

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. The major multilateral agencies that support Bhutan in public sector management are the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank Group (including the International Finance Corporation). ADB has supported the government in implementing key reforms for improving macroeconomic stability and resilience to shocks, strengthening debt and public finance management, enhancing stability and integrity of the financial systems, financial sector regulations and supervision, and supporting capital market development. The World Bank has also supported the government in public sector management reforms, including strengthening fiscal management, private sector development, and procurement systems through a series of loan and grant programs. The IMF has provided advisory and technical support to the government focusing on macroeconomic management, exchange rate and monetary policy operations, and regular debt sustainability analysis in accordance with the IMF-World Bank debt sustainability framework. The IMF also undertakes regular Article IV consultation assessments, of which ADB staff from Bhutan Resident Mission participates as a mission member. The latest Article IV consultation staff report was released in October 2018. There is also a strong coordination between IMF, World Bank, and ADB in assessing the impact of COVID-19 on the economy.

2. On public health support for COVID-19 prevention, the WHO is the focal agency among development partners, including the UN agencies, ADB, and the World Bank. The WHO contributed \$244,500 to the government's National Preparedness and Response Plan (NPRP) for COVID-19, which was launched by the Ministry of Health on 29 March 2020. The UN agencies provided a total grant of about \$1.04 million to support the NPRP implementation. Several other bilateral development partners and international nongovernment organizations provided in-kind goods including hygienic and personal protective equipment and supplies (hand sanitizers, surgical masks and gloves, and medical supplies). In April 2020, ADB published the Asian Development Outlook 2020 outlining the impact of COVID-19 on Bhutan. ADB also approved a grant of \$100,000 for procurement of necessary medical supplies and personal protective equipment for healthcare staff.<sup>1</sup> The World Bank provided COVID-19 response assistance, approximately \$19.8 million through the Investment Project Financing (IPF) and IBRD Catastrophe Deferred Drawdown Option (Cat DDO) for approval by June 2020. The terms for both World Bank operations are concessional loans (IDA loans, 40-year maturity with 0% interest rate). The IPF loan proceed will be used to procure medical equipment and supplies for COVID-19 prevention and treatments. The disbursement of the Cat DDO will only be triggered after the national pandemic emergency declaration following Bhutan's first local transmission. Such milestone will activate a high alert or red code responses under the NPRP, which require a complete lockdown, restrictive domestic mobility, and closing of nonessential businesses. As of 23 April, Bhutan has no local transmission. In total, there have been 7 imported cases, of which 3 have recovered. There are no COVID-19 deaths to date.

3. The matrix below provides detailed overview of the programs in public sector management, health sector, and response to the COVID-19 pandemic supported by major developing partners.

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<sup>1</sup> ADB. 2020. [Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases](#). Manila.

### Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
<b>Public Sector Management</b>			
ADB	Strengthening Economic Management Program II (SEMP II)	2015–2017	36.07
	Strengthening Economic Management Program (SEMP I)	2013–2014	35.00
IMF	Drafting of Risk Management Guidelines	2019	
	Development of Corporate Governance Regulations	2018	
World Bank	Strengthening Fiscal Management and Private Sector Employment Opportunities Development Policy Credit, the Third Programmatic	2020–2021	40.00
	Strengthening Fiscal Management and Private Sector Employment Opportunities Development Policy Credit, the Second Programmatic	2019–2020	30.00
	Strengthening Fiscal Management and Private Sector Employment Opportunities Development Policy Credit, the First Programmatic	2018–2019	30.00
<b>Health Sector</b>			
ADB	Health Sector Development Program	2018–2022	20.00
GFATM	Various programs on AIDS, Tuberculosis, and Malaria	2015–2018	6.11
Government of India	Construction of Health Infrastructure in Eleventh Five-Year Plan	2013–2018	29.19
JICA	Procurement of specialized medical equipment for National and Regional hospitals	2017–2022	5.00
UNICEF/UNFPA/WHO	Bhutan One Program	2018–2019	4.59
<b>COVID-19 Response</b>			
ADB	Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases	2020	0.10
World Bank	Investment Project Financing	2020	5.00
	Catastrophe Deferred Drawdown Option	2020	14.80
UN Agencies	Technical support and capacity building for formulation and implementation of the National Preparedness and Response to COVID-19 and medical supply procurement	2020	1.04

ADB = Asian Development Bank; COVID-19 = coronavirus disease 2019; GFATM = The Global Fund to Fight AIDS, Tuberculosis and Malaria; IFC = International Finance Corporation; IMF = International Monetary Fund; JICA = Japan International Cooperation Agency; TA = technical assistance; UNFPA = United Nations Population Fund; UNICEF = United Nations Children's Fund; WHO = World Health Organization.

Sources: Asian Development Bank, development partners, and Royal Government of Bhutan.

## B. Institutional Arrangements and Processes for Development Coordination

4. In terms of public health response to COVID-19, ADB has been working closely with the World Health Organization as a lead, supported by UNICEF and other resident UN agencies and development partners. ADB participates in bi-monthly development partner group meetings and weekly meeting on COVID-19 situation.

5. For socioeconomic response to COVID-19, the government—Ministry of Finance, the Royal Monetary Authority, and the Prime Minister's Office—led the formulation of the Economic Contingency Plan (ECP). The ECP is a countercyclical development expenditure plan to mitigate adverse impacts of COVID-19 on the economy. Development partners contributed technical input during the preparation. ADB contributed input on economic and fiscal impacts of COVID-19. The Prime Minister's Office and a special task force led by the Governor of the Royal Monetary Authority will oversee the ECP implementation and coordination. Tracking of program beneficiaries will be

undertaken by relevant agencies such as the Ministry of Labour and Human Resources, Tourism Council of Bhutan, and National Statistics Bureau through a central management information system. The government, through MOF, will monitor budget execution and flow of funds for countercyclical measures under the ECP.

### **C. Achievements and Issues**

6. ADB's sustained engagement in key sectors, accompanied by flexibility in approaches and modalities and quick response to country needs, is important for development effectiveness in Bhutan.<sup>2</sup> Development partners' in-country presence, including ADB's Bhutan Resident Mission BHRM and the World Bank's Bhutan Office, has improved development coordination. While there is strong political commitment to development activities, Bhutan faces constraints in implementing complex and wider policy interventions. Thus, incremental, rather than rapid, reforms are required to deal with the insufficient human resource capacity of the government. By undertaking gradual reforms and staying engaged in the long term, ADB would ensure that reform actions are sustainable after program completion.

### **D. Summary and Recommendations**

7. ADB will continue to support public sector management and related capacity development in Bhutan in close coordination with other development partners and international agencies including IMF and the World Bank. This is aligned with the government's development priorities and needs, and ADB's strategic focus. Lessons from past engagements will be incorporated in the program design to improve efficiency in the implementation of the programs as well as government and development partner coordination: (i) conducting regular policy dialogue to ensure the government's commitment to politically sensitive reforms; (ii) encouraging incremental, rather than rapid, reforms to deal with the insufficient human resource capacity of the government; (iii) coordinating closely with key development partners, particularly the IMF, the World Bank, and United Nations agencies; (iv) aligning closely between supporting TA projects and reform programs to ensure that planned reforms are implemented efficiently and effectively, and (v) ensuring strong government commitment to policy reforms and accelerated implementation (footnote 2).

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<sup>2</sup> Independent Evaluation Department. 2019. [Validation of the Country Partnership Strategy Final Review, 2014–2018 in Bhutan](#). Manila: ADB.