

# **ASIAN DEVELOPMENT BANK**

## **COUNTRY STRATEGY AND PROGRAM UPDATE (2003–2005)**

### **BHUTAN**

**July 2002**

## **CURRENCY EQUIVALENTS**

(as of 1 July 2002)

Currency Unit	–	Ngultrum (Nu)
Nu1.00	=	\$0.0204
\$1.00	=	Nu48.92

The Bhutanese ngultrum is pegged to the Indian rupee at par.

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BEA	–	Bhutan Electricity Authority
BPC	–	Bhutan Power Corporation
CCM	–	Committee of Council of Ministers
DHPC	–	Druk Hydropower Corporation
DOE	–	Department of Energy
DOP	–	Department of Power
FDI	–	foreign direct investment
GDP	–	gross domestic product
PBA	–	performance-based allocation
RETA	–	regional technical assistance
SASEC	–	South Asia Subregional Economic Cooperation
TA	–	technical assistance

## **NOTES**

- (i) The fiscal year (FY) of the Government ends on 30 June.
- (ii) In this report, "\$" refers to US dollars.

## CONTENTS

	Page
I. CURRENT DEVELOPMENT TRENDS AND ISSUES	1
A. Recent Political and Social Developments	1
B. Economic Assessment and Outlook	1
C. Implications for Country Strategy and Program	3
II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM	3
A. Progress under the Poverty Partnership Agreement	3
B. Progress in the Country Strategy and Program Focus Areas	4
C. Highlights in Coordination of External Funding and Partnership Arrangements	6
III. PORTFOLIO MANAGEMENT ISSUES	7
A. Portfolio Performance	7
B. Performance Monitoring and Evaluation	7
IV. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS	7
A. Lending Levels Proposed	7
B. Nonlending Program	8
C. Summary of Changes to Lending and Nonlending Program	8
APPENDIXES	9
1. Country and Portfolio Indicators, and Assistance Pipeline	9
Table A1.1: Progress Toward the Millennium Development Goals and Targets	9
Table A1.2: Country Poverty and Social Indicators	10
Table A1.3: Country Economic Indicators	11
Table A1.4: Country Environment Indicators	12
Table A1.5: Development Coordination Matrix	13
Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings	17
Table A1.7: Portfolio Indicators—Disbursements and Net Transfer of Resources	18
Table A1.8: Portfolio Indicators—Evaluation Rating by Sector	19
Table A1.9: Portfolio Implementation Status	20
Table A1.10: Monitoring Indicators and Lending Scenario	22
Table A1.11: Assistance Pipeline for Lending Products	23
Table A1.12: Assistance Pipeline for Nonlending Products and Services	24
2. Concept Papers for Lending Products	26
3. Concept Papers for Nonlending Products and Services	37

## I. CURRENT DEVELOPMENT TRENDS AND ISSUES

### A. Recent Political and Social Developments

1. The Ninth Plan (July 2002–June 2007) was launched in July 2002. It is based on the needs of local governments and will give them substantial autonomy and independence to execute development plans and activities. The plan's strategic thrust is to focus on rural infrastructure, quality of health and education facilities, private sector development, and decentralization of planning and implementation.

2. Due to insufficient data the progress of the millennium development goals and targets cannot be fully assessed. However, the plan and the partnership agreement with the Asian Development Bank (ADB) were set up to achieve them (Appendix 1, Table A1.1). The ADB-assisted Household Income and Expenditure Survey 2000<sup>1</sup> partly revealed the country's poverty situation (Appendix 1, Table A1.2). Based on a preliminary pilot study, the lower poverty line was established at Nu612.1 per capita per month and the upper poverty line at Nu748.1. Severe poverty affects 29% of the rural population but only 3% of the urban population. To improve social protection, the Government is strengthening the Department of Employment and Labor and the National Pension Fund Board.

3. In March 2001, the Council of Ministers established a committee of secretaries to help govern the country, focusing on enhancing efficiency, transparency and accountability, and on curbing corruption. The National Assembly passed the Civil and Criminal Procedure Code of Bhutan in July 2001, representing a major judicial reform. The code includes institutional, procedural, and substantive law, and penal reforms, and consolidates different sections of existing acts and the Thrimzhung Chhenmo (Supreme Law). Bhutan is taking a momentous stride into the future with the drafting of a constitution, which started on 30 November 2001. The written constitution will separate and strengthen the legislative, judicial, and executive arms of the Government, and will be the culmination of the reforms initiated by the King of Bhutan, which started with the decentralization policy in 1981. As decreed by His Majesty, the constitution must “promote and protect the present as well as the future well-being of the people, and safeguard the security and sovereignty of the nation.” In the interest of promoting good governance and strengthening transparency, the Royal Audit Authority made an annual report public for the first time in 2002.

4. The Government continues to be besieged by the problem of people in the refugee camps in eastern Nepal. The governments of Bhutan and Nepal have completed the citizenship verification of the people in the first camp in December 2002, and are now negotiating a next step. On the other hand, the presence of armed foreign militants in southern Bhutan poses a grave security threat. The Government is pressuring the militants to leave Bhutan so that it need not resort to military action, which is the last step following peaceful dialogue, cutting off ration supplies to the camps, and prosecuting and punishing people assisting the militants.

### B. Economic Assessment and Outlook

5. Economic activity, vigorous for the past years, was robust in 2001 as gross domestic product (GDP) grew by 6.5%<sup>2</sup> from 6.0% during the 1990s and 5.7% in 2000 (Appendix 1, Table

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<sup>1</sup> Central Statistical Organization, Planning Commission. October 2001. *Household Income and Expenditure Survey 2000 (Pilot)*. Thimphu. Since it is a pilot survey, the result should be treated as preliminary.

<sup>2</sup> Preliminary staff estimate.

A1.3). The country's close link with India helped Bhutan avoid the direct impact of the global economic slowdown. The main driving force of the high economic growth was the construction of three hydropower projects. In the services sector, electricity continued to lead the economy and maintained 12.5% of GDP. Tourism, which registered double-digit growth in the 1990s, witnessed a drop of 14.5% in tourist numbers and a decrease of \$1 million in revenue in 2001 due to the aftermath of 11 September, poor weather earlier in the year, and logistical difficulties with air transport. Agricultural growth was lower than in 2000, when investment targeted improving access to agricultural farming inputs.

6. The Government has traditionally pursued a prudent fiscal policy; current expenditures were maintained at a level that could be completely financed by domestic revenues. The contribution of electricity exceeded 45% of total domestic revenue through surplus transfers from public enterprises. Two sales taxes were introduced for television cable operations and beer in 2001. However, the fiscal deficit expanded to 5.1% of GDP from 4.1% in the previous year because of increased large capital investments, including in housing, expressway, and old capital city renovation projects. Some favorable factors are expected to mitigate the fiscal constraint. As one hydropower plant is commissioned over the coming months, power export tariffs are likely to be revised upward. A personal income tax was introduced in January 2002. Corporate and business income taxes will also be updated.

7. Given that monetary policy is geared to support the exchange rate peg with the Indian rupee, inflation and interest rates were kept in line with those in India and the scope of the monetary policy is substantially limited. Inflation remained at 3.6% in 2001. The high level of deposits over credit in the banking sector persisted for many years due to the scarcity of bankable projects. Such scarcity is due to the weakness of the private sector and low lending capacity of commercial banks, which is caused by the lack of credit assessment competence, difficulty in finding collateral and in using the legal system for credit recovery, and higher default risk.

8. The trade deficit increased, but improved services and transfers kept the current account at the previous year's level. Capital inflows in the form of grants and loans have continued to exceed the current account deficit by some margin. The net effect kept foreign exchange reserves at a level equivalent to 16 months of merchandise imports. Total external debt increased by 37% largely in response to the loans from India for the new hydropower projects, but the debt service ratio remained at a sufficiently manageable level: 5.6% of merchandise exports.

9. Medium-term prospects based on the Ninth Plan are good, growing by 7-10% annually. Electricity and related construction will continue to boost the industry sector, while private sector development will determine the prospects of mining and manufacturing. The services, particularly transport and communication, will also benefit from the commissioning of a hydropower project and the recovery of tourism. Other than tourism, the economy is relatively well insulated from the direct effects of global economic volatility, although the country would be vulnerable to the effects of major developments in India.

10. Despite generally good medium-term prospects, however, risks could arise from internal and external forces. A drastic change in the economic structure<sup>3</sup> could have an impact on the labor market and give rise to social instability. If India's fiscal situation worsens, the hydropower

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<sup>3</sup> According to the Ninth Plan, three sectors—electricity, construction, and transport and communication—will lead the economic growth and their share of GDP will increase from 33% in 2000 to 48% in 2007.

projects could be delayed. Given the importance of external finance to Bhutan's development plans, the flow of resources must be maintained. Its reduction could slow the implementation of the development plan and limit the Government's financial maneuverability. Of greater significance is the risk that the economy will fail to create adequate new jobs for the rapidly increasing number of school leavers, and that labor skills will not sufficiently improve to meet market demand. These risks increase unemployment, while inadequate skilled labor supply may require importing skilled foreign labor.

### **C. Implications for Country Strategy and Program**

11. ADB's 2000 country operational strategy for Bhutan is consistent with the Ninth Plan. The Government recognizes that rural production capacities and income need to be enhanced and that the private sector has to be a catalyst in economic development. ADB should continue to place high priority on rural development and private sector development.

12. The expanding electricity sector will contribute to fiscal revenue and economic growth. However, reliance on a single sector will also increase the vulnerability of the economy. Efficiency and governance in the electricity sector have to be improved. The impact of energy sector development has to be closely monitored, focusing on areas such as economic growth, economic and social structure, balance of payments, labor market, etc. Development of the electricity sector, however, will not automatically create jobs. The economic base should be built up through private sector development.

## **II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

### **A. Progress under the Poverty Partnership Agreement**

13. On 23 October 2001, the Government and ADB signed a poverty reduction partnership agreement that aimed to improve living standards and promote social equity. While it is too early to assess progress toward agreed-upon goals, improvements have been made.

14. Considering Bhutan's development philosophy—maximizing "gross national happiness,"—poverty must be measured carefully. The Household Income and Expenditure Survey 2000 is Bhutan's first effort to determine poverty thresholds in accordance with internationally recommended methodologies. An ongoing follow-up technical assistance (TA)<sup>4</sup> will help monitor poverty indicators for the achievement of long-term goals. However, until statistical capabilities have been strengthened, monitoring the impact of poverty reduction programs may have to be mainly qualitative rather than quantitative.

15. To implement the medium-term poverty reduction strategy in the partnership agreement, the Government incorporated the strategy into the Ninth Plan and launched the personal income tax in January 2002. Since July 2001, ADB has focused on medium-term poverty reduction by supporting basic skills development, rural electrification, social protection, and private sector development.

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<sup>4</sup> ADB. 2001. *Technical Assistance to Bhutan for Strengthening the National Statistical System*. Manila.

## **B. Progress in the Country Strategy and Program Focus Areas**

### **1. Private Sector Development**

16. The Government's efforts to stimulate private sector activity appear more closely integrated into the Ninth Plan than previous plans as shown in the Government's strategy to (i) improve rural infrastructure and thus stimulate rural small-scale private initiatives; (ii) improve public services; (iii) strengthen technical and vocational education at the district level, and provide professional employment services; (iv) expand agricultural extension activities; (v) raise labor productivity; and (vi) continue to solve the widespread shortage of high-level business, commercial, and technical skills. The Government also announced that 50% of the Ninth Plan human resource development budget would be allocated to the private sector.

17. To create an enabling environment for the private sector, the Government is planning a number of initiatives during the Ninth Plan. In February 2002, the Government approved the proposal to build a 7.8-acre (around 32,000 square meters) dry port at Phuentsholing to provide trade facilities and services that are generally offered in seaports in other countries. To solve the acute shortage of land for industrial development, five industrial estates have been identified while service centers have been proposed for all townships.

18. The Government is preparing draft legislation and procedures for foreign direct investment (FDI). The FDI policy is likely to be discussed and adopted at a meeting of the Committee of Council of Ministries (CCM) in early July 2002. The Government will also finalize the delayed industrial legislation; establish a foreign investment promotion division; conduct feasibility studies on 15 potential industrial projects; carry out investment opportunity studies in all districts; revise the Industrial Master Plan; and start business development services, business advisory services, and a revolving fund and business incubator. The departments of trade, tourism, and power are supporting private sector development. The health and education minister signed memorandums of understanding with private sector representatives, urging them to create jobs for Bhutanese nationals. The Government is also developing a national labor administration policy and a labor administration system, as well as employment related legislation.<sup>5</sup>

19. The ADB-supported Financial Sector Review<sup>6</sup> prepared medium- and long-term strategies to develop the financial sector, private sector, and small and medium-sized enterprises. The World Bank has been conducting a private sector survey in collaboration with the Government since September 2001. The Government incorporated the interim findings of these activities into the country development plan, including the Ninth Plan. ADB and other development partners will incorporate the findings into future support to develop a payment system and non-bank financial institutions (insurance, lease, venture capital, etc.); strengthen the financial legal framework; and develop a dry port and industrial estates.

