



## Bhutan: Enhancing Development Management for Sustainable and Inclusive Growth

Project Name	Enhancing Development Management for Sustainable and Inclusive Growth	
Project Number	46189-001	
Country	Bhutan	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	<b>TA 8229-BHU: Enhancing Development Management for Sustainable and Inclusive Growth</b>	
	Technical Assistance Special Fund	US\$ 475,000.00
	ATF - Danida Grant	US\$ 250,000.00
	<b>TA 8229-BHU: Enhancing Development Management for Sustainable and Inclusive Growth (Supplementary)</b>	
	Technical Assistance Special Fund	US\$ 500,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Partnerships	
Sector / Subsector	<b>Public sector management</b> - Economic affairs management - Public administration - Public expenditure and fiscal management	
Gender Equity and Mainstreaming	No gender elements	

## Description

The main objective of the government's Tenth Five Year Plan (2008-2013) is poverty reduction with an aim to reduce the poverty rate to less than 15% by 2013. The government also aims to achieve an average annual GDP growth rate of 9% during the plan period. Closely aligned with the Tenth Five Year Plan, the overarching goal of ADB's forthcoming interim Country Partnership Strategy (CPS) 2012-2013 for Bhutan will be poverty reduction through economic diversification, which has been adopted from the previous CPS 2006-2010. In order to sustain a high economic growth in a dynamic macroeconomic context, there is a growing need for strengthening the capacity of the government to guide, monitor, and evaluate the development process, identify the need for remedial measures, and take responsive actions to address the issues as noted in Bhutan Vision 2020.

Given that one of the key strategic thrusts of the interim CPS is to provide support for capacity development in the overall management of the development process, the proposed technical assistance (TA) is relevant and responsive to the strategic objective of the Tenth Five Year Plan as well as the interim CPS. The proposed TA is also a direct response to the request made by the government for ADB's support for strengthening the operational capacity of MOF.

The proposed TA will build on ADB's ongoing assistance for undertaking the 2012 Third Bhutan Living Standards Survey. The socio-economic assessment and impact evaluation studies proposed under the TA using the household survey data will be highly relevant and useful for guiding the design of future interventions by the government, ADB, and development partners and enhancing their continuous efforts in further reducing poverty in Bhutan.

The TA will have the following two outputs:

Output 1: Strengthened analytical skills in macroeconomic management and project implementation.

Under this output, in-country training, seminars and/or workshops will be organized for MOF staff to enhance their economic management capacity. In-country training workshops on project implementation-related issues, including procurement, disbursement and safeguards, will also be organized for officials from MOF and other key government ministries. In addition, a field trip(s) will be conducted for exchange of best practices and knowledge sharing with other Developing Member Countries. The exact topics of the activities will be demand driven and determined in consultation with MOF. Policy advice will also be provided when and as requested by MOF to support them to address emerging issues in a timely manner. The policy advice provided under this output will be published as an analytical report and/or policy briefs for wider dissemination.

Output 2: Enhanced knowledge on socio-economic assessment and impact evaluation studies.

This output will generate various knowledge products based on data from the Third Bhutan Living Standards Survey, including socio-economic assessment and impact evaluation studies, which will assist the government and other key stakeholders in fine tuning their policies and operations. The output will also include analytical work that will directly contribute to the body of knowledge being established for the new economic paradigm that has been the government's recent initiative (i.e., measuring and achieving wellbeing and happiness, fair distribution, efficient use of resources, among others). Inception and consultation workshops will be organized to ensure that the consultative approach will be undertaken in the conduct of the studies. Study reports as well as various policy briefs will be produced. Under this output, in-country training will also be organized to enhance the analytical capacity of officials from key government ministries and agencies, which will help them formulate more evidence-based policies.

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Project Rationale and Linkage to Country/Regional Strategy

The Bhutanese economy has consistently performed well over the last few decades. Its Gross Domestic Product (GDP) grew, on average, by about 8% between 2001 and 2010, which was the highest among South Asian economies. While growth is estimated to have moderated slightly to 8.3% in FY2011 from 9.3% in FY2010, it is forecast at 7.9% for FY2012 and 8.4% for FY2013 largely on the account of continued hydropower construction. In response to the high and sustained growth, Bhutan has also been successful in reducing poverty. Based on the national poverty line, the incidence of poverty declined from about 32% to about 23% between 2003 and 2007.

Sustaining a high economic growth, however, remains a major challenge in Bhutan: the economic growth is largely financed by external aid; the fiscal deficit is high; balance of payment situation is weak; public debt is mounting; and foreign exchange reserves are difficult to sustain as it is not built through exports. The recent Indian rupee liquidity issue also highlights the vulnerability of the Bhutanese economy.

Recognizing these emerging challenges, the Economic Development Policy 2010 aims to achieve economic self-reliance by 2020. As a provider of stewardship for the implementation of the Policy, there is a growing need for enhancing the capacity of the Ministry of Finance (MOF). For MOF to play a stronger stewardship role in a dynamic macroeconomic context, it needs to adopt best practices pertaining to, among other things, fiscal policy and medium term fiscal framework; budgeting and public expenditure management; taxation reforms and revenue forecasting; debt sustainability analysis; and government property management and public procurement reforms.

