

STATEMENT of the EUROPEAN UNION
11th ROUND TABLE MEETING BHUTAN
September 1 and 2, 2011

Honorable Minister,
Dear co-chairs of the RTM,
Excellencies
Colleagues development partners,
Ladies and gentlemen,

It is indeed a great pleasure to attend the 11th Round Table Meeting here in Thimphu and to enjoy the warm hospitality and the excellent organisation of this important event.

The European Union and Bhutan have a long standing positive relationship constantly reinforced by regular meetings at different levels with the European Institutions, including with the newly established European External Action Service.

Bhutan has made considerable progress towards establishing its democracy. This was reflected in the first democratic elections held in 2008, which was positively assessed by the EU election observation mission. This was followed by numerous initiatives leading to increased democratic governance. We strongly encourage the Bhutanese Government to continue on this path to improve the democratic rights for greater empowerment of the people of the country, particularly for women. The EU will continue support to the government of Bhutan in its democratic progress with a programme on reinforcing local governance starting this year [*for an amount of Euro 2.8 million*].

The European Union welcomes the adoption of the resolution by the UN General Assembly on using happiness as an important development indicator. This has brought Bhutan into the center of the international debate on development and marks an important step towards a rethinking of development goals.

Crucial achievements have been made by Bhutan towards attaining the Millennium Development Goals. In addition, accelerated economic development is expected to take place.

However, Bhutan is still facing important challenges to achieve inclusive growth for the benefice of its people, to further reduce poverty levels both in remote rural areas and in growing urban centres. Unemployment remains an important challenge –especially youth unemployment- as well as health and nutrition issues particularly for children.

A major challenge lies in adapting to climate change, while the country has hardly contributed to its causes. The EU will support the Government of Bhutan in its commendable efforts in addressing the various aspects of this challenge by providing additional funding [*of Euro 3.6 million*] from the Global Climate Change Alliance for mainstreaming climate change adaptation into its Renewable Natural Resources Sector. Bhutan's participation last year in the GCCA Regional Conference on Climate Change indicates your strong support to combat climate change effects. The EU would like to suggest that Bhutan become signatory to the Joint Declaration on Climate Change which has been signed between the EU and three other South Asian countries. I thank Bhutan for inviting the EU to participate at the Eastern Himalaya Climate Change Summit next November in Thimphu.

Rural development has been the main focus area in EU-Bhutan development cooperation in the past. Bhutan and the EU will continue their cooperation in this sector. The new Renewable Natural Resources Sector Programme [*to the amount of 5.6 million*] will start this year. Additional funding to this sector is also foreseen in 2012-2013.

Our future development cooperation with Bhutan will be fully in line with the 10th and 11th Five Year Plan. It will mainly be implemented under sector budget support modalities thus using Bhutan's own country systems. The shift from project approach to budget support shall increase Government ownership, reduce transaction costs, and reinforce sustainability in line with the aid effectiveness principles.

Budget support is a performance based instrument, which requires demonstration of continued macroeconomic stability, progress in public finance management reform, and achievement of commonly agreed sector objectives. In this context, it is essential for Bhutan to increase its domestic revenues to create the fiscal space

necessary to progressively fund its own development. We welcome increasing hydro-power income from 2016. We hope that this will lead to increasing private investment –including inward investment – which will make Bhutan progressively less aid dependent.

We understand that Bhutan is questioning the impact of WTO accession. We wish to confirm our intention to support Bhutan in its trade related policies and strategies.

In total, for the remaining period of the 10th Five Year Plan, the EU has foreseen an amount of **Euro 18 million** partly already committed or in the course of programming.

In a small mountainous landlocked country like Bhutan, providing a satisfactory level of infrastructure as well in the rural areas as growing urban areas is a huge challenge. The EU plans to extend its existing regional investment facility schemes to Asia enabling European financial development institutions, possibly in cooperation with international financial institutions, to foster investments in countries like Bhutan by blending their loans with grants from our EU development budget.

Considering the progress towards democratization and Bhutan's specific focus on human well-being and happiness Bhutan can be seen as a model in both vision and opportunity in a changing world. However, we are still concerned about the remaining humanitarian issue of the People in the Camps in Nepal. The EU continues to financially support the refugees in Nepal and at various occasions has raised the need for a solution. We urge the Government of Bhutan to contribute to finding a fair and viable solution to this problem very soon.

The European Union has started shaping its future development cooperation for the period 2014-2020 in the wider context of establishing a new financial framework for the whole of the EU budget for the same period. The main orientations will be proposed to the EU Member States and the European Parliament by the end of this year with the objective to reach a decision by the end of 2013. Meanwhile, it is planned that a dialogue will start in the course of 2012 on our future development cooperation with our partner countries, including Bhutan.

For the decade to come, the EU will continue to enhance its support to Bhutan in pursuing its political, economic and social development.

This Round Table Meeting has enabled us to jointly assess where Bhutan stands today and openly discuss major future challenges and problems. This important event has created a better understanding of Bhutan's future path of development. I am very grateful for this unique opportunity offered by the Royal Government of Bhutan.

I thank you for your attention.

TASHI DELEK