

Austria – Bhutan

COOPERATION IN TRANSITION

Phasing over of Austrian Bilateral Development Cooperation in Bhutan

1. Background

Bhutan is scheduled to graduate from the Least Developed Country (LDC) status in 2023, which includes a as requested by the Royal Government of Bhutan (RGoB).

Austria and Bhutan are enjoying enjoyed a mutually beneficial and enriching partnership since more than 30 years, including through the support via Official Development Assistance (ODA). Austria and Bhutan agreed on a **Transition Strategy 2019-2023**¹, which outlines the focus areas supported by Austria during the last years of bilateral development cooperation in support of Bhutan's 12th Five Year Plan (FYP). Austrian Development Cooperation (ADC) as one ODA actor in Austria provides bilateral assistance mainly in the form of grants and technical assistance.

This **operational roadmap of phasing over of Austrian Development Cooperation activities in Bhutan will guide the process until 2023**. It also provides the **basis for the continued bilateral partnership between Austria and Bhutan at different levels**.

2. Purpose of the roadmap

The roadmap describes three dimensions in the phasing over of the bilateral development cooperation with Bhutan:

Dimension 1 (chapter 3.1) informs on the **phasing out period of the Austrian Development Cooperation (ADC) with Bhutan as priority country** until 2023, based on the Transition Strategy, by successfully completing all ADA-funded bilateral projects within the agreed project execution period.

Dimension 2 (chapter 3.2) informs on **institutional aspects** of bilateral relations until 2023 and beyond.

Dimension 3 (chapter 3.3) informs on **possible Austrian instruments for the continuation** of bilateral relations and cooperation in different areas beyond 2023.

¹ Bhutan Country Strategy: Transition 2019–2023. Available at: https://www.entwicklung.at/fileadmin/user_upload/Dokumente/Publikationen/Landesstrategien/CS_Bhutan_Transition_2019-2023.pdf

3. Phasing over period & activities 2019-2023

3.1 Successful completion of ongoing bilateral cooperation based on the Transition Strategy until 2023

Bhutan and Austria look back at many years of successful bilateral cooperation starting in the early 1980s with a scholarship program for Bhutanese students as well as the deployment of Austrian experts to Bhutan. In the year 1989, Bhutan and Austria agreed to establish an official development partnership. Since then, Austrian ODA support amounts to appr. 85 Mio EUR.

With the goal to support Bhutan on its way to becoming a middle income country, Austrian support was directed in particular at **Good Governance, Forestry, Renewable Energy** as well as **Sustainable Tourism**. Special attention was paid to **capacity building, training and research** activities, in order to support institutional and structural improvements in Bhutan.

Austria has a longstanding cooperation with the **justice sector** in Bhutan, supported the construction of nine courts, the professionalization of the Court of Auditors through training activities for more than 400 auditors and support to the structural reform of the public service. A special milestone is the support of the Law Reform Program and as a highlight within this, the elaboration of the strategic plan for the judicial reform 2018.

In order to implement the objectives outlined in the Transition Strategy 2019-2023, ADA and the Gross National Happiness Commission (GNHC) agreed on six (6) bilateral projects under the two thematic focus areas of Sustainable Energy and Governance.

These six projects are fully aligned to the national policies, strategies, planning and budgeting cycle and the results oriented 12th Five Year Plan (2018-2023). Furthermore, the focus is the anchoring of the individual and institutional capacity development needs in the sectoral/agency's own national human resource development strategies.

The projects will be undertaken within the timeframe of the Transition Strategy, which means that completion has to be by or before 30.06.2023. The preparation of the annual audit of the accounts has to be within 2 months after the expiry of the RGoB's Financial Year, i.e. July-June, for timely settlement of accounts including refunding of any remaining budget. Under the overall supervision of the Royal Audit Authority (RAA), auditors empaneled with the RAA will audit the accounts of all six projects.

