Mid-Term Evaluation

Austrian Development Cooperation
Bhutan Country Strategy 2015–2018

Final Report

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This is an independent evaluation report. Views and conclusions expressed do not necessarily represent those of the contractors.

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Abbreviations

ACO	Austrian Coordination Office
ADA	Austrian Development Agency
ADC	Austrian Development Cooperation
BTI	Bertelsmann Foundation Transformation Index
COM-B	Capacity, Opportunity, Motivation-Behaviour
CS	Country Strategy
CSO	Civil Society Organisation
DAC	Development Assistance Committee
EU	European Union
EVI	Economic Vulnerability Index
FYP	Five-Year-Plan
GDP	Gross Domestic Product
GNH	Gross National Happiness
GNHC	Gross National Happiness Commission
HAI	Human Assets Index
HDI	Human Development Index
HR	Human Resources
ICIMOD	International Centre for Integrated Mountain Development
LDC	Least Developed Country
LGBT	Lesbian, Gay, Bisexual and Transgender
LSP	Legal Sector Programme

M&E	Monitoring and Evaluation
MIC	Middle Income Country
MTE	Mid-Term Evaluation
MW	Megawatt
OECD	Organisation for Economic Cooperation and Development
PFM	Public Finance Management
RAA	Royal Audit Authority
RCSC	Royal Civil Service Commission
RGoB	Royal Government of Bhutan
RITH	Royal Institute for Tourism and Hospitality
RTM	Round Table Meeting
SDC	Swiss Agency for Development and Cooperation
ToC	Theory of Change
ToR	Terms of Reference
UN	United Nations
WGA	Whole-of-Government Approach

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Executive Summary

The Austrian Development Agency (ADA) commissioned an external mid-term evaluation of its Bhutan Country Strategy 2015-2018 with the aim to

- assess the performance of the interventions;
- assess the potential consequences of a phasing-over at the end of 2018; and
- explore the potential design and focus of a new Country Strategy.

The findings, conclusions and recommendations put forward in this review report are based on interviews with the stakeholders, workshops, an online survey, the review of documents as well as four case studies.

Performance: The CS implementation is rated "satisfactory" as an average of the five evaluation criteria:

Dimension	Comments	Rating
Relevance	• Alignment with Bhutan national development priorities, beneficiary needs, ADC development priorities as well as Sustainable Development Goals all confirmed in interviews, survey and document review.	Very satisfactory
Effectiveness	• Results matrix indicators show positive results • Achievements confirmed in interviews, survey and case study on legal sector programme • Plan to "create employment and additional income in three eastern districts" not realised	Very satisfactory
Efficiency	• Budget disbursement on track • Quality, timeliness of activities and outputs highlighted • Portfolio management unsatisfactory, as portfolio fragmented over time with several sub-sectors	Satisfactory
Impact	• Survey respondents believe that interventions improved lives of Bhutanese citizens • Results matrix indicators / 11th FYP indicators not available as of yet for conclusive assessment	Satisfactory
Sustainability	• Sustainability confirmed in interviews and survey, but also repeated requests for further/continue assistance • *Potentially* some financial sustainability issues in RAA and energy / environment areas	Satisfactory

Scale: very satisfactory, satisfactory, unsatisfactory, very unsatisfactory

Potential consequences: Assessing the potential consequences in light of principles stipulated in strategic documents, the likelihood that the consequences occur, and impact on poverty reduction, the evaluation team concludes that for Bhutan these consequences are mainly a (potential) funding gap as well as a reduced access to outside

expertise and input. On the Austrian side, the consequences for its aid effectiveness matter most.

Potential design and focus: To assess potential intervention areas for a new Country Strategy, four criteria were applied: poverty reduction potential, alignment with substantive or thematic priorities, intervention time needed and estimated effectiveness. Based on these criteria, ADC should start thoroughly analysing interventions in the area of governance and at the nexus of energy and environmental safety. From a relevance perspective, ADC may also want to revisit its decision to withdraw from the tourism area, because of its importance for Bhutan's economic and private sector development.

Recommendations: In light of these findings and conclusions the mid-term evaluation formulates the following recommendations, which were discussed with project stakeholders:

Short-term recommendations (before decision regarding phasing-out is made):

1. Maintain focus on achieving results of current portfolio until December 2018; refrain from launching new interventions.
2. Initiate *minimal* preparation for phasing-out *and* continuation.
3. Improve the current results matrix to better report on results by the end of the CS

Long-term recommendations (after decision is made):

4. Explore the opportunity and feasibility to support interventions in tourism in rural areas, at the nexus of energy and environment as well as governance with a focus on vulnerable groups for a potential next phase.
5. Develop guidance regarding disengagement and exit strategies by capitalising on previous experiences, defining criteria, indicators and process for disengagement.
6. Formalise transition towards relations beyond development assistance.
7. Continue to further conceptualise and operationalise the Whole-of-Government approach.

***

1. Background

For more than 25 years Austria and Bhutan have been engaged in a development partnership. The current cooperation framework is laid out in the *Bhutan Country Strategy 2015-2018 (CS)* which intends to continue and consolidate Austria's past engagement in the areas of energy, tourism and governance. The current CS was designed to facilitate a gradual withdrawal of the engagement of the Austrian Development Cooperation (ADC) with a *"well-structured … phasing over of bilateral development cooperation for the remaining years (2017-2018)"*. However, ADC now believes the current country context suggests that continued engagement beyond 2018 may be required.

Against this background the Austrian Development Agency (ADA) commissioned B,S,S. Economic Consultants to carry out a mid-term evaluation. This report contains the findings, conclusions and recommendations of the evaluation. Chapter 1 provides background information and explains the purpose as well as the scope of the evaluation. Chapter 2 summarises the approach and methods applied to respond to the evaluation questions. Chapter 3 provides the country strategy's reconstructed theory of change. Building up on the findings on the CS's relevance, effectiveness, efficiency and sustainability in Chapter 4, we discuss the potential consequences of a phasing out of development assistance in Chapter 5 and in Chapter 6 the design focus in a potential future phase. The conclusions, lessons learned and recommendations in Chapters 7-8 shall assist the Austrian Development Cooperation (ADC) in the decision regarding and design of a continued development assistance to Bhutan. Annexes provide additional supporting information.

1.1. Country Context

Bhutan is currently classified as a Least Developed Country (LDC). Graduation from this status depends on three criteria, as defined by the United Nations Committee for Development Policy:[1]

Table 1: LDC graduation criteria

Criteria	**Threshold**	**Bhutan** (2015 review)
Gross National Income per capita	Min. $1,242	$2,277
Human Assets Index	Min. 66	67.9
Economic Vulnerability Index (EVI)	Max. 32	40.2

[1] www.un.org/development/desa/dpad/least-developed-country-category/ldc-graduation.html

Bhutan does not pass the EVI threshold but it is debatable to what degree this criterion is able to capture Bhutan's specific challenges (see below).[2] Other ratings such as the Human Development Index (HDI) or the World Bank's income classification already place Bhutan in their "medium" category. Both HDI and income levels have risen steadily over the last few years,[3] even though GDP growth (2016: 6.2%) has fallen short of the 12% projection set out in Bhutan's 11th Five-Year Plan for the period 2013-2018. Another ambitious target that looks unlikely to be achieved is the proportion of government revenues raised domestically: In 2015, this proportion stood at 60%, far below the target level of 85% and below the 2012 value of 65%.[4]

There is no current data on income poverty and multi-dimensional poverty in Bhutan available (the last estimates indicated a strong downward trend between 2007 and 2012).[5] Employment figures show that unemployment overall is very low (2015: 2.5%) but that youth unemployment is a challenge (2015: 10.7%).[6] There is a rapidly increasing number of young jobseekers; during the 2013-2018 plan period 140'000[7] youth are estimated to enter the job market. The government's plan to create 82'000 new jobs during this period remains a formidable task and the government recognises this challenge. The Economic Development Policy 2017 was specifically developed and launched towards this end.

Bhutan's low economic diversification presents risks.[8] Electricity continues to remain the main driver of the economy; the sector generates 20% of government revenue. When the eight ongoing hydropower plant projects are completed, they will generate an additional 5178 MW of power (current production: 1614 MW). These projects have the potential to significantly increase revenue but also entail the risk of deepening the dependency on Bhutan's most important trading partner, India. Moreover, scientists forecast a much-reduced rainfall in future decades, due to climate change. This has led

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[2] The EVI is composed of eight indicators, four of which Bhutan fails. Two of those cannot be influenced (remoteness and small population); the other two capture the extent of natural disasters and instability of agricultural production. *Note*: Bhutan misses the „income only" graduation threshold of $2,484 (at this level, graduation is granted even if other criteria are not met).

[3] Human Development Report 2016, United Nations Development Programme, and https://data.worldbank.org/country/bhutan.

[4] Annual Budget Report 2013 – 2017, Ministry of Finance, Royal Government of Bhutan

[5] Bhutan Multidimensional Poverty Index 2012, National Statistics Bureau, 2014.

[6] 11th Five-Year Plan (2013-2018) Midterm Review Report 2016 GNH Commission, Royal Government of Bhutan

[7] 11th Five-Year Plan 2013-2018 Volume I and Volume II Program Profile. *Note*: This estimate seems very high considering that the population grows by approximatively 10,000 persons a year (https://data.worldbank.org/country/bhutan), but there is arguably a challenge to generate enough jobs.

[8] See, for instance, IMF Country Report No. 14/179 Bhutan, International Monetary Fund, July 2017; National Adaptation Plan Bhutan, RGoB National Environment Commission, September 2015.

Bhutan to enact in 2011 the Renewable Energy Policy which aims to strengthen alternative sources of energy. Tourism (current contribution to total government revenue: approx. 4%) has the potential to increase economic diversification and generate substantial employment opportunities (unlike the energy sector). Whereas the number of regional tourist has risen significantly in the past years, those of international tourists have largely remained unchanged. Efforts have been made to strengthen and diversify tourism, mainly to reduce seasonality, e.g. by opening new circuits including protected areas, but the fruits of these efforts have yet to be reaped. Another challenge is that tourism is not spread evenly across the county but mostly concentrated in the west.

Bhutan is a young democracy. The Bertelsmann Foundation Transformation Index (BTI) 2016 assessed that democratic consolidation has proceeded steadily and the legitimacy of democratic institutions and practices is becoming progressively established.[9,10] Issues remain the poor representation of women (as of 2017, there are only six women with a seat in parliament and 157 elected office holders in various Local Governments), and declining voter turnouts.

1.2. Country Strategy

Country strategies provide the framework for all interventions in a given country and period by defining the objective and outlining the intervention areas, cross-cutting themes and set-up of the development partnership. The CS Bhutan 2015-18 was designed with the experience of the CS 2010-13, the recommendations of its midterm evaluation, as well as Bhutan's 11th FYP in mind.

In the period 2015-18, Austria's assistance intends to contribute to Bhutan's efforts towards self-reliance, inclusive green socio-economic development and graduation from the Least Developed Country (LDC) status by 2020. Its overall objective is to achieve the following outcome: "*Bhutanese stakeholders command individual and institutional capacities as well as financial resources to achieve selected sector outcomes within the framework of the 11th FYP aiming at sustainable and equitable socio-economic development, preservation of the environment and good governance.*"

The sector outcomes of the 11th FYP chosen by ADC are in turn described in the country strategy. ADC contributes to the development of the energy, tourism and governance sectors (see Table 2).

[9] BTI (2016)

[10] Another index to measure democracy, the Economist Intelligence Unit's Democracy Index, places scores Bhutan is in the "hybrid regime" category (with roughly 4.9 of 10 scores).

Table 2: Country strategy sector main focus

Sector	Focus*	# Projects**	Budget***
Energy	• Support the use of energy efficient technologies, processes, products and standards • Support the establishment of river specific minimum environmental flows • Contribute to further enhance institutional and human capacity in the sector	6 projects	€ 7.4m
Tourism	• Further enhance and strengthen the quality of vocational education and training • Develop tourism human resources and to create employment and additional income in three eastern districts	4 projects	€ 6.1m
Governance	• Support strengthened efficiency and effective in governance • Increase legal awareness by promoting legal literacy and education • Provide legal assistance • Facilitate fair and alternative conflict resolution and legal redress	5 projects	€ 5.0m

*Notes: * As per CS, pages 5-6. **/* Sources: "Budgetlinienauswertung Bhutan"; "Landesauswertung Bhutan"; ACO data; own calculations. Budget includes funds projects that started pre-2013 but were completed during current CS.*

Also within the scope of the CS fall assistance to multilateral and regional initiatives, such as contributions to a multi-donor trust fund in the public finance management area (budget: € 1m for the period 2015-2021) or Austria's contribution to the International Centre for Integrated Mountain Development (ICIMOD) in the amount of € 5.2m for the period 2013-2020; businesses partnerships; as well as interventions of various Austrian public and private institutions, including the academia through research programmes and scholarships. Finally, the ADC financed some two dozen small scale projects with an approximate budget of € 200'000; these projects, contributing to the three focus areas, range from research on gender/LGBT issues and vocational education for youth with disabilities to contributions to an economic affairs mission to Austria and training for metal workers to produce fuel efficient stoves.

The design and approval process of the CS lasted over a period of one and a half years with feedback rounds between ADC and the Gross National Happiness Commission (GNHC).

1.3. Purpose

The purpose of the mid-term evaluation is determined by the Terms of Reference (ToR, see Annex 1) of the assignment and the clarifications provided during the preliminary meetings with the evaluation unit and the reference group. The objective is to:

- assess the performance of the current CS implementation and propose actionable recommendations for the remaining period;
- assess the potential consequences of a phasing-over at the end of 2018 as indicated in the current CS and examine the added value for Bhutan of a continuation of the ADC presence/engagement in Bhutan until 2023; and
- explore the potential design and focus of a new Country Strategy beyond 2018.

Additionally, the evaluation shall identify good practices and innovative approaches in the three CS sectors and generate learning regarding the newly instituted "Whole-of-Government" approach as well as the strategy's theory of change to generate learning beyond this CS.

1.4. Scope

The evaluation covers the period after the formal adoption of the CS in 2015, but also the implementation in 2013 and 2014 following the end of the previous ADC Bhutan Country Strategy 2010-2013; these two years were already oriented towards the new CS. The evaluation covers the three CS sectors energy, tourism and governance and – specifically – the performance of the three complementary instruments on "economic cooperation", "science and research" and "cooperation with civil society organisations" as part of the so-called small project portfolio.

2. Methods

The designated purpose of the evaluation, the methodological framework for evaluating development co-operation[11] and the evaluation questions (see Annex 4) determined the approach and the methods applied in the evaluation. The evaluation questions were prioritised based on their contribution to the main purposes of the evaluation.[12]

Various methods, shortly summarised below[13], were applied; such a multi-method, multi-source approach allows scrutinising findings from different angles and thereby leads to more robust and valid findings. Both approach and methods were discussed with the reference group and formally approved by the ADA Evaluation Unit on 28 July 2017.

Document review: We undertook a comprehensive review of various CS documents and other background papers that ADC provided to the evaluators.[14] GNHC reports, Austrian Coordination Office (ACO) semi-annual reports, project documents were consulted to collect relevant monitoring and evaluation data. The most important other literature that was consulted in the context of this evaluation are listed in Annex 8. Pertinent qualitative information was summarised and referenced; quantitative data was processed (descriptive statistics) to calculate the key figures displayed in the report.

Online survey: Based on a stakeholder analysis and a contact list provided by ADC, 196 participants were identified and invited to an online survey.[15] Within the three-week period 78 participants responded (39 Bhutanese participants, 29 Austrian participants, 7 participating development partners); this is equivalent to a response rate of 42%. The results of the survey were qualitatively and quantitatively assessed and are presented according to six stakeholder groups (Bhutanese public sector, Bhutanese private sector; Austrian public sector, Austrian private sector; Development Partners; Others) and the three sectors (energy, tourism, governance).[16]

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[11] OECD (2010)

[12] Consequently, responses to evaluation questions of secondary priority received less attention in the evaluation.

[13] Additional information is contained in Annex 2.

[14] Background documents pertaining to (i) the 11th Five-Year-Plan (FYP), (ii) the 13th RTM background papers, (iii) the 12th FYP formulation documents, (iv) Bhutan's graduation document, (v) background documents related to the Austrian aid policy and CS have been retrieved and reviewed.

[15] ACO provided a list of 227 emails. After deliberation with the ADA Statistics and Evaluation Unit we have dropped the email addresses of persons a) who had "No/barely" work relationship with the ACO (as rated by ACO), b) with a finance / administrative / communication role, c) no longer working in the role resp. are new to the role. Finally, 16 participants were dropped to reduce the number of contacts in hydropower safety, Nepal Earthquake and Small Project Fund. 196 persons were invited.

[16] Austrian public: Political roles, government and judiciary functions (including private institutions attached to Ministries (e.g. ADA to Foreign Ministry, OeAD to Ministry of Science), excluding academia); Austrian private: Private sector, academia and civil society; Bhutanese public: Political roles,

Interviews: In addition, a total of 42 semi-structured interviews were carried out in Austria, Bhutan and India (New Delhi) with more than 60 key informants participating, including in three focus group discussions. Most of these interviews were conducted face-to-face during the country visit to Bhutan from 15-25 August 2017. To incorporate as many opinions as possible and to eliminate eventual distortions, we interviewed a variety of stakeholders.[17] Annex 6 and Annex 7 provide detailed information regarding the interviews. The interview data was summarised and (partly) enumerated; opinions held by several interviewees were given priority.

Case studies: Four case studies, including one comparison study, were defined in coordination with ADC, each of which covers one of the sectors. The case studies illustrate whether and how the CS achieved or did not achieve the expected results, and how the ToC elements are put into practice. The comparison study provides information on the "counterfactual situation", i.e. the situation attained without the Austrian intervention.

Theory of change analysis: Considerable effort was invested into reconstructing and articulating the theory of change. Following Mayne (2015)[18] we reconstructed the CS theory of change based on a *behaviour change model.* We opted for this approach because several of the interventions[19] under the CS have a capacity and institution building focus. The theory of change was validated by the reference group and fine-tuned upon its feedback.

Validation / participation: We triangulated the responses, information and data stemming from various sources and methodological approaches. This included collecting and analysing data and contrasting them with the qualitative information received. Briefing meetings with ADA's evaluation unit and the reference group upon commencement of the assignment, a presentation of the inception report, a consultative workshop in Thimphu and corresponding follow up with Bhutanese stakeholders as well as repeat feedback loops on the evaluation report exemplify that we gave due care to ensure that the evaluation is participatory and inclusive.

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government and judiciary functions (including state owned enterprises, excluding academia); Bhutanese private: Private sector, academia and civil society; Development partner: other bi- and multilateral partners operating in the country; Others: All others.

[17] This includes representatives of Austria and Bhutan from the public and private sectors, the civil society and the academia as well as beneficiaries of the interventions.

[18] John Mayne, "Useful Theory of Change Models", Canadian Journal of Program Evaluation 30(2): 119-142, 2015 and "The COM-B Theory of Change Model," 2016.

We are pleased to have had the opportunity to discuss the reconstruction of the ToC with John Mayne and take the opportunity to thank him for his valuable inputs.

[19] The term "intervention" refers to projects and programmes implemented in the context of the CS.

Reporting: In the last work step, we processed and interpreted the findings to deliver the draft evaluation report. Feedback received from the reference group and from the participants at a presentation of the draft report in Vienna on 24 October 2017 was reflected in the final report. The report adheres to ADA's standard report format.

3. Theory of Change

A theory of change (ToC) is a means to understand how an intervention is expected to lead to desired results by showing the sequencing and hierarchy of development results and their causal pathway (links from activities, outputs and outcomes to impact). No explicit ToC was formulated during the design process of the CS. Thus, the ToR of the evaluation set out the task to "reconstruct" and make explicit the underlying ToC for reasons of transparency and organisational learning.

We use the COM-B ToC model developed by John Mayne[20], which puts behaviour change at the centre of ToC. It argues, based on insights from social science research (see Annex 3), that behaviour change will lead to intermediate outcomes (*practice changes*), outcomes (the *direct benefits*) and impact (the *improved wellbeing*). The model further argues that to change behaviour, one needs to deliver appropriate outputs (the *goods and services*) to those stakeholders who can actually use the new capacities and are willing and able to act.

One of the key considerations for using this model is that several ADC interventions in Bhutan have a capacity building focus that aim to bring about a *change in practices* of individuals or institutions.[21] The focus on individual and institutional capacity building is reflective of the national executing setting and the CS outcome statement: "*Bhutanese stakeholders command individual and institutional capacities as well as financial resources to achieve selected sector outcomes within the framework of the 11th FYP …*".[22]

Figure 1 is the reconstructed ToC for the *CS Bhutan 2015-2018*, showing the three pathways to impact (one for each of the supported sectors). The figure *illustrates* the outputs delivered for each sector as well as the resulting expected practice changes and direct benefits.

The excurses below explains the key concepts of the model in more detail, using the tourism sector as an example. Additional methodological background and graphical representations – including of all three sector ToCs – can be found in Annex 3.

[20] Mayne (2016)

[21] This includes infrastructure investments that – apart from being physical outputs – are a means to enable capacity building or to create an environment for better performance of assigned tasks. An example is the reconstruction of courts which aim to, *inter alia*, improve performance of the judiciary.

[22] It is also inspired by the notion of mainstreaming "work-based-learning" into the interventions as well as the previous CS mid-term evaluation which recommended investing more in institution building.

The elements of the ToC explained: Tourism sector

The pathway in Figure 2 shows the expectation that outputs in the tourism sector lead to a number of *practice changes* in the sector: enhanced services to tourists, tourism plans being implemented and increased adoption of eco-tourism practices. These practice changes are expected to result in a number of *direct benefits*, including increased jobs and income, sustainable tourism and increased public revenue, which in turn contribute to the country wellbeing. These pathways of development results will not happen on their own; the ToC's role is to model just how these various changes will be brought about.

Getting to Outputs

ADC's interventions in this sector cover different *"goods and services"*, including infrastructure support for the RITH and the training hotel, vocational training in these institutions as well as technical assistance to create sustainable tourism opportunities in rural areas of Bhutan.

Getting from Outputs to Practice Change

These three types of outputs interact and support each other to build capacities of different actors ranging from public officials and private sector representatives to tourism and hospitality students as well as the rural population. Vocational education at the RITH, for instance, equips students with a real interest in working in the tourism sector, with knowledge and skills that enable them to deliver high quality services in the tourism and hospitality industry. But to get to the desired enhanced eco-tourism service delivery, more is needed, namely opportunities for new eco-sites to be developed, compatible motivation by the actors involved, and the capital for the development (the *practice change assumptions*).

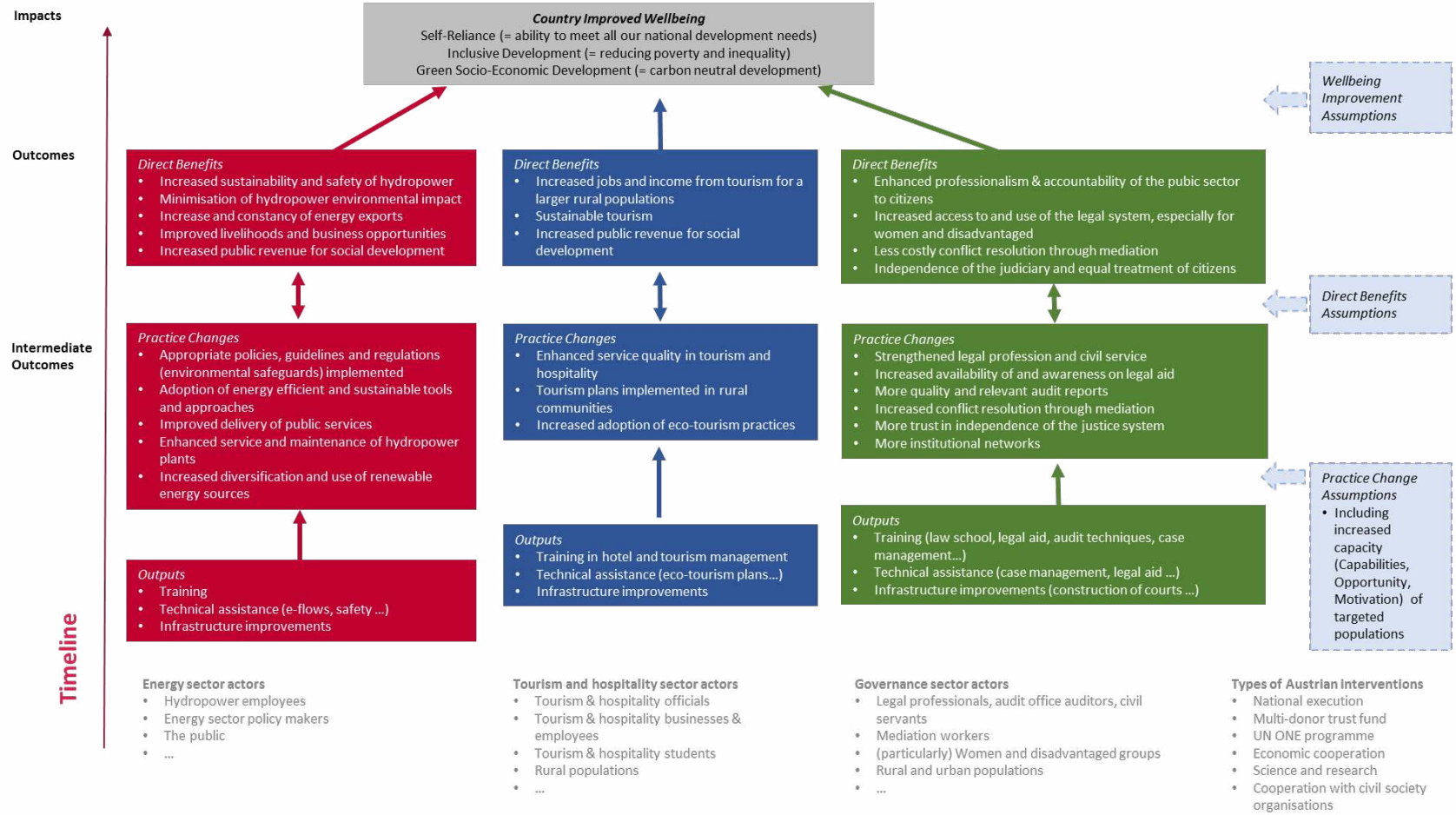
Getting from practice Change to Direct Benefits

Over time, because of improved quality, tourists will be spending more money in Bhutan because of longer and/or more frequent stays. As demand by tourists grows, more business and employment opportunities will emerge, contributing to a better economy and eventually better lives of Bhutanese citizens. But for this to happen, a number of conditions (the *direct benefit assumptions*) have to be fulfilled: Attractive sites have to be developed, seasonality needs to be managed well and tourism businesses need to be profitable. And if tourism shall improve social development of *all* citizens – other than only generating direct income for business owners and employees – then effective, transparent and distributional tax systems and policies need to be place so that revenue that is generated by tourism is utilised accordingly. Without this, tourism may not yield the livelihood improvements that the CS interventions aim for.

