

CONCEPT PAPERS FOR LENDING PRODUCTS

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

- (i) Table A2.1: Industrial Estate and Dry Port Development
- (ii) Table A2.2: Urban Housing Development
- (iii) Table A2.3: Small and Medium Enterprise Development
- (iv) Table A2.4: Road Network Expansion
- (v) Table A2.5: Integrated Rural Development
- (vi) Table A2.6: Financial Sector Reform

**Table A2.1: Industrial Estate and Dry Port Development Project
Concept Paper**

Date: 31 July 2003

<p>1. Type/modality of assistance</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>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multi-sector Subsector: Transport / Industrial Infrastructure</p> <p>b. For project preparatory and lending, classification</p> <p><input checked="" type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</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>3. Coverage</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>4. Responsible division/department: Social Sectors Division/South Asia Department</p>										
<p>5. Responsible ADB officers: Nayana Mawilmada</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Bhutan's Ninth Five Year Plan (2002–2007), launched in July 2002, has established private sector development as one of the Government's strategic focus areas. As part of the Government's effort to stimulate economic growth, led by the private sector, two key initiatives have been given highest priority: (i) construction of a new dry port in Phuentsholing, near the Indian border; and (ii) development of a new 107 ha industrial estate in Pasakha, about 14km from Phuentsholing.</p> <p>b. Goal and purpose: The primary purpose of the project is to assist the Government in developing the proposed industrial estate and dry port in the Phuentsholing region, and thereby promote economic development, led by the private sector. The Project will also support the Government in creating the enabling environment by establishing an appropriate legal framework and clear and transparent rules and regulations. The physical works, along with associated policy reforms, will also facilitate greater subregional economic cooperation.</p> <p>c. Components and outputs: The Project will finance the major planning and infrastructure investments required to make the industrial estate and dry port operational. The industrial estate infrastructure will include</p>										

internal roads, water supply, sewerage, power, and environmental management systems. Development work for the dry port will include cargo handling facilities, warehousing, and access roads; refinements of customs clearance procedures; and purchase or upgrading of equipment.

d. Expected results and deliverables: Development of the dry port is expected to substantially reduce the transaction costs and inefficiencies of trade with India and other countries. Development of Bhutan's industrial estate is expected to stimulate a significant increase in industrial activity, led by the private sector.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: To be determined

7. Proposed executing/implementing agencies: Ministry of Trade and Industry

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: All relevant ministries will be consulted extensively in project development. The Department of Trade and the Department of Industry have already carried out initial studies on both components. Their work will be fully integrated into the Project.

9. Timetable for assistance design, processing, and implementation

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

b. Expected date of submission for approval
 Lending: 2004
 Nonlending (project preparatory): Not applicable
 Nonlending (other than project preparatory): Not applicable

c. Period and duration of assistance
 Lending: 4 years
 Nonlending: Not applicable

10. Financing Plan

a. For lending
 Ordinary capital resources: \$
 Asian Development Fund: \$8.4 million
 (including \$3 million through the subregional cooperation program)
 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
 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):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

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

Date: 31 July 2003

<p>1. Type/modality of assistance</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>2. Assistance Focus</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 checked="" type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</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>3. Coverage</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>4. Responsible division/department: Social Sectors Division/South Asia Department</p>										
<p>5. Responsible ADB officers: Eva Maria Mayerhofer</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Bhutan has a serious housing shortage because of rapid growth in population and urbanization, and widespread poverty. The transition to a market-based housing and land system is crucial to support the Government's priority of providing adequate housing for all, especially in the cities of Thimpu and Phuentsholing, where the need for shelter is urgent. The Asian Development Bank (ADB) plays a crucial role in Bhutan's housing and urban sectors. In 2002, a TA was initiated to implement the necessary institutional changes.</p> <p>b. Goal and purpose: The goals are to: (i) ease the housing shortage; (ii) help achieve the long-term objective of establishment of 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>c. Components and outputs: The components, based on the recommendation of the ongoing TA, are likely to comprise: (i) lending to low- and middle-income households through participating financial institutions and</p>										

intermediaries; (ii) reducing poverty by helping improve and upgrade infrastructure in identified housing areas; and (iii) building capacity and establishing effective project management.

d. Expected results and deliverables: The expected results are: (i) a "vibrant" land and housing market, and improved access to shelter for the urban poor; (ii) improved Government capacity to manage future growth of urban settlements; and (iii) improved living conditions for the urban poor.