ADA project number	Project title	Grant amount in EUR	Start date	End date
2296-00/2019	Capacity Development for Monitoring of Hydropower Plant Safety	600,000	15.10.2019	31.12.2021
2766-00/2019	Study on Minimum on Environmental Flow for Hydro Power Projects in Bhutan	503,750	1.11.2019	31.04.2022
2791-00/2019	Promotion of Renewable Energy and Energy Efficient Technologies	1,200,000	1.06.2020	30.06.2023
2586-00/2019	Contribution to Implementation of Justice Sector Strategic Plan	4,500,000	1.11.2019	30.06.2023
2702-00/2019	Strengthening the Professional Capacity of the Royal Audit Authority for Better Governance	200,000	15.10.2019	30.06.2022
2783-00/2019	Civil Service Reforms in Public Service Delivery	179,000	15.11.2019	30.06.2021

3.2 Institutional aspects of bilateral relations until 2023 and beyond)

Relationships between Bhutan and Austria exist at many different levels, individual as well as institutional. These relationships will continue even beyond the expiration of the Transition Strategy.

The **Technical Cooperation Agreement** signed in May 1989 remains valid and bilateral agreements between Austrian und Bhutanese partners under this agreement remain desirable after 2023.

The Austrian Coordination Office for Development Cooperation in Thimphu will be closed by the end of 2023. The Austrian Development Agency (ADA) will inform the GNHC directly about further details regarding the closure of office, downsizing of staff in accordance to phasing out of projects and disposal of moveable assets.

Beyond 2023, main interlocutors between Austria and Bhutan will remain both Ministries of Foreign Affairs. They may lead mixed delegations of both countries for consultations each 2nd year on diverse issues such as ODA, trade, education and social exchange and invite other participants as according to a whole of governance approach.

The **Austrian Bhutan friendship society** has established contacts at different levels in Bhutan and Austria. It will continue to be available to all partners interested in their experience and knowledge.

3.3 Austrian instruments and possible cooperation beyond 2023

The following institutions and instruments are available to continue their partnership between Austria and Bhutan beyond 2023:

Austrian Development Agency (ADA)

The Austrian Partnership Program in Higher Education and Research (**APPEAR**) serves as a highly valuable modality for international academic cooperation under which Austrian universities together with institutions in Bhutan may request support.

The **NGO co-financing** instrument provides support for the cooperation between NGOs in Austria and Bhutan.

Business Partnerships between Austrian (European) and Bhutanese companies are eligible for co-funding of projects. GNHC and Austrian Coordination Office (ACO) Thimphu will analyze how to proceed towards successful business partnerships.

Regional Initiatives: Renewable Energy and Energy Efficiency Capability for the Hindu Kush Himalaya (REEECH) in the International Centre for Integrated Mountain Development (ICIMOD). Bhutan continues to take advantage of the REEECH on Renewable Energy and Energy Efficiency technologies in the building sector in Bhutan. Further areas to be explored.

Website: www.entwicklung.at

Contact: programme@ada.gv.at

Austrian Ministry of Finance

Soft loans for public infrastructure funding in sectors such as energy, water, forestry, health and vocational education and training. In 2018, Austrian Kontrollbank submitted a letter of Intent for a loan to finance parts of Nyera Amari I and II hydropower plant.

Concessional Credits for productive investment in the tourism, industry, agriculture and other sector (via OeEB).

Demand driven **export credits/guarantees** for Austrian suppliers.

Website:

Contact:

Austrian Ministry of Economy

The MoU on economic, trade and technical cooperation signed in 2014 by the two Ministers of Economy opens the way to build relationships in the private sector.

In 2019, the two Chambers of Commerce (WKO and BCCI) signed another MoU aiming to focus and operationalize the above-mentioned MoU between the Ministries.

Website:

Contact:

Austrian Ministry of Social Affairs

The Ministry will supply technical advice to support policies for vulnerable groups (persons with disabilities, youth, and women) in Bhutan, as follow-up of a study visit of Bhutanese authorities in Austria. Austrian Development Cooperation (ADC) might take over travel expenses under this initiative until 2023. After 2023, other support modalities will need to be identified.

Website:

Contact:

Austrian Ministry of Justice

Austrian Development Cooperation's (ADC)'s funding of the legal sector programme allows for cooperation between Austrian Courts and Bhutan's law institutions until 2023. After 2023, other support modalities will have to be identified for eventual institutional partnerships.

Website:

Contact:

Austrian Ministry of the Interior

Renewal of the partnership with the Police (forensic services). Austrian Development Cooperation's (ADC)'s funding of the legal sector programme allows for support to such a possible partnership up to 2023, and could facilitate travel and inter-institutional exchange, e.g. workshops. After 2023, other support modalities will need to be identified.

