



1. *CPSC Data*

Country: Bhutan

CPS Year: FY11

CPS Period: FY11 – FY14

CPSCR Review Period: FY11 – FY14

Date of this review: September 12, 2014

2. *Executive Summary*

i. This review examines the implementation of the FY11-FY14 Bhutan Country Partnership Strategy (CPS) of FY11 and the CPS Progress Report (CPSPR) of FY13, and assesses the CPS Completion Report (CPSCR). The CPS was aligned with the last three years of the government's 10th Five Year Plan (FYP) and the first year of the 11th FYP and was jointly implemented by IDA and IFC. The review covers the joint program of the two institutions, which consisted of four results clusters: Private Sector Development; Employment and Skills Development; Sustainable Urban-Rural Development; and Access to Quality Public Services.

ii. The WBG strategy was aligned with Bhutan's own development strategies and program; it was developed in close consultation with Bhutanese stakeholders and other development partners and was owned by the country authorities. Cluster 1 aimed to help improve the business policy and regulatory environment for private sector investment; leverage private participation in strategic infrastructure; promote financial inclusion and financial sector efficiency; and strengthen corporate governance of SOEs. The aim of Cluster 2 was to expand training options and employment opportunities for youth through skills competency curricula and skills training programs. Cluster 3 aimed to expand access to urban infrastructure; strengthen municipal finance and management; expand rural infrastructure and help improve rural livelihoods; increase share of beneficiaries with improved water and sanitation systems; strengthen institutional capacity for effective disaster management; and help formulate government policy and an action plan for disaster management. Cluster 4 focused on improving effectiveness and efficiency of public expenditures through improved budgeting and PEMS, strengthening public financial management and country procurement systems; establishing and implementing service delivery standards across sectors; creating strategic partnerships for diversifying and expanding higher education; strengthening quality assurance for higher education; and increasing awareness of issues and policy options in health and nutrition. Across its program, the Bank supported the two over-arching themes of improving governance and environmental sustainability.

iii. IEG rates the overall outcome of WBG support as Moderately Satisfactory. Under the first cluster aimed at improving the regulatory environment, time to start a business and for project approval was reduced sharply for priority sectors along with simplification of business licensing and an electronic inventory of licenses. However, other obstacles in the investment climate remained in place: Bhutan's overall ranking on ease of doing business fell back to 141 in 2014 from 126 in 2010. New licensing, public-private partnership, and financial inclusion policies were formulated but yet to be adopted. Access to credit was increased; a financial literacy campaign was carried out; payments, settlement, and clearing systems were modernized. But bank lending flowed to real estate and consumption rather than to productive investments, ending in a credit freeze and an increase in non-performing loans. In PPP, an IT Park was established, but the ICR for the PSD project which supported the IT Park noted that its viability and sustainability remained at risk. In the financial sector,

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IFC provided advisory services and training and made a large equity investment, but fell short in leveraging private sector participation and improving efficiency of, and access to, financial services. In Cluster 2, skills and training initiatives piloted approaches with the private sector relevant to industry needs and marked a significant beginning to reducing urban youth unemployment. However, these are preliminary results pending a deeper study of the labor market and disincentives to youth taking up training. In Cluster 3, urban works were delayed with variable achievement of targets; improved tax systems were introduced, but implementation of targeted revenues was yet to take place. Farm roads, irrigation, extension, sustainable land management and school expansion made a major contribution to reducing rural poverty, but improved beneficiary coverage could not be achieved as envisaged in community water supply and sanitation. In Cluster 4, public budgeting and monitoring systems were modernized, and service standards were established for public services, but these were yet to address the issues of equity and efficiency reflected in the analytic work in education, health, and nutrition. A national DRRM act was passed, national DRRM capacity was strengthened, and an action plan prepared for schools and hospitals; disaster management agencies still need stronger capacity to support local communities. Contributions in higher education were limited to a policy note in the absence of a project as envisaged; national awareness of issues and policy options in nutrition was raised through analytic work; implementation of follow-up policy actions is reported as since having begun.

