

DESA

BHUTAN, KINGDOM OF BHUTAN  
'REPORT ON OFFICIAL VISIT TO BHUTAN', BY JOHN MCDIARMID -  
DRAFT

20 APR 1972

UNCLASSIFIED  
VP/WG SEPT 2014

PLEASE RETAIN  
ORIGINAL ORDER

UN ARCHIVES

|        |                 |
|--------|-----------------|
| SERIES | <u>S-1906</u>   |
| BOX    | <u>5</u>        |
| FILE   | <u>1</u>        |
| ACC.   | <u>TE 311/1</u> |

/ Draft /

da  
Mr. Doherty



TEC 132/2/16 INDIA

TE 311/BHUT

REPORT

by

Dr. John McDiarmid

Resident Representative

United Nations Development Programme in India

on

An Official Visit to Bhutan

25.3.1972 - 5.4.1972



Draft

20 April 72

TABLE OF CONTENTS

|  | <u>Page No.</u> |
|--|-----------------|
| <u>INTRODUCTION</u>  | ii              |
| <u>SUMMARY</u>   | 1               |
| <br>   |                 |
| <u>I. THE BACKGROUND TO POSSIBLE ASSISTANCE FROM<br/>THE UNITED NATIONS SYSTEM</u> |                 |
| A. Bhutan - The Land and the People  | 4               |
| B. An Underdeveloped Economy   | 6               |
| C. Human Resources   | 9               |
| D. Bhutan's Development and Indian Assistance                                      | 11              |
| E. Other Outside Assistance to Bhutan  | 13              |
| <br>   |                 |
| <u>II. PROSPECTS FOR FUTURE ASSISTANCE FROM<br/>THE UNITED NATIONS SYSTEM</u>      |                 |
| A. Prospects   | 15              |
| B. The Next Steps  | 18              |
| C. Assessment  | 18              |
| <br>   |                 |
| <u>III. SOME PROCEDURAL CONSIDERATIONS</u>   |                 |
| 1. Standard Agreement with UNDP  | 20              |
| 2. UNDP Representation and Channels of Communication                               | 20              |
| 3. Facilities for Experts  | 20              |
| <br>   |                 |
| Bibliography   | 21              |
| <br>   |                 |
| <u>ANNEX I : Itinerary and Programme of Meetings</u>                               |                 |



## INTRODUCTION

Bhutan was admitted as a member of the United Nations in September 1971 and consequently became eligible to participate in the United Nations Development Programme (UNDP). Pending signature of an Agreement between the Royal Government of Bhutan and UNDP, the Administrator of the UNDP decided to recommend to the Governing Council an indicative planning figure of \$5 million for Bhutan for the period 1973-77.

UNDP proposed that an exploratory mission visit to Bhutan to hold preliminary discussions with the Royal Government of Bhutan on arrangements for possible future assistance from UNDP to Bhutan. Upon the agreement of the Royal Government to this suggestion, Dr. John McDiarmid, Resident Representative in India was formally designated by UNDP to visit Bhutan. Dr. McDiarmid, accompanied by Mr. Paul Matthews, Assistant Resident Representative in India, spent the period 25 March through 5 April 1972 in Bhutan.



## SUMMARY

### Background

1. Bhutan is a small kingdom - area 18,000 sq. miles; population 1,100,000 - mountainous and landlocked, situated between the two colossuses China and India in the Eastern Himalayas. Until just over a decade ago, Bhutan, by its own choice, was largely isolated both physically and culturally from the rest of the world except for Tibet, with which it had long-standing links of culture (lamaistic Buddhism and language) and trade. Events in Tibet during the 1950's caused the traditional Buddhist kingdom to look South for access to the outside world and for help in the event of any threat to its territorial and cultural integrity.
2. Under the Treaty of 1949 between Bhutan and India - which was essentially a revision of the 1910 Treaty between Britain and Bhutan - Bhutan agreed to "be guided by the advice" of India in foreign affairs while retaining control of its own internal affairs. Among other provisions under the Treaty are those for free trade and commerce between the two Governments and for carriage facilities for Bhutanese produce throughout Indian territory. There is also provision for a Rs.500,000 (\$66,666) subsidy to be paid annually to Bhutan by India (this subsidy has been supplemented by grants-in-aid from India).
3. From his accession to the throne in 1952, His Majesty Jigme Dorji Wangchuk has instituted a series of far-reaching and far-sighted reforms in the political, social and economic structures of his country. At the same time, an attempt has been made to preserve the best aspects of the traditional culture. The introduction of planned development was one such reform, starting from a base of isolated, self sufficient homestead peasants, no modern communications and very little education.
4. In 1961, India agreed to finance Bhutan's First Five-Year Plan and again in 1966, the Second Plan. The Third Plan, begun in 1971, will also be financed largely by India, although for the first time, Bhutan will provide some of the inputs from its own resources. Indian personnel



have been responsible for most of the implementation of these plans. In addition to funds provided for development purposes, substantial funds have been provided by India for the construction of strategic trunk roads by the Indian Border Roads Organization. (There were no roads in Bhutan prior to 1963).