Note that also shown in Figure 2 are the various actors involved in the sector. A further development of useful sector ToCs could be the building of actor-based ToCs – ToCs for each type of actors to show more specifically how the various intervention activities were intended to affect these different actors.

Three elements of the ToC were selected for further inspection in this evaluation (case studies 1-3). The case studies provide insights whether the theory could be translated into practice. Nonetheless, they cannot replace a full ToC analysis (testing all causal links and assumptions) that is beyond the remit of the evaluation.

Figure 1: Theory of change – ADC Bhutan CS 2015-2018



Case Study 1: Tourism sector (*focus: ToC reach assumption*)

An essential assumption in the ToC is the so-called "reach", namely that the "right" individuals and institutions received goods and services (for instance, training) and they react positively to it. To test the "reach" we look at the selection mechanism of tourism and hospitality students, their enthusiasm and motivation during their studies, and their willingness to enter, stay and professionally develop in the industry. To this end we interviewed a group of current (1) and former (4) students of the RITH.

The RITH, jointly funded by Austria and Bhutan, was established as a regional vocational training institute. In addition to a two-year diploma in tourism and hospitality, it offers the Bhutan Middle Management Hotel Program to existing service personnel. The diploma is accredited with joint certification by a tourism school in Salzburg in Austria and RITH. The five young people we interviewed live and work in Thimphu and represent the first, second and third batch of RITH students.

The four former students pursued different plans for their studies. Amidst rising youth unemployment they applied for any next opening, whilst the current student chose the RITH on purpose, following the example of a sibling. The offer of a full scholarship for studies in tourism and hospitality at the RITH was an attractive opportunity that over 300 applicants competed for. Our interviewees were among the 50-odd applicants who were successful in the multi-step open competition that includes a written test and an interview with a selection panel.

All five spoke highly of their time at the RITH; the faculty, the curriculum and the opportunities it offered met their expectations. The four graduates believe that their advanced knowledge and skills, reinforced by their experiences from internship in almost all departments of high-end hotels, prepared them for middle-management roles in their current places of work. In fact, they are all are employed and their professional background has allowed them to take up roles such as senior tour guides, training instructor or mid-level managers. They believe they play a role in infusing good practices in raising the quality and imparting on-the-job training to colleagues. Most of them aspire to enhance their knowledge and skills including pursuit of tertiary education.

They believe that RITH graduates are today increasingly sought after by the tourism and hospitality industry for their international standards of training, accreditation and joint certification. At the same time the interviewees stated that their monthly pay does, it at all, only marginally exceed the pay of co-workers without RITH degrees. One stated to receive pay below the minimum wage level, similarly as the colleagues without comparable degree. In fact, data of the RITH suggests that virtually all of the graduates find jobs; whilst this may indeed be caused by the quality of the graduates, it can also mean that there is simply excess demand for workers in the industry.[23]

Nonetheless, the interviews suggest that the student intake process and the ensuing training at the RITH equipped the graduates to enter and professionally grow in the industry; this signifies that the "reach" assumptions in the theory of change are met.

Note: The interviewees were suggested by the RITH. We are mindful that a "selection bias" might have influenced some of the answers; however, the students did not perceive their experience as different from the experience of their peers.

[23] Our enquiry at another training institute, the Bhutan International School of Hospitality and Tourism in Thimphu, shows that this institute also achieves a 100 % employment rate of its graduates. This was also confirmed in a casual interview with a manager of a large hotel in Thimphu. Even though the RITH degree may not enhance *per se* the employability of RITH graduates it emanates from the five interviewees that once in employment, they believed to have advanced their career more than their co-workers. This could mean that education at the RITH provides the necessary knowledge and skills to develop professionally more quickly. However, more research would be required to make a conclusive statement in this regard.

4. Evaluation Findings

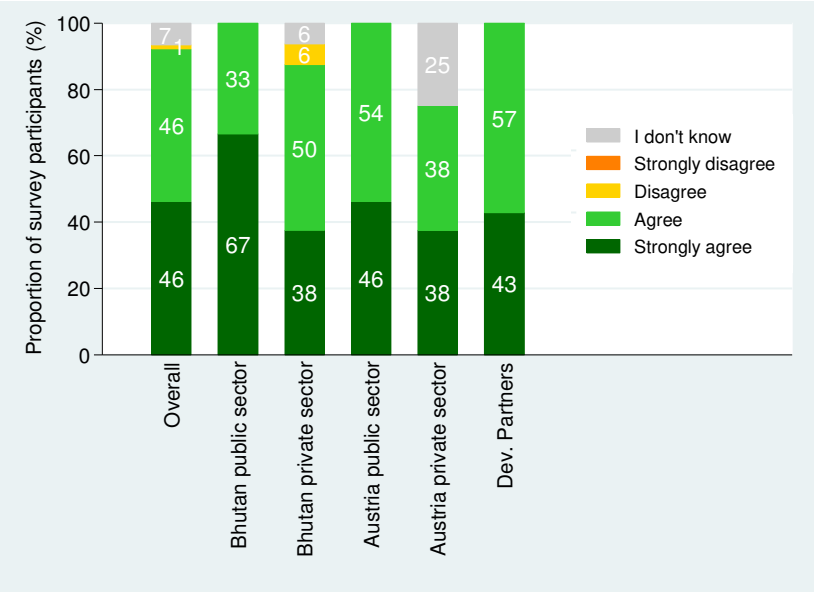
In the following sections, we present and interpret the information and data collected in relation to the evaluation questions.

4.1. Relevance

Relevance relates primarily to the question whether the CS – and the interventions financed under the CS – is suited to the priorities and policies of the recipients as well as the ADC.

Alignment with national development priorities: The results of the survey show that the vast majority of the respondents is of the opinion that the CS responds to the *"priorities"* of Bhutan's government. This result does not come as a surprise since the interventions derive from and are thus interlinked with development areas of the 10th and 11th Five-Year-Plans. Indeed, in the interviews the respondents frequently stated that in all sectors care has been taken to ensure that ADC interventions contribute to achieving the national development objectives. Given the relevance of tourism for Bhutan's development the premature phase-out of interventions in the tourism sector is questionable (at least in principle).

Figure 2: Relevance – Bhutan government priorities (survey result)

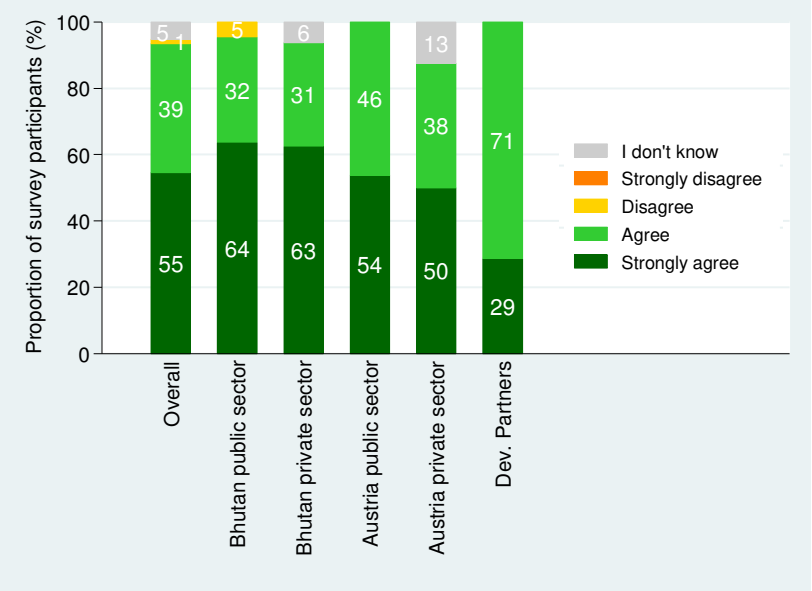


Survey question: Do you agree with the following statement? "The overall Country Strategy and its programmes and projects are in line with the Bhutanese government's priorities."

Number of responses per group, in above order: 77, 22, 16, 13, 16, 7.

Response to beneficiary needs and priorities: More than half of the survey respondents strongly agree that the overall CS and projects are relevant to the needs and priorities of the beneficiaries. This is particularly the case as regards the interventions in the energy sector; more than 60% of the sector stakeholders strongly agree. Interventions that directly relate to beneficiaries, such as the rural electrification programme, but also the legal aid or gender based violence work under the governance portfolio, were recurrently mentioned in interviews as being particularly relevant for the Bhutanese society.

Figure 3: Relevance – Beneficiary needs and priorities (survey result)



Survey question: "The overall Country Strategy and its programmes and projects are relevant to the needs and priorities of the beneficiaries."

Number of responses per group, in above order: 76, 22, 15, 13, 16, 7.

Alignment with ADC development priorities: ADC's Three-Year Programme 2016-2018 (see ADC 2016) features four broadly formulated "substantive priorities"[24]. All three sectors that are pursued in the CS consolidate Austria's earlier engagement in Bhutan and fall within the remit of the substantive priorities, though the nexus is less explicit regarding tourism – an area that ADC attends to in no other partner country than Bhutan.

As far as the complementary instruments are concerned the results are mixed: Academic *exchange and scientific collaboration* has taken place in the context of research, scholarships and exchange programmes or institutional linkages such as between the

[24] These "substantive priorities" are: Education; ensuring peace and human security, human rights and migration; Water, energy, food security; private sector & development.

Law Faculty in Vienna and the JSW Law School. There has been some collaboration with *civil society organisations* in the governance portfolio[25]; hardly any Austrian CSO has been involved in the CS delivery however.[26] The *business partnerships* are still at infant stages, experience delays and impediments and have yet hard-to-measure benefits. As of yet, around 10% of the committed funds for business partnerships were spent.

Alignment with Sustainable Development Goals: ADC mapped its current interventions to the recently adopted SDG. A review of the mapping allows for the conclusion that all the interventions under the CS are reasonably linked with the SDG. In addition, the survey participants confirm this link.

Value added: Austria's long-term engagement in Bhutan, the focus on a few thematic areas where Austria is perceived to have comparative advantages e.g. in the hydropower and tourism sectors and the channelling of its aid primarily via the "national execution" modality were frequently invoked as value adding elements.

Excursus: ACO in Thimphu

Value addition also derives from the operation of an ACO in Thimphu. More concretely, the survey participants observe benefits of a local presence in terms of (listed according to frequency of statement):

- Cooperation (liaising, communicating, networking, relationships): 19 statements
- Understanding (context knowledge, needs identification, design): 13
- Effectiveness (results, implementation): 10
- Monitoring (quality assurance): 6
- Coordination (contacts with stakeholders, development partners): 2

Given that the ACO is the only remaining in-country presence of a European Union member state Austria's engagement in Bhutan carries a specific "European" dimension. This allows the ACO to provide first-hand information for EU institutions, facilitate country visits of European representatives to Bhutan or lend otherwise support on an at-request-basis. Besides, the ACO assumes consular functions on behalf of the EU, specifically in cases of emergencies. Even though Austria's nominal foreign aid contribution remains in the one-digit figures (approximately 1% of the total 11th FYP capital outlay) ADC's profile was raised over the past years, not least because other bilateral development partners phased out their assistance.

[25] This excludes the Austria-Denmark Joint Support Programme for Civil Society in Bhutan which ADC co-financed with an amount of € 400'000 (equivalent to ~5% of the total budget).

[26] Several reasons may explain this: there are entry barriers for foreign non-governmental actors to operate in Bhutan (e.g. requirement for foreign organisations to have a government agency to act as technical collaborator as a prerequisite for accreditation); there have been no NGO specific grants or tenders by ADA for which Austrian NGO could have applied.

4.2. Effectiveness

4.2.1. Results achievement

Effectiveness is a measure of the extent to which the CS achieved or is likely to achieve its objectives. In accordance with the ToR we assess the CS against the results matrix by comparing the respective baselines and target values with the results that were achieved by August 2017. We then examine the three thematic areas thereby referring to feedback we received from the online survey, interviews and own observations.

Assessment against results matrix: The results matrix of the CS contains 14 indicators that cover the energy, tourism and governance sectors. Table 3 shows how much of their target values have been achieved hitherto. This progress is compared to how much of the duration of a particular project linked to an indicator has passed. The table shows that the ratio of target to duration progress is close to or above one for 80% of the indicators for which data is available; thus indicating on par resp. above plan results achievement for those indicators.[27] Annex 5 shows absolute baseline and target values and the level of achievement as of August 2017.

However, in our view several factors constrain the informative value of the results matrix: Most of the indicators relate to outputs, which we deem inadequate to assess the performance of a country strategy.[28] This is even more the case considering the intended focus of the sectors, as shown in Table 2 above.

The decision to use project based indicators lead to follow-up difficulties: Not all key interventions are contained in the results matrix (examples are the Royal Audit Authority (RAA), the Royal Civil Service Commission (RCSC) and the Public Finance Management (PFM) projects, the regional ICIMOD programme or projects in the area of forest preservation and rural livelihoods) and that there are missing baselines and/or target values for some of the indicators. This suggests that the results matrix was not updated to reflect interventions that were designed and launched during the CS implementation. On the impact level the CS refers generically to Bhutan's national key result areas and performance indicators that are stipulated in the 11th FYP, which reflects the aspiration to support the implementation of the 11th FYP. The absence of CS-related impact indicators, however, means that the impact assessment cannot be adequately tracked with national data – because the RGoB cannot report on the indicators as of yet

[27] This analysis is based on the assumption that target achievement is linear over the duration of a project, which might be true for some projects but not for others.

[28] To illustrate, take the indicator regarding the number of regional (*dzongkhag*) tourism development plans. Because 2.5 rather than the targeted 1 tourism development plans were elaborated, the target value has been achieved by 250 %. However, the indicator does not capture whether the plans provide policy guidance, to which extent the plans are implemented or how the respective regions benefitted from the plans.

– and is confined to estimating the contribution of Austria's support in achieving the indicators.

Table 3: Results matrix

Indicators	Duration	Target	Ratio	Comment
Energy				
# power sector employees specialised in hydro power and power systems	100%	71%	0.7	*more trainings in September 2017*
# policies and rules formulated and adopted	24%	50%	2.1	*2nd policy submitted to GNHC*
# of advocacy events on renewable energy and energy efficiency	24%	60%	2.5	*5 advocacy events thus far*
Rivers specific minimum environmental flow established	91%	100 %	1.1	*4 rivers covered*
Tourism				
# students graduated from the Institute and Employed	100%	n/a	n/a	*no target value, 224 employed students thus far (95%)*
# rural communities benefitting from eco-tourism	100%	n/a	n/a	*no target, no status value*
# Dzongkhags with Tourism Development Plans	100%	250%	2.5	*more plans developed / reviewed than planned*
Governance				
% of general public aware of their rights and responsibilities	68%	n/a	n/a	*no target, no status value*
# Dzongkhags courts constructed and functional	100%	93%	0.9	*construction of 1 court ongoing*
Legal aid system established	80%	95%	1.2	*centre functional September 2017*
# people benefitting from legal aid per annum	80%	n/a	n/a	*no target, no status values*
# RIL faculties recruited and trained	68%	100%	1.5	*status September 2015*
Upgradation of Electronic Case Information System (CIS) to Case Management System (CMS)	68%	100%	1.5	*CIS/CMS implemented; note: target value unclear*
% of civil disputes resolved by mediators at local level	71%	n/a	n/a	*no status value*

Notes: Duration = time elapses since launch of the project; Target = intended progress (= target value – base line value): proportion achieved hitherto; Ratio = level of target achievement over project duration. The calculation of "ratio" assumes that the achievement of the respective targets is linear during project duration.

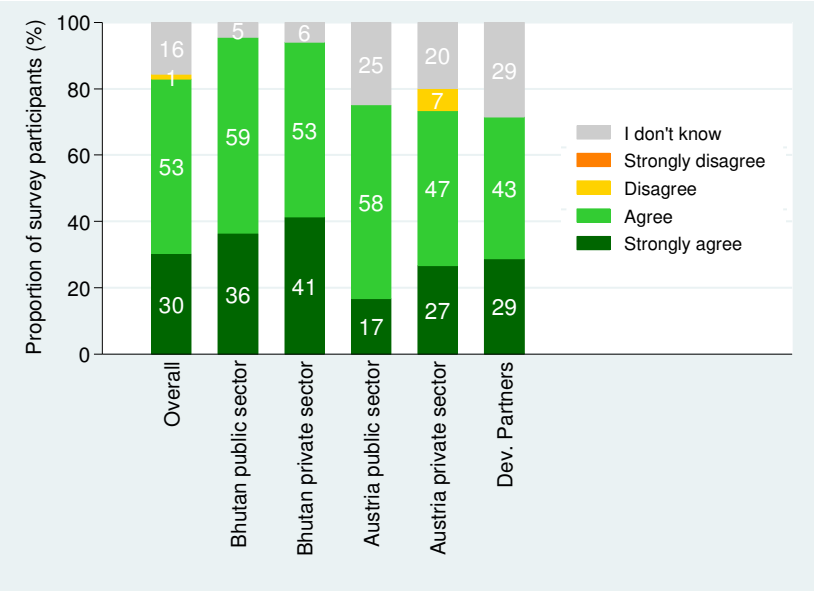
Scoring: green >= 1.0, orange < 1.0, white = n/a (not status value and/or no target value).

Example (see first indicator above): The training of power sector employees was conducted as part of the Capacity Development for the Bhutanese Department of Energy project, which was finalised in September 2016: 100% of the respective project duration has elapsed. The objective was to increase the number of power sector employees specialised in hydro power and power systems from 471 to 591, i.e. by 120. In August 2017, 85 have been trained (71 %). This results in a ratio of 0.7 (71% / 100%).

Due to the lack of a fully developed M&E system for the CS, the information gathered from other sources (survey, interviews, documents) are pivotal for the assessment of the result achievement.

Assessment by interviewees and survey participants: The results of the online survey show that most participants believe that the implementation of the CS was effective, with only few critical comments (see Figure 4). Asked about the reasons why the implementation of the programmes and projects was effective several respondents[29] stated that thorough planning, delineation of roles and responsibilities, support and oversight by the ACO contributed to effectiveness. Respondents also argued that the focus on capacity building and training were important factors contributing to effective delivery; these factors are discussed further below.

Figure 4: Effectiveness – output and outcome level (survey result)



Survey question: "Implementation of the programmes and projects was effective with respect to their results (output and outcome level)"

Number of responses per group, in above order 76, 22, 3, 14, 12, 10, 5, 7.

[29] Only respondents who "strongly agreed" or "strongly disagreed" with the survey question were asked to provide an explanatory note (no participant chose "strongly disagreed", however).

The survey results essentially correspond with the average scores that the ACO communicated in its biannual reports since the second half of 2015. Based on these ratings, the interventions were largely on track; the average value was 2 ("satisfactory") on a 1 "very satisfactory" to 4 "not satisfactory" scale, though variations exist with an average score of 1.3 in the governance sector and 2.6 regarding business partnerships and 2.9 ("unsatisfactory") in the tourism sector.[30]

Overall, the interviewees perceive that ADC support yielded results in all three areas; they specifically qualify the hydropower plants, the RITH and training hotel as "landmark" infrastructure that had substantial effects.

Results in the energy sector:

- *Capacity*: Both junior staff and senior level executives perceive improved standards, instruments and technical capacity, increased revenue, and awareness, expertise and confidence to take on challenging tasks.
- *Electrification:* Direct beneficial effects are also associated with Austria's contribution for the *electrification* of hundreds of rural households in particularly remote, environmentally sensitive and hard-to-reach high-altitude areas. According to Bhutanese authorities, Austria's support amounts to 6% of the total rural electrification cost, covering around 4% of all households.
- *Environmental standards:* Once approved, the standards and capacities regarding e-flows are believed to have major impact on strategic (policy) and operational (environmental impact assessment) levels.
- *Energy policy:* Policy dialogue has brought about some initial results e.g. regarding Bhutan's access to energy markets other than in India and in the context of e-flows (see above).

Results in the tourism sector:

- *Capacity*: The high employment rate of the RITH graduates is perceived as direct consequence of the RITH's quality of education, both of which improve the reputation of the institution. Further research would be required, however, whether the fact that RITH graduates find jobs easily is the result of the training or merely of surplus demand of the tourism industry.[31] High-level contacts and dialogue helped ensuring that construction of the training hotel could eventually be completed. Some critical voices emerged in terms of the governance

[30] *Note*: Calculation based on simple averages of the intervention ratings in the three semi-annual reports that were issued since January 2016; all intervention taken into consideration, notwithstanding the number of scores in the reports.

[31] As stated above, the Bhutan International School of Hospitality and Tourism in Thimphu also achieves a 100 % employment rate.

structures of the RITH, specifically that the directorate is constituted only of members of the civil service.

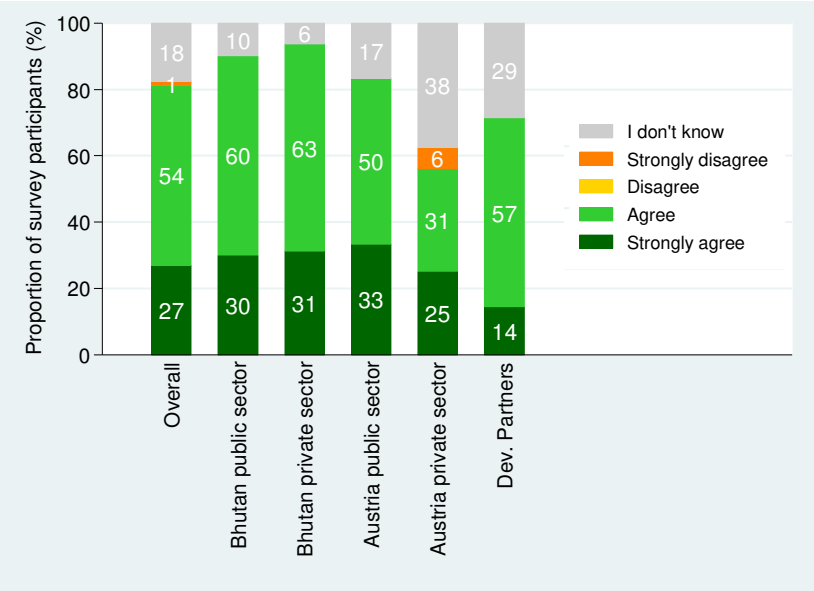
- *Tourism policy:* The interventions to modernise and reform tourism policy (in the period before 2015) – specifically the tourism strategy and the abandoned efforts to improve rural tourism – are considered less effective or (partially) failed.
- *Other:* Positive effects are associated with the restoration of monasteries.

Results in the governance sector:

- *Capacity (audit):* In the governance area, the RAA observes improved service quality and consistency of its audit reports, which extends to issues of gender responsive budgeting and planning as well as to audit techniques among auditors. The RAA also believes that that newly developed audit manuals and standards helped to reduce HR training cost for incoming staff.
- *Capacity (legal):* In the legal sector programme the opening of the JSW Law School is as much considered a milestone as the fact that much progress has been made in terms of legal aid provision. The case study on the "legal sector programme" below discusses in detail the perceived benefits regarding the independence of judiciary and performance of judicial staff that are associated with the new court buildings.
- *Capacity (civil service):* The new Performance Management System was tested and endorsed by all 62 agencies instead of 2 agencies as planned. It is yet too early to assess the effects of the new system but the RCSC secretariat believes that efficiency of the civil service body will be increased through clearer job descriptions and more nuanced performance assessment.
- *Gender policies:* It also emanates from the interviews that new "gender responsible budget planning" proceedings, referral mechanism in cases of domestic violence or the emergence of "champions" for vulnerable groups are considered to be proof of substantive policy dialogue outcomes. However, whether and to what extent the dialogue translates into tangible results, remains yet to be determined.