iv. IEG rates IDA performance as *Good*. The CPS objectives were relevant and well-aligned to Bhutan's development priorities. Areas selected for intervention were relatively few and focused and the program started with a successful track-record in education and rural infrastructure. Financing and AAA were consistent, and other development partners' programs were considered. Knowledge services were of high quality and impact. IDA was flexible, committed to Bhutan's development, and demonstrated high responsiveness in budget support, extending closing dates, and providing additional financing. Attention to safeguard and fiduciary issues was generally good. However, there were limitations. Experience of delays because of weak technical and implementation capacity was not sufficiently reflected in design, which was ambitious in expectations and time-frame for private sector and urban development. The IFC program was taken into account, but misjudged in the scope and likely effectiveness of its support over the medium-term. The trade-off between risk and development impact was not fully appreciated in the constraints imposed by Bhutan's macroeconomic fragility on economic growth, prevailing incentives for commercial bank lending, and hence on private sector development in the medium-term. Risk mitigation was envisaged for volatility, which nevertheless led to acute and disruptive rupee shortages. The results framework needed strengthening in the type and choice of indicators and gave weight to process and outputs.

v. IEG rates IFC performance as *Fair*. Even for business license improvement, where IFC has been most successful, although three licensing procedures were reformed, the framework policy to reform current stock and new licenses has not yet been adopted by the Government. The main reason for IFC's performance seems to have been a lack of realism in assessing Bhutan's development constraints. Although an IFC investee bank has not been able to meet the operational and financial targets, IFC has fulfilled an important signaling role in providing long-term capital to a systemically important bank in Bhutan, through the largest FDI so far in Bhutan's history.

vi. The CPSCR highlights as lessons the importance of budget support for dialogue and reform, need for realism in the results framework, capacity building, careful choice between lending/AAA, follow-up after completed projects, and building on the Bank's comparative advantage in Bhutan's transition. IEG agrees and notes that program results would be improved by clarity on hydropower construction effects in the medium-term and analysis of the financial sector's structural constraints.



3. *WBG Strategy Summary*

Overview of CPS Relevance:

Country Context:

1. Bhutan achieved remarkable political and social transformation in recent years, but remains subject to major economic vulnerability. After establishment of a constitutional monarchy with a two-party democracy in 2007/8, there was an orderly transfer of power to the opposition party following elections in 2013. Bhutan managed revenues from hydropower exports, grants and external borrowing to grow at 7.6 percent p.a. in 1980-2010 and made the transition to lower middle income status with a per capita income of \$2430 by 2012. Poverty was slashed by nearly one-half from 23 percent in 2007 to 12 percent in 2012, with a deeper reduction for the poorest; extreme poverty was virtually eliminated within the living memory of a single generation. Many MDG targets have been achieved well in advance and progress on others is on track, although Bhutan continues to suffer widespread stunting of children and anemia. Economic growth was volatile during the CPS period with increased public current and capital expenditures, rapid expansion of money supply, and surging bank credit to real estate and consumption. Growth fell to 4.6 percent in 2012 before recovering in 2013-14. Inflation accelerated during the CPS period putting pressure on public sector wages. The external debt/GDP ratio soared from 66.6 percent in 2009/10 to 102.4 percent in 2012/13, driven in large part by borrowing for hydro power projects. During the CAS period, Bhutan confronted recovery from earthquake and cyclone disasters, and possible effects of climate change such as drying up of streams and movement of watercourses, changing rainfall and temperature patterns, and spread of crop pests and diseases. Bhutan is particularly exposed to global climate change through the melting of Himalayan glaciers because of its dependence on hydropower.

2. Bhutan's drive to balance economic growth with good governance, environmental, social, and cultural conservation and stewardship is captured in its paradigm of Gross National Happiness (GNH) elaborated since the 1970s. Within this framework, the 10th and 11th FYPs, the Bhutan 2020 Vision, and the Economic Development Policy (EDP) articulated development strategy and objectives during the CPS period. Its main goals are employment generation, diversifying the economic base, promoting entrepreneurship and boosting GDP growth, raising economic self-reliance, and increasing merchandise exports in the period up to 2020. The GNH Commission, which oversees FYP preparation, has identified Key Results Areas including average annual GDP growth at 9-10 percent over the 11th FYP, improving public service delivery, food security, cutting youth unemployment and poverty.

