



EMBASSY OF SWITZERLAND
IN INDIA

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Visit of Bhutan and development programme
in Bhutan

Mr. Ambassador,

1. Introductory remarks

As you know, I accompanied the Helvetas mission to Bhutan (Mr. H. Lanz and Dr. M. Menzi) from September 25 to October 9, 1980. As I had to return to New Delhi earlier, I did not participate in the discussions which took place in Thimpu from October 10 onwards (discussions with CIP on potato cultivation, with Mr. Leuenberger on horse breeding and final discussions on ongoing activities).

The visit gave me a good insight into the developmental problems Bhutan is facing. I will not give a description of the general situation of Bhutan (as this information is available through Helvetas) but rather concentrate on the discussions held, on general impressions and on proposals for the future. Concerning the ongoing projects, my report will be brief as the reports of Mr. Lanz and Dr. Menzi will go into more details. Furthermore, there will be a possibility to discuss the programme in more details in December 1980 (during my visit to Switzerland).

The Helvetas mission was received by His Majesty the King of Bhutan. During the twenty minutes of audience, all problems discussed centered on development problems. The King was informed about the ongoing programme (see brief summary on the meeting with the King in annex 1). Discussions were also held with the Minister for Trade, Industry and Forestry; the General Secretary, Ministry of Development; and the Directors of various Government services (Animal Husbandry, Agriculture, Industry, Forestry). Annexed to this report,

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- a list with the names of these persons is given (annex 2).
A short presentation of the Royal family is also annexed as some members are closely linked to our projects (annex 3).

Numerous discussions were held with the Swiss and Bhutanese personnel of the projects (RDP Bhumtang, Forestry-FAO, suspension bridges-Mr. Krähenbühl). These discussions centered mainly on practical problems of project planning and implementation and they provided an excellent introduction to the problems of development work in Bhutan.

2. General remarks on development policy of Bhutan

1.0 | The emphasis of the development policy from 1960 to 1970 was mostly on communications, shifting, from 1970-80, towards agriculture, livestock and forestry. The Fifth development plan (1981-86) which is currently under preparation will continue to concentrate on these priorities together with a modest industrialisation programme based on small scale industries. In agriculture, the emphasis will be on improved productivity (irrigation, etc.) as there is a shortage of agricultural manpower. In education and health, emphasis will be on consolidation with the main effort on improving the quality of these services.

gub | The main objective in all sectors is to improve self-reliance and self-sufficiency of Bhutan. The development of its own resources, especially manpower, has therefore priority. Through decentralisation on the district level, it is hoped to promote the efforts of the districts in development and create numerous centres of development. At the same time, the participation of people in development should be strengthened and local initiatives promoted.

total gub | The development process should however be balanced: bring more material welfare to the people without creating negative effects of development on the society and on traditions and values. This consciousness of the risks involved in development is quite strong in Bhutan and was expressed at different levels and on various occasions. A major effort has to be on the development of an adapted educational system which is based on the values of Bhutan (and not on foreign values).

The main problems for the development of Bhutan are (in the opinion of the Government) :

- models imported from the outside which are not always adapted to the specific needs of Bhutan. It seems that Bhutan has, in a rather short period, learned a few lessons from outside advice, which was not always adapted

- a concentration of foreign expertise in Thimpu/Paro (centres which have reached already a certain level of development)
- the fact to be dependent on foreign manpower (Nepal, India) which should be limited for political reasons. A certain mechanisation (to economise on manpower) seems therefore desirable
- the inadequacy of local manpower (in numbers and in quality)
- financial constraints: a strong dependance on India which still finances a large part of the budget.

In the field of industrialisation - the new element in the Fifth Plan (1981-86) - the accent will be on small scale industries and on the development of the private sector. Government should play the role of initiating new enterprises but withdraw as soon as the private sector is ready to take over. Emphasis will be on the training of entrepreneurs, on the promotion of resource based industries and on the creation of an infrastructure which promotes further industrial development. Cottage and small scale industries will be basically in the private sector. For medium sized industries, models are envisaged with participation of workers, local authorities and institutions and the market (turnover between 200'000 - 1'000'000 SFr). For larger enterprises, joint ventures are planned.

3. The general policy of Bhutan towards development cooperation and donor agencies

The main contributions in the past came from India and from multilateral sources (UNDP, other UN agencies and the Colombo Plan) with some contributions from voluntary agencies. The UNDP-IPF for 1981-85 is 28 mio. of dollars for Bhutan.

In the Fifth Plan, it is envisaged that 30 % of development expenditure should be covered by the own resources of Bhutan. India will remain the major donor but Bhutan seeks diversification of its assistance from other bilateral donors. This is a major new development in Bhutan policy and at present the Government is preparing a list of countries from whom assistance should be sought on a bilateral level. It seems that mainly small donor countries will be approached such as Norway, Sweden, Denmark, the Netherlands, Austria, Australia, and, as we were given to understand, Switzerland. Bigger countries such as Great Britain and the United States may be approached for scholarships only.

Once Bhutan has a clearer picture of what comes from bilateral and multilateral sources, it will approach India for financing the uncovered part.