5. As a result of the influences sketched out in the preceding paragraphs, the position in Bhutan in early 1972 - the background into which any possible UNDP and other UN family assistance must fit - is characterized by the following principal factors from which other considerations stem:

- (a) an undeveloped economy consisting largely of small-scale agriculture and with not much more than an embryonic infrastructure;
- (b) a high rate of illiteracy with a concomitant chronic shortage of indigenous educated personnel at all levels;
- (c) a justifiable pride in the country's own culture and independence and a strong desire to preserve both as far as possible against conscious and unconscious alien incursions.
- (d) almost total dependence on India for finance and personnel for the country's development as well as for trade.

#### Prospects for Assistance from the UN System

6. Initially, the Government of Bhutan sees the UN system as a source of equipment and supplies to supplement and complement assistance received from India. The Government is firm that it will not request resident experts from the UN System although it may welcome short visits for very specific purposes. At present sufficient fellowships are available from Colombo Plan countries for those Bhutanese educationally eligible to benefit from them. As more, educated English-speaking Bhutanese become available, the UN System may be requested to provide fellowships. Assistance to the expansion and improvement of English language instruction which is currently weak could be a significant contribution from the UN System to Bhutan's development since English plays a vital role in the administrative and educational systems.



7. Given Bhutan's somewhat special circumstances, particularly its almost total dependence on India for the design and implementation of its development plans, the UN System must adopt as flexible an approach as the requirements of accountability permit. Initially, in accordance with the Government of Bhutan's wishes, requests should be considered as they come and efforts concentrated on fulfilling them satisfactorily. If this is done and Bhutan acquires confidence in the UN system's ability to meet its requirements while respecting its peculiar conditions and problems, there is good reason to believe that a larger volume of requests will be forthcoming in future years within the framework of a country programme.



## I. THE BACKGROUND TO POSSIBLE ASSISTANCE FROM THE UNITED NATIONS SYSTEM

8. No attempt is made in this report to give an exhaustive description of Bhutan's history, geography, culture, economy and political and administrative structures. This information is given in various reference books and papers, some of which are given in the brief bibliography at the end of this report. The intention here is to present briefly those salient features of Bhutan's background which are relevant to a consideration of the role the UN system might play in the development of the country.

### A. BHUTAN - THE LAND AND THE PEOPLE

9. Bhutan is a small kingdom with a total area of about 18,000 square miles, situated in the Eastern Himalayas between China (Tibet) and India. It is mountainous and land-locked. Geographically the country is divided into three main zones: the high mountains of the North rising to 24,000 feet, the Central region with valleys at heights between 5,000 and 9,000 feet and the Southern foothills and thin strip of plains rising from 200 feet. It will be seen that there is a wide variety of climatic conditions, from sub-tropical through temperate to alpine.

10. In 1971 the population was estimated at 1,100,000. The majority are ethnically, linguistically and culturally akin to the people of Tibet with whom they have longstanding links of religion and trade. Seventy-five per cent of the people follow the lamaistic Buddhist faith, most of the remainder being Hindus of Nepali origin. The former tend to live in the central, northern and eastern regions; the latter in the South and West. The principal language is Dzongkha, with English the official language of administration and instruction. Nepali is widely spoken in the South and West.

11. The population is concentrated in eight main valleys - Ha, Paro, Punakha, Thimphu (the capital is named after and situated in this valley) Ten Chu, Trangs, Bhumthang and Eastern Bhutan. Most Bhutanese own and cultivate their own land and each valley, except



Thimphu, is largely self-sufficient. A ceiling of thirty acres of paddy land per adult male has been enforced: there is no limit on cultivable land for other uses. Forests, which cover seventy per cent of the country, are State-owned.

12. Until barely a decade ago, Bhutan's difficult terrain and the malarial, lower altitude zone of the South largely isolated the country both physically and culturally from the rest of the world except for its traditional links with Tibet. In 1910, after years of border skirmishes, a Treaty was concluded between Bhutan and Britain, under which Bhutan agreed to be guided by Britain in the conduct of its external affairs in return for non-interference by Britain in its internal affairs and an annual subsidy. After the independence of India, a new Treaty was signed between Bhutan and India in 1949. The provisions of this Treaty are similar to those of the earlier one. Bhutan agrees to "be guided by the advice" of India in foreign affairs while retaining control of its own internal affairs. Free trade and commerce between the two governments is guaranteed as are carriage facilities for Bhutanese produce throughout Indian territory. In addition, a parcel of land claimed by Bhutan was ceded to it by India and the annual subsidy was raised to Rs.500,000 (\$66,666).

13. Events in Tibet during the 1950's caused the traditional Buddhist kingdom to look South for access to the outside world and for help in the event of a threat to its territorial and cultural integrity.

14. King Jigme Dorji Wangchuk acceded to the throne in 1952. He can only be described as a remarkable and enlightened ruler. From his accession, he decided to lead the essentially feudal kingdom he inherited progressively into economic and social progress while preserving the traditional values and culture of the country. The series of far-reaching and far-sighted reforms instituted in the political, social and economic structures of Bhutan are almost entirely attributable to his wisdom and determination.

15. The King is the Head of State but he has voluntarily introduced democracy into his land and is now approaching the status of a constitutional monarch. He has stated that the monarch should remain in power only if supported by the Tsongdu (National Assembly), which is



composed of some 150 members and meets twice a year. Twentyfive per cent of the members are appointed by the King and representatives of the lama body are included. The substantial majority, however, is composed of Gups (roughly translated as village headman) who are elected by the people on the basis of one vote per family unit. There are no political parties, but elections appear to be genuine and debate uninhibited.

