



Bhutan: Diagnostic Study and Strategy Development for Rural Finance Sector Development

Project Name	Diagnostic Study and Strategy Development for Rural Finance Sector Development				
Project Number	53307-002				
Country	Bhutan				
Project Status	Active				
Project Type / Modality of Assistance	Technical Assistance				
Source of Funding / Amount	<table border="1"> <tr> <td>TA 9805-BHU: Diagnostic Study and Strategy Development for Rural Finance Sector Development</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 225,000.00</td> </tr> </table>	TA 9805-BHU: Diagnostic Study and Strategy Development for Rural Finance Sector Development		Technical Assistance Special Fund	US\$ 225,000.00
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Technical Assistance Special Fund	US\$ 225,000.00				
Strategic Agendas	Inclusive economic growth				
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development				
Sector / Subsector	Finance - Finance sector development - Inclusive finance - Small and medium enterprise finance and leasing				
Gender Equity and Mainstreaming	Effective gender mainstreaming				
Description	The TA will conduct a research for potential transaction on rural finance sector development in Bhutan.				
Project Rationale and Linkage to Country/Regional Strategy	<p>Despite the recent private sector-driven economic growth, the Bhutanese economy is still largely rural and agriculture-based. Out of its total population, 62.2% live in rural areas with agriculture as its primary source of livelihood for most rural population. The agriculture sector contributes about 16.52% of the total gross domestic product; but employs over 56% of the total population in 2017. Although Bhutan's poverty ratio decreased from 23.2% in 2007 to 8.2% in 2017, a sizable number of the rural population remains in poverty. The estimated 11.9% of the rural population is below the national poverty line as compared to 0.8% in urban areas.</p> <p>Most Bhutanese farmers are subsistence small farmers with limited landholdings and income. In rural areas, opportunities to generate cash incomes outside of agriculture or off-farm employment are extremely limited making farmers exclusively dependent on farming. The Government of Bhutan recognizes the cottage and small enterprises (CSEs) as the economy's driver and can positively impact employment, income generation and poverty reduction, and implements various policy measures to promote CSEs. CSEs constitute more than 90% of the total enterprises and employ about 99,288 people. However, despite the government support, the CSEs face various constraints including access to finance, access to infrastructure and market, taxation, and labor regulation. Among these, access to finance is by far the largest constraint due to (i) weak financial and operational performances of the key rural finance institutions; (ii) lack of adequate products and limited social mobilization to reach rural CSEs; and (iii) rural financial institutions' limited source of funding.</p>				
Impact	Appropriate financial products and services provided by formal financial services providers to meet the needs of the unserved and underserved segments of Bhutan's population				
Project Outcome					
Description of Outcome	Government's knowledge and policy implementation capacity for rural finance sector development enhanced				
Progress Toward Outcome					
Implementation Progress					
Description of Project Outputs	BDBL and REDCL diagnostic review conducted BDBL and REDCL institutional strengthening plans developed BDBL and REDCL gender and social inclusive rural enterprise financing strategies developed Pilot microinsurance scheme plan developed				
Status of Implementation Progress (Outputs, Activities, and Issues)					
Geographical Location	Nation-wide				
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					

Consulting Services ADB will recruit using individual consultant selection for both international and national consultants. ADB will procure consulting services following the ADB Procurement Policy (2017, as amended from time to time) and Staff Instructions for ADB-Administered Consulting Services. The required consultants inputs are, for international consultants: (i) banks and financial institutions specialist (2 person-months (pm)); (ii) rural finance specialist (2 pm); (iii) financial management assessment and financial due diligence specialist (2 pm); (iv) microinsurance specialist (2 pm); and, for national consultant: (v) financial sector specialist (2 pm).

Procurement Not applicable

Responsible ADB Officer	Mayumi Ozaki
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	Ministry of Finance Royal Government of Bhutan Thimphu, Bhutan <u>Attention: Director</u>

Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	24 Sep 2019
Last Review Mission	-
Last PDS Update	25 Sep 2019

TA 9805-BHU

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
225,000.00	0.00	0.00	0.00	0.00	0.00	225,000.00	-	0.00

Project Page	https://www.adb.org/projects/53307-002/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53307-002
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