Even though there is only few quantitative evidence for the kind of results the interviewees are perceiving, there is wide consensus that Austria's support *"resulted in positive change in the lives of people"* as shown in Figure 5. The survey results clearly mirror the results of the stakeholder interviews despite some criticism.

Figure 5: Effectiveness – impact level (survey result)



Survey question: "The implementation of the programmes and projects resulted in positive change in the lives of people (women, men, girls, boys)"

Number of responses per group, in above order: 76, 20, 3, 14, 13, 10, 6, 7.

4.2.2. Contributing and hindering factors

Several findings relate to the *process* of the CS implementation and directly respond to the task to identify contributing and hindering factors for implementation.

In regards to contributing factors we find

- *Continuity:* Working with the same qualified Austrian experts was made possible because of the long-standing engagement of Austria. This continuity is practiced specifically in the energy sector. These experts can leverage their expertise with their rich experience in Bhutan and the profound working and personal relations that were established during the years.
- *Capacity building approach:* The attempt to mainstream "work-based-learning"[32], where capacity is built at the workplace, across the portfolio.
- *Institution building:* Similarly, supporting institution building (RITH, JSW Law School, BNLI are just a few cases) and policy level interventions are contributing factors.
- *Implementation management:* More generally, the *focus on specific sectors*, *thorough supervision* and an *engaging ACO team*, as mentioned above in the

[32] The term "work-based-learning" is understood broadly, encompassing different forms of formal, non-formal and informal arrangements in which students, trainees, staff etc. apply theoretic and technical skills in a "real" working environment.

report. *Note*: the initial focus on three sectors was somewhat lessened during the implementation.

In regards to hindering factors, following observations were made:

- *Implementation management:* Bhutanese stakeholders critiqued, for instance, the lengthy design processes of the energy efficiency and renewable energy project whereas Austrian stakeholders criticised that relevant Bhutanese stakeholders did not coordinate well. Repeat delays and an overall frustrating process of the tourism infrastructure project resulted in ADC's phase-out from the entire sector (*Note evaluation team*: The failure to fully translate the tourism circuit plans (and earlier tourism policy papers) as well as otherwise strained relations may have added to this situation). Despite its relevance and the longstanding collaboration, neither the Austrian nor the Bhutanese stakeholders seem to have much desire to re-engage in the tourism sector.
  Conversely, the Austrian stakeholders voiced some discontent with capacity and resource constraints of the Bhutanese counterpart staff.[33] They argued that poor project management services and deliverables by ministries and the GNHC consequently increase their workload. This includes, for instance, the need to revise project design documents or status reports. This situation is at odds with the 2013 external evaluation that argued that the ACO should "*withdraw from programme management"*.
- *Supervision:* In turn, some Bhutanese stakeholders complain about ADC's high level of project and programme supervision, which they deem to be a contradiction with the "national execution" modality based on which ADC should focus less on process but more on results. These respondents often mentioned that ADC should rather follow the "Danida approach", which focused on results rather than process. These challenges are important to discuss but – from an external view – seem to be solvable given the overwhelmingly good working relations.

However, the evaluation team also observes that the resources of the ACO are stretched thinly. Managing the Whole-of-Government approach (see below), playing the role of a coordination and communication hub, responding to requests of bilateral and multi-

[33] In a review published in May 2017 the World Bank Group equally observed that *"Bhutan has limited institutional capacity, including stretched counterpart staff resources, limited technical capacity, a complex organizational structure and weak interagency coordination"*. The review concludes that these *"could undermine [the country partnership strategy] implementation and project outcomes."* World Bank (2017)

lateral partners, organising missions and visits and dealing with an (ever more) expanding thematic sub-sector portfolio comes at a cost – even though the importance of each intervention on its own could be justified.

Case study 2: Legal Sector Programme (*focus: ToC practice change*)

The purpose of this case study is to test the hypothesis that infrastructure support is a means to create an environment for better performance of assigned tasks. This hypothesis is part of the programme document[34] and the reconstructed theory of change (see chapter 3). Concretely, the case study analyses the extent to which ADC support has made a difference by comparing the judicial performance of district courts in the Dagana and Tsirang *dzongkhags* that were newly constructed with ADC financing (treatment group) with that of district courts that did not or that received support from other sources (control group). The comparative study presupposes that the district courts are comparable, i.e. that no differences exist in terms of the complexity of cases or the competence of the judicial staff. It is important to note that the decision by ADC to build in Dagana and Tsirang was not related to the previous performance of these courts but was rather based on logistical considerations.

Quantitative analysis

For the quantitative assessment, data was collected from publicly available sources to calculate the courts' case disposition rates (days), clearance rate (%) and pendency (cases) in the period of 2014-2016 (the new courts in Dagana and Tsirang were inaugurated in 2015). The data analysis shows a high variability of all indicators during the observed three-year period. The results are inconclusive and do not allow supporting or falsifying the above referred hypotheses.

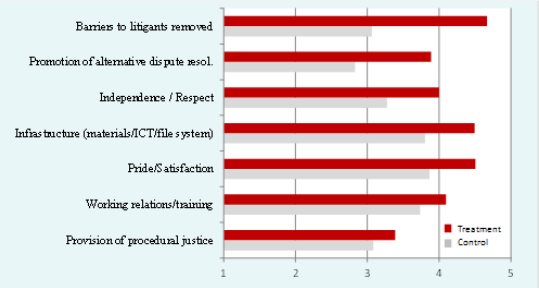
Qualitative analysis

For the qualitative assessment, a survey was conducted among judicial staff in all four district courts. In total 47 judges, bench clerks, registrars and other judicial staff took part in the survey. They were asked to respond to 15 items related to issues of personal job satisfaction, quality of judicial service and court independence. The responses to the items were condensed to seven indicators.

Figure 6 summarises the survey results of the seven indicators by displaying the *difference between the average scores of the "treatment" and the "control group"*. It shows that the respondents in the "treatment group" score higher on all indicators. The differences to the "control group" are marked as regards pride/satisfaction or infrastructure but particularly high with regard to the removal of barriers to litigants.

Overall, the survey results support the hypothesis that the construction of the new courts had positive effects on judicial performance.

Figure 6: Case study LSP (survey results): New courts perform better



Note: Order reflects difference between treatment and control group, in descending order. Scale: 1 - Not at all; 2 - Very little; 3 – Somewhat; 4 – Much; 5 – Very much
Number of survey participants: 47.

[34] The program document formulates the objective to *"… enhance access to an independent, competent and fair justice system … through improving physical access to courts in two districts and through developing capacities of human resources of main stakeholders in the legal sector …"*

4.2.3. Whole-of-Government approach

Austria follows a Whole-of-Government approach in the design and implementation of its development assistance. The new approach was introduced (also) in response to peer feedback of the Development Assistance Committee of the OECD in 2015. According to the CS, the approach shall *"improve networking and coordination"* with a view to spend ADC funds in a *"coherent, complementary, effective and efficient manner"*.

There are already early results of the new approach: Efforts have been undertaken to align the strategy and planning cycles of different Austrian actors (a case in point are the ADC and Austrian Development Bank) and to institute processes to ensure a participatory elaboration of country strategies ("10-Punkte-Plan"). As far as Bhutan is concerned, it also emanates from the document review and the interviews[35] that the ACO has invested much effort to put the approach into practice by coordinating, communicating with, facilitating and creating synergies among the interventions of different Austrian actors. Seen against the stretched resources mentioned above, this is a commendable effort.

Nonetheless, the evaluation shows that there is still some confusion and open questions regarding the approach. This does not come as a surprise, considering that the approach has been introduced only recently and that it needs time to become firmly anchored in the system. Key responses of the interviewees that can help remedying the confusion include:

- Lack of definition and purpose of the Whole-of-Government approach (what shall be achieved with the approach)
- Unclear practical implications in terms of roles, competences of the different Whole-of-Government actors (who does what for whom and with which resources)
- Inconsistencies regarding terminology or the actors (Whole-of-Government vs. Whole-of-Society)
- Unbalanced incentives to take part in Whole-of-Government approach (how can actors be motivated, influenced and incentivised to coordinate, specifically considering the different aid budget allocations of the actors)
- Insufficient reflection of the goals, targets, commitments of Whole-of-Government actors in monitoring and evaluation tools (e.g. in the results matrix of country strategies)

[35] The online-survey contained several questions regarding ADC's Whole-of-Government approach. Only few of the Austrian stakeholders responded to the respective questions. It is thus not possible to make use of the survey results.

- Insufficient awareness, training, resources explaining the approach (who needs to be made aware, why and how; personal vs. institutional awareness)

Implementing the Whole-of-Government approach induces administrative costs, for coordination and communication. Still, the interviewees appear to be appreciative of the approach that complements existing platforms for collaboration such as inter-ministerial committees or the Three-Year-Programme cycle; but they also caution that expectations should not be set too high to achieve "policy coherence" among all the development actors in Austria.

4.3. Cross-cutting themes

The CS aims to incorporate three cross-cutting themes:[36]

- Human rights, women's empowerment and (particularly) gender equality;
- Education and capacity development; as well as
- Environment and climate change.

Human rights, women's empowerment and gender equality: Gender issues are a core concern under the "governance" portfolio. Results were achieved with regard to e.g. procedures or standards (referral mechanisms, gender responsive budgeting and planning and auditing). For the other two sectors, a review of M&E data and reporting data shows that the CS stakeholders are mindful of the need for equal representation of women and men in the respective interventions and for transparent reporting in this regard. Overall, women accounted for around one-third of the participants to various training and capacity building activities (see Table 4). ADC does not define a minimum threshold for women participation.[37] Whether the respective trainings or policies etc. were gender responsive, was not assessed in this mid-term evaluation. ADC's interventions are not designed to expressly address human rights challenges directly but indirectly, e.g. by generally improving access to justice or by bringing issues to the surface with studies such as the vulnerability assessment.

[36] See *Bhutan Country Strategy*, page 7. These cross-cutting themes are also mentioned in ADA's business concept. The ADC Three Year Programme, on the other hand, only defines two cross-cutting themes (namely environmental and climate protection and gender equality).

[37] Against this background it is noteworthy that similar participation rates were calculated in the 2015 mid-term review of Switzerland's then Bhutan country programme. Switzerland set itself a 30% women participation target at the outset of the country programme.

Table 4: Gender representation in training and capacity building

Project	Number of Participants	Number of Women	Women %
Support to Judiciary of Bhutan	7	1	14%
Contribution to the Legal Sector Programme	1,389	473	34%
Contribution to United Nations (UN) One Programme	25	0	0%
Institutionalisation of the new Performance Management System	26,710	9,241	35%
*… PMS training**	*26,611*	9,229	*35%*
… executive training	*99*	12	*12%*
Capacity Development of the Royal Audit Authority	349	72	21%
Strengthening Royal Institute of Tourism and Hospitality	179	89	50%
Capacity Development support to Dagachhu Hydropower Project	31	5	16%
Capacity Development for Hydropower Plant Safety	16	2	13%
Study on Minimum Environmental Flow for Hydropower Projects	20	7	35%
Total	**28,726**	**9,890**	**34%**
Total without PMS training	**2,115**	**673**	**32%**

** Training on the new PMS was delivered to all civil servants, 35% of which are women. The evaluation team is of the opinion that the project does not lend itself well to measure women participation, not least since the training is mandatory.*

Education and capacity development: This cross-cutting theme relates to the CS approach to equip Bhutanese stakeholders with knowledge and skills *"… to manage their affairs successfully"* [38]. It has been mentioned elsewhere in the report that education and capacity development featured in all sectors and that many respondents perceive the approach of "work-based-learning" to contribute to result achievement and sustainability. Education and capacity development also included scholarships and exchange programmes of professionals, members of the academia and students.

Environment and climate change are lead topics in the interventions of the energy and tourism sectors. The mainstreaming of environmental issues is pursued in different forms, such as with safety management guidelines, concepts and plans to monitor hydropower sites and tunnels against geological and other natural risks and accidents; or

[38] A noteworthy example in this context is the energy sector where a recent study of the Vasuda Foundation, an Indian foundation supported by Oxfam India, argued that unless local Bhutanese agencies are deployed and contracted, *"… Bhutan will be unable to generate the technical know-how, financial and human resources required…"* for future hydropower works. It highlighted Austria's hydropower projects as good examples in this regard.

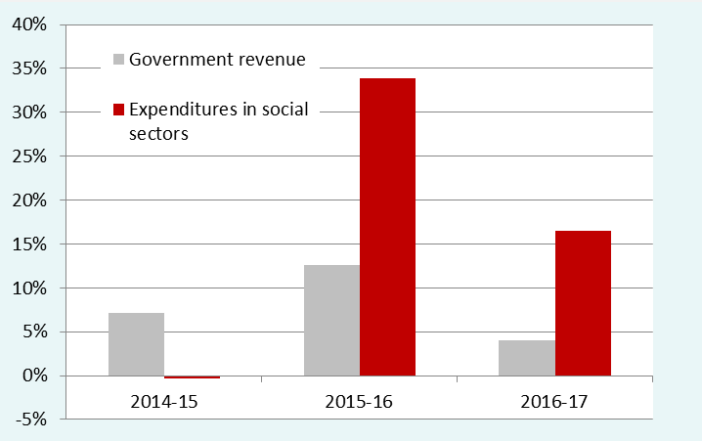
with Bhutan-specific e-flow standards that future hydropower plants will need to adhere to for certification. The tourism training hotel sets standards in terms of insulation and heating. ADC's regional programme that co-sponsors ICIMOD also exemplifies that this cross-cutting theme is firmly anchored into the portfolio.[39] The ACO was able to furnish credible evidence that the plan to assess all interventions in terms of their environmental impact, as suggested in the CS, has been put into practice.

Case study 3: Has spending for social development increased in light of increased energy production and tourism? (*focus: ToC direct benefits*)

Higher public spending for social development is one of the intended outcomes of ADC's interventions in the energy and tourism sectors. In the energy sector the underlying theory of change argues, for instance, that improved service and maintenance of hydropower plants will increase constancy of energy exports and in turn yield more public revenue. For this to happen, certain assumptions also need to prove right. A rapid test of the "theory" is shown in Figure 7 which shows the overall government revenue from all sources including from energy and tourism.

According to RGoB data there has been on average positive growth in both the tourism and energy sectors during the past few years; the sectors account for 20% and 4% of total government revenue respectively. Figure 7 shows that the increase of domestic revenue for the past four financial years is also mirrored by higher social sector spending, at least between 2015 and 2017. It is very likely that increased government revenues have led to higher public spending for social development.

Figure 7: Annual change total government revenues and expenses in social sectors



Source: Annual National Budget Reports 2013 - 2017, Ministry of Finance, Royal Government of Bhutan downloaded on 22 August 2017 http://www.mof.gov.bt/publications/reports/budget-reports/

Note: The figure contains only expenditure on health and education; data on rural roads and housing, social welfare not available.

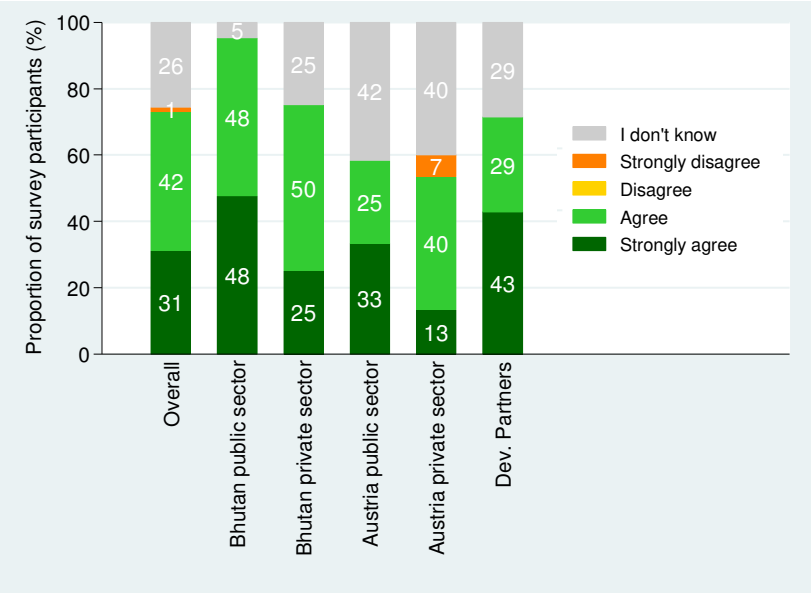
[39] ACO is, *inter alia*, making efforts to position Bhutan to host the planned energy efficiency centre on behalf of ICIMOD.

4.4. Efficiency

The criterion of efficiency measures the results of a project in relation to the resources that were invested. It is inherently difficult of benchmarking the efficiency of a CS with that of other (forms of) country-level programmes and we therefore assess efficiency with proxy indicators such as the extent to which synergies were created; fund disbursement or timeliness and quality of activities and outputs.

Creation of synergies: Survey respondents agree that the CS and its projects and programmes created synergies. The Bhutanese and Austrian respondents representing the private sector are a bit less positive than those of the public sector. Closely related to this: Survey respondents, specifically those working in the energy sector, believe the ACO's presence in Thimphu renders the implementation of the CS more efficient because of its efforts to bring different ADC actors together (see chapter 4.1). It emanates from the documents and the interviews that government agencies, development partners and other actors take part in meetings, discussions, roundtables etc. that ACO convenes for policy dialogue and that the latter seek contact with the ACO for information, advice or other support.

Figure 8: Efficiency – creation of synergies



Survey question: "The Country Strategy and its projects and programmes was able to create synergies with other interventions."

Number of responses per group, in above order: 74, 21, 16, 12, 15, 7.

Disbursement of funds: As of August 2017, close to 75% of the committed funds are disbursed (see Table 5). Interpreted in conjunction with the output and outcome indicators the fund disbursement rate is an indication for efficient fund utilisation – though

we are mindful of ADC's approach to grant relatively high advance payments upon commencement of a given intervention and the deficiencies in the M&E system that does not allow to fully capturing the current implementation status.

Table 5: Disbursement rate as of August 2017 (in Euro)

Intervention	Commitment	Disbursement	in %	Duration	Ratio
Energy	**4'441'192**	**3'343'508**	**75%**	**79%**	**1.0**
CD and RE	2'620'170	2'068'941	79%	100%	0.8
E-flow	1'000'000	900'000	90%	91%	1.0
EE	660'900	180'000	27%	24%	1.1
Tourism	**2'204'210**	**1'231'728**	**56%**	**79%**	**0.7**
RITH	1'694'366	994'704	59%	100%	0.6
Circuit	109'120	73'139	67%	100%	0.7
Governance	**6'798'336**	**5'297'258**	**78%**	**79%**	**1.0**
LSP/Judiciary	3'429'639	2'387'827	70%	79%	0.9
UN ONE	900'000	739'500	82%	80%	1.0
PMS (RCSC)	929'607	683'572	74%	100%	0.7
CD (RAA)	236'620	197'900	84%	94%	0.9
CSO	200'000	200'000	100%	100%	1.0
PFM	1'000'000	1'000'000	100%	58%	1.7
All Sectors	**13'443'738**	**9'872'494**	**73%**	**79%**	**0.9**

Note: Duration = time elapsed since launch of the project; Ratio = disbursement divided by duration. Note: The calculation of "ratio" assumes that disbursement is linear during project duration. Commitment, disbursement and duration refer to the period since start of CS in 2015.

Scoring: green >= 0.8 and <= 1.2, orange < 0.8 or > 1.2.

Example (see energy efficiency (EE) project above): As of August 2017, 27% of the committed funds of € 660'900 were disbursed and 24% of the total project duration elapsed. This results in a ratio of 1.1 (27% / 24%).

The table compares the current disbursement rate (disbursement as proportion of commitment) to the time elapsed since project start. A ratio above 1 could indicate overspending, while a ratio below 1 might be a signal for underspending (based on the assumption, that spending is linear over a project's duration).

Quality and timeliness of activities and outputs: The Bhutanese interviewees frequently highlighted the high quality and relevance of the deliverables and other expertise that was provided with Austrian funding. The hydropower plants, the RITH and the training hotel were repeatedly qualified as "landmark" projects. This contrasts with criticism that some of the Austrian respondents expressed regarding the deficiencies of the hotel

infrastructure and the considerable delays that occurred until the hotel was finally concluded. Inefficiencies were also detected by both Austrian and Bhutanese respondents regarding project cycle management – though explanations for these inefficiencies differ considerably (see above 4.2.2.). Indeed, the fact that many projects required contract amendments, revisions, extensions etc. alludes to inefficiencies in project management.

Efficient resource management: The portfolio of projects and programmes has been topically large, with many small scale interventions, and designed with different modalities and complementary instruments. These characteristics entail high transaction costs (reporting, steering, coordination, monitoring and supervision) which negatively impacts on efficiency. That the number of projects remained high over the past years is also sending out confusing signals given that the CS was designed to facilitate a gradual withdrawal ("phasing over") of ADC's engagement in Bhutan. Even more so, since at least one project that was launched recently formally closes by end of 2018 but is designed to have several phases (though follow-on phases do not have to be financed by ADC, they could surely be financed by the RGoB or other development partners). We infer that ADC seems to interpret its main sectors very broadly which enabled, for instance, financing a public financial management reform project when funds that became available had to be committed. It appears that some additions were demand driven by the GNHC / the respective ministry and the decision to finance them driven by "reaping opportunities" rather than strategic considerations.

Other observation on efficiency: The evaluation reveals some deficiencies of the M&E system, including the observation that the CS does not have its specific results metrics at impact level (note: the CS refers to the 11th FYP indicators). The lack of such indicators limits the efficiency assessment.

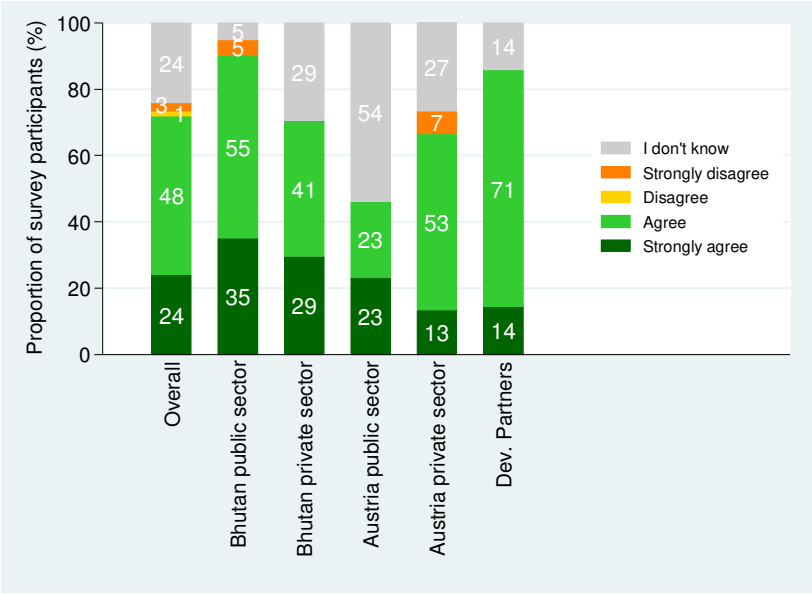
Finally, comparing the efficiency of ADC interventions across countries, one would most likely observe a lower efficiency (given other constant framework conditions) in Bhutan due to the fact that a smaller population will benefit from a certain intervention than in the average intervention country (this is particularly true for policy interventions, less so for micro-level projects). But that is an inherent trait when operating in a smaller country.

4.5. Sustainability

Sustainability is concerned with measuring prospectively the likelihood and the extent to which interventions or their benefits continue once external funding has been withdrawn. Considering that around one and a half years of implementation period remain, the assessment focuses on elements that can influence sustainability. This includes individual and institutional capacities of the recipients or the availability of adequate alternative financial means by referring to survey results and document and data review.

The results of the online survey show that the participants largely believe that the achieved results will last (see Table 6). Compared with the other survey items a few more critical views can be observed, but they are still few in numbers.

Table 6: Sustainability (survey result)



Survey question: "The benefits of the Country Strategy and its programmes and projects will continue after Austria's funding has ceased."

Number of responses per group, in above order: 76, 20, 3, 14, 13, 9, 6, 7.

Asked about the reasons for their rating the survey respondents identified the following factors that contribute to achieving sustainability (open responses were translated to key concepts / words by the evaluation team):

- *Alignment with GNH vision (4 respondents):* The mere alignment of the interventions with national development priorities is key for sustainability in the opinion of these respondents; to the extent that guidelines, procedures, standards and process are already adopted and have become legislative force enhances the likelihood of sustainability, at least in the mid-term.
- *Infrastructure (4):* The (high) quality of the infrastructure that was financed is a contributing factor; others, including the evaluators, believe that quality is important but that sustainability will hinge upon the respective actors' willingness to act upon their "duty of care", access to quality supplies and services to maintain the infrastructure and availability of sufficient budgetary resources.
- *Capacity building approach (4):* the approach of "work-based-learning" for legal professionals in the justice sectors, students at the RITH or engineers in the energy area enhances sustainability of the imparted knowledge and skills

and the risk of fluctuation of the trained personnel is low, meaning that the stakeholders are likely to remain active in the relevant sectors.