### **2. Energy**

20. ADB assistance to the power sector includes rural electrification and the institutional and capacity development for sector restructuring. ADB supported<sup>7</sup> the establishment of a policy and

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<sup>5</sup> ADB. 2001. *Technical Assistance to Bhutan for Institutional Development of the Department of Employment and Labor*. Manila.

<sup>6</sup> ADB. 2002. *Financial Sector Review (Draft)*. Manila.

<sup>7</sup> ADB. 1998. *Technical Assistance to Bhutan for Policy and Legal Framework for Power Sector Development*. Manila.

legal framework to restructure the power sector and recommended dividing the Department of Power (DOP) into three agencies: Bhutan Electricity Authority (BEA, regulatory); Bhutan Power Corporation (BPC, operational); and Department of Energy (DOE, policy-making). BEA will be established under the Electricity Act, which was passed by the National Assembly in July 2001. Under an ADB TA, DOP will be corporatized into BPC by July 2002, transferring DOP's regulatory functions to BEA and policy-making functions to DOE. As BEA will play a key role in commercializing the sector, assistance for its capacity building is urgently needed. ADB also recommended that the Druk Hydropower Corporation (DHPC) be established to consolidate all government-owned power stations as profit centers. DHPC will include system dispatching and trading as a distinct division or profit center and facilitate private sector participation in hydropower generation once appropriate policies and a legal framework are in place.

21. The commissioning of Kurichu hydropower project (60 megawatts [MW]) and upper stage of Basochu hydropower plant (24 MW) augmented the power supply capacity to 444 MW. Hydropower generation contributes over 45% of government earnings. With assistance from India and Austria, 2 new hydro power stations (Tala and Basochu Lower) are under construction and will add around 1,060 MW to installed capacity. The eastern transmission grid was completed to light up 8 eastern and south-central districts with power from Kurichu. New substations were established in 6 rural areas and improved power supply. Only 35,000 households (about 30% of the total) have access to electricity. Under the Ninth Plan, the Government plans to electrify 15,000 households in 20 districts to achieve 100% electrification by 2020. ADB plans to cover 8,000 households; Austria, 1,000; and the Netherlands, 2,000. For the exchange of electricity among neighboring countries, the United States Agency for International Development (USAID) promotes cross-border bilateral cooperation, while the South Asia Subregional Economic Cooperation (SASEC) promotes regional electricity exchange.

### **3. Transport**

22. An ADB financed TA<sup>8</sup> has encouraged planning and institutional strengthening in the transport sector. The Road Sector Master Plan, completed in March 2001 under the TA, was used in the Ninth Plan. The master plan provides an improved road policy and management system that facilitates efficient budget allocations for road sector development and maintenance. Introduction of an off-budget arrangement to fill the resource gap between allocations and road maintenance is also being considered. The Government intends to present the Road Act, drafted under the TA, for approval by the CCM and then for consideration by the National Assembly this year.

23. As a land-locked country seeking access to markets abroad, Bhutan supports regional cooperation in the transport sector. ADB focuses on a core network that links neighboring countries and provides access to international markets. Bhutan is participating in dialogues on multi-modal transport and communication through the ADB-assisted SASEC.

### **4. Social Development**

24. The Government prepared a national housing policy in 2002, setting out a broad policy framework to provide safe and affordable shelter to all, particularly to middle- and low-income groups. The policy provides general guidelines for land acquisitions and uses, building standards and design, private sector participation, legislation, subsidies, and access to housing. As migration accelerates to urban areas that have limited housing, the Government is building

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<sup>8</sup> ADB. 2000. *Technical Assistance to Bhutan for Road Planning and Management Strengthening*. Manila.

about 700 houses in Thimphu and 60 in Phuentsholing, mainly for low-income government staff. The Government is considering expanding this scheme to accommodate nongovernment low-income groups and establishing a corporation to efficiently implement housing projects.

25. The Ninth Plan will bring basic education in Bhutan up to grade 10, from the present grade 8. As school facilities expand and the quality of the education improves, more and more students are completing primary education and continuing on to secondary education. Secondary schools must meet demand, and the quality of education must be improved. As the labor force grows rapidly at 11% per annum and the agricultural labor force declines at 1.3% per annum, the Government must emphasize vocational skills development, creation of off-farm jobs, and development of employment and labor policies.

## **5. Subregional Cooperation**

26. In pursuing SASEC under an ongoing regional technical assistance (RETA), ADB has focused on five sectors identified by the participating countries: energy and power; transport; environment; tourism; and trade, investment, and private sector cooperation. Bhutan is participating in all five-sector working groups, leading the environmental working group, and having hosted its finalization meeting in April 2002. Bhutan will significantly benefit from the Energy and Power Working Group's work on regional interconnectivity and rural electrification best practices, because they will facilitate power sales from Bhutan to its neighbors and complement its effort for universal access to electricity by 2020. Under a new RETA,<sup>9</sup> ADB will continue to help governments institutionalize sector working groups and the participation of senior officials to promote subregional cooperative dialogue.

## **C. Highlights in Coordination of External Funding and Partnership Arrangements**

27. Coordination among multilateral and bilateral development partners, including ADB, International Monetary Fund (IMF), World Bank, United Nations agencies, India (Bhutan's largest development partner), Japan, and Switzerland, continues (Appendix 1, Table A1.5). In 2002, development partners formed potential thematic groups in five areas: improving statistical database, decentralization, workers' conditions, girls' education, and improving the development partner database. The World Bank, which provided loans of \$22 million in 1999, is not planning to lend during FY2000–2002 but will explore options for financing social and physical infrastructure and forestry high-priority projects that will greatly improve the living standards of the poor and develop the private sector.

28. In 2001, the Basic Skills Development Project was cofinanced with the Government of Germany through the German Agency for Technical Cooperation (GTZ) which provided \$2.5 million. ADB is also actively coordinating with other development partners to assist the Government in meeting its target of electrifying 15,000 households under the Ninth Plan.

## **III. THE PORTFOLIO MANAGEMENT ISSUES**

### **A. Portfolio Performance**

29. Since ADB started lending to Bhutan in 1983, 18 loans have been approved for a total of \$101.8 million. As of end-2001, there are 7 ongoing loans amounted to \$48 million (Appendix 1,

<sup>9</sup> ADB. 2001. *Regional Technical Assistance for South Asia Subregional Economic Cooperation II*. ADB.

Table A1.6), of which \$32 million or 66.7% was undisbursed; 12 ongoing TAs—2 project preparatory, 10 advisory—support the investment portfolio and pipeline.

30. Due to the small number of loans in the portfolio, the total size of contract awards and disbursements each year tends to fluctuate considerably depending on the maturity profile of individual loans. About 83% of projected contract awards were achieved in 2001. The target of disbursements for 2001 amounted to \$8.1 million, and only \$6.7 million had been realized as of end-2001. Major shortfalls came from three projects: rural electrification, development finance credit, and second-tranche release of policy loans. However, the disbursement ratio of 16.9, compared to the ADB-wide average for Asian Development Fund (ADF) countries of 18.8 in 2001, needs to be interpreted in the context of the maturity profile of individual loans in the portfolio. The action plan agreed upon during the 2000 country portfolio review mission was undertaken.

31. Compliance with loan covenants and assurances on social and environmental measures have been generally satisfactory. All audited financial statements were submitted on time. The Government has provided adequate counterpart funds for all projects as agreed upon during project formulation. Adequate funds for operations and maintenance were provided after project completion. As evidence of its commitment and ownership, the Government will continue to finance more than 20% of total project cost.

## **B. Performance Monitoring and Evaluation**

32. There has been no recent work on performance evaluation of ADB's projects. As of end-2001, 6 of the 7 ongoing loans were rated satisfactory or highly satisfactory in development objective and implementation progress; the only exception was the Financial Sector Intermediation Facility–Policy Loan,<sup>10</sup> whose implementation progress was rated partly satisfactory. The loan's second tranche of \$1.5 million was overdue for release since December 1999. In the case of the Health Care Reform Program,<sup>11</sup> the second tranche of \$5 million was overdue for release since November 2001.

## **IV. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS**

### **A. Lending Levels Proposed**

33. Based on the performance-based allocation (PBA) exercise, indicative ADF lending of \$35 million was programmed for 2003–2005, or an annual average of \$11.7 million. The actual allocation is however subject to the outcome of the annual PBA exercise each year. Further, the assessment of the country-specific criteria is the basis for triggering a high or low lending scenario each year (Appendix 1, Table A1.10).

34. There are 4 loan projects in the pipeline for 2003–2005 (Appendix 1, Table A1.11), of which 3 projects are classified as poverty interventions including 1 core poverty intervention. The lending program will assist the Government in reducing rural poverty by expanding market access and power, creating an enabling environment for private sector development by trade

<sup>10</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan for Financial Sector Intermediation Facility*. Manila.

<sup>11</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan for Health Care Reform Program*. Manila.

promotion, and accommodating urban growth and related demand for services by providing urban infrastructure particularly housing. Part of the rural development projects to promote cross-border trade and expand the transport network<sup>12</sup> will be funded by the subregional cooperation initiative. The concept papers for the lending products are in Appendix 2.

## **B. Nonlending Program**

35. A TA program comprising 12 projects (2 project preparatory technical assistance [PPTAs], 2 economic, thematic, and sector works, and 8 institutional development technical assistance) is proposed for 2003–2005, for a total amount of \$4.4 million (Appendix 1, Table A1.12). This is equivalent to an average of about \$1.5 million a year, which is in line with the TA resources available but substantially lower than the actual average of \$2.2 million provided to Bhutan in 1997–2001. Concerted efforts will be thus required to augment TA resources through cofinancing. The TA program excluding PPTAs is largely focused on institutional strengthening of the power sector that is the most important sector in Bhutan and the financial sector that facilitates private sector development. The concept papers for nonlending products and services are in Appendix 3.

## **C. Summary of Changes to Lending and Nonlending Program**

36. The new program now includes (i) the subregional infrastructure development and trade promotion project to develop the private sector; (ii) two financial sector TAs—development of payment system, and development of non-bank financial institutions; and (iii) three energy sector TAs—capacity building of Bhutan Energy Authority, establishment of Druk Hydro Power Corporation, and energy efficiency management. ADB will also help the Government monitor poverty, improve environmental sector capacity, improve quality of education, and undertake decentralization.

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<sup>12</sup> Since roads linking Bhutan and India (and Bangladesh) have been identified as a subregional cooperation project by the working group meeting under RETA 5936, part of the transport network expansion project will be supported by the subregional cooperation initiative (\$3 million for loan and \$250,000 for TA).

## COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

**Table A1.1: Progress Toward the Millenium Development Goals and Targets**

Goals and Targets	Country Status
<b>Goal 1: Eradicate Extreme Poverty and Hunger</b>	
Target 1: In 1990–2015, halve the proportion of people whose income is less than \$1 a day.	No official poverty data are available.  No official poverty line was established. A preliminary pilot study (Household Income and Expenditure Survey 2000) established the lower poverty line at Nu612.1, and the higher one at Nu748.1 per capita per month. Poverty incidence by the lower poverty line is 25%.  The Partnership Agreement targets lifting the monthly average rural income from about Nu1,000 per head in 1999 to about Nu3,000 per head by 2012.
Target 2: In 1990– 2015, halve the proportion of people who suffer from hunger.	Of children under 5, the malnourished made up 58% in 1990, and 39% in 1994.
<b>Goal 2: Achieve Universal Primary Education</b>	
Target 3: By 2015, ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.	The target year in the Partnership Agreement is 2007.
<b>Goal 3: Promote Gender Equality and Empower Women</b>	
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015.	The girl-to-boy ratio in primary schools improved from 39:61 in 1990 to 46:54 in 2000. However, the ratio in junior colleges is still low at 35:65.
<b>Goal 4: Reduce Child Mortality</b>	
Target 5: In 1990–2015, reduce by two thirds the under-5 mortality rate.	The infant mortality rate (below 1 year) improved from 70.7 per 1,000 live births in 1994 to 60.5 in 2000.
<b>Goal 5: Improve Maternal Health</b>	
Target 6: In 1990–2015, reduce by three quarters the maternal mortality ratio.	The maternal mortality ratio improved from 380 per 100,000 live births in 1994 to 255 in 2000.
<b>Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases</b>	
Target 7: By 2015, halt and begin to reverse the spread of HIV/AIDS.	Four people died from AIDS in 2001, and another 18 are known to be HIV-positive. However, the actual number of cases in Bhutan is unknown.
Target 8: By 2015, halt and begin to reverse the incidence of malaria and other major diseases.	Specific programs were implemented to control or eradicate diseases such as leprosy, tuberculosis, malaria, diarrheal diseases, and acute respiratory infections.
<b>Goal 7: Ensure Environmental Sustainability</b>	
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.	The National Environment Strategy was prepared, and the national environmental action plan is being prepared.
Target 10: By 2015, halve the proportion of people without sustainable access to safe drinking water.	The Partnership Agreement set the improvement target of provision of potable drinking water from 78% in 2000 to 90% in 2007.
Target 11: By 2020, significantly improve the lives of at least 100 million slum dwellers.	While promoting private sector participation, the Government will build housing for low-income people.

