

The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font inside a black square.

Technical Assistance Report

Project Number: 51252-006
Knowledge and Support Technical Assistance (KSTA)
December 2021

Kingdom of Bhutan: Supporting Financial Sector Reforms

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 18 November 2021)

Currency unit	–	ngultrum (Nu)
Nu1.00	=	\$0.0135
\$1.00	=	Nu74.26

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
NPL	–	nonperforming loan
RMA	–	Royal Monetary Authority
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51252-006
Project Name	Supporting Financial Sector Reforms	Department/Division SARD/SAPF
Nature of Activity	Research and Development	Executing Agency Ministry of Finance
Modality	Regular	
Country	Bhutan	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Finance	Finance sector development	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
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing
✓ Strengthening governance and institutional capacity		Adaptation (\$ million) 0.03
		Mitigation (\$ million) 0.03
		Cofinancing
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 1.b		Effective gender mainstreaming (EGM) ✓
SDG 5.b		
SDG 8.10		
SDG 10.4		
SDG 13.a		
4. Risk Categorization Low		Poverty Targeting
		Household Targeting ✓
5. Safeguard Categorization Safeguard Policy Statement does not apply		
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		0.50
Knowledge and Support 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. INTRODUCTION

1. This knowledge and support technical assistance (TA) will help deliver financial sector reforms in Bhutan through assisting the Royal Monetary Authority (RMA) to (i) improve financial system stability which will result in strong financial institutions; (ii) equip RMA as the regulator of all financial institutions with skills to deliver focused risk-based supervision of the financial system which will help strengthen weak areas of the system; and (iii) guide financial institutions to offer better designed products to the public and increase inclusiveness through providing access and products.

2. The TA is closely aligned with the following operational priorities of Strategy 2030 of the Asian Development Bank (ADB):¹ (i) addressing remaining poverty and reducing inequalities, and (ii) strengthening governance and institutional capacity.² The TA builds on the experience and prior interventions of ADB such as the TA provided under Financial Market Development Program (Subprogram 2), where a nonperforming loan (NPL) resolution strategy was formulated for banks and nonbanks and the TA provided for Supporting Financial Stability in Bhutan and the Maldives in 2012-2015.³

II. ISSUES

3. **Institutional and regulatory framework.** The RMA is the regulator of all the financial institutions in Bhutan. The RMA used a compliance-based supervision approach until 2019, when it converted to a risk-based supervision approach (i) to ensure that it employs a structured process that identifies (a) the most critical risks faced by an individual financial institution (both banks and nonbanks), and (b) systemic risks in the financial system; and (ii) work towards gradual compliance with international market standards laid down by Basel III and relevant sections of the International Association of Insurance Supervisors (full compliance expected by calendar end 2023). The main challenges during the transitional period are (i) training, skill formation, and redeployment of RMA staff as required; and (ii) development of a robust risk-based supervision (RBS) system. This TA focuses on strengthening supervision by the RMA, managing systemic risk, and improving asset quality and financial inclusion covering all financial institutions.

4. **Banking industry.** Bhutan's finance sector comprises five banks. Total assets in the banking sector were about \$2.82 billion (74.39% of the total finance sector) as of September 2021.⁴ Capital adequacy ratio declined from 15.10% in December 2019 to 13.90% in December 2020 due to credit risk. NPLs, increased from 8.50% in December 2017 to 11.00% in December 2020. Banking industry's NPLs by sector in December 2020 consisted of trade and commerce (20.90%) and service and tourism (20.70%), production and manufacturing (16.06%) and housing (14.90%). Liquidity ratio is 31.70% (the required statutory ratio is 20.00%).

5. **Banking industry shortcomings.** The risk of concentration (housing and construction) is highly prevalent because of the narrow economy. Credit growth accelerated following the Indian rupee crisis-led credit decline in 2012. Moreover, high bank exposure in vulnerable sectors, particularly housing (27.4% in December 2020), can be a source of risk in the medium term

¹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific](#). Manila.

² The TA first appeared in the business opportunities section of ADB's website on 26 November 2021.

