



Technical Assistance Report

Project Number: 54464-002
Transaction Technical Assistance Facility (F-TRTA)
September 2021

Kingdom of Bhutan: Support to Skills Development Reform

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 9 September 2021)

Currency unit	–	Ngultrum (Nu)
Nu1.00	=	\$ 0.0135454
\$1.00	=	Nu 73.82550

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
MOLHR	–	Ministry of Labour and Human Resources
STEPUP	–	Skills Training and Education Pathways Upgradation Project
TA	–	technical assistance
TVET	–	technical and vocational education and training

NOTES

- (i) The fiscal year (FY) of the Government of Bhutan ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54464-002
Project Name	Support to Skills Development Reform	Department/Division SARD/SAHS
Nature of Activity	Project Preparation, Capacity Development	Executing Agency Ministry of Education, Ministry of Labour and Human Resources
Modality	Facility	
Country	Bhutan	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Education	Technical and vocational education and training	0.50
	Total	0.50
3. Operational Priorities		Climate Change Information
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum) 0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project Low
✓ Strengthening governance and institutional capacity		
		ADB Financing
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
		Cofinancing
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 4.4		Gender Equity (GEN) ✓
SDG 8.2, 8.5		
SDG 10.1		
		Poverty Targeting
		General Intervention on Poverty ✓
4. Risk Categorization	Low	
5. Safeguard Categorization	Safeguard Policy Statement does not apply	
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		0.50
Transaction technical assistance: Technical Assistance Special Fund		0.50
Cofinancing		0.00
None		0.00
Counterpart		0.00
None		0.00
Total		0.50
Currency of ADB Financing: US Dollar		

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. **Macroeconomic context.** Bhutan achieved 5.9% annual gross domestic product growth on average during the Eleventh Five-Year Plan (2013–2018), principally contributed by the hydropower and tourism sectors. However, tourism was one of the most adversely affected sectors during this coronavirus disease (COVID-19) pandemic. Owing to the prolonged community quarantines, travel restrictions, and other pandemic-related disruptions, Bhutan's gross domestic product is estimated to contract by 3.4% in FY2021.¹ The youth (aged 15 to 24 years) were among the hardest hit. Unemployment rate in this group almost doubled to 22.6% in 2020 from 11.9% in 2019, a record high for the country.² Youth unemployment was higher among females (25.4%) than in males (19.2%) in 2020. COVID-19 pandemic was the reason for losing jobs among unemployed youth.

2. **Education sector performance.** Bhutan made remarkable progress in certain areas of its education system over the past decade. The number of out-of-school children in the country dropped from 11,078 in 2011 to 3,252 in 2020.³ The gross enrollment rate for secondary education increased from 67.3% in 2011 to 90.1% in 2018. While gross enrollment rate in tertiary education is still limited, it has increased from 8.9% in 2011 to 16.4% in 2020. However, enrollment in technical and vocational education and training (TVET) saw minimal growth from 6.8% in 2014 to 7.5% in 2018. Bhutan was forced to close schools from 18 March 2020 owing to the pandemic and the government reopened schools gradually in February 2021 with some exceptions in the Southern part near the border with India.⁴ There is a concern that some of the progress made by Bhutan in the education sector prior to the pandemic may get reversed. The adverse impact of the pandemic for the education sector, especially with respect to worsening of learning outcomes and rise in youth unemployment, need close monitoring. In addition, the sector needs further reforms to address challenges and demands of the 21st century given the fast-changing technologies. Relevant jobs and economic opportunities also need to be created, building on a strong human capital base, and driven by innovation and economic diversification.

3. **Skills development performance.** The country's narrow economic base together with inadequate skills and lack of experience makes the youth vulnerable to external shocks. An estimated 110,000 Bhutanese youth will enter the labor market from 2016 to 2026. Equipping them with emerging skills is critical to strengthen resilience and increase competency. With a relatively high job placement rate of 76% for TVET graduates during 2003–2018,⁵ TVET has a critical role to play, including for developing Bhutan's private sector. Labor market demand has been weak during the pandemic, but some industries such as construction urgently need national skilled workers because foreign skilled workers returned to their home countries. TVET graduates are much needed, not only for addressing current COVID-19 impacts, but also for developing a critical mass of technicians and professionals for the future. However, TVET faces challenges of low enrollment and inadequate capacity of instructors. Pathways for career and academic

¹ Asian Development Bank (ADB). 2021. [Asian Development Outlook 2021: Financing a Green and Inclusive Recovery](#). Manila.

² Government of Bhutan, National Statistics Bureau. 2021. *2020 Labour Force Survey Report Bhutan*. Thimphu.

³ United Nations Educational, Scientific and Cultural Organization Institute for Statistics. [Bhutan | UNESCO UIS](#) (accessed on 28 July 2021).

