Concept Paper

Project Number: 51141-002
August 2017

Proposed Grant and Technical Assistance Grant
Bhutan: Health Sector Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS
(as of 1 August 2017)

Currency unit	–	ngultrum (Nu)
Nu1.00	=	$0.0156
$1.00	=	Nu64.197

ABBREVIATIONS

ADB	–	Asian Development Bank
BHTF	–	Bhutan Health Trust Fund
GDP	–	gross domestic product
MOH	–	Ministry of Health
SDP	–	sector development program
TA	–	technical assistance

NOTE

In this report, "$" refers to United States dollars.

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Project Classification Information Status: Complete

PROGRAM AT A GLANCE

1. Basic Data			Project Number: 51141-002
Project Name	Health Sector Development Program	Department /Division	SARD/SAHS
Country	Bhutan	Executing Agency	Ministry of Health
Borrower	Bhutan		

2. Sector	Subsector(s)	ADB Financing ($ million)
✓ Health	Disease control of communicable disease	4.00
	Health care finance	10.00
	Health system development	6.00
	Total	20.00

3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low

4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Civil society participation	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Civil society organizations Implementation		

5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG3		

6. Risk Categorization: Low

7. Safeguard Categorization **Environment:** B **Involuntary Resettlement:** B **Indigenous Peoples:** C

8. Financing

Modality and Sources	Amount ($ million)
ADB	**20.00**
Sovereign SDP - Program grant: Asian Development Fund	10.00
Sovereign SDP - Project grant: Asian Development Fund	10.00
Cofinancing	**0.00**
None	0.00
Counterpart	**4.00**
Government	4.00
Total	**24.00**

Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-6) in the amount of $500,000.

I. THE PROGRAM

A. Rationale

1. The proposed assistance will enhance Bhutan's health system's overall performance. The proposal is aligned with priorities in the National Health Policy of the Ministry of Health (MOH) and will support the implementation of the upcoming Twelfth Five-Year Plan (2018–2022).[1] The program is included in Asian Development Bank (ADB)'s Bhutan country operations business plan, 2016–2018,[2] and reinforces ADB's inclusive growth agenda in the Midterm Review of Strategy 2020.[3]

2. Bhutan has made significant investments in developing its health system from a low base and has achieved remarkable progress in key health outcomes over the past several decades. Average health indicators have vastly improved from among the poorest in the world to mostly achieving the Millennium Development Goals.[4] [5] Bhutan's total health expenditure is 3.8% of gross domestic product (GDP), which is predominantly government financed (approximately 75.0%).[6] Coverage of health facilities is also extensive, with 96% of the population living within 3 hours' walk from the nearest health facility, which is a considerable feat of physical access given the challenges posed by the country's difficult terrain. Despite these impressive gains, however, there are significant challenges to further improve Bhutan's health sector performance, including emerging and resurging infectious diseases, persistent regional health disparities, and risks to sustainable health care financing.

3. **Public health threats.** Cross-border public health risks due to Bhutan's highly porous borders with India are significant but receive inadequate attention. There is a need to improve disease surveillance and response mechanisms, especially at major points of entry. Health security risks to this once-secluded landlocked country are also increasing because of direct air connectivity with large regional hubs and reliance on a broad range of expatriate workers. Bhutan's disease surveillance and reporting system—the National Early Warning, Alert and Response Surveillance—was introduced only in 2014 and needs improving on regularity, reliability, and quality of surveillance reporting by health facilities. The overall health care system also has limited capacity for outbreak response, lacking proper emergency and isolation rooms, quality and infection control systems, trained human resources, and coordination mechanisms.

4. **Regional health disparities.** There are wide district-level variations in service quality and coverage, and regional disparities in health outcomes.[7] To close the disparities, health systems in periphery areas need to be improved for overall quality, efficiency, and appropriate availability

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[1] Government of Bhutan, Ministry of Health. 2011. *National Health Policy.* Thimphu; Twelfth Five-Year Plan (2018–2022), forthcoming.

[2] The project is included in ADB. 2016. *Country Operations Business Plan: Bhutan, 2016–2018.* Manila.

[3] ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific.* Manila.

[4] Life expectancy improved from 37 years in 1960 to 68 years in 2012; the maternal mortality ratio (per 100,000 live births) went from 777 in 1984 to 86 in 2012; and the infant mortality rate per 1,000 live births dropped from 102 in 1984 to 30 in 2012. Government of Bhutan, Ministry of Health. 2012. *Bhutan National Health Survey*. Thimphu.

[5] Bhutan's relative performance in some health indicators compared to other countries in the region, however, could be further improved. For example, according to the latest national health surveys, institutional delivery in Bhutan is 73.8% of all births, compared with 78.9% in India and 98.2% in Sri Lanka. Life expectancy in 2015 is 70 years in Bhutan, compared with 72 years in Bangladesh and 75 years in Sri Lanka. World Bank. 2017. *World Development Indicators.* http://data.worldbank.org/indicator/SP.DYN.LE00.IN?view=chart (accessed 20 June 2017).

[6] Government of Bhutan, Ministry of Health. *Bhutan National Health Accounts, 1995–2014*. Thimphu.