3. The CPS sought to contribute to the FYP (and EDP) and was framed around two areas of engagement and two cross-cutting themes:

- **Economic Diversification, Job Creation and Financial Inclusion.** This area of engagement comprised Private Sector Development (PSD) and Employment and Skills Development. PSD was encouraged through support for creating an improved environment for private sector investment; leveraging private participation in strategic infrastructure; improving efficiency of, and access to, financial services; and strengthening corporate governance of SOEs. Employment and Skills Development were pursued through diversifying learning options to meet skills demand and enhance employability by increasing access to, and choice of, learning options; and increasing private sector participation in skills development.
- **Spatial Planning and Public Services** comprised Integrated Sustainable Urban-Rural Development and Access to Quality Public Services. Integrated Sustainable Urban-Rural Development included support for improving urban living standards through increased access to quality services; increasing opportunities for farm and non-farm employment and income generation; and decreasing loss of life and assets through developing local institutional



capacity for disaster preparedness and adaptation to climate change. Access to Quality Public Services included support for improved access to, and quality of, social services through evidence-based resource allocation and management; and an expanded and diversified system of higher education.

- **Capacity Building for Good Governance and Environmental Sustainability** were the two themes cutting across the areas of engagement.

Relevance of the WBG Strategy:

4. **Congruence with Country Context and Country Program.** The WBG strategy was aligned with Bhutan's own development strategies and program; it was developed in close consultation with Bhutanese stakeholders and other development partners and was owned by the country authorities. When difficulties ensued in implementation, government stepped in to provide additional support, as through subsidizing international connectivity for ICT. Government bilateral relationships with partners through aid, trade and investment agreements (India, Bangladesh, and Thailand) supported the same strategic goals. The WBG strategy reflected evolving government priorities and changing expectations: IDA's Remote Rural Communities Project did not include some of the expected CPS outcomes because of changes in government priorities. By specialization among development partners, the WBG was not involved in the power sector or hydro-power projects traditionally area for concentration of the ADB and India.

5. **Relevance of Design.** WBG interventions were designed to contribute to the CPS objectives and to country development goals, but were ambitious in expectations and time-frame given implementation and contextual constraints. Overall, the areas of the CPS engagement were appropriate, and interventions by IDA and IFC, as well as all instruments were focused on country objectives and development goals and complemented each other well. The choice of instruments reflected government preferences as authorities requested budget support with a split of 60/40 between budget support and investment projects. Apart from these DPCs, and the Private Sector Development Project which broke new ground, the IDA program continued to be focused in the Bank's traditional niche of infrastructure (schools, rural roads and irrigation, urban sites and services) where there had been a build-up of country knowledge, credibility, and demonstrated contributions to institution building, transfer of knowledge, and poverty reduction. The Bank's ESW and lending were well-coordinated with, and benefited from, activities of development partners such as DANIDA, the UN, FAO, and the ADB (which supported a hydropower PPP with a Tata company). Relevant to the objectives addressed, the IFC program correctly identified key challenges such as business licensing, attracting private investments, and availability of credit to support the local private sector. However, when designing the interventions such as the PPPs and facilitating access to credit, IFC appears to have underestimated the constraints within the country.

6. **Strength of the Results Framework.** The Results Framework was deficient and needed strengthening, as pointed out by the CPSCR, to capture contributions to national goals and for greater coherence. It had 18 different outcomes, significantly more than in the previous CPS (11). Several results were for outputs or steps in longer-term processes, with outcomes in the nature of actions rather than consequences relevant to the national goals. Monitoring overall progress only by the milestones established would not provide understanding of the contribution to development objectives, without further information which was not provided. Some indicators were of variable quality: For instance, data monitored showed strong increase in transaction volumes and the ratio of credit to GDP was chosen as an indicator although it did not reflect a strong or well-functioning financial sector; but the issue was of credit for productive new business activities rather than real estate or personal consumption because of depressed real interest rates and accommodating monetary policy. However, some outcomes were tracked and effectively used to flag government attention; this was most effective in relation to widespread stunting and anemia as highlighted by the nutrition study. Outcomes dropped in the Results Framework at the time of the CPSCR covered rural skills



development, increase in markets for agricultural products, community level disaster preparedness and increased access to tertiary education.

