

ASIAN DEVELOPMENT BANK MEMBER FACT SHEET



Bhutan: 2018 Committed Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
38.39	–	1.00	59.26	98.65

– = nil.

Notes: Commitment is the financing approved by the ADB Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and technical assistance include ADB-administered cofinancing.

ADB's support to Bhutan reflects a strong emphasis on renewable energy production, transport connectivity, and key urban infrastructure projects.

BHUTAN

Bhutan: Cumulative Lending, Grant, and Technical Assistance Commitments^{a, b, c}

Sector	No.	Total Amount (\$ million) ^d	% ^d
Agriculture, Natural Resources, and Rural Development	29	76.51	8.58
Education	12	37.30	4.19
Energy	31	332.09	37.26
Finance	26	32.29	3.62
Health	6	30.89	3.47
Industry and Trade	14	31.82	3.57
Information and Communication Technology	1	4.70	0.53
Multisector	6	15.39	1.73
Public Sector Management	31	84.40	9.47
Transport	30	178.42	20.02
Water and Other Urban Infrastructure and Services	14	67.59	7.58
Total	200	891.39	100.00

^a Grants and technical assistance include ADB-administered cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Using primary sector in reporting of commitments.

^d Numbers may not sum precisely because of rounding.

Bhutan: Ordinary Capital Resources Nonsovereign Commitments by Product, 2007–2018

No. of Transactions Signed	Amount (\$ million)
Loans	–
Equity Investments	3.00
Guarantees	–
Total	3.00

– = nil.

Bhutan is one of the fastest-growing economies in South Asia. Economic growth has averaged 7.5% a year over the past 3 decades and the country's poverty rate was cut more than half in a decade, falling from 23% in 2007 to 8.2% in 2017. Yet, the challenge remains for Bhutan to expand its economic base and make growth more inclusive, especially for unemployed youth and women. Developing a vibrant private sector is key to diversifying Bhutan's economy, generating a more broad-based growth, and creating sustainable jobs.

Since 1982, the Asian Development Bank (ADB) has supported Bhutan through various programs, mainly in energy, transport, finance, and urban development. ADB has committed loans totaling \$534.06 million, grants of \$269.22 million, and technical assistance of \$53.75 million for the country.

Cumulative loan and grant disbursements to Bhutan amount to \$540.2 million. These were financed by regular and concessional ordinary capital resources (OCR), and the Asian Development Fund.

ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB's support to Bhutan reflects a strong emphasis on renewable energy production, transport connectivity, and key urban infrastructure projects. A total of four projects were approved in 2018; two of these are grant projects focused on human resource development, particularly involving skills and health development. The overall assistance aims to help generate revenue, support inclusive growth, and promote environmental sustainability.

In June 2018, ADB has also approved a loan and grant totaling \$53 million for Phuentsholing Township Development Project. The project's outputs will (i) develop 66 hectares of riparian land and (ii) protect the towns from



floods and riverbank erosion which currently threaten lives and livelihoods and disrupt connectivity with nearby communities.

ADB has also approved a \$10 million Secondary Towns Urban Development Project in June 2018. The project's outputs will (i) improve water supply in three secondary towns of Samdrup Jongkhar, Sarpang, and Trashigang; (ii) improve sewerage in Samdrup Jongkhar; (iii) develop drainage and road infrastructure in Sarpang's new satellite town; and (iv) support the strengthening of institutional capacity for management, operation, and maintenance of municipal infrastructure assets and develop water tariff guidelines.

ADB has also approved two grant projects to support the government's efforts in social sector development. Approved in August 2018, the \$15 million grant for Skills Training and Education Pathways Upgradation Project will support the government in expanding and upgrading the technical and vocational education and training system for modern, diversified, and job-oriented skills development. The project will facilitate the government's efforts in accelerating the development of a skilled workforce to meet the economic needs for competitiveness and sustained growth. Approved in

October 2018, the \$20 million grant for Health Sector Development Program will (i) support improvements in public health care service delivery, especially in underserved areas; (ii) help achieve equitable health financing and sustainable Bhutan Health Trust Fund—the core mandate of which is to support primary health care primarily by financing vaccines and essential medicines; and (iii) improve the management and governance of Bhutan's health information system to support primary health care and patient management, disease surveillance for increased health security, and overall sector management efficiency.

ADB has also approved two technical assistance grants of \$500,000 each to support capacity building of the Ministry of Health and the Ministry of Labour and Human Resources.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to \$3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from

commercial and concessional sources. In 2018, ADB mobilized \$3.17 billion of long-term cofinancing and \$3.99 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$12.7 billion as of 31 December 2018.

COFINANCING

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade Finance Program and Supply Chain Finance Program.