HIV/AIDS=human immunodeficiency virus/acquired immunodeficiency syndrome.

Table A1.2: Country Poverty and Social Indicators

Item	1985	1990	Latest Year
<b>A. Population Indicators</b>			
1. Total Population ('000)	547.0 (1993)	600.0 (1996)	675.0 (2000)
2. Annual Population Growth Rate (% change) <sup>a</sup>	2.0 (1985)	3.1 (1994)	2.5 (2000)
<b>B. Social Indicators</b>			
1. Total Fertility Rate (births/woman)	5.9 (1984)	5.6 (1994)	4.7 (2000)
Maternal Mortality Rate (per 100,000 live births)	770.0 (1984)	380.0 (1994)	255.0 (2000)
Infant Mortality Rate (below 1 year/1,000 live births)	142.0 (1984)	70.7 (1994)	60.5 (2000)
4. Life Expectancy at Birth (years)	47.5 (1984)	—	61.5 (1999)
Female	49.1 (1985)	—	66.2 (1994)
Male	45.8 (1985)	—	66.0 (1994)
5. Adult Literacy (%)	—	—	54.0 (1999)
Female	—	—	—
6. Primary School Enrollment (%)	—	—	72.0 (1996)
Female	—	—	60.0 (1996)
7. Secondary School Gross Enrollment (%)	—	—	—
Female	—	—	—
8. Child Malnutrition (% below age 5)	—	58.1 (1992)	39.1 (1994)
9. Population below Poverty Line (International, %)	—	—	—
10. Population with Access to Safe Water (%) <sup>b</sup>	—	—	78.0 (2000)
11. Population with Access to Sanitation (%) <sup>c</sup>	—	—	88.0 (2000)
12. Public Education Expenditure (% of GDP) <sup>d</sup>	3.6 (1986)	3.1 (1990)	6.4 (2000)
13. Human Development Index	0.2 (1987)	0.2 (1990)	0.5 (1999)
Rank	119 (1987)	159 (1990)	132 (1999)
14. Gender-Related Development Index	—	—	—
Rank	—	—	—
<b>C. Poverty Indicators<sup>e</sup></b>			
1. Poverty Incidence	—	—	—
Lower Poverty Line (Nu612.1 per month) <sup>f</sup>	—	—	25.3 (2000)
Upper Poverty Line (Nu748.1 per month) <sup>g</sup>	—	—	36.3 (2000)
2. Percent of Poor to Total Population	—	—	—
Lower Poverty Line	—	—	—
Urban	—	—	2.9 (2000)
Rural	—	—	29.0 (2000)
Upper Poverty Line	—	—	—
Urban	—	—	6.4 (2000)
Rural	—	—	41.3 (2000)
3. Poverty Gap	—	—	—
Lower Poverty Line	—	—	0.07 (2000)
Upper Poverty Line	—	—	0.11 (2000)
4. Poverty Severity Index	—	—	—
Lower Poverty Line	—	—	0.03 (2000)
Upper Poverty Line	—	—	0.05 (2000)
5. Inequality (Theil L Index)	—	—	—
6. Human Poverty Index	—	—	—
Rank	—	—	—

GDP = gross domestic product; "—" = not available

<sup>a</sup> The figure for the latest year was obtained from Bhutan's 2000 National Health Survey.

<sup>b</sup> Refers to population with access to safe drinking water.

<sup>c</sup> Refers to population with latrines.

<sup>d</sup> GDP based on data from the Central Statistical Organization; expenditure data are for the fiscal year while GDP data are for the calendar year.

<sup>e</sup> The information is a result of a pilot study and should be treated as preliminary.

<sup>f</sup> The lower poverty line is defined by considering those households whose total expenditure is just enough to reach the food poverty line. Anything that these households spend on nonfood goods is considered a minimum allowance for basic nonfood goods. The lower poverty line is obtained by adding such amount to the food poverty line. Nu612.1 per month is equivalent to about \$0.45 per day.

<sup>g</sup> The upper poverty line is defined by considering those households whose food expenditure is equal to the food poverty line. The level of nonfood spending found among those who reach the food poverty line (rather than those who can merely afford to do so if they cut all nonfood spending) provides the allowance for basic food needs. The upper poverty line is obtained by adding this allowance to the food poverty line. Nu748.1 per month is equivalent to about \$0.56 per day.

Sources: *Statistical Yearbook of Bhutan*, 1999; *Eight Five Year Plan, 1997-2002*; United Nations Development Programme, *Human Development Report*, 2000; Economic and Social Commission for Asia and the Pacific, *Statistical Yearbook for Asia and the Pacific*, 1996; United Nations Educational, Scientific and Cultural Organization, *World Education Report*, 1998; World Resources, *A Guide to the Global Environment 1998-99 and Past Issues*; Central Statistical Organization (CSO), *Official Communication*, March 2001; *Key Indicators of Developing Asian and Pacific Countries*, 1998; Central Statistical Organization, Planning Commission, Royal Government of Bhutan, 2001. *Household Income and Expenditure Survey 2000 (Pilot)*. Thimphu; and staff estimates.

Table A1.3: Country Economic Indicators

Item	Fiscal Year				
	1997	1998	1999	2000	2001 <sup>a</sup>
<b>A. Income and Growth<sup>b</sup></b>					
GNP per Capita (\$, current)	594.4	534.0	560.3	599.0	611.0
GDP Growth (% in constant prices)	7.6	6.4	7.4	5.7	6.5
Agriculture	4.0	2.8	5.3	4.7	2.5
Industry	2.0	10.8	11.3	-2.0	12.0
Services	13.5	6.5	5.0	9.2	10.0
<b>B. Saving and Investment (current and market prices)</b>	<b>(% of GDP)</b>				
Gross Domestic Investment	38.5	37.9	42.5	43.5	43.0
Gross National Saving	23.5	14.8	16.0	20.5	22.0
<b>C. Money and Inflation</b>	<b>(annual % change)</b>				
Consumer Price Index <sup>c</sup>	7.4	9.0	9.2	3.6	3.6
Total Liquidity (M2)	30.9	41.7	21.4	21.4	5.5
<b>D. Government Finance</b>	<b>(% of GDP)</b>				
Revenue and Grants	40.8	35.4	43.0	42.4	39.8
Expenditure and Net Lending	43.5	34.3	44.9	46.6	44.9
Overall Fiscal Surplus (Deficit)	-2.6	1.0	-1.9	-4.1	-5.1
<b>E. Balance of Payments</b>					
Merchandise Trade Balance (% of GDP)	-10.0	-6.8	-15.3	-16.7	-22.6
Current Account Balance (% of GDP)	-15.9	-17.6	-25.9	-30.6	-27.5
Merchandise Export (\$) Growth (annual % change)	1.7	12.0	-5.9	9.2	-1.8
Merchandise Import (\$) Growth (annual % change)	18.4	3.7	19.3	14.0	16.3
<b>F. External Payments Indicators</b>					
Gross Official Reserves (including gold, \$ million)	176.0	217.0	259.0	293.0	294.0
(weeks of current year's imports of goods)	70	83	83	82	71
External Debt Service (% of exports of goods and services)	10.4	9.0	13.6	5.7	5.6
Total External Debt (% of GDP)	33.8	37.6	40.2	39.6	51.6
<b>G. Memorandum Items</b>					
GDP (current prices, Nu million) <sup>b</sup>	14,314	16,473	16,337	19,222	21,698
Exchange Rate (Nu/\$, average)	35.8	38.4	42.6	43.6	46.4
Population ('000) <sup>d</sup>	600.0	618.0	637.0	656.0	675.0

GDP = gross domestic product.

<sup>a</sup> Provisional.

<sup>b</sup> For calendar year (CY), where FY1996 = CY1996.

<sup>c</sup> Annual percentage change (period average).

<sup>d</sup> Based on 1996 estimate of 600,000, and a growth rate of 3.1%. The figure for the latest year was obtained from Bhutan's 2000 National Health Survey.

Source: Central Statistical Organization, *National Accounts Statistics Report*, Bhutan, November 2001; and Royal Monetary Authority of Bhutan, *Selected Economic Indicators*, Bhutan, December 2001.

**Table A1.4: Country Environment Indicators**

Indicator	1980	Latest Year	
<b>A. Energy Efficiency of Emissions</b>			
1. GDP/Unit of Energy Use (PPP\$/kgoe)	—	—	
2. Traditional Fuel Use (% of total energy use)	—	—	
3. Carbon Dioxide Emissions			
tons	—	—	
tons per capita	—	0.2	(1997)
<b>B. Water Pollution: Water and Sanitation</b>			
1. Urban Population with Access to Safe Water (%)	—	—	
2. Rural Population with Access to Safe Water (%)	—	—	
3. Urban Population with Access to Sanitation (%)	—	—	
<b>C. Land Use and Deforestation</b>			
1. Forest Area ('000 km <sup>2</sup> )	29.8	27.6	(1995)
2. Average Annual Deforestation			
Square Kilometers	—	—	
% Change	0.6	(1980-90)	—
3. Rural Population Density (people/km <sup>2</sup> of arable land)	—	—	
4. Arable Land (% of total land)	—	9.0	(1994) <sup>a</sup>
5. Permanent Cropland (% of total land)	—	5.8	(1995)
<b>D. Biodiversity and Protected Areas</b>			
1. Nationally Protected Area			
Hectares (million)	—	26.2	(1997)
% of Total Land	—	20.0	(1996)
2. Mammals (number of threatened species)	—	14.0	(1996)
3. Birds (number of threatened species)	—	20.0	(1993)
4. Higher Plants (number of threatened species)	—	1.0	(1996)
5. Reptiles (number of threatened species)	—	0.0	(1996)
6. Amphibians (number of threatened species)	—	—	
<b>E. Urban Areas</b>			
1. Urban Population			
Thousands	50.0	138.0	(2000)
% of Total Population	4.0	20.0	(2000)
2. Per Capita Water Use (liters/day)	—	—	
3. Wastewater Treated (%)	—	—	
4. Solid Waste Generated Per Capita (kg/day)	—	—	

kg = kilogram, kgoe = kilograms of oil equivalent, km<sup>2</sup> = square kilometer, PPP = purchasing power parity.

<sup>a</sup> domesticated land

Source: Ministry of Finance, *Official Communication*, June 2002; World Bank, *World Development Report*, 1999-2000; *World Resources: A Guide to the Environment*, 1998-99.

**Table A1.5: Development Coordination Matrix**

Sector/Thematic/Area	Asian Development Bank Strategies and Activities	Other Development Partners' Strategies and Activities
Economic Growth	Develop rural private sector activity; improve infrastructure activities; upgrade technical and managerial skills <ul style="list-style-type: none"> <li>- Rural electrification network expansion project (2004)</li> <li>- Transport network expansion project (2005)</li> </ul>	FAO, UNDP, UNIDO, and Netherlands: Rural enterprise development for economic growth in rural areas  UNDP: Study on potential impact of accession to WTO  World Bank: Roads
Human Development	Improve quality of education to meet market demand and accommodate the rapidly increasing number of school graduates; improve efficiency in the management of the health service system; improve capacity to monitor poverty and social development <ul style="list-style-type: none"> <li>- Quality improvement of education (2004)</li> <li>- Household living standard monitoring survey (2005)</li> </ul>	FAO: Strengthening national capacities for food control and effective participation in the Codex  UNDP: Human resource development master plans for public and private sectors; twinning of Royal Institute of Management and AIT; poverty lines TA and preparation of household-level participatory poverty assessment; and HIV/AIDS support to multisectoral teams  UNDP, UNFPA, and UNICEF: Capacity building for Central Statistical Organization – medium development goal target monitoring  Austria: Human resource development for National Finance Service, Ministry of Finance; 5 masters courses in AIT per year, and scholarships for tourism, mountain forestry, etc.
Gender and Development	Provide economic opportunities for women and improve health and education	UNDP: Support for preparation of CEDAW report  Denmark: Women in the development process
Good Governance	Strengthen public resource management and aid coordination; enhance sectoral capacity for project implementation; improve economic statistics; assist decentralization <ul style="list-style-type: none"> <li>- Strengthening the debt management capacity of DADM (2002)</li> <li>- Public sector financial management system (2004)</li> <li>- Decentralization (2005)</li> </ul>	UNCDF, UNDP, and Netherlands: Decentralization and local participation  UNDP: Deficiency and accountability in the civil service; ICT for improved efficiency in public sector; Royal Audit Authority support; support to Judiciary; local government human resource development; and information, education and communication for decentralization World Bank: Public expenditure analysis