[7] For example, the under-5 mortality rate per 1,000 live births is 81 in rural areas and 41 in urban areas; deliveries by skilled birth attendant are 90% in urban areas and 54% in rural areas. Government of Bhutan, National Statistics Bureau. 2010. *Bhutan Multiple Indicator Cluster Survey, 2010.* Thimphu.

of services. Strengthening primary health care, and defining and delivering an essential service package through its network of primary health clinics, is required to reduce overreliance on less cost-effective tertiary care, and thereby improve overall efficiency gains for the health system. To provide populations living in peripheral areas with closer referral access, and to decongest the national referral hospital in the capital, district and regional referral hospitals need to be improved for quality and efficiency in providing continuity of care. The need for solutions to address the critical shortage of human resources is a further challenge to improve health care quality and access especially in remote areas. With Bhutan experiencing rapid urbanization, there is also a need to improve basic health access for urban migrants.

5. **Financial sustainability.** Long-term sustainability of health care financing needs critical attention. With Bhutan's high economic growth, external assistance to the health sector is gradually phasing out. However, Bhutan is experiencing macroeconomic instability, with fiscal stresses and a large current account deficit (25% in 2013) related to hydro power debt service and construction imports. The government has tightened public spending to keep down the fiscal deficit, and relies heavily on foreign grants (mostly from India) to finance its expenditure. Correspondingly, government health expenditure as a percentage of GDP has declined over the years (5.6% in 2008 to 2.7% in 2013), while health care costs have been increasing, primarily due to the rise in noncommunicable diseases. With pressures on financial sustainability, there is a need to explore new strategic financing options and improved efficiency in Bhutan's health care financing. The Bhutan Health Trust Fund (BHTF), established with previous assistance from the ADB, is an innovative funding mechanism to sustainably finance recurrent costs of vaccines and essential drugs. However, the BHTF is still stabilizing after many years because of insufficient capital, investment strategy, and management capacity.

B. Impact, Outcome, and Outputs

6. The proposed assistance will be delivered through a sector development program (SDP) with three outputs. The project component will support outputs 1 and 2, and the policy-based component will support output 3.

7. **Output 1: Outbreak response capacity and health information systems enhanced.** The output will support: (i) health information systems focusing on disease surveillance and hospital information systems; (ii) institutional strengthening of the Royal Centre for Disease Control in outbreak monitoring and investigation; and (iii) improved public health surveillance and response capacities in four districts hosting major ground crossings with India (Gelephu, Phuentsholing, Samdrup Jongkar, and Samtse) and in Paro, hosting the international airport.

8. **Output 2: Health services in peripheral areas improved.** The output will support: (i) equipment and infrastructure upgrades in selected district hospitals, Basic Health Unit 1, and regional referral hospitals; (ii) establishing five satellite clinics in urban peripheries of Thimphu and Phuentsholing; (iii) community mobilization and public health advocacy, including through civil society organization partnerships; and (iv) structured capacity development.[8]

9. **Output 3: Health sector financing enhanced.** Enhanced health financing will be supported through actions for (i) increased equity and role of alternative sources in funding health expenditures, and (ii) improved governance and management of the BHTF. The policy-based component is anticipated to have two tranches. The indicative first tranche conditions will focus on strategy reviews and assessments (alternative strategic financing options, analysis of equity

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[8] Capacity development investment will be guided by the development of a strategic capacity development plan, including institutional strengthening of the Medical University and National Referral Hospital (teaching hospital).

and benefit incidence in health care financing, and BHTF operations). The second indicative tranche conditions pertain to (i) developing a health financing strategy, (ii) formalizing private or social health contributions, (iii) and reforming and improving the BHTF.

10. These solutions or outputs will result in the following outcome: equitable access, quality, and financial sustainability of Bhutan's health system improved.[9] The program will be aligned with the following impact: ensuring a healthy and happy nation.[10]

C. Investment and Financing Plans

11. The indicative modality is SDP, with a project component of $10 million and a policy-based component of $10 million. The SDP modality will enhance sustainability of the investment component with backing of the policy-based component. It also fosters an integrated, longer-term approach to addressing sector needs. The policy-based component will support the government to address sustainable health financing. The size of the policy-based assistance is preliminarily estimated based on a World Health Organization study, which recommended an increased capitalization of the BHTF to $40 million (from the current $22 million) to ensure sustainability.[11] The government will commit an additional $8 million equivalent (Nu500 million) to supplement ADB's contribution to the BHTF.[12] The tentative financing plan is in Table 1.

Table 1: Tentative Financing Plan

Source	**Amount** ($ million)	**Share of Total** (%)
Asian Development Bank		
Special Funds resources (ADF grant)	6.67	27.79
Regional health security set-aside (ADF grant)	13.33	55.54
Government of Bhutan	4.00	16.67
Total	**24.00**	**100.00**

ADF = Asian Development Fund.
Source: Asian Development Bank estimates.

D. Indicative Implementation Arrangements

12. The MOH will serve as the executing agency. The MOH Policy and Planning Division, supported by a project management unit, will be responsible for management of overall program activities. A project steering and coordinating mechanism, chaired by the secretary of health, will be established. Procurement of civil works and goods, and recruitment of individual consultants and recruitment firm will be in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Retroactive financing and advance contracting will be sought. The implementation period is 5 years (August 2018–July 2023).

