD Master Plan fund requirement and greatly contributed to its implementation during the 9th Five-Year Plan.
- Short-term TA was provided for distance education review, maths curriculum, health education, education policy, enrolment strategy, girls' enrolment, impact of history, and Dzongkha teaching, among others.
- The Education Management Information System (EMIS) was one of the results of Danida's support. The EMIS has been the key source of information for the Ministry of Education in planning, monitoring and evaluation of the educational plans and programmes.
- 37 Public Technical and Vocational Education and Training (TVET) Instructors went to the Training Institute for Technical Instructors, Nepal, for upgrading their qualifications to Diploma level. Technical Assistance was provided to support TVET implementation.

Danida's funding has mainly been through budget support, with some earmarked funds for capacity development in the first programme, and for vocational education and training in the second. Starting in 1997 a total of 23.4 million US\$ (and in addition around 9 million US\$ through budget support) was allocated to the education sector. Denmark was one of the largest donors to the education sector between 2003 and 2008.

Between 2007 and 2013 the Danish budget support was shared between health and education. Denmark did not prescribe any standard formula for the utilization of the funds. This provided flexibility for the Ministry of Education, but also involved competition for resources between the sectors.

#### *Education Policy*

Free education up to tenth standard and the state's responsibility to provide education for all is enshrined in the Constitution of Bhutan. Bhutan has over the past decade consistently allocated around 15% of its national expenditure to the education sector.

#### **Constitution of the Kingdom of Bhutan**

**Article 9.15** – “The State shall endeavour to provide education for the purpose of improving and increasing knowledge, values and skills of the entire population with education being directed towards the full development of the human personality”.

**Article 9.16** – “The State shall provide free education to all children of school going age up to tenth standard and ensure that technical and professional education shall be made generally available and that higher education shall be equally accessible to all on the basis of merit”.

In terms of assistance to policy development, all donors have had a role to play, but Danida certainly has had a big role through the capacity development. Many teachers went for Masters' programme through Danida's support, which they have used in their work.



Young students are taught about Bhutan's fauna at environment fair in Thimphu, August 2014

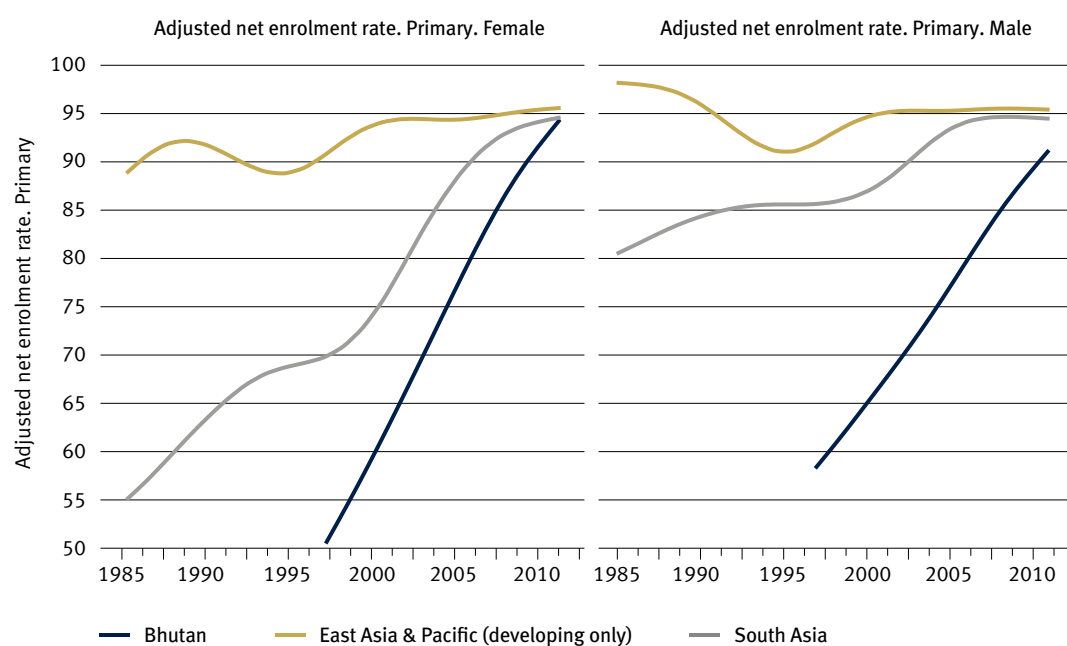
#### *Reaching MDG targets for education*

From 1990 to 2002, before Danida began its support, the education sector in Bhutan saw impressive improvements in terms of access to education with the number of educational institutions and teachers increasing substantially. This positive development continued from 2002 up to the present. From 1998 to 2013 the Adjusted Net Enrolment Ratio Primary increased from 55% to 98.5%<sup>7</sup>, reaching the average for South Asia and East Asia Pacific developing countries over only 15 years (Figure 11). The girls-to-boys ratio in primary and secondary increased from 82 to 103 from 1998 to 2012<sup>8</sup>.

