

# ASIAN DEVELOPMENT BANK MEMBER FACT SHEET

## Bhutan: 2016 Approved Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
14.61	-	2.84	13.26	30.71

- = nil.

Note: Grants and technical assistance include ADB-administered cofinancing.

## Bhutan: Cumulative Lending, Grant, and Technical Assistance Approvals<sup>a, b, c</sup>

Sector	No.	Total Amount (\$ million) <sup>d</sup>	% <sup>d</sup>
Agriculture, Natural Resources, and Rural Development	27	23.25	2.93
Education	11	21.74	2.74
Energy	31	333.98	42.03
Finance	26	32.17	4.05
Health	2	10.15	1.28
Industry and Trade	14	31.87	4.01
Public Sector Management	31	84.05	10.58
Transport	30	179.44	22.58
Water and Other Urban Infrastructure and Services	13	57.92	7.29
Multisector	6	15.42	1.94
Information and Communication Technology	1	4.70	0.59
<b>Total</b>	<b>192</b>	<b>794.69</b>	<b>100.00</b>

<sup>a</sup> Grants and technical assistance include ADB-administered cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

<sup>c</sup> Using primary sector in reporting of approvals.

<sup>d</sup> Numbers may not sum precisely because of rounding.

## Bhutan: Cumulative Nonsovereign Financing by Product

No. of Transactions	Amount (\$ million)
Loans	-
Equity Investments	3.53
Guarantees	-
B Loans	-
<b>Total</b>	<b>3.53</b>

- = nil.

ADB helps expand economic opportunities in Bhutan by supporting infrastructure development, particularly in the energy, transport, water, and urban sectors; trade facilitation; and the development of the finance sector.

## BHUTAN

The Kingdom of Bhutan is a landlocked country that depends on the generation of hydropower to boost its economy. Hydropower contributes about a fifth of Bhutan's gross domestic product.

Bhutan is currently one of the fastest-growing economies in South Asia, and has recently made significant progress on poverty reduction. Growth averaged 7.6% over the past 3 decades, and poverty was cut roughly in half between 2007 and 2012. Yet despite solid growth and strong socioeconomic advances, the challenge remains for Bhutan to expand its economic base and make growth more inclusive, especially for unemployed youth and women. Developing a vibrant private sector is key to diversifying Bhutan's economy and creating a more balanced, broad-based, and job-creating growth.

Since 1982, the Asian Development Bank (ADB) has supported Bhutan through various programs, mainly in energy, transport, finance, and urban development. ADB has approved loans totaling \$498.81 million, grants of

\$222.4 million, and \$73.48 million in technical assistance for Bhutan.

Cumulative disbursements to Bhutan for lending and grants financed by ordinary capital resources, the Asian Development Fund (ADF), and other special funds amount to \$468.5 million.

### ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB support to Bhutan reflects a strong emphasis on green energy production, transport connectivity, and key urban infrastructure projects. ADB investments in Bhutan focus on projects that generate revenue, support inclusive growth, and promote environmental sustainability. In 2016, ADB approved a



loan and grant totaling \$19.61 million for the South Asia Subregional Economic Cooperation (SASEC) Transport, Trade Facilitation, and Logistics Project. The project promotes regional connectivity in the Phuentsholing area, with a direct road connecting the Samtse and Chhukha districts. By improving infrastructure and services at the border crossing points, it facilitates cross-border traffic and transit of goods and services, and enhances Bhutan's international trade and logistics capacity.

ADB approved additional financing of \$4 million for the Air Transport Connectivity Enhancement Project to further strengthen safety and security, and improve passenger convenience, at the Bumthang, Gelephu, and Yonphula domestic airports. This investment supports the Government of Bhutan's plan to develop a safe, reliable, and efficient air transport system. It enhances connectivity of urban and rural centers, and improves accessibility to less-developed regions of Bhutan.

In 2016, ADB also approved a road improvement project to enhance the mobility of residents in Thimphu, the country's capital, through road rehabilitation and construction of drainage and pedestrian infrastructure. The project will also improve safety and efficiency of the road network.

Preparatory work is under way for the Amochhu Land Development and Township Project, supported by an ADB technical assistance grant of \$500,000. This project will develop a modern township near the city of Phuentsholing, protect existing and new towns from floods and riverbank erosion, and construct urban infrastructure to allow phased urban expansion.

## NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector transactions in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$3.5 million in nonsovereign financing for two private sector transactions in Bhutan. Total outstanding balances and commitments of ADB's private sector transactions in the country as of 31 December 2016 was \$3 million, representing 0.03% of ADB's total nonsovereign portfolio.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. The TFP has done over 14,000 transactions supporting over \$26 billion in trade and over 9,300 small and medium-sized enterprises in Asia

and the Pacific since 2004. In 2016, the TFP supported \$3.1 billion in trade through over 2,080 transactions.

In Bhutan, the TFP works with one bank and has supported \$5.3 million in trade between six transactions. In addition to filling market gaps, the TFP's objective is to mobilize private sector capital/involvement in developing Asia. In Bhutan, 59% of the \$5 million in trade supported through the TFP was cofinanced by the private sector.