- *Long-term Austria-Bhutan partnership (1):* the two partnerships that were institutionalised during past years, namely the collaboration between the RITH and the ITH Klessheim and the JSW Law School with the Law Faculty of the University of Vienna are considered to be benefiting sustainability. The academic partnership is momentarily running until 2022 and the University of Vienna presumes that it will be continued in some yet to be decided form beyond this date. The partnership in the tourism sector is established on commercial terms whereby RITH pays for services (and will therefore require financial resources beyond the current term). Finally, the business partnerships are at infant stages.
- *Monitoring (1):* Future safety monitoring of hydropower plants and tunnels can enhance sustainability, by remedying potential risks preventively.

Despite this favourable outlook the same survey participants stated in another survey question that continued support would be necessary to sustain the benefits. This apparent contradiction may be explained that the respondents referred to continued support for "new interventions" or support for "additional projects" rather than support to sustain current achievements.

Financial sustainability: The ability of the RGoB to provide adequate financial means to continue financing a development intervention or result once funding from ADC has been withdrawn is a key factor for sustainability, to which we already alluded above. Since the financing ability is not clear as of yet, we construct a proxy indicator for financial sustainability, namely the proportion of ADC's contributions to corresponding/similar interventions in the 11th FYP budget. The assumption is: the higher the ADC share for a given development outcome, the lower the likelihood of sustainability.

In Table 7, ADC's contributions that accounts for more than 50% of the total budget allocation are highlighted.[40] Whereas the total contributions (28%) are well below the threshold, there are some interventions where sustainability can be at risk. In other words, to the extent that the Bhutanese stakeholders intend to, e.g. continue the work on minimum environmental flows on a similar scale, own financing or that of alternative sources should be found. Nonetheless, it needs to be reiterated that the above merely highlights the areas in which there *could* be sustainability risks in case that funding cannot be secured.

[40] Actual expenditure under the 11th FYP has been higher (246 billion Nu) than what has been foreseen under the budget (213 billion Nu), which means that on average, a 50 % contribution the budget translates to a 43 % contribution to expenditures.

Table 7: ADC sector budget contributions to 11th FYP outcomes (in Mio. Nu)

Intervention	11th FYP Budget*	ADC Budget**	in %
Governance *(selected intervention areas)*	**852**	**351**	**41**
Legal Sector Programme	768	296	39
New PMS and Leadership Development Program	85	40	47
Capacity Building of Royal Audit Authority	22	20	91
Tourism *(selected intervention areas)*	**126**	**48**	**38**
Strengthening RITH	86	41	47
Circuit Tourism Development Plans	40	7	17
Energy *(selected intervention areas)*	**896**	**90**	**10**
Training***	93	30	32
Rural Electrification & Energy Efficiency	803	60	8
Environment*(selected intervention areas)*	**34**	**38**	**113**
Climate Change Adaptation of Forests	12	10	84
Minimum Environmental Flow	22	28	129
All Sectors	**1'908**	**527**	**28**

*Sources: * Eleventh Five-Year-Plan Volume II: Programme Profile; Annual Budget Reports 2013/14 - 2017/18, Ministry of Finance, Royal Government of Bhutan; **2011/2012 - 2015/16 Certified Annual Financial Statements, Ministry of Finance, Royal Government of Bhutan.*

Scoring: orange >= 50, white < 50.

*** Note: Training refers to short and long-term training (e.g. at hydropower plants), on-the-job, masters and various specific short trainings in Austria.*

Whether Bhutan has the requisite financial means has been discussed in the interviews; the responses were heterogeneous. Some argued with the positive (macro) economic outlook, others invoked that in the medium-term Bhutan will remain aid dependent, not least because of uncertainties and delays regarding the hydropower plants that should source much of Bhutan's development financing.

Case study 4: Energy sector *(focus: work-based learning approach)*

This short case study illustrates the "work-based-learning" approach in the hydropower sector as perceived by a group of five mid-level engineers of the Druk Green Power Company (DGPC) and senior consultants of Bernard Engineers, one of ADC's long-term implementing partners in Bhutan.

The engineers form the core team of the site monitoring and supervision project funded by ADC. It aims at providing DGPC with the instruments and skills to collect, analyse and interpret geological movements at the plant site with a view to take remedial action so as to minimise the risk of damages. It also includes the various plant managers.

Learning "by-doing" and "on-the-job" at the respective plant site are the tenets of the training approach hitherto; theoretical, in-class learning has been limited to a reasonable minimum, for instance, to learn about new instruments or software.

The engineers are appreciative of the opportunity to learn and directly engage with the Austrian consultants. Spending hours and days with them on-site makes the learning very intensive and rich, putting them into “real situations” that gives them the confidence to apply their knowledge alone.

Those engineers with more project exposure associate an important learning outcome with the fact that they feel to have the routine and ability to manage the data collection at existing plants independently, without consulting the experts. They are aware that more experience is needed to correctly analyse and interpret the data. Additional knowledge would be needed to monitor and supervise plant projects that are in construction.

On a general level, it is evident for the Austrian experts that the collaboration during many years, the trustful relations that could be established (specifically by mastering difficult situations), the opportunities to learn from and with suppliers and contractors (both as part of their respective contracts and *pro bono*), and the continuous on-the-job capacity building had very positive effect in Bhutan. They find it remarkable that their Bhutanese peers progressively developed to the point that they are now supervising themselves the Nikachu plant development.

5. Potential consequences

One of the main objectives of this mid-term evaluation is to assess the potential consequences of phasing-out support as planned by the end of the current CS, respectively the added value if ADC stays in Bhutan until 2023.[41] We approached this topic by identifying potential consequences in interviews and in selected studies on the exit strategies of other development partners.[42] The consequences were then assessed by the evaluation team a) regarding their relevance to strategic principles set out by ADC and RGoB[43] and in terms of their b) likelihood of occurrence and c) impact on poverty reduction.[44] We distinguish between consequences relevant for Bhutan, for Austria and for both.[45]

Consequences aligned with the strategic principles and a combination of medium / high likelihood and medium / high impact seem particularly important. For Bhutan these consequences are a (potential) funding gap as well as a reduced access to outside expertise and input. On the Austrian side, the consequences for its aid effectiveness matter most (see Table 8).

Table 8: Potential consequences of phasing out ADC support

Potential consequence	**Strategic relevance**	**Likelihood occurrence**	**Impact** on poverty reduction
For Bhutan			
Support still needed → funding gap → later graduation *(5 times mentioned in interviews), versus* support no longer needed *(5)*	Yes *Graduation target of 11th FYP, poverty core topic of ADC 3YP.*	High *Bhutan has not graduated from LDC status yet; challenges in the path to inclusive development.*	Medium *ADC's contribution to achievement of 12th FYP is likely relatively small.*
Funding further project ideas will not be possible *(5)*	Yes *Depending on projects ideas; likely that some would be relevant.*	High *Some ideas will not receive funding (few donors left, fluctuating RGoB revenue situation).*	Medium *Depending on projects ideas; likely that some would have an impact on poverty.*
Access to expertise, advice and ideas reduced *(5)*	Yes	High	Medium

[41] The original plan was to start phasing-out in 2016 (see CS 2015-2018).

[42] A formal assessment of ADC's past phasing-out activities has not yet been conducted. In absence of such assessment, we used the following reports: IOB (2016), European Parliament (2012), OECD (2008). Note: The experience of Denmark is also taken into consideration and referenced in an excurses below. The authorities in Switzerland advised the evaluators that it is yet too early to draw conclusions from the phasing out of SDC's activities in Bhutan in 2016.

[43] ADC 3YP, ADA Unternehmenskonzept, Bhutan's 11th 5YP.

[44] Poverty reduction is only one consideration of course. Other (e.g. foreign policy) considerations might lead to different ratings. For this reason, we do not provide a final recommendation if ADC should or should not phase out its support.

[45] Because ADC strives to support Bhutan's 11th FYP, one could argue that Bhutan's goals are relevant to Austria and that related consequences should be classified under "for both Bhutan and Austria". We use a narrower definition for the allocation.

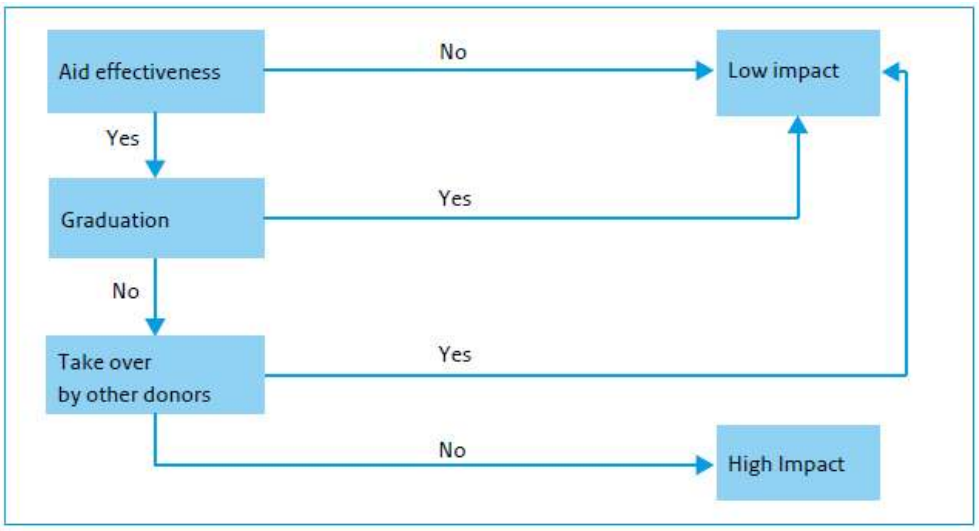
	Expertise / advice / ideas likely relevant for 11th FYP / ADC 3YP.	*Less funding (see above), fewer relations (see below).*	*Likely that some expertise / advice / ideas would have an impact on poverty.*
Strategic risk for Bhutan *(4)*	Yes (for Bhutan) *The 11th FYP aims for self-reliance, vision of peace.*	Low-Medium *ADC last Europ. donor; geopolitical and economic risks not mitigated through donor presence.*	Medium-High *Geopolitical / economic risks strong effect on economic progress and government revenue.*
No access to comparative advantages of Austria (tourism, energy) *(0; sourced from literature)*	Yes (for Austria) *ADC strives to provide additionality.*	High *Austria one of the last bilateral donors, energy and tourism focus.*	Low *Given that ADC does not want to pursue tourism further.*
For both Bhutan and Austria			
Loose project ends *(7)*	Yes *Projects were designed with 11th FYP and ADC 3YP in mind.*	Medium *Some smaller interventions recently launched (e.g. energy efficiency).*	Low *Smaller interventions are not pivotal to success of overall programme.*
Relations fade *(4)* vs. relations continue *(2)*	No *Indirectly relevant to achieve goals, but not directly.*	High *Experience Danida: Fewer Danish-Bhutanese contacts after exit.*	Low *Relations without funding likely to leave few traces.*
Missed business opportunities for Austria *(2)*, *versus* not ODA dependent *(3)*	No *Indirectly relevant to achieve goals, but not directly.*	Low *Unlikely that phasing-out makes a difference, very little activity so far.*	Low *Business opportunities likely to create little employment in Bhutan.*
Less cooperation in international fora *(2)*	No *Indirectly relevant to achieve goals, but not directly.*	Medium *There might still be a "case" to cooperate (common interests etc.).*	Low *Indirectly relevant to reduce poverty, but not directly.*
For Austria			
Hub for Austrian / international community (EU) stakeholders not available *(5)*	Yes *Indirectly relevant to achieve goals, but not directly.*	High *Difficult to perform such role from Delhi once ACO in Thimphu closed.*	Low *Indirectly relevant to reduce poverty, but not directly.*
Reduced ADC effectiveness (Bhutan good implementing environment) and transaction cost *(1)*	Yes *Directly relevant to ADC 3YP.*	Medium *Depending on where ADC invests funds next. Bhutan good project environment (apart from small pop.)*	High *Per definition (effectiveness on poverty reduction).*
Support needed elsewhere *(2)*	Yes *Directly relevant to ADC 3YP.*	Medium *Depending on where ADC invests funds next. Many countries rank lower than Bhutan in HDI etc.*	High *Per definition (effectiveness on poverty reduction).*

Note: Consequences aligned with strategic principles and medium / high likelihood and medium / high impact marked orange

A simple framework to consider the impact of phasing-out aid, suggested by the Netherlands Foreign Affair's Policy and Operations Evaluation Department, is shown in Figure 9. It focuses on the needs of the recipient country.

Under the assumption that aid effectiveness is high in Bhutan and that it is unlikely that other donors will take over from Austria, one obtains a result of "low impact" or "high impact", depending on Bhutan being classified as a LDC country or not.

Figure 9: Impact of phasing-out



Source: IOB (2016)

Even if it is assumed that Bhutan will reach graduation by 2018 (at least *de facto*, see excursus below), its path beyond graduation entails challenges and risks; foremost the dominance of the energy sector, the dependency on a single buyer and the impact of climate change on rainfall patterns. Bhutan could therefore certainly use support. Following questions remain, however: i) Does Bhutan *need the support* more urgently than other countries? Does it allow for *higher aid effectiveness* than other potential recipient countries?

Excursus: When will graduation be achieved?

Graduation from LDC status depends on three criteria (Gross National Income per capita, Human Assets Index and Economic Vulnerability Index) and their respective indicators (see chapter 1), as defined by the United Nations Committee for Development Policy which reviews the status of LDC countries every three years.

Bhutan currently fails one criterion, economic vulnerability (EVI), which in turn consists of 8 indicators.[46] Some of these indicators cannot be influenced at all (remoteness, share of population in coastal zones) or only slowly (population). Out of the other 5 indicators, Bhutan fails two. To pass, it would have to substantially improve its standing regarding the two failed indicators (more than halving number of victims of natural disaster and instability of agricultural production), or improve on all five indicators by 30 %. This seems a very steep demand.

It is much more likely that Bhutan will pass the double income threshold which would also lead to graduation. In 2015 (the last review), Bhutan had a GNI per capita of $ 2,277, short of the $ 2,484 threshold. The next review will be in 2018. To pass the threshold then, Bhutan would need to achieve an average growth rate of 2.9% in per capita income between 2015 and 2018. This seems possible (according to the World Bank, per capita growth was 2.9% in 2015 and 5.9% in 2016).[47]

[46] Population, share of population in low evaluated coastal zones, remoteness, instability of exports of goods and services, merchandise export concentration, victims of natural disaster, share of agriculture, forestry and fishing in GDP and instability of agricultural production.

[47] https://data.worldbank.org/country/bhutan

As stated above, graduation is only one indicator for need,[48] and there are certainly signals that Bhutan would benefit from sustained support in the future. Purely based on the criterion graduation, however, it is very likely in our view that this threshold will be passed within the current CS (i.e. in 2018). Because the United Nations reviews only every three years whether a country meets the defined inclusion or graduation thresholds of the criteria, and the latest data confirming so might not be available at the time of the decision, "official" graduation might be postponed to 2021.[49]

Need for support: There are various classifications which provide guidance in this respect; we use the three criteria used by the United Nations Committee for Development Policy to determine whether a country enters or leaves the LDC category (see excursus above). In Table 9 we display the current priority countries of ADC alongside three countries where ADC recently phased out its support. This shows that Bhutan has similar or lower rating than other countries where ADC has recently phased-out its support. On the other hand, ADC is still active in countries which have higher per capita income, higher HAI and lower EVI than Bhutan (namely Armenia and Georgia).

Table 9: Development status of ADC priority countries

	Status	Phased out	GNI per capita ($)	HAI	EVI
Graduation threshold			1'035	66 or above	32 or below
Ethiopia	LDC		395	39	32
Mozambique	LDC		546	42	38
Uganda	LDC		663	54	32
Burkina Faso	LDC		666	37	39
Senegal	LDC	Yes	1'006	56	33
Nicaragua		Yes	1'689	77	28
Bhutan	LDC		2'277	68	40
Georgia			3'328	97	31
Cabo Verde		Yes	3'595	89	39
Armenia			3'652	98	36
Serbia		Yes	*N/A*	*N/A*	*N/A*

[48] Indeed, many other considerations for the relevance test are important and could be taken into consideration. For instance: the "legitimacy" for continued development assistance given the long-standing and friendly relations between both countries; ADC's communicated commitment to continue support until graduation; the views of the Austrian public of assistance to similar (small, mountainous, landlocked) states or foreign policy considerations. The possibility providing development assistance as "delegated" partner of EU in Bhutan *could* also be factored in for the test, not least because "delegated implementation" is among ADA's business priorities.

[49] For details see: www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html.

Note: Sorted according to GNI p.c.; figures below (GNI p.c. / HAI) resp. above (EVI) threshold are marked in red. HAI: Human Assets Index; EVI: Economic vulnerability index. Source: http://www.un.org/development/desa/dpad/least-developed-country-category/ldc-data-retrieval.html.

Note: No data available for Albania, Kosovo, Moldova, Palestinian Territories, The Caribbean.

Providing impact: There is no similar simple comparison between countries. Based on the proven evidence that foreign aid can achieve more in countries with *"sound economic management and robust government institutions"*[50], we use the Bertelsmann Transformation Index 2016 which ranks Bhutan number 54 of all the countries covered in terms of democracy ("defective democracy") and market economy ("functional flaws"), but number 17 in terms of its management ("good").[51] This is an indication of Bhutan being an above-average environment for interventions that corresponds with the finding that the ADC's support has led to satisfying results (chapter 4). Aid *efficiency* is undermined because of its small population.

Considering all the above, it can be concluded that:

- There is a need for prolonged support and Bhutan offers an above average intervention environment. In addition, transaction costs associated with a switch of priority countries also needs to be taken into consideration.
- Bhutan will most likely reach graduation (at least statistically) in 2018 and has a better development status than many other ADC priority countries (phasing-out is not a foregone conclusion in this regard, however, since Georgia and Armenia fare much better still).

Excursus: DANIDA experience

After more than 35 years of engagement, Danish development aid to Bhutan was phased out in 2014. Long-term mutual planning, a realistic phasing out timeframe of four years, gradual decreasing of disbursements, flexibility as well as fulfilment of all legal obligations and commitments characterised the exit. Guided by successive country strategies, the phase out began with the finalisation of stand-alone projects, which were followed by phase-out of sector support programmes that were complemented with sizable investments in human resource development. A bilateral "framework for continued partnership" succeeded the transition program which included significant institutional strengthening and documentation of results. Practical administrative steps were taken to close the representation office. Today, established partnerships between Danish and Bhutanese businesses (e.g. sewage and water treatment plants) and non-governmental organisations (such as the "scouts") continue collaborating in their respective areas. Notwithstanding the well-considered and mutually accountable withdrawal, the absence of Danida's presence led to notable fewer people-to-people contacts, institutional partnerships, trade and businesses.

Note: These are individual opinions of the author – Tek B. Chhetri, former head of (closed) Danish Representation in Thimphu – and do not in any way represent those of Danida.

[50] See European Parliament (2012)

[51] "Focusing on the quality of governance, the Management Index assesses the acumen with which decision-makers steer political processes", www.bti-project.org/en/index/methodology.

6. Focus of a potential next phase

This chapter responds to the question which sectors ADC should focus on if it were to continue its engagement in Bhutan from 2019-2023. In accordance with the ToR the sectors shall be determined from the perspective of *relevance*. Our primary source to identify intervention areas for a potential next phase are the interviews. The ideas of the stakeholders are described below, together with a framework that we suggest for assessing the suitability of those ideas.

It should be noted that our considerations relate to focus areas of ADC's support that is managed by ADA, since other bilateral interventions are not foreclosed (for instance, academic exchanges or science and research projects). In fact, Austria will *de facto* contribute to be active in Bhutan through the Multi Donor Fund for Public Financial Management Reform Programme as well as, if continued, its contributions to ICIMOD. The areas of public finance and regional programmes are thus not further taken into consideration.[52]

Most of the interviewees argued that ADC's interventions are highly relevant for Bhutan and that despite progress, "more can still be done". They also reiterated their wish that Austria continues its assistance for another 3-5 years, when graduation is expected to occur and that there are "loose ends" (primarily in those projects recently started, where not all phases take place in the current CS) and (seemingly) "natural extensions" of the current portfolio. Examples for such extensions include: construction of courts in two districts; additional e-flow analysis and roll-out nationwide; piloting of energy efficiency measures; continued judicial, civil service and other training. In addition, others highlight Bhutan's vulnerabilities and the fact that it is still a young democracy in need for support to buttress its transition process.

Considering all interviews, each and any of the sectors that ADC has been covering over the past years was mentioned as being *relevant* also in the future. Nonetheless, we observed some tendency towards governance, environmental and climate issues and water. Interestingly, only very few interviewees suggested that ADC should enter in a new sector such as health or education. Apart from the specific vantage points of the interviewees, this is likely a reflection of ADC's already wide thematic portfolio – ranging from tourism and energy efficiency to civil service reform – as well as the "profile" and the "comparative advantages" that ADC developed during the past years and with which it is associated.

[52] Factually, the engagement in the PFM area comes timely and is relevant to address macro-fiscal challenges of Bhutan. The recent public expenditure and financial accountability assessment or the CPIA data set show deficiencies that warrant redress.

Arguments with which the relevance of the intervention areas mentioned by the interviewees can reasonably be supported can be found for each and any of them. The task is then to rationalising the focus areas by singling out those that are not only relevant but that lend themselves for successful implementation. To this end we propose two steps:

- The proposed potential focus areas are first assessed against two selection criteria are namely: *Poverty reduction potential* (potential to address poverty – particularly rural poverty or those of vulnerable groups) and *Substantive and thematic priority* (reflection of Austria's and Bhutan's development priorities).[53]
- The areas are then screened against the criteria *Implementation time frame* (future interventions must realistically be concluded within the maximum 5-year implementation framework; sustainability risks must be avoided. This calls for an attention to sectors where "loose ends" or "natural extensions" are identified.) and *Effectiveness* (likelihood of result achievement; assumed to be higher in areas i) in which Austria is perceived to have comparative advantages; ii) in which Austria can build up on good relations; iii) result achievement during current CS).[54]

Only areas which pass the poverty reduction potential and priority criteria (= one criterion is rated high, or both medium) are assessed against the implementation and effectiveness. Table 10 summarises the areas and the evaluator's assessment of the above explained framework.

Table 10: Potential focus areas until 2023

Potential focus area	Poverty reduction	Substantive and thematic priority	Implementation time	Effectiveness	Score
Energy: *safety capacity building*	High *EVI natural disasters*	Medium *Austria: medium Bhutan: high*	High *Possible for training of engineers*	High *Comp. advantage, good relations, few other DP*	14

[53] The main reference document to determine relevance from the perspective of Austria is the forthcoming Three-Year-Programme. Six working groups were instituted that commenced their work in early/late summer 2017; five of them attend to thematic issues and one to instruments and geography. Preliminary information indicates that the substantive priorities and cross-cutting themes will largely remain unchanged. Tentatively, changes relate to "sustainable economic development" and "health", which could become new substantive priorities. Similarly, major changes between the 11th and the forthcoming 12th FYP of Bhutan are not expected; enhanced emphasis will be put on decentralisation, governance and justice.

[54] These three criteria do not cover effectiveness fully. Effectiveness will depend on what the intervention concretely entails. The scoring is – by default – a mere approximation and mirroring the views and considerations of the evaluators with the information currently at hand.

Energy: *e-flow analysis / water security*	Medium *Indirect effects for recipient communities*	Medium *Austria: medium* *Bhutan: high*	Medium *Adoption and implementation depend on political process*	Medium *No comp. advantage, good relations, few other DP*	10
Tourism: *rural / eco-tourism*	Medium *Direct effect for recipients, communities*	Medium *Austria: low* *Bhutan: high*	Medium *Infrastructure challenges; possible at small scale*	Medium *Comp. advantage, but strained relations, no other DP*	10
Governance: *vulnerable groups*	Medium *Indirect effect for recipients, communities*	Medium *Austria: medium* *Bhutan: medium*	Medium *Adoption and implementation depend on political process*	Medium *No comp. advantage, good relations, few other DP*	10
Health	High *Direct effect for recipients, communities*	Low *Austria: low* *Bhutan: medium(?)*	Low *New intervention area*	Low *No comp. advantage, no relations, few other DP*	9
Education: *VET reform*	Medium *Depending on area, type of training*	Medium *Austria: high* *Bhutan: medium*	Low *New intervention area*	Low *No comp. advantage, no relations, few other DP*	8
Water: *water quality / export*	Medium *Indirect effect for recipients communities*	Medium *Austria: medium* *Bhutan: medium*	Low *New intervention area*	Low *No comp. advantage, no relations, few other DP*	8
Ideas with low relevance and/or strategic priorities					
Tourism: *policies and strategies*	Low *Indirect effect for recipients, communities*	Low *Austria: low* *Bhutan: medium*			
Energy: *efficiency / renewable*	Low *Indirect effect for recipients, communities*	Medium *Austria: medium* *Bhutan: high*			
Governance: *courts*	Low *Indirect effect for recipients, communities*	Medium *Austria: low* *Bhutan: high*			
Governance: *capacity building*	Low *Indirect effect for recipients, communities*	Medium *Austria: medium* *Bhutan: high*			
Governance: *decentralisation*	Low *Indirect effect for recipients, communities*	Medium *Austria: low* *Bhutan: high*			

Note on scoring: The following considerations guide the scoring of the four assessment criteria:

Poverty reduction: Is an intervention likely to have direct effects for vulnerable groups or indirect effects? Is an intervention likely to have positive effects in the eastern / rural regions of Bhutan? Is an intervention likely to positively influence an EVI-related indicator?