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7 World Bank Education Data Bank, Annual Education Statistics, 2013

8 World Bank Data Bank, Gender Statistics

**Figure 12: Catching up at full speed – Net enrolment rate 1985-2012.**

### *Management of education*

The Education Management Information System (EMIS) was one of the results of Danida's support. The EMIS has been the key source of information for the Ministry of Education in planning, monitoring and evaluation of the educational plans and programmes. For instance, the information generated from EMIS is used for planning new schools, teacher deployment, upgrading of schools, monitoring and assessing key education indicators etc. It has helped to make informed decisions and target interventions. The data collected through EMIS are analysed and published through Annual Education Statistics report and disseminated to all government agencies, donors, district education offices and schools.

Performance Agreements between the minister of education and the prime minister, and the minister of education and his ministerial staff have been introduced. They stipulate the annual priorities for the ministry and departments and make the actors fully responsible for driving implementation and delivering results. Data obtained from EMIS and published through Annual Education Statistics would provide a basis for evaluating the performance agreements.





Performance Agreements shown on noticeboard in the Ministry of Education, 2014

### *Educating for Gross National Happiness*

There are many positive developments in the education sector in Bhutan guided by the Gross National Happiness framework. “Educating for Gross National Happiness promotes holistic, contemplative, eco-sensitive, and culturally responsive educational approaches that are both taught and put into practice”. By 2014, the Ministry has trained more than three thousand teachers in 15 Dzongkhags and 4 Thromdes on how to implement Educating for GNH in the schools<sup>9</sup>. A programme for meditation and mind training as part of daily school activity is also being tested.

There has been success in expanding access to early childhood care and education (ECCE) facilities with 165 ECCE centres in the country, through private participation in 2014.

Raising teachers’ morale is a specific target in Bhutan. In 2013, 98 teachers received the National Order of Merit for their exemplary service in the education sector from His Majesty the King.

### **Vocational training**

Technical and Vocational Education and Training (TVET) is important for Bhutan. Skilled workers are needed, but many young people have not considered this an attractive career.

9 State of Education 2014

From 2008-2013 TVET was enhanced through a dedicated component with 15 million DKK (US\$ 2.6 million) implemented by Ministry of Labour and Human Resources. The objectives were to enhance the quality of TVET and of skilled workers. Thirty-seven Public TVET Instructors were sent to the Training Institute for Technical Instructors in Nepal for upgrading their qualifications to Diploma level. TA was provided to support TVET implementation.



Students from Technical Training Institute in Punakha makes renovation at the Ministry

How many school leavers pursue TVET training? The target was 60% and the result 84%<sup>10</sup>.

The second indicator was the percentage of courses conducted in vocational training institutes in line with occupational standards. Here the baseline was 33%, the target 100%, and the result 100%. The Ministry of Labour and Human Resources has worked to raise the quality and status of vocations and crafts skills. Now, in 2014, the success in this effort is proved by problems in absorbing the number of applicants for TVET in the six technical training institutes and two arts and crafts schools in the country, and in the 85 other registered private TVET training institutes. The school system is designed to absorb 40% of the pupils in higher secondary education, while the other 60% would be absorbed in the labour market. However, employers want trained people.

10 Includes all public and private training institutes



#### **Wood Craft Center**

Danish support for vocational training is not new. In 1991, a small grant of 7 million DKK was given to the state owned Wood Craft Centre to train carpenters and manufacture wooden furniture and other wood craft structures to be used by the public sector. Funds were used for buying wood cutting machines and training. Today the Wood Craft Centre is still operation at full speed to keep up the demand for new office furniture and private demand. The machines are still in operation – in two shifts. And over the years more than 1,000 people have been trained, and some of them have gone on to establish themselves in the private sector.



Wood Craft Centre, Timphu

#### **Urban development and planning**

Danida was one of the first development partners to respond to a request for support to urban sector development. The programmes ran from 1999 to 2010.

