

KNOWLEDGE MANAGEMENT ACTION PLAN

I. INTRODUCTION

1. ADB's Strategy 2020 highlights the importance of knowledge solutions as knowledge is a powerful catalyst for advancing development and enhancing its effectiveness.¹ Knowledge solutions are therefore identified as a driver of change for stimulating growth and synergizing broader development assistance in its core and other areas of operations. ADB's "Finance++" operational modality also calls for enhanced knowledge management whereby financial assistance should make additional contributions by leveraging resources through partnership and providing knowledge, over and above the provision of finance from ADB, to maximize and accelerate development effectiveness.

2. Bhutan has achieved high economic growth by unlocking its hydropower potential and made remarkable progress in poverty reduction. However, the country faces a key challenge of broadening its economic base and making the growth more inclusive to sustain high growth and successfully move toward upper middle income country status. The need for advisory services and knowledge support is therefore expected to increase during the course of the next country partnership strategy (CPS) period, 2014–2018. ADB has been one of Bhutan's key development partners and provided critical support for policy, institutional, legal, and regulatory reforms in various sectors of its operations. However, there is a great scope to streamline and strengthen its knowledge management in the country, particularly in view of Bhutan's emerging challenges.

3. This note provides an action plan for knowledge management that will allow ADB to use knowledge solutions to maximize the effectiveness of its operations in Bhutan over the CPS period.

II. THE OPERATING ENVIRONMENT

4. **CPS strategic framework.** The new CPS will assist Bhutan in achieving the objective of the 11th five-year plan, 2013–2018,² which is "self-reliance and inclusive green socioeconomic development," by focusing its assistance on ADB's complementary strategic agendas of Strategy 2020: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. The proposed assistance under these agendas will support the government's efforts toward its main thrusts of the 11th plan on inclusive social development, green accelerated economic development, and strategic infrastructure development.

5. **Sector and thematic priorities.** To deepen ADB's existing comparative advantage in its sectors of engagement, the priority sectors of its operation will continue to be energy, finance, transport, and water and other urban infrastructure and services. Technical assistance will also be provided on a selective basis to agriculture, natural resources and rural development as well as education sectors to address Bhutan's development challenges, including youth unemployment, low agricultural productivity, and fragile ecosystem, which are also highlighted in the government's 11th plan. ADB operations in these sectors will be complemented by interventions in key thematic areas, including private sector development, gender equity and

¹ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

² Government of Bhutan, Gross National Happiness Commission. 2013. *Eleventh Five Year Plan, 2013–2018*. Thimphu.

mainstreaming, good governance and capacity development, knowledge solutions, and partnerships.

6. **Growing needs for knowledge solutions.** Given Bhutan's transition to middle-income country status and concerns on inclusion as well as the environment, the CPS Final Validation Report recommends that ADB should help the government innovate its approaches to development by providing relevant knowledge products and advisory services on topics prioritized and identified by the government and ADB jointly on a continuous basis.³ In response, the new CPS will enhance its strategic use of knowledge solutions in a critical and coherent manner in all areas of ADB operations.

7. **Knowledge solutions for economic diversification and job creation through private sector development.** ADB will embed knowledge solutions in each of sector and thematic priority areas under the CPS. However, the role of knowledge solutions will be emphasized particularly in fostering a business-enabling environment for broad-based private sector development. This is to support the emphasis of government's 11th five-year plan on economic diversification and job creation with a focus on the development of non-hydropower sectors and the growth of a vibrant private sector to broaden the economic base and sustain high economic growth. This will complement ADB's ongoing investment support for strategic infrastructure development. Knowledge solutions will be provided in such areas as macro financial management, access to finance, public-private partnership (PPP), skills development, water resources management, and the formulation of a competitiveness strategy based on a cluster-based competitiveness study.