II. TECHNICAL ASSISTANCE

13. A transaction technical assistance (TA) grant of $500,000 attached to the program may be proposed from the Technical Assistance Special Fund (TASF 6) or other sources to provide technical and implementation start-up support to the program, including meeting of tranche conditions under the policy component.

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[9] The preliminary design and monitoring framework is in Appendix 1.
[10] Government of Bhutan, Ministry of Health. 2011. *National Health Policy*. Thimphu.
[11] World Health Organization. 2015. *Review of Bhutan Health Trust Fund (draft received October 2016 from MOH)*. Washington, DC.
[12] The government's expected contribution to the BHTF is for now excluded from the indicative financing plan.

III. DUE DILIGENCE REQUIRED

14. The following assessments will be undertaken:

(i) **Technical.** A detailed assessment of proposed project design and implementation arrangements.
(ii) **Economic and financial.** Diagnostics of health sector financial sustainability and required reforms, and economic internal rate of return of project investments.
(iii) **Governance.** Institutional capacity in financial management, procurement, and fiduciary will be assessed to develop a risk management plan.
(iv) **Poverty and social.** Poverty and social analysis will be done to identify the beneficiaries and social benefits of the proposed investment. Gender analysis will be done for developing a gender action plan.
(v) **Safeguards.** Assessment for confirmation of categorizations and developing appropriate risk mitigation plans or frameworks.

IV. PROCESSING PLAN

A. Risk Categorization

15. The program is classified as low risk: (i) the aggregated grant amount for the SDP does not exceed $50 million; (ii) ADB has a previous positive record of supporting the health sector in the country;[13] (iii) the executing agency has adequate capacity to implement externally financed projects; (iv) neither significant climate risk nor integrity concern have been identified; (v) there are no category A safeguards; and (vi) no waivers of applicable policies, use of high-level technology, or need for ADB Management's closer scrutiny is envisaged.

B. Resource Requirements

16. Staff inputs of about 15 person-months from ADB headquarters and ADB's Bhutan Resident Mission are envisioned. Transaction TA of $500,000 from the Technical Assistance Special Fund (TASF 6) will be required for project preparation and project readiness (Appendix 3).

C. Processing Schedule

17. The proposed processing schedule is in Table 2.

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
Project preparatory technical assistance approved	August 2017
Grant fact-finding	February 2018
Staff review meeting	March 2018
Grant negotiations	April 2018
Board consideration	July 2018
Grant signing	August 2018
Grant effectiveness	August 2018

Source: Asian Development Bank.

V. KEY ISSUES

18. There is no issue.

[13] ADB. 2006. *Completion Report: Health Care Reform Program in Bhutan.* Manila.

DESIGN AND MONITORING FRAMEWORK[a]

Impact the Program is Aligned with
A healthy and happy nation ensured by 2028 (Bhutan Health Policy)[b]

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Equitable access, quality, and financial sustainability of Bhutan's health system improved	By 2024: a. Number of newborn deaths in targeted peripheral health facilities reduced by at least X% (disaggregated by sex) (2017 baseline: TBC) b. Percent of institutional deliveries increased by at least X points in targeted peripheral areas (2017 baseline: TBC) c. X% suspected outbreaks (observed number of cases > threshold values) confirmed within 48 hours of detection (2017 baseline: TBC) d. At least 80% of clients in target districts express satisfaction with health services (disaggregated by sex) (2017 baseline: TBC) e. Estimated annual cost of essential drugs fully financed through the BHTF (2017 baseline: TBC)	a.–b. Health facility records; Bhutan health management information system; Annual Health Bulletin c. RCDC; National Early Warning, Alert and Response Surveillance; outbreak logs; and reports d. Bhutan health management information system, health facility / client satisfaction survey / exit interview e. National Health Accounts, BHTF a.–e. Policy and Planning Division, MOH	The government shifts priorities from health to other sectors
Outputs 1. Outbreak response capacity and health information systems enhanced	**Project** 1a. By 2019, one (gender-mainstreamed) outbreak preparedness plan adopted (2017 baseline: Not adopted) 1b. By 2023, number of health workers reporting knowledge in disease surveillance and outbreak response increased (disaggregated by sex) (2017 baseline: TBC) 1c. By 2023, 100% of surveillance reports submitted on or before the set deadline by health facilities in target districts (2017 baseline: TBC) 1d. By 2023, 100% of hospitals in target districts shifted to electronic medical records (including sex-disaggregated patient information) (2017 baseline: xx%) 1e. By 2023, 100% of health facilities in target districts equipped with autoclaves (2017 baseline: TBC)	1a.–1e. RCDC, reporting log, newsletters; Communicable Disease Division, Department of Public Health, MOH 1b. Human Resource Division, MOH; Annual In-country Training Program 1d.–1e. Annual Health Bulletin, hospital records, health facility reviews; Medical Supplies and Procurement Division, MOH	The government is not committed to compliance with International Health Regulations
2. Health services in peripheral areas improved	**Project** 2a. By 2023, 100% targeted hospitals	2a.–2d. MOH (Quality	New political

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	have newborn lifesaving equipment and trained staff for newborn care (2017 baseline: 0) 2b. By 2023, five additional urban satellite clinics established and functional (2017 baseline: One urban satellite clinic functional) 2c. By 2019, a strategic and gender-responsive human resources and capacity development plan submitted to the minister of health for approval (2017 baseline: Not applicable) 2d. By 2023, proportion of basic health units in target districts with trained staff (sex-disaggregated) in conducting information, education, and communication increased (2017 baseline: TBC)	Assurance and Standardization Division, Human Resource Division, Medical Supplies Procurement Division, Healthcare and Diagnostic Division) 2a.–2d. Annual Health Bulletin, district health records, program progress reports	pressures divert resources and efforts away from health system strengthening
3. Health sector financing enhanced	**Program** Tranche 1 ($4 million, three conditions) By 2019: 3a. Comprehensive review of Bhutan health financing that includes strategic financing options completed[c] (2017 baseline: No) 3b. A benefit–incidence analysis conducted (including gender and social equity) (2017 baseline: No) 3c. Measures for improved operations of BHTF endorsed by the government (2017 baseline: Not endorsed) Tranche 2 ($6 million, four conditions) By 2020: 3d. Draft strategy for sustainable health financing in Bhutan developed (including gender and social equity) (2017 baseline: Not applicable) 3e. A health bill drafted and submitted to the Parliament[d] (2017 baseline: Not applicable) 3f. An autonomous BHTF established (2017 baseline: Not established) 3g. BHTF has recruited at least three staff (including women) qualified in investment management (2017 baseline: No)	3a.–3g. Policy and Planning Division, MOH; BHTF; national health accounts; assessment and review reports; planning documents, government gazettes and orders; MOH reports and budgetary reports; program progress reports	Macroeconomic instability and shift in government spending priorities from health

Key Activities with Milestones
1. Outbreak response capacity and health information systems enhanced 1.1 Outfit RCDC, facilities at points of entry with essential equipment and isolation rooms (December 2018). 1.2 Assess and strengthen information system for communicable disease surveillance and monitoring (June 2019). 1.3 Roll out computerized information system for hospital management (e-patient) (June 2019). 1.4 Develop comprehensive outbreak response plan and coordination mechanism (March 2019). 1.5 Plan and conduct health worker trainings in disease surveillance and outbreak response (March 2020). **2. Health services in peripheral areas improved** 2.1 Upgrade selected facilities with equipment/ infrastructure in accordance with gap assessment (December 2018). 2.2 Review and implement locally relevant and cost-effective essential health service packages (September 2018). 2.3 Establish five urban satellite clinics in Thimphu and Phuentsholing (December 2020). 2.4 Contract civil society organization for community mobilization, behavior change communication, and training of frontline workers (July 2018). 2.5 Develop and implement structured capacity development plan for health human resources (December 2018).
Project Management Activities Establish project management unit, project implementation units (July 2018) Establish project steering committee (July 2018) Establish project monitoring structures (July 2018) Recruit project management consultants (July 2018)
Inputs Asian Development Bank: $20 million (grant) Government of Bhutan: $4 million
Assumptions for Partner Financing To be determined

BHTF = Bhutan Health Trust Fund, MOH = Ministry of Health, RCDC = Royal Centre for Disease Control, TBC = to be confirmed.

[a] All indicators and baselines will be finalized during project design.

