Bhutan is one of the fastest-growing economies in South Asia and has more than halved its poverty rate since 2007. However, the challenge remains for Bhutan to expand its economic base and make growth more inclusive, especially for unemployed youth and women. Developing a vibrant private sector is key to diversifying Bhutan's economy, generating more broad-based growth, and creating sustainable jobs.

The Asian Development Bank (ADB) has been supporting Bhutan since 1982, mostly concentrating its efforts on programs and projects in energy, transport, finance, and urban development.

Since 1982, ADB has committed loans totaling $564.06 million, grants of $269.22 million, and technical assistance worth $56.48 million for Bhutan. Cumulative loan and grant disbursements to Bhutan amount to $631.7 million. These were financed by regular and concessional ordinary capital resources (OCR), and the Asian Development Fund.

Bhutan is eligible for concessionary OCR lending. The country can also access additional Asian Development Fund grant and concessionary OCR lending from ADB’s disaster risk reduction mechanism to supplement projects.

**ADB-SUPPORTED PROJECTS AND PROGRAMS**

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

The bank’s active portfolio in Bhutan comprises 11 projects amounting to $310.99 million. The share of the portfolio is dominated by the energy sector (38.21%), followed by transport.
(15.01%) and urban development (8.82%). In addition to these infrastructure investments, ADB has also supported Bhutan to strengthen health systems, skills training, and education.

Based on its country partnership strategy, 2019–2023 for Bhutan, ADB will prioritize support to the Royal Government of Bhutan in implementing dynamic economic reforms to build a resilient and diversified economy. To promote a competitive and effective market and an enabling business environment, the government recognizes that the finance sector plays a critical role in mobilizing domestic resources to meet development needs.

In November 2019, ADB approved a policy-based loan of $30 million for the first subprogram of the Financial Market Development Program. The program supports the government with institutional reforms, while improving the technical capacity of the country’s regulatory and financial institutions. The program addresses key binding constraints in the finance sector by developing the nonbank financial system, strengthening the stability and integrity of the financial system, and promoting financial inclusion. ADB has also approved a $500,000 technical assistance grant to support capacity building and knowledge work related to reforms under the program.

ADB is ensuring sustained progress in areas critical to gender equality and the well-being of Bhutanese women. It is doing so through its operations in health, education, skills development, and, perhaps more significantly, the integration of gender elements into urban sector projects. In line with Sustainable Development Goal target 5.4, ADB conducted a study in 2019 to measure unpaid care work in Bhutan. This study was then presented to the government as a tool for gender policy relevance and application. As a key partner of the Women in Power, Sector Professional Network in South Asia (WePOWER), ADB established the first country-level chapter in South Asia. Through WePOWER, the bank is helping promote inclusion of women in the energy sector by driving science, technology, engineering, and mathematics education for women; recruitment, development, and retention of women; and policy and institutional change in favor of women.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments from ADB’s own funds (in equity and direct loans) in 2019 amounted to $3.00 billion for 38 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2019, ADB mobilized $3.28 billion of long-term cofinancing and $3.69 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB’s own resources stood at $13.78 billion as of 31 December 2019.

PARTNERSHIPS

The ADB Bhutan Resident Mission, established in 2014, plays a key role in country programming, project administration, economic work, and development coordination among the country’s development stakeholders. ADB continues to partner with the private sector in Bhutan. It helped establish the Better Business Council, a joint public–private body created to improve Bhutan’s business environment and support private sector development. In February 2019, the newly elected government dissolved the Better Business Council and established the Private Sector Development Committee, which comprises four representatives from the government and seven from the private sector. ADB continues to have regular dialogue with

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**Bhutan: Project Success Rates**

<table>
<thead>
<tr>
<th>Year</th>
<th>Success Rate (%)</th>
<th>No. of Independently Evaluated Projects and Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>100.0</td>
<td>2</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2014</td>
<td>50.0</td>
<td>2</td>
</tr>
<tr>
<td>2016</td>
<td>100.0</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>100.0</td>
<td>2</td>
</tr>
<tr>
<td>2019</td>
<td>100.0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>77.8</td>
<td>9</td>
</tr>
</tbody>
</table>

Note: The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. The ratings are reported not by calendar year but for the year ending June (e.g., 2019 success rates are derived from success rates of validated PCRs and PPRs completed from July 2018 to June 2019). With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2019.

**Bhutan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2018–2019**

<table>
<thead>
<tr>
<th>No. of Ongoing Loans (as of 31 Dec 2019)</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Awards (a, c)</td>
<td>18.71</td>
</tr>
<tr>
<td>Disbursements (d)</td>
<td>19.26</td>
</tr>
<tr>
<td>No. of Ongoing Grants (as of 31 Dec 2019)</td>
<td>9</td>
</tr>
<tr>
<td>Contract Awards (b, d)</td>
<td>28.61</td>
</tr>
<tr>
<td>Disbursements (a, d)</td>
<td>15.11</td>
</tr>
<tr>
<td>Actual Problem Projects (as of 31 Dec 2019)</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. The ratings are reported not by calendar year but for the year ending June (e.g., 2019 success rates are derived from success rates of validated PCRs and PPRs completed from July 2018 to June 2019). With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2019.

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

<table>
<thead>
<tr>
<th>Item</th>
<th>2018 Amount (million)</th>
<th>% of Total</th>
<th>2019 Amount (million)</th>
<th>% of Total</th>
<th>Cumulative Amount (as of 31 Dec 2019) (million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Works, and Related Services</td>
<td>4.93</td>
<td>0.04</td>
<td>46.04</td>
<td>0.32</td>
<td>309.95</td>
<td>0.16</td>
</tr>
<tr>
<td>Consulting Services</td>
<td>0.97</td>
<td>0.14</td>
<td>0.78</td>
<td>0.10</td>
<td>7.27</td>
<td>0.05</td>
</tr>
<tr>
<td>Total Procurement</td>
<td>5.90</td>
<td>0.05</td>
<td>46.82</td>
<td>0.31</td>
<td>317.22</td>
<td>0.15</td>
</tr>
</tbody>
</table>
the government on policy reforms that promote private sector development.

ADB also supports private sector participation in areas such as agribusiness, pharmaceuticals, and ecotourism. In particular, the bank has provided an equity investment and technical assistance to a hazelnut exporter in Bhutan, benefiting more than 15,000 farming households.

Bhutan actively participates in regional cooperation programs, including the ADB-assisted South Asia Subregional Economic Cooperation program, the South Asian Association for Regional Cooperation, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. Through its Trade Finance Program, ADB helps close market gaps in commercial trade finance by providing banks with guarantees and loans that foster cross-border trade and promote economic diversification.

FINANCING PARTNERSHIPS

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

ADB began cofinancing operations in Bhutan in 1983. Since then, sovereign cofinancing commitments for Bhutan have amounted to $71.53 million for 9 investment projects and $20.63 million for 18 technical assistance projects. Nonsovereign cofinancing for Bhutan has amounted to $330 million for one investment project and $1.3 million for two technical assistance projects.

A summary of projects with cofinancing from 1 January 2015 to 31 December 2019 is available at www.adb.org/countries/bhutan/cofinancing.

PROCUREMENT

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

Share of ADB’s Procurement Contracts

Goods, Works, and Related Services

ADB’s procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled $12.38 billion in 2018 and $14.27 billion in 2019. Cumulative procurement since 1966 has been $194.28 billion covering 219,119 contracts.

In Bhutan, 855 contracts worth $309.95 million have been awarded to contractors and suppliers since 1982.

Consulting Services

ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled $706.15 million in 2018 and $745.02 million in 2019. Cumulative procurement since 1966 has been $13.4 billion covering 63,327 contracts.

In Bhutan, 222 contracts worth $7.27 million have been awarded to consultants since 1982.

OPERATIONAL CHALLENGES

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

As Bhutan moves toward middle-income status, the need to develop its private sector and financial markets has become more important in achieving diversified growth. ADB has been supporting private sector projects and public–private partnerships in hydropower as well as in non-hydropower areas. The bank also continues to support Bhutan in developing and strengthening its capital and financial markets to ensure financial inclusion.

FUTURE DIRECTIONS

ADB will expand economic opportunities in Bhutan by continuing to support infrastructure development (particularly for energy, transport, water, and urban infrastructure), trade facilitation, skills development, and finance sector development.
To make growth more inclusive, ADB will help improve Bhutan's national and cross-border connectivity as well as its infrastructure in regional growth centers, health systems, education, skills development, and agriculture. ADB will continue to support initiatives in private sector development, governance, and capacity development. Nonlending assistance will focus on the country's agribusiness, energy, transport, and social services.

To support regional cooperation, ADB has included four South Asia Subregional Economic Cooperation projects in its country operations business plan, 2020–2022 for Bhutan.

ABOUT BHUTAN AND ADB

ADB Membership
Joined 1982

Shareholding and Voting Power
Number of shares held: 660 (0.006% of total shares)
Votes: 39,774 (0.299% of total membership, 0.459% of total regional membership)
Overall capital subscription: $9.13 million
Paid-in capital subscription: $0.57 million

Sameer Kumar Khare is the Director and Bayrammuhammet Garayev is the Alternate Director representing Bhutan on the ADB Board of Directors.

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

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

ABOUT THE ASIAN DEVELOPMENT BANK
ADB is a multilateral development bank owned by 68 members, 49 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2019, lending volume was $20.47 billion (133 projects), with technical assistance at $237.31 million (252 projects) and grant-financed projects at $844.07 million (31 projects). In addition, $11.86 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2015 to 31 December 2019, ADB's annual lending volume averaged $17.41 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged $702.60 million and $202.27 million over the same period. As of 31 December 2019, the cumulative totals excluding cofinancing were $296.28 billion in loans for 3,221 projects in 44 countries, $10.23 billion in 409 grants, and $4.72 billion in technical assistance grants, including regional technical assistance grants.

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Useful ADB websites
Asian Development Bank
www.adb.org

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

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

ADB Data Library
data.adb.org

Notes:
ADB welcomed Niue as its 68th member in March 2019.
Figures are estimated by ADB unless otherwise stated. “$” refers to United States dollars.
Data are updated as of 31 December 2019 unless otherwise indicated.