Evidence of the impacts of the support is the quality of planned and regulated urban development in Bhutan. The physical environment in Bhutan's towns is in general characterized by order, cleanliness, and aesthetic considerations. Urban sprawl, common in the region, is almost absent. Water supply is near 100% coverage<sup>11</sup> and sanitation is relatively good. Key indicators for the impacts of Danida's support are found in the policy and regulatory framework for urban development that exists today:

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11 Annual Health Bulletin, 2014, Ministry of Health

- Housing Policy
- Municipal Finance Policy
- Urban Area and Property Regulation
- Building Rules
- Land Pooling Rules

#### **Major achievements and outputs in urban development and planning funded by Denmark**

- 6 Masters in Urban Planning, 6 Masters in urban management related fields.
- 7 Diplomas in engineering and related fields, now working in municipalities.
- 368 people trained in short-term courses in Computing, Construction Planning & Project Management, Management, Surveying, Contract Management, Building Inspection, Cleaner Production, Utility Billing, Urban planning, O&M Water treatment plant, and other subjects.
- Roads, footpaths, street lightning in 4 towns, solid waste disposal sites, transportation and provision of dust bins, garbage collection trucks and bobcats in 7 towns, municipal offices in 2 towns (in addition to water supply, water treatment and sewerage in 7 towns mentioned under water supply and sanitation).
- Storm water drains in 7 towns.
- River training works in 2 towns, enhancing safety of life and property.
- Composting plants in 2 towns.
- Equipment such as water pumps, vacuum tankers and other.
- 32 low cost housing units in Thimphu for low-income civil servants. The first of its kind in Bhutan.
- Drafting of Planning Act and Building Act (not enacted).

Activities in two urban programmes comprised drafting of policies, acts and regulations pertaining to urban development and management, of which Housing Policy, Urban Area and Property Regulation, Building Rules 2002, Land Pooling Rules 2009, and Municipal Finance Policy are approved and under implementation.

Human Resource Development was provided through masters in various subjects, through study tours and high-level management training. Most of the beneficiaries of the Masters programme are heading divisions and occupy key posts in the ministry or other organisations. Diplomas in engineering and management have had the result that municipalities are managed more efficiently. The training in surveying has benefitted the nation-wide cadastral surveys. The training of urban planners facilitated the RGoB to promote holistic development and is assessed by Ministry of Works and Human Settlement to have been extremely beneficial.



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In addition to water supply and sanitation, support was provided to roads, footpaths, street lighting, solid waste disposal sites, transportation, and provision of dust bins, garbage collection trucks and bobcats, municipal offices in 2 towns. This has increased the quality of urban life and the ‘liveability’ of the towns.

The urban development programmes promoted a consultative approach to urban development, being early promoters of democratisation and decentralisation.

Completed in 2004, a complex of thirty-two low cost housing units in Thimphu were the first of its kind in Bhutan. Denmark, in line with the Housing Policy, which promotes “home-ownership”, funded it. The 32 low cost housing units in the Changjiji Complex provided a model for funding of low-cost housings schemes by private and capital funds.

Lessons learned are that investments in urban development are required if one wants to avoid problems down the line as cities inevitably grow. The large investment in human resources has been extremely beneficial, according to MoWHS. It has facilitated the government to promote holistic development. Introduction of compact sewerage system has been very helpful reducing the demand for land for such purposes. Originally the rationale for supporting the urban sector was the competing demands from growing cities and agriculture for the limited extent of relatively flat land areas. The idea was to save land for agriculture. Urban planning early on has proven to yield many other benefits.



Thimphu. In 1997, the population was around 37,000 when planning for the urban development support began. Today the population is around 130,000

#### **Industry and private sector development**

In the first phases of the partnership support was provided to industries such as Penden Cement Factory, Bhutan Agro Industries, and Woodcraft.

The private sector has been supported through a small number of business-to-business projects (B2B), through training of local contractors and capacity development of BCCI. Danida has also supported Private-Public Partnerships, e.g. through Procurement Manual revision together with World Bank, in 2007.

#### **Business-to-Business (B2B) partnerships**

Chhundu Enterprises, Bhutan & Group 4 Holdings A/S, Denmark (2010): setting up G4S branch in Bhutan. Company established and with substantial growth in the business. It is today a fully locally owned and operated company renamed Jachung Security Services Pvt. Ltd. with an existing employee base of over 550 security personnel in as many as seventeen out of the twenty Dzongkhags.

Staples & Jattu Wood Industry, Bhutan & BATEC Solvarme A/S, Denmark (2012): pilot project was to test the Bhutanese market in practise for solar plants and panels. Successfully installed 4 plants and 1 demonstration plant.

Bhutan Pharmaceuticals Private Limited, Bhutan & Novozymes A/S, Denmark (2010-11): 500 fungal specimens were collected and dried for further investigation. Pilot phase successful.

Wood World, (2007-08) and Alpine Builders Pvt. Ltd. (2009), Bhutan & Korsgaard ApS, Denmark: Himalayan Hemlock Project: factory for floorboard production from waste woods initiated.

ScandiColor & Green Dragon Media “Upgrading Bhutan Graphics to meet the World”. (2012): prepared the local company to launch into the international outsource graphics market.

