



Bhutan: Strengthening Economic Management Program II

Project Name	Strengthening Economic Management Program II																				
Project Number	46371-002																				
Country	Bhutan																				
Project Status	Active																				
Project Type / Modality of Assistance	Grant Loan Technical Assistance																				
Source of Funding / Amount	<table><tr><td colspan="2">Grant 0431-BHU: Strengthening Economic Management Program II</td></tr><tr><td>concessional ordinary capital resources lending / Asian Development Fund</td><td>US\$ 16.10 million</td></tr><tr><td colspan="2">Loan 3258-BHU: Strengthening Economic Management Program II</td></tr><tr><td>concessional ordinary capital resources lending / Asian Development Fund</td><td>US\$ 20.10 million</td></tr><tr><td colspan="2">TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 700,000.00</td></tr><tr><td colspan="2">TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)</td></tr><tr><td>Financial Sector Development Partnership Special Fund</td><td>US\$ 500,000.00</td></tr><tr><td colspan="2">TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 110,000.00</td></tr></table>	Grant 0431-BHU: Strengthening Economic Management Program II		concessional ordinary capital resources lending / Asian Development Fund	US\$ 16.10 million	Loan 3258-BHU: Strengthening Economic Management Program II		concessional ordinary capital resources lending / Asian Development Fund	US\$ 20.10 million	TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II		Technical Assistance Special Fund	US\$ 700,000.00	TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)		Financial Sector Development Partnership Special Fund	US\$ 500,000.00	TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)		Technical Assistance Special Fund	US\$ 110,000.00
Grant 0431-BHU: Strengthening Economic Management Program II																					
concessional ordinary capital resources lending / Asian Development Fund	US\$ 16.10 million																				
Loan 3258-BHU: Strengthening Economic Management Program II																					
concessional ordinary capital resources lending / Asian Development Fund	US\$ 20.10 million																				
TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II																					
Technical Assistance Special Fund	US\$ 700,000.00																				
TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)																					
Financial Sector Development Partnership Special Fund	US\$ 500,000.00																				
TA 8901-BHU: Supporting Implementation of Strengthening Economic Management Program II (Supplementary)																					
Technical Assistance Special Fund	US\$ 110,000.00																				
Strategic Agendas	Inclusive economic growth																				
Drivers of Change	Governance and capacity development Private sector development																				
Sector / Subsector	Finance - Banking systems and nonbank financial institutions - Inclusive finance - Money and capital markets Public sector management - Public expenditure and fiscal management																				
Gender Equity and Mainstreaming	Some gender elements																				
Description	In order to maintain sustainable growth trajectory, Government of Bhutan's capacity needs to be strengthened in the area of macroeconomic management and financial sector development. For this purpose, in continuation of the earlier reforms initiated under the Strengthening Economic Management Program (SEMP), the proposed program targets strengthening of (i) revenue and macroprudential management and (ii) financial sector development. The proposed SEMP II and attached technical assistance will support the government in timely implementation of the chronologically-sequenced policy reforms.																				

Project Rationale and Linkage to Country/Regional Strategy	<p>Recognizing the contribution of successful implementation of SEMP to the stabilization of the Bhutanese economy following the rupee liquidity crunch in FY2012, the proposed program loan, SEMP II, involves an additional budget support to the Government of Bhutan with the objective of (i) continuing and deepening the macroeconomic management reforms for sustaining the economic recovery in the short-term, (ii) strengthening the financial sector institutions to rebalance economic growth towards investment in the medium term, and (iii) developing the enabling institutions for private sector and infrastructure development for the diversification of the economy in the long term.</p> <p>The reforms that improve macroeconomic management will target strengthening of revenue and macroprudential management in Bhutan. The revenue management reforms will broaden tax base and enhance revenue collection through improved tax administration, so that budget deficits are reined in, the dependence of budget on external grants and loans are lowered in light of the graduation of Bhutan to middle income status, and a larger share of developmental outlays could be financed from domestic resources. Reforms targeting macroprudential management will improve public debt management through development of a calendar for issuance of government debt securities, strengthen inter-financial institutions lending market with money market instruments, and will enhance monitoring of financial sector stability through implementation of macroprudential regulations, liquidity management and stress testing framework by banks.</p> <p>In ADB's Bhutan CPS 2014- 2018, the absence of a developed financial sector has been identified as a critical constraint in the realization of private sector and infrastructure investment, which is in turn a prerequisite for sustainable economic growth. For that purpose, in line with the developmental objectives of the Government under the Eleventh Five-Year Plan (2013-2018), and ADB's Strategy 2020 priorities, the proposed program complements and supports the government 's commitment to the Capital Markets Master Plan by (i) targeting mobilization of national savings and improvement of financial inclusion through expanding branchless banking in rural areas, and developing the regulatory framework for branchless banking and deposit taking microfinance, (ii) strengthening financial inclusion through a financial literacy program with a focus on gender-equity, and (iii) strengthening legal, regulatory, and institutional framework for the capital markets and non-bank financial institutions such as the pension fund. The capacity and knowledge of the government in alternative financing options for infrastructure development will also be enhanced through a feasibility study on securitization of hydropower revenues. In addition to the financial sector development, several policy reforms have been envisioned by the Government of Bhutan under the Eleventh Five-Year Plan to improve the businessclimate for entrepreneurs to enable increasingly broad-based economic development. Consistent with these objectives and ADB's CPS 2014-2018, the proposed program will strengthen the Credit Information Bureau to improve access to finance by entrepreneurs.</p>
Impact	Sustainable growth trajectory