Substantive and thematic priority: Is the intervention related to a development priority stipulated in the Three-Year-Programme (for Austria) and the Five-Year-Plan (for Bhutan)? How did interviewees evaluate the level of priority?

Implementation time: Is it possible to conclude an intervention effectively, efficiently and sustainably within the maximum five-year period until 2022?

Effectiveness: Is an intervention i) associated with Austria's comparative advantages; ii) implemented on the basis of established and good relation; iii) addressing an area in which no or only few other development partners are active?

*The total scores are calculated as follows: Low = 1, Medium = 2, High = 3 points. The scores are summed up; because of its significance, the score for poverty reduction is counted twice. Example Energy (safety and capacity building): (3*2) + 2 + 3 + 3 = 14.*

Based on this assessment following four areas receive the highest scores:

- Energy: safety capacity building
- Energy: e-flow analysis
- Tourism: rural / eco-tourism
- Governance: vulnerable groups

We are mindful that the scoring is a preliminary *attempt* to prospectively identify areas that ADC could pursue – based on its strategic interests, the five-year period and implementation experience in the past. Other assessment criteria might be taken into account in the deliberation with the Bhutanese partners. The assessment will have to be revisited once the ideas are further concretised. At the same time, despite these arguable deficiencies, the scoring renders the considerations of the evaluators transparent. It provides a starting point for discussions – within ADC and between ADC and the RGoB.

7. Reflection and interpretation

In this chapter we draw the conclusions from the previous sections and we formulate lessons learned. For the latter we summarise feedback by the interviewees, the survey respondents as well as the evaluators' own observations.

7.1. Conclusions

In line with the client's reporting guidelines we summarise the results of the evaluation and structure the conclusions as per the purposes of the evaluation.

Purpose 1: Assessment of the performance of the current CS implementation.

The following Table 11 provides a snapshot summary of the five evaluation dimensions that provided the framework for assessing how the implementation fared as of yet. Summing up all information and data collected the CS implementation can be rated "satisfactory" (on a scale of very satisfactory, satisfactory, unsatisfactory, very unsatisfactory).

Table 11: Summary of evaluation dimensions

Dimension	Comments	Rating
Relevance	• Interviewees, survey respondents confirm relevance • Alignment with Austrian and Bhutanese strategic plans documented • Links between interventions and SDGs identified	Very satisfactory
Effectiveness	• Results matrix indicators show positive results. *Note*: results matrix indicators not entirely adequate for CS; some data missing • Interviewees, survey respondents confirm effectiveness and results' achievement; case study on legal sector programme supports the notion that results were achieved • Plan to "create employment and additional income in three eastern districts" not realised • Cross-cutting themes are addressed throughout portfolio • Overall very good working relations among stakeholders, yet some management and steering issues that warrant clarification / resolve *Note: The evaluation team rates the results achievement in the energy and governance sector as "very satisfactory" and the achievement in the tourism sector as "unsatisfactory" to "satisfactory". Weighted with the respective budget commitments, this results in an overall score of "very satisfactory".*	Very satisfactory
Efficiency	• Budget disbursement is on track (73% spending while 79% of implementation period elapsed) • Interviewees, survey respondents highlight quality, timeliness of activities and outputs	Satisfactory

	• Portfolio management unsatisfactory, as portfolio fragmented over time with several sub-sectors – despite intention to phase-over; reasons for some portfolio additions not clear	
Impact	• Results matrix indicators / 11th FYP indicators not available as of yet for conclusive assessment (7 indicators in total: 2 on track, 2 off track, 3 unknown) • But: survey respondents believe that interventions "improved lives of Bhutanese citizens" and that ADC support is generally beneficial for Bhutan, primarily because of focus on key sectors and long-standing relations	Satisfactory
Sustainability	• Interviewees, survey respondents confirm sustainability and identified contributing factors vs. repeat requests for further/continue assistance • *Potentially* some financial sustainability issues in RAA and energy / environment areas	Satisfactory

Purpose 2: Assess of the potential consequences of phasing-out and added value of ADC's continued presence/engagement.

Many valid potential consequences – of strategic, operational, geo-political, or emotional nature – were set forth that speak in favour of continued Austrian development assistance and a firm Austrian presence on-site. There are also several that speak against. Assessing the potential consequences in light of i) principles stipulated in strategic documents, ii) the likelihood that the consequences occur, and iii) their potential impact on poverty reduction, we conclude that for Bhutan these consequences are mainly a (potential) funding gap as well as a reduced access to outside expertise and input. On the Austrian side, the consequences for its aid effectiveness matter most. To what extent these consequences will have impact, depends, *inter alia*, on the assumptions one has regarding aid effectiveness in Bhutan and whether other developments partners will replace or make up for Austria. Based on the evaluation, we believe that aid effectiveness is high but support can be partly replaced through other development partners (ADB, EU, World Bank).[55]

Considering the Whole-of-Government approach, this means, in essence, for all ADC stakeholders to work towards a common understanding regarding these assumptions to be able to make sound decisions regarding phase-out or continuation. Given its coordination role, the Federal Ministry for Europe, Integration and Foreign Affairs would take the lead in working towards such common understanding. In this context it is worthwhile to recall the recent experience of Denmark's phasing out: It shows that even in hindsight it is difficult to gauge the effect of its withdrawal; it also shows that one of

[55] Whether support can and will be replaced depends on various factors. The focus and modality could change; bilateral donors may have a higher degree of flexibility compared to multilateral donors.

the key concerns mentioned in this evaluation – namely that people-to-people, business-to-business and other relations will fade away – can be mitigated with anticipation and thorough preparation of partnerships.

Purpose 3: Identify relevant focus areas for a potential engagement beyond 2018.

There is little doubt that Bhutan needs to overcome many obstacles for its further development. Apart from considering the maximum five-year duration, ADC should take into consideration at minimum the following questions to ensure that its future support remains relevant: Does the proposed area potentially reduce poverty, particularly of those most in need? Does it align with Austria's and Bhutan's substantive / development priorities? Are the conditions in place that likely lead to effective implementation? Based on the information collected in this evaluation and due consideration of the said questions the ADC should start thoroughly analysing interventions in the area of *governance* and at the *nexus of energy and environmental safety*. From a relevance perspective, ADC may also want to revisit its decision to withdraw from the tourism area, because of its importance for Bhutan's economic and private sector development. New ideas and engagement partners (recipient institutions, implementing agencies, advisors etc.) could provide fresh impetus. Whether the capacities to engage in the sector are in place warrants thorough scrutiny.

Additional purpose of identifying good practices and innovative approaches in the three CS sectors: To respond to this question we highlight some of the feedback by the survey participants and have been described in more detail above:[56]

- Innovative hard- and software (also: supplied from regional markets)
- Notion of "work-based-learning" (practical, applied, collaborative etc.)
- Collaborative project design and mutual accountability
- Importance to realistically assess time for procurement / contracting

Additional purpose Whole-of-Government learnings: The newly instituted Whole-of-Government approach aims to *"improve networking and coordination"* among the different development cooperation actors. We conclude from the evaluation that there is an understanding that the approach can be beneficial, not least in light of the interconnectedness and interdependence of the various stakeholders and a mounting interest to contribute in determining how Austria organises its development agenda. Several interviewees highlight practical effects and they anticipate more networking and coordination to come. At the same time the approach is not perceived as the "magic bullet"

[56] The survey question read: *"What knowledge, tools, experiences or lessons learned from your programme / your project are particularly relevant / good practice / innovative (e.g. for future implementation, scaling-up, replication or for learning for development partners in general)?"*

to remedy the institutional fragmentation that characterises Austria's development assistance. It remains to be seen whether the approach can indeed meet its ambitious purpose to spend Austrian funds in a *"coherent, complementary, effective and efficient manner"*.

Additional purpose CS theory of change: ADC focuses on improving the capacities of institutions and individuals with different forms of capacity building, ranging from technical assistance, infrastructure and software support, to academic exchanges as well as formal and informal vocational training. The case studies 1-3 made for this evaluation indicate preliminarily that the theory – at least three elements of it – also holds true on the practical level. In addition, feedback by ADA's evaluation function confirms that the *behaviour change* theory of change used in this evaluation can be used to inform the design of ADC projects, programme and strategies in the future.

7.2. Lessons learned

Various lessons learned can be drawn from the programme, not least from the contributing and hindering factors (see chapter 4.2.2). In the following, we focus on four lessons learn we deem particularly important in the application beyond the Bhutan context and notable for institutional learning:

- It is inherently difficult to make a decision as important as ending a long-standing, close partnership; many valid arguments can be invoked for decision making, many of them conflicting. The absence of a set of commonly agreed criteria – quantitative and qualitative alike – renders the task even more difficult; having such criteria can help to streamline and focus the decision-making process and provide a level playing field for ADC's partner countries.
- A broad definition of thematic / topical priorities, combined with the ambition to mainstream cross-cutting themes, requires good mechanisms to keep project and programme portfolios balanced with the resources that are available for management and supervision and transaction cost low. Ensuring that portfolios keep a focus is particularly important during phases which aim at "consolidating" past achievements and preparing the ground for phasing-out development assistance.
- Conceptualising and formalising phasing-out strategies between Austria and its development partners and communicating the decision of phasing out early and unequivocally can benefit. To conceptualise its model of exit strategy, ADC could capitalise on its own experience (Cape Verde, Nicaragua, Senegal or Serbia) or that of its peer development partners and pertinent literature.
- To assess the performance of country strategies adequately, sound M&E systems are needed. Developing theories of change can help identify the output,

outcome and impact indicators needed.

With these conclusions and lessons learned in mind we formulate recommendations in the following chapter.

8. Recommendations

The following recommendations result from the findings and conclusions of this evaluation. The recommendations and their rationale were discussed among the evaluation team and were presented at the country visit debriefing; they were addressed during the presentation in Vienna on 24 October 2017. Since the decision regarding ADC's engagement in Bhutan beyond 2018 will at earliest be forthcoming between end of 2017 and spring 2018 we formulate short- and long-term recommendations. Short-term recommendations are relevant whilst ADC's decision is being made; long-term recommendations are independent from ADC's future approach vis-à-vis Bhutan.

8.1. Recommendations (short-term)

Recommendation 1: Maintain focus on achieving results of current portfolio until December 2018; refrain from launching new interventions.

Primary addressees: ADA and GNHC.

Justification: The interventions of the current CS fare positively and most are scheduled to terminate by the end of 2018. Considering the uncertain situation about Austria's decision of its engagement in Bhutan beyond 2018, ADC should focus on ensuring that its current portfolio is concluded successfully. Major changes could be a distraction and further strain the resources of the ACO.

Recommendation 2: Initiate *minimal* preparation for phasing-out *and* continuation.

Primary addressees: ACO and GNHC.

Justification: ACO and its Bhutanese partners need to prepare for both scenarios whilst Austria is deciding about its assistance to Bhutan. Rather than wait until a decision is taken, we recommend commencing some deliberations with the GNHC and the development partners about issues and activities that are beneficial in either scenario *(Examples: Which ADC sector initiatives can be transferred to development partners? Which goodwill events help forge, foster and sustain partnerships between Bhutan and Austria? What are the steps, deadlines, responsibilities, administrative and other requirements for the last years of the current (operational plan)?)* Partnerships should be emphasised, since they are a means for exchange, advice, ideas, technology even in the absence of an ADC presence. Unless started soon, time might not suffice for thorough planning of continued engagement or disengagements.

Recommendation 3: Improve the current results matrix to better report on results by the end of the CS.

Primary addressees: ADC (including ACO).

Justification: The evaluation suggests that there are certain deficiencies in the current M&E system which complicates monitoring and results reporting. The remaining period should be utilised to establish missing M&E base lines, target values and status. The work of the evaluators in which data for more than 90 indicators were collected and updated in a single document could provide a starting point for ADC. We advise against changing the indicators themselves for this ongoing phase. If there were a next phase, ADC should consider using an M&E system more suitable to assess the progress of a country strategy.

8.2. Recommendations (long-term)

Recommendation 4: Explore the opportunity and feasibility to support interventions in tourism in rural areas, at the nexus of energy and environment as well as governance with a focus on vulnerable groups for a potential next phase.

Addressee: ADC and GNHC.

Justification: Based on the information collected during the stakeholder interviews and a *proposed* scoring methodology, the evaluation team argues for the above referred areas. It is nonetheless recommended that ADC revisits both the criteria and weighting described in chapter 6 and to apply the corresponding scoring tool (see Table 10) to identify the future design focus based on its preferences and needs.

In the same vein other tools – such as the one developed to identify potential sustainability issues or the one to help assessing the potential consequences (see Table 8) – may proof beneficial to structure or render decision making processes transparent and comprehensible.

Recommendation 5: Develop guidance regarding disengagement and exit strategies by capitalising on previous experiences, defining criteria, indicators and process for disengagement.

Primary addressee: ADC

Justification: ADC's recent experience in transiting from development assistance to bilateral relations – including in Nicaragua, Serbia as well as Bhutan – has been mixed. Because each case and country is different, we recommend ADC invests into formalising *general* exit strategy guidance. This can increase effectiveness, efficiency, and transparency of the disengagement process and increase likelihood of fruitful bilateral

contacts in the future.[57] Such guidance should determine *objective criteria* and, if feasible, corresponding *indicators (thresholds)* that inform whether ADC disengages from a given country. [58] Such criteria and indicators can include quantitative and qualitative criteria and indicators. In addition, it would be beneficial to define the processes for disengagement. This should include issues like: gradual downsizing of portfolio / contribution; communication and coordination with partner country and development partners and Austrian Whole-of-Government actors; transition to business and other bilateral relations. Good practice regarding exit strategies has been identified by the OECD (2008) or the European Parliament (2012). Good practice is, for instance, to communicate any exit strategy as early as possible to the Bhutanese partners. Early communication is beneficial for results achievement, consolidation and sustainability.

With a view to cover the full cycle it could also be considered to determine criteria and indicators regarding the *engagement* in a given country.[59] ADC would then be equipped with guidance for engagement, country strategy design ("10-Punkte-Plan") and disengagement / exiting.

Recommendation 6: Formalise transition towards relations beyond development assistance.

Primary addressees: Federal Ministry for Europe, Integration and Foreign Affairs and RGoB.

Justification: Austria and Bhutan should commence deliberations regarding the essential elements of the countries' bilateral relations following phasing out of ADC's assistance – notwithstanding whether Austria will engage beyond 2018 or not. Such an agreement would bring about transparency and would create commitment for continued partnership. The Bhutanese-Danish *"Joint Framework for Continued Partnership"* (August 2011) could provide guidance in identifying the issues and themes that are of importance and particular mutual interest. As noted, there are many actors in Austria that engage in a development context. This means that even if ADA is no longer present in Bhutan, others can contribute to maintaining contacts, providing support or transfer knowledge (e.g. members of the academia[60]).

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[57] From the Whole-of-Government perspective this will, in addition, complement ADC's process in designing country strategies ("10-point-plan").

[58] The recently adopted criteria of the Swiss development cooperation may offer some first inspiration.

[59] The recently adopted criteria in Switzerland could serve as an example and starting point.Botschaft zur internationalen Zusammenarbeit 2017-2020, Schweizerischer Bundesrat, 17. Februar 2016.

[60] To enable future academic partnerships with Bhutan, revision of some of the requirements based upon which funding (e.g. for scholarship, academic exchange, research) is made available to countries that do not have the status of a priority / partner country might be warranted. For instance, it could be foreseen that access to funding is made available for a 5-10 year transition period following disengagement of ADC from a priority / partner country.

Recommendation 7: Continue to further conceptualise and operationalise the Whole-of-Government approach.

Primary addressee: Federal Ministry for Europe, Integration and Foreign Affairs.

Justification: Austria initiated work on applying the approach and it already registers some early benefits. Overall, we conclude from the interviews that the stakeholders find the approach principally worthwhile but at the same time caution that expectations regarding the effects of the approach should not be set too high. With a view to improve its application, it is recommended to better define the purpose of the approach and the associated expectations of its effects, streamline definitions and work towards more awareness among stakeholders. An alternative consideration is to limit the scope of the approach, i.e. reducing the actors the approach to a few key actors and processes of the government rather than attempting to cover "all".

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Annex 1: Terms of Reference

Austrian Development Cooperation
Country Strategy Bhutan 2015-2018, Mid-Term Evaluation
Final Terms of Reference

1. Introduction/Background

The current Bhutan Country Strategy of the Austrian Development Cooperation (ADC) 2015-2018 (approved on 31/07/2015) is the result of a consultative process based on Bhutan's development priorities and Austria's development policies. It contributes to Bhutan's 11th Five Year Plan (11th FYP, July 2013 - June 2018), aimed at achieving self-reliance, inclusive and green economic development, and graduation from the Least Developed Country (LDC) category by 2020, and coincides with the Three-Year Programme of the ADC 2016-2018. The Country Strategy takes into consideration the achievements of Bhutan on her way to development and targets at a strategic partnership between the two countries in the long term.[1]

The Austrian-Bhutanese cooperation 2015-2018 focusses on three sectors: energy, tourism and governance. The overall results logic including sector-specific outputs, indicators and targets, as well as the broader development outcome the cooperation is expected to contribute to, are articulated in the Results Matrix (Annex 1).

Total bilateral ODA of Austria to Bhutan between 1994 and 2015 amounted to 80 million EUR. The indicative budget of the 2015-2018 Country Strategy is EUR 10 Million. Budget expenditure in 2016 totalled 1,86 million EUR (the nominative budget was 2 million EUR.); the ADC budget foreseen for 2017 amounts to 2 million EUR (both figures exclude the regional budget line for the Himalayas Hindu Kush - 0,745 million EUR in 2016 (expenditure) and 0,7 million EUR in 2017 (planned) - as well as other ADC financing tools such as business partnerships, APPEAR, and other ODA projects).

The Bhutan Country Strategy 2015-2018 was designed based on the recommendations from the Mid Term Review (MTR) of the 2010-2013 Country Strategy, with the intention to achieve a gradual phasing out/over of ADC engagement in Bhutan by 2018. This is articulated in the Bhutan Country Strategy[2] and the ADC Three-Year Programme 2016-2018[3], and is based on the assumption that Bhutan would reach its goal of self-reliance by 2020. Yet according to current data provided by the Gross National Happiness Commission and UNDP to the Austrian Coordination Office in Thimphu, this process has been delayed and graduation now seems more likely in 2022/2023. Key challenges relate to the country's Economic Vulnerability Index, lack of diversification of the Bhutanese economy, and uneven socioeconomic development between West-Central and East-South Bhutan.

Continued ADC engagement in Bhutan may therefore be considered beyond 2018. Should such engagement in support of Bhutan's 12th FYP (July 2018 – June 2023) be pursued, then the design process for the development of the new ADC Bhutan Country Strategy 2019-2022/23 will commence in early 2018.

This independent, external evaluation will provide the evidence-base needed for informed decision-making with regards to ADC's future approach and engagement in Bhutan beyond 2018. In addition, it will also provide rapid feedback and inform improvements for the current Country Strategy 2015-2018. The evaluation will therefore be formative in nature, providing a critical assessment of the results achieved in relation to the implementation of the 2015-2018 Bhutan Country Strategy and the recommendations from the MTR.

[1] The framework for the Partnership with the Austrian Development Cooperation (ADC) is based on the Agreement between the Austrian Federal Government and the Royal Government of Bhutan on Technical Cooperation (Thimphu, May 10, 1989).
[2] 'The current country strategy in its chapter IX 'Strategic Steering and Reporting' stipulates a review by ADC and the Royal Government of Bhutan (RGoB) 'which will provide orientation and concrete recommendations for a well-structured and systematic phasing over of bilateral development cooperation for the remaining years (2017 -2018) of the present strategy.'
[3] The Three-Year Programme on ADC 2016-2018 confirms Austria's cooperation with Bhutan and indicates that 'this has paved the way for a gradual phasing-out (positive term: phasing-over) of our engagement.'

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2. Purpose

The current Bhutan Country Strategy in chapter VIII `Strategic Steering and Reporting´ stipulates a Mid Term Review by the ADC and the Royal Government of Bhutan (RGoB) to provide orientation and concrete recommendations for a systematic and well-structured phasing over of bilateral development cooperation for the remaining years (2017-2018). However, changes in the programming context pointed up the potential need for continued engagement beyond 2018, which also changes the purpose of the exercise – which should be comprehensive, systematic and objective in nature, focussed on the Country Strategy design, implementation and results achieved to date.

The overall purpose of this evaluation, therefore, is to assess the relevance, effectiveness, efficiency, and – to the extent possible and meaningful – the impact and sustainability – of the results achieved under the ADC Country Strategy Bhutan 2015-2018 as well as the years leading up to the strategy since 2013, the end of the previous Bhutan Country Strategy 2010-2013, and to analyse the strengths and weaknesses of its strategic orientation and of its implementation, in view to:

a) assess the potential consequences of a phasing-over at the end of 2018 as indicated in the current Country Strategy;
b) examine the added value for Bhutan of a continuation of the ADC presence/engagement in Bhutan until her final graduation in 2023; and
c) explore the potential design and focus of a new ADC Bhutan Country Strategy beyond 2018 in view of consolidating results, making necessary adjustments, and ensuring sustainability.

The recommendations of the evaluation will feed into the remaining implementation period of the current country strategy 2015-2018, and inform adjustments. It will also inform decision-making with regards to the formulation of ADC's future strategic approach to Bhutan, including the potential design and focus of a new Bhutan Country Strategy beyond 2018 in support of the national development agenda as will be articulated in the new 12th Five Year Plan starting mid-2018.

The evaluation will further generate learning from the operationalisation of the *Whole of Government Approach* at the country level and feed into the design of the ADC next 3 (or 5) year strategy 2019-2021 (2023) to inform adjustments of the approach and its application.

The evaluation will be commissioned by the ADA for finalisation in the course of 2017.

3. Objectives

The objectives of the evaluation are to:

- Assess the relevance and coherence of the Austrian development cooperation in regard to Bhutan's national development priorities (incl. the sustainable development goals - SDGs).
- Assess the extent to which ADC and its partners are on track to reach the strategic objectives and results set out in the Bhutan Country Strategy and identify key factors that enhance or hinder performance, results and achievements.
- Appraise the efficiency and effectiveness of the strategic and operational steering mechanisms for the implementation of the Bhutan Country Strategy including ODA in a wider sense (WGA).
- Provide rapid-feedback on the status of implementation and actionable recommendations for improvement/refinement for the remaining period of the Bhutan Country Strategy, and to build the foundation for decision making on key elements of the new country strategy.
- Identify good practices and innovative approaches in the relevant sectors/areas to support the priorities of the country.

Being a formative, *improvement-oriented* evaluation, the primary audience will be relevant actors and decision makers in the ADC (including the Coordination Office in Bhutan and relevant

Units/Country Desks and senior management within the BMEIA and ADA) and the Royal Government of Bhutan (RGoB). Additional audiences will include the Reference Group, notably key ministries, development partners and subject matter experts, as well as other Units/Country desks and actors applying the *Whole of Government Approach* that may draw on these findings and apply learning in other contexts. Key donors and development actors working in Bhutan may also find the report useful in informing future engagement.

4. Focus/Scope

The period covered by the evaluation spans from 2013[4], the end of the previous Bhutan Country Strategy, to the present. The evaluation will cover the three core sectors - energy, tourism and governance – as well as economic cooperation including business partnerships, and cooperation with civil society organisations as regards the small project funded portfolio. Geographically, it will cover sub-national and national levels in Bhutan, as relevant to the results under assessment. The number and location of target sites will be identified together with the Evaluation Reference Group, taking into consideration the different timing and implementation phases of the different areas of work under the Bhutan Country Strategy.

5. Evaluation Questions

With regard to the ADC's Bhutan Country Strategy 2015-2018 and programme portfolio and to the particular provisions laid down in the Three-Year Programme of the Austrian Development Policy 2016-2018, the following questions shall be analysed and answered:

Relevance

- How relevant is the current **results logic and the implicit theory of change** that underpins the bilateral country strategy given overall changes in the programming context?
  - How well does the Country Strategy link to different SDGs as relevant to Bhutan in its current and forthcoming 12th Five Year Plan (FYP)?
  - Are choices of sectors and themes still relevant?
  - If the ADC were to continue its engagement in Bhutan post-2018, which sectors should it focus on from a relevance perspective?

- What is Austria's **value added and comparative advantage** in Bhutan taking into account the changing donor landscape in the country?
  - Has there been any change in perception of Austria's value added and comparative advantage by the Bhutanese partners and other development actors/donors since the 2013 Mid-Term Review of the Bhutan Country Strategy 2010-2013?
  - If so, what consequences follow for Austria?
  - How relevant is the economic co-operation approach including the business partnerships pursued by Austria in Bhutan? How relevant are the current private sector intitiatives supported by Austria and is there a potential to further expand/deepen Austria's engagement in the area?
  - What is the added value of the on-site presence of the ACO and of the bilateral country strategy as a framework for collaboration vis-a-vis active ODA institutions?

[4] While the ADC Bhutan Country Strategy was formally approved in mid-2015 only, ADC engagement in Bhutan in support of this Strategy continued since the end of the previous Bhutan Country Strategy 2010-2013. The Evaluation should therefore cover the entire period 2013 until present.

Effectiveness

- To what extent has the implementation of **recommendations of the 2013 Mid-Term Review** of the Country Strategy 2010-2013 helped to improve/focus Austria's collaboration in Bhutan?

- How effective was the implementation of the Country Strategy with respect to the planned **objectives and results**?