III. KNOWLEDGE MANAGEMENT STRATEGY

8. **Knowledge management framework.** Knowledge management will be an integral part of the CPS and its key objective will be to assist the government in achieving its goal of enhancing self-reliance and inclusive green socioeconomic development under the 11th five-year plan (see Figure 1). This will be pursued through support for better informed development policies, strategies, and interventions in all areas of ADB operations in Bhutan. Toward this end, knowledge management will focus on (i) the generation of knowledge products, (ii) the conduct of knowledge events, and (iii) capacity development:

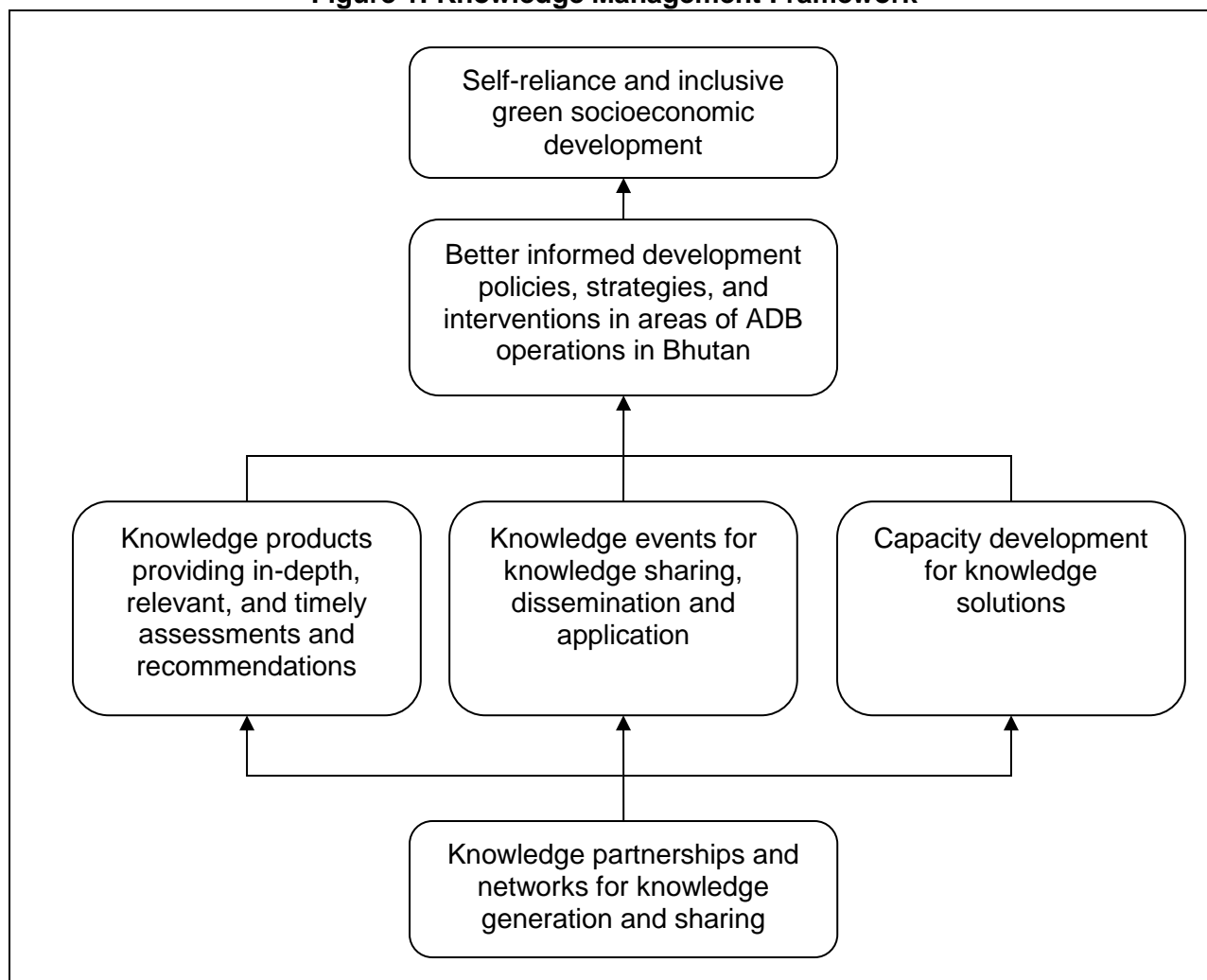
- (i) **Knowledge products.** In-depth, relevant, and timely assessments, recommendations, and policy advisory services will be provided to help address Bhutan's immediate as well as long-term development challenges. Expected flagship products include the development of integrated macroeconomic monitoring framework, early warning system, and vulnerability index to improve Bhutan's macro financial management. For economic diversification, a cluster-based competitiveness study will be conducted to help formulate a long-term competitiveness strategy.⁴ To strengthen integrated water resources management, support will be provided to develop a number of master plans in related areas. Key lessons and experiences from operational work will also be actively translated into knowledge products whereby knowledge will be generated through the formulation, implementation, and review of investment projects and policy-based programs.