16. The principal policy-making body in Bhutan - answerable to the Tsongdu - is the Royal Advisory Council. This small body currently consists of the four ministers - Trade and Industries, Home, Finance, Development and Foreign Affairs - the deputy Home Minister, the Speaker of the Tsongdu, two representatives of the lama body and six Representatives of the People elected by the Tsongdu. This body reports directly to the King. (The mission met with this body on two occasions).

17. The administration has its apex in Thimphu. The Ministries and most of their departments are located there. At the regional level comes the Dzongda, the administrative head of the district of which there are fifteen. The Dzongda is located in a Dzong - a peculiar Bhutanese institution: one building, traditionally a fortified monastery (found architecturally most attractive by this mission), which houses the district's powers spiritual, temporal and judicial. The next level is the gup who may have some minor unpaid officials below him. The gup is also the first step on the judicial ladder and apparently he is often successful in solving local disputes. The first full-time judicial official is the Thrimpon (magistrate) who has powers of imprisonment and is situated in a Dzong. Above the Thrimpon there is the High Court to which all capital cases and appeals are referred. If the four High Court Judges cannot arrive at a judgement, the case is referred to the King.

#### B. AN UNDERDEVELOPED ECONOMY

18. The General Assembly of the United Nations at its Twenty Sixty Regular Session held in November 1971, identified twenty-five countries, including Bhutan, which it termed the least developed among developing nations and called for special measures by the United Nations system to assist them. The following points are illustrative of the underdeveloped state of Bhutan's economy:



- (a) There is an almost complete absence of basic statistics in Bhutan which will be reflected in the guesses and approximations referred to throughout this report. A small statistical office has just been established and staffed with Indian personnel. However, the position is not as serious as it sounds since, for many purposes, estimates can be derived from information provided through the traditional administrative system which is comprehensive and reaches down to the most scattered homesteads. For example, the figure of 1,100,000 given for the total population was arrived at in this way and is considered to be accurate.
- (b) The majority of the population - probably more than ninety per cent - are engaged in agriculture, working on self-owned holdings which permit a high degree of self-sufficiency. The principal crops are rice and wheat with temperate vegetables a recent popular introduction. Livestock - mainly cattle and pigs - are also raised.
- (c) As a corollary to (b), there is very little industry in Bhutan. Timber extraction is the most important industry, both for domestic use and for export to India. There are also three industrial plants in the organised sector: one for fruit preservation; the second producing nuts and bolts, and the third a distillery. Handicrafts include wood-carving, paper-making, jewellery and metal-work. Loin-loom weaving is a common activity in most homes providing clothing for the family and often a small marketable surplus.
- (d) Although much has been done over the past decade - both within and outside the development plans - the country's infrastructure is far from complete. Communications - roads and telegraph - serve only limited parts of the country and the Western and Eastern parts of the country are yet to be connected. Power is also only available in certain areas: generation capacity (excluding stand-by) is estimated at about 850 kw and in addition some Southern areas are connected to the nearest Indian grids.



- (e) Until very recently, the Bhutanese economy was mostly barter based. Taxes were collected in kind in several parts of the country and only in the past few years have Government transactions been conducted exclusively in cash. The Bank of Bhutan was founded in 1968. Indian rupees are the principal currency unit, the only Bhutanese unit being the Tikchung, a coin worth 50 Indian paise (\$0.066). On 1 March 1972, under a Royal Charter, the Bank of Bhutan underwent a reorganization involving a ten-year collaboration with the State Bank of India, under which the State Bank of India holds forty per cent of the shares of the reorganized Bank and nominates three of the seven directors. The problem which led to the reorganization of the Bank was its previous inability readily to convert into Indian currency the Tikchungs which were tendered at the counter of the Bank.

Bhutan's only earnings of foreign exchange are from postage stamps which amount to about \$60,000 annually. India makes available a roughly equivalent amount each year. In short, Bhutan's monetary system is embryonic and inseparable from that of India.

19. The above indicators of underdevelopment need to be counterbalanced, in part at least, by a few observations on the positive aspects of Bhutan's economic situation.

20. Firstly, it needs to be emphasised that Bhutan's economic development began in earnest only ten years ago from a virtually zero base. If the present situation may be described as underdeveloped it should not obscure the very substantial progress made during the past decade, especially in infrastructure. Food and housing are generally adequate and free education and health services are now available to almost all. If the quality of these services is often rudimentary, considerable investment is being made to improve them. The standard of living in Bhutan appears reasonable with few signs of the abject poverty, malnutrition and other symptoms all too frequently visible in many developing countries.

21. Secondly, Bhutan, unlike most comparable countries, has an employment problem - not an unemployment problem! Most Bhutanese work on their own holdings and there is little surplus labour for development projects. Together with the chronic shortage of educated and particularly technical personnel, this means that labour - professional, technical, artisan and



unskilled - has to be imported from neighbouring countries: India and Nepal.