⁴ The grade 10 and 12 students resumed schooling from 1 July but had to be closed again in August for increasing number of COVID-19 positive cases.

⁵ Government of Bhutan, MOLHR. 2020. *TVET Graduate Tracer Study Bhutan: Multi-Cohort Online Tracer Survey Report of TTI and IZC Graduates (2013–2019)*. Thimphu.

progressions are limited. The social stigma attached to TVET demotivates the youth to take up skills development courses. Stereotyping and social norms regarding the types of jobs which are appropriate for women also distorts their career choices and the types of courses they enroll for.

4. **Government policies and strategy.** The government has accorded the highest priority to investing in TVET. The TVET Blueprint (2016–2026) was developed to provide a comprehensive and coherent framework for responding to the challenges in TVET and to strengthen its image, programs, accessibility, relevance, and quality.⁶ In addition, the Ministry of Labour and Human Resources (MOLHR) prepared the TVET reform strategic plan for revamping the TVET system through the transformation of people, place, product, and process to produce a competent workforce that is confident, well-rounded, productive, resilient, and innovative.⁷ The reform plan was approved by the cabinet in August 2021 and is aligned with the discussions related to economic road map for the 21st century, which emphasized the need for a skilled labor force for emerging sectors such as information technology, construction and renewable energy, with the enhanced use of digital technology. Of the estimated 12,000 students from higher secondary schools projected to graduate every year, more than 30% are expected to participate in skills development through TVET to contribute to national economic priorities.

5. **Asian Development Bank assistance.** The Asian Development Bank (ADB) has been a long-term partner for Bhutan in skills development. It has been working closely with MOLHR.⁸ Lessons from the completed Basic Skills Development Project (2001–2006) include the importance of proper sequencing of activities, good and comprehensive project design, institutional leadership, continuity of project management staff, and comprehensive understanding of sector issues.⁹ The ongoing Skills Training and Education Pathways Upgradation Project (STEPUP) has incorporated some of these aspects in its design. The government has requested ADB to ramp up its support for the implementation of the TVET reform strategic plan by financing the proposed Pathways for Emerging Skills and Jobs Project in 2021 (\$30 million concessional loan), and the Strengthening Institutional Capacity for Innovation and Digital Transformation Project in 2023 (\$30 million concessional loan).

6. The government appreciated the design and implementation of ADB's ongoing technical assistance (TA) for skills development,¹⁰ which provided quality technical inputs for project preparation and administration by funding international and national experts and a professional

⁶ Ministry of Labour and Human Resources. 2016. [TVET Blueprint 2016-2026](#). Thimphu.

⁷ The new government prepared the TVET reform strategic plan to transform TVET into an attractive learning and career pathway to produce “work-ready”, “world-ready” and “future-ready” graduates. [Specify what you mean by the new government. You may want to say, “The current government, which came into power in XYZ, prepared the TVET reform strategic plan to ...” Keep the political sensitivities of Bhutan in mind.]

⁸ Related ADB support includes the following: ADB. 1990. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Kingdom of Bhutan for the Technical and Vocational Education and Training Project*. Manila; ADB. 2001. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Kingdom of Bhutan for the Basic Skills Development Project](#). Manila; ADB. 2010. [Grant Assistance Report: Proposed Administration of Grant to the Kingdom of Bhutan for the Upgrading Schools and Integrated Disaster Education Project](#). Manila; ADB. 2006. [Grant Assistance Report: Proposed Administration of Grant to the Kingdom of Bhutan for the Rural Skills Development Project](#). Manila; and ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Kingdom of Bhutan for the Skills Training and Education Pathways Upgradation Project](#). Manila.

⁹ ADB. 2010. [Completion Report: Basic Skills Development Project in Bhutan](#). Manila; and ADB, Independent Evaluation Department. 2011. *Validation Report: Basic Skills Development Project in Bhutan*. Manila. The overall performance of the Basic Skills Development Project was rated *partly successful*, as some of the outputs were only partially achieved and the design of project management was fragmented.

¹⁰ ADB. 2014. [Technical Assistance to the Kingdom of Bhutan for Institutional Strengthening for Skills Development](#). Manila; and ADB. 2016. [Technical Assistance to the Kingdom of Bhutan for Supporting Skills Training and Education Pathways Upgradation Project](#). Manila.

survey firm. As the TA is scheduled to close on 15 December 2021, the government requested a similar TA support for processing new projects and continuing the assistance for implementation of STEPUP. Key lessons can be drawn from the current TA implementation. First, ADB TA can add value by developing new curricula and providing procurement support to purchase appropriate goods and equipment to deliver certified skills development courses in Bhutan. Second, it is important to share global practices and innovative approaches for skills development such as online courses available during the COVID-19 pandemic. The ADB TA can facilitate adoption of current and emerging technologies by connecting relevant stakeholders.