Sector/Thematic/Area	Asian Development Bank Strategies and Activities	Other Development Partners' Strategies and Activities
		Denmark: Democratization, good governance, and decentralization
Private Sector Development	<p>Promote private sector activities by (i) supporting an improved policy setting and more efficient financial intermediation; (ii) improving road transport and expanding power transmission and distribution; (iii) promoting exports by establishing a dry port and industrial estates; (iv) establishing the necessary legal and institutional framework and examining viable financial modalities for private sector participation; and (v) strengthening vocational, technical, and basic skills</p> <ul style="list-style-type: none"> <li>- Subregional infrastructure development and trade promotion project (establishment of a dry port and industrial estates) (2005)</li> <li>- Private sector participation in hydropower development (2004)</li> <li>- Strengthening the capacity of RMA and RSEB (2002)</li> <li>- Institutional development of BDFC (2002)</li> <li>- Development of payment system (2004)</li> <li>- Development of nonbank financial institutions (2005)</li> </ul>	<p>FAO: Assessment of agro-processing industries</p> <p>UNDP: Policy, legal, and regulatory reform to support private sector development; and electronic-commerce pilot</p>
Environment Protection	<p>Monitor environmental progress, particularly forces increasing environmental stress, and ensure that Bhutan's interventions are environmentally sustainable</p> <ul style="list-style-type: none"> <li>- Strengthening environmental sector capacity (2003)</li> </ul>	<p>IFAD: Renewable natural resources</p> <p>UNDP: Support to Jigme Dorji National Park; institutional framework for sustainable environment management; national reporting for international conventions; and promotion of environmental conservation through local initiatives—GEF small grants programme</p> <p>World Bank: Forestry</p> <p>Austria: Glacial lake outburst flood mitigatory measures</p> <p>Denmark: Environmental and natural resources management</p>
Regional Cooperation	<p>Build on bilateral partnerships to enhance growth potential through regional cooperation among Bangladesh, Bhutan, India, and Nepal, particularly in (i) energy; (ii) transport; (iii) environment; (iv) tourism; and (v) trade, industry, and private sector development.</p>	<p>FAO: Improvement of agricultural statistics in Asia and Pacific countries</p> <p>UNDP: HIV/AIDS subregional programme</p>

Sector/Thematic/Area	Asian Development Bank Strategies and Activities	Other Development Partners' Strategies and Activities
	<ul style="list-style-type: none"> <li>- Subregional infrastructure development and trade promotion project (establishment of a dry port) (2005)</li> <li>- Transport network expansion project (2005)</li> </ul>	Austria: ICIMOD Rangeland Development, promotion and development of bee keeping
Energy	<p>Contribute to poverty reduction through rural electrification, governance, and institutional capacity building.</p> <ul style="list-style-type: none"> <li>- Rural electrification network expansion project (2004)</li> <li>- Capacity building of Bhutan Energy Authority (2003)</li> <li>- Establishment of Druk Hydro Power Station (2003)</li> <li>- Private sector participation in hydropower development (2004)</li> </ul>	<p>UNDP: Institutional framework for sustainable energy development</p> <p>Austria: Grant and credit for Basochhu hydropower plant upper stage construction; Basochhu I and II advisory, and operation and maintenance training; and rural energy–fuelwood consumption study; rural electrification; and export credit for Basochhu hydropower plant lower stage construction</p> <p>Japan: Dzongkhag-wise master plan for rural electrification</p>
Agriculture and Natural Resources	Promote private sector activity in rural areas.	<p>FAO: Emergency assistance in rehabilitation of agricultural establishments in flood affected areas; telefood support project and improving food security and rural income by increasing pig production</p> <p>IFAD: Renewable natural resources</p> <p>Austria: Conifer research and training project</p> <p>Denmark: Natural resources management</p> <p>Japan: Aid for increased food production; and dispatch of experts for hill irrigation;</p> <p>Switzerland: Renewable natural resources with emphasis on training, extension and research</p>
Finance and Industry	<p>Strengthen the financial sector and industry infrastructure to promote private sector development</p> <ul style="list-style-type: none"> <li>- Subregional infrastructure development and trade promotion project (2005)</li> <li>- Strengthening the capacity of RMA and RSEB (2002)</li> <li>- Institutional development of BDFC (2002)</li> <li>- Development of payment system (2004)</li> <li>- Development of nonbank financial institutions (2005)</li> </ul>	<p>Austria: Institutional strengthening of Tourism Department; and feasibility study Hotel Management and Tourism Training Institute</p> <p>Kuwait: Financial sector, and industries</p>

Sector/Thematic/Area	Asian Development Bank Strategies and Activities	Other Development Partners' Strategies and Activities
Social Infrastructure	Develop the health and education sectors, and provide urban infrastructure <ul style="list-style-type: none"> <li>- Urban housing development project (2004)</li> <li>- Quality improvement of education (2004)</li> </ul>	WHO: Health  World Bank: Urban development  Austria: Renovation of portal building at Trongsa Dzong and training of conservation of frescos  Demark: Qualitative and quantitative strengthening of the health sector and urban development  Japan: Multilateral aid–National Immunization Day 2001 (UNICEF/HEALTH), and education and cultural exchange and training  Switzerland: Education and culture with emphasis on teacher training, improving teacher learning processes, human resources development, and selected cultural activities
Transport and Communications	Support economic development by providing better access to regional and domestic markets, and improving the road system and expanding the network to rural Bhutan to gain from potential opportunities in tourism, agroprocessing, and mining <ul style="list-style-type: none"> <li>- Transport network expansion project (2005)</li> </ul>	World Bank: Rural access roads  Japan: Reconstruction of bridges; and farm road development study project  Switzerland: Rural infrastructure, with emphasis on bridge related know-how transfer

ADTA = advisory technical assistance, AIDS = acquired immuno-deficiency syndrome, ADB = Asian Development Bank, AIT = Asian Institute of Technology (Bangkok), BDFC = Bhutan Development Finance Corporation, CEDAW = Convention on the Elimination of All forms of Discrimination against Women, DADM = Department of Aid and Debt Management, FAO = Food and Agriculture Organization, GEF = Global Environment Facility, HIV = human immuno-deficiency virus, HRD = human resource development, ICIMOD = International Centre for Integrated Mountain Development, ICT = information and communication technology, IFAD = International Fund for Agricultural Development, PPTA = project preparatory technical assistance, RETA = regional technical assistance, RMA = Royal Monetary Authority, RNR = renewable natural resources, RSEB = Royal Stock Exchange of Bhutan, TA = technical assistance, UNDP = United Nations Development Programme, UNFPA = United Nations Population Fund, UNICEF = United Nations Children's Fund, UNIDO = United Nations Industrial Development Organization, WHO = World Health Organization, and WTO = World Trade Organization.

**Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings**  
(public sector loans, as of 31 December 2001)

Sector	Net Loan Amount		Total		Rating <sup>a</sup>						Potential Problem <sup>b</sup>		At Risk <sup>c</sup>			
	(\$ million)	(%)	(No.)	(%)	Highly Satisfactory		Satisfactory		Partly Satisfactory		Unsatisfactory		(No.)	(%)	(no.)	(%)
Agriculture and Natural Resources	0.0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Energy	9.1	19.0	1	14.3	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0
Finance	7.6	15.8	2	28.6	0	0.0	1	50.0	1	50.0	0	0.0	1	50.0	1	50.0
Industry and Nonfuel Minerals	0.0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure	22.1	46.0	3	42.9	0	0.0	3	100.0	0	0.0	0	0.0	0	0.0	0	0.0
Transport and Communications	9.2	19.2	1	14.3	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>48.0</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>6</b>	<b>85.7</b>	<b>1</b>	<b>14.3</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>14.3</b>	<b>1</b>	<b>14.3</b>

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans but have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>c</sup> A loan is "at risk" if it is rated as partly satisfactory, as unsatisfactory, or as a potential problem.

Source: Asian Development Bank estimates.

**Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources**  
(public sector loans, as of 31 December 2001)

<b>Disbursements and Transfers</b>	<b>OCR</b>	<b>ADF</b>	<b>Total</b>
<b>Disbursements<sup>a</sup></b>			
Total Funds Available for Withdrawal (\$ million)	—	47.4	47.4
Disbursed Amount (\$ million, cumulative)	—	16.0	16.0
Percentage Disbursed (disbursed amount/total available)	—	33.8	33.8
Disbursements (\$ million, latest year)	—	6.7	6.7
Disbursement Ratio (%) <sup>b</sup>	—	16.9	16.9
<b>Net Transfer of Resources (\$ million)<sup>c</sup></b>			
1997	—	6.3	6.3
1998	—	3.4	3.4
1999	—	1.1	1.1
2000	—	5.8	5.8
2001	—	5.7	5.7

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Includes all loans with disbursements during 2001.

<sup>b</sup> Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

<sup>c</sup> Includes private sector projects.

Source: Staff estimates.

**Table A1.8: Portfolio Indicators—Evaluation Rating by Sector**  
(1997–2001)

Sector	Highly Successful		Successful		Partly Successful		Unsuccessful		No Rating		Total	
	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
Agriculture and Natural Resources	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	1	100.0
Energy	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Finance	0	0.0	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Industry and Nonfuel Minerals	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Social Infrastructure	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Transport and Communications	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	1	100.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>66.7</b>	<b>1</b>	<b>33.3</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>100.0</b>

Sources: Asian Development Bank project or program performance audit reports.

**Table A1.9: Portfolio Implementation Status**  
(public sector loans, as of 31 December 2001)

No.	Sector	Loan No.	Seg	Title	Net Loan Amount		Approval Date	Effective Date	Closing Date		Progress
					OCR	ADF			Original	Revised	
					(\$ million)	(\$ million)					
										(% complete)	
1	ENE	1712		Sustainable Rural Electrification	0.0	9.1	25 Nov 99	14 Jan 00	31 Mar 04	—	27
2	FIN	1565		Financial Sector Intermediation Facility (policy loan)	0.0	3.8	23 Oct 97	20 Apr 98	30 Jun 02	—	—
3	FIN	1566		Financial Sector Intermediation Facility (Development Finance Loan)	0.0	3.8	23 Oct 97	24 Jul 98	24 Jul 02	—	—
4	T&C	1763		Road Improvement	0.0	9.2	3 Oct 00	23 Nov 00	30 Jun 05	—	3
5	SOC	1625		Urban Infrastructure Program	0.0	5.5	30 Jul 98	17 Mar 99	30 Jun 04	—	31
6	SOC	1762		Health Care Reform Program	0.0	9.7	21 Sep 00	21 Nov 00	30 Sep 02	—	—
7	SOC	1830		Basic Skills Development	0.0	7.0	21 Jun 01	16 Nov 01	31 Mar 07	—	2
<b>Total</b>					<b>0.0</b>	<b>48.1</b>					

"—" = not available, ADF = Asian Development Fund, ENE = energy, FIN = finance, No. = number, OCR = ordinary capital resources, Seg = segment (pertaining to loans with more than one withdrawal authority), SOC = social infrastructure, T&C = transport and communications.

**Table A1.9 (continued): Portfolio Implementation Status**  
(public sector loans, as of 31 December 2001)

No.	Sector	Loan No.	Seg	Title	Cumulative Contracts/ Commitments (\$ million)	Cumulative Disbursements (\$ million)	Rating		Potential Problem <sup>a</sup>	At Risk <sup>b</sup>
							IP	DO		
1	ENE	1712		Sustainable Rural Electrification	6.4	4.3	S	HS	No	No
2	FIN	1565		Financial Sector Intermediation Facility (policy loan)	2.4	2.4	PS	PS	Yes	Yes
3	FIN	1566		Financial Sector Intermediation Policy (Development Finance Loan)	3.2	2.0	S	S	No	No
4	T&C	1763		Road Improvement	1.2	0.6	S	S	No	No
5	SOC	1625		Urban Infrastructure Program	2.2	1.6	S	S	No	No
6	SOC	1762		Health Care Reform Program	4.9	4.9	S	S	No	No
7	SOC	1830		Basic Skills Development	0.0	0.2	S	S	No	No
<b>Total</b>					<b>20.3</b>	<b>16.0</b>				

DO = development objectives, HS = highly satisfactory, IP = implementation progress, PS = partly satisfactory, S = satisfactory.

<sup>a</sup> "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>b</sup> A loan is considered "at risk" if it is rated as "PS" or "U" in either implementation progress or development objectives, or if it is a potential problem loan.