ADB began cofinancing operations in Bhutan in 1983. Since then, cumulative direct value-added official cofinancing commitments for Bhutan have amounted to \$71.53 million for 9 investment projects and \$21.93 million for 19 technical assistance projects.

Bhutan: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2008	100.0	2
2010	–	1
2014	50.0	2
2016	100.0	1
2018	100.0	2
Total	75.0	8

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2018.

Bhutan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2017–2018

No. of Ongoing Loans ^a (as of 31 Dec 2018)	6	
	2017 (\$ million)	2018 (\$ million)
Contract Awards ^{b,c}	1.24	18.71
Disbursements ^b	27.43	19.26
No. of Ongoing Grants ^a (as of 31 Dec 2018)	12	
	2017 (\$ million)	2018 (\$ million)
Contract Awards ^{b,c}	14.72	28.61
Disbursements ^{b,d}	9.81	15.11
Actual Problem Projects (%) (as of 31 Dec 2018)	–	

– = nil.

^a Based on commitments.

^b Includes closed loans/grants that had contract awards or disbursements during the year.

^c Excludes policy-based lending/grants.

^d Includes only Asian Development Fund and other ADB special funds.

Bhutan: Projects Cofinanced, 1 January 2014–31 December 2018

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	2	58.87
Official loans	1	58.82
Commercial cofinancing	1	0.05
Technical Assistance Grants	7	12.62

^a A project with more than one source of cofinancing is counted once.

Bhutan: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2017		2018		Cumulative (as of 31 Dec 2018)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	30.04	0.29	5.62	0.04	265.00	0.15
Consulting Services	0.56	0.07	5.96	0.86	11.45	0.09
Total Procurement	30.60	0.28	11.58	0.09	276.45	0.14

Top 5 Contractors/Suppliers from Bhutan Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2014–31 December 2018

Contractor/Supplier	Sector	Contract Amount (\$ million)
Penjor Construction Pvt. Ltd.	TRA, WUS	3.74
Rigsar Construction Pvt. Ltd.	TRA	3.54
Rinson Construction Co. Ltd.	TRA	2.30
Bhutan Builders Pvt. Ltd.	TRA, WUS	2.12
Gaseb Construction & SPML Infra. Ltd.; Officine Maccaferri S.P.A. (JV)	TRA	2.12
Others		65.94
Total		79.75

TRA = transport, WUS = water and other urban infrastructure and services.

Top 5 Consultants from Bhutan Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2014–31 December 2018

Consultant	Sector	Contract Amount (\$ million)
EGIS International JV with EGIS India	ANR	5.18
APECS Consultancy	WUS	0.45
Tarayana Foundation	MUL	0.39
Bhutan Association of Women Entrepreneurs	MUL	0.30
Gyaltshen Consultancy	TRA	0.19
Individual Consultants		1.70
Others		0.31
Total		8.52

ANR = agriculture, natural resources, and rural development; MUL = multisector; TRA = transport; WUS = water and other urban infrastructure and services.

Cumulative direct value-added commercial cofinancing for Bhutan has amounted to \$3.1 million for one investment project.

A summary of projects with cofinancing from 1 January 2014 to 31 December 2018 is available at www.adb.org/countries/bhutan/cofinancing.

PARTNERSHIPS

The ADB Bhutan Resident Mission, established in 2014, plays a key role in coordinating aid efforts among the country's development stakeholders.

ADB continues to partner with the private sector in Bhutan. It helped establish the Better Business Council, a joint public-private body that monitors, evaluates, and proposes policy recommendations to improve Bhutan's business environment and support private sector development. In May 2018, a two-day long Better Business Summit was organized and held in Thimphu. During the summit, entrepreneurs, academicians, government and civil society officials from abroad and within the country presented and deliberated the development themes that reflect the priorities of the government. The panel sessions provided opportunity for interactions.

ADB also supports private sector participation in areas such as agribusiness, pharmaceuticals, and ecotourism. In particular, the bank has provided an equity investment and technical assistance to a hazelnut exporter in Bhutan, which would benefit more than 15,000 households of smaller farmers across the country.

Bhutan actively participates in regional cooperation programs, including the ADB-assisted South Asia Subregional Economic Cooperation program, as well as the South Asian Association for Regional Cooperation, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Share of ADB's Procurement Contracts

Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$10.2 billion in 2017 and \$12.55 billion in 2018. Cumulative procurement since 1966 has been \$180.86 billion covering 215,461 contracts.

In Bhutan, 813 contracts worth \$265 million have been awarded to contractors and suppliers since 1982.

Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$746.79 million in 2017 and \$696.18 million in 2018. Cumulative

procurement since 1966 has been \$12.7 billion covering 59,248 contracts.

In Bhutan, 190 contracts worth \$11.45 million have been awarded to consultants since 1982.

