



འབྲུག་རྒྱལ་ཁབ་ཀྱི་འཕུལ་བྱེད་འཛུགས་པོ།
ROYAL GOVERNMENT OF BHUTAN
ལྷོ་ལྗོངས་ལྷན་ཁང་།
LHOKHUNG, THIMPHU

MoF/WB/ 6637
March 13, 2009

Mr. Robert Prouty
Acting Head
FTI Secretariat
c/o World Bank
MSN G8-800
1818 H Street NW
Washington DC, 20433

Dear Mr. Prouty,

The Royal Government of Bhutan has worked closely with its development partners supporting education system development in the country toward Bhutan's endorsement into the Education for All Fast Track Initiative (EFA-FTI). An appraisal report has been prepared which is pending final endorsement by the local development partner group.

Bhutan's Tenth Five-Year Plan (10FYP) was approved by the country's highest legislative body, the National Assembly, during the course of its January 2009 session. Thus, the education section of the 10FYP is now in effect and ready for FTI endorsement by Bhutan's development partners.

The Royal Government been apprised of the outcome of the meeting of the FTI Steering Committee held in Oslo, Norway December 12-15, 2008. While we are aware of the financial constraints impacting the ability of the Catalytic Fund (CF) to honour the numerous requests it receives, we are concerned over Bhutan's ineligibility to receive CF support given its IDA categorization, and in light of the considerable effort already made to achieve FTI endorsement with the expectation that endorsement would make Bhutan eligible for CF support.

We wish to bring to your attention a number of factors which the Royal Government believes warrant further review and reconsideration of Bhutan's CF eligibility:

1. Bhutan has an ambitious program of action under the 10FYP to meet the Education for All, Millennium Development Goals and other relevant targets in the education sector. The Royal Government has a significant resource gap, as resource requirements in the education sector exceed both projected revenues and external financing commitments for the 10FYP period.



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2. A number of Bhutan's bilateral development partners have withdrawn or scaled-down their programs of assistance to the education sector.
3. Bhutan can be considered a "donor orphan" for the education sector given the very small number of development partners providing assistance above US\$0.5m. Support from one key bilateral donor, Canada, recently ended, citing Canada's continued support through World Bank-administered financing schemes (e.g. IDA, Catalytic Fund) to which Canada is a main contributor. For the international development architecture to be effective, such arrangements should be accounted for in assessing the specific (e.g. sector-wise) requirements of individual countries.
4. Bhutan has embarked on the path of development relatively recently. As such, there are a number of schools which still need to be constructed in order to provide universal access to quality education. The cost of constructing these facilities is very high due to the rugged nature of Bhutan's terrain, and the remote nature of many communities still lacking adequate education services.
5. Due to the dispersed nature of settlements/communities in Bhutan and the country's rugged terrain, many students have to avail education as boarders (6 percent at the primary level and 38 percent at the secondary level). This raises both investment and running costs significantly.
6. The provision of education in terms of recurring expenditure is high due to the high transportation costs for text books, reference materials, stationery, teaching-learning materials and food (for boarding students). Due to the small size of the education sector in Bhutan, we are unable to benefit from economies of scale in the procurement of textbooks and stationary. Consequently, per-head costs of teaching-learning materials are relatively high as print and supply orders are smaller than in most countries.
7. Due to the concerted efforts and long-term commitment of the Royal Government and its development partners, Bhutan has achieved considerable success in the education sector. However, as the country reaches universal enrolment, this need has increased as the last mile is always the most difficult and expensive, and with the Royal Government's increased focus on the education needs of marginalized groups (e.g. special needs education, ECCD and communities living in very remote, high altitude areas). Support is most critical now in order to ensure that these additional focus areas are adequately provided for and to avert any slippage from successes made to date.
8. The poverty rate is quite high in Bhutan with 23 percent of the population living below the poverty level of less than US\$0.75/day, per the Royal Government's 2007 poverty analysis report.



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9. With the introduction of multi-party democracy in 2008, the Royal Government has incurred increased expenditures for the establishment and functioning of a parliament, political parties, elections, and a number of new constitutional bodies (e.g. Anti-Corruption Commission, Election Commission, Attorney General). This has meant that the Royal Government has had to use funds which may otherwise have been available for the social sectors. Additional support to the education sector can be seen as support to the democratic machinery of Bhutan given the needs for an informed and educated electorate.

In closing, I wish to add that there is a sense on our part that Bhutan's IDA classification and subsequent CF ineligibility acts as a de facto deterrent for our successes. While we have achieved many of our development goals over the last three decades of development planning, we are still struggling to address relatively high levels of poverty and meet public expectations vis-à-vis the availability and delivery of public services – chief among these is the provision of education.

The Royal Government requests the FTI Steering Committee to kindly re-assess Bhutan's CF eligibility on the basis of Bhutan's unique circumstances elaborated herein.

With regards,

Yours sincerely,

(Wangdi Norbu)
Finance Minister

Copy:

The Vice President for Human Development, World Bank, Washington, D.C., USA.