³ ADB. 2020. [Technical Assistance to the Kingdom of Bhutan for Strengthening the Financial Market Development Program](#). Manila; ADB. 2012. [Technical Assistance for Supporting Financial Stability in Bhutan and the Maldives](#). Manila; and ADB 2021. [Report and Recommendation of the President on Financial Market Development \(Subprogram 3\)](#).

⁴ Government of Bhutan, RMA. 2021. [Highlights on the Financial Sector Performance: September 2021](#). Thimphu.

because it may prompt the buildup of a real estate bubble. NPLs have risen along with high credit growth, which reflects credit underwriting weaknesses and delays in collateral enforcement. In addition, mismatches in assets and liabilities may be a source of vulnerability, when a larger portion of the deposit base is short term, seasonal, and volatile, while credit is usually long term. Bhutan is partially compliant with Basel II banking regulations. Capital adequacy is aligned with Basel III regulations, while the liquidity coverage ratio is only monitored and not enforced.

6. **Weakening asset quality and pressure on capital.** The coronavirus disease (COVID-19) pandemic exposed the underlying risks of the finance sector on NPLs, which were high because of high credit growth in the pre-pandemic period; credit increased at a 5-year compound annual growth rate of 20% from 2014 to 2019. This resulted in (i) lax credit underwriting, (ii) inadequate and insufficient verifiable valuations, and (iii) an inadequacy of internal risk management systems, which have not kept up with the pace of credit growth. During the pandemic, COVID-19 relief measures were introduced by the RMA to the financial sector in two phases: deferment of loan principal and interest payments, extension of repayment periods of project loans and concessional loans to the cottage and small industries sector and tourism sector, and a continuation of the same measures until the middle of 2022. The pressure on the performance of the banking industry resulting from the pandemic will continue over a protracted period. A further reduction in capital adequacy levels is anticipated. The nonbanking segment will be similarly challenged, with falling credit growth and rising NPLs. This will be aggravated by an increase in defaults on life insurance premiums caused by job losses, impacting insurance companies.

7. **Nonbanking segment.** Bhutan's nonbanking segment comprises two insurance companies, one reinsurance company, and the National Pension and Provident Fund. Total assets of the nonbanking sector were \$0.97 billion (25.62% of the total finance sector) as of September 2021 (footnote 4). The segment is thinly capitalized, with a total capital adequacy ratio of 10.14% in December 2020 (compared to 9.41% in December 2019), marginally above the regulatory requirement of 10.00%. Its liquidity ratio is at 16.40% (the regulatory ratio is 10.00%). Asset quality deteriorated from 6.03% in December 2017 to 22.15% in December 2020. The Royal Insurance Corporation of Bhutan and the Bhutan Development Bank contributed significantly to the overall NPLs of the finance sector (footnote 4). In 2020, the NPL ratio in the nonbanking sector improved mainly because of loan deferment programs under the COVID-19 pandemic monetary measures. However, nonbank NPL ratios increased in all sectors as of December 2020, with the service and tourism sectors sharing the highest at 43.21% followed by the trade and commerce sector at 16.92% and the housing sector at 10.63%.

8. **Nonperforming loan resolution measures.** The RMA has introduced a series of measures under a nonperforming loan (NPL) resolution framework to address the rising NPLs. These include (i) guidelines for managing NPLs with foreclosure, write-off, capital management, and asset transfers provisions; (ii) establishment of a high-level committee consisting of financial institutions (including the governor of the RMA) and chaired by the finance minister, with a mandate to study the NPL situation in depth and propose solutions; and (iii) loan deferment measures using a phased approach. Financial institutions (both banking and nonbanking) have recognized the importance of risk management, including the strengthening of the risk-based monitoring system and continuous capacity building.

9. **Potential Climate Risk.** ADB's Country Partnership Strategy for Bhutan, 2019–2023 identified climate risk across all three pillars of the CPS. Reforms to financial markets cut across the dynamic economic reforms, improved connectivity and greater inclusiveness covered under

the three pillars.⁵ Financial system stability and risk-based supervision will benefit from climate risk assessment on a preliminary basis that could be built upon later to mitigate climate risk.