Website:

Contact:

Austrian Ministry of Education

The Ministry and its Agency for International Cooperation in Education and Research (OeAD) provide scholarships (e.g. the Ernst Mach scholarship) and support research programmes and networks such as the EURASIA Pacific UNINET.

Website:

Contact:

University of Natural Resources and Life Sciences (BOKU), Vienna

Possible partnership between Jigme Singye Wangchuck (JSW) School of Law Bhutan and BOKU Vienna could cover environmental law as well as projects with Bhutan on natural resource management, forestry, and support to PhD and MA works in Austria/Bhutan. After 2023 support for future cooperation may be requested through the Austrian Partnership Program in Higher Education and Research (APPEAR).

Website:

Contact:

University of Vienna

The partnership (MoU) between the law faculty in Vienna and Jigme Singye Wangchuck (JSW) School of Law Bhutan is well established and likely to continue after 2023. Other funding opportunities will need to be sought to continue the exchange between the two faculties.

Website:

Contact:

Institute of Tourism and Hotel Management Klessheim

Based on the longstanding partnership between ITH Klessheim and the Royal Institute of Tourism and Hospitality (RITH) it is anticipated that the MoU will be extended beyond 2023. This would allow further exchange on curricula development and international certification of RITH graduates. In addition, the stipend programme for RITH teachers and candidates from the private sector is expected to continue after 2023.

Website:

Contact:

Austrian non-state actors

The Austrian Bhutan friendship society is a central actor in people-to-people contact and cooperation, with a focus on areas like social and health interventions. The Austrian Bhutan friendship society is also willing to serve as interlocutor and platform for all interested Austrian non-state actors.

A first mission of members of the Austrian senior expert pool specialized in the field of auditing is planned for 2020.

Website:

Contact:

Economic cooperation incl. business Missions and investments/joint ventures:

The Austrian Economic Chamber (WKO) and Bhutan Chamber of Commerce and Industry (BCCI), as the leading business umbrella organizations, on 11/06/2019 signed a Memorandum of Understanding (MoU) to strengthen and develop economic relations between Austria and Bhutan. Drawing on a broader networking approach in the industry and service sectors, the MoU aims at promoting bilateral trade, investment opportunities and industrial cooperation including expansion of joint ventures, technological collaboration, both bilaterally and in third countries.

In this regard, the feasibility of another business mission to Bhutan at a mutually convenient time ideally by 2022 is explored.

Website:

Contact:

Multilateral cooperation and instruments

European Union: Austria as EU member state will continue lobbying at EU level for future technical and financial support to Bhutan. Synergies in particular for legal sector support after 2023 are desirable and possible.

Austria intends to continue pursuing collaboration with the Consultative Group on International Agricultural Research (**CGIAR**)/ International Centre for Integrated Mountain Development (**ICIMOD**) (Ministry of Agriculture) in natural resources management and **UNIDO** (Ministry of Foreign Affairs, Ministry of Finance) regarding renewable energy, industrial affairs, agriculture and rural development.

Website:

Contact:

4. Bhutan's Graduation to Middle Income Country in 2023

Bhutan will graduate to a Middle Income Country (MIC) in 2023. The successful implementation of the different strategic programs under the leadership of the Gross National Happiness Commission (GNHC) is paying off. Challenges will remain, and Austria is willing to continue standing together with Bhutan through our long-established bilateral friendship in support of the Sustainable Development Goals (SDGs).

In order to celebrate the many years of bilateral relations and the successful graduation of Bhutan, a high-level visit by Austria in Bhutan is planned to take place in the year 2023. A specific event to take place in Austria to allow for visibility of the partnership will be planned.

After 2023, bilateral consultations shall be undertaken every two years between Austria and Bhutan, under the lead of the Austrian Embassy New Delhi and the Bhutanese Ministry of Foreign Affairs. These consultations could be attended by other Austrian partners, e.g. Austrian trade mission, whenever feasible.

The bilateral relations between Austria and Bhutan shall support the Sustainable Development Goals (SDGs) and areas of mutual interest, including global security, human rights and rule-based international cooperation; humanitarian assistance in response to natural disasters; climate change; and economic, cultural, commercial and educational cooperation, including through private and institutional partnerships and any future global development policies.