Sangsel Eco Trade and Environmental Services in partnership with AEC International Aps and Silhorko Eurowater A/S, Denmark (2012): sale, installation and servicing of compact wastewater treatment plants based on biological processes “Ecoline” and drinking water treatment plants. Successfully established as commercial partnership.

Chharu Tshongdel and Paludan Aps: Medicinal Plants and Herbs Bhutan (2012): with the business idea to establish the export of high quality products from Bhutan 10-12 unique naturally grown functional foods, medicinal herbs and plants, high value mushrooms and production of seeds for exotic fruits and vegetables were identified.

#### **Sangsel Eco Trade and Environmental Services in partnership with Silhorko Eurowater A/S and AEC International Aps, Denmark**

In 2007 Danish development aid through the Environment and Urban Sector Programme funded the installation of three environment and space friendly wastewater treatment plants in Bhutanese towns. Manufactured in Denmark the plants varying in capacity from 500 to over 5,000 users were transported as compact units to the installations sites.

The Bhutanese company Sangsel Eco Trade and Environmental Services, after searching for partners in Singapore, Australia and neighbouring countries, found in the Danish Company AEC International Aps the desired technologically efficient, environment and space friendly and high elevation suited wastewater treatment plants. By mid-2014, 13 plants of varying capacities servicing more than 26,000 users have been installed, and the goal is to expand the service nationwide. It has today partnered with a second Danish Company Silhorko Eurowater A/S in providing technologically efficient drinking water treatment plants with another three plants in the pipeline. With more than 25 regular staff Sangsel Eco Trade today provides after sales and maintenance of the plants. The target is sales for more than 14 million DKK.

This new collaboration illustrating a mutually beneficial commercial partnership was only possible through development aid, providing the springboard to B2B partial commercial relations to a fully sustainable commercial partnership.



Sangsel Eco Trade technicians and service staff in front of Ecoline wastewater treatment plant in Thimphu



## 3.2 Conservation and promotion of a vibrant culture

Denmark has supported many areas of Bhutan's culture, traditional and new. This has been through local grants and the good governance programmes, which have included support for the media.

### *Media*

Danida's support to the national newspaper Kuensel and to Bhutan Broadcasting Services (BBS) has been instrumental in establishing an independent media sector in Bhutan.

Key indicators for the development in the media sector are that in 2010 there were 2 daily newspapers, 5 weekly newspapers, a monthly news magazine, 5 radio stations, one television station, and ICT communication including telephones, mobile phones and the Internet.

Constitutional guarantees give Bhutanese citizens and the media freedom of expression and speech as well as the right to information. People are aware of these rights as enshrined in the constitution, a study in 2010<sup>12</sup> revealed. Democracy and the constitutional guarantees protecting the right have given the people confidence to express their views though there still are culturally based hesitations among some to do so.

### **Main outputs and achievements Kuensel**

- Kuensel has played a big role in Bhutanese society for more than a decade, and in the transition to democracy, providing a platform for debates and a source of objective information.
- Kuensel has been the 'mother source' for printed media in Bhutan, supplying trained journalists to the private sector and printing all other newspapers in the country.
- 106 journalists and media staff have received short-term training and 6 long-term training, incl. Masters.
- Kuensel has expanded from 8 pages to 24 pages weekly, and from 2008 it has been a daily newspaper.
- At its height it had 16,000 subscribers, while readership is estimated at 300,000 people. There are now 3,000 e-subscribers.
- 51% of the shares are owned by RGoB, 49% by private people.
- From 1999 onwards Kuensel has not received subsidies from RGoB, it is self-financed with a small profit.
- The impact of Danida's support on media is assessed to be 90%, according to Kuensel management.

Bhutan Broadcasting Services (BBS) radio and TV tops the listeners and viewers choice, in competition with many Indian cable TV channels, where available.

12 UNESCO: Media Development Assessment, 2010

#### **Main outputs and achievements BBS**

- BBS expanded the FM services.
- Decentralised programme production with 2 regional bureaus.
- Posted a reporter with camera in 14 Dzongkhags.
- Implemented a human resource development master plan.
- Conducted audience research.
- Made a business master plan.
- Radio and TV now have 2 channels filled with various types of programmes from all over the country.
- In 2013-14 BBS met 50% of its current expenditure, target of 100% in 2018.

#### *Museums, textiles, film*

From 1995 to 1998 Danida supported the registration and conservation of handwritten documents of Bhutan. An electronic database inventory of cultural property was conducted subsequently. The National Archives Building was supported in 2000-2003.

In 2002 the Textile Museum was completed, funded by Danida, and textiles has become an important product for Bhutan, with establishment of the Textile Academy.

Recently a partnership between the National Museum of Bhutan in Paro and the Natural History Museum of Aarhus in Denmark has resulted in improved exhibitions.