22. Lastly, Bhutan has exciting potential for future development. Seventy per cent of the total area is under forest with obvious scope for exploitation. Some known mineral deposits of gypsum, dolomite and graphite and sizeable hydropower resources offer bases for new industries. There is no pressure on agricultural land which can be expanded considerably especially for the production of temperate fruits and vegetables and certain cash crops - all of which should find a ready market in India, Bangla Desh and in some cases further afield. Bhutan's beautiful scenery, unpolluted air, land and water and distinctive culture could attract a thriving tourist industry once the necessary infrastructure has been built up.

23. If Bhutan is underdeveloped today, it is not distressingly poor and there are good grounds to look forward to a prosperous future.

#### C. HUMAN RESOURCES

24. Bhutan's population in 1971 was estimated at 1,100,000. No information is available on age structure or vital statistics. It is believed, however, that the rate of increase of population has accelerated in recent years following anti-malarial and other health campaigns. Infant mortality is reported to be relatively high.

25. At present there is no 'population problem' in the conventional usage: there is no pressure on land, other resources and facilities. The density of population is about 61 per square mile although, of course, in this mountainous country the density in the valleys and in the thin strip of the southern plains is much higher. The Government is aware of the possible future problems associated with a burgeoning population and intends introducing population education at the school level. For the present, the 'population problem' in Bhutan is that of an acute labour shortage at all levels which, especially where educated personnel are concerned, is, in the words of the Minister of Development, 'the biggest single bottleneck to our development'.

#### Education

26. Literacy is very low in Bhutan, probably under ten per cent. However, the Government lays great stress on education, giving it a high priority in its development plans. Education at all levels is provided free by the State including meals (and lodging in many cases), uniforms, books



and medical facilities. The medium is English right from the primary stage. In return all students except those who do not complete their basic education, have to work for the Government for five years.

27. The educational structure consists of sixty-nine primary schools, twelve junior schools, five central schools (through ninth standard) and two public schools (through eleventh standard). The central schools and especially the public schools are intended to be selective with admission based on merit. There is also one technical school and a teacher-training college. In the past ten years, the emphasis has been on expanding educational facilities: immediate future plans are to upgrade the quality of the facilities created. Until very recently, all higher education has been provided abroad, almost entirely in India - some 400 Bhutanese students are at school in India at present. However, in future, education up to matriculation level will be imparted in Bhutan. College, higher technical and professional training will continue to be given abroad, mostly in India but also in Colombo Plan countries. A college is planned for Thimphu, the capital.

28. Retaining children in schools is a problem; the drop-out rate is high but parents are increasingly realising the advantages of education for their children. Another problem is that the Government often takes out children from the schools before the completion of their studies to fill urgent job vacancies.

#### Health

29. For health purposes Bhutan is divided into seven zones with hospitals established in four of these zones. Thirty-six dispensaries, have been set up throughout the country. There are some twenty doctors in Bhutan of whom all but three are Indians: health personnel generally are in short supply. In addition, to these basic health facilities there are four leprosy colonies run by missionary organizations: the incidence of leprosy is relatively high in Bhutan.

30. A malaria eradication programme has been underway for several years and has now reached the control stage. (Traditionally, the malarial foothills and plains were a major discouragement to contact with the world south of Bhutan). Vaccination against smallpox was introduced in the early 60's and coverage is good. There appears to be an



increasing incidence of T.B. which is attributed (though not proven to be due) to the sizeable number of alien construction workers who have come to work in Bhutan - mainly on road and other sites. A BCG vaccination programme has been taken up, but the infectious cases have yet to be treated effectively. V.D. and goitre are other ailments which cause concern.

D. BHUTAN'S DEVELOPMENT AND INDIAN ASSISTANCE

31. The economic development of Bhutan, in any modern sense, had its beginning in 1961 when the First Five-Year Development Plan was launched. The approved outlay was Rs.175 (\$23)<sup>+</sup> million: actual expenditure was Rs.107 (\$14) million. Outlay on the Second Plan (1966-71) was put at Rs.212 (\$28) million while expenditure is estimated at Rs.200 (\$27) million. The Third Plan outlay - still to be finalized - is Rs.355 (\$47) million. For the first time, Bhutan will contribute from its own resources towards its development plans: perhaps Rs.25 (\$3.3) million over the five-year period. The previous two plans were entirely financed by grants from the Government of India. In the Third Plan too, India will provide ninety-one per cent of the outlay. India's contribution will include, for the first time, a soft-loan component of Rs.37.5 (\$5) million - 11.5 per cent of its total aid.

32. Over and above its financing of Bhutan's development plans, India has also spent at least Rs.300 (\$40) million on the construction of strategic, trunk roads by the Indian Border Roads Organization - roads which incidentally are considerable engineering facts. Expenditure under this head is expected to decline over the next few years as the main lateral road linking the Western and Eastern parts of the country is completed.

33. In addition, India pays an annual subsidy of Rs.500,000 (\$66,666) to the Government of Bhutan under the terms of the 1949 Treaty between the two countries. Ad-hoc grants-in-aid have also been made to assist Bhutan's own budgetary position - which is kept separate from development and Border Roads Organization accounts. These annual and ad hoc subsidies from the Government of India amounted to almost half of the budgeted

---

+ The rate of exchange between the Indian rupee and the U.S. dollar was changed three times during the period covered by this report: up to June 1966: US\$1 = Rs.4,762; June 1966 - December 1971 US\$1 = Rs.7.50; December 1971 - present: US\$1 = Rs.7.279. As the outlays referred to here have been in rupees, a constant rate of exchange of US\$1 = Rs.7.5 has been to all rupee figures in this report.



revenues of the Government of Bhutan - Rs.10.5 (\$1.4) million out of a total of Rs.21.9 (\$2.9) million in 1971, the first year for which a budget was presented.