  - To what extent has the ADC contribution to ***policy dialogue*** assisted Bhutan in achieving its Five Year Plan?
  - How effective and useful is the current ***modality mix***, including National Execution (NEX), participation in Multi-donor Trust Funds, contributions to the One UN etc.?
  - How well have the ***complementary instruments*** (Business and Development, Science and Research, NGO Cooperation, Humanitarian Assistance, Multilateral Development Cooperation) been implemented?
  - To what extent has it been possible to take into account the principles and ***cross-cutting issues*** (Human rights, Gender Equality, Education, Environment, Climate Change, Higher and/or Vocational Education [an implicit cross-cutting issue across all sectors], etc.)?
  - How well have the institutional arrangements and the ***programme management structure*** at various levels (ADC and the Bhutanese implementing partners) worked?
  - To what extent has the ***periodic collection, documentation, and analysis of data*** from monitoring and assessments contributed towards effective results achievement?
  - What are the main challenges and issues faced while implementing the Bhutan Country Strategy?

- To what extent has the partnerships approach pursued by the ADC in Bhutan resulted in ***increased complementarities and synergies with different stakeholders*** and contributed to the effective achievement of results?
  - How well has ***donor coordination and networking*** (formal and informal) been and to what extent has it been possible to create synergies with different stakeholders (programme partners, NGOs, CBOs. etc.)?
  - To what extent has Bhutan benefitted from the regional ***ICIMOD Programme***, supported by Austria, and how well is ICIMOD coordinated with other (national/ADC funded) programmes and projects?
  - To what extent has the ***Whole of Government Approach (WGA)*** and the engagement of different Austrian stakeholders (as in Chapter VI of the Strategy) been implemented and resulted in improved complementarities/synergies between different ODA instruments at the country level? How well has the ADC played a role in ODA coordination?
  - What are the existing ***gaps and bottlenecks in WGA implementation***, including from an efficiency/capacity perspective, and what key measures are required to improve the operationalization of the WGA in Bhutan?

Efficiency:

- How efficiently has the portfolio of ADC incl. ODA aspects been managed with regard to the financial and human resources available?

Impact:

- What evidence is available for positive changes in the lives of people (women, men, girls, boys) and for progress achieved in ADC-supported policy areas?

4

Sustainability (and scaling down):

- How sustainable are the **development interventions supported by Austria**? To what extent can the benefits of the country strategy be expected to continue after the withdrawal of the donor (potentially targeted for 2018 or 2023)?
- What is the '**unfinished agenda**' - what areas should be prioritised during the remainder of the current and a possible next country strategy towards a gradual phasing out/over in 2018 or 2023? What would need to be done/improved during a next strategy to ensure sustainability?

6. Methodology and Approach

The Evaluation is expected to employ a mixed-methods approach to data collection, including both quantitative and qualitative methods. A mixed methodology will be used in order to draw from the strengths of both qualitative and quantitative methods and to improve the validity of results through triangulation. As such, the Evaluation will draw on a range of data sources (including the RGoB, private business, CSO partners, and projects beneficiaries) and data collection methods to ensure the reliability of results, promote impartiality, reduce bias, and ensure that the findings are based on the most comprehensive and relevant information possible. Potential approaches include:

- **Desk review:** of relevant literature and information including the ADC Three-Years Programme 2016-2018, ADC Bhutan Country Strategy 2015-2018, Bhutan 11th Five Year Plan 2013–2018, Reports of ACO Thimphu, Project Documents, the MTR report of the previous Bhutan Country Strategy relevant programme/project evaluations incl. by other actors (SDC).
- **Key informant interviews:** guiding questions will be developed for interviews with key informants including, but not limited to, members of the Reference Group; BMEIA and ADA programme staff; Government officials at national and sub-national level; relevant non-government partners; and other stakeholders.
- **Focus group discussions:** to enhance the understanding gained during key informant interviews and provide an additional method to cross-reference and triangulate information. These discussions may be facilitated through existing coordination mechanisms, and also targeted groups of key stakeholders – local level administration, national level counterparts, key implementing partners etc.
- **Case studies:** Where appropriate, and when full consent is given, case studies may be used to illustrate the effectiveness and impact of specific interventions in the energy, tourism and governance sectors supported by the ADC in the 2015-2018 Bhutan Country Strategy. Case studies may also cover other instruments (SPF, business partnership, APPEAR, etc.) and ODA projects (financed by the Ministry of Agriculture and Forestry, the Ministry Of Finance, etc.). Case studies may reflect a variety of findings, both related to stand alone projects and with regards to cross-cutting coordination challenges/synergies. The selection of case studies will be based on agreed criteria set at the beginning of the evaluation.

Methodological rigor will be weighted significantly in the assessment of proposals. Bidders are therefore invited to question the methodology presented in this TOR and improve on it, or propose an approach that is deemed more appropriate.

The Evaluation consists of four phases, preceded by an agreement on the Terms of References (ToR) of the Evaluation between the Austrian Federal Ministry for Europe, Integration and Foreign Affairs, MFA, and the Gross National Happiness (GNH) Commission of Bhutan

1. Scoping and Inception (June - July 2017):

The first phase comprises of the following actions/deliverables by the evaluation team:

a. A study/desk review of documents provided by the Austrian Development Agency (ADA)

b. Draft inception report (10-15 pages) that must contain at least the following points
   - Presentation of hypothesis/assumptions on the main evaluation questions ;
   - Detailed presentation of the methods to be applied during data collection: methodology of the consultative process, criteria for selection of case studies (which should include a fair representation of ADC supported sectors in Bhutan), key information to be obtained during the interviews in Bhutan, interview partners to be met, participants of the consultative workshop, approximate number of interviewees (which should include GNHC representatives, implementing partners of the RGoB, other RGoB partners such as the PM office or the Ministry of Agriculture and Forestry, private sector partners, selected secondary beneficiaries such as students, engineers, farmers etc.). indicators for verification/falsification of preliminary assumptions;
   - Proposed site visits () to be decided in the inception phase;

   The draft inception report must be provided to the ADA Evaluation Unit who will share it with members of the Reference group and, through its Coordination Office, with the GNH Commission for comments, and how will provide the consolidated comments back to the evaluation team.

c. Incorporation of the written comments into the draft inception report.

2. Data Collection/Field Visits and Preliminary Findings: (August 2017)

The second phase starts upon written approval by the ADA Evaluation Unit of the inception report (within one week after receipt of the evaluation team's final version). The main components of the second phase are:

a. Data collection through interviews and visits of programme sites in Bhutan in addition to interviews at the Austrian Embassy, the Austrian Trade Commission and the EU Delegation in Delhi. The interviews and site visits will be conducted in line with the plans presented in the inception report. ACO needs to start scheduling these interviews 3 weeks in advance at least to make sure that important partners are available.

b. Preparation of a consultative workshop in Thimphu/Bhutan including a discussion document. This document will include the preliminary findings and recommendations of the Evaluation based on the assumptions/hypothesis of the inception report, the results of the interviews in Bhutan and the visits of the programme sites. Participants of the consultative workshop are the representatives of the relevant Bhutanese Partners, one representative of the MFA, two representatives of ACO Thimphu and one representatives of ADA Head Office. At the end of the consultative workshop, it must be ensured that the participants share a common understanding of the findings and the recommendations of the mid-term evaluation.

3. Draft Report and Consultation (September – October 2017)

a. Submission of a final draft report in one to the ADA Evaluation Unit, who will share it with members of the Reference Group and, through its Coordination Office, with the GNH Commission at least three full weeks before the agreed date of presentation of the final report. Comments will be provided by the GNH Commission, ACO Thimphu, the ADA Evaluation Unit and the MFA within two weeks after receipt of the draft.

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b. Presentation (power point) by the team leader of the final draft results of the Evaluation, its findings and recommendations in Vienna organized by the ADA Evaluation Unit and MFA with key stakeholders of MFA, ADA and other stakeholders (e.g. representatives of other ministries etc.).

4. Final Evaluation Report and Dissemination (November 2017)

a. Incorporation of the written comments and submission of the final version of the report to the ADA Evaluation Unit for coherence screening.

b. Dissemination of key findings and recommendations

The evaluation team will build up its work on the relevant standards for evaluations of the OECD DAC and those of the Austrian Development Cooperation, http://www.entwicklung.at/activities/evaluation/en/ where applicable. All work needs to be documented by using transparent criteria.

7. Timetable

The Evaluation should start in May/June 2017. Data collection and field visits in Bhutan have to take place from 07-18 August 2017. The final report is to be presented the latest by end of November 2017.

8. Deliverables

The evaluation team is expected to provide the following deliverables:

- draft and final inception report
- discussion document for the consultative workshop
- draft version of the evaluation report
- presentation in Vienna
- final report

#	Phase	Deliverable	Time Estimate
1	Scoping and Inception Phase	Draft Inception Report (conceptual framework, methodology, workplan and questionnaires)	4 weeks (June-July 2017)
		Final Inception Report (incl. data collection tools to be piloted) and Two-Page Evaluation Brief	
2	Data Collection and Preliminary Briefings	Presentation of Initial Findings (Power Point)	2 weeks (August 2017)
		Preliminary Briefing Report for consultative workshop	
3	Draft Report and Consultation	Comprehensive Draft Report	4 weeks (September-October 2017)
4	Final Evaluation Report and Dissemination	Participatory Workshops (Power Point Presentation)	2 weeks (November 2017)
		Final Report	

All reports need to be written in English.

The final report must contain an executive summary and a list of recommendations made by the evaluation. It should not comprise more than 25-30 pages (excluding annexes).

The executive summary should summarize key findings and recommendations (three to five pages) and needs to be submitted as part of the final draft report.

7

The findings and recommendations have to be structured according to the evaluation questions. An outline of the report's structure needs to be agreed upon during the inception phase.

The quality of the reports will be judged according to the following criteria:

- Does the report contain a comprehensive and clear executive summary?
- Were the Terms of Reference fulfilled and is this reflected in the report?
- Is the report structured according to the OECD/DAC criteria?
- Are all evaluation questions answered?
- Are the methods and processes of the evaluation sufficiently documented in the evaluation report?
- Does the report describe and assess the intervention logic (e.g. logframe, program theory) and present/analyze a theory of change and its underlying assumptions?
- Are cross-cutting issues analyzed in the report?
- Are the conclusions and recommendations based on findings and are they clearly stated in the report?
- Does the report clearly differentiate between conclusions, lessons learnt and recommendations?
- Are the recommendations realistic and is it clearly expressed to whom the recommendations are addressed to?
- Were the most significant stakeholders involved consulted?
- Does the report present the information contained in a presentable and clearly arranged form?
- Is the report free from spelling mistakes and unclear linguistic formulations?
- Can the report be distributed in the delivered form?

9. Co-ordination Arrangements/Management of the Evaluation

The evaluation will be managed by the Evaluation Unit within ADA. The Evaluation Unit approves the inception report and final report.

A Reference Group composed of representatives from the Gross National Happiness Commission (GNHC) of the Royal Government of Bhutan (RGoB), the Austrian Ministry of Foreign Affairs (MFA), the Austrian Federal Economic Chamber (WKO), and the Austrian Development Agency (ADA), will be established to act as a sounding board, and to facilitate and review the work of the evaluation. They will also serve as an independent validation of facts and findings. The Reference Group will provide inputs and feedback on the findings and recommendations at all stages of drafting.

ACO Thimphu will facilitate the in country field mission of the Evaluation team including organizing and facilitating meetings and discussions in Bhutan, especially with the Gross National Happiness Commission, which will be the main counterpart in the whole process.

All organizational units within MFA and ADA in charge of Bhutan will provide the necessary documentation and information to the evaluation team

10. Payment modalities

An advance payment (travel costs and other travel costs as well as costs of logistics, such as consultative workshop) will be transferred upon acceptance of the inception report by ADA. The remaining cost will be settled by ADA after the presentation of the final invoice and its acknowledgement by ADA. The costs for the consultative workshop have to be included in the offer and the bill has to be settled by the expert.

11. Logistical arrangements

The evaluation team is responsible for its own logistical arrangements and shall arrange the necessary external meetings in Austria and Bhutan. ACO Thimphu will provide assistance with the booking of flights in Bhutan, if required, with visa application, providing hotel information and organizing the consultative workshop. All other external meetings shall be organized independently by the Evaluation Team, facilitated by the ACO Thimphu as and when necessary.

12. Evaluation team

The mid-term evaluation should be conducted by a team of evaluators, including one national expert. The team leader should have the following qualifications:

- Extended experience in development cooperation (min. 7 years)
- Experience in conducting country programme reviews/evaluations during the last 5 years (at least three reviews/evaluations conducted, team leader would be an advantage)
- Familiarity with the political, economic and social conditions in the Himalayas Hindu Kush Region (Bhutan would be an advantage), particularly issues pertaining to development cooperation
- Excellent knowledge of English language. Knowledge of German language is an asset.

The national evaluator should complement the qualifications of the international expert in a manner that enables them to complete the assignment as a team. S/he should have relevant experience in conducting evaluations during the last 3 years

The team will be contracted by means of a direct contracting process. Several experts will be invited to submit a concept note of a technical offer (maximum 15 pages) and the estimated costs. The technical offer should meet the following criteria

- Brief description of the understanding of the assignment
- Articulation of the critical issues/challenges of the country strategy and its implementation
- Presentation of a proposed methodology
- Presentation of a detailed work plan including time schedule and division of tasks
- Detailed CVs including references of the team leader and the other evaluator/s

The estimated costs should follow the following breakdown

- Personnel costs: name of experts, estimated number of working days, fee rate per working day, amount
- Travel costs (including stopover in New Delhi for the interviews): travel costs per mission, daily living allowances, accommodation and other travel costs
- VAT (if applicable)

The consultants must not have been involved in the design, implementation or monitoring of this project/programme.

13. Documentation

- Three-Years Programme 2016-2018,
- ADC Bhutan Country Strategy 2015-2018,
- Bhutan 11th Five Year Plan 2013 – 2018,
- Mid-Term Review 11th Five Year Plan 2013 – 2018,
- 12th Five Year Plan Guidelines, Goals and Objectives
- Economic Development Plan – Bhutan 2016

- UNDP vulnerability assessment
- Mid-Term Review of ADC Bhutan Country Strategy 2010-2013
- SDC Mid-Term Review Legal Sector Programme Mid Term Review
- Bhutan "Analysis of ADC priority countries" (Jan. 2017)
- Project Evaluation - Tourism
- Project Documents
- Reports of ACO Thimphu

A comprehensive package of background literature, reports, data etc., including the above-mentioned documents, will be provided to the evaluation team at the beginning of the assignment.

14. Annexes

1. ADC – Bhutan, Country Strategy 2015–2018, Log Frame Matrix

Vienna, 10/04/2017

Annex 1: Austria – Bhutan, Country Strategy 2015–2018, Log Frame Matrix

The overall objective of the 11th FYP is on achieving self-reliance (by 2020), as well as inclusive green socio-economic development. Four pillars will support the realisation of this goal (1) sustainable and equitable socio-economic development; (2) preservation and promotion of culture; (3) preservation of environment and (4) good governance.

For the national key result areas pertaining to these pillars as well as their key performance indicators please refer to the planning matrix of the 11th FYP, Volume I, Main Document, page 111ff.

Outcome	Bhutanese stakeholders command individual and institutional capacities as well as financial resources to achieve selected sector outcomes within the framework of the 11th FYP aiming at sustainable and equitable socio-economic development, preservation of the environment and good governance.	
Output Energy	**Indicators**	**Target**
Contribution to the sector outcomes of Energy, Construc-tion and Environment Sectors Effectiveness and efficiency in delivery of public service en-hanced Energy security enhanced Integrated Water Utilisation and Management enhanced	Improved delivery of public services through in-stitutional strengthening and capacity (DoHPS Outcome 001) Energy security enhanced through diversifica-tion and promotion of renewable energy and en-ergy efficiency technologies (DRE Outcome 001) Eco–friendly, energy efficient/disaster resilient, innovative and good quality construction pro-moted (DES SKRA) Negative impact on environment from develop-ment activities minimized (NECS Outcome 001)	No of Power Sector Employees special-ized in the field of hydropower and power systems *Target value till 2018: 591* *Baseline: 2013: 471* No of Policies and rules formulated No of Advocacy events on energy effi-ciency River specific minimum environmental flow established
Means of Austrian Contribution	Technical and financial assistance with an indicative budget till 2018 of Euro 4.5 mill. includ-ing spill over from the 10 FYP for rural electrification.	
Output Tourism	**Indicators**	**Target**
Contribution to the sector outcomes of the Tourism Sector Contribution to GDP, revenue and employment increased New products developed Wellbeing of rural communities improved through	RITH as a Regional Center of Excellence estab-lished (RITH Outcome 001) Tourism Planning and development decentral-ised (TCB Output 011) Community and private partnership based tour-ism projects created (TCB Output 005)	No of Students graduated from the Insti-tute and employed No of Dzongkhags with Tourism Develop-ment Plan under implementation No of Rural communities benefitting from eco-tourism

11

eco-tour-ism		
Means of Austrian Contribution	Technical and financial assistance with an indicative budget till 2018 of Euro 2.5 mill. includ-ing spillover from 10 FYP for the Royal Institute for Tourism and Hospitality.	
Output Governance	**Indicators**	**Target**
Contributions to the Sector outcomes of the Legal Sector Strengthened Accountability, Transparency, Efficiency and Effectiveness in Governance	Access to Justice enhanced (Judiciary Outcome 002) Easy access to legal information to general pub-lic (BNLI outcome 002) Easy access to systematic ADR services at lo-cal level provided (BNLI outcome 001) An ethical, competent and autonomous legal profession and a legal aid system is developed in line with international standards (UNDAF Out-come 4; Outputs 4.1 and 4.5) Legal system in the country strengthened (RIL outcome 001)	No of Dzongkhag Courts constructed and functional % of general public aware of their rights and responsibilities % of civil disputes resolved by mediators at local level Legal Aid System established No of people benefitting from legal aid per annum No of RIL Faculties trained and recruited Legal information system established
Means of the Austrian Contribution	Technical and financial assistance with an indicative budget till 2018 of EUR 3.0 mill. includ-ing spill over from the 10 FYP for support to judiciary of Bhutan.	

Annex 2: Methods (excerpt from Inception Report)

The methods applied to respond to the evaluation questions and purpose were comprehensively explained in the inception report.

(…)

Stakeholder mapping and sampling: The stakeholder map provided by ADA contained 99 stakeholders of which 68 were rated to be of „high importance" for the mid-term evaluation[61], well above the contracted 40 interview threshold. To ensure that the interviews engage key stakeholders, we proceed as follows:

- *Interviews:* Based on the stakeholder map and our current understanding of the CS we selected 40 stakeholders that we deem have the requisite knowledge and/or experience to provide pertinent information. Together with ACO and ADA Statistics and Evaluation Unit this list was then further refined (…). As a complementary service, we do not include the interviews with public sector representatives held between 26-28 June and 13-14 July into the calculation, effectively increasing the number of interviews from 40 to above 50. Some 30 interviews are foreseen to take place during the country visit in which we aim to learn from the views of senior managers, middle managers and technical staff in the public sector, civil society representatives and businesses.
- *Online-Survey:* 196 participants were identified on a contact list provided by the ACO and invited to the survey.[62] The answers are analysed and graphically displayed (…). All results are presented by stakeholder group.

(…)

Evaluation matrix: The evaluation matrix displays the evaluation questions, their importance ("Focus MTR") as well as the sources and indicators used to address the questions. The evaluation questions are sourced from ToR where they are formulated as explicit questions or mentioned as additional topics (marked grey in table). While some of the additional topics can draw on information gathered for the explicit questions, some of them form questions in their own right.

The ToR define the main purpose of the evaluation as:

[61] Note: 18 stakeholders were rated neither on "interest" nor "importance" whilst a few other ratings were unclear.

[62] ACO provided a list of 257 emails, of which 227 were unique. After deliberation with the ADA Statistics and Evaluation Unit we have dropped the email addresses of persons who had "No/barely" work relationship with the ACO (as rated by ACO). Persons with a finance / administrative / communication role were dropped. Persons who are no longer working in the role resp. are new to the role were also dropped. Finally, 16 participants were dropped to reduce the number of contacts in hydropower safety, Nepal Earthquake and Small Project Fund. 196 persons were invited.

- assess the potential consequences of a phasing-over at the end of 2018 as indicated in the current Country Strategy;
- examine the added value for Bhutan of a continuation of the ADC presence/engagement in Bhutan until 2023; and
- explore the potential design and focus of a new Country Strategy beyond 2018.

To prioritise the evaluation questions, the team examined whether the questions are directly or indirectly relevant to that purpose ("Focus MTR"). Questions that are unmarked are of a lower priority and fewer resources will be invested in responding to these questions.[63]

We plan to distinguish up to eight types of stakeholders which are interviewed and/or surveyed during the evaluation:[64]

- *Austrian public:* Political roles, government and judiciary functions (excluding universities but including private institutions attached to Ministries – i.e. ADA to BMEIA, ÖAD to BMWFW, etc.)
- *Austrian private I:* Academia and civil society
- *Austrian private II:* Private sector
- *Bhutanese public*: Political roles, government and judiciary functions (including state owned enterprises, excluding academia)
- *Bhutanese private I:* Academia and civil society
- *Bhutanese private II:* Private sector
- *Development partner*: other bi- and multilateral partners operating in the country
- *Other informant and knowledge holder*: All others

It is yet to be determined, based on the number of respondents, if the survey results can be displayed for all of these groups separately (e.g. the two Austrian resp. two Bhutanese "private" groups are likely to be combined). In regards to the interviews, the differentiation depends on the question and the heterogeneity of the answers. For most questions, a simple differentiation or no differentiation will be adequate.

The allocation of sources to questions depends on the relevance and complexity of the question as well as the information available:

- *Relevance*: Generally, the more relevant the question ("Focus MTR") the more sources are used to triangulate the information obtained.

[63] *Assumption*: It will not be possible to completely detach a next CS from the current one which means that some information on the current CS is relevant to the content of the next one.

[64] If a stakeholder is part of more than one group, the following rule is applied, he or she is assigned to (in descending order): Austrian public, Bhutanese public, Austrian private II, Austrian private I, Bhutanese private II, Bhutanese private I, development partner, other informants and knowledge holder.

- *Complexity*: The online-survey is used for questions that need relatively little introduction / contextualisation and can be answered by a critical mass of stakeholders (more than 10 stakeholders). Experience shows that the response rate is negatively affected by the number of questions, therefore we focus on the most pertinent and "high-level" questions in the survey. Questions which do not fulfil these criteria are taken up in the interviews.
- *Availability*: Where documents or data are available, these sources are used as a basis for the answer (stand-alone, or complementary to interview/survey information).

Crosscutting themes are primarily reflected in one of the evaluation questions.

(…)

Online survey: The key features of the online survey are:

Online Survey	
Respondents	• Min. 2 representatives of each institution identified in the stakeholder map (Note: Among small project funds implementers only the most senior figure is surveyed).
Process	• ADA evaluation unit / ACO provide institution, name, role and email address of representatives • Reference group approves questions + accompanying letter for survey • Preference: personalised survey (=personalised access to survey)
Date	• 10 July: draft sample and questionnaire and accompanying letter *(completed)* • 14 July: pre-approval by reference group *(completed)* • 19 July: feedback of reference group • 20 July: functionality test, written feedback (S. Breddy; R. Gruber) • 20 July: ADA sends email to respondents pre-announcing survey • 22/23 July: launch of survey • 05 August: reminder email • 10 August: close of survey
Content	• See Annex (…)

(…)

Semi-structured interviews: We intend carrying out at least 40 qualitative, semi-structured interviews, which will be a main source of information for the evaluation (excluding interviews carried out hitherto). The interviews shall provide complementary, qualitative information, insights and learnings. Whilst we initially foresaw that most of the interviews would be done with two team members attending, the number of stakeholders now warrant that the team separates for most of the interviews. To ensure triangulation the team will meet regularly during the mission for triangulation purposes. With a view to increase the number of interviewees we carry out three *group interviews/focus groups* (see Annex …); additional ones might be carried out in the context

of the case studies, subject to timing and added-value. Interview memos will be collected for analysis; they will remain solely with the evaluators.

(…)

Case studies: The suggested three case studies shall illustrate whether and how the CS achieves or does not achieve the expected outcomes, thereby covering different intervention types/modalities and sectors/topics (including a crosscutting topic).

The case studies as summarised in the table below:

Case study	Type	Sector	Crosscutting
Legal Sector Programme *(theme: indirect effects, counterfactual)*	Delivery of infrastructure	Governance	No
Theory of change *(theme: testing the "reach" issue)*	Capacity building	Tourism	No
Hydropower/electrification/alternative energy project *(yet to be defined)* *(theme: added-value)*	Capacity building	Energy	No

Case study 1 – Legal Sector Programme

Through the Legal Sector Programme ADA has been supporting the judiciary in Bhutan. With the construction and equipping of district courts complemented by relevant individual capacity development, the performance of the judiciary in the relevant districts is expected to improve compared to those courses that are only receiving national financing.[65] The proposed case study analyses a "counterfactual" situation by estimating the extent to which ADA's support has made a difference by comparing district courts that received ADA funding (Tsirang and Dagana; with "intervention") with district courts that did not or that received support from other sources (Chhukha, Paro or Haa; without "intervention").[66] To operationalise the comparison, we suggest the development indicators and other parameters shown in the table below.[67]

Indicator	Criterion
Court offers independent access from the executive	yes/no, comment
Physical access to differently abled persons	yes/no, comment

[65] The program document formulates the objective to *"… enhance access to an independent, competent and fair justice system … through improving physical access to courts in two districts and through developing capacities of human resources of main stakeholders in the legal sector …"*

[66] We thereby assume that district courts do not systematically differ from each other, for instance, regarding the client / case portfolio or staff capacity.