Bhutan's rapidly growing film industry has partnered with the Danish film industry. Recently, the Bhutan Film Association went on a study tour to Denmark, after which they started to write a National Film Policy. This has been a major event supporting Bhutan's move towards a knowledge-based society. In the pipeline is a National Film Commission. Ten training programmes in modern filmmaking have also been carried out.



Bhutan National Library

### **3.3 Environmental protection and natural resources management**

Bhutan is probably the most environment conscious country in the world. Danida has been one of the most substantial and strategic donors to the environment sector from 1990 onwards.

A key indicator for the successful partnership is the mainstreaming of environmental concerns that has taken place at all levels of the government and society. Indeed, environmental protection and natural resources management is one of the four pillars of Gross National Happiness. The Constitution of Bhutan states: "...it is the duty of every citizen to contribute to the protection of natural environment, conservation of the rich biodiversity of Bhutan and prevention of all forms of ecological degradation including noise, visual and physical pollution through adoption and support of environment friendly practices and policies". Further, "...a minimum of 60% of Bhutan's total land shall be maintained under forest cover for all time".

Danida's support has been instrumental in developing:

- National Environmental Strategy 'The Middle Path', 1998
- Water Policy and Water Act
- Environmental Protection Act
- Water Resource Inventory, an input to the Water Regulation
- National Strategy for Low Carbon Development
- Bumdeling Wildlife Sanctuary Head Quarters

#### **Major outputs and achievements funded by Denmark**

- 19 Masters in environment related subjects, four of which are Dzongkhag Environmental officers, 1 PhD and 6 Diplomas in environmental subjects matters.
- At least 189 people in short-term courses or study tours overseas or in Bhutan in Computing, Project Management and Planning, Management, International seminars, Cleaner Production, Policy and Strategy, Farmers and Agriculture and other subjects related to the environment and natural resources.
- First GIS based Land Cover maps of Bhutan.
- First national Soil Survey, including Soil Survey Building, and establishment of a professional cadre of staff in soil science.
- Land Commission received support to develop a pro-poor national land policy, an updated land registry and cadastral (re) measurements of the entire country. The national cadastral re-survey has been completed in all 20 districts and 205 counties.

A major achievement was the National Environmental Strategy 'The Middle Path', developed with Danish support in 1998. The strategy has guided everything related to environment since. Also, the Environmental Assessment Act, Water Policy and the Water Act, and the Environmental Protection Act 2000, including prescriptions of Environmental Impact Assessment, are key instruments for environmental management. Now, after 16 and 14 years respectively these are being updated and revised.

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Furthermore, the support has provided important baseline data and knowledge instruments as well as sustained human resource capacity – all of which are essential for the continued natural resource management of the country. Since 2013, environment related data, as a chapter by itself, are captured in the Statistics Yearbook of Bhutan.



Natural resource management

One of the biggest achievements has been integrating environment into sector planning and at local levels by providing a framework guiding planning processes in key areas. A Mainstreaming Coordination Unit was established and based in the National Environment Commission Secretariat and in the Gross National Happiness Commission at the policy and management levels and capacity was built there. Subsequently activities turned to Dzongkhag and Gewog levels where at least 1,500 people were trained. Another outcome has been the integration of environment as well as gender aspects into the 11th Five-Year-Plan.

Further, a National Strategy for Low Carbon Development has been developed. This began with COP 15 in 2009 in Copenhagen where Bhutan declared to become a carbon neutral country.

Danida also supported a nationally driven land reform that significantly contributes to poverty reduction by allocating excess land to landless people and people with less land. The number of land deed holders increased by 95%. The number of female deed holders increased to 44%. An on-line system and a national land policy have been developed to facilitate land transactions.



### 3.4 Good governance and decentralisation

From 1998 onwards Danida supported a wide range of activities and capacity development in all three institutions of government: the Legislative, the Judiciary and the Executive. The main thrust of Danida support has been to build capacity in organisations facing new challenges in an evolving governance context<sup>13</sup>.

During this period, Bhutan went through a democratisation process, initiated by His Majesty the Fourth Druk Gyalpo and continued under His Majesty the King Jigme Khesar Namgyel Wangchuck, which shifted powers from the King to the people. Bhutan is now a Democratic Constitutional Monarchy, it has a widely consulted Constitution that clearly delineates the powers between the Judiciary, the Executive and the Legislative; and the institutions of government and the decentralised levels. It defines the rights and duties of citizens and affirms the upholding of rule of law.

The World Governance Indicators<sup>14</sup> can be used for assessing the overall outcomes of the good governance support (Figure 12). In 2012, Bhutan scored highest among the South Asia and Southeast Asian countries on Control of Corruption, Government Effectiveness, Political Stability and Absence of Violence/Terrorism, and Rule of Law. On Voice and Accountability the trend is steadily going upwards after the transition to democracy and today Bhutan ranks only below India on this indicator. For Regulatory Quality, which refers mainly to the business environment, more needs to be done to create an environment that is conducive for the private sector.