7. **Risk Identification and Mitigation.** The CPS correctly identified program risks related to constraints of technical and managerial capacity; however, despite previous experience the Results Framework did not adequately account for the capacity risks in specifying output indicators in urban infrastructure, municipal systems, and water supply and sanitation. The CPS identified as a risk ambiguities in defining issues and implementation agenda in the social sectors as the needed analytical work had not yet been carried out. This risk was well managed and mitigated as the Bank carried out high-quality analyses in the social sectors and helped influence the government's agenda in the 11th FYP. The CPS also discussed country risks in the form of external shocks which could adversely affect the macroeconomic framework, and foresaw mitigation through a sound medium-term fiscal framework with monitoring and coordination under budget support operations. With hindsight, the mitigation was inadequate to head off the risk. A financial sector assessment was added to the program for FY14, so the experience provided useful learning for both the country and the Bank. Meanwhile, Bank budget financing was helpful at a time when the government converted \$200 million of convertible currency reserves into Indian rupees to address the rupee shortage. A risk which was not mentioned, but which is indicated by the ICR for the Private Sector Development Project is reputational: The IT Park, which has considerable demonstration value as the first PPP in the country and was supported under the project, was seen (as reported by the ICR) as a white elephant by the public because of delays in its implementation. It only reached 25 percent occupancy and its viability needs to be established given its signaling value for the flagship national goal of developing an ICT cluster.

Overview of CPS Implementation:

Lending and Investments:

8. At the start of the CPS period IDA had a portfolio of nine projects in Bhutan with net commitments of \$84.5 million as of August 2010, with approximately \$48.6 million disbursed at end-FY10. The CPS covered the final year of the IDA 15 cycle (FY11) and the entire three-year IDA 16 cycle (FY12/13/14). Bhutan's indicative envelope for FY11-14 was set at approximately \$78 million, of which approximately \$52.5 million was expected to be allocated under IDA 16 through a mix of two budget support operations (\$44.75 million) and four investment projects (\$33.2 million). Actual program delivery comprised \$89.4 million of which \$60.75 million under two DPCs and \$28.65 million through two projects (Strengthening Regional Cooperation for Wildlife Protection in Asia; Remote Rural Communities Development) as well as Additional Financing for the Second Urban Development Project. The main difference with the previous CPS period (FY06-09) was tripling of lending for budget support. Such an increase was appropriate in the macroeconomic situation of Bhutan at the time, and represented flexibility and responsiveness on the part of IDA. Sectoral distribution of lending provided continuity between the two CPS periods in Renewable National Resources (RNR) and urban development. IDA terminated its involvement in financing the education and health sectors. To meet the rapid increase in prices of food items, Bhutan received support from the Multilateral Donor Food Price Crisis Response Trust Fund (FCRP) as part of the Global Food Crisis Response Program (GFRP) for \$5 million of Additional Financing under the on-going Decentralized Rural Development Project in FY11. Other trust fund resources were used to support CPS goals and comprised: Improving Statistical Capacity (FY11, \$0.3 million); Improving Resilience to Seismic Risk (FY13, \$1.3 million); and Sustainable Financing for Biodiversity Conservation (FY13, \$4.1 million).