**Table A1.10: Monitoring Indicators and Lending Scenario**

Low Case	Base Case	High Case
<ul style="list-style-type: none"> <li>▪ Signs of macroeconomic imbalance, including government current budget deficit exceeding 1% of GDP.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prudent macroeconomic management maintained, including government current budget deficit at or below 1% of GDP.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Major improvement in macroeconomic management, including government current budget balance is zero or positive.</li> </ul>
<ul style="list-style-type: none"> <li>▪ No measures to promote good governance (including decentralization) and private sector development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measures introduced to promote good governance (including decentralization) and private sector development.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Effective implementation of measures to promote good governance (including decentralization) and private sector development.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Behind the implementation schedule of Sustainable Rural Electrification Project.<sup>a</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Implementation of Sustainable Rural Electrification Project on time.<sup>a</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Implementation of Sustainable Rural Electrification Project on time.<sup>a</sup> BPC established and running with a complete management and Board of Directors.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Existence of unsatisfactory portfolio performance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Satisfactory or highly satisfactory portfolio performance with one partly satisfactory portfolio performance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All satisfactory or highly satisfactory portfolio performance.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The share of projects “at risk” exceeds ADB average among ADF borrowing countries.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The share of projects “at risk” is not higher than ADB average among ADF borrowing countries.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The share of projects “at risk” is significantly better than ADB average among ADF borrowing countries.</li> </ul>

ADB = Asian Development Bank, ADF = Asian Development Fund, BPC = Bhutan Power Corporation, GDP = gross domestic product.

<sup>a</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant for the Sustainable Rural Electrification Project*. Manila.

**Table A1.11: Assistance Pipeline for Lending Products, 2003–2005**

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)				
						ADB			Gov't	Cofinancing
						OCR	ADF	Total		
<b>2003 Firm Loans</b>										
None										
<b>2003 Standby Loan</b>										
<b>Energy</b>										
Rural Electrification Network Expansion <sup>a</sup>	CPI	ECO/HD	SAID	2001	tbd	0.0	10.0	10.0	tbd	tbd
<b>Total</b>					<b>tbd</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>tbd</b>	<b>tbd</b>
<b>2004 Firm Loans</b>										
<b>Energy</b>										
1 Rural Electrification Network Expansion	CPI	ECO/HD	SAID	2001	tbd	0.0	10.0	10.0	tbd	tbd
<b>Subtotal</b>					<b>tbd</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>tbd</b>	<b>tbd</b>
<b>Social Infrastructure</b>										
2 Urban Housing Development	PI	HD	SASS	2002	tbd	0.0	5.0	5.0	tbd	tbd
<b>Subtotal</b>					<b>tbd</b>	<b>0.0</b>	<b>5.0</b>	<b>5.0</b>	<b>tbd</b>	<b>tbd</b>
<b>Total</b>					<b>tbd</b>	<b>0.0</b>	<b>15.0</b>	<b>15.0</b>	<b>tbd</b>	<b>tbd</b>
<b>2004 Standby Loan</b>										
<b>Industry and Nonfuel Minerals</b>										
Subregional Infrastructure Development and Trade Promotion	OTH	ECO/PSD/REG	SASS	2002	tbd	0.0	10.0 <sup>b</sup>	10.0 <sup>b</sup>	tbd	tbd
<b>Subtotal</b>					<b>tbd</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>tbd</b>	<b>tbd</b>
<b>2005 Firm Loans</b>										
<b>Industry and Nonfuel Minerals</b>										
3 Subregional Infrastructure Development and Trade Promotion	OTH	ECO/PSD/REG	SASS	2002	tbd	0.0	10.0 <sup>b</sup>	10.0 <sup>b</sup>	tbd	tbd
<b>Subtotal</b>					<b>tbd</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>tbd</b>	<b>tbd</b>
<b>Transport and Communications</b>										
4 Transport Network Expansion	PI	ECO/REG	SAID	2003	tbd	0.0	10.0 <sup>c</sup>	10.0 <sup>c</sup>	tbd	tbd
<b>Subtotal</b>					<b>tbd</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>tbd</b>	<b>tbd</b>
<b>Total</b>					<b>tbd</b>	<b>0.0</b>	<b>20.0<sup>b,c</sup></b>	<b>20.0<sup>b,c</sup></b>	<b>tbd</b>	<b>tbd</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, PI = poverty intervention, OTH = other, ECO = economic growth, HD = human development, PSD = private sector development, REG = regional cooperation, tbd = to be determined.

<sup>a</sup> If the rural electrification network expansion project is processed during 2003, the standby loan for 2004 will be automatically upgraded to “firm.”

<sup>b</sup> The dry port development component (\$3 million) is regarded as a subregional cooperation activity.

<sup>c</sup> Roads construction linking neighboring countries (\$3 million) is regarded as a subregional cooperation activity.

Table A1.12: Assistance Pipeline for Nonlending Products and Services, 2003–2005

Sector Assistance Name	Responsible Division	Assistance Type	Source	Sources of Funding		Total (\$'000)	
				ADB Amount (\$'000)	Others Source Amount (\$'000)		
<b>2003 Firm</b>							
<b>Agriculture and Natural Resources</b>							
1	Strengthening Environmental Sector Capacity	SAAE	ID	TASF	150.0	0.0	150.0
	<b>Subtotal</b>				<b>150.0</b>	<b>0.0</b>	<b>150.0</b>
<b>Energy</b>							
2	Capacity Building of Bhutan Energy Authority	SAID	ID	TASF	400.0	0.0	400.0
3	Establishment of Druk Hydro Power Corporation	SAID	ID	TASF	500.0	0.0	500.0
	<b>Subtotal</b>				<b>900.0</b>	<b>0.0</b>	<b>900.0</b>
<b>Transport and Communications</b>							
4	Transport Network Expansion	SAID	PP	JSF	250.0 <sup>a</sup>	0.0	250.0 <sup>a</sup>
	<b>Subtotal</b>				<b>250.0</b>	<b>0.0</b>	<b>250.0</b>
<b>Others</b>							
5	Country Economic Review	SAOC	ETSW	IAE	—	—	—
	<b>Subtotal</b>				<b>—</b>	<b>—</b>	<b>—</b>
	<b>Total</b>				<b>1,300.0</b>	<b>0.0</b>	<b>1,300.0</b>
<b>2004 Firm</b>							
<b>Energy</b>							
6	Private Sector Participation in Hydropower Devt.	SAID	ID	TASF	400.0	0.0	400.0
	<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Finance</b>							
7	Public Sector Financial Management System	SAGF	ID	JSF	500.0	0.0	500.0
8	Development of Payment System	SAGF	ID	JSF	200.0	0.0	200.0
	<b>Subtotal</b>				<b>700.0</b>	<b>0.0</b>	<b>700.0</b>
<b>Social Infrastructure</b>							
9	Quality Improvement of Education	SASS	PP	JSF	400.0	0.0	400.0
	<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
	<b>Total</b>				<b>1,500.0</b>	<b>0.0</b>	<b>1,500.0</b>

ETSW = Economic, thematic, and sector work, IAE = internal administrative expense, ID = institutional development, JSF = Japan Special Fund, PP = project/program preparatory, SAAE = South Asia Agriculture, Environment and Natural Resources Division, SAGF = South Asia Governance, Finance and Trade Division, SAID = South Asia Infrastructure Division, SAOC = South Asia Operations Coordination Division, SASS = South Asia Social Sectors Division, TASF = Technical Assistance Special Fund.

<sup>a</sup>Roads construction linking neighboring countries is a subregional cooperation initiative. As such, additional funding from regional technical assistance sources up to \$250,000 will be available for this technical assistance.

Table A1.12 (continued): Assistance Pipeline for Nonlending Products and Services, 2003–2005

Sector Assistance Name	Responsible Division	Assistance Type	Source	Sources of Funding		Total (\$'000)
				ADB Amount (\$'000)	Others Source Amount (\$'000)	
<b>2004 Standby</b>						
<b>Finance</b>						
Development of Nonbank Financial Institutions	SAGF	ID	JSF	400.0	0.0	400.0
<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Social Infrastructure</b>						
Household Living Standard Monitoring Survey	ERDI	ETSW	TASF	400.0	0.0	400.0
<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>2005</b>						
<b>Energy</b>						
10 Energy Efficiency Management	SAID	ETSW	TASF	500.0	0.0	500.0
<b>Subtotal</b>				<b>500.0</b>	<b>0.0</b>	<b>500.0</b>
<b>Finance</b>						
11 Development of Nonbank Financial Institutions	SAGF	ID	JSF	400.0	0.0	400.0
<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Social Infrastructure</b>						
12 Household Living Standard Monitoring Survey	ERDI	ETSW	TASF	400.0	0.0	400.0
<b>Subtotal</b>				<b>400.0</b>	<b>0.0</b>	<b>400.0</b>
<b>Others</b>						
13 Decentralization	SAGF	ID	TASF	300.0	0.0	300.0
14 Country Economic Review	SAOC	ETSW	IAE	—	—	—
<b>Subtotal</b>				<b>300.0</b>	<b>0.0</b>	<b>300.0</b>
<b>Total</b>				<b>1,600.0</b>	<b>0.0</b>	<b>1,600.0</b>

ERDI = Development Indicators and Policy Research Division.

## CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for the following lending products.

- (i) Table A2.1: Rural Electrification Network Expansion
- (ii) Table A2.2: Urban Housing Development
- (iii) Table A2.3: Subregional Infrastructure Development and Trade Promotion
- (iv) Table A2.4: Transport Network Expansion

## Table A2.1: Rural Electrification Network Expansion Concept Paper

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Project loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Nonlending</p> <p style="padding-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="padding-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="padding-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="padding-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="padding-left: 40px;"><input type="checkbox"/> Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Rural electrification</p> <p>b. For project preparatory and lending, classification</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Core poverty intervention</p> <p style="padding-left: 20px;"><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;"><input checked="" type="checkbox"/> Economic growth</td> <td style="padding-left: 20px;"><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td style="padding-left: 20px;"><input type="checkbox"/> Gender and development</td> <td style="padding-left: 20px;"><input type="checkbox"/> Good governance</td> </tr> <tr> <td style="padding-left: 20px;"><input type="checkbox"/> Environmental protection</td> <td style="padding-left: 20px;"><input type="checkbox"/> Private sector development</td> </tr> <tr> <td style="padding-left: 20px;"><input type="checkbox"/> Regional cooperation</td> <td style="padding-left: 20px;"><input type="checkbox"/> Social protection</td> </tr> <tr> <td style="padding-left: 20px;"><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> S. Tumiwa</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB is the leading multilateral development institution in the energy sector in Bhutan and is heavily involved in restructuring the electricity subsector through TA in areas such as (i) policy and legal framework, (ii) introduction of the private sector in hydropower development, and (iii) corporatization of the Department of Power (DOP). Through ADB assistance, Bhutan will pass its first electricity bill in July 2001 and corporatize DOP on 1 July 2002.</p> <p>The loan will support the Government's goal of electrifying 15,000 households under the Ninth Plan.</p> <p><b>b. Goal and purpose:</b> The goal is to reduce poverty by extending the national grid to the eastern part of Bhutan where most rural poor reside. The purpose is to electrify 8,000 rural households to support the Government's plan to electrify 15,000 households under the Ninth Plan.</p> <p><b>c. Components and outputs:</b></p> <p>(i) Identification of areas for electrification, based on criteria developed during PPTA, where impact on poverty</p>										

reduction will be greatest; (ii) erection of transmission and distribution lines and associated substations, transformers, and other structures to extend the national grid to electrify 8,000 households.

**d. Expected results and deliverables:**

(i) Strengthening of the Bhutan Power Corporation to prioritize electrification of rural areas where it will have the largest poverty reduction impact; (ii) electrification of 8,000 rural households; and (iii) leveraging of assistance from other development partners to help the Government meet its target of electrifying 15,000 households in the Ninth Plan and to link up with other projects focused on income generation for the rural poor

**e. Social or environmental issues or concerns:** No adverse social or environmental impacts are expected.

**f. Plans for disseminating results/deliverables:** The Government and ADB will work with other development partners and project stakeholders during design and implementation of the loan to share information.