[67] The indicators / parameters are informed by the relevant indicators from the 11th FYP for the judiciary and the *UN Rule of Law Indicators – Implementation Guide and Project* Tools, 2011.

Space size for public participation in trials	m2
Public notice on hearings	yes/no, comment
Satisfaction of court staff	5-point scale re working environment
Resolution rate	% backlog/resolved cases, past 3 years
Average backlog of cases	# backlog cases, past 3 years

Case study 2 – Theory of change

An essential element of a behaviour change model is the so-called "reach", i.e. whether the right individuals and institutions received goods and services (for instance, training) to yield results. We suggest testing this critical element of the ToC in one of the case studies, namely in the tourism sector. Questions that are relevant in this regard are: Were the persons who took part in the hospitality training those who need the training or those who were being rewarded? Are those who got the training able to use it in their jobs? Are they supported by their supervisors to fully apply their capacity? Have those who got the training advanced in their career or otherwise the means to impart their (newly acquired) knowledge to peers? The case study complements the ToC and could otherwise add value for future similar-type interventions.

Case study 3 – Hydropower / electrification / alternative energy project

The third cases study illustrates an intervention in the energy sector. This case study focuses on the added-value the Austrian Development Cooperation was able to generate in relation to other / previous interventions and investments (particularly those of much larger size), either through the capacity development conducted, and / or environmental quality standards promoted. The exact case (project; issues) is yet to be defined through ADA Statistics and Evaluation Unit and ACO (*Note*: interviews will take part in Thimphu vicinity).

In addition to the above referred cast studies we keep our eyes open for additional observations that add narrative elements to the evaluation (much like the "spotlights" referred to in the technical offer).

(…)

Annex 3: COM-B ToC Model

Theories of change are models showing how the activities and outputs of an intervention are expected to lead to intended impact, setting out the steps along the way from outputs to outcomes to impact.

Changing the behaviour and practices of individuals and institutions is often a key element of development interventions—a key step along the way to impact. There has been significant social science research undertaken to understand behaviour change and what it takes to change behaviour.

Based on a review of a large number of such research studies, Michie, Stralen and West (2011) set out a COM-B model of behaviour change: behaviour (B) occurs as the result of interaction between three necessary conditions, capabilities (C), opportunities (O) and motivation (M):

- *Capability* is defined as the individual's psychological and physical capacity to engage in the activity concerned. It includes having the necessary knowledge and skills.
- *Motivation* is defined as all those brain processes that energize and direct behaviour, not just goals and conscious decision-making. It includes habitual processes, emotional responding, as well as analytical decision-making.
- *Opportunity* is defined as all the factors that lie outside the individual that make the behaviour possible or prompt it. (Michie et al. 2011: 4) [emphasis added]

In a theory of change context, for the COM-B model we have Figure 10 showing the COM-B ToC model. The model shows the pathway to impact. The intervention outputs are delivered to an intended population (Reach). The expectation is that the outputs indeed reach this population and that their initial reaction is favourable (Reaction). The outputs are designed to enhance the Capacity of the target population with the aim of bringing about the desired behaviour or Practice Change. These practice changes are then expected to lead to specific Direct Benefits that ultimately will lead to Improved Wellbeing.

A theory of change needs to include the assumptions behind the causal links in the pathway. In Figure 10, the causal link assumptions are the salient events or conditions necessary (or likely necessary) for a particular causal link in a ToC to be realised. Figure 10 includes depiction of the supporting activities – other actions undertaken, often by partners in the intervention, to (help) ensure that he assumptions are realised. Further discussion on behaviour-change based theories of change can be found in Mayne (2015), and specifically on the COM-B ToC model in Mayne (2016).

Interventions typically address building capacity using one or more of capabilities, opportunities and motivation, indeed often just capabilities such as when knowledge and skills are enhanced through workshops and training. In such a case, the capacity change assumptions would have to include an assumption about adequate opportunities and motivation being in place, since a key behaviour change model assumption is that the capabilities, opportunities and motivation are all present and adequate.

The Reach and Capacity Change elements are essential elements of the model. However, in working with the model, particularly when working to verify the model, it is often convenient to simplify the model dropping these two aspects but including their essence in assumptions. The resulting Simplified COM-B ToC Model is shown in Figure 11. To develop these simplified models, the full COM-B ToC model needs to be first built so that the key components of reach and Capacity Change can be identified and included in the simplified versions. The theory of change models developed in this report, use these simplified versions.

Figure 10: COM-B ToC Model

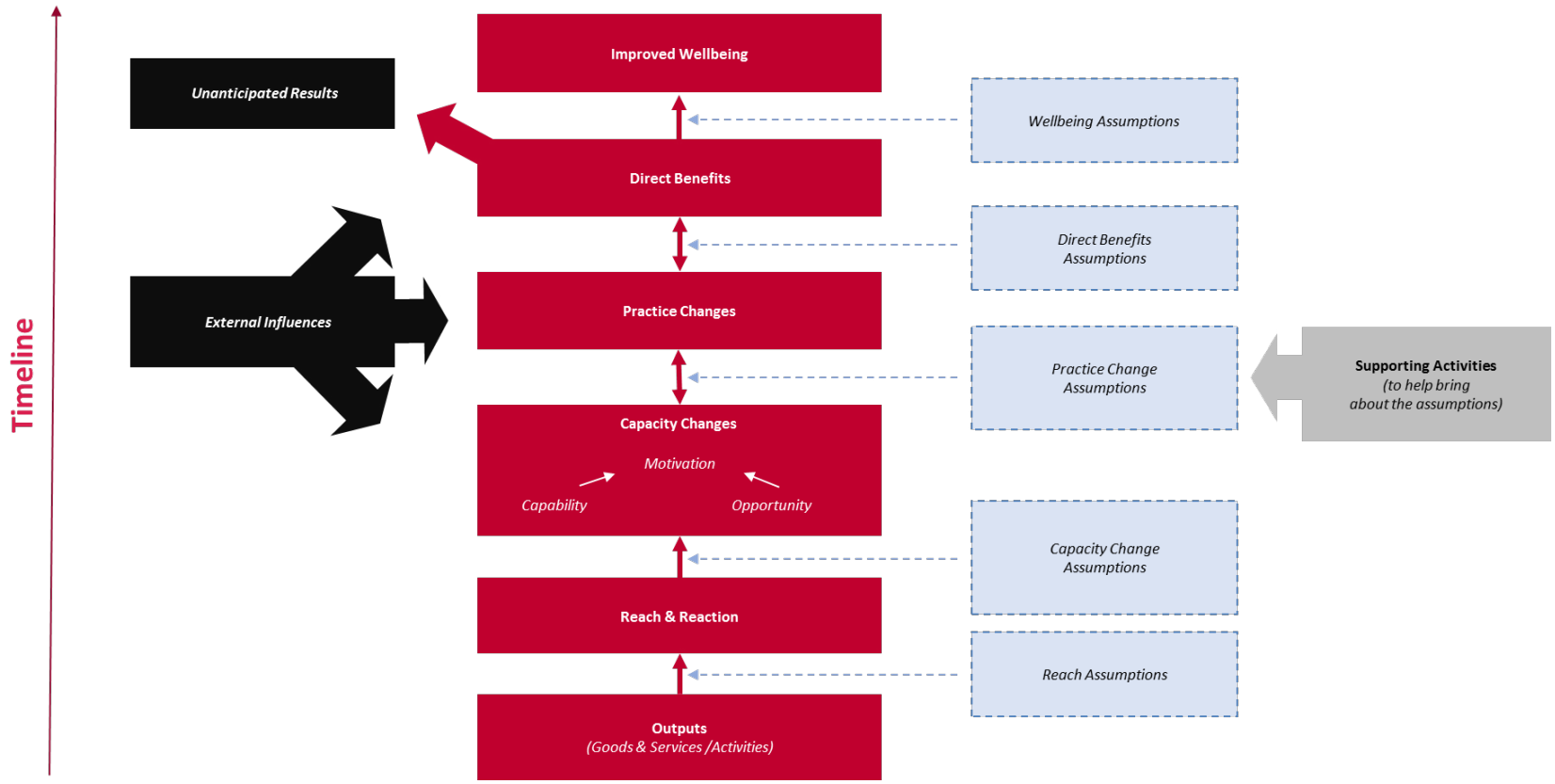


Figure 11: Simplified COM-B ToC Model

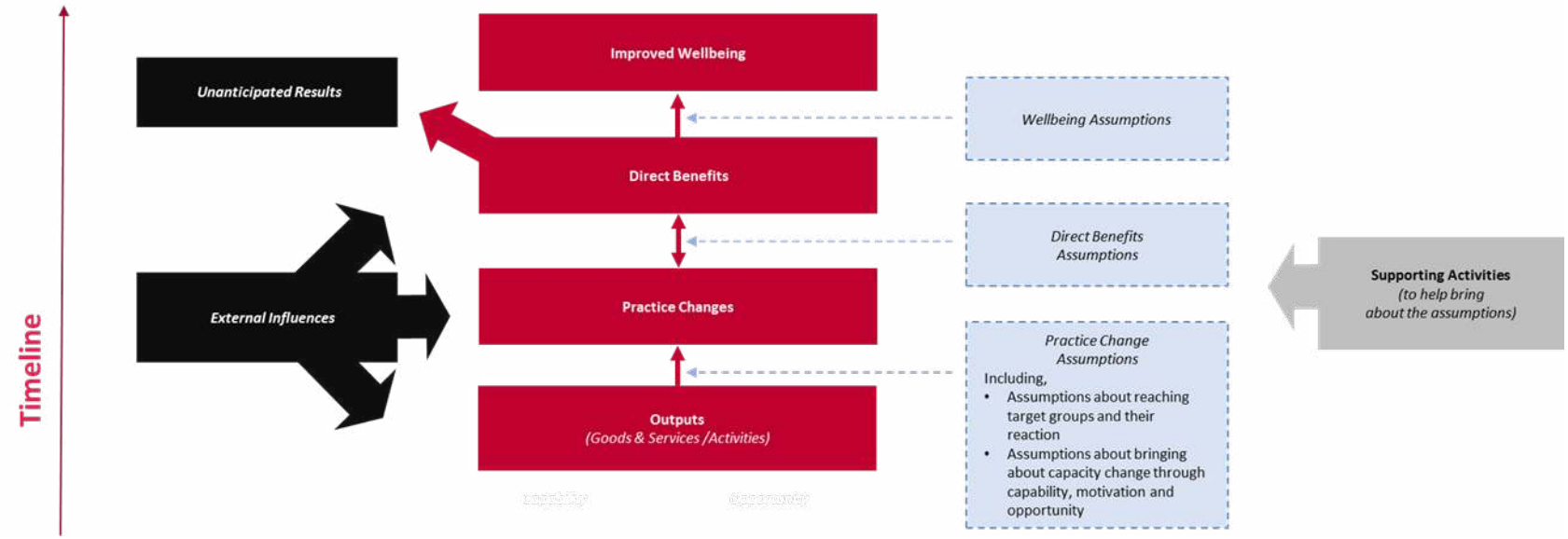


Figure 12: Simplified ToC for the tourism sector

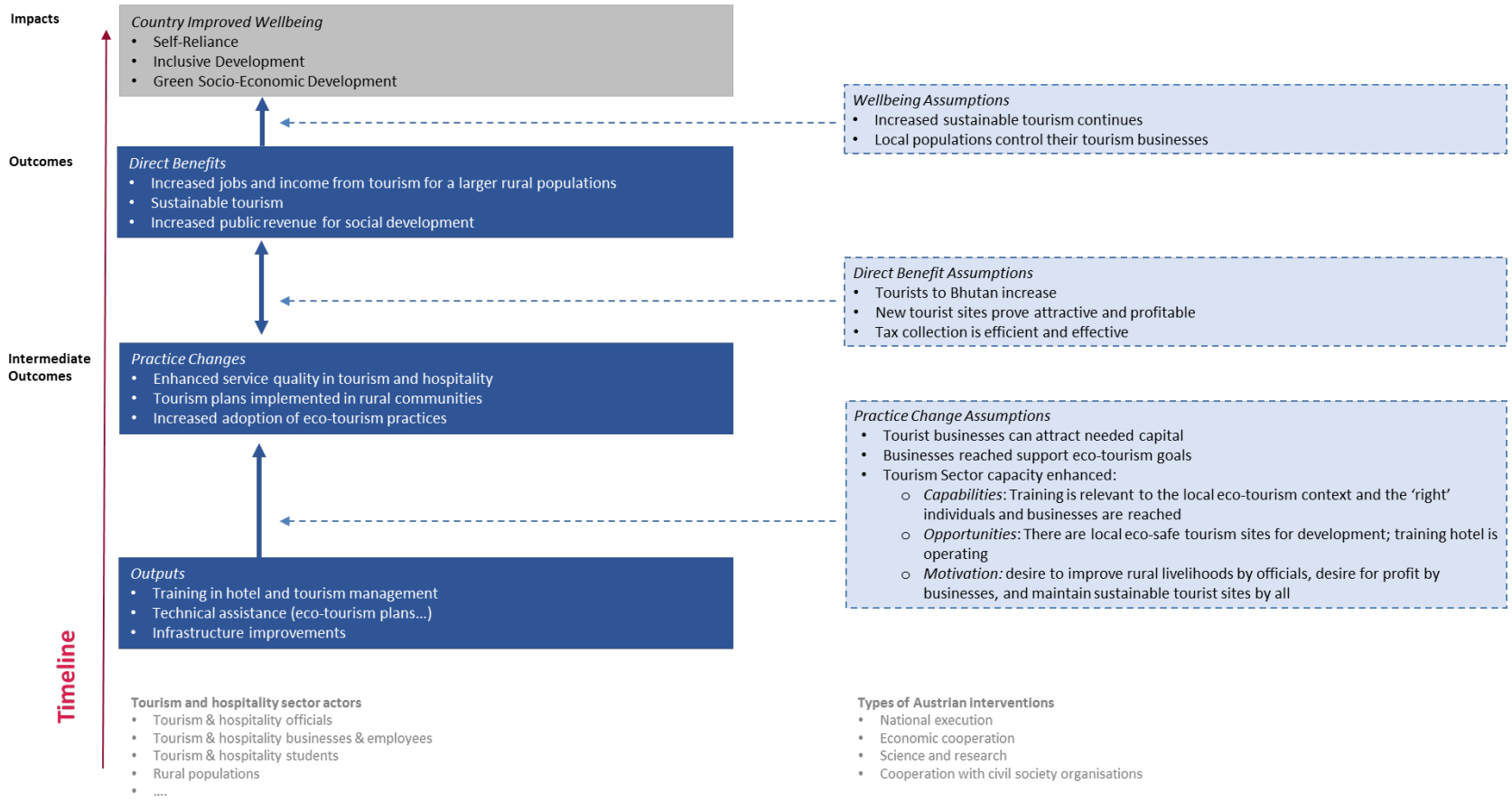


Figure 13: Simplified ToC for the energy sector

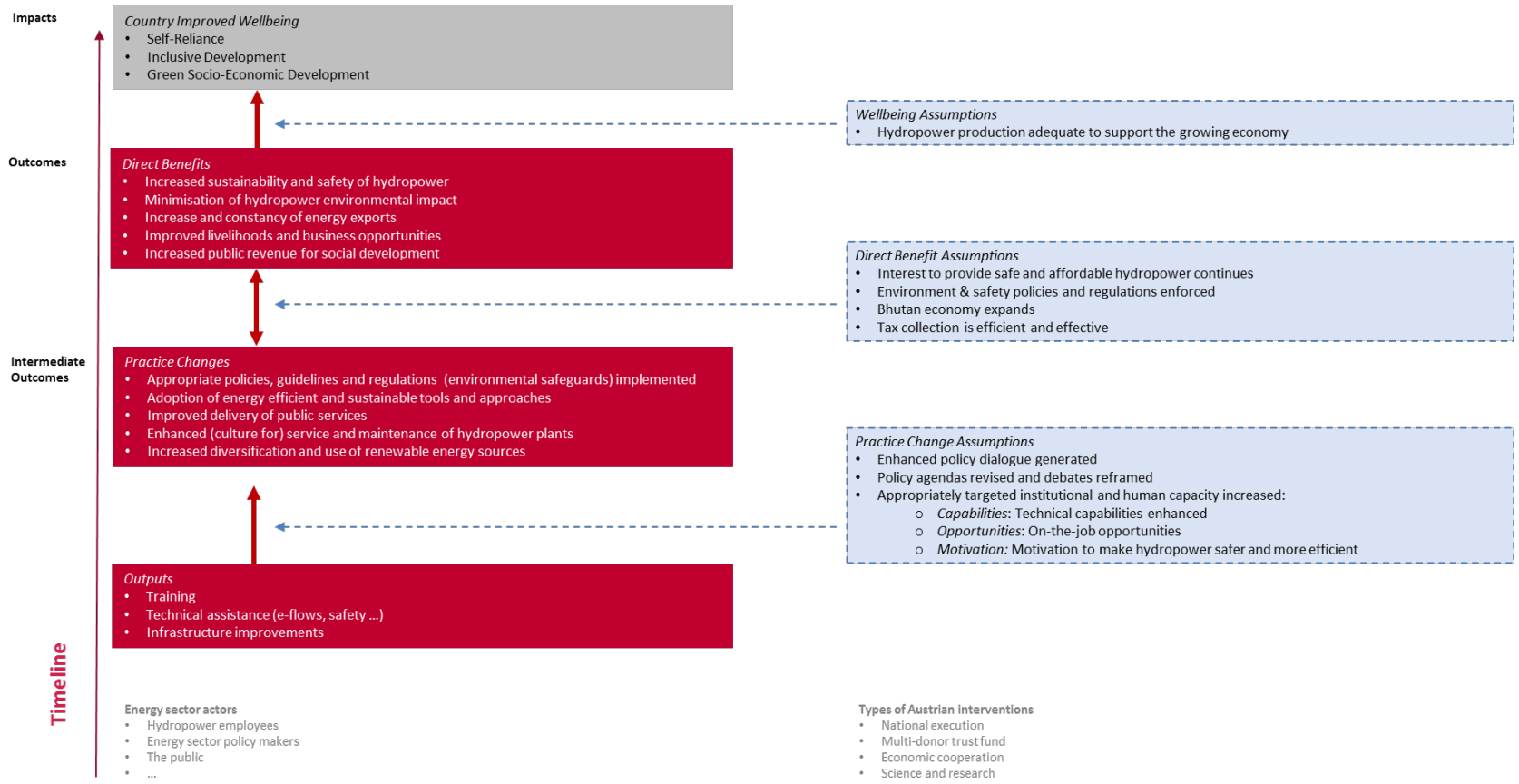
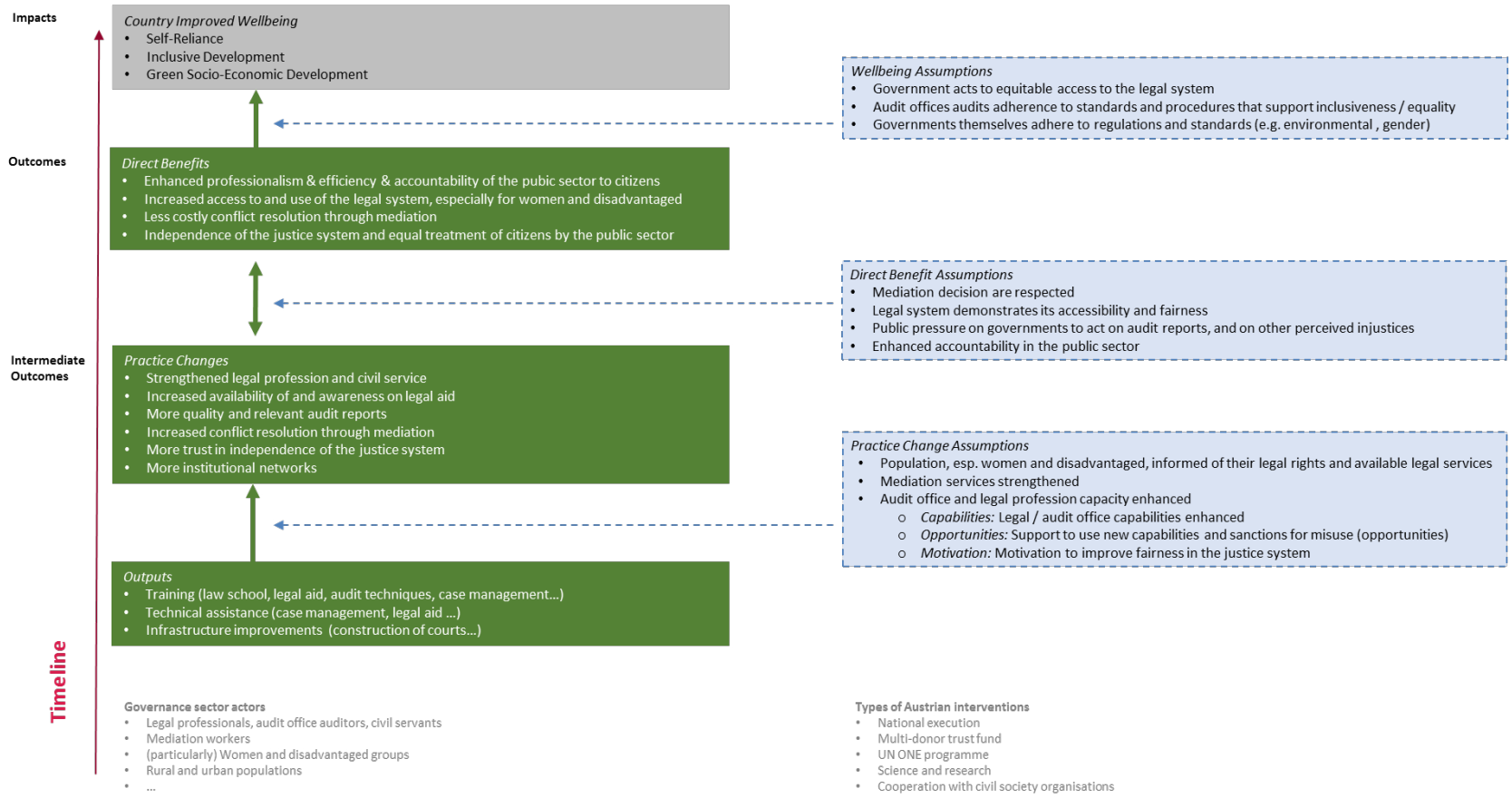


Figure 14: Simplified ToC for the governance sector



Annex 4: Evaluation Matrix

	Evaluation question	Indicators	Response
R1	How relevant is the *results logic and implicit ToC* … given overall changes in the programming context? Relevance and *coherence* of the ADC in regard to Bhutan's national development priorities (incl. SDGs)	• % "strongly agree" / "agree" answers in survey question 4	92% (strongly) agree 1 % (strongly) disagree *Note: The rest does not know.*
		• Extent to which the survey result is supported by comments / examples from interviewees (low/medium/high)	High
		• ToC reconstruction / testing: Extent to which it can reasonably be assumed that outputs lead to outcomes and impact	High
R1.1	How well does the CS link to different SDGs as relevant to Bhutan in its current and forthcoming 12th FYP?	• Extent to which credible links between CS programmes / projects to SDGs are shown in documentation	High
R1.2	Are choices of sectors and themes still relevant?	• % "strongly agree" / "agree" answers in survey question 4	92% (strongly) agree 1 % (strongly) disagree
		• Extent to which the survey result is supported by comments / examples from interviewees (low/medium/high)	High

R1.3	If the ADC were to continue its engagement in Bhutan post-2018, which *sectors should it focus on from a relevance perspective*?	• Sectors described by interviewees, their frequency (low/medium/high)	Several ideas were mentioned; in the assessment the following ideas received the highest scores: Tourism: rural / eco-tourism; Energy: safety capacity building; Energy: e-flow analysis; Governance: vulnerable groups. *See chapter 6 for more information.*
		• Number / project volume of other main donors in sectors suggested by interviewees (pending available information)	• ADB (2018 – 2020): South Asia Sub-Regional Economic Cooperation on Green Power In-vestment Program with focus on development of run-of-the river hydro-power plant and transmission facilities in eastern region of Bhutan; ~budget: US$ 320mil • World Bank (2017 –): Public Financial Management Multi Donor Trust Fund; ~budget: US$ 4mill • World Bank (2015 – 2019): Improved Business Environment, ~budget: Development Policy Credit of US$ 20mil (2019) • EU (2014 – 2020): Sustainable Agriculture and Forestry; ~budget: € 16.5mil • EU (2017-2021): Multi-Donor Trust Fund on Public Financial Management; budget: € 3mil • EU (2017-2021) Civil Society; ~budget: € 2.5 mil • EU (2017-2022): Rural development and climate change response programme; ~budget: € 16.5mil • EU (2017 – 2022) Local governance and decentralisation; ~budget: € 20mil

		• Extent to which sectors suggested by interviewees align with 12th FYP	The four areas mentioned above align highly with the 12th FYP, incl. the focus on vulnerable groups in governance (argument: "just, harmonious society", decentralisation).
R2	What is Austria's *value added and comparative advantage* in Bhutan taking into account the changing donor landscape …?	• Elements of value added / comparative advantage described by interviewees, their frequency (low/medium/high)	Austria's long-term engagement in Bhutan, the focus on a few thematic areas where Austria is perceived to have comparative advantages e.g. in the hydropower and tourism sectors and the channelling of its aid primarily via the "national execution" modality were frequently invoked as value adding elements.
R2.1	Has there been any change in perception of Austria's value added and comparative advantage by the Bhutanese partners and other development actors/donors since the 2013 MTR of the CS? If so, what consequences follow for Austria?	• Elements of value added / comparative advantage described in 2013 MTR	*Neutral / no change mentioned:* • Good standing and high visibility in Bhutan • Bhutanese partners locate ADC in the midfield of the donors, acting not as cleverly and smartly as Danida but better than SDC or JICA. • High potential of a presence in Bhutan to serve […] perspectives in sectors with specific Austrian competencies (energy, tourism, timber, etc.). *Improved:* • High potential of a presence in Bhutan to serve other donors and the EU managing programmes in a remote mode as a platform […] • Austria is an important European partner with relevant sectorial know-how and respect for Bhutanese identity. *Deteriorated:* • Austria did not succeed in mobilising untapped potential for expanding bilateral relations (ADC, Foreign Trade or others).