e. Social or environmental issues or concerns: To be determined

f. Plans for disseminating results/deliverables: To be determined

7. Proposed executing/implementing agencies: Ministry of Communications

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: All relevant ministries will be consulted, such as the Ministry of Communications (which includes the Urban Development and Housing Department), the Ministry of Planning, and the Ministry of Construction. The Project will coordinate with development partners, especially with DANIDA and the World Bank. Beneficiaries and community-based organizations will be consulted extensively.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 2000

b. Expected date of submission for approval
 Lending: 2004
 Nonlending (project preparatory): Not applicable
 Nonlending (other than project preparatory): Not applicable

c. Period and duration of assistance
 Lending: 3 years
 Nonlending: Not applicable

10. Financing Plan

a. For lending
 Ordinary capital resources: \$
 Asian Development Fund: \$4.0 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
 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):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.3: Small and Medium Enterprise Development Loan
Concept Paper**

Date: 31 July 2003

<p>1. Type/modality of assistance</p> <p><input checked="" 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 checked="" 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>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</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 areas</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 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 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 type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</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>4. Responsible division/department: Governance, Finance and Trade Division/South Asia Department</p>										
<p>5. Responsible ADB officers: V.V.Subramanian</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Bhutan's economy is dominated by cottage and mini industries; they comprise about 85% of the country's total establishments. The major challenge for the Government is to increase activity of the private sector, which now contributes less than 25% of Bhutan's gross domestic product. As of December 2001, Bhutan had about 409 small-scale and 43 medium-scale enterprises in industry, production, and manufacturing. The country also has about 878 cottage industries and 2,435 mini enterprises. The private sector, particularly, the small and medium enterprise (SME), is expected to play a greater future role in absorbing the growing number of young and educated Bhutanese, because public sector employment will be limited. Further support for SME development is expected through the establishment of strategically located industrial estates and dry ports through the proposed 2004 loan from the ADB, as well as through direct investments from the foreign private sector. But, trade liberalization has made the Indian market, which until recently, was a ready market for finished and semi-finished product from Bhutan, increasingly competitive. Further impeding the SME sector are labor constraints, both in terms of numbers and productivity; poor infrastructure; and a lack of technical and managerial skills. There is a need to formulate and enact legislation for industrial policy, capital markets, and technology transfer. The development of small and micro-industries is needed to enhance rural income and employment. The Ninth Five Year Plan propose to focus on</p>										

small-scale handicraft manufacturers in the rural areas and offer training and technical assistance in product development and marketing. It will examine providing lines of credit through participating financial institutions.

b. Goal and purpose: The Project will help develop SMEs and micro-industries that focus on poverty alleviation in both the industrial and agricultural sectors. The main objective will be to help formulate an integrated developmental plan, and a financing plan for SMEs and micro-industries.

c. Components and outputs: Government policy and other Government activities will be reviewed to help develop SMEs, evaluate their effects, identify problems, and recommend policy frameworks for establishing an enabling environment for SME development. Thus, SMEs can gain access to inputs essential for their development, such as equity and credit, infrastructure, market information, investment advice, technical extension and support, and human resource development. The Project will help estimate SME demand for equity and credit, and recommend a mix of financial institutions and facilities to deliver financial services such as equity, long-term credit, and venture capital.

d. Expected results and deliverables: The expected result is a long-term plan for the development and financing of Bhutan's SME and micro-industries sector.

e. Social or environmental issues or concerns: Will be identified during TA implementation

f. Plans for disseminating results/deliverables: Results and technologies will be disseminated through workshops, Chambers of Commerce, nongovernment organizations, stakeholder groups, etc.

7. Proposed executing/implementing agencies: Ministry of Industry and Trade and participating financial institutions

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Project will be developed in coordination with the Ministry of Industry and Trade, Ministry of Agriculture, and participating financial institutions.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003

b. Expected date of submission for approval
 Lending: 2005
 Nonlending (project preparatory): 2004
 Nonlending (other than project preparatory): Not applicable

c. Period and duration of assistance
 Lending: . To be determined based on TA findings
 Nonlending: 6 months

10. Financing Plan

a. For lending
 Ordinary capital resources: \$
 Asian Development Fund: \$4.4 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: \$200,000 (TASF)
 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):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