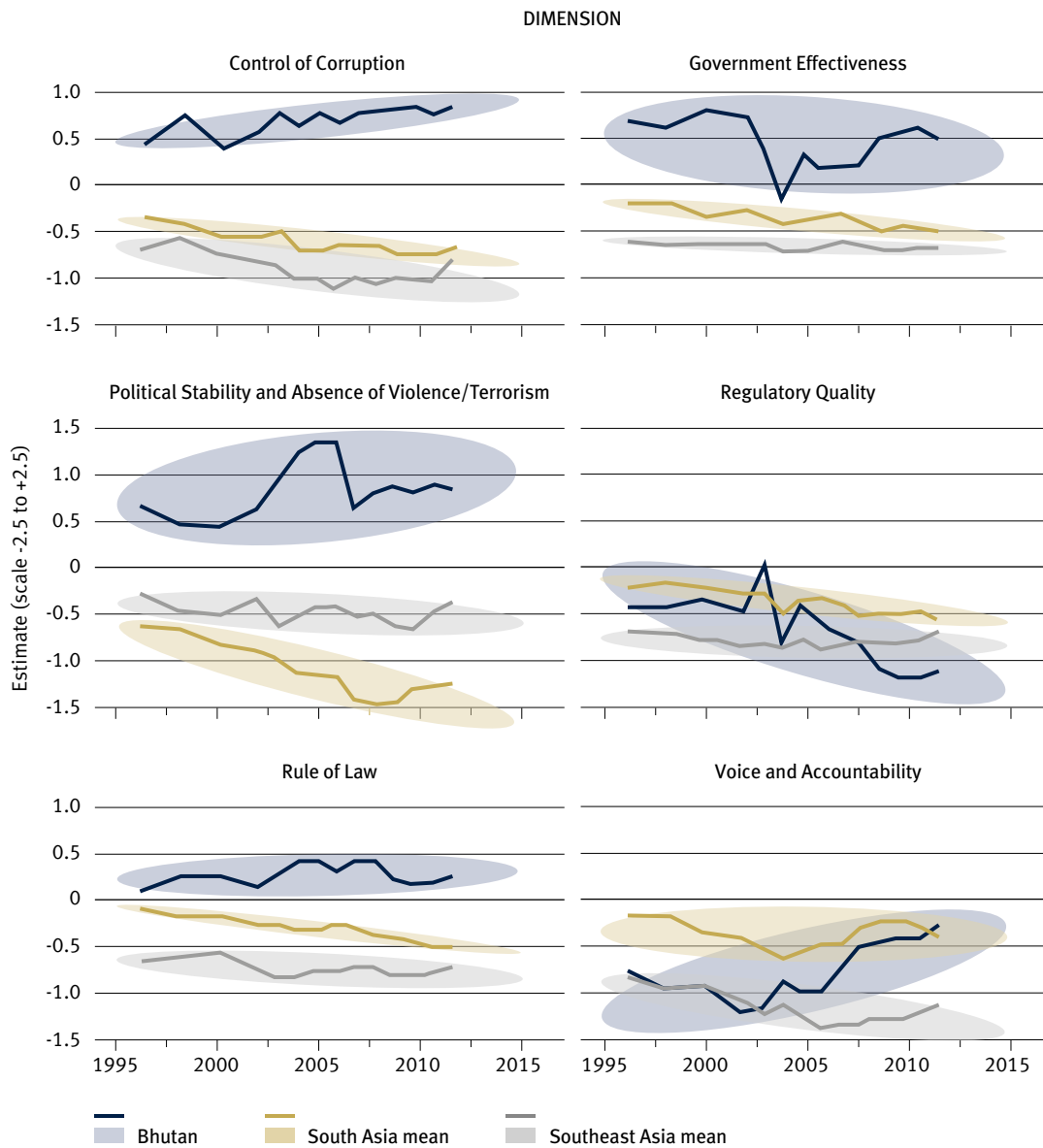
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13 Joint Evaluation of Danish Bhutanese Country Programme, Governance Sector Note, 2010, p. 10

14 The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. The WGI indicators give a score to six aspects of good governance. All countries in the world are ranked by percentile. These data are gathered from a number of survey institutes, think tanks, non-governmental organisations, international organisations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources. The definitions of the dimensions are as follows:

- Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
- Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.
- Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
- Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development

Figure 13: World Governance Indicators since 1995.



Estimates vary between -2.5 (weak) to 2.5 (strong performance. 95 pct of indicators within shaded area.