9. IDA's project portfolio in Bhutan shrank from eight operations in FY10 to three in FY14. The disbursement ratio has been about 38 percent since FY11, well above the average of about 17 percent for the South Asia Region. No project is classified as a problem or as being at risk in the current small portfolio. Five projects were closed during the CPS period and also the DPC 1 and 2 credits. The DPCs were disbursed against prior actions, which were confirmed as *satisfactory* prior to

their approval. The DPCs supported actions under all the four CPS clusters. DPC I supported approval of the EDP, new banking and insurance licenses, and establishment and expansion of the Credit Information Bureau. DPC 2 supported revised FDI rules and regulations and stronger occupational health and safety for improved employment and working conditions; roads legislation for improved road planning and maintenance; adoption of a new municipal finance policy; strengthening accounting and auditing standards and country procurement systems and procedures; and a new disaster management act. Three ICRs were reviewed by IEG, all for projects which exited the portfolio in FY11. By amount almost 90 percent were rated *satisfactory* and by project count one-third.

10. Three IFC investment projects were in operation at inception of the review period, for US\$11.5 million of net commitment. During the review period, IFC committed another US\$28.9 million in equity of a key bank to increase the level of access to finance in this small frontier market with an underdeveloped commercial banking sector. IEG has not evaluated any of the IFC investments yet. Based on IFC documents, the investments in the hotel and Bank have not fared well. The loan to the hotel has been rescheduled after a change in ownership, which may now lead to improvement in its operation.

Analytic and Advisory Activities and Services

11. CPS plan and delivery were consistent in comprising a more substantial role for the Bank in “knowledge” activities as a trusted and influential partner compared to the previous CPS period. Many of the activities were closely linked to private sector development, governance, ICT, and employment creation. This combination of ESW and NLTA was supportive of DPC reforms and the Private Sector Development Project. A second area of AAA focus comprised poverty and social aspects: human development public expenditures, improving statistical capacity, poverty mapping and poverty assessment, gender policy, social development and cultural policy, nutrition and gap analysis, PSIA of the Bhutan Heritage Sites Act. A third area of non-lending services comprised institutional strengthening for environmental safeguards and disaster risk and recovery, contributing to national systems, legal framework, and enhanced capacity. Dissemination was particularly strong on HD and poverty themes. Finally, as part of due diligence the Bank carried out two Joint Debt Sustainability Assessments (FY12 and 14) with the IMF, and also provided technical assistance for debt management, strengthening the pension system, and a Financial Sector Assessment (FY14).

12. There were no IFC advisory projects approved before the CPS period and implemented during the CPS period. During the CPS period, IFC implemented five advisory services projects amounting to over US\$2.1 million of IFC managed funds. Of these, the PPP related to the Urban Transport System has closed unsuccessfully, but two, addressing licensing and PPP for Thimpu Parking, are being implemented successfully. The other two, TA to Bhutan National Bank and Bhutan Doing Business, are too new to evaluate.

Partnerships and Development Partner Coordination

13. Bhutan is still classified as a least developed country, and received ODA from a number of development partners in the CPS period. Of these, the largest net disbursements were from Japan (\$117 million), the Asian Development Bank Special Funds (\$86 million), and IDA (\$78 million). During the FY11-14 period, coordination of development partners was strengthened by establishing World Bank and IFC representation in-country. Coordination was arranged through the UN country coordination system. The WBG contributed to joint efforts in lending and non-lending services, as with the UNDP and Danish aid in poverty mapping and piloting the LGSF construction technology for schools. The government’s 2020 vision and EDP were developed with UNDP and IDA support and provided an organizing framework together with the 10th and 11th FYP for international development partners. Sustainable land management, developed through a project financed by a GEF grant, was mainstreamed in the IFAD/RGOB financed Market Access Growth Intensification Project, the EU/RGOB Accelerated Bhutan Socioeconomic Development Project, and the IDA-financed Remote Rural Communities Development Project, and received from the DANIDA and UNDP small grants program.



Performance-based maintenance of the road network was launched through the ADB financed program.

Safeguards and Fiduciary Issues

14. There were no safeguards or fiduciary complaints during the CPS period. On the contrary, country systems were assessed and piloted successfully for environmental safeguards under the Second Rural Access Project and used again in the Second Urban Development Project. As a result of its experience, the government committed itself to using Environmentally Friendly Road Construction (EFRC) on all roads projects no matter the source of financing. With support from an IDF grant, the legislation and regulatory tools for effective management of environmental impacts were strengthened and capacity was improved for management of environmental projects. New provisions were introduced for improved public participation in the environmental assessment process. The CPS program provided for continuous strengthening of country financial management and procurement systems with a view to their eventual adoption for Bank projects as part of program objectives.