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

Date: 31 July 2003

<p>1. Type/modality of assistance</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>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communications Subsector: Roads</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 areas</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>3. Coverage</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>4. Responsible division/department: Transport and Communications Division/South Asia Department</p>										
<p>5. Responsible ADB officers: Sri Widowati / Hasan Masood</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Bhutan has an extensive road network, but it does not serve many rural communities, which still depend on animal and head-load transport. The main routes are an east-west highway and four north-south highways following major river valleys. The network connects all districts, but some areas can still be reached only by horses, yaks, or oxen. About 30% of the blocks, or <i>gewogs</i> are connected to feeder roads, and another 30% are only partially connected. Farmers in these regions remain dependent on subsistence agriculture, with no access to markets, education, and health care. There is a need to expand the existing network to promote domestic and international trade and to reach the rural poor. An improved road network will also benefit landlocked Bhutan through better regional links, cooperation with adjacent countries, and access to foreign markets.</p> <p>b. Goal and purpose: Efficient transport and improved access in particular is one of the keys to economic development leading to reduction of poverty. Investment in roads is part of a continuing program to support the development of an integrated and balanced road network in the country. The Project plans to improve the efficiency of the road sector institution, and increase the capacity and efficiency of the road network to promote economic growth, rural development, domestic and regional trade, and reduce poverty.</p>										

c. Components and outputs: The Project will support the construction or improvement of unfinished or damaged sections of the east-west highway and the north-south highways connecting to the Indian border and provide road access to remote and poor target districts. The Project will also continue ADB support in institutional reform through implementation of action plans, including capacity building of road agencies, private sector development, and promoting the establishment of a sustainable mechanism to fund road maintenance.

d. Expected results and deliverables: The expected Project results include (i) increased access to neighboring countries, (ii) better access to remote and isolated Bhutanese communities, (iii) higher domestic and international trade, and (iv) increased private sector participation in road works.

e. Social or environmental issues or concerns: Social and environmental aspects will be properly addressed. Social aspect will be one of selection criteria of the roads to be constructed or improved. Environmental impact mitigation and land acquisition, if any, will be implemented and strictly monitored.

f. Plans for disseminating results/deliverables: The Project will share results and lessons learned with stakeholders, development partners, and beneficiaries through appropriate media.

7. Proposed executing/implementing agencies: Department of Roads, Ministry of Communications

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The conceptualization of the intervention is based on the Ninth Five Year Plan and road master plan, which were developed based on priorities proposed by districts and blocks, and agreed upon by the Ministry of Communications.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
 - Lending: 2005
 - Nonlending (project preparatory): 2003
 - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
 - Lending: 5 years
 - Nonlending: 2003–2004

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: \$8 million (including \$3 million under the subregional cooperation program)
 - Other: to be determined
- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds: \$500,000 (including \$250,000 under the subregional cooperation program)
 - Other:

The total cost of the TA is estimated at \$625,000 equivalent, comprising \$432,000 in foreign exchange, and \$193,000 equivalent in local currency. ADB will provide \$500,000 equivalent, covering the entire foreign exchange cost and \$68,000 equivalent of the local currency cost, on a grant basis. The Government will finance the remaining \$125,000 equivalent in local currency.

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.5: Integrated Rural Development
Concept Paper**

Date: 31 July 2003

<p>1. Type/modality of assistance</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>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</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 areas</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 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 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 type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</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>4. Responsible division/department: Agriculture, Environment and Natural Resources/ South Asia Department</p>										
<p>5. Responsible ADB officer: G. Rambaldi</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: In setting the maximization of “gross national happiness” as its overall national objective, the Government of Bhutan identified four major areas to be addressed in its Ninth Five Year Plan (NFYP). These include (i) economic growth and development, (ii) preservation and promotion of cultural heritage, (iii) preservation and sustainable use of the environment, and (iv) good governance. Because much of the rural countryside is physically isolated from any meaningful form of market economy, subsistence agricultural practices prevail, and a recent survey showed that at least 29% of the rural population is impoverished. The Government has made considerable efforts to improve health and educational services in rural areas—but this has increased, considerably, the movement of educated youth, searching for gratifying employment, to the main cities of Thimphu and Phuentsholing. The Government expects that unless there is intervention to stimulate the economy of the rural areas, at least 70,000 jobseekers will stream into the cities in the next 5 years. The NFYP lists physical isolation as a main cause of rural poverty. The lack of adequate road infrastructure and mechanisms for exchanging goods and knowledge have been identified as the most critical constraints preventing farmers from increasing and diversifying crop production, and for venturing into alternative livelihoods. The Government considers the development of communication</p>										

infrastructures a top priority for establishing an enabling environment for the development of rural small and medium enterprises (SMEs), and micro-industry enterprises. Such infrastructure could help retain educated youth in the countryside, and help generate income and reduce poverty.

b. Goal and purpose: The Project's long-term objectives are to achieve balanced economic growth, and to contribute to "national happiness." Its purpose is to establish an enabling environment for economic development in rural areas, capitalizing on Bhutan's comparative advantages of a distinct cultural identity, agroclimatic diversity, and a relatively pristine environment. The Project's geographic scope will be determined during project preparatory technical assistance (PPTA).