**7. Proposed executing/implementing agencies:** Department of Power. When DOP is corporatized, the Bhutan Power Corporation will be the executing agency.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Extensive discussions took place with the Government during preparation of the Ninth Plan. Other assistance includes (i) TA 2912-BHU: Second Rural Electrification Project; (ii) the Rural Electrification and Network Expansion PPTA in 2001; and (iii) the revised Power System Master Plan funded by the Government of Norway. Collaboration is possible with the Sustainable Development Secretariat and the Austrian Development Coordination.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2001

b. Expected date of submission for approval  
 Lending: 2004  
 Nonlending (project preparatory): Not applicable  
 Nonlending (other than project preparatory): Not applicable  
 Activities financed by JFICT or JFPR: Not applicable

c. Period and duration of assistance  
 Lending: 3 years  
 Nonlending: Not applicable  
 Activities financed by JFICT or JFPR: Not applicable

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund: \$10 million
  - Other

If cofinancing is required, indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds
    - TA Special Fund:
    - Japan Special Fund:
    - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required, indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, DOP = Department of Power, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PPTA = project preparatory technical assistance, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Urban Housing Development  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Social infrastructure Subsector: Housing</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Social Sectors Division</p>										
<p><b>5. Responsible ADB officer:</b> E. M. Mayerhofer</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Rapid population growth coupled with rapidly increasing urbanization and widespread poverty have created a serious shelter shortage. The transition to a market-based housing and land system is crucial to support the Government's priority to provide adequate housing for all, especially in Thimpu and Phuentsholing cities, where the need for shelter is urgent. ADB plays a crucial role in the housing and urban sectors in Bhutan. In 2002, a TA aims to implement the necessary institutional changes.</p> <p><b>b. Goal and purpose:</b> (i) Help ease the housing shortage; (ii) help achieve the long-term objective to establish a sustainable, market-based system to deliver housing finance to low- and middle-income households; (iii) reduce poverty in identified housing areas by providing or upgrading basic infrastructure and services; and (iv) improve the quality of life of low- and middle-income urban households by providing affordable housing loans</p> <p><b>c. Components and outputs:</b> (i) Lending to low- and middle-income households through participating financial institutions and intermediaries; (ii) reducing poverty by helping improve and upgrade infrastructure in identified housing areas; (iii) building capacity and establishing effective project management</p>										

<p><b>d. Expected results and deliverables:</b> (i) A "fluid" land and housing market and improved access to shelter for the urban poor; (ii) improved government capacity to manage future growth of the urban settlements; and (iii) improved living conditions for the urban poor</p> <p><b>e. Social or environmental issues or concerns:</b> To be determined</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Ministry of Communications</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> All relevant ministries will be consulted, such as the Ministry of Communications (which includes the Urban Development and Housing Department), Ministry of Planning, and Ministry of Construction. Development partner coordination will take place, especially with DANIDA and the World Bank. Beneficiaries and community-based organizations will be consulted extensively.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: Country Assistance Plan 2000</p> <p>b. Expected date of submission for approval Lending: 2004 Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): Not applicable Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: 3 years Nonlending: Not applicable Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending  <input type="checkbox"/> Ordinary capital resources:  <input checked="" type="checkbox"/> Asian Development Fund: \$5 million  <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending  <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input type="checkbox"/> Grant TA funds  <input type="checkbox"/> TA Special Fund:  <input type="checkbox"/> Japan Special Fund:  <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by  <input type="checkbox"/> JFICT:  <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing)</p>

ADB = Asian Development Bank, CSP = country strategy and program, DANIDA = Danish Agency for Development Assistance, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.3: Subregional Infrastructure Development and Trade Promotion  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Industry and Nonfuel Minerals Subsector: Dry port and industrial estates</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input checked="" type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Social Sectors Division</p>										
<p><b>5. Responsible ADB officer:</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b></p> <p>(1) <b>Dry Port:</b> For the land locked countries such as Bhutan, a dry port would play a critical role in facilitating external trade with third countries. Loaded containers for export cleared at the dry port could be shipped from seaports in neighboring countries to third countries with minimum cross border inspections. Similarly, import containers would be allowed to be transshipped to inland destinations on bond up to the border of the economic land locked country. Recently held Transport Working Group Meeting of the South Asia Subregional Cooperation (SASEC) has identified the dry port at Phuensholing being one of the priority investments. The development of a dry port would benefit the private sector in the following manner: (i) reduction in processing time and associated risks would result in increase in trade, particularly those with third countries, (ii) forwarding and consolidation services at the dry port and its vicinity will be likely to be provided by the private sector (already 18 private firms have shown their interest), and (iii) if a dry port were to be established with container deposit facility, it will significantly reduce the chances of losses and breakage of cargoes.</p>										

<p>(2) <b>Industrial Estates:</b> The Government plans to develop industrial estates in Pasaka (Phuentsholing) (250 acres for 30-40 projects) and Gelepu (1,500 acre for 120-150 projects). The Government needs to set up infrastructure for private sector development to solve the shortage of projects sites. The project is planned and implemented by Ministry of Trade and Industry.</p> <p>The private sector of Bhutan also supports this project, because (i) Bhutan has an absolute shortage of flat land necessary for factory sites, (ii) setting up export industries on the border allows them to benefit from the low cost of Indian labor and transport (10 applications have been submitted for Pasaka), and (iii) the private sector need to be developed to absorb new graduates.</p> <p><b>b. Goal and purpose:</b> Help the private sector develop, especially by promoting exports through the establishment of a dry port and industrial estates</p> <p><b>c. Components and outputs:</b> To be determined</p> <p><b>d. Expected results and deliverables:</b> A dry port facility will be composed of customs; cargo operation and documentation; equipment and computer systems; and administration marketing and accounting functions. The industrial estates development project will provide roads, electricity, water supply and sewage facilities.</p> <p><b>e. Social or environmental issues or concerns:</b> The Government has identified a 7.8-acre site in Phuentsholing. A dry port needs civil works (office building, warehouse, container yard and vehicle parking lot); electrical systems (transmission lines and sub-stations, direct current system and transformers, switchgear and distribution, etc.); and refrigerated warehouses. The industrial estates may require resettlement of people living in the area. The environmental aspects of the dry port/industrial estates development project will be studied in the TA.</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Ministry of Trade and Industry</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> The private sector represented by the Bhutan Chamber Commerce of Commerce and Industry supports this project. The private sector survey sponsored by the World Bank found that entrepreneurs support the project.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: 2005 (standby in 2004) Nonlending (project preparatory): 2002 Nonlending (other than project preparatory): Not applicable Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: 2005-2006 Nonlending: 2002-2004 Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input checked="" type="checkbox"/> Asian Development Fund: \$10million (including \$3 million under the regional cooperation initiative for the dry port development component)</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input type="checkbox"/> Grant TA funds</p>

- TA Special Fund:
- Japan Special Fund:
- Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

- JFICT:
- JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.4: Transport Network Expansion  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and communications Subsector: Road</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> H. Masood</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> As the only mode of transport in Bhutan, an effective and sustainable road network is closely linked to the social and economic well-being of the country. Extreme geographic conditions and mountainous terrain pose challenges to provision of sustainable transport links, particularly to remote rural areas where 79% of the population resides.</p> <p>The national road improvement component, particularly for roads leading to the border countries, will help regional cooperation initiatives.</p> <p><b>b. Goal and purpose:</b> (i) Increase the capacity and efficiency of the road network, including rural roads; (ii) improve the effectiveness of road sector institutions; (iii) promote rural development and regional trade; (iv) and reduce poverty</p> <p><b>c. Components and outputs:</b> To be determined</p>										

<p><b>d. Expected results and deliverables:</b> (i) Improved national, feeder, and district road networks based on the road sector master plan; (ii) sectoral reforms, including private sector participation; (iii) a mechanism for sustainable funding of maintenance; (iv) improved road safety; (v) capacity building of road sector agencies</p> <p><b>e. Social or environmental issues or concerns:</b> Environmental impact assessment, and possible land acquisition and resettlement plan</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Department of Roads, Ministry of Communications</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Several workshops will be held, involving all stakeholders in formulating and defining the project scope.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: Country Assistance Plan 1999</p> <p>b. Expected date of submission for approval Lending: 2005 Nonlending (project preparatory): 2003 Nonlending (other than project preparatory): Not applicable Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: 2005-2008 Nonlending: 2003-2004 Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: <input checked="" type="checkbox"/> Asian Development Fund: \$10 million (including \$3 million under the regional cooperation initiative) <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds <input type="checkbox"/> TA Special Fund: <input checked="" type="checkbox"/> Japan Special Fund: \$500,000 (including \$250,000 under the regional cooperative initiative) <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT: <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

## CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following lending products.

- (i) Table A3.1: Strengthening Environmental Sector Capacity
- (ii) Table A3.2: Capacity Building of Bhutan Energy Authority
- (iii) Table A3.3: Establishment of Druk Hydro Power Corporation
- (iv) Table A3.4: Private Sector Participation in Hydropower Development
- (v) Table A3.5: Public Sector Financial Management System
- (vi) Table A3.6: Development of Payment System
- (vii) Table A3.7: Quality Improvement of Education
- (viii) Table A3.8: Development of Nonbank Financial Institutions
- (ix) Table A3.9: Household Living Standard Monitoring Survey
- (x) Table A3.10: Energy Efficiency Management
- (xi) Table A3.11: Decentralization

**Table A3.1: Strengthening Environmental Sector Capacity  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture and Natural Resources Subsector: Environment</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Agriculture, Environment and Natural Resources Division</p>										
<p><b>5. Responsible ADB officer:</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> During the Eighth Five-Year Plan, the National Environment Commission (NEC) secretariat formulated the National Environment Strategy. Finalized in 1998, the strategy is designed to guide environmental conservation in Bhutan. The Environmental Assessment (EA) Act 2000 was drafted and approved by the National Assembly. The Regulations on Environmental Clearance of Projects and the Regulations on Strategic Environmental Assessment were also drafted and adopted. The EA Act ensures that environmental assessments will be implemented for all activities that have potentially significant environmental impacts. During the Eighth Five-Year Plan, the emphasis was on developing a policy and regulatory framework, institutionalizing environmental assessment, strengthening institutions, and establishing relevant environmental organizations.</p> <p>As part of the ADB TA 2531-BHU: Strengthening Environmental Impact Assessment Capabilities and Preparation of Environmental Guidelines in Bhutan (1996–1998), environmental assessment guidelines, procedures, and standards were developed, and institutional and staff capabilities strengthened to implement</p>										

efficient and effective environmental assessment and management. Guidelines were adopted in February 1999 and are being used extensively by all sectors. While they are useful to ensure the integration of environmental concerns into the development process, the guidelines must be updated and upgraded from time to time to meet changing needs. Additional guidelines, such as those on the development of the urban and tourism sectors, are also needed now that Bhutan is confronted with rapid urbanization. Experience has shown that the implementation of environmental legislation, regulations, and guidelines are not effective without adequate capacity in the different sectors, and such capacity, therefore, must be built.

**b. Goal and purpose:** The purpose will be to update the guidelines developed under TA 2531-BHU. Guidelines must also be formulated for other sectors, particularly the urban sector. To implement these guidelines effectively, this assistance will build capacity in the NEC secretariat, line ministries, districts, and the private sector to enable decentralized environmental assessment in line with the Government's decentralization policy. The goals are to (i) update environmental assessment guidelines; (ii) formulate and draft additional guidelines for key economic sectors; (iii) enhance the capacity of the NEC secretariat, districts, line ministries, and the private sector to conduct environmental assessment; (iv) create environmental units in line agencies and districts as provided by the EA Act; and (v) promote private sector development through enhancement of capacity to conduct environmental impact assessment and monitoring.

**c. Components and outputs:** The main components are (i) updating environmental assessment guidelines for the environment sector, (ii) formulating and preparing additional guidelines for key sectors, and (iii) enhancing capacity in the environment sector.

Output will be (i) new and updated guidelines for the forestry sector, hydropower development, development of transmission lines, new and existing industries, mining and mineral-processing industries, and highways and roads; (ii) guidelines for additional and key sectors such as urban development; and (iii) enhanced capacity of the NEC secretariat, dzongkhag, line ministries, and private sector to implement EA through provision of short-term courses on environment impact assessment.

**d. Expected results and deliverables:** (i) New and updated environmental assessment guidelines; (ii) enhanced implementation and enforcement of the EA Act and its supporting regulations; (iii) adequate capacity of the NEC secretariat, line ministries, dzongkhag, and private sector to implement the EA Act; and (iv) creation and promotion of environmental units in key line ministries and dzongkhag.