Overview of Achievement by Cluster:

15. Cluster 1: Private sector development. This cluster was aligned to the country goal of developing a clean manufacturing base, a knowledge society with ICT as a central plank, and a thriving hospitality industry. There were four outcome indicators:

(i) Improved framework of policies, procedures, and processes resulting in more efficient business start-up, licensing, and approval for foreign and domestic investment with selected milestones such as number of days to start a business and increase in number of FDI project approvals.

Time to start a business and for project approvals was reduced; it took 32 days in 2014 (almost at the target of 30 days) to start a business as against 46 days in 2010. 32 new FDI projects (above the target of 25) were approved by 2014 against 20 in 2009. There is no information on the importance of the new approvals for the economy or their likely impact in increasing the share of the private sector, except that the largest FDI investment, IFC's equity position in Bank of Bhutan, has performed below expectations. The 2014 DBA ranks Bhutan 86 (out of 189 countries) in ease of starting a business; but Bhutan's overall ranking in ease of doing business deteriorated from 126 in 2010 to 141 in 2014. The objective of an improved framework of policies, procedures for PSD was inadequately captured by the selected indicators; there was partial improvement with major constraints still in place and overall deterioration for the private sector's relative ease of doing business. This outcome is rated as Partially Achieved.

(ii) Increased number of public-private partnerships

Two PPPs had been implemented by 2014 against the target of three: the IT Park under the IDA PSD Project, and the IFC supported Thimphu Parking Project. The new PPP policy has been drafted, but has not yet been adopted after change of government. IFC's objective of leveraging private sector investment was not realized as expected. This outcome is rated as Partially Achieved.

(iii) Financial Inclusion Policy (FIP) implemented

A new Financial Inclusion Policy was drafted, but has yet to be endorsed and adopted by the new government. Financial sector infrastructure was modernized, and financial literacy was promoted, but credit flowed to housing and consumption, ending in a credit freeze. The financial sector's support for productive private investment was not strengthened, and overall sector structural weakness was not identified or addressed. This objective is rated as Partially Achieved.

(iv) Improved corporate governance for SOEs as measured by the number of SOEs implementing the new Corporate Governance Framework



Six SOEs (against the target of five) were implementing the new Corporate Governance Codes, with the other 11 to follow suit in the next two years. Training of SOE directors is ahead of target (65 against 33) and all Corporate Governance codes and documents have been prepared and dissemination has been carried out. This outcome is rated as Achieved.

16. Cluster 2: Employment and skills development. This cluster was aligned to the national goal of employment generation to respond to concerns over rising urban unemployment with surging migration, especially of young males, from the countryside to cities. It was also aligned to private sector development, to create skills for economic diversification in manufacturing, IT, tourism and other services. There were two outcome indicators:

(i) Competency-based curricula in place as measured by the number of new or revised learning offerings

The target of ten new/revised learning offerings by 2014 against the baseline of five in 2010 was met. Six private training institutes were selected competitively; five partnerships with the private sector were established; six new learning offerings (arts and crafts, bakery, beauty care, culinary arts, commercial cooking, and textiles) were made available to youth. Three new courses (academic, analytic, entrepreneurship) were launched at the Royal University of Bhutan, and training capacity was modernized through videoconferencing and virtual learning. The skills are relevant for service industries and to generate youth employment opportunities. Skills levels are still a constraint for development of the IT sector (a national priority) by the PSD project ICR. This outcome is rated as Mostly Achieved.

(ii) Increased number of graduates trained through public-private partnerships (e.g., in tourism, ICT, nursing).