34. It is clear from the preceding paragraphs that Bhutan is almost entirely dependent financially on India for both its plan and much of its non-plan activities. Total non-reimbursable expenditure by India in Bhutan over the decade 1961-71 was probably around Rs.750 (\$100) million.

35. Bhutan's dependence on Indian personnel for the implementation of its development plans is almost as complete as its dependence on Indian finance. A very rough estimate would be that over one thousand Indians are serving in Bhutan in various degrees of direct relation to the development programme.

36. At the higher levels, most Indians work in Bhutan on deputation. Under the Minister of Development and the Minister of Trade and Industries and their secretaries (Bhutanese officials), the Director of virtually each important sectoral department is an Indian deputationist - education, forestry, agriculture, animal husbandry, industry, public works department, statistics. The Director of Health is an Indian doctor directly recruited by the Government of Bhutan. Similarly, the senior financial adviser in the Ministry of Finance is an Indian on deputation. These officials have important line responsibilities as an integral part of the Bhutanese Government. Eventually, of course, it is intended that trained Bhutanese officials will replace them.

37. At lower levels Indian personnel are serving as Deputy and Assistant Directors, engineers, doctors, nurses, teachers, draughtsmen, stenographers, clerks and in several other occupations. For example, roughly 300 of Bhutan's 500 teachers are Indian as are most of the 200 engineering and related staff of the Public Works Department and the majority of the accounting, clerical and other secretariat staff. Most of the personnel at lower levels are on direct recruitment by Bhutan.

38. Bhutan's development plans have been drawn up by Indian planning teams although of course they have to have the approval of the Royal Government of Bhutan. Missions of the Indian Planning Commission, the Indian Council of Agricultural Research, the Indian Central Water and Power Commission, the Indian Forestry Service, the Indian Small-Scale Industries Development



Commissioner, the Indian Ministries of Health and Education have visited Bhutan to survey and report on development prospects within their respective areas of competence. There may well have been other missions.

39. Inevitably, as with virtually all technical and capital assistance programmes - and especially so in view of Indian's own tight foreign exchange position - the assistance inputs have almost all been of Indian origin. Personnel and education and training facilities have already been referred to. The same is true of equipment and other capital items. Given the geo-political relationship of the two countries and the natural tendency to trade which this imparts, it makes sense for India to be a major supplier of capital items to Bhutan both in terms of Bhutan's future ability to pay for additions, replacements and spares and in terms of servicing and maintenance. However, it is unlikely that all Bhutan's needs can be or should be met by India alone. There are likely to be some areas of expertise and training and some items of equipment for which Indian inputs are not available or not of adequate calibre.

E. OTHER OUTSIDE ASSISTANCE TO BHUTAN

40. Small amounts of assistance have been received by Bhutan from Colombo Plan countries other than India, from Switzerland and from the Federal Republic of Germany. The following items have come to the notice of the present mission but it is not claimed that this list is exhaustive:

(a) Colombo Plan countries

- |             |   |  |
|-------------|---|--|
| Australia   | : | Four gifts each of twenty trucks and spares (US\$ 705,000) cattle, wool and training awards in intensive English (9), truck maintenance (1), crop protection (1) and horticulture (1). |
| Japan       | : | Agricultural machinery for the Bondey Farm, Paro (US\$ 34,000) and a horticulture expert for eight years: also three training awards.  |
| New Zealand | : | eight training awards.   |
| Singapore   | : | training awards in telecommunications.   |
| U.K.        | : | four mobile dispensaries and a training award in public administration.  |



(b) Other Assistance

Federal Republic  
of Germany

: Two Vehicles for postal services.

Switzerland

: Assistance for cheese-making and in the  
eradication of the gid disease in yaks.

Assistance is also being given by missionary organizations,  
namely to leprosy colonies and to the Technical School,  
Kharbandi.



## II. PROSPECTS FOR FUTURE ASSISTANCE FROM THE UNITED NATIONS SYSTEM

41. As will be apparent from Part I of this report, there are several factors which are peculiar to the development situation in Bhutan and which require an especially flexible<sup>even</sup>/innovative approach to be taken by the UN System if it is to be of significant help to Bhutan in the next year or two. The principal factors are:

- the predominant role of India as a donor of capital and technical assistance (Indian assistance to Bhutan over the next five years will probably be fourteen times that offered by UNDP).
- the shortage of personnel at all levels and especially educated persons for development (and other) projects. Thus, the supply of counterparts normally expected for technical assistance projects is almost nil.
- the desire to preserve the best aspects of the traditional Bhutanese culture and the corresponding reluctance to open up the country too quickly to outsiders.