**e. Social or environmental issues or concerns:** (i) Improvement of the general environmental and social conditions of the population and (ii) promotion of the environmental and sustainable development policies of the Government

**f. Plans for disseminating results/deliverables:** (i) Short-term training and (ii) in-country workshops

**7. Proposed executing/implementing agencies:** National Environment Commission Secretariat; ministries of trade and industry, communications, and agriculture; and 20 districts

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** NEC Secretariat; the Ministry of Trade and Industry (departments of industry, trade, power, tourism, and geology and mines); Ministry of Agriculture (departments of forestry services, and research and development services); Ministry of Communications (departments of roads, and urban development and housing; city corporations; and municipalities); and the districts.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002

b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): Not applicable  
 Nonlending (other than project preparatory): January 2003  
 Activities financed by JFICT or JFPR: Not applicable

c. Period and duration of assistance  
 Lending: not applicable  
 Nonlending: January-June 2003  
 Activities financed by JFICT or JFPR: Not applicable

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

## a. For lending

- Ordinary capital resources:  
 Asian Development Fund:  
 Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## b. For nonlending

- No resources required, other than ADB staff  
 ADB's administrative budget: \${amount}  
 Grant TA funds  
 TA Special Fund: \$150,000  
 Japan Special Fund:  
 Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## c. For projects financed by

- JFICT:  
 JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, EA = environmental assessment, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Capacity Building of Bhutan Energy Authority  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other: {specify}</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Electric Power</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> T. Kimura</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Restructuring the Bhutan energy sector is the major thrust of ADB's sector assistance strategy. Under TA 3112-BHU: Policy and Legal Framework for Power Sector Development, ADB supported the establishment of the policy and legal framework to restructure the power sector. Based on the TA recommendations, the Government committed to corporatize the Department of Power (DOP) by July 2002. The operational function of DOP will be succeeded by the Bhutan Power Corporation, leaving policymaking with the residual DOP, and the regulatory function with the Bhutan Energy Authority (BEA), which was founded under the Electricity Act. As the basic framework for separating policymaking, regulation, and operation has been established, capacity building of each entity will be key to successful sector restructuring. In particular, as a regulatory framework is the prerequisite for sector restructuring and private sector participation, capacity building of BEA is urgently needed.</p> <p><b>b. Goal and purpose:</b> (i) Strengthen BEA's capacity for effective and efficient sector regulation; and (ii) help BEA foster the industry's competitive structure, ensure the reliability of electricity supply, and, above all, ensure that the interests of the customers and investors are balanced through judicious decisions based on transparent commercial principles</p>										

<p><b>c. Components and outputs:</b> Consultants will draft various business codes of BEA for approval by the Government, propose self-funding mechanism, provide advice and training on BEA's daily operations, and organize workshops, seminars and study tours.</p> <p><b>d. Expected results and deliverables:</b> Consultants will deliver, jointly with BEA, (i) draft licensing procedures for energy generation, transmission, and distribution; (ii) draft grid codes; (iii) draft guidelines for transfer pricing, power acquisition programs, and customer service; and (iv) draft guidelines and procedures for tariff application.</p> <p><b>e. Social or environmental issues or concerns:</b> Not applicable</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Bhutan Energy Authority</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Department of Power</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: Not applicable Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): December 2003 Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: Not applicable Nonlending: 18 months Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds <input checked="" type="checkbox"/> TA Special Fund: \$400,000 <input type="checkbox"/> Japan Special Fund: <input type="checkbox"/> Other (specify, e.g., bilateral and multilateral trust funds):</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by <input type="checkbox"/> JFICT: <input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, BEA = Bhutan Energy Authority, CSP = country strategy and program, DOP = Department of Power, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Establishment of Druk Hydro Power Corporation  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Electric power</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> T. Kimura</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Restructuring the Bhutan energy sector is the major thrust of ADB's sector assistance strategy. Under TA 3112-BHU: Policy and Legal Framework for Power Sector Development, ADB recommended the creation of the Druk Hydropower Corporation (DHPC) to efficiently manage all the Government-owned power stations. DHPC will include the system dispatcher and trader as a distinct division and profit center of DHPC. Successful creation and operation of DHPC will be key to building an efficient, market-based power sector. As complex technical, financial, and institutional issues are to be addressed in setting up DHPC, assistance similar to that being given to corporatize the Department of Power (DOP) is urgently needed.</p> <p><b>b. Goal and purpose:</b> Help DOP unbundle the operations of Druk Hydro Power Station as a corporation that will be managed commercially.</p>										

<p><b>c. Components and outputs:</b></p> <ul style="list-style-type: none"> <li>(i) Transfer of assets and liabilities: <ul style="list-style-type: none"> <li>a. identification of assets to be transferred to each unbundled entity and their transfer;</li> <li>b. determination of transfer prices; and</li> <li>c. determination of an optimum capital structure along with a financial restructuring plan and, if necessary, taking account of transfer prices, financial performance targets, and commercialization plans</li> </ul> </li> <li>(ii) Human resource management: <ul style="list-style-type: none"> <li>a. preparation of a manpower transition plan, including a compensation package and training program; and</li> <li>b. preparation of a human resource management system</li> </ul> </li> <li>(iii) Corporate management <ul style="list-style-type: none"> <li>a. design and implementation of new organization structures for unbundled entities;</li> <li>b. preparation of operational guidelines and manuals; and</li> <li>c. development of a management information system (MIS) and an accounting and financial management system</li> </ul> </li> </ul> <p><b>d. Expected results and deliverables:</b> (i) Financial statements and projection of a new corporation; (ii) recommendation on transfer pricing; (iii) recommendation on financial performance targets; (iv) labor transition plan, including new employment contract, compensation package, and training plan; (v) design of financial and accounting management system and human resource management system; (vi) recommendation on new organizational structure; and (vii) necessary legal documentation.</p> <p><b>e. Social or environmental issues or concerns:</b> Not applicable</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Department of Power</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Department of Power</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <ul style="list-style-type: none"> <li>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</li> <li>b. Expected date of submission for approval <ul style="list-style-type: none"> <li>Lending: Not applicable</li> <li>Nonlending (project preparatory): Not applicable</li> <li>Nonlending (other than project preparatory): April 2003</li> <li>Activities financed by JFICT or JFPR: Not applicable</li> </ul> </li> <li>c. Period and duration of assistance <ul style="list-style-type: none"> <li>Lending: Not applicable</li> <li>Nonlending: 12 months</li> <li>Activities financed by JFICT or JFPR: Not applicable</li> </ul> </li> </ul>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <ul style="list-style-type: none"> <li>a. For lending <ul style="list-style-type: none"> <li><input type="checkbox"/> Ordinary capital resources:</li> <li><input type="checkbox"/> Asian Development Fund:</li> <li><input type="checkbox"/> Other:</li> </ul> </li> </ul> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

## b. For nonlending

- No resources required, other than ADB staff  
 ADB's administrative budget:  
 Grant TA funds  
 TA Special Fund: \$500,000  
 Japan Special Fund:  
 Other (specify, e.g., bilateral and multilateral trust funds): \${amount}

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## c. For projects financed by

- JFICT:  
 JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, DHPC = Druk Hydropowe Corporation, DOP = Department of Power, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Private Sector Participation in Hydropower Development  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Electric power</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> T. Kimura</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's strategy is to support the creation of an efficient, self-sustaining, and competitive energy sector in Bhutan to provide sufficient and high-quality power for the country's economic and social development. Given the country's high hydro potential and India's constant lack of power, hydropower development helps meet growing domestic energy demand and boosts government revenue through power export. Since hydropower projects require intensive capital investment, promoting private sector participation in hydropower development is a high development priority.</p> <p><b>b. Goal and purpose:</b> The goal is to meet growing domestic demand for power and increase power export to neighboring countries. The purposes are to (i) invite private sector participation in the Punatsangchhu hydropower project and (ii) establish a new company and integrate it into the power system as an independent power generation company.</p> <p><b>c. Components and outputs:</b> (i) A corporatized entity owning and maintaining the hydropower station and (ii) a contract between DHPC and the independent power generation company.</p>										

**d. Expected results and deliverables:** (i) An inception report outlining the consultants' work program, (ii) draft request for quote (RFQ) and request for proposal (RFP) documents, (iii) bid evaluation reports, and (iv) a final report summarizing the key elements of the solicitation process and the outcome.

**e. Social or environmental issues or concerns:** Social and environmental issues, if any, should be addressed in RFQ and RFP to ensure that the project is in conformity with ADB's guidelines.

**f. Plans for disseminating results/deliverables:** A final workshop, based on the draft final report, followed by a tripartite meeting, will be held before termination of the consulting assignment. The final report will include feedback from the workshop and the tripartite meeting.

**7. Proposed executing/implementing agencies:** Druk Hydropower Corporation

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
Department of Power

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan:  
Country Assistance Plan 1999

b. Expected date of submission for approval  
Lending: Not applicable  
Nonlending (project preparatory): Not applicable  
Nonlending (other than project preparatory): October 2004  
Activities financed by JFICT or JFPR: Not applicable

c. Period and duration of assistance  
Lending: Not applicable  
Nonlending: 18 months  
Activities financed by JFICT or JFPR: Not applicable

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund:
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds
    - TA Special Fund: \$400,000
    - Japan Special Fund:
    - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
- JFICT:
  - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

### Table A3.5: Public Sector Financial Management System Concept Paper

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input checked="" type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance Subsector: Public sector financial management</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Economic growth  <input type="checkbox"/> Gender and development  <input type="checkbox"/> Environmental protection  <input type="checkbox"/> Regional cooperation  <input type="checkbox"/> Other: </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Human development  <input checked="" type="checkbox"/> Good governance  <input type="checkbox"/> Private sector development  <input type="checkbox"/> Social protection </td> </tr> </table>	<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection	
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p><b>4. Responsible division/department:</b> South Asia Governance, Finance and Trade Division</p>		
<p><b>5. Responsible ADB officer:</b> To be determined</p>		
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In governments across the world, including South Asian countries, public sector financial management systems are being substantially developed. The ratio of fiscal surplus to GDP has worsened from 1% to less than -5% in 2001. Improving efficiency of public sector management and the fiscal position is crucial for pro-poor growth.</p> <p><b>b. Goal and purpose:</b> (i) Improve the fiscal deficit by improving the revenue and expenditure system, (ii) improve asset management, (iii) strengthen accountability, and (iv) improve public disclosure of information.</p> <p><b>c. Components and outputs:</b> (i) Diagnostic study of planning, budgeting, and accounting systems, leading to a strategy report and implementation project; and (ii) revised planning and budgeting systems, accounting systems, and human resource development strategy and training.</p> <p><b>d. Expected results and deliverables:</b> Refer to (c).</p>		

<p>e. <b>Social or environmental issues or concerns:</b> None</p> <p>f. <b>Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Ministry of Finance</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Ministry of Finance will play a key role, but the rest of the ministries will be also involved in the assistance.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: Not applicable Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): October 2004 Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: Not applicable Nonlending: 12 months Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund:</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input type="checkbox"/> TA Special Fund:</p> <p><input checked="" type="checkbox"/> Japan Special Fund: \$500,000</p> <p><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT:</p> <p><input type="checkbox"/> JFPR:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.6: Development of Payment System  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance Subsector: Payment system</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Governance, Finance and Trade Division</p>										
<p><b>5. Responsible ADB officer:</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Bhutan has a manual system of payments, clearing, and settlement for clearing checks between banks. The system started in Thimphu for clearing checks between the two commercial banks, and another clearing and settlement system was set up in Phuentsholing. Transfer takes place by courier. The main weakness of the system is that it does not cover the whole country and is slow. The Negotiable Instruments Act is the legal support for the payments system and provides the house rules and regulations. However, the Negotiable Instruments Act has not been implemented in terms of setting up a regulatory framework or dispute resolution between private parties in clearing and settlement.</p> <p>Well-developed and efficient payment, clearing, and settlement systems are an essential ingredient for strengthening the infrastructure for financial institutions. Such systems increase efficiency and minimize potential systemic risks. The project will contribute to financial deepening, private sector development, pro-poor growth, and, eventually, poverty reduction.</p> <p><b>b. Goal and purpose:</b> The TA will help the Royal Monetary Authority continue to establish a national payment system to promote financial market and private sector development.</p>										

<p><b>c. Components and outputs:</b> (i) Strengthening the clearing house and (ii) establishing payments and settlement systems in cities besides Thimphu and Puentsholing</p> <p><b>d. Expected results and deliverables:</b> (i) Enhancement of staff knowledge of international practices for clearing and settlement, and (ii) regulatory framework and risk reduction measures</p> <p><b>e. Social or environmental issues or concerns:</b> Not applicable.</p> <p><b>f. Plans for disseminating results/deliverables:</b> (i) Hold workshops and (ii) provide relevant staff with a study program in Asian countries</p>
<p><b>7. Proposed executing/implementing agencies:</b> Royal Monetary Authority</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Ministry of Finance, Royal Monetary Authority, financial institutions, and private sector.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval  Lending: Not applicable  Nonlending (project preparatory): Not applicable  Nonlending (other than project preparatory): 2004  Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance  Lending: Not applicable  Nonlending: 2004-2005  Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending  <input type="checkbox"/> Ordinary capital resources:  <input type="checkbox"/> Asian Development Fund:  <input type="checkbox"/> Other:</p> <p>b. For nonlending  <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input checked="" type="checkbox"/> Grant TA funds  <input type="checkbox"/> TA Special Fund:  <input checked="" type="checkbox"/> Japan Special Fund: \$200,000  <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought:  If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by  <input type="checkbox"/> JFICT:  <input type="checkbox"/> JFPR:</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