OPERATIONAL CHALLENGES

With a widely dispersed population and insufficient road networks, Bhutan faces accessibility issues for both passenger and freight transport. Likewise, poor border-crossing infrastructure creates bottlenecks in trade and logistics flows. Infrastructure, communications, and public service delivery is one of the 17 national key results areas under the recently launched government's Twelfth Five Year Plan, 2018–2023. ADB will continue its support in infrastructure development under the new ADB country partnership strategy, 2019–2023 for Bhutan.

As Bhutan moves toward middle-income status, the need to develop its private sector has become more important in achieving diversified growth. ADB has been supporting private sector projects and public-private partnerships in hydropower as well as in non-hydropower areas.

FUTURE DIRECTIONS

ADB will expand economic opportunities in Bhutan by continuing to support infrastructure development (particularly for energy, transport, water, and urban infrastructure) trade facilitation, and finance sector development.

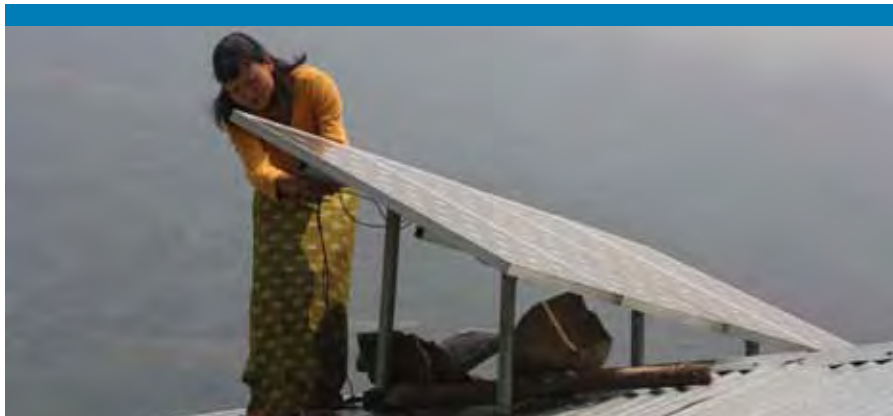
To make growth more inclusive, ADB will help improve Bhutan's national and cross-border connectivity as well as its infrastructure in regional growth

centers, health systems, education, skills development, and agriculture. ADB will continue to support initiatives in private sector development, governance, and capacity development. Nonlending assistance will focus on the country's agribusiness, energy, transport, and social services.

To support regional cooperation, ADB has also included four South Asia Subregional Economic Cooperation projects in the Country Operations Business Plan, 2019–2021

Bhutan is eligible for concessionary OCR lending. Bhutan can also access

additional Asian Development Fund grant and concessionary OCR lending from the disaster risk reduction mechanism to supplement projects.



ABOUT BHUTAN AND ADB

ADB Membership

Joined 1982

Shareholding and Voting Power

Number of shares held:	660 (0.006% of total shares)
Votes:	40,357 (0.303% of total membership, 0.467% of total regional membership)
Overall capital subscription:	\$9.18 million
Paid-in capital subscription:	\$0.57 million

Kshatrapati Shivaji is the Director and **Bayrammuhammet Garayev** is the Alternate Director representing Bhutan on the ADB Board of Directors.

Kanokpan Lao-Araya is the ADB Country Director for the Bhutan Resident Mission. The resident mission was opened in 2014 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Bhutan. The Bhutan government agency handling ADB affairs is the Ministry of Finance.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 68 members, 49 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2018, lending volume was \$19.88 billion (126 projects), with technical assistance at \$241.20 million (280 projects) and grant-financed projects at \$1.42 billion (44 projects). In addition, \$14 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2014 to 31 December 2018, ADB's annual lending volume averaged \$15.99 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$583.95 million and \$184 million over the same period. As of 31 December 2018, the cumulative totals excluding cofinancing were \$275.82 billion in loans for 3,090 projects in 44 countries, \$9.38 billion in 374 grants, and \$4.52 billion in technical assistance grants, including regional technical assistance grants.

Notes:

ADB welcomed Niue as its 68th member in March 2019.

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.

Data are updated as of 31 December 2018 unless otherwise indicated. Fact sheets are published annually in April.

CONTACTS

Bhutan Resident Mission

Asian Development Bank
2nd Floor, Royal Textile Academy Building
Norzin Lam, Chhubachhu
Thimphu – 11001 Bhutan
Tel. +975 2 339150/339151
www.adb.org/bhutan

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 8632 4444
Fax +63 2 8636 2444
(Please omit the "8" from ADB HQ numbers until
Manila numbers change on 8 October 2019.)

Ministry of Finance

Tashichhodzong
Thimphu, Bhutan
Tel +975 2 322223/324867
Fax +975 2 323154

Useful ADB websites

Asian Development Bank
www.adb.org

Annual Report
www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
data.adb.org