Project Outcome

Description of Outcome	Improved macroeconomic stability
Progress Toward Outcome	In progress.

Implementation Progress

Description of Project Outputs	Improved macroeconomic management Strengthened financial sector development
Status of Implementation Progress (Outputs, Activities, and Issues)	8 out of 16 second tranche policy actions are completed as of 9 March 2017 and 2 will be submitted for OGC clearance. the remaining 6 policy actions will be completed by end of March 2017. All ICT Procurement and training related activities under the piggybacked TA have been completed and additional procurement request connected with RAMIS will be completed by June 2017. CIB new system launch was conducted on 12 January 2017 and tax payer information call center was launched on 6 March 2017. Property valuation methodology (PVM)-based property tax rates for Thimphu Thromde was submitted from Cabinet to the Parliament in February 2017. Financial literacy program was successfully carried out. Implementation and stabilization of RAMIS has been ongoing with positive progress. The direct tax and sales tax modules are already in operation during the tax filing season. Release of second tranche is expected in Q22017.

Geographical Location

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	Likely to have minimal or no adverse environmental impacts
Involuntary Resettlement	Has no involuntary resettlement impacts. No further action is required.

Indigenous Peoples Not expected to have impacts on Indigenous Peoples. No further action is required.

Stakeholder Communication, Participation, and Consultation

During Project Design	Stakeholder consultation was conducted with relevant government agencies during the project design. During loan fact-finding mission, the National Commission for Women and Children (NCWC) and the Bhutan Association of Women Entrepreneurs (BAOWE) were also consulted as part of the due diligence.
During Project Implementation	Stakeholder consultation with relevant government agencies continues during the implementation.

Business Opportunities

Consulting Services	Consultants will be recruited, using the quality- and cost-based selection method with a quality_cost ratio of 90:10 due to the highly specialized expertise needed, in line with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All disbursements under the TA will be made in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).
Procurement	Procurement will be carried out in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

Responsible Staff

Responsible ADB Officer	Akin, Cigdem
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	<i>Department of Public Accounts CHOITEN@MOF.GOV.BT P.O. Box 117 Thimphu, Bhutan</i>

Timetable

Concept Clearance	12 Jan 2015
Fact Finding	02 Feb 2015 to 06 Feb 2015
MRM	16 Mar 2015
Approval	02 Jun 2015
Last Review Mission	-
Last PDS Update	09 Mar 2017

Grant 0431-BHU

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
02 Jun 2015	15 Jun 2015	16 Jun 2015	31 Dec 2016	-	18 Jun 2015

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	65.40	Cumulative Contract Awards			
ADB	16.10	02 Jun 2015	16.10	0.00	100%
Counterpart	49.30	Cumulative Disbursements			
Cofinancing	0.00	02 Jun 2015	16.10	0.00	100%

Loan 3258-BHU

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual

02 Jun 2015	15 Jun 2015	16 Jun 2015	31 Dec 2016	30 Jun 2017	-
-------------	-------------	-------------	-------------	-------------	---

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	20.10	Cumulative Contract Awards			
ADB	20.10	02 Jun 2015	19.97	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	02 Jun 2015	19.97	0.00	100%

TA 8901-BHU

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
02 Jun 2015	09 Jul 2015	09 Jul 2015	31 Dec 2016	30 Jun 2017	-

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,310,000.00	0.00	0.00	0.00	0.00	0.00	1,310,000.00	02 Jun 2015	1,257,431.65

Project Page	https://www.adb.org/projects/46371-002/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=46371-002
Date Generated	06 July 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.