

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) has been a leading development partner of Bhutan, providing external assistance to the government for public sector management, financial sector, and private sector development alongside the World Bank and the International Finance Corporation. The table provides a summary of selected projects supported by the development partners in these areas since 2000.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Public Sector Management			
ADB	ADTA: Public Sector Resource Management	2000–2005	0.30
	ADTA: Project Appraisal and Portfolio Management Financial Institutions	2000–2004	0.40
	ADTA: Strengthening the Debt Management Capacity of the Department of Aid and Debt Management	2002–2004	0.12
	ADTA: Strengthening the Debt Management Capacity of the Department of Aid and Debt Management	2004–2007	0.23
	ADTA: Capacity Building of the Department of Aid and Debt Management's Debt Management's Unit	2006–2008	0.20
	ADTA: Strengthening Public Financial Management	2007–2011	0.75
	CDTA: Strengthening Audit Resource Management	2010–2014	0.68
	CDTA: Strengthening Public Management	2010–2015	0.85
	CDTA: Developing a Revenue Administration Management Information System	2011–	0.50
	CDTA: Enhancing Development Management for Sustainable and Inclusive Growth	2012–	0.73
	CDTA: Strengthening Audit Resource Management (Supplementary)	2013–	0.23
	Loan and Grant: Strengthening Economic Management Program	2013–2014	35.03
	CDTA: Kingdom of Bhutan: Institutional Strengthening for Skills Development (financed by the JFPR)	2014–	0.75
World Bank	Grant: First Development Policy Grant	2006–2007	15.00
	Grant: Second Development Policy Grant	2007–2008	12.00
	TA: Improving Public Financial Management	...	0.29
	TA: Strengthening the Public Procurement Policy Division	...	0.48
	Grant: Institutional Capacity Building Project for Procurement	2008–2011	1.50
	Loan and Grant: Bhutan Development Policy Grant and Credit for Institutional Strengthening	2009–2010	20.22
	Loan: First Development Policy Credit	2010–2011	24.75
	Loan: Second Development Policy Credit Program	2012–2013	36.00
	Grant: Strengthening Public Financial Management in Bhutan	2013–	0.55
	Grant: Strengthening Intergovernmental Fiscal Systems and Capacity Building	2013–	...
	Grant: Bhutan Updating of National Statistics Development Strategy	2014–	0.09
Loan: Development Policy Credit for Fiscal Sustainability and Investment Climate	2014–	20.00	
Finance			
	ADB	ADTA: Capacity Upgrading of Financial Sector and Entrepreneurial Development	1997–2003 0.50

Development Partner	Project Name	Duration	Amount (\$ million)
	Loan: Financial Sector Intermediation Facility (Policy Loan)	1997–2002	4.00
	Loan: Financial Sector Intermediation Facility (Development Finance Loan)	1997–2002	4.00
	ADTA: Upgrading the Royal Insurance Corporation of Bhutan, Restructuring Government Employees Provident Fund, and Introducing a Pension Scheme	1998–2004	0.50
	ADTA: Strengthening the Banking Supervision Function of the Royal Monetary Authority of Bhutan	1999–2002	0.60
	ADTA: Financial Sector Review	2001–2005	0.30
	ADTA: Institutional Development of the National Pension and Provident Fund Bureau	2001–2004	0.30
	ADTA: Strengthening the Capacity of the Royal Monetary Authority and Royal Securities Exchange of Bhutan	2002–2005	0.33
	ADTA: Institutional Development of the Bhutan Development Finance Corporation	2002–2003	0.20
	ADTA: Strengthening of the Payment and Settlement System	2004–2009	0.60
	PPTA: Financial Sector/Nonbank Financial Institutions Reform Program	2005–2008	0.50
	Loan: Financial Sector Development Program (Program Loan)	2006–2012	11.00
	Loan: Financial Sector Development Project (Project Loan)	2006–2012	2.00
	ADTA: Strengthening of the Credit Information Bureau	2008–2010	0.35
	CDTA: Strengthening Royal Monetary Authority's Regulatory Capacity for Nonbank Financial Institutions (Financed by JFPR)	2012–2014	0.53
	CDTA: Capital Market Development	2012–	1.25
	R-CDTA: Supporting Financial Stability in Bhutan and the Maldives	2012–	0.50
World Bank	TA: Developing and Strengthening the Regulatory Framework for Pension, Provident Fund, and other Such Schemes in Bhutan	2010	0.12
IFC	TA: Assistance to Develop the Concept Paper for the Electronic Fund Transfer and Clearing System	2008	...
	Facility: Bhutan National Bank for the Global Trade Finance Program	2008	...
	Facility: Bank of Bhutan Limited for the Global Trade Finance Program	2009	...
	TA: Capacity building in Trade Finance	2011–2012	...
	Equity: Bhutan National Bank	2012–	28.50
	TA: Assistance to Bhutan National Bank Limited to Improve Risk Management	2013–2015	...
	TA: Assistance to Bank of Bhutan Limited Diagnostic for SME Banking	2013	...
SEDF, IFC	TA: Assistance to Royal Insurance Corporation of Bhutan Limited to improve Operations	2006–2007	...
	TA: Assistance to Bhutan National Bank Limited to Improve Operations	2006–2007	...
	TA: Assistance to Bank of Bhutan Limited to Improve Operations	2006–2007	...
UNDP	TA: Development of Pensions Legislation	2006	...
Private Sector Development			
ADB	Grant: Micro, Small, and Medium-Sized Enterprise Sector Development Program	2007–2012	14.30
	RPATA: Best Practice for Regulatory Framework and Use of Credit Rating Information of Domestic Credit Rating Agencies in South Asia	2010–2014	0.55
World Bank	Grant: Bhutan Private Sector Development	2007–2013	8.00