There is no clear correlation between the onset of Danish support to good governance and improvements in the indicators, which is to be expected given the many influences on good governance indicators. However, it is likely that Danida's support has contributed to Bhutan's consistent high scores on Control of Corruption, Government Effectiveness, Rule of Law and Voice and Accountability.

On behalf of the Royal Government, and also as the head of the Legislative, I would like to convey a strong message to your government for giving the right package at the right time and a good dosage of your financial packages; right from the sewerage to the legislative body!

Honourable Speaker of the House

#### **Selected major outputs and achievements funded by Danida**

##### **Legislative**

- Support to the National Assembly Secretariat, upgrading of the National Assembly Hall, technical equipment, microphone systems ensuring accurate recording of Parliamentary activities, and enabling these to be accessible to the public via the NA website, and library.
- Human resources development for Parliamentarians; twinning with the Danish Folketing Secretariat.
- Support to the local government electoral processes, educating potential candidates, especially women, to run for offices.

##### **Judiciary**

- Danida has played an important role in the education and training as well institutional and organisational development of the Judiciary. Human resource capacity development has been supported through ex-country Master's degrees in Law and ICT, and short courses.
- Increased access to justice through construction of 7 District Court buildings and quarters and manning the court with professional lawyers.
- In 2013, against 19,653 cases registered nationally 19,304 cases were resolved, which was an increase of 39% over 2012.
- Roll out of an Alternative Dispute Resolution (ADR) system to grassroots under the Bhutan National Legal Institute.

##### **Executive**

- Personal income tax system established through technical assistance for the necessary legislation and IT in Department of Revenue and Customs. An Evaluation in 2006 concluded that Bhutan had successfully broadened the tax base and had partially reduced the dependence on hydroelectric power.
- Support to construction of building for Royal Audit Authority and human resources development.
- Results Based Management practices mainstreamed and implemented.

##### **Decentralisation**

- Between 2003-07 support to further developing strategy for decentralisation.
- Human resource capacity development of Local Government officials – Thromde and in Dzongkhags and Gewogs – in the form of study tours, in-country trainings and short trainings abroad.
- Strengthening of the Annual Grant Facility in support of local investments.

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The Joint Evaluation in 2010 concluded that Denmark's support to all three branches of Government: Legislative, Judiciary and Executive since the 1990s always had been in response to requests from the RGoB, reflecting the needs. In all cases the support has been highly valued by the recipient organisation.



District Court, Phuntsholing

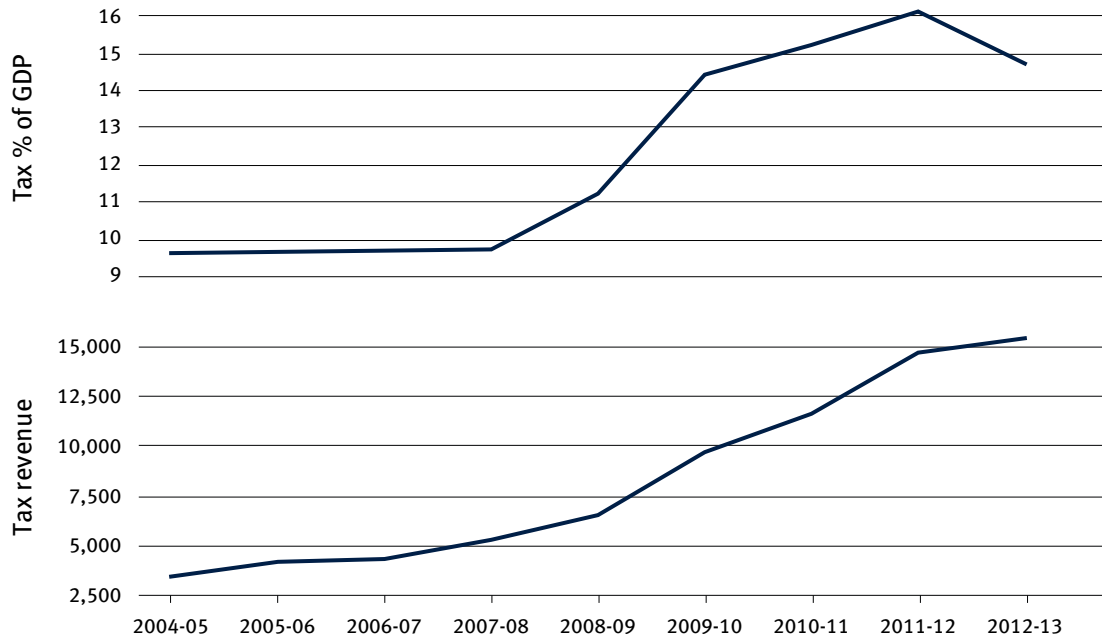
A tracer study carried out in 2008 showed that Danish support covered 59% of the total training allocated in the Human Resource Development Plan to the seven organisations receiving support from Denmark, and that less than 1% of staff trained had since left the organisations. Thus the support has been effective in enabling the concerned organisations to improve their capacity.