d. Components and outputs: Project components are the development of (i) farm-to-market roads, suspension bridges, and marketing centers, (ii) agriculture-based and export-oriented small and medium enterprises, micro-enterprises, and cottage industries, and (iii) marketing channels.

e. Expected results and deliverables: The expected Project results include (i) increased access to remote and isolated communities; (ii) a shift from subsistence farming to farm-based activities that generate income; (iii) the development of SMEs and micro-enterprises that will add value and quality to raw materials such as farm outputs and nontimber forest products, (iv) increased employment for educated youth; and (v) reduced poverty.

f. Social or environmental issues or concerns: A precondition for achieving the Project results is electrification of the target areas in projects funded by ADB and, to a lesser extent, by other donors. Availability of electric power will limit the use of firewood for processing purposes, enable the development of nonresource-based enterprises, and reduce "lean periods" caused by climatic constraints.

g. Plans for disseminating results/deliverables: The Project will share results and lessons learned with stakeholders and development partners through appropriate media. At the grassroots level, lessons learned will be disseminated mainly through exchange visits and publications.

7. Proposed executing/implementing agencies: Because of its integrated nature, the following implementing agencies will be involved in the Project: (i) the Ministry of Agriculture, for the development of farm-to-market roads; (ii) the Department of Roads, for the construction of suspension bridges, and (iii) the Ministry of Trade and Industry, for the development of SMEs and micro-industries. The Executing Agency has not yet been determined.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The Project's conceptualization was based on the NFYP, and was agreed upon by the Ministry of Agriculture, Ministry of Communication, and Ministry of Trade and Industry during the Country Programming Mission in March 2003. Beneficiaries are expected to be involved in the detailed design during the project proposal technical assistance.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
 - Lending: 2006
 - Nonlending (project preparatory): 2005
 - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
 - Lending: 5 years
 - Nonlending: To be determined

10. Financing Plan

- a. For lending
 - Ordinary capital resources: \$
 - Asian Development Fund: \$ 4.0 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: \$450,000 (TASF)
- 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):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.6: Financial Sector Reform
Concept Paper**

Date: 31 July 2003

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input checked="" 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>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</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 areas</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 checked="" 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 checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
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<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</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>4. Responsible division/department: Governance, Trade and Finance Division/South Asia Department</p>										
<p>5. Responsible ADB officers: V.V.Subramanian</p>										
<p>6. Description of assistance</p> <p>a. Background/linkage to country/regional strategy: Bhutan has made important strides in developing its financial sector. However, it is still far below what is needed to make Bhutan internationally competitive. Currently, this has been one of the major constraints for private sector's access to formal channels of financing and has resulted in substantially higher cost of doing business. The growth of the private sector, inflow of private direct foreign investment, and Bhutan's efforts to diversify its export markets to include international markets, will largely depend on the efficiency of the financial system. Strong partnership between the financial and private sector can only be promoted by encouraging more interaction and innovative financing packages. The Financial Sector Review funded under ABD TA 3687 provides the road map to help create more effective financial markets and financial instruments in Bhutan.</p> <p>b. Goal and purpose: The Project will help in establishing a set of appropriate operational policies and strategies, with emphasis on the institutional, fiscal, legal and regulatory as well as the supporting market infrastructure, operational skills and systems required for the efficient functioning of the financial market.</p>										

<p>c. Components and outputs: The Project will help, (i) market orientation of financial sector policy, (ii) improve financial sector efficiency in domestic resource mobilization and its linkages with efficient allocation by facilitating the introduction of new agents and instruments and strengthening the policy environment, (iii) facilitate the accuracy and selection of financial sector data to support future policy design and implementation, (iv) help develop supporting market infrastructure. The findings and recommendation of past and ongoing technical assistance and sector related studies will also provide the base for the proposed financial sector reforms.</p> <p>d. Expected results and deliverables: Will facilitate to deepen the financial system and build a more resilient financial regime to meet Bhutan's financing needs.</p> <p>e. Social or environmental issues or concerns: none</p> <p>f. Plans for disseminating results/deliverables: Results will be disseminated through workshops, seminars, meetings with stakeholders, and a website.</p>
<p>7. Proposed executing/implementing agencies: The Ministry of Finance and the Royal Monetary Authority (MOF/RMA)</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Design of the Project will be coordinated with MOF/RMA and other stakeholders.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003</p> <p>b. Expected date of submission for approval Lending: 2006 Nonlending (project preparatory): Not applicable Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance Lending: To be determined Nonlending: Not applicable</p>
<p>10. Financing Plan</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: \$</p> <p><input checked="" type="checkbox"/> Asian Development Fund: \$5.4 million</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: \$500,000 (TASF)</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>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.