... = data not available, ADB = Asian Development Bank, ADTA = advisory technical assistance, CDTA = capacity development technical assistance, IFC = International Finance Corporation, JFPR = Japan Fund for Poverty Reduction, PPTA = project preparatory technical assistance, R-CDTA = regional capacity development technical assistance, R-PATA = regional policy and advisory technical assistance, SEDF = South Enterprise Development Facility, SMEs = small and medium-sized enterprises, TA = technical assistance, UNDP = United Nations Development Programme.

Source: Asian Development Bank

2. The World Bank has been one of the key development partners supporting public sector management. In 2012, it provided a \$36 million loan under the Second Development Policy Credit Program to promote government efficiency and effectiveness through sound public financial management and administration. The International Monetary Fund does not have a program in Bhutan, but it has provided advisory and technical support in fiscal, monetary, and financial management, as well as regular debt sustainability analysis in accordance with the Debt Sustainability Framework for low-income countries. The latest Article IV consultation was concluded on 20 June 2014, as Bhutan is on 24-month cycle.

3. In 2014, the World Bank proposed a development policy credit of \$20 million for Fiscal Sustainability and Investment Climate, which includes reforms for the ease of doing business. The World Bank will focus on the ease of doing business indicators by improving electronic property and business registration systems, legal, and institutional reform for central asset registry, strengthening of investor protection through amendments of the Companies Act, and relevant foreign direct investment and public-private partnership related reforms. Based on ADB's commitment to strengthening the country's business climate, Strengthening Economic Management Program II (SEMP II) was designed in coordination with the World Bank. SEMP II focuses on core strengths of the ADB reform agenda to (i) improve macroeconomic management, (ii) develop the financial sector, (iii) strengthen the Credit Information Bureau (CIB) to improve access to finance for entrepreneurs, and (iv) improve the efficiency of tax administration through the revenue administration management information system (RAMIS) and a taxpayer information call center to facilitate ease of doing business. A related ADB technical assistance, Enhancing Development Management for Sustainable and Inclusive Growth, includes a component for establishing the Better Business Council. Together, the ADB and World Bank programs will catalyze a comprehensive change in the business climate for private sector development in Bhutan.

B. Institutional Arrangements and Processes for Development Coordination

4. ADB collaborates and coordinates actively with multilateral development partners in Bhutan on a project basis although government has not instituted a formalized arrangement for development coordination. ADB and the World Bank exchanged information on a draft policy framework during preparation of SEMP II and the World Bank's development policy credit for Fiscal Sustainability and Investment Climate. This was to ensure project activities do not overlap and resources are not duplicated. ADB specifically requested a clear demarcation of its engagement in strengthening the CIB and discussed areas of collaboration with the World Bank for enhancing the business operations of the credit reporting system.

C. Achievements and Issues

5. The presence of the ADB resident mission in Bhutan facilitated the coordination among development partners and consultations with relevant stakeholders during program design. Lessons from the ADB programs are likely to influence the design of other programs in public sector management and financial sector development.

D. Summary and Recommendations

6. ADB will share its experience from program implementation regularly with other development partners. In addition, roundtable discussions among development partners should be held periodically and led by the Ministry of Finance to enable more proactive engagement in future development assistance projects.