Denmark's development support strategies have fully supported the stage-wise and on-going decentralisation process that was initiated many years ago by His Majesty the Fourth Druk Gyalpo. Integrated support packages have been provided, strengthening capacity at all levels: the central ministries, the Dzongkhags, the Gewogs.

Also noteworthy is support to the mechanism for Annual Capital Grants to the decentralised levels, such as the allocation and equalisation formulae, which RGoB implements in step with the increasing capacity to utilize funds for development purposes at the local levels.

The good governance programmes included support to the tax system managed by Department of Revenue and Customs. The internal tax revenue increased from 3.4 BTN million in 2004-05, to 15.4 BTN million in 2012-2013, or from 9.6% of GDP to 14.7% (Figure 13).

**Figure 14: Tax % of GDP & Tax revenue 2004-2013.**



Further, awareness raising and capacity building activities have targeted the private sector as service provider, and civil society, i.e., the electorate and the people as the ultimate beneficiaries.

The Anti-corruption Commission established in 2006, received a grant already the same year for support to the development of their investigative capacity. Recently an e-learning course on ethics and anti-corruption for the civil service has been developed. The Royal Civil Service Commission and Royal Institute for Management have taken charge of the programme. 62 justices/judges and 72 parliamentarians are expected to enrol for a course on ethics and integrity management in the Parliament and the Judiciary in 2014.

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## 4 Towards a new partnership

The Bhutanese-Danish Partnership has produced numerous and impressive results. The Danish contribution to Bhutan's tremendous development process over the past three decades has been very successful. However, in 2008 it was decided that the Danish development assistance would be gradually phased out after 2013, due to the positive macroeconomic trend in Bhutan, thus exemplifying the impermanence of all things.

Hence, the Transition Support Programme from 2011 to 2014 was designed. The programme has allowed a proper completion of on-going programmes while further strengthening planning and measurement of results, for example environmental statistics, accounting and evaluation capacity. The programme has also supported public participation, transparency, and accountability of local governments.

An important part of the Transition Support Programme has been the establishment of partnerships between Bhutanese and Danish institutions, organisations, companies, and individuals. Partnerships comprise the Bhutanese key institutions: the *Bhutan Chamber of Commerce and Industries (BCCI)*, the *Bhutan Olympic Committee (BOC)*, *National Museum of Bhutan* in Paro, and the *Motion Pictures Association of Bhutan* and the *Royal University of Bhutan (RUB)*<sup>15</sup> – all with partner organisations in Denmark. And a Partnership is under establishment between the Parliaments of Bhutan and Denmark.

The partnerships have been set up according to explicit Bhutanese demand and priorities. The partner institutions had to commit to sustain co-operation beyond the initial Danish support. All individuals involved in the partnerships have given more than was required, and involved institutions have topped up with both additional funds and resources. Many of the people involved have taken part on a voluntary basis. All partnerships have made a tremendous effort to make ends meet with the limited funds and resources available. Real personal partnerships have been established and are very likely to continue irrespective of whether the institutional partnerships are continuing<sup>16</sup>.

Good friends are worth keeping. As both countries recognized the excellent relations between them, it was agreed to work on a joint framework to continue the bilateral relations post-2013. In June 2012, the "Framework for Continued Danish-Bhutanese Partnership" was signed, recognizing the strong ties, long-term partnership and close cooperation which exists between the Kingdom of Bhutan and the Kingdom of Denmark.

The framework includes political cooperation and dialogue based on common values concerning global security, democracy and respect for human rights worldwide and rule-based international cooperation. In international cooperation the countries agree to work together to support the UN General Assembly resolution: "Happiness: towards a holistic approach to development"<sup>17</sup>. Exchange of knowledge and sharing of experiences of democracy, human rights and good governance will continue, among others

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15 The RUB partnership in fact comprises 5 separate partnerships between 3 Bhutanese colleges in the country and 3 Danish universities

16 Review Aide Memoire, Review of Transition Support Programme, Bhutan, March 2014

17 UN General Assembly resolution A/65/L.86



through possible cooperation between political parties, Parliament, local government, and media. Environment and climate change are priority concerns of both countries and they agree to continue to engage constructively bilaterally and multilaterally on these issues, while exploring possibilities of cooperation on the field of mitigation, adaptation and technology transfer. In the future both countries will encourage further cooperation in commercial, educational, cultural, scientific and technical areas. That story is just at its beginning.

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**BHUTAN-DENMARK  
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