As the nodal agency for all the ADB-funded projects, MOF also plays a critical role in ensuring efficient programming as well as providing oversight of effective portfolio management. The country assistance program evaluation (CAPE) conducted in 2010 rated ADB's operations in Bhutan as successful. Bhutan also achieved the 100% success rate for completed projects based on project completion reports issued in 2000-2011. Nevertheless, CAPE highlighted that implementation efficiency, although still above the ADB average, has been declining in recent years, possibly due to the increasing size of projects and complexity of project designs, frequent project design changes, and increasing work volumes coupled with limited capacity of domestic contractors. In light of the expected increase in ADB's operations in Bhutan in coming years, there is a need for enhancing MOF's stewardship role to enhance implementation efficiency and improve development effectiveness of ADB's support in the country.

In order to enhance development effectiveness of the government interventions as well as ADB's support, it is critical to ensure that they are more evidence-based. Data from the Third Bhutan Living Standards Survey (2012) under ADB's ongoing TA will be particularly useful to update the country's assessment on poverty and other various development outcomes. The 2012 survey data together with data from the 2007 Second Bhutan Living Standards Survey also allow for evaluating key achievements of the government's Tenth Five Year Plan (2008-2013) and the development impact of some of ADB's key projects implemented in Bhutan. While ADB's support for undertaking such assessments will be useful, it is equally important for ADB to provide support for enhancing the government's analytical capacity to formulate more evidence-based policies. Bhutan 2020: A Vision for Peace, Prosperity and Happiness (Bhutan Vision 2020) indeed highlights the need for strengthening the capacity of the government to monitor and evaluate the development process and to undertake policy relevant research on development issues and this TA aims to support this identified need. In addition, the government is elaborating a new economic paradigm that is based on wellbeing and happiness. The proposed TA also aims to contribute to this effort in response to the government's recent request for ADB's support.

Impact	Improved socio-economic management of the government for sustaining a high and inclusive growth trajectory.
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## Project Outcome

Description of Outcome	Improved MOF and government capacity in development management
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Progress Toward Outcome	Capacity building activities for selected local government officials have been conducted. Studies on selected macroeconomic issues are ongoing.
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## Implementation Progress

Description of Project Outputs	Strengthened analytical skills in macroeconomic management and project implementation Enhanced knowledge of socioeconomic assessment and impact evaluation studies
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Status of Implementation Progress (Outputs, Activities, and Issues)	(a) Engagements of consultants who will provide technical and administrative assistance to Better Business Council Secretariat are ongoing. (b) Final report on the strategic plan for BBC Secretariat is for submission. (c) A study on the informal trade of INR and Ngultrum and Zero Tax commodities is ongoing.
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Geographical Location	
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## Summary of Environmental and Social Aspects

Environmental Aspects	
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Involuntary Resettlement	
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Indigenous Peoples	
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## Stakeholder Communication, Participation, and Consultation

During Project Design	The government will be consulted regarding the TA concept paper and the TA report.
During Project Implementation	The Ministry of Finance (MOF) will be the executing agency. The Department of Public Accounts (DPA), MOF will be implementing agency. The Director of DPA will oversee the TA implementation.

## Business Opportunities

Consulting Services	The TA will require an estimated 32 person-months of consulting services (20 person-months international and 12 person-months national). As the actual requirements of each type of expertise and the length of their inputs will be identified only during the implementation of individual studies, it is not possible to state the exact requirements. Given this limitation, the intermittent nature of assignments, and anticipated variety of expertise required, the TA will primarily meet its consulting requirements by recruitment of experts on an individual basis in accordance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). Outline terms of reference for the consultants are in Appendix 2. Disbursements under the TA will be made in accordance with the ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time). All procurement will be carried out in accordance with ADB's Procurement Guidelines (2010, as amended from time to time).
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## Responsible Staff

Responsible ADB Officer	Hong, Soon Chan
Responsible ADB Department	South Asia Department
Responsible ADB Division	Regional Cooperation and Operations Coordination Div, SARD
Executing Agencies	<i>Ministry of Finance Royal Government of Bhutan Thimphu, Bhutan Attention: Director</i>

## Timetable

Concept Clearance	10 Oct 2012
Fact Finding	29 Oct 2012 to 31 Oct 2012
MRM	-
Approval	28 Nov 2012
Last Review Mission	-
Last PDS Update	23 Aug 2016

## TA 8229-BHU

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
28 Nov 2012	11 Jan 2013	11 Jan 2013	30 Nov 2014	31 Dec 2017	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
975,000.00	250,000.00	0.00	0.00	0.00	0.00	1,225,000.00	28 Nov 2012	630,272.85

Project Page	<a href="https://www.adb.org/projects/46189-001/main">https://www.adb.org/projects/46189-001/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=46189-001">http://www.adb.org/forms/request-information-form?subject=46189-001</a>
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