## COFINANCING

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. Additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's TFP.

From 1982 to the end of 2016, cumulative direct value-added (DVA) official cofinancing for Bhutan amounted to \$71.5 million for nine investment projects and \$21.9 million for 19 technical assistance projects. Cumulative DVA commercial

### Bhutan: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2008	100.0	2
2010	0.0	1
2014	50.0	2
2016	100.0	1
<b>Total</b>	<b>66.7</b>	<b>6</b>

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2016.

### Bhutan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2015–2016

No. of Ongoing Loans (as of 31 Dec 2016)	2015 (\$ million)		2016 (\$ million)	
	2015 (\$ million)	2016 (\$ million)	2015 (\$ million)	2016 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	1.71	79.13	0.46	9.53
Disbursements <sup>a</sup>	0.46	9.53	8	
No. of Ongoing Grants (as of 31 Dec 2016)	2015 (\$ million)		2016 (\$ million)	
Contract Awards/Commitments <sup>a,b</sup>	17.57	25.37	29.46	7.94
Disbursements <sup>a,c</sup>	29.46	7.94		
Actual Problem Projects (%) (as of 31 Dec 2016)				-

- = nil.

<sup>a</sup> Includes closed loans/grants that had contract awards or disbursements during the year.

<sup>b</sup> Excludes policy-based lending/grants.

<sup>c</sup> Includes only Asian Development Fund and other ADB special funds.

### Bhutan: Projects Cofinanced, 1 January 2012–31 December 2016

Cofinancing	No. of Projects	Amount (\$ million)
Projects <sup>a</sup>	2	58.87
Official loans	1	58.82
Commercial cofinancing	1	0.05
Technical Assistance Grants	10	14.90

<sup>a</sup> A project with more than one source of cofinancing is counted once.

### Bhutan: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2015		2016		Cumulative (as of 31 Dec 2016)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	22.87	0.21	0.27	0.00	230.12	0.15
Consulting Services	1.14	0.17	0.48	0.08	6.38	0.06
<b>Total Procurement</b>	<b>24.01</b>	<b>0.20</b>	<b>0.75</b>	<b>0.01</b>	<b>236.50</b>	<b>0.14</b>

0.00 = less than \$50,000.

### Top 5 Contractors/Suppliers from Bhutan Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2012–31 December 2016

Contractor/Supplier	Sector	Contract Amount (\$ million)
Gaseb Construction	ANR, TRA	5.08
Nima Construction & Jeongsan Construction Co. Ltd. (JV)	WUS	4.58
Rigsar Construction & Penjor Construction Pvt. Ltd. (JV)	TRA	2.97
Penjor Construction Pvt. Ltd.	TRA	1.32
Jabab Construction	WUS	0.78
Others		76.31
<b>Total</b>		<b>91.04</b>

ANR = agriculture, natural resources, and rural development; TRA = transport; WUS = water and other urban infrastructure and services.

### Top 5 Consultants from Bhutan Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2012–31 December 2016

Consultant	Sector	Contract Amount (\$ million)
SNV Netherlands Development Organisation	ENE, WUS	1.45
Tarayana Foundation	MUL	0.39
Bhutan Association of Women Entrepreneurs	MUL	0.30
Kyingkhor Consultancy Service	TRA	0.21
Sonam Consultancy (Bhutan) & Eco-Tourism & Conservation Society of Sikkim (JV)	TRA	0.13
Individual Consultants		1.38
Others		0.27
<b>Total</b>		<b>4.13</b>

ENE = energy, MUL = multisector, TRA = transport, WUS = water and other urban infrastructure and services.

cofinancing for Bhutan amounted to \$3.10 million for one investment project.

A summary of projects with cofinancing from 1 January 2012 to 31 December 2016 is available at [www.adb.org/countries/bhutan/cofinancing](http://www.adb.org/countries/bhutan/cofinancing)

## PARTNERSHIPS

ADB collaborates with multilateral and bilateral development partners in delivering assistance to Bhutan's priority sectors. The ADB Bhutan Resident Mission, established in 2014, plays a key role in coordinating aid efforts among the country's development stakeholders.

ADB continues to partner with the private sector in Bhutan. It helped establish the Better Business Council (BBC), which serves as a joint public-private body that monitors, evaluates, and proposes policy recommendations to improve Bhutan's business environment and support private sector development. In 2016, the government approved the establishment of the BBC secretariat under the Ministry of Economic Affairs.

Following the success of the Dagachhu hydropower project, ADB and the government, through the [Second Green Power Development Project](#), have partnered with several private companies to construct a run-of-the-river hydropower plant in central Bhutan.

Bhutan actively participates in regional cooperation programs, including the ADB-assisted SASEC program, as well as the [South Asian Association for](#)

[Regional Cooperation and the Bay of Bengal Initiative for Multi-sectoral, Technical, and Economic Cooperation](#).

## PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries; and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

### Share of ADB's Procurement Contracts

#### Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$11.09 billion in 2015 and \$11.42 billion in 2016. Cumulative procurement since 1966 was \$158.68 billion covering 206,915 contracts.