³ See Country Partnership Strategy Final Review Validation (accessible from the list of linked documents in Appendix 2)

⁴ The study also includes the identification of industrial estates.

- (ii) **Knowledge events.** Opportunities for enhancing knowledge dissemination, sharing, and application will be actively explored under the CPS through the conduct of workshops, conferences, and study tours. Innovative projects and best practices will be showcased in such events to help the government identify and tap relevant knowledge, experience and lessons. A number of events are also planned for policy makers to raise their awareness of the importance of prudent macro financial management for sustainable growth and learn from other countries' experience in enhancing its macro financial management system.

Figure 1: Knowledge Management Framework



Source: Asian Development Bank.

- (iii) **Capacity development.** To improve the formulation of development policies, strategies, and interventions in a sustainable manner, efforts will be made for the development of institutional capacity to generate knowledge solutions through a strategic use of technical assistance (TA) resources in the areas of ADB operations. There are currently a number of ongoing TA projects to strengthen the government's capacity in macroeconomic management and the central bank's regulatory and supervisory function. A new TA will be provided to

enhance the institutional capacity of the Ministry of Labor and Human Resources to address youth unemployment. For key investment projects in the energy, transport and urban sectors, accompanying TA projects are pipelined to support capacity development to ensure the successful implementation and sustainability of projects.

9. To enhance knowledge generation and sharing as well as capacity building, the development of national, regional, and inter-regional partnerships and networks will be promoted. This will help elevate discussions and debates on economic and financial trends as well as development issues. While the focus of knowledge management will be on helping formulate better designed policies, strategies and interventions in Bhutan, it will also support the dissemination and sharing of Bhutan's experience with other developing member countries in areas where the country had success, including rural electrification and governance.

10. **Strategic principles.** The following principles will be followed for enhancing knowledge management under the CPS to ensure its development effectiveness:

- (i) **Demand-driven provision of knowledge solutions.** The provision of knowledge solutions will be demand-driven to ensure their relevance to the needs of the country. Identification and prioritization of knowledge activities will be undertaken in close consultation with the government and other key stakeholders. The establishment of a resident mission in Bhutan will help improve the dialogue with the government, which will allow ADB to respond more effectively to the needs of the country, particularly for advisory services.
- (ii) **Operational relevance.** Knowledge activities will be strongly intertwined with ADB operations in Bhutan such that they will contribute to improving the effectiveness, efficiency, relevance, and sustainability of operational work. This will help support a sequenced approach to addressing sector-specific constraints and provide value additions at each step.
- (iii) **Collaboration with local institutions.** Given the limited local capacity in providing knowledge solutions in Bhutan, ADB will engage, whenever appropriate and possible, local institutions for knowledge management activities to build their institutional capacity. They will include not only government agencies, but also research institutions, academics, civil society organizations, and other key stakeholders.

IV. IMPLEMENTATION AND RESULTS MANAGEMENT

11. **Financing knowledge.** Knowledge management activities will be an integral part of the CPS and will be supported through ongoing and pipelined TA as well as investment projects. Closer coordination will also be made within the South Asia Department as well as with ADB's knowledge departments and Communities of Practice to mobilize in-house expertise to respond to the country's needs for knowledge solutions.

12. **Monitoring and evaluation.** The progress of implementation of knowledge products and activities will be monitored closely through (i) annual country programming missions, (ii) tripartite portfolio review meetings, (iii) project review missions, and (iv) updates of sector assessments. Findings from TA performance and completion reports as well as any other

evaluation of knowledge support will also be discussed with the government and reflected in the design of subsequent support.