R2.2	How relevant is the *economic co-operation approach* including the business partnerships pursued by Austria in Bhutan? How relevant are the current private sector initiatives supported by Austria and is there a potential to further expand/deepen Austria's engagement in the area?	• Number of business partnerships, volume (e.g. turnover), pending data availability	3 partnerships, no data available; project disbursement rate: 11%; ACO reporting scores: "unsatisfactory" as of Q1 2017.
		• Proportion of interviewees giving comments and/or examples supporting the notion that economic co-operation / business partnerships / private sector initiatives are relevant (low/medium/high)	Low
R2.3	What is the added value of the on-site presence of the ACO and of the bilateral CS as a framework for collaboration vis-a-vis active ODA institutions?	• % "strongly agree" / "agree" answers in survey ~~question 2~~ *question 3*	*The operation of the ACO in Thimphu (as compared to an off-site presence in Delhi or Vienna) ...* *... contributes to Austrian Development Cooperation's (ADC's) participation in donor coordination forums or working groups.* • 86% (strongly) agree, 1% (strongly) disagrees *... renders the implementation of the Country Strategy more efficient.* • 84% (strongly) agree, 4% (strongly) disagrees *... improves the results of the Country Strategy.* • 87% (strongly) agree, 4% (strongly) disagrees *... contributes to an enhanced cooperation between Austria and the European Union (EU) due to its unique position as the only office of an EU Member State in Bhutan.* • 74% (strongly) agree, 7% (strongly) disagrees *... has other beneficial effects.* • 67% (strongly) agree, 5% (strongly) disagrees
		• Elements of value added of bilateral CS listed by interviewees, their frequency (low/medium/high)	• CS document *per se*: low; interviews do not suggest that CS is actively used (by

			those interviewed) in Bhutan and Austria alike; note: this excludes ADA/ACO staff. • CS sectors: high • CS modalities: high regarding NEX; medium regarding other • Fact that ADC engages in Bhutan: high
E1	To what extent has the implementation of recommendations of the 2013 Mid-Term Review of the CS 2010-2013 helped to improve/focus Austria's collaboration in Bhutan?	• Extent recommendations were implemented (low/medium/high)	• Rec 1 (full-fledged Austrian presence): high • Rec 2 (define position before 12th Round Table Meeting, RTM): high, but CS design took long (low) • Rec 3 (pledge position at 12th RTM): see above • Rec 4 (design CS until September 2013): low, b/c design tool longer; interim period w/o up-to-date CS • Rec 5 (GNHC to create space for pol. dialogue): medium, space provided in RTMs and some projects (e.g. governance or e-flows), GNHC not actively managing / taking part in coordination of/with development partners, which would offer pol. dialogue space • Rec 6 (Bhutan to specify interest for economic cooperation): medium-high, during business delegations and via ACO; some opportunities for business cooperation in the pipeline, e.g. OeSD • Rec 6 (GNHC to improve involvement of private sector): with (little) information available – medium
		• Proportion of interviewees giving comments and/or examples supporting the notion that recommendations have led to an improved collaboration (low/medium/high)	No data; those interviewed did not know recommendations and/or could not state whether recommendations "improved collaboration".

E2	How effective was the implementation of the CS with respect to the planned objectives and results?	• % "strongly agree" / "agree" answers in survey question 5	83% (strongly) agree 1% (strongly) disagrees
		• Extent to which the survey result is supported by assessment and/or examples from interviewees (low/medium/high)	High
		• Number of target values achieved / not achieved	There are target values / status data for 10 indicators. 3 target values are already achieved, 5 are well on track. *See chapter 4.2.1 for more information.*
E2.1	To what extent has the ADC contribution to policy dialogue assisted Bhutan in achieving its 11th FYP?	• Number of target values 11th FYP on track of being achieved in areas where ADC is active	• 7 indicators: 2 on track; 2 off track; 3 no data available
		• Proportion of interviewees giving comments and/or examples supporting the notion of such contribution (low/medium/high)	*Depending on sectors:* • Tourism: low • Energy / governance: medium
E2.2	How effective and useful is the current modality mix, including National Execution (NEX), participation in Multi-donor Trust Funds, contributions to the One UN etc.?	• Proportion of interviewees giving comments and/or examples supporting the notion of effectiveness (low/medium/high)	*Depending on modality:* • NEX: high • MDTF: medium • One UN: --
E2.3	How well have the complementary instruments (Business and Development, Science and Research, NGO Cooperation, Humanitarian Assistance, Multilateral Development Cooperation) been implemented? *[extensive question]*	• Number of target values achieved / not achieved	At present achieved: 39 (of 80+ indicators)
		• Proportion of interviewees giving comments and/or examples supporting the notion of an effective implementation (low/medium/high)	• Science: medium • Business: low • CSO: low
E2.4	To what extent has it been possible to take into account the principles and cross-cutting issues (Human rights, Gender Equality, Education, Environment, Climate	• Programme documents address cross-cutting issues	Yes
		• Data is collected, monitored, analysed on cross-cutting issues (e.g. gender disaggregated M&E)	Yes

	Change, Higher and/or Vocational Education [an implicit cross-cutting issue across all sectors], etc.)? *Suggestion: Focus on official Austrian aid cross-cutting issues, gender equality and environment and climate protection.*	• Achieved M&E values are similar for men and women (where relevant)	Women participating in training: 35%
E2.5	How well have the institutional arrangements and the programme management structure at various levels (ADC and the Bhutanese implementing partners) worked?	• Proportion of interviewees giving comments and/or examples supporting the notion that the management structure was adequately designed and executed (low/medium/high)	*Note:* Mixed between those interviewees directly involved with CS implementation and others only indirectly observing. • *Austrian:* medium, though less about "structure" but more about "process" • *Bhutanese:* medium, though less about "structure" but more about "process"
		• Reference to respective challenges in programme documentation	Tourism: Limited professional capacities incl. limited follow up and action on decisions and the stalling of the award of the contract for operation of the training hotel to a private operator Legal: frequent turnover of key project staff and refusal to provide 10% pre-financing of project Civil Society: continuous guidance needed by CSO Fund Facility UN One: setting up agreement and transfer procedures and understanding between GNHC, UNDP and ACO were challenges confronted; insufficient pro-motion of activities funded under ADA funding Weak capacity of implementing partners requiring close monitoring and follow-ups Rural electrification: high transportation costs, harsh climatic conditions, high turnover of labourers, short-duration work time ICIMOD Medium Term Action Plan: no broader stakeholder coordination and partici-

			pation; no regional level assessment of infrastructure; considerable "misperception" on regional tourism
E2.6	To what extent has the periodic collection, documentation, and analysis of data from monitoring and assessments contributed towards effective results achievement?	• Proportion of interviewees giving comments and/or examples supporting the notion that monitoring and assessment was adequately designed and executed (low/medium/high)	High in terms of "contributing towards effectiveness"; medium in terms of efficiency and ADC focus on "outputs" *See also below E 2.7*
		• Availability/quality of data and reporting	Reporting: well documented, informative, accessible; hard-to-trace data, hence evaluation team developed own 90+ indicator spreadsheet
E2.7	What are the main challenges and issues faced while implementing the Bhutan CS?	• Challenges and issues listed by interviewees, their frequency (low/medium/high)	"Hindering factors": • lengthy design processes / repeat delays • discontent with capacity and resource constraints of the Bhutanese counterpart staff • complaints about ADC's high level of project and programme supervision Also: • ACO resources (incl. for implementation of Whole-of-Government and liaison with / hub for EU partners
		• Reference to respective challenges in programme documentation	*See above E 2.5*
E3	To what extent has the partnerships approach pursued by the ADC in Bhutan resulted in increased complementarities and synergies with different stakeholders and contributed to the effective achievement of results?	• Joint projects generated by new partnerships	3 business partnership projects
		• Reference to respective synergies and challenges in programme documentation	Examples / comments: • ACO efforts to liaise / coordinate stakeholders; poses challenges (example: project of University of Innsbruck) • Efforts to synergies between BOKU and NEC (re e-flows) • Efforts to support plan for ICIMOD office in Thimphu

			• Efforts to synergies with CSO in Nepal after earthquake • Efforts to synergies with information to EU / EU member states; but opportunity to synergise through "delegated implementation" on behalf of EU not reaped
E3.1	How well has donor coordination and networking (formal and informal) been and to what extent has it been possible to create synergies with different stakeholders (programme partners, NGOs, CBOs. etc.)?	• % "strongly agree" / "agree" answers in survey question 5	• 73% (strongly) agree 1% (strongly) disagrees
		• Proportion of interviewees giving comments and/or examples supporting the notion that complementarities and synergies were achieved (low/medium/high)	Synergies: • low Donor coordination: • medium for "informal" coordination • low for "formal" coordination with GNHC
E3.2	To what extent has Bhutan benefitted from the regional ICIMOD Programme … and how well is ICIMOD coordinated with other (national/ADC funded) programmes and projects?	• Benefits as described by interviewees, their frequency (low/medium/high)	Directly involved stakeholders consider the involvement beneficial; others are critical.
E3.3	To what extent has WGA and the engagement of different Austrian stakeholders (as in Chapter VI of the Strategy) been implemented and resulted in improved complementarities/synergies between different ODA instruments at the country level? How well has the ADC played a role in ODA coordination?	• % "strongly agree" / "agree" answers in survey (unnumbered WGA question)	*N/A due to low response rate*
		• Gaps / bottlenecks mentioned by survey participants, their frequency (low/medium/high)	Gaps include: • Lack of definition and purpose of the Whole-of-Government approach; inconsistencies regarding terminology or the actors • Unclear practical implications in terms of roles, competences of the different Whole-of-Government actors *Full list see chapter 4.2.3*
		• Extent to which the survey result is supported by comments / examples from interviewees (low/medium/high)	*Comparison with survey result not possible, see above.* *Interviews:*

			• Early successes and improvements are registered, specifically more active information sharing, awareness for need to collaborate, additional platforms for future improved WGA established, e.g. by harmonising strategy cycles.
E3.4	What are the existing gaps and bottlenecks in WGA implementation, including from an efficiency/capacity perspective, and what key measures are required to improve the operationalisation of the WGA in Bhutan?	*See indicators above*	*See response above*
E4	Provide rapid-feedback on the status of implementation *["Rapid" to be interpreted as "pragmatic/cursory/initial"]*	• Number of target values achieved / not achieved	There are target values / status data for 10 indicators. 3 target values are already achieved, 5 are well on track. *See chapter 4.2.1 for more information.*
		• Proportion of interviewees giving comments and/or examples supporting an effective implementation (low/medium/high)	High
~~E5~~	~~Extent to which ADC and its partners are on track to reach the strategic objectives and results.~~ *[covered through E2]*		
E6	Appraise the efficiency and effectiveness of the *strategic and operational steering mechanisms* for the implementation of the Bhutan CS including ODA in a wider sense (WGA).	• Proportion of interviewees giving comments and/or examples supporting the notion that the strategic and operational steering mechanisms were efficient and effective (low/medium/high)	High to medium
I1	What evidence is available for positive changes in the lives of people (women, men, girls, boys) and for progress achieved in ADC-supported policy areas?	• % "strongly agree" / "agree" answers in survey question 6	81% (strongly) agree 1 % (strongly) disagrees
		• Extent to which the survey result is supported by comments / examples from interviewees (low/medium/high)	High
		• % change end 10th FYP / current 11th FYP indicators	GDP growth: increased from 2.1% (2013) to 6.5% (2015) Overall unemployment rate: reduced from 2.9% (2013) to 2.5% (2015)

			GDP per capita (USD): increased from 2,440 (2013) to 2,719 (2015) (or: 2,277, according to UN LDC website) Energy sector's contribution to real GDP growth: reduced from 1.8% (2013) to 1.3% (2015) Domestic financing of total expenditure: remained the same Tourism's contribution to the total national revenue: increased by Nu. 260 million between 2013 and 2015
		• Change in government revenues and expenses in social sectors	*See case study 3.*
Ef1	How efficiently has the portfolio of ADC incl. ODA aspects been managed with regard to the financial and human resources available? *[See also E3.4 & E6]*	• Ratio planned versus actual disbursements	n/a
		• Proportion (low/medium/high) of interviewees giving comments and/or examples supporting the notion of an efficient implementation	Medium
S1	How sustainable are the development interventions …? To what extent can the benefits of the CS be expected to continue after the withdrawal of the donor (potentially targeted for 2018 or 2023)?	• % "strongly agree" / "agree" answers in survey question 7	72% (strongly) agree 4% (strongly) disagrees
		• Extent to which the survey result is supported by comments / examples from interviewees (low/medium/high)	High
		• % ADA contribution to capital budget 11th FYP	approx.: 1%
S2	What is the 'unfinished agenda' - what areas should be prioritised during the remainder of the current and a possible next CS towards a gradual phasing out/over in 2018 or 2023? What would need to be done/improved during a next strategy to ensure sustainability?	• % "strongly agree" / "agree" answers in survey question 7	72% (strongly) agree 4% (strongly) disagrees
		• Elements / areas mentioned by interviewees, their frequency (low, medium, high)	*Unfinished agenda:* • Pending "graduation" of Bhutan • Additional project ideas and "loose ends" • Foster / establish partnerships and institutional linkages, including academia

			and businesses
~~LL1~~	~~Analyse the strengths and weaknesses of its strategic orientation and of its implementation~~ *[covered through questions above]*		
LL2	Key factors that enhance or hinder *performance, results and achievements. [extensive question] [See also E2.7]*	• Factors mentioned by interviewees, their frequency (low, medium, high)	Factors enhancing performance • The continuity of working with the same qualified Austrian experts • The attempt to mainstream "work-based-learning" , where capacity is built at the workplace, across the portfolio. • Supporting institution building and policy level interventions. • Focus on specific sectors, thorough supervision and an engaging ACO team. *See E2.7 for hindering factors*
		• Reference to key factors in programme documentation	*See chapter 4.2.2.*
LL3	Identify good practices and innovative approaches in the relevant sectors/areas to support the priorities of the country.	• ~~% "strongly agree" / "agree"~~ answers in survey question 9 • Good practices / innovative approaches mentioned in documentation / case study	*See chapter 7*
~~LL4~~	~~*Generate learning from the operationalisation of the WGA at country level and feed into the design of the ADC next 3 (or 5) year strategy 2019-2021 (2023)*~~ *[covered through E3.3 / E3.4 / E6]*		
PP1	Assess the potential consequences of a phasing-over *[See also all other questions marked as relevant for Focus MTR]*	• Consequences as described by interviewees, their frequency	Consequences aligned with the strategic principles and a combination of medium / high likelihood and medium / high impact are: • For Bhutan: (Potential) funding gap, a reduced access to outside expertise and input. • For Austria, the consequences for its aid

			effectiveness matter most.
		• Added value as described by interviewees, their frequency	*Added-value derives from not bringing about the negative consequences mentioned above.*
PP2	Examine the added value for Bhutan of a continuation *[See also all other questions marked as relevant for Focus MTR]*	*See indicators above*	*See response above*

Annex 5: Results matrix (absolute figures)

In addition to table 3 this table shows baseline and target values for the Country Strategy results framework as well as the level of achievement (as of August 2017).

Indicators	Baseline	Target	Achieved	Comment
Energy				
# power sector employees specialised in hydro power and power systems	471	591	556	*more trainings in September 2017*
# policies and rules formulated and adopted	1	3	2	*2nd policy submitted to GNHC*
# of advocacy events on renewable energy and energy efficiency	2	7	5	*5 advocacy events thus far*
Rivers specific minimum environmental flow established	0	4	4	*4 rivers covered*
# students graduated from the Institute and Employed	n/a	n/a	224	*no target value, 224 employed students thus far (95%)*
# rural communities benefitting from eco-tourism	4	8	n/a	*no status value*
# Dzongkhags with Tourism Development Plans	2	3	4.5	*more plans developed / reviewed than planned*
Governance				
% of general public aware of their rights and responsibilities	82	90	n/a	*no status value*
# Dzongkhags courts constructed and functional	2	9	8.5	*construction of 1 court ongoing*
Legal aid system established	n/a	1	0.95	*centre functional September 2017*
# people benefitting from legal aid per annum	n/a	n/a	n/a	*no baseline, target, status values*
# RIL faculties recruited and trained	0	10	10	*status September 2015*
Upgradation of Electronic Case Information System (CIS) to Case Management System (CMS)	0	30	30	*CIS/CMS implemented; note: target value unclear*
% of civil disputes resolved by mediators at local level	0	60	n/a	*no status value; note: baseline unclear*

Annex 6: List of Interviewees

The following persons were interviewed in the context of this mid-term evaluation. In total, we carried out more than 40 interviews with more than 50 respondents, most of them during the country visit to Bhutan. Different stakeholder groups were covered to mitigate the risk of distortions and biases.

Name	Institution	Date
Petra Schneeberger	BMEIA	26.06.2016
Michael Zimmermann	WKO	26.06.2017
Stella Avallone	BMEIA	27.06.2017
Gabriele Gil-Feigl	BMEIA	27.06.2017
Julius Lauritsch, Ewald Stadler, Raimund Magis	BMEIA	27.06.2017
Gertrude Leibrecht	ADA	27.06.2017
Robert Zeiner, Walter Ehmeir, Erwin Künzi	ADA	27.06.2017
Sandra Widmer	ADA	28.06.2017
Anton Mair	BMEIA	28.06./14.07.2017
Martin Ledolter	ADA	28.06.2017
Michael Laschan	BMWFW	13.07.2017
Matthias Braun	BMLFUW	13.07.2017
Elisabeth Gruber	BMF	13.07.2017
Georg Gratzer	BOKU	14.07.2017
Alexander Ristic	OeSD	13.08.2017

Annex 7: Schedule Country Visit

Mid-term evaluation: CS Bhutan 2015-2018

15 August 2014 – 26 August 2017

Mr. Harald Meier, Team Leader (HM)

Mr. Michael Morlok, Deputy Team Leader (MM)

Mr. Tek Bahadur Chhetri, Resident Evaluator (TC)

Time	Interviewee	Location	Evaluator
Tuesday, 15 August 2017			
16:30	Johannes Binder	ACO	HM, TC
Wednesday, 16 August 2017			
09:30	Dasho Thinley Namgyel, Secretary	GNH Commission Secretariat, Tashichhoedzong	HM, TC
09:30	Ms Kuenzang L. Sangey, Desk Officer	Development Cooperation Division, GNH Commission Secretariat	HM, TC
14:30	Dasho Nim Dorji, Secretary	Ministry of Finance, Tashichhoedzong	HM
15:30	Mr. Chencho Norbu, Secretary	National Environment Commission Secretariat, Tashichhoedzong	HM
Evening	Internal team meeting		
Thursday, 17 August 2017			
9:15	Sonam P. Wangdi, Officiating Secretary	Ministry of Economic Affairs	HM, TC
10:45	Tashi Tenzin, TCB, Dakar Dorji, Principal, RITH, Thinley Wangmo, RITH, Brent Hyde, Hotel Manager, RITH	Tourism Council of Bhutan, Ministry of Economic Affairs	HM, TC
14: 15	Lyonpo Tshering Wangchuk, Chief Justice of Bhutan, Sangay Dorji, Dean, JSW School of Law, Representative from Bhutan National Legal Institute	Supreme Court of Bhutan, Hejo	HM, TC
16:45	Wolfgang Holzleitner, Johann Aichinger, Bernard Engineers	Himalaya Coffee Shop	HM, TC
Friday, 18 August 2017			
9:00	Mewang Gyaltshen, Director, Satchi Dukpa, DRE	Department of Renewable Energy, Ministry of Economic Affairs	HM, TC
11:00	Rinzin Chophel, Engineer/Project Coordinator, Tandin Zangmo, Survey Engineer, Chimmi Yandgon,	Druk Green Power Corporation, Lower Motithang	HM

	Survey Engineer, Damcho Dorji, Civil Engineer, Yeshi Wangchuk, Ass. Finance Officer		
14:15	Gem Tshering. Managing Director	Bhutan Power Corporation	HM
15:45	Sonam Dorji, Chairman, CSOA	Association of Bhutanese Tour Operators	HM
Evening	Internal team meeting		HM, TC
Saturday, 19 August 2017			
9:00	Ugyen Tshering, Norzang Choda, Tshering Dorji, Tandin Wangmo and Sangay Choiphel	RITH	HM, TC
Sunday, 20 August 2017			
Afternoon	Internal team meeting		MM, HM
Monday, 21 August 2017			
9:15	Dasho Tshering Kezang, Auditor General	Royal Audit Authority, Kawajangsa	HM
9:15	Dasho Karma Tshiteem, Chairperson	Royal Civil Service Commission, Tashichhoedzong	MM
10:45	Dasho Rinzin Dorji, Secretary	Ministry of Agriculture and Forests, Tashichhoedzong	MM
14:15	Sonam Gyeltshen, Officiating Director	National Commission for Women and Children	HM
14:15	Karma Namgyel, Officiating Director	Department of Engineering Services, Ministry of Works and Human Settlement	MM
15:30	Ramesh Chhetri, Programme Manager, Sonam Tobgay, Head of Administration, Yeshey Wangchuk, Head of Finance, Kuenga Zangmo, Budha Thapa	Austrian Development Cooperation Office	HM
15:30	Internal team meeting		MM, TC
Tuesday, 22 August 2017			
9:00	Gerald Daly, Resident Representative	UN House, Kawajangsa	HM
10:30	Phub Tshering, Secretary General	Bhutan Chamber of Commerce and Industry	MM, TC
10:45	Dasho Chhewang Rinzin, Managing Director	Druk Green Power Corporation, Lower Motithang	HM
Afternoon	Follow-up meetings (tbd)		
14:00	Yoichiro Ishihara, Resident Representative, Tenzin Lhaden, Economist	World Bank Thimphu	HM
16:30	Dinner hosted by Secretary, GNHC	City Hotel	

Even-ing	Internal team meeting		HM, MM, TC
Wednesday, 23 August 2017			
09:00	Follow-up meetings		
	Internal team meeting		HM, MM, TC
16:10	Kesang Wangdi, Director General	Department of Bilateral Affairs, Ministry of Foreign Affairs, Parliament House	
	Internal team meeting		
Thursday, 24 August 2017			
09:30 – 12:30	Consultative Stakeholder Workshop to be chaired by Secretary, GNH Commission (all interviewees from governance, energy, tourism, development partners, CSOs and private sector, ADC HQ representatives) Lunch	Jambayang Resort	HM, MM, TC
13:00	Departure MM (PAR-DAD)	ACO	MM
14:00	Debriefing ACO	ACO	HM, TC
16:00	Departure HM (Paro)		HM
Friday, 25 August 2017			
9:25	Departure HM to Delhi		HM
14:45	Karen Olislagers, Cooperation Manager	EU Delegation	HM
16:00	B. Oeppinger-Walchshofer, G. Zehetner, C. Meyenburg	Austrian Embassy	HM
Saturday, 26 August 2017			
01:00	Departure (DEL-ZRH)		HM

Annex 8: Literature

The document review encompassed all programme and project related documents, including programme documents, progress reports, studies as well as ADC's annual reports that ADC provided to the evaluation team.

Additional literature is mentioned below:

BTI (2016): Bhutan Country Report 2016, Bertelsmann Foundation, 2016

European Parliament (2012): Criteria For Differentiation And Methods For Phasing Out EU's Development For The New DCI

IOB (2016): The gaps left behind. An evaluation of the impact of ending aid, 2016

Mayne (2016): "Useful Theory of Change Models", Canadian Journal of Program Evaluation 30(2): 119-142, 2015 and "The COM-B Theory of Change Model," 2016

Michie, v. Stralen, West (2011): The behaviour change wheel: A new method for characterising and designing behaviour change interventions, Implementation Science, 6(42), 2011

OECD (2010): *Evaluating Development Co-operation: Summary of key norms and standards*, Organisation for Economic Development OECD

OECD (2008): Managing Aid Exit and Transformation, India Country Case Study. Joint Donor Evaluation, OECD, 2008

SEVAL (2005): *Thesenpapier zu Programm-Evaluationen*, SEVAL Arbeitsgruppe EZA