### Table A3.7: Quality Improvement of Education Concept Paper

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Social Infrastructure Subsector: Education</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Economic growth  <input type="checkbox"/> Gender and development  <input type="checkbox"/> Environmental protection  <input type="checkbox"/> Regional cooperation  <input type="checkbox"/> Other: </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Human development  <input type="checkbox"/> Good governance  <input type="checkbox"/> Private sector development  <input type="checkbox"/> Social protection </td> </tr> </table>	<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input checked="" type="checkbox"/> Human development <input type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input checked="" type="checkbox"/> Human development <input type="checkbox"/> Good governance <input type="checkbox"/> Private sector development <input type="checkbox"/> Social protection	
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p><b>4. Responsible division/department:</b> South Asia Social Sectors Division</p>		
<p><b>5. Responsible ADB officer:</b> To be determined</p>		
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Project proposes to upgrade and build schools under the Ninth Five-Year Plan (2002-2007). The plan, whose objectives are drawn from the Education Sector Strategy Document, contains the Government's long-term vision, the country's status and challenges, education strategies, and specific education activities. The strategy document, in turn, was drawn from Vision 2020, which describes the country's long-term goals and vision.</p> <p><b>b. Goal and purpose:</b> Increase access and quality of secondary education to accommodate the higher demand caused by raising basic education from class 8 to class 10.</p> <p style="margin-left: 20px;">(i) The main education objectives of the Ninth Five-Year Plan are as follows:</p> <p style="margin-left: 40px;">a. Increase enrolment of children 6–12 years old to 90-95% by 2007.</p> <p style="margin-left: 40px;">b. Bring education up to international standards in language, communication skills, and mathematics.</p> <p style="margin-left: 40px;">c. Improve and expand youth guidance, career counseling, and values education to develop youth development program.</p> <p style="margin-left: 40px;">d. Raise the basic education level from class 8 to class 10.</p>		

<p>e. Increase the proportion of students promoted from class 10 to class 11 from 38% to 56% by 2007.</p> <p>f. Establish a program of inclusive general education for physically and mentally challenged children to enable them to live with dignity and participate in the development of Bhutanese society.</p> <p>g. Strengthen and improve the education management system, with emphasis on school-level management.</p> <p>h. Develop a sustainable education system through the introduction of private participation and cost-sharing measures.</p> <p><b>c. Components and outputs:</b> (i) Increase access to secondary education and (ii) upgrade the quality of secondary education to better serve the country's development needs</p> <p><b>d. Expected results and deliverables:</b> Quality education should be provided by an adequate number of schools that cater to a larger number of students.</p> <p><b>e. Social or environmental issues or concerns:</b> To be determined</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Department of Education, Ministry of Health and Education</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> The Ninth Five-Year Plan was prepared in close consultation with the stakeholders to attain the targets and objectives laid down in the Education Sector Strategy Document. The various <i>dzongkhag</i> (district) administrations held extensive discussions with the District Development Committee; the Block Development Committee; and the public.</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: Not applicable Nonlending (project preparatory): 2004 Nonlending (other than project preparatory): Not applicable Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: Not applicable Nonlending: 12 months Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund:</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input type="checkbox"/> TA Special Fund:</p> <p><input checked="" type="checkbox"/> Japan Special Fund: \$400,000</p> <p><input type="checkbox"/> Other</p>

If cofinancing is required indicate sources, and amount sought:  
If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by  
 JFICT:  
 JFPR:

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, LSS = lower secondary school, MSS = middle secondary school, HSS = higher secondary school, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.8: Development of Nonbank Financial Institutions  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance Subsector: Nonbank financial institution</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Governance, Finance and Trade Division</p>										
<p><b>5. Responsible ADB officer:</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The financial sector plays a crucial role in private sector development and economic growth. Four main lessons have emerged from the international experience in building institutions: (i) design institutions to complement what exists; (ii) innovate to identify institutions that work (and those that do not); (iii) connect communities of market players through open information flows and trade; and (iv) promote competition among jurisdictions, firms, institutions, and individuals. ADB has contributed to the development of the financial sector, particularly the Royal Monetary Authority, commercial banks, Bhutan Development Finance Corporation, insurance, pension sector, and capital market. The development of nonbank financial institutions is important for private sector development and economic growth as they complement the banking system and foster competition in the financial sector.</p> <p><b>b. Goal and purpose:</b> (i) Develop a modern, competitive, and diversified nonbank financial sector to improve viability and foster competition; and (ii) develop a separate regulatory framework for nonbank financial institutions, and the capacity of market participants</p>										

<p><b>c. Components and outputs:</b> The TA will include insurance, lease, housing, and possibly venture capital. The TA will focus on (i) strengthening the Royal Monetary Authority as a supervisor; (ii) helping establish nonbank financial institutions (such as housing societies, leasing companies, and venture capital); (iii) helping introduce and implement prudential standards and market regulations for the nonbank sector; (iv) evaluating existing nonbank financial institutions' operational and financial viability and the status of their compliance with prudential regulations; and (v) developing a strategy for the nonbank financial sector.</p> <p><b>d. Expected results and deliverables:</b> (i) Expansion of the nonbank financial sector, (ii) systems and procedures for market monitoring and surveillance of the nonbank financial sector, (iii) reporting requirements and systems to help track compliance of market participants with rules and regulations, and (iv) enforcement and prosecution mechanisms to ensure effectivity of regulations</p> <p><b>e. Social or environmental issues or concerns:</b> Not applicable</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Department of Education, Ministry of Health and Education</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Ministry of Finance, Royal Monetary Authority, nonbank financial institutions</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval  Lending: Not applicable  Nonlending (project preparatory): Not applicable  Nonlending (other than project preparatory): 2005  Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance  Lending: Not applicable  Nonlending: 6 months  Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending  <input type="checkbox"/> Ordinary capital resources:  <input type="checkbox"/> Asian Development Fund:  <input type="checkbox"/> Other:</p> <p>b. For nonlending  <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input checked="" type="checkbox"/> Grant TA funds  <input type="checkbox"/> TA Special Fund:  <input checked="" type="checkbox"/> Japan Special Fund: \$400,000  <input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought:  If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by  <input type="checkbox"/> JFICT:  <input type="checkbox"/> JFPR:</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.9: Household Living Standard Monitoring Survey  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector: Poverty monitoring</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> Development Indicators and Policy Research Division, Economic Research Department</p>										
<p><b>5. Responsible ADB officer:</b> O. Dupriez</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In October 2001, ADB signed a poverty reduction partnership with the Government of Bhutan. The agreement states: "It is important for the Planning Commission and the Department of Aid and Debt Management to play a central role both in coordinating the timing and distribution of ministerial and donor initiatives, and in periodically assessing—say, at yearly intervals—the overall results achieved. Over the next few years, and until statistical capabilities have been strengthened, monitoring the impact of poverty reduction programs may have to be mainly qualitative rather than quantitative. Once the statistical capabilities of the Planning Commission (mainly Central Statistical Organization) have been strengthened, it is envisaged that a comprehensive household survey of living standards will be undertaken and subsequently updated at regular intervals." The TA currently provided to the statistical system of Bhutan (TA 3669) will build capacities to measure and assess poverty, and produce baseline information. Further assistance will be required to develop specific capacities to monitor and measure the impact of poverty reduction policies.</p>										

**b. Goal and purpose:** The goal is to develop national capacity to monitor poverty and social development at the subnational level regularly and cost-effectively. The purpose is to generate regular flow of information to better target, design, and assess poverty reduction policies (including the poverty partnership agreement signed with ADB).

**c. Components and outputs:** A system of light household and community surveys will be developed. The components of this system will be (i) development of a master sample frame, (ii) development of survey methodology adapted to the specific needs and technical and financial capacities of Bhutan, and (iii) training of Central Statistical Organization staff in poverty-monitoring analysis (including impact assessment). The outputs will be (i) annual report on poverty and socioeconomic development, (ii) regular update of socioeconomic indicators, and (iii) development of a user-friendly database of development indicators.

**d. Expected results and deliverables:** Refer to (c).

**e. Social or environmental issues or concerns:** None

**f. Plans for disseminating results/deliverables:** Publication of the annual report on poverty and socioeconomic development, disseminated in hard copies and on Bhutan's Planning Commission web site and ADB's web site

**7. Proposed executing/implementing agencies:** Central Statistical Organization (CSO)

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** This TA is the continuation of that provided by ADB to the statistical system. CSO and the Planning Commission have shown a strong commitment and interest in developing their capacity to generate poverty-related information, and specifically requested ADB's help to generate such information at subnational levels (as a consequence of the decentralization process).

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan:  
Country Assistance Plan 2000
- b. Expected date of submission for approval  
Lending: Not applicable  
Nonlending (project preparatory): Not applicable  
Nonlending (other than project preparatory): 2005  
Activities financed by JFICT or JFPR: Not applicable
- c. Period and duration of assistance  
Lending: not applicable  
Nonlending: 36 months  
Activities financed by JFICT or JFPR: Not applicable

**10. Financing Plan** (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
  - Asian Development Fund:
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget:
  - Grant TA funds
    - TA Special Fund: \$400,000
    - Japan Special Fund:
    - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT: \${amount}

JFPR: \${amount}

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.10: Energy Efficiency Management  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Electric power</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Infrastructure Division</p>										
<p><b>5. Responsible ADB officer:</b> S. Tumiwa</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Power export is Bhutan's largest source of earnings and accounts for about 40% of gross domestic product (GDP). Domestic energy consumption thus represents opportunity cost to increased earnings. Improving energy efficiency, especially by large consumers of energy, will, therefore, free up more power for export. Improved efficiency by industry will also lower per-unit cost of production and allow Bhutan's products to better compete in an increasingly global marketplace. ADB's strategy is to strengthen the Government's capacity to use the country's power resources and to strengthen regional cooperation in the power sector. This TA will address both objectives.</p> <p><b>b. Goal and purpose:</b> The goal is to strengthen the institutional capacity and technical capabilities of the Government to develop policies, regulations, and market-based incentives to promote energy efficiency. The purpose is to develop a policy agenda, with a mix of regulatory and market-based instruments and a sequenced action plan, to promote energy efficiency.</p> <p><b>c. Components and outputs:</b> (i) Review of policies, regulations, and incentives to promote energy efficiency, and identification of their strengths and constraints; and (ii) development of a comprehensive policy framework to</p>										

<p>strengthen these policies, regulations, and incentives, and recommendation of a strategy to implement them</p> <p><b>d. Expected results and deliverables:</b> A comprehensive policy framework for energy efficiency and a sequenced action plan for its implementation</p> <p><b>e. Social or environmental issues or concerns:</b> No adverse social or environmental issues are expected.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The Government and ADB will work with industry groups and other development partners to review the recommended policy framework and action plan.</p>
<p><b>7. Proposed executing/implementing agencies:</b> Ministry of Trade and Industry (or the yet-to-be-created Ministry of Energy and Water Resources)</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> The project has been discussed with the Ministry of Trade and Industry, Power Division, and also with other development partners in Bhutan.</p> <p>(Note: Mention the institutions in government and civil society, including nongovernment organizations, that have been consulted about the project, and the nature of the consultations.)</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: Not applicable Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): 2005 Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: not applicable Nonlending: 18 months Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund:</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> TA Special Fund: \$500,000</p> <p><input type="checkbox"/> Japan Special Fund:</p> <p><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT:</p> <p><input type="checkbox"/> JFPR:</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.11: Decentralization  
Concept Paper**

**Date: 1 July 2002**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector: Decentralization</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
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<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p><b>4. Responsible division/department:</b> South Asia Governance, Finance and Trade Division</p>										
<p><b>5. Responsible ADB officer:</b> To be determined</p>										
<p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The country has taken a series of measures to decentralize the Government. In 1981, district development committees were established; in 1991, block development committees were instituted. The effective working of the committees will enable the people to fully participate in planning, deciding, and implementing development activities. The Ninth Plan allocated 21.4% of total outlay to the districts and 3.3% to the blocks. Decentralization can link development to the improvement of "gross national happiness" (poverty reduction).</p> <p><b>b. Goal and purpose:</b> (i) Devolve power from the central Government to local governments and (ii) improve community self-reliance</p> <p><b>c. Components and outputs:</b> (i) Review of the decentralization process under the Ninth Plan, (ii) development of a mechanism to coordinate decentralization of among ministries and between central and local governments, and (iii) assessment and strengthening of local governments' capacity</p>										

<p><b>d. Expected results and deliverables:</b> Strengthened capacity of local governments at the district and block levels through manuals, software, and training</p> <p><b>e. Social or environmental issues or concerns:</b> Not applicable</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>
<p><b>7. Proposed executing/implementing agencies:</b> Planning Commission Secretariat</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Planning commission Secretariat and local governments</p>
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSP Update 2002</p> <p>b. Expected date of submission for approval Lending: Not applicable Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): 2005 Activities financed by JFICT or JFPR: Not applicable</p> <p>c. Period and duration of assistance Lending: Not applicable Nonlending: 2005-2006 Activities financed by JFICT or JFPR: Not applicable</p>
<p><b>10. Financing Plan</b> (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input type="checkbox"/> Asian Development Fund:</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds</p> <p><input checked="" type="checkbox"/> TA Special Fund: \$300,000</p> <p><input type="checkbox"/> Japan Special Fund:</p> <p><input type="checkbox"/> Other</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>c. For projects financed by</p> <p><input type="checkbox"/> JFICT:</p> <p><input type="checkbox"/> JFPR:</p>

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, SCSP = subregional cooperation strategy and program, TA = technical assistance.