



# Bhutan: Phuentsholing Township Development Project - Additional Financing

Project Name	Phuentsholing Township Development Project - Additional Financing		
Project Number	50165-003		
Country	Bhutan		
Project Status	Proposed		
Project Type / Modality of Assistance	Grant Loan		
Source of Funding / Amount	Grant: Phuentsholing Township Development Project - Additional Financing		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 10.00 million
	Loan: Phuentsholing Township Development Project - Additional Financing		
	concessional ordinary capital resources lending / Asian Development Fund		US\$ 18.50 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth		
Drivers of Change	Governance and capacity development Knowledge solutions		
Sector / Subsector	Water and other urban infrastructure and services - Other urban services - Urban flood protection - Urban sanitation - Urban sewerage - Urban solid waste management - Urban water supply		
Gender Equity and Mainstreaming	Some gender elements		
Description	<p>Bhutan's Eleventh Five Year Plan, 2014 -2018 identified Phuentsholing as a regional growth center that can be safely expanded through the construction of flood protection works and planned urbanization. Located on two major trade corridors developed under the South Asia Subregional Economic Cooperation framework, Phuentsholing handles over 80% of Bhutan's trade, and is the country's largest commercial and industrial hub and main trading gateway with India. Phuentsholing is also Bhutan's second most populous city, with 25,000 residents, and is anticipated to grow by 5% per year subject to land availability. Due to housing constraints in Phuentsholing, many Bhutanese people reside on the Indian side of the border in Jaigaon.</p> <p>Land scarcity is a key growth constraint for Phuentsholing, which is physically confined by steep and unstable Himalayan foothills, the Amochhu River, and international borders. The city is significantly exposed to precipitation- and earthquake-triggered landslides, which have a high mortality rate, and has also been significantly impacted by flood damage and riverbank erosion over the past 25 years. Flash floods triggered by monsoon rains are also occurring more frequently due to dense development, the loss of natural ground cover, and climate change. Since 2002, the Government of Bhutan has been working to mitigate Phuentsholing's land constraints and exposure to geophysical and flood hazards by constructing flood and erosion defenses along the left and right banks of the Amochhu River, and expanding the city away from the mountain slopes to areas of flat riparian land suitable for residential, commercial, institutional, and recreational uses.</p>		
Project Rationale and Linkage to Country/Regional Strategy	<p>In support of the government's vision, the Asian Development Bank (ADB) approved loan of \$28.74 million and a grant of \$24.26 million on 5 June 2018 for the Phuentsholing Township Development Project to develop about 66 ha of vacant riparian land immediately adjacent to the existing city along the left bank of the Amochhu River, based on the Amochhu Development Master Plan. The project is currently underway and is (i) constructing river walls and common urban infrastructure, (ii) raising land, (iii) installing a flood early warning system, (iv) implement a flood management plan, and (v) help the government prepare subsequent phases of development.</p> <p>The government has entrusted the project's development and operation to Druk Holding and Investments Limited (DHI), a fully government-owned enterprise responsible for Bhutan's strategic income-generating entities, and its subsidiary the Construction Development Corporation Limited (CDCL). Under this project, DHI and the CDCL are applying a new greenfield development and management modality by integrating the construction of river defenses, building plots, and common urban infrastructure, as well as establishing a ring-fenced corporate entity to deliver sustainable operation and maintenance (O&amp;M). The project will also build the capacity of both the new township office and Phuentsholing municipality to ensure that coordination and high service standards are achieved. The project is expected to provide opportunities for investment, create jobs, and relieve existing housing pressures. Integrated planning and infrastructure, and strengthening DHI institutionally will ensure the sustainability of investments in a climate- and disaster-resilient township. The project's commercial approach, support for investor outreach, and strong focus on O&amp;M will ensure the new township's financial and operational sustainability. Moreover, expanding the municipality's tax base will help it finance its own investments and operations.</p>		
Impact	Balanced and sustainable development of human settlements ensured (Eleventh Five Year Plan, 2014-2018) Smart growth principles applied in planning and development (Phuentsholing Structure Plan 2013-2028)		
Outcome	Phuentsholing's urban area protected from floods and expanded with improved amenities and services		
Outputs	Flood and erosion protection measures installed Municipal infrastructure constructed Township management systems installed		
Geographical Location	Phuentsholing		
Safeguard Categories			
Environment			C
Involuntary Resettlement			C
Indigenous Peoples			C
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	Advance contracting and retroactive financing of civil works and consulting services. Retroactive financing will be considered for eligible expenditures not exceeding 20% of the loan and grant amounts incurred prior to effectiveness, but not earlier than 12 months before the loan and grant agreements are signed.
Procurement	All procurement and recruitment of consultants to be financed by the ADB loan and grant will be carried out in accordance with the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The procurement capacity assessment concluded that the project's overall procurement risk is moderate. Procurement specialists will help the CDCL prepare and evaluate bids. Funds will be allocated under the project to provide procurement training to the implementing agency and local contractors. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and DHI and CDCL. The specific policy requirements and supplementary measures are described in the project administration manual.

Responsible ADB Officer	Marsh, Suzanne
Responsible ADB Department	South Asia Department
Responsible ADB Division	Environment, Natural Resources & Agriculture Division, SARD
Executing Agencies	Druk Holding and Investments Limited Thori Lam Upper Motithang Thimphu, Bhutan Ministry of Finance Royal Government of Bhutan Thimphu, Bhutan Attention: Director

Timetable	
Concept Clearance	04 Jun 2020
Fact Finding	04 Jun 2020 to 09 Jun 2020
MRM	28 Aug 2020
Approval	-
Last Review Mission	-
Last PDS Update	08 Jun 2020

Project Page	<a href="https://www.adb.org/projects/50165-003/main">https://www.adb.org/projects/50165-003/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=50165-003">http://www.adb.org/forms/request-information-form?subject=50165-003</a>
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