10. **Inadequate financial inclusion.** Bhutan’s rural communities lack access to formal remittance services. Access to finance is still the biggest concern of private businesses and rural entrepreneurs in Bhutan. RMA launched the Priority Sector Lending Guidelines in 2017, along with amendments to the Credit Information Bureau Rules and Regulations.⁶ The Credit Information Bureau was established in September 2009.⁷ National Financial Inclusion Strategy (NFIS) of Bhutan defines financial inclusion as “the provision of appropriate financial products and services at an affordable cost by formal financial service providers that meet the needs of the unserved and underserved segments of Bhutan’s population.”⁸ National Financial Literacy Survey (NFLS) is a collaborative strategic initiative of the RMA to promote financial knowledge, confidence, and consumer protection to the people of Bhutan.⁹ The purpose of the Consumer Protection for Financial Services (CPFS) is to redress aggrieved consumers, promote fair trade practices, and empower and enhance consumer confidence in financial services.¹⁰ All need to be strengthened with effective reporting, enforcement of consumer protection with compensation frameworks, implementation support and monitored with supervision by RMA.

Table 1: Financial Inclusion information as of December 2020

Financial Inclusion Indicator	December 2020	Men	Women
Ratio of private sector credit to gross domestic product	67.9% (15.4% in 2005)		
Adults with a savings account	76.1%	52.7%	47.3%
Adults access to credit ^a	21.8%	57.2%	42.8%
Adults with life insurance	25.3%	59.6%	40.4%

^a Lending against collateral is still the norm despite the establishment of the credit information bureau.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The TA is aligned with the following impacts: (i) innovation and financial technology advanced; (ii) stability and integrity of the financial system maintained (Twelfth Five Year Plan, 2018–2023); and (iii) stable and inclusive economic recovery reinforced.¹¹ The TA will have the following outcome: capacity of the RMA for implementation of financial market reforms strengthened.¹²

B. Outputs, Methods, and Activities

12. **Output 1: Implementation of the insurance sector strategy strengthened.** The TA will support the RMA in the implementation of recommendations in the insurance sector strategy to achieve market reforms including capacity building and training on benefits. Toward this, the TA will support the inclusion of (i) the RMA’s annual monitoring and reporting of compliance of financial institutions, with the revised prudential regulations, (ii) enhancement of skills and

⁵ ADB. 2021. *Climate Change Country Profile: Bhutan*. Manila.

⁶ RMA. 2017. *Priority Sector Lending Guidelines: Towards Promotion of Cottage and Small Scale Industry*. Thimphu.

⁷ Government launched the National Credit Guarantee Scheme in October 2020.

⁸ Government of Bhutan, RMA. 2018. *National Financial Inclusion Strategy, 2018–2013*. Thimphu (p. 4).

⁹ Government of Bhutan, RMA. 2018. *National Financial Literacy Strategy, 2018–2023*. Thimphu.

¹⁰ Government of Bhutan, RMA. 2019. *Consumer Protection for Financial Services (CPFS) Rules and Regulations 2019*. Thimphu.

¹¹ Government of Bhutan. Gross National Happiness Commission. 2018. *Twelfth Five Year Plan, 2018–2023*. Thimphu.

¹² The preliminary design and monitoring framework is in Appendix 1.

knowledge on implementing the insurance sector strategy, and (iii) increased knowledge among members of the public on the benefits of insurance.

13. **Output 2: Implementation of short- to medium-term strategies on credit risk management and efficient recovery of assets in the financial system enhanced.** The TA will assist the RMA in improving credit underwriting and reduce risks of the financial system, which includes both banks and nonbanks. Specifically, the TA will (i) support the development of guidelines on collateral valuation for efficient recovery and management of NPLs; and (ii) build enhanced skills and knowledge on credit underwriting processes, credit risk management, and collateral valuation to at least 60% of participants from the public (of which 30% are women).