7. **Rationale for a transaction technical assistance facility.** The proposed transaction TA facility will support project preparation, capacity development, due diligence, and improved readiness for pipeline education and skills development projects over the period, 2021 to 2023 included in the country operations business plan,¹¹ as agreed with the government during the TA facility's timeframe. It will also support the MOLHR and Ministry of Education in the implementation of the ongoing STEPUP.¹² The TA facility is aligned with (i) ADB's Strategy 2030,¹³ (ii) TVET Blueprint 2016–2026 (footnote 6), (iii) TVET reform strategic plan, and (iv) Sustainable Development Goals (SDG), particularly with SDG 4 (ensure inclusive and equitable quality education and promote lifelong learning opportunities for all), SDG 8 (decent work and economic growth), and SDG 10 (reduced inequalities). The TA facility is included in the country operations business plan for Bhutan, 2021–2023, with the title, Preparing Transformative Approaches to Skills Development Project (TVET).

8. The TA facility will support strategic policy advisory and technical inputs on a range of education and skills development issues, strategy and operational plan development, feasibility study preparations including assessment of financial management and procurement systems, curriculum, pedagogy, evaluation, and competency standards, as well as economic and financial analysis. It will also develop the capacity of executing and implementing agencies by sharing international good practices and fostering innovation. In particular, the TA facility will bring international expertise not available in-country such as in: (i) designing curriculum on emerging skills areas; (ii) developing pedagogy for blended learning; (iii) strengthening TVET-industry linkages; and (iv) building the capacity of TVET instructors. The TA facility approach is suitable as it will enhance project preparation efficiency and project implementation readiness for two education and skills development projects in the Bhutan pipeline by: (i) allowing the same experts to be mobilized for similar due diligence activities; (ii) facilitating learning on project processing and implementation across different projects; (iii) improving knowledge transfer; and (iv) strengthening coordination and tapping synergies across various technical inputs and capacity building efforts. Overall, this TA facility will reduce transaction costs as compared to allocating resources for separate stand-alone transaction TA projects.

B. Outputs and Activities

9. **Output 1: Strengthened capacity to implement skills development reform.** This output will support the implementation of the government's TVET reform strategic plan through ongoing and future ADB-funded education and skills development projects. Building on the analyses conducted under the TVET strategic plan, the TA will help MOLHR prepare a TVET investment road map which will inform phased investment through ongoing and future ADB-

¹¹ ADB. 2020. [Country Operations Business Plan: Bhutan, 2021–2023](#). Manila.

¹² ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Kingdom of Bhutan for the Skills Training and Education Pathways Upgradation Project](#). Manila.

¹³ Strategy 2030 operational priorities: (i) addressing remaining poverty and reducing inequality, (ii) accelerating progress in gender equality, and (iii) strengthening governance and institutional capacity.

funded projects. The investment roadmap analyzes (i) the changing skills demanded by the industry; (ii) youth aspirations in terms of careers and skills; (iii) additional requirements such as instructors, cost, and time; and (iv) international best practices on TVET policies, governance, and business processes, including COVID-19 responses. Based upon investment roadmap, the implementation support aligned with TVET reform strategic plan is provided for ADB-funded projects by (i) exploring international partnerships for emerging skills development; (ii) supporting pathways among general education, TVET, and higher education; (iii) developing measures to support quality private training providers; and (iv) supporting monitoring and evaluation.

10. **Output 2: Improved project design for skills development project.** This output will support the preparation of new education and skills development projects for potential ADB financing. The scope of activities will include: (i) assessment of existing curricula, pedagogy, and evaluation; (ii) identification of new courses based on new technologies and emerging skills being demanded by industry; (iii) preparation of curricula and competency standards for these new courses; (iv) identification of training facilities and equipment to deliver upgraded or advanced courses; (v) exploration of innovative education and skills development practices relevant for Bhutan; (vi) development of design and monitoring frameworks for these projects; (vii) data collection and analysis related to economic and financial due diligence; (viii) analyses on gender equity and social inclusion; (ix) environmental and social safeguard assessment; and (x) due diligence on costing, financial management, procurement, and other institutional arrangements for executing and implementing agencies. This output will also support projects to achieve readiness through advance procurement activities, where required.

