



Chair's Summary of Meeting of the Board of Directors

13 September 2019

Country Partnership Strategy: Bhutan, 2019–2023 —Fostering Diversification and Reducing Disparities

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Asian Development Bank

1. The Board of Directors of the Asian Development Bank (ADB) generally endorsed the country partnership strategy (CPS), 2019–2023 for Bhutan. The Directors acknowledged the remarkable development progress Bhutan has achieved, including sustained high economic growth, improvements in social indicators, and marked reduction in poverty. They also recognized the need for ADB support to address the development challenges of low economic diversification, climate change, weak private sector, spatial disparities, youth unemployment, and gender equality.
2. Directors endorsed the three CPS priorities: (i) dynamic economic reforms to foster a resilient and diversified economy, (ii) improved connectivity to provide access to information and markets, and (iii) greater inclusiveness through more attention to socioeconomic development given the country challenges and ADB's long-term engagement. However, considering the size of investment and economy, and the capacity of the resident mission, some Directors noted that the scope of the CPS is broad, hence, emphasized the importance of selective and focused approach.
3. All the directors shared concerns on the dominance of state-owned enterprises (SOEs) particularly the hydropower sector and its impact on the economy, and a weak private sector. They stressed the importance of developing the private sector and reforming the SOEs to encourage their participation in diversifying the economy and creating employment opportunities. To this end, they suggested enhanced support and engagement of the ADB Private Sector Operations Department and increased synergy with sovereign operations. They also recommended expanding ADB support to develop alternative renewable energy sources, such as solar and wind. They welcomed the CPS's enhanced focus on dynamic economic reforms to improve the investment climate, increase access to finance, and enhance access to market and market linkages to support other drivers of growth such as cottage and small industries, and tourism.
4. While acknowledging the government's commitment and the big strides Bhutan has made in achieving gender equality, some directors mentioned that women have not shared equally in the development gains particularly employment in the hydropower sector. They underscored the need for ADB to support Bhutan in the economic empowerment of women.
5. Directors highlighted the need for continued collaboration and coordination—both within ADB through the One ADB approach, and with other development partners through strengthened donor coordination—to effectively finance the government's financing gap in the 12th five-year plan and utilize ADB's indicative resource commitment during the CPS period.
6. A few directors urged the resident mission to implement all the recommendations of the Independent Evaluation Department's CPS final review validation, including continued support to finance and public sector management reforms, capacity building of the local government, and integrated approach to interventions.¹
7. One director noted that Bhutan has been placed on the tier 3 list in the 2019 United States State Department's Trafficking in Persons Report. The constituency's support to future projects starting October 2020 depends on Bhutan getting a waiver of restrictions from the United States government.

¹ Independent Evaluation Department. 2019. [Validation of the Country Partnership Strategy Final Review, 2014–2018 in Bhutan](#). Manila: ADB.