### A. PROSPECTS

42. The Government of Bhutan also made it clear that, for various reasons, it did not feel the need for, nor would it welcome, any general surveys of the Bhutanese economy by teams, missions or individual experts of the UN system. However, once a particular area of assistance or a large project is selected, the visit of an expert or experts to survey that specific area or project and finalize a project document would be welcome, and all cooperation including any earlier relevant surveys or reports would be made available. Similarly, short-term visits by experts and consultants might be entertained for certain very specific purposes, for example where equipment had to be installed and arrangements made for its proper use and maintenance.

43. The normal UN system inputs are now reviewed bearing these factors in mind.

#### 1. Advisers and Consultants

44. In the mission's final meeting with the Royal Advisory Council, it was explicitly stated by the Government, that, for various political, economic, social and practical reasons, resident experts are not appropriate at this stage of Bhutan's development. There are two main considerations which we consider important in this connection.



45. As already mentioned, Bhutanese development is heavily dependent on Indian personnel, quite a number of whom occupy top positions. The situation hardly allows for the successful functioning of any body of UN system experts no matter how competent and tactful they might be. Quite apart from other considerations, there is the wide disparity between the salaries of Indian experts and those of the UN system (a minimum disparity of \$10,000 per annum; a senior Indian deputationist receiving about \$4,000 per annum, including provision of free housing). The possibility of the UN system recruiting Indian experts for Bhutan is obviously non-existent in this context; this would mean that Indian experts serving with the UN system would receive at least four times as much remuneration as their deputationist compatriots, who might well be several grades senior in the Indian service.

46. There is a general lack of facilities in Bhutan for resident aliens: for example accommodation is very tight. Also other amenities may not be considered adequate by experts accustomed to western standards of living. There is certainly apprehension about having too many resident outsiders in the country who might upset - albeit unintentionally - its traditional values and standards.

## 2. Fellowships and Study Abroad

47. The Government of Bhutan does not expect to make any significant use of fellowships from the UN system at this stage. There are relatively few Bhutanese possessing the necessary basis of general education and language facility to benefit from fellowship training overseas. At present, offers from India and other Colombo Plan countries are apparently more than sufficient for the number of eligible Bhutanese candidates. However, this position may well change as more children complete their schooling so that fellowships may well be requested in the future.

48. It was pointed out to the Government that, as a special measure UNDP might agree to finance intensive language training for a few months prior to specialised training. The Government emphasised that it was not only language but also basic education which was below par. However, given the importance of English for administration and general development, the Government felt that fellowships for full-time, intensive training in English (preferably in countries other than India) might be a useful form of UNDP assistance especially for certain key Government personnel. We



mentioned that we would consider this matter sympathetically, and believed that, in the special circumstances of Bhutan, the UNDP family would respond. We mentioned the possibility of UNDP providing language laboratories and associated instructors and technicians, and we feel that this could be a good UNDP contribution.

### 3. Equipment and Supplies

49. The Government of Bhutan made it clear that equipment, supplies and spare parts are the inputs they require - and really want - from the UN system. (Finance for buildings was also mentioned but the UN system's position on this - regarding local material, local labour and local know-how - was explained and understood). A number of schemes considered for the Third Five-Year Plan have been postponed or reduced in size because the resources available from India could not cover them. It was felt that the UN system might finance some of these schemes and thus speed the development process.

50. Regarding the provision of equipment by the UN system the mission made the following observations:

(a) UNICEF is able to provide equipment for what might be considered capital projects. Equipment and materials for water supply schemes and dairy projects were given as examples in areas mentioned during the course of discussions.

(b) WFP assistance could contribute towards the labour costs of some capital projects. However, given Bhutan's labour shortage and its desire to limit, if not reduce, the imported labour force, there is a preference for capital equipment to replace labour-intensive techniques.

(c) The Capital Development Fund might be tapped for some items of equipment. Reference was also made to the advantages of IDA loans, but these have two drawbacks for Bhutan at this stage; firstly Bhutan is not a member of the IMF or the IBRD and secondly, repayment has to be in convertible currency - a commitment Bhutan is reluctant to enter into.

(d) In accordance with the Governing Council's consensus, UNDP is able to provide equipment only for projects, provided that the equipment supplied will be an integral part of a technical assistance or pre-investment project and that there are qualified personnel available in the country to use the equipment and to maintain it.



51. It was emphasized that, while the UN system would no doubt be as flexible as possible in its approach to Bhutan's requirement, a duty was owed to donor countries to ensure that equipment supplied would be appropriate to needs, properly utilised and carefully maintained. In many countries, experience with the provision of equipment - even with associated experts and training - has all too often been disappointing. The Government maintained that their requests for equipment would only include <sup>items</sup> that could be properly used and maintained by persons available in the country, whether Bhutanese or Indian. However, short-term experts would be welcome where necessary to install equipment and train personnel.

B. THE NEXT STEPS

52. In discussions with various officials during the mission's visit to Bhutan, quite a number of possible projects or areas of assistance from the UN system were mentioned. Practically all of these suggestions were for the provision of equipment, supplies or funds and several are outside the scope of normal UN system activities. Few of the suggestions have been thought out in detail.

53. The Government of Bhutan agreed to review the various suggestions discussed and to present a list, preferably according to priority, of those projects or areas of assistance they wished to pursue. Once this list has been received and studied, appropriate specialists of the UN system, or perhaps a second mission might visit Bhutan to review specific requests and assist in the preparation of project documents.

