



Asian Development Bank & Bhutan

FACT SHEET

Table 1. Bhutan: Development Indicators

Non-MDG	
Population in millions	0.67 (2008)
Annual population growth rate (%)	1.9 (2006–2008)
Adult literacy rate (%)	55.6 (2007)
Percent of population in urban areas	33.3 (2007)
MDG	
Percent of population living on less than \$1.25 a day	26.2 (2003)
Percent of population living below the national poverty line	23.2 (2007)
Under-5 mortality rate per 1,000 live births	84 (2007)
Percent of population using an improved drinking water source	81 (2006)

MDG = Millennium Development Goal.

Sources: ADB, 2009. *Basic Statistics 2009*. Manila. ADB staff estimates.

World Bank, 2009. World Development Indicators Online..

Although Bhutan ended its self-imposed isolation in the 1960s, fundamental development activities date back only about 20 years. Nonetheless, it has embarked on a far-reaching development strategy aimed at boosting what it calls Gross National Happiness—a holistic concept combining material well-being with an individual's spiritual, emotional, and cultural well-being.

Despite steady progress, Bhutan remains a poor country, with 23.2% of the population living below the national poverty line in 2007. Inequality is high, with the top quintile consuming eight times more than the lowest quintile. At the same time, the economic base remains narrow, with hydropower accounting for some 12% of gross domestic product (GDP) and 45% of national revenues. Hydropower and its related industries have low employment elasticity, leaving the labor market unlikely to be able to absorb the 50,000 youth and 20,000 rural migrants expected to enter the workforce by 2008. The Government aims to diversify the economic base by enabling greater private sector participation in development—a central pillar of its growth, employment generation, and poverty reduction strategy.

Relationship with ADB

Bhutan joined the Asian Development Bank (ADB) in 1982 and, as of 31 December 2008, the cumulative value of loans to the country totaled \$256.1 million, with technical assistance projects amounting to \$42.4 million.

In recent years, assistance has focused on the development of infrastructure, including national roads, rural electrification, and urban development. There has also been an emphasis on vocational and technical education and reforms in the financial sector.

Grant technical assistance has been aimed at helping develop capacity for debt management and forecasting; to strengthen the Royal Monetary Authority and the National Statistics Bureau; to promote the institutional development of the Planning Commission; and to support the 2003 Bhutan Living Standards Survey, which the Government used for its 2004 Poverty Assessment Sectoral Report. In 2007, grant assistance was provided for the development of micro-, small-, and medium-sized enterprises; to prepare the power development program; to strengthen the capacity of the Department of Labor; and to strengthen the institutional capacity of public financial institutions.

Impact of Assistance

Under the Rural Electrification and Network Expansion project, ADB is assisting the Government's Ninth Five-Year Plan objective to electrify 15,000 households. It seeks to provide electricity not only to about 8,000 rural consumers, but also to hospitals, schools, and other public facilities.

Another major issue for Bhutan is the accessibility of its communities. The country's trunk road network is limited and unsuitable for larger and heavier vehicles and needs to be upgraded

and improved. As such, the Road Network Project of September 2005 aims to strengthen part of the Trongsa–Gelephu national highway (about 140 kilometers [km] of the total 245 km), including a 16-km realignment between the Mangdichu and Wangdigang bridges. It will construct four feeder roads, including Mirchim–Bongo (17.5 km) and Tekizam–Bjena (6.5 km) in the west region, and Garbagtang–Autsho (51 km) and Khardungla–Kangpara (28 km) in the east. The national highway component includes replacing two temporary bridges with permanent structures. Technical assistance will help the Government build capacity for auditing road safety and road asset management.

ADB's Urban Infrastructure Improvement project, meanwhile, aims to improve urban areas through infrastructure development, to develop effective and sustainable management of urban services, and to foster human development through physical improvements and economic growth.

Future Directions

Consistent with the priorities identified in Bhutan's National Poverty Reduction strategy, and under the Country Strategy and Program (CSP), ADB and the Government have agreed to focus assistance on transport, power (including rural electrification), urban development, and financial and private sector development. These sectors are vital for Bhutan's socioeconomic progress.

ADB will combine investment support with other measures to build the institutional, policy, and regulatory capacities of the policy-making and executing agencies.

Operational Challenges

Although Bhutan has maintained impressive economic growth and made commendable progress toward the Millennium Development Goals, it is still challenged by its narrow economic base, low employment elasticity of the hydropower sector, inadequate involvement of the private sector in economic development, administrative limitations on the expansion

Table 2. Bhutan: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,110	1,270	1,420	1,770	...
GDP growth (% change per year)	7.0	6.6	6.4	14.1	11.5
CPI (% change per year)	3.6	4.8	4.9	5.2	6.4
Unemployment rate (%)	2.5	3.1	3.2	3.7	...
Fiscal balance (% of GDP)	1.9	-7.0	-0.8	0.6	-3.2
Export growth (% change per year)	39.7	34.5	47.2	64.5	-8.5
Import growth (% change per year)	27.3	75.5	-5.6	15.1	9.1
Current account balance (% of GDP)	-17.9	-30.5	-4.4	11.0	3.9
External debt (% of GNI)	85.2	79.5	76.5	68.6	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. ADB staff estimates. World Bank. 2009. World Development Indicators Online.