14. **Output 3: Risk-based supervision system for banks and nonbanks implemented.** This is a major development in financial sector reforms. The TA will support the RMA in the development of (i) criteria on specific supervision programs based on risk profiles of financial institutions; (ii) guidelines for corrective action and future monitoring ahead of a new supervision cycle; (iii) quarterly progress reports on cyber security measures adopted by commercial banks; (iv) enhancement of skills and knowledge of RMA officers on risk based supervision; (v) enhancement of supervisory skills of RMA on combating and preventing of money laundering, terrorist financing and stress testing; (vi) enhancement of skills of RMA management on International Financial Reporting Standards (IFRS 9); and (vii) enhancement of skills of RMA management on climate finance.

15. **Output 4: Coverage and delivery of insurance products and annual reporting on financial inclusion enhanced.** Insurance inclusion (nongovernment sponsored) is low in Bhutan relative to the region.¹³ The TA will (i) assist RMA to build a supervisory mechanism to effectively enforce the CPFS Rules and Regulations of 2019 with an added compensation framework and insurance products; (ii) assist RMA to produce the Annual report on the status of the implementation of the NFIS, and the NFLS, with trends in gender gap chapter aimed at accelerating financial inclusion for women; and (iii) recommend pricing and design of gender sensitive products to increase coverage of life insurance. TA outputs will be based on analytical studies of the financial system of the insurance sector, credit markets, overall financial risk, and financial inclusion, supplemented with surveys and capacity building. Capacity building will be through external resource persons using classroom teaching and workshops.

16. This TA brings an innovative approach to system-wide risk management. Continuous high NPLs since 2012 will be addressed through short- to medium-term strategies by developing the credit market ecosystem. Customized regulation to ensure financial institutions are supervised and monitored based on their contribution to the total risk of the financial system will be an efficient approach.

C. Cost and Financing

17. The TA is estimated to cost \$500,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are listed in Appendix 2. The government will provide counterpart support in the form of counterpart staff and other in-kind contributions.

¹³ The financial inclusion indicator on access to life insurance is 25.3% (female 10.2%). There is subsidized rural life insurance sponsored by the government which covers all the Bhutanese Not included in the indicator).

D. Implementation Arrangements

18. ADB will administer the TA and will select, supervise, and evaluate consultants. The government will provide counterpart support in the form of counterpart staff and other in-kind contributions. RMA as the IA will set up a team headed by a project director to coordinate activities with ADB. The government will also (i) provide available technical feasibility studies, data, and information access; (ii) facilitate meetings with stakeholders; and (iii) work with ADB during TA implementation to achieve TA outputs and outcomes within the agreed implementation period.

19. Implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2021–October 2023		
Executing agency	Ministry of Finance		
Implementing agency	RMA		
Consultants	To be selected and engaged by ADB		
	Firm: CQS	Insurance sector strengthening	\$165,000
	Firm: CQS	Credit risk management	\$99,000
	Firm: CQS	Risk-based supervision	\$105,600
	Individual Selection	1 international legal expert in consumer protection (2 person-months) 1 national legal expert (2 person-months)	\$44,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook (2020, as amended from time to time)</i> .		

ADB = Asian Development Bank, CQS = consultants' qualification selection, RMA = Royal Monetary Authority, TA = technical assistance.

Source: ADB.

20. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁴ Three firms and two individual consultants will undertake consultations and administer workshops and trainings under the TA.

IV. THE PRESIDENT'S DECISION

21. 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 Supporting Financial Sector Reforms, and hereby reports this action to the Board.