11. **Output 3: Enhanced project management capacity for producing skilled graduates.** This output will provide implementation support for the ongoing STEPUP which is expected to continue until April 2024, since the current transaction TA supporting the project is scheduled to close in December 2021. A survey firm will be recruited to conduct a tracer study and employer survey for assessing the achievements of STEPUP based on the design and monitoring framework indicators. The survey assessment results will also be used for setting baselines and informing policy discussions for future education and skills development projects such as Pathways for Emerging Skills and Jobs Project and Strengthening Institutional Capacity for Innovation and Digital Transformation Project. The individual consultants to be engaged will support STEPUP in facilitation and monitoring of (i) procurement, (ii) disbursement, (iii) timely submission of audited project financial statement, (iv) environmental and social safeguard measures, (v) gender action plan, (vi) student mentoring support, and (vii) international and national partnership.

C. Cost and Financing

12. The TA facility is estimated to cost \$550,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are listed in Appendix 1. The indicative consultants' input allocations by ongoing project (STEPUP) and pipeline projects (Pathways for Emerging Skills and Jobs Project and Strengthening Institutional Capacity for Innovation and Digital Transformation Project) are listed in Appendix 2. The government will provide \$50,000 counterpart support in the form of counterpart staff, office space, office supplies, coordination assistance, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

13. ADB will administer the TA and will undertake the selection, supervision, and evaluation of consultants. The executing and implementing agencies will provide counterpart support in the form of counterpart staff and other in-kind contributions. They will also provide available technical feasibility studies and designs, data and information access, liaison with stakeholders, and overall guidance in the implementation of the TA.

14. Implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	September 2021–March 2024		
Executing agency	Ministry of Labour and Human Resources and Ministry of Education		
Implementing agencies	Department of Technical Education and Department of School Education		
Consultants	To be selected and engaged by ADB		
	Firm: Consultants' qualification selection	Tracer study and employer survey	\$50,000
	Individual: individual selection	International (23.5 person-months) and national (26.0 person-months)	\$414,700
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

15. **Consulting services.** ADB will engage the consultants, including resource persons, following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁴

II. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of Bhutan for the Support to Skills Development Reform, and hereby reports this action to the Board.

¹⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	273.9
ii. National consultants	114.4
b. Out-of-pocket expenditures	
i. International and local travel	30.0
2. Surveys	50.0
3. Training, seminars, and conferences	
a. Facilitators	2.0
b. Venue rental and related facilities	4.0
4. Contingencies	25.7
Total	500.0

Note: The technical assistance (TA) is estimated to cost \$550,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, secretarial and coordination assistance, and other in-kind contributions. The value of the government contribution is estimated to account for 9% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Indicative Consultants' Input Allocation (person-month)

Item	Total	STEPUP low risk	PESJP low risk	SICIDTP low risk
1. FIRM				
1. Tracer study and employer survey (national)				
Team Leader – Quantitative Survey Expert	3.0	1.0	1.0	1.0
Supervisors	12.0	4.0	4.0	4.0
Enumerators	48.0	16.0	16.0	16.0
Information technology staff	3.0	1.0	1.0	1.0
Total	66.0	22.0	22.0	22.0
2. INDIVIDUAL				
1. International				
TVET strategy specialist	3.0	1.0	1.0	1.0
TVET instructor capacity development expert	3.0	1.0	1.0	1.0
TVET management expert	3.0	1.0	1.0	1.0
Architect	2.0	0.0	1.0	1.0
Curriculum development expert	2.0	0.0	1.0	1.0
Digital technology expert	1.5	0.0	1.0	0.5
Equipment expert	1.5	0.0	1.0	0.5
Labor economist	1.5	0.0	0.5	1.0
Environmental safeguards specialist	2.0	0.0	1.0	1.0
Procurement specialist	2.0	0.0	1.0	1.0
Pool of expert consultants	2.0	0.0	1.0	1.0
Total	23.5	3.0	10.5	10.0
2. National				
TVET project coordinator	3.0	0.0	1.5	1.5
Curriculum development expert	3.0	1.0	1.0	1.0
Mentoring and career guidance expert	3.0	1.0	1.0	1.0
Entrepreneurship development expert	3.0	0.0	2.0	1.0
Procurement specialist	2.0	0.0	1.0	1.0
Financial management specialist	2.0	0.0	1.0	1.0
Gender expert	3.0	1.0	1.0	1.0
Environmental safeguards specialist	2.0	0.0	1.0	1.0
Climate and disaster risk assessment expert	2.0	0.0	1.0	1.0
Pool of consultants	3.0	1.0	1.0	1.0
Total	26.0	4.0	11.5	10.5
Grand Total	115.5	29.0	44.0	42.5

PESJP = Pathways for Emerging Skills and Jobs Project, SICIDTP = Strengthening Institutional Capacity for Innovation and Digital Transformation Project, STEPUP = Skills Training and Education Pathways Upgradation Project, TVET = technical and vocational education and training.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54464-002-TARreport>

1. Terms of Reference for Consultants
2. Report and Recommendation of the President: Skills Training and Education Pathways Upgradation Project