54. Asked for their reaction to the idea of drawing up a country programme, the Government of Bhutan felt that this was premature. It was thought better to start with UN system assistance on a project by project basis until each party had gained some experience of working with the other. A country programme could be drawn up at a later stage.

C. ASSESSMENT

55. The possibilities of assistance from the UN system and especially from UNDP, as well as the particular advantages of multilateral assistance were carefully explained to the Government of Bhutan.

56. The Government for its part sees the UN system as a source of equipment and supplies to supplement and complement assistance received from India. Given Bhutan's special circumstances in being heavily dependent on one



donor - India - the mission recommends that the UN system be as flexible as possible and that it tries to accommodate Bhutan's request. However, it would be irresponsible to provide equipment and supplies without being assured of its proper use and maintenance. After repeated references and finally insistence by the mission on this point, the Government of Bhutan agreed that short-term visits would be welcome to investigate the capability of the country to "absorb" specific equipment items and if necessary to install and arrange for their proper use.

57. The Government is quite clear and firm that it does not believe resident outside experts appropriate at this stage. (The position regarding Indians is obviously an exceptional one with historical, political and economic considerations). No purpose will be served by trying to get the Government to change its stand on this point.

58. Although it is unlikely that fellowships will be much in demand in the near future, the advantage of the global possibilities of UNDP fellowships were explained and appeared to be appreciated. Fellowships could become an important component of assistance once there are sufficient Bhutanese educated to benefit from them. Language laboratories, apart from their usefulness in a country where English has been chosen as the language of administration and instruction, could also help considerably to enlarge the number of Bhutanese eligible for fellowship training abroad.

59. In the initial stages of assistance from the UN system, and given the Government of Bhutan's firm line on resident experts, it seems more practicable to follow a project by project approach rather than attempting a country programme. If the UN system can respond flexibly and effectively to Bhutan's current requirements - inter alia this will mean especially careful selection and briefing of mission members/consultants and experts - there is good reason to believe that the number of requests for assistance will increase and that a country programme may be worked out later, possibly to coincide with the Fourth Plan which will run from 1976.



### III. SOME PROCEDURAL CONSIDERATIONS

#### 1. Standard Agreement with UNDP

60. On 4 January 1972, Mr. Vaidyanathan wrote to the Permanent Representative of Bhutan to the United Nations regarding the drawing up and signature of a standard agreement between the Government of Bhutan and UNDP. As no reply has been received as yet, this matter was raised during the final meeting of the mission with the Royal Advisory Council. It appears that the Government of Bhutan is still studying the text of the agreement and requires more time to complete its scrutiny. It was confirmed to the Government that signature of the agreement could be executed through an exchange of correspondence or through one of the two representatives of the Government of Bhutan abroad in New York and in New Delhi.

#### 2. UNDP Representation and Channels of Communication

61. The Government of Bhutan as represented by its Royal Advisory Council believes that it would be premature to station a UNDP Representative - or any other representative of the UN system - permanently in Bhutan at this stage. To begin with at least, the Government would prefer to deal with UNDP and its specialised agencies through the Resident Representative in New Delhi; he, his staff and representatives of other agencies could visit Bhutan as appropriate. As and when a programme of assistance from the UN System grew, the Government of Bhutan would review the position and suggest an alternative mode of representation if this should be considered desirable.

62. Regarding an official channel of communication for the UNDP and other agencies of the UN System with the Government of Bhutan, it was agreed by the Royal Advisory Council that His Excellency Lyonpo Dawa Tsering should be the channel of communication in his capacity as Minister in charge of Foreign Affairs (expected to be confirmed soon as Minister of Foreign Affairs).

#### 3. Facilities for Experts

63. Although in the initial stages of assistance from the UN system no resident experts are envisaged, the question was raised of facilities such as accommodation, transport and certain duty-free concessions for any short-term experts/consultants who might be posted in Bhutan. The matter was not discussed in detail, but the Government gave an assurance



that all facilities - including those given above - would be made available for the effective functioning of personnel from the UN System.



## BIBLIOGRAPHY

### General

1. American University, Area Handbook for Nepal (with Sikkim and Bhutan), Washington, D.C., U.S. Government Printing Office, 1964
2. Bhat, Nalini, "The Hermit Neighbor; Bhutan," Illustrated Weekly of India, September 21, 1958
3. Bowles, Chester, Ambassador's Report, New York; Harper, 1954
4. Doig, Desmond, "Bhutan, The Mountain Kingdom," National Geographic, September 1961
5. "Bhutan, Land of Hidden Treasures," Oxford & I.B.H. Publishing Co., New Delhi and Calcutta, 1971
6. Halder, Hem Chandra. "India's Neighbor: Bhutan." Modern Review, April 1960
7. Karan, P.P. "Bhutan and Sikkim." Canadian Geographical Journal, December 1962
8. Karan, P.P. Bhutan, Lexington: University of Kentucky Press, 1968
9. Karan, P.P., and Jenkins, W.M., Jr. The Himalayan Kingdoms: Bhutan, Sikkim, and Nepal. New York; Van Nostrand, 1963
10. Krishna, Moorty K. "Bhutan: Thoughts of Sovereignty." Far Eastern Economic Review, February 16, 1961
11. Lamb, Alistair, Britain and Chinese Central Asia, London: Routledge and Paul, 1960
12. Murarka, Dev. "Isolated Bhutan," Eastern World, May 1961
13. White, Sir John Claude, Sikkim and Bhutan, London: Arnold, 1909
14. Younghusband, Sir Francis, "India and Tibet", London: Murray, 1910