¹⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

DESIGN AND MONITORING FRAMEWORK

Impacts the TA is Aligned with			
Innovation and financial technology advanced Stability and integrity of the financial system maintained (Twelfth Five Year Plan, 2018–2023) ^a Stable and inclusive economic recovery reinforced			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Capacity of the RMA for implementation of financial sector reforms strengthened.	By 2023: a. At least one of the recommendations for financial sector reforms adopted. (2021 baseline: 0) (OP 6.1.2, OP 6.1.3)	RMA annual report on progress made in areas outlined under the four outputs	R: Occurrence of external financial and economic shocks may affect implementation of financial sector reforms A: The RMA has sufficient capacity to implement reforms
Outputs 1. Implementation of the insurance sector strategy supported.	By 2023: 1a. The RMA's annual supervision report for financial institutions, on compliance with the revised prudential regulations, published (2021 baseline: NA) (OP 6.1.4) 1b. At least 60% of participants, i.e., officials from the insurance sector (of which 30% are women), report enhanced skills and knowledge on implementing the insurance sector strategy ^b (2021 baseline: 0) (OP 2.3.1) 1c. At least 60% of participants from the public, i.e., customers of financial service providers who do not have insurance products (of which 30% are women), report increased knowledge on the benefits of insurance (2021 baseline: 0) (OP 2.3.1)	1a. TA progress reports, RMA's annual supervision report 1b–1c. Pre- and post-training survey/assessment of participants	A: COVID-19-related risks stay low to conduct surveys and seminars
2. Implementation of short- to medium-term strategies on credit risk management and efficient recovery of assets in the financial system supported.	By 2023: 2a. Guidelines on collateral valuation for efficient recovery and management of NPLs approved (2021 baseline: 0) (OP 6.1.2, OP 6.1.3) 2b. At least 60% of participants (of which 30% are women) report enhanced skills and knowledge on credit underwriting processes, credit risk management, and collateral valuation (2021 baseline: 0) (OP 2.3.1)	2a. Guidelines issued by the RMA 2b. Pre- and post-training/assessment survey	A: COVID-19-related risks stay low to conduct surveys and seminars
3. Risk-based supervision system for banks and nonbanks implemented.	By 2023: 3a. Financial institution-specific supervisory program based on risk profiles developed (2021 baseline: NA) (OP 6.1.2, OP 6.1.3)	3a. Confirmation in the RMA's annual supervision report	A: COVID-19-related risks stay low to conduct surveys and seminars