Table 3. Bhutan: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
80.0	–	2.5	26.3	108.8

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$256.1 million
Cumulative Disbursements (as of 31 Dec 2008) : \$116.6 million

of the private sector, and a rapidly growing number of educated but unemployed youth.

Hydropower generation is the mainstay of the economy, accounting for some 12% of GDP and 45% of government revenues. The commissioning of the 1,020-megawatt Tala Hydropower Project has resulted in increasing government revenues from the hydropower sector to 60%. Bhutan continues to maintain a pro-poor fiscal and expenditure policy stance whereby one third of public expenditures are earmarked for the development of health and education sectors.

Partnership

The CSP is being implemented in coordination with other development partners to avoid duplication. Examples of effective partnerships include ADB's rural electrification loans following the Rural Electrification Master Plan developed with assistance from the Government of Japan. Similarly, development partners are using the Road Sector Master Plan developed with ADB assistance. ADB has maintained close cooperation with other multilateral and bilateral funding agencies, and with civil society organizations, to strengthen the effectiveness, quality, and sustainability of the services it provides.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

Table 4. Bhutan: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	2	7.78	3.04
Education	2	14.13	5.52
Energy	5	106.90	41.75
Finance	4	21.00	8.20
Health, Nutrition, and Social Protection	1	10.00	3.91
Industry and Trade	2	3.65	1.43
Multisector	3	18.10	7.07
Transport and Communications	4	46.60	18.20
Water Supply, Sanitation, and Waste Management	2	27.90	10.90
Total	25	256.06	100.00

^a Total may not add up because of rounding.

Table 5. Bhutan: Project Success Rates

By Sector	Percentage ^a	No. of Rated Projects/ Programs
Agriculture and Natural Resources	100.0	1
Education	100.0	1
Energy	100.0	3
Finance	100.0	1
Health, Nutrition, and Social Protection	100.0	1
Industry and Trade	0.0	1
Multisector	66.7	3
Transport and Communications	100.0	2
Total	84.6	13
By Year of Approval		
1980s	50.0	4
1990s	100.0	6
2000s	100.0	3

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

As of year-end 2008, cumulative direct value-added cofinancing for Bhutan amounted to \$1.0 million grant cofinancing for one investment project and \$5.53 million for eight TA projects. The \$1.0 million grant cofinancing was provided by Japan in 2008 under its Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility for the Green Power Development Project.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at www.adb.org/Documents/Fact_Sheets/Bhutan/cofinancing.asp.

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which

Table 6. Bhutan: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

	Number of Ongoing Loans (as of 31 Dec 2008)	
	2007 (\$ million)	2008 (\$ million)
Contract Awards/Commitments	13.4	18.8
Disbursements	8.9	4.3
Loans at Risk (%)	–	–

– = nil.

Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

17 contracts were awarded to consultants from Bhutan worth \$2.7 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 29 contracts were awarded to consultants from Bhutan worth \$0.6 million.

A summary of procurement contracts awarded to companies and consultants from Bhutan for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Bhutan/procurement.asp.

Table 8. Bhutan: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008

Contractor/Supplier	Sector	Contract Amount (\$ million)
Welfare Construction Company	Transport and Communications	4.29
Gaseb Construction	Transport and Communications	3.37
Bhutan Engineering Co., Pvt., Ltd.	Transport and Communications	2.88
N&L Joint Venture	Transport and Communications	2.23
Bhutan Corporation	Energy	2.22
Druk Sherig Construction	Energy	1.90
Bhutan Monico Venture (JV: Druk Sherig&Monico)	Transport and Communications	1.71
Selgar Construction (JV: Bhutan Bldrs&Rigsar)	Transport and Communications	1.54
Dhendup Home Industries	Energy	1.38
Lhojong Construction	Transport and Communications	0.80
M/S Jabab Construction	Water Supply, Sanitation, and Waste Management	0.66

Table 9. Bhutan: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Druk Consultancy	1	0.29
Geo-Tech Consultancy Service	1	0.04
Individual Consultants from Bhutan*	2	0.03

* Consultant may have one or more contracts within the period covered.

Table 10. Bhutan: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual Consultants from Bhutan*	20	0.42

* Consultant may have one or more contracts within the period covered.

About Bhutan and ADB

Bhutan is the 36th largest shareholder among regional members and the 44th largest overall.

ADB Membership

Joined	1982
Shares held	220 (0.01%)
Votes	13,452 (0.30%)

Ashok K. Lahiri is the Executive Director and **Md. Aminul Islam Bhuiyan** is the Alternate Executive Director representing Bhutan on the ADB Board of Directors.

ADB's operations in Bhutan are managed through ADB's Manila Headquarters. ADB's South Asia Department provides the primary operational link to the government, private-sector, and civil-society stakeholders in its activities. The South Asia Department engages in policy dialogue and acts as a knowledge base on development issues in Bhutan.

The Bhutan government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/bhutan

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/BHU.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/