### Economic

1. Planning Commission, Government of India, "Third Five Year Plan of Bhutan - Report of the Technical Team of the Planning Commission" (Confidential), November 1970
2. "Far Eastern Economic Review Year Book 1972", February 1972
3. Report of the Colombo Plan Council 1970-71, Chapter VI - Bhutan
4. Government of India, "Report of the Government of India Delegation on the Development of Small Scale Industries in Bhutan (Part I & II)" (Confidential), 1971



ANNEX I.      PROGRAMME OF UNDP MISSION TO BHUTAN

25 MARCH - 5 APRIL 1972

Saturday 25 March

1000 hrs      Depart Delhi for Bagdogra via Calcutta (by air)

1500 hrs      Bagdogra to Phuntsholing (by car) accompanied by Mr. B. Gurung and Mr. Daphu Tshering of the Protocol Office, Department of Foreign Affairs who accompanied the mission throughout their tour.

Sunday 26 March

0900 hrs      Phuntsholing to Thimphu (by car)

1500 hrs      Received at Thimphu by Miss Dawa Dem, In-charge Protocol

Monday 27 March

0900 hrs      Audience with His Majesty, King Jigme Dorji Wangchuk and His Royal Highness, the Crown Prince Jigme Singye

1100 hrs      Performance by traditional Bhutanese masked dancers

1230 hrs      Lunch by His Excellency Tamji Jagar, Home Minister

Tuesday 28 March

1000 hrs      Call on Their Royal Highnesses Ashi Sonam Choden and Ashi Dichhen Wangmo

1030 hrs      Meeting with His Excellency Lyonpo Chogyal, Minister of Finance and His Excellency Lyonpo Dawa Tsering Minister for Development and Foreign Affairs.

1430 hrs      Meeting with the Royal Advisory Council

1700 hrs      Call on His Excellency Mr. A.B. Gokhale, Representative of India in Bhutan

1930 hrs      Dinner by H.E. Lyonpo Dawa Tsering

Wednesday 29 March

0900 hrs      Meeting with H.E. Lyonpo Dawa Tsering

0945 hrs      Meeting with Dr. K.N. Sinha, Director of Health, Ministry of Development



Wednesday 29 March (contd)

1030 hrs Meeting with Mr. D. Mahapatra, Director of Agriculture, Ministry of Development

1130 hrs Meeting with Mr. R.S. Singh, Director of Animal Husbandry, Ministry of Development

1430 hrs Meeting with His Royal Highness, Tenzel Lyonpo Namgal Wangchuk, Mr. C. Dorji, Divisional Forest Officer and Mr. B. Kumar, Acting Director of Industries

1530 hrs Meeting with H.E. Lyonpo Chogyal, Minister of Finance and Mr. V. Swaminathan, Financial Adviser

1700 hrs Call on Her Majesty Ashi Kesang Wangchuk and Her Royal Highness Ashi Dichhen Wangmo

1830 hrs Drinks by Mr. V. Swaminathan, Financial Adviser

Thursday 30 March

0900 hrs Visit Handicrafts Emporium

0930 hrs Depart for Paro (by car)

1830 hrs Drinks by Mr. L. Lakshmiah, Chief Engineer, Public Works Department, Ministry of Development

Friday 31 March

0900 hrs Visit Paro Central School with Mr. S.R. James, Director of Education, Ministry of Development

1030 hrs Visit Ta Dzong Museum

1145 hrs Meeting with, followed by lunch by Mr. James

1500 hrs Visit Kyichu Monastery

1830 hrs Meeting with Mr. L. Lakshmiah

1945 hrs Dinner by Dasho Peljor Dorji, Paro Thrimpon



Saturday 1 April

0915 hrs Visit Woodworking and Silversmith Centre, Wuchu  
 0930 hrs Visit Bondey Farm - Mr. K. Nishioka, Colombo Plan Adviser  
 1030 hrs Depart Paro for Thimphu (by car)  
 1700 hrs Meeting with Mr. K.N. Katwal, Acting Director of Posts and  
 Telegraphs, Ministry of Development and Mr. D. Dasgupta,  
 Press Manager, Ministry of Development

Sunday 2 April

1445 hrs Meeting with His Excellency Mr. A.B. Gokhale, Representative  
 of India in Bhutan and Mr. Srinivasan, First Secretary  
 1600 hrs Press interview by Mr. N.C. Gurung, Chief Reporter,  
 Information Office

Monday 3 April

0900 hrs Meeting with the Royal Advisory Council and review of  
 discussions held by the mission  
 1400 hrs Visit Thimphu Public School - Principal, Mr. S. Sharma

Tuesday 4 April

0800 hrs Depart Thimphu for Phuntsholing (by car)  
 0900 hrs Visit Simtokha Dzong  
 1600 hrs Visit Don Bosco Technical School, Karabandi -  
 Father Philippe

Wednesday 5 April

0900 hrs Depart Phuntsholing for Bagdogra (by car)  
 1500 hrs Depart Bagdogra for Delhi via Calcutta (by air)