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	<p>3b. Guidelines for corrective action and future monitoring based on examination reports completed prior to new supervision cycles (2021 baseline: NA) (OP 6.1.2, OP 6.1.3)</p> <p>3c. Quarterly progress on cybersecurity measures reported to the RMA by commercial banks (2021 baseline: NA)</p> <p>3d. At least 60% of participants from the RMA and financial intermediary officers (of which 30% are women) report improved skills and knowledge on risk-based supervision, including combating and preventing money laundering and terrorist financing and stress testing (2021 baseline: 0) (OP 2.3.1)</p> <p>3e. At least 60% of participants, i.e., board members, senior management, and line management of financial institutions (of which 30% are women), report enhanced skills and knowledge on International Financial Reporting Standard 9 (2021 baseline: 0) (OP 2.3.1)</p> <p>3f. At least At least 60% of participants, i.e., board members, senior management, and line management of financial institutions (of which 30% are women), report awareness on climate finance (2021 baseline: 0) (OP 3.2.1)</p>	<p>3b–3c. the RMA's annual report</p> <p>3d–3f. Pre- and post-training/assessment survey</p>	
<p>4. Coverage and delivery of insurance products and annual reporting on financial inclusion enhanced.</p>	<p>By 2023:</p> <p>4a. A supervisory mechanism to effectively enforce the CPFS Rules and Regulations 2019 strengthened with a compensation framework created (2021 baseline: NA) (OP 6.1.2, OP 6.1.3)</p> <p>4b. Annual report on the status of the implementation of the National Financial Inclusion Strategy, 2018–2023 and the National Financial Literacy Strategy, 2018–2023 produced by the RMA with trends in gender gap chapter aimed at accelerating financial inclusion for women. (2021 baseline: NA) (OP 6.1.2, OP 6.1.3)</p> <p>4c. Recommendation on pricing and design of gender sensitive products to increase coverage of life insurance</p>	<p>4a–4c. RMA's annual report</p>	<p>A: COVID-19-related risks stay low to conduct physical surveillance of financial institutions</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	made (2021 baseline: 0) (OP 6.1.2, OP 6.1.3) ^c		
<p>Key Activities with Milestones</p> <p>1. Implementation of the insurance sector strategy strengthened</p> <p>1.1 Prepare report identifying gaps between current insurance and reinsurance rules and regulations issued by the RMA (Q2 2022)</p> <p>1.2 Prepare report on estimated regulatory impact assessments post resolution of identified gaps (Q4 2022)</p> <p>1.3 Approve rules and regulations of the insurance sector, including a revised investment criteria regulatory framework aligned with international best practices and standards of the International Association of Insurance Supervisors by the RMA (Q1 2023)</p> <p>1.4 Approve insurance anti-fraud policy and guidelines by the RMA (Q2 2023)</p> <p>1.5 Conduct training sessions for officials from the insurance sector on the sector strategy by the RMA (Q2 2023)</p> <p>1.6 Conduct training sessions for the public on the benefits of insurance by the RMA and insurance sector (Q3 2023)</p> <p>2. Implementation of short- to medium-term strategies on credit risk management and efficient recovery of assets in the financial system enhanced</p> <p>2.1 Issue guidelines on loan origination and monitoring with dedicated chapters on origination, monitoring, early warning signals, and workout units (Q4 2021)</p> <p>2.2 Implement guidelines in 2.1 (Q1 2022)</p> <p>2.3 Produce report on feasibility study to understand market needs, prices of external valuers, and requirements for setting up external institutions and/or qualified professionals for collateral valuations (Q2 2022)</p> <p>2.4 Produce detailed framework for collateral valuations in line with internationally accepted standards (Q4 2022)</p> <p>2.5 Conduct capacity building sessions through training of professionals in the finance sector (Q2 2023)</p> <p>3. Risk-based supervision system for banks and nonbanks implemented</p> <p>3.1 Prepare template to assess risk profile of the financial institution being supervised (Q1 2022)</p> <p>3.2 Approve guidelines for risk assessment like regulatory reports to the RMA from financial institutions, risk ratings, risk matrices, and stress tests (Q3 2022)</p> <p>3.3 Approve criteria for financial system risk assessment (Q4 2022)</p> <p>4. Coverage and delivery of insurance products and annual reporting on financial inclusion enhanced</p> <p>4.1 Conduct baseline survey on informal insurance and an insurance demand-side survey (Q2 2022).</p> <p>4.2 Conduct public awareness activities to educate consumers on their rights under the CPFIS Rules and Regulations conducted by the RMA and financial intermediaries (Q4 2022)</p> <p>TA Management Activities</p> <p>Hiring consultants, reporting, monitoring and evaluation (including primary data collection activities), and auditing</p> <p>Inputs</p> <p>ADB: \$500,000 (TASF 7)</p> <p>Note: The government will provide counterpart support in the form of counterpart staff, secretarial assistance, and other in-kind contributions.</p>			

A = assumption, ADB = Asian Development Bank, COVID-19 = coronavirus disease, NA = not applicable, NPL = nonperforming loan, OP = operational priority, Q = quarter, R = risk, RMA = Royal Monetary Authority, TA = technical assistance, TASF = Technical Assistance Special Fund.

^a Government of Bhutan. Gross National Happiness Commission. 2018. *Twelfth Five Year Plan, 2018–2023*. Thimphu.

^b The insurance sector in Bhutan comprises the Royal Insurance Corporation of Bhutan Limited and Bhutan Insurance Limited.

^c Gender sensitive or gender inclusive financial products holistically address the financial needs and constraints of women by providing them integrated access to savings, insurance as well as short- and long-term credit. More specifically, gender sensitive insurance is targeted at women's specific needs to help them to cope with life cycle events (such as childbirth, marriage or retirement) and losses due to health, disability, accidents, theft or disasters. One such product in existence is Ashi Nangsey life Insurance: https://www.ricb.bt/life_insurance.

Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3).

Source: ADB.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	404.80
ii. National consultants	8.80
b. Out-of-pocket expenditures	
i. International and local travel	64.00
2. Contingencies	22.40
Total	500.00

Note: The technical assistance (TA) is estimated to cost \$525,000, 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 and other in-kind contributions. The value of the government contribution is estimated to account for 4.76% of the total TA cost.

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

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51252-006-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities