



Bhutan: Rural Finance Sector Development Program

Project Name	Rural Finance Sector Development Program	
Project Number	53307-001	
Country	Bhutan	
Project Status	Proposed	
Project Type / Modality of Assistance	Loan Technical Assistance	
Source of Funding / Amount	Loan: Rural Finance Sector Development Program	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 15.00 million
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 5.00 million
	TA: Rural Finance Sector Development Program	
	Technical Assistance Special Fund	US\$ 500,000.00
	Financial Sector Development Partnership Special Fund	US\$ 500,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Finance - Banking systems and nonbank financial institutions - Inclusive finance - Small and medium enterprise finance and leasing	
Gender Equity and Mainstreaming	Gender equity	
Description	The program will support BDBL to transform into a viable and efficient financial intermediary focusing on rural CSIs. The program will also support BDBL to expand non-collateral based financing to rural CSIs as well as business development support and financial literacy training with gender inclusive outreach targets. The program has three outputs: Output 1: BDBL restructured and strengthened; Output 2: Non-collateral based rural cottage and small industry financing expanded; and Output 3: Business development support and financial literacy training extended to rural cottage and small industries.	
Project Rationale and Linkage to Country/Regional Strategy	The Government of Bhutan recognizes cottage and small industries (CSIs) as the economy's driver that can positively impact employment, income generation and poverty reduction. In Bhutan, CSIs constitute more than 90% of the total enterprises and employ about 99,288 people with 22,064 registered CSIs in 2019. However, despite the government support, CSIs face various constraints including access to finance, labor regulation, taxation, and registration. Among these, access to finance is by far the largest constraint. Access to finance to CSIs is limited because CSIs generally lack skills to develop business proposal to be considered for financing by formal financial institutions. Most CSIs, especially cottage industries, have insufficient financial literacy to confidently apply for loans to formal financial institutions. BDBL is the most important financial intermediary for the rural and agriculture sector and provides 95% of the total agriculture loans in Bhutan. Despite its mandate, BDBL's outreach to rural CSIs has been moderate due to its weak operational and financial performances, and limited rural outreach effort including financial literacy training and business development support. To expand access to finance to rural CSIs, BDBL needs a comprehensive restructuring to improve its financial and operational performance to significantly enhance its rural outreach.	
Impact	Productive and gainful rural employment opportunities generated. (12th Five Year Plan, FY2018 FY2023)	
Outcome	BDB's financial services to rural CSIs expanded	
Outputs	BDB restructured and strengthened Non-collateral-based rural CSI financing expanded Business development support and financial literacy training extended to rural CSIs	
Geographical Location	Nation-wide	
Safeguard Categories		
Environment	FI	
Involuntary Resettlement	FI-C	
Indigenous Peoples	FI-C	
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		
During Project Design		
During Project Implementation		

Business Opportunities	
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Consulting Services	not applicable.
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Procurement	The nature of procurement involved shall be simple commodities that can be either procured directly or based on best commercial practices. Procurement will be in accordance with the established private sector or commercial practices acceptable to ADB, in accordance with ADB's Procurement Policy (2017, as amended from time to time), Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and relevant staff instructions.
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Responsible ADB Officer	Ozaki, Mayumi
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Responsible ADB Department	South Asia Department
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Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
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Executing Agencies	Department of Macroeconomic Affairs, Ministry of Finance Tashichho Dzong, Post Box No. 117
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Timetable	
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Concept Clearance	30 Jun 2020
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Fact Finding	30 Jun 2020 to 03 Jul 2020
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MRM	19 Aug 2020
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Approval	-
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Last Review Mission	-
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Last PDS Update	30 Jun 2020
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Project Page	https://www.adb.org/projects/53307-001/main
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Request for Information	http://www.adb.org/forms/request-information-form?subject=53307-001
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Date Generated	01 July 2020
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