At present, a country paper on Bhutan is under preparation for the Geneva conference on LLDC with the overall development strategy and sector programmes as well as a list of project profiles. This document will be circulated to selected and potential donors.

HRS
 In principle, Bhutan prefers financial assistance rather than experts. There is however an awareness that this is not possible in all fields. When foreign expertise is necessary, it should - as a guideline - not absorb more than 1/3 of the total external project cost. With UNDP projects, normally 1/3 goes into personnel, 1/3 into equipment and 1/3 into local manpower development (training, scholarships).

*Unter gegebene Bedingungen
 wird ihm selbsten
 denken*
 One of the major problems faced by Bhutan is the lack of local financial resources and restrictions by donors to finance local cost. This creates serious constraints and delays in implementation.

*gibt für uns
 was in
 gleichen man*
 Finally, the point was stressed that the expatriate personnel should be practical people, ready to do the work themselves together with their Bhutanese counterparts. It seems that Bhutan has made some rather disappointing experiences with outside advisers.

It was made clear that Bhutan wished Helvetas/Switzerland to continue the suspension bridge programme initiated by UNCDF in a later phase.

In our discussions with the Government, we pointed out the following points:

- that Swiss Development Cooperation was in principle ready to examine a programme approach in its cooperation with Bhutan
- the main priorities of the Swiss Development Cooperation (SDC) and Helvetas
- the close cooperation between Helvetas and SDC
- the general policy of SDC in the case of Bhutan to channel assistance through Helvetas.

We informed Bhutan that we envisaged to have a meeting between Helvetas and SDC in December 1980 at which these questions would be discussed and that we would inform them afterwards about its results and further steps to be taken.

4. Proposals for future cooperation with Bhutan

The main reasons for an expansion of the Swiss Cooperation programme with Bhutan are the following:

- ✓ - a realistic development policy of the Government of Bhutan (priorities which correspond in their broad outline the priorities of SDC)
- ✓ - the possibility to have an impact on certain sectors of the country and to have an influence in the orientation of national development (due to the size of the country)
- ✓ - the fact that through the Helvetas-SDC programme, a basis of mutual confidence has been created
- ✓ - the policy of Bhutan to diversify its sources of assistance towards bilateral donors (a new development)
- ✓ - the fact that Helvetas-SDC have already experience in sectors important for Bhutan and in geoclimatic conditions similar to Bhutan
- ✓ - the fact that Bhutan is one of the poorest countries (LLDC), though international statistics may not express the whole picture
- ✓ - the fact that even with a limited financial amount, a meaningful contribution to Bhutan development may be achieved (as the country is relatively small)
- ✓ - the fact that certain irreversible ecological processes have not yet started in Bhutan (as in the case of other similar regions of the Himalayas) and that development assistance may considerably contribute to assist the country to keep this ecological balance intact
- || - the fact that a Swiss development programme in Bhutan could certainly be easy to explain to the Swiss public opinion.

One of the main constraints, on the other hand, is the manpower situation in Bhutan. Development programmes will face the problem that qualified human resources are scarce.

Some ideas for future cooperation programmes are already available:

- ✓ - the suspension bridge programme
- ✓ - a long term effort in the field of forestry (which is at the moment the most important natural resource available in the country)
- ✓ - the development of small hydroelectric power stations (decentralised power supply).

It will be important that for future programme sectors and projects are chosen in which the number of foreign experts can remain at a relatively low level. At the same time, it will be necessary to plan from the very beginning a systematic training programme on the various levels for Bhutanese personnel.

to be seen with Helvetas project
 One question remains open: does Helvetas at present have (or be ready to create) the operational capacity to administer an enlarged cooperation programme with Bhutan. This question can only be answered by Helvetas.

In order to discuss these problems, it is proposed to have a meeting between Helvetas, SDC Berne and the Coordination Office New Delhi in December 1980 in Berne. For this meeting, the following questions should be the main points of discussions:

- general policy towards Bhutan in the field of development cooperation
- indication of financial volume (disbursements) available from Helvetas/SDC for the coming years (indicative financial planning)
- sectors of priority
- absorptive capacity of Helvetas to administer a larger programme (where are the limits from this side)
- the problems created by an enlarged programme in Bhutan on the administrative and operational level (is it necessary, desirable, etc., to have a coordinator in Thimpu?)
- the time interval between visits of Helvetas to Bhutan (It seems that, in view of the complex nature of the programme, visits by Helvetas should be made at least every 12 months to Bhutan).

5. The ongoing programme

Concerning the ongoing programme as well as the suspension bridge programme, particular notes are attached to this report (annex 4, 5 and 6).

6. Conclusions

We are at this moment at a turning point in the cooperation programme with Bhutan and a decision has to be taken in which form this programme will continue. It will be interesting to have the comments of the other members of the delegation on the ideas expressed in this report.

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Please accept, Mr. Ambassador, the assurances
of my highest consideration.

The Chargé d'affaires a.i. of
Switzerland:

p.o.



R. Dannecker

Enclosures: 6.

c.c. to: - Helvetas (3)
- Dr. M. Menzi, Thun
- Ambassador Et. Suter
- PF