In Bhutan, 779 contracts worth \$230.12 million were awarded to contractors and suppliers since 1982.

#### Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$655.31 million in 2015 and \$612.46 million in 2016. Cumulative procurement since 1966 was \$11.26 billion covering 52,232 contracts.

In Bhutan, 153 contracts worth \$6.38 million were awarded to consultants since 1982.

## OPERATIONAL CHALLENGES

As a landlocked country with a widely dispersed population and insufficient road networks, Bhutan faces accessibility issues for both passenger and freight transport. Likewise, poor border-crossing infrastructure creates bottlenecks in trade and logistics flows from key trading partners such as India. Transport and road connectivity are key priorities under the government's Eleventh Five Year Plan, 2013–2018. These priorities are also reflected in the ADB [country partnership strategy, 2014–2018](#) for Bhutan.

While ADB has been supporting Bhutan in its pursuit of broad-based, inclusive, and job-creating growth, it has not been involved in any social projects for more than 7 years. In line with government objectives, ADB has now included education and health sector projects in the indicative pipeline for Bhutan in 2017–2019. To support regional cooperation, ADB has also included four SASEC projects in the indicative pipeline.

As Bhutan moves toward middle-income status, the need to develop its private sector has become more important in achieving sustainable, inclusive, and diversified growth. ADB has been supporting the development of private sector projects and public-private partnerships in hydropower, as well as nonenergy areas.

## FUTURE DIRECTIONS

Under the country partnership strategy, 2014–2018, ADB supports Bhutan's development goals through three strategic pillars: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration.

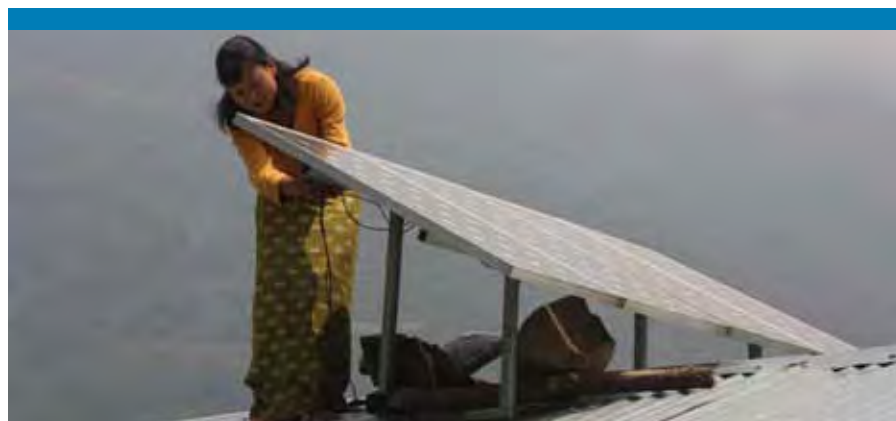
ADB will expand economic opportunities by continuing to support infrastructure development (particularly in the energy,

transport, water, and urban sectors), trade facilitation, and the development of the finance sector. To make growth more inclusive, ADB will help improve Bhutan's national and cross-border connectivity, infrastructure in regional growth centers, skills development, and agriculture.

ADB will continue to support initiatives in the key areas of private sector development, governance, and capacity development. Nonlending assistance

will focus on the country's agribusiness, energy, transport, and social services. Resource allocation will be determined in close consultation with the government, to maintain the relevance and effectiveness of ADB operations in Bhutan.

As an ADF Group A concessional assistance country, Bhutan remains eligible for concessional loans and grants from ADF resources.



## ABOUT BHUTAN AND ADB

### ADB Membership

Joined 1982

### Shareholding and Voting Power

Number of shares held:	660 (0.006% of total shares)
Votes:	40,267 (0.303% of total membership, 0.466% of total regional membership)
Overall capital subscription:	\$8.87 million
Paid-in capital subscription:	\$0.55 million

**Kshatrapati Shivaji** is the Director and **Mahbub Ahmed** is the Alternate Director representing Bhutan on the ADB Board of Directors.

**Kanokpan Lao-Araya** is the ADB Country Director for the Bhutan Resident Mission. The resident mission was opened in 2014 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Bhutan. The Bhutan government agency handling ADB affairs is the Ministry of Finance.

## ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2016, lending volume was \$16.35 billion (126 projects), with technical assistance at \$169.03 million (225 projects) and grant-financed projects at \$526.75 million (31 projects). In addition, \$14.06 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2012 to 31 December 2016, ADB's annual lending volume averaged \$13.74 billion. In addition, investment grants and technical assistance funded by ADB and special funds resources averaged \$562.24 million and \$154.91 million in technical assistance over the same period. As of 31 December 2016, the cumulative totals excluding cofinancing were \$247.28 billion in loans for 2,935 projects in 44 countries, \$7.75 billion in 296 grants, and \$4.06 billion in technical assistance grants, including regional technical assistance grants.

## CONTACTS

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

Annual Report  
[www.adb.org/documents/series/adb-annual-reports](http://www.adb.org/documents/series/adb-annual-reports)

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