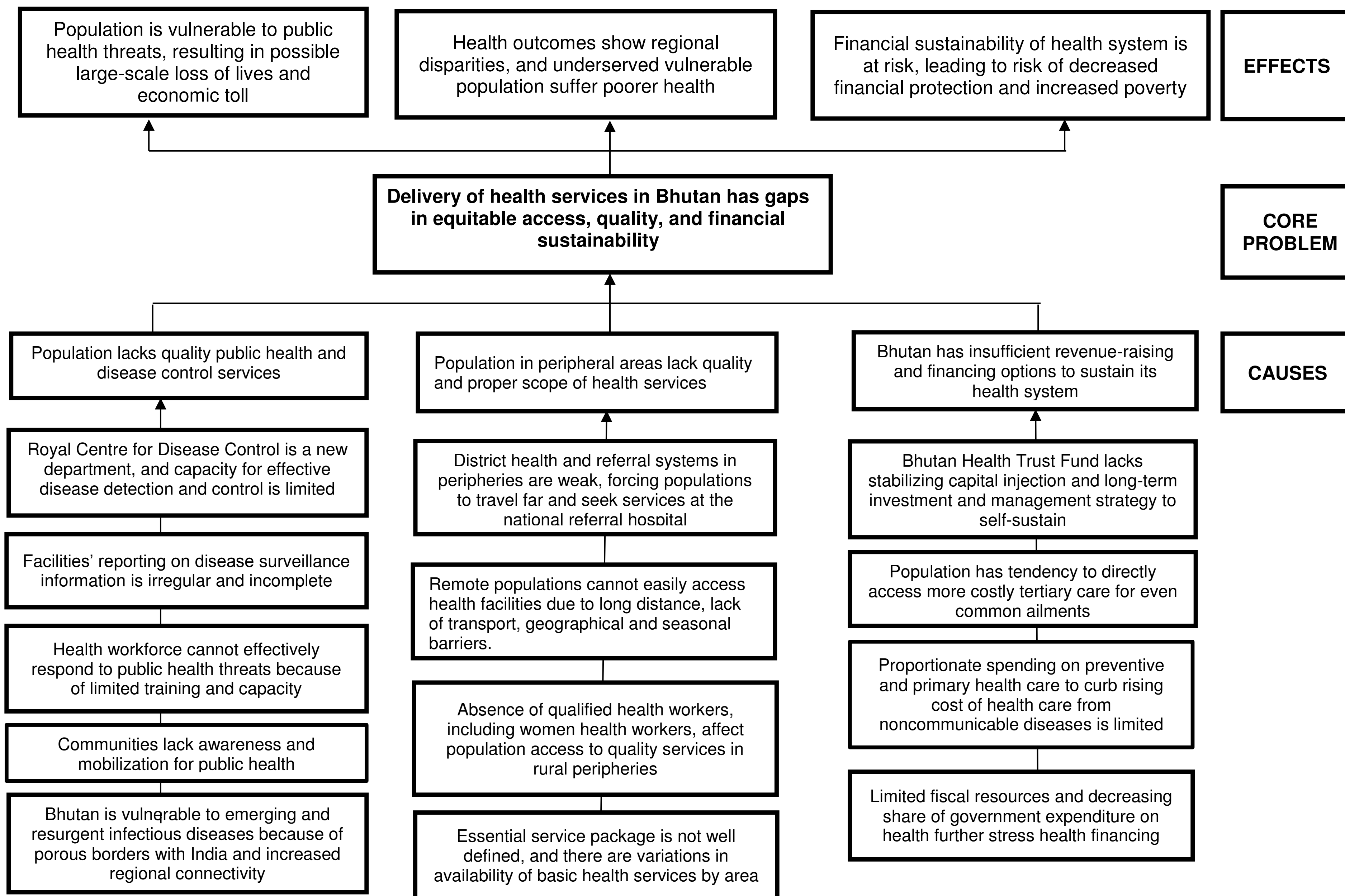
[b] Government of Bhutan. Ministry of Health. 2011. *National Health Policy*. Thimphu.

[c] The National Health Policy provides for exploring alternative strategic options for sustainable health financing.

[d] 1% of basic pay is deducted from salaries of government and corporate employees in the form of health contribution, but currently lacks legal basis. This revenue accounts for less than 1% of the total domestic health resource.

Source: Asian Development Bank.

PROBLEM TREE



Source: Asian Development Bank.

TECHNICAL ASSISTANCE FOR PROGRAM PREPARATION

A. Justification

1. The transaction TA is required for designing the program and enhancing program readiness through appropriate advance actions.

B. Outputs and Activities

2. Due diligence assessments will include:

(i) review of health information system enhancement requirements;
(ii) review of key health security gaps and measures to strengthen them;
(iii) review of human resources imbalances and corrective measures, including a structured capacity development plan and strengthening training institutions;
(iv) infrastructure gap assessment;
(v) medical equipment gap assessment;
(vi) review of service delivery gaps from the perspective of equity and quality;
(vii) review of health sector financing, including the BHTF, and options to improve sustainability;
(viii) review of community mobilization and information, education, and communication requirements;
(ix) procurement and governance due diligence;
(x) safeguards due diligence;
(xi) economic and financial analysis;
(xii) gender, social, and poverty analysis; and
(xiii) procurement plan and detailed cost estimates.

3. The major outputs and activities are summarized in Table 2.

Table A3.1: Summary of Major Outputs and Activities

Major Outputs	Delivery Dates	Key Activities with Milestones
1. Inception report (with draft technical and governance assessments)	September 2017	1.1. Consultants mobilized 1.2. Conduct field-level technical, governance, and systems assessments 1.3. Conduct inception workshop
2. Interim report (with draft project and technical assistance design, draft project administration manual, due diligence assessments)	November 2017	2.1. Prepare draft project design 2.2. Prepare draft project administration manual 2.3. Prepare due diligence assessments
3. Draft final report (with detailed costs, procurement plan, draft terms of reference, and bid documents)	January 2018	3.1 Finalize procurement plan, detailed costs 3.2 Finalize policy matrix 3.3 Finalize project monitoring framework
4. Final report	March 2018	4.1. Submit final report

Source: Asian Development Bank.

C. Cost and Financing

4. The TA is estimated to cost $600,000, of which $500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Table A3.2. The government will provide counterpart support in the form of counterpart staff and office space, and other in-kind contributions.

Table A3.2: Cost Estimates and Financing Plan
($'000)

Item	Amount
Asian Development Bank[a]	
1. Consultants	
a. Remuneration and per diem	
i. International consultants (19 person-months)	245.0
ii. National consultants (18 person-months)	172.0
b. International and local travel	40.0
c. Reports and communications	2.0
2. Equipment[b]	2.0
3. Workshops, training, seminars, and conferences[c]	1.0
a. Facilitators	
b. Training program	
4. Vehicle[d]	1.0
5. Surveys	2.0
6. Miscellaneous administration and support costs	5.0
7. Contingencies	30.0
Total	**500.0**

Note: The technical assistance (TA) is estimated to cost $600,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff and office space, and other in-kind contributions. The value of government contribution is estimated to account for 17% of the total TA cost.

[a] Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

[b] Equipment (assets will be transferred to the government upon TA completion).

Type	Quantity	Cost
Laptops	2	$1,000
Multifunction printer (printer, copy, fax, and scanner)	1	$500
Stationery		$500

[c] Workshops, training, seminars, and conferences

Purpose: Stakeholder consultations, meetings, workshops	Venue: Government office or hotel

[d] Vehicle: Consultations, meetings with stakeholders will be conducted. Therefore, lease of two vehicles for a period of 8 months is required.

Source: Asian Development Bank estimates.

D. Implementation Arrangements

5. ADB will administer the TA, including selection, supervision, and evaluation of consultants. The MOH will guide and coordinate the TA implementation. A coordination unit will be established in the Policy and Planning Division of the MOH, which will be responsible for coordinating the TA, including liaising with policy makers and stakeholders, collecting and analyzing data, supporting consultants, providing logistical support, and organizing workshops. All TA-financed goods will be procured in line with ADB's Procurement Guidelines (2015, as amended from time to time). All disbursements under the TA will be done in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time). The TA will be implemented over a period of 8 months with expected commencement in August 2017 and completion in March 2018.

Table A3.3: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	August 2017–March 2018		
Executing agency	Asian Development Bank (ADB)		
Consultants	To be selected and engaged by ADB		
	Quality- and cost-based selection (firm)	34 person-months	$440,000
	Individual	3 person-months	$60,000
Disbursement	The technical assistance (TA) resources will be disbursed following ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	Assets will be transferred to the government upon TA completion.		

Source: Asian Development Bank.

6. **Consulting services.** A total of 37 person-months (19 international and 18 national) of consulting inputs will be provided under the TA. ADB will engage a firm (total of 34 person-months) and one individual consultant (3 person-months). The selection and engagement of consulting inputs will be carried out in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The consulting firm will be selected on the basis of simplified technical proposal in accordance with quality- and cost-based selection procedures. A quality–cost ratio of 90:10 will be followed.

Table A3.4: Summary of Consulting Services Requirement

Positions	Person-Months Required
A. Firm	
International	
Public health/ health systems expert (Team leader)	5
Public health/ health security expert	3
Human resources and capacity development expert	2
Financial management expert	2
Procurement expert	2
Health information technology expert	2
National	
Health economist/ financing expert	3
Health information technology expert	3
Social and behavior change communication expert	1
Monitoring and evaluation expert	1
Infrastructure expert (civil engineer)	3
Medical equipment expert	1
Social development expert (gender and poverty)	2
Social development expert (social safeguards)	2
Environment expert (safeguards)	2
B. Individual consultant (international)	
Health financing expert	3

Source: Asian Development Bank.

7. The outline terms of reference for the project preparatory TA consultants are described in paras. 8 to 23.

a. Consulting Firm

8. **Public health/health systems expert (Team leader) (international; 5 person-months).** The team leader will be responsible for guiding the collective work of the consulting team and for

timely preparation and quality control of all reports, undertake key technical and due diligence assessments, and prepare detailed project design and components.

9. **Public health/health security expert (international, 3 person-months).** S/he will lead the review and assessment of health security and international health regulations gaps, assess the performance of and gaps in government diseases surveillance systems and control programs, and lead in the detailed design of the health security investment project component.

10. **Human resources and capacity development specialist (international, 2 person-months).** The consultant will review human resources imbalances and requirements, assess key training and capacity needs of relevant stakeholders and health workers, and formulate the overall human resources/ capacity development strategy and framework under the project.

11. **Financial management expert (international, 2 person-months).** The expert will conduct financial due diligence in accordance with ADB's requirements and guidelines.

12. **Procurement expert (international, 2 person-months).** The expert will (i) prepare procurement plan, (ii) finalize the bidding documents of all goods and services, and (iii) conduct procurement capacity assessment of executing and all implementing agencies.

13. **Health information technology expert (international, 2 person-months).** The expert will be responsible for outputs produced pertaining to health information systems (disease surveillance, health and hospital management systems) in the project design.

14. **Health economist/ financing expert (national, 3 person-months).** The expert will assist the international health financing expert (individual consultant), and conduct economic and financial analysis of the project component.

15. **Health information technology expert (national, 3 person-months).** The expert will assist the international health IT expert and be jointly responsible for outputs produced pertaining to health information systems (disease surveillance, health and hospital management systems) in the project design.

16. **Social and behavior change communication expert (national, 1 person-month).** S/he will (i) draft the overall behavior change communication (BCC) strategy and implementation plan, and (ii) develop terms of reference for the BCC and/or community mobilization consulting firm.

17. **Monitoring and evaluation expert (national, 1 person-month**). The consultant will closely work with the team leader to design the project results framework and performance monitoring mechanisms.

18. **Infrastructure expert (civil engineer) (national, 3 person-months).** The tasks include (i) assess and validate proposed upgrading and prepare basic sketches; (ii) prepare detailed cost estimates based on cost norms; and (iii) prepare construction design and implementation arrangements, including terms of reference and procurement method.

19. **Medical equipment expert (national, 1 person-month).** The expert will identify the list of equipment, with detailed specifications, that will need to be procured.

20. **Social development expert (gender and poverty) (national, 2 person-months).** The **expert** will (i) prepare a summary poverty reduction and social strategy following ADB's Handbook

on Poverty and Social Analysis (2012); and (ii) conduct gender analysis, confirm the gender classification for the project, and develop project-specific gender action plan.

21. **Social development expert (social safeguards) (national, 2 person-months).** The expert will, following applicable ADB's policies and guidelines, conduct due diligence and social impact assessments, and prepare relevant safeguard plans and documents along with details on implementation arrangements. For the policy-based component, the expert will evaluate the potential direct or indirect impacts of the project. If potential impacts are identified, a matrix of potential impacts of each policy action and appropriate mitigation measures will be prepared.

22. **Environment expert (safeguards) (national, 2 person-month).** The expert will prepare environment assessment and review framework, and initial environmental examination for the investment project, following applicable ADB's policies and guidelines. For the policy-based component, the expert will evaluate the potential direct or indirect environmental impacts of the project. If potential impacts are identified, a matrix of potential impacts of each policy action and appropriate mitigation measures will be prepared.

b. Individual Consultant

23. **Health financing expert (international, 3 person-months).** The expert will: (i) advise and assist the team leader with the sector development program design; (ii) identify policies for program support, MOH and BHTF capacity building; and (iii) review policy adjustment costs, prepare the policy matrix including monitoring framework.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bhutan	Project Title:	Health Sector Development Program
Lending/Financing Modality:	SDP Program Grant	Department/ Division:	South Asia Department Human and Social Development Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposal is in line with the objectives of the current government's Eleventh Five-Year Plan (2013–2018), which highlights "sustainable and equitable socioeconomic development"—"reducing inequality and improving lives of the most vulnerable sections in society"— among the key result areas. The plan raised the need for addressing regional disparities in income and multidimensional aspects, including health, of poverty, which is supported by this proposed assistance to improve health systems and services for underserved peripheral areas and populations (under output 2). It also supports the plan's health sector priorities to develop sustainable health care financing (under output 3), and improve the quality of health services through the provision of adequate human resources, infrastructure, and medical supplies (under output 2). The proposal further reinforces the National Health Policy vision of Bhutan's health system, which is grounded on a "comprehensive approach to primary health care and provision of universal access with emphasis on disease prevention, health promotion, and community participation." The proposal's outcome statement is also aligned with the National Health Policy's objective of a health system capable of providing quality and equitable health services that efficiently meets the needs of all Bhutanese citizens. The program is included in the country operations business plan for Bhutan, 2016–2018 of the Asian Development Bank (ADB)[a] and reinforces ADB's increasing investments in health systems and health security, acknowledged as critical for inclusive growth in the Midterm Review of Strategy 2020.[b]

B. Poverty Targeting

☐ General Intervention ☐ Individual or Household (TI-H) ☐ Geographic (TI-G) ☒ Non-Income MDGs (TI-M1, M2, etc.)

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Bhutan has made significant investments in developing its health system from a low base and achieved remarkable progress in key health outcomes over the past several decades. Despite these impressive gains in key health outcomes, and a high government priority given to health, challenges remain in Bhutan's health sector performance, including rural–urban disparities in health status (e.g., under-5 mortality rate per 1,000 live births is 81 in rural areas and 41 in urban areas; deliveries by skilled birth attendance is 90% in urban areas and 54% in rural areas), and wide district-level variations in health outcomes and service coverage. The sector also needs to evolve to effectively deal with growing health security threats and epidemiological and demographic transitions, including increasing burden of noncommunicable diseases, and rapid urbanization with increasing rural–urban migration. Long-term sustainability of health care financing needs critical attention, given rising population expectations and planned introduction of new technologies and services. The need for solutions to address the critical shortage of human resources is a further underlying challenge for sustainably improving the quality of care in Bhutan's health sector. Investments towards overall health system strengthening and health security measures will directly or indirectly benefit the entire Bhutanese population (officially about 760,000), especially the underserved in targeted periphery areas. The health security investments would contribute to shared regional health security, with direct benefits possibly also spilling over to populations in neighboring Indian states (northeastern states and West Bengal). Improved health security measures and district health system strengthening investments will especially benefit the populations living in or near districts hosting major points of entry with India (Phuentsholing, Gelephu, Samtse, and Samdrup Jongkar) and in Paro, which hosts the international airport. The establishment of urban satellite clinics in the periphery of Thimphu will directly benefit urban migrants and informal settlers. (Thimphu's official population is 7,000, but unofficially 180,000.)

2. Impact channels and expected systemic changes. The proposed assistance will support the strengthening of Bhutan's health system and national health security through (i) improving the overall disease surveillance and response capacity; (ii) expanding access and quality of health services in peripheral areas, focused on improving district health systems and referral linkages; and (iii) enhancing fiscal resources and financial sustainability. These investments will ensure that the health gains of Bhutan will be sustained and further improved upon, while also advancing Bhutan's national health security and compliance with international health regulations.

3. Focus of (and resources allocated in) the project preparatory technical assistance or due diligence. Project preparatory technical assistance (TA) of $500,000 is proposed for due diligence, which will include (i) review of health information system enhancement requirements at facility levels; (ii) review of key health security gaps and measures to strengthen them; (iii) review of human resources imbalances and corrective measures; (iv) review of service delivery gaps from the perspective of equity and quality; (viii) review of health sector financing, including the

Bhutan Health Trust Fund, and options to improve sustainability; (ix) review of community mobilization and information, education, and communication requirements.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

The maternal mortality ratio per 100,000 live births improved from 777 in 1984 to 86 in 2012 and skilled birth attendance rose from a mere 11% in 1994 to 75% in 2012. Despite impressive gains, rural–urban disparities in health status and access to child and reproductive health services remain. There are wide district-level variations in health outcomes and service coverage. There is also a need to monitor morbidity trends and effects of different health conditions and diseases by sex and by age group. For example, in 2014, more males than females under the ages of 1–4 years and over 65 years fell ill. However, in the reproductive age group (15–49 years), more women than men experienced illness episodes, resulting in higher overall percent (52.8%) of women falling ill than men.[c] There are also imbalances in the health workforce, in particular a shortage of women health workers. Safety and security of women health workers may also be issues in border areas with Assam.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

☒ Yes ☐ No

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No

4. Indicate the intended gender mainstreaming category:

☐ GEN (gender equity) ☒ EGM (effective gender mainstreaming)

☐ SGE (some gender elements) ☐ NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

Primary stakeholders are the Ministry of Health, the Ministry of Finance, district health offices, civil society organizations, health workers, and project beneficiaries. During project preparatory TA, stakeholder consultations will be held and their views and recommendations will be incorporated when and where possible. The team will organize consultations and workshops with communities, nongovernment organizations, and other stakeholders when and as needed.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?

Access to health services that meet the local communities' needs, and disease burdens need to be ensured. Community engagement needs to be ensured for mass education on preventive health and in dealing with public health threats. Health workers need to be given incentives to serve in remote underserved areas, and trained and sensitized on the needs and perspectives of poor and vulnerable groups, and in conducting health education and behavior change to empower and raise health awareness. During project preparation and implementation, participatory processes and community consultations will be incorporated. Consultation and participation will also be managed through behavior change, communication, and marketing activities involving nongovernment organizations, community-based organizations, and other stakeholders.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? ☐ Information generation and sharing

☐ Consultation ☐ Collaboration ☒ Partnership (H)

The project will partner with a civil society organization for community mobilization and information, education, communication, including training of frontline health workers in community interface.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? ☒ Yes ☐ No

Project preparatory TA due diligence will be conducted and pro-poor and demand-side approaches will be examined.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category ☐ A ☒ B ☐ C ☐ FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? ☒ Yes ☐ No

New construction will be limited to establishing small urban satellite clinics (four in Thimphu, one in Phuentsholing) on existing government land. There will be no land acquisition, and no involuntary resettlement impact is expected.

Further due diligence will be conducted during the project preparatory TA to confirm any informal settlers on government land and potential impacts to confirm categorization.

2. What action plan is required to address involuntary resettlement as part of the project preparatory TA or due diligence process?
☒ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☐ Environmental and social management system arrangement ☐ None

B. Indigenous Peoples Category ☐ A ☐ B ☒ C ☐ FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? ☐ Yes ☒ No
The project has a geographic focus to strengthen disease surveillance and response capacities primarily in the southern belt bordering India, which will include Nepali-speaking monitories. However, Bhutan has no officially defined indigenous peoples. A World Bank report assessed that "there are no groups which can be said to be indigenous people and vulnerable or disadvantaged as a consequence of their identity and ethnicity".[d]
2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? ☐ Yes ☒ No
3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No
Bhutan has no officially defined indigenous peoples. However, the project intends strengthening community-based surveillance mechanisms which require local representatives and health workers to recognize, report, and help respond to certain health conditions and disease outbreaks.
4. What action plan is required to address risks to indigenous peoples as part of the project preparatory TA or due diligence process?
☒ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social Impact matrix
☐ Environmental and social management system arrangement ☐ None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?
☐ Creating decent jobs and employment ☐ Adhering to core labor standards ☐ Labor retrenchment
☒ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☐ Affordability
☒ Increase in unplanned migration ☒ Increase in vulnerability to natural disasters ☐ Creating political instability
☐ Creating internal social conflicts ☐ Others, please specify ___________________
2. How are these additional social issues and risks going to be addressed in the project design?

The project will help mitigate spread of communicable diseases and vulnerability of natural hazards through health security interventions. Unplanned migration into urban sprawls will be addressed through increased health services (establishing urban satellite clinics).

VI. PROJECT PREPARATORY TECHCNIAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the project preparatory TA (or other due diligence) contain key information needed to be gathered during project preparatory TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified? ☒ Yes ☐ No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the project preparatory TA or due diligence?

Project preparatory TA of $500,000 from ADB's Technical Assistance Special Fund (TASF 6) for preparing the project is proposed.

SDP = sector development program.
[a] ADB. 2016. *Country Operations Business Plan: Bhutan, 2016–2018.* Manila.
[b] ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific.* Manila.
[c] Government of Bhutan, National Statistics Bureau. 2016. *Statistical Yearbook of Bhutan 2015*. Thimphu.
[d] World Bank. 2012. *Social Management Framework, Bhutan Rural Remote Communities Development Project*. Washington, DC.
Source: Asian Development Bank.