Training of an increased number of youth was carried out by private employers who provided part of the training costs with matching grants financed by the PSD Project, and customized skills to meet industry needs. In all, 1,372 secondary and tertiary graduates were trained, and 1,015 new IT/ITES jobs were generated for Bhutanese graduates (above the PSD project targets) representing 59 percent of unemployed youth in urban areas in 2012 or 29 percent of total unemployed youth in the country). Local training capacity in IT was established consistent with international industry standards. Almost 200 Bhutanese graduates were employed outside Bhutan by industry giants through the Industry Linkage Training and Employment Programs. This outcome is rated as Achieved; however, the PSD project ICR notes some concern on the reliability of the unemployment statistics. A deeper understanding of labor market constraints and disincentives for youth employment and training is still to be developed.

17. IFC did not have a program toward achieving the objective. IFC's potential investments in education, indicated in the CPS and the CPSPR, were only tentative and the program has not been rated towards this objective.

18. Cluster 3: Integrated Sustainable Urban-Rural Development. There were seven outcomes under the cluster:

(i) Increased access to roads, water supply, and sewerage in selected Thimphu Local Area Plans (LAPs).

Achievement of LAP targets on roads, water and sewerage in the capital was delayed; targets were lowered during implementation but still were ambitious in light of issues in procurement, inadequate contract management, labor shortages and supervision. Although 300 serviced plots were completed (compared with a target of 200), only 6.3 km of roads were built (target: 12.5 km) and 100 households received access to piped water and sanitation (revised target: 150). This outcome is rated as Mostly Achieved.



(ii) Improved management of municipal services and finance as indicated by: (a) the increased collection of property taxes as measured by the percentage of the total due to be collected; and (b) increased cost recovery for municipal services as measured by charges/costs received as a proportion of total costs incurred in the provision of municipal services.

The draft Municipal Finance Policy was approved in July 2012; improvement of systems and processes is at various stages of implementation, e.g. 6000 tax and non-tax records have been digitized, property tax records are almost completely computerized and technical staff have been trained in municipal finance; work on improving revenue administration through guidelines and manuals and to re-engineer tax collection procedures is set to commence. Targets for property tax collection (70 percent) and municipal services cost recovery (60 percent) were not achieved and would only be relevant once on-going steps are completed. This outcome is rated as Partially Achieved.

(iii) Improved access to markets through: (a) the establishment of community groups for road maintenance as measured by the number of community groups, and (b) the construction of new farm roads as measured by the number of km of new roads.

Although the establishment of community groups for road maintenance was not monitored (this milestone was Not Achieved), about 96 km of farm roads were constructed and another 43 km were improved; 100 percent of target feeder roads were constructed (67 km) or improved to all-season standards (23 km). Over 8,270 households are estimated to have benefited from improved infrastructure and over 8,700 households from extension services which helped increase production of food staples such as rice, maize and potatoes. 78 percent of targeted rural communities are reported to have benefited from such Bank-supported infrastructure and extension, with an average reduction in travel time of 50 percent from three to one and a half hours. Evidence from the Poverty Assessment indicates a substantial contribution of WBG-supported farm roads and irrigation, sustainable land management and education projects to Bhutan's poverty reduction, much of which occurred in rural areas. Poverty was cut by more than half between 2007 and 2012 helped by increasing agricultural trade because of better access to markets through road construction. Road density increased dramatically across all districts with a noticeable pro-poor bias. Crop productivity/ha rose at 8 percent annually in 2006-11 helped by sustainable land management, irrigation and farm roads. Primary and secondary schools constructed across the country provided substantially increased access to education through expanded enrollments and completion rates for better life opportunities; IT education was introduced in all secondary schools. The outcome of improved access to markets is rated as Mostly Achieved.

(iv) Share of beneficiaries with access increased to critical community infrastructure as measured by improved source of drinking water and sanitation

Community needs for drinking water and sanitation services are yet to be assessed prior to participatory implementation; no increase in access has been achieved. This outcome was Not Achieved.

(v) Increased capacity of government ministries for disaster management;

Disaster planning and response capacity at national level was improved including for seismic engineering and risk assessment. This outcome is rated as Mostly Achieved, subject to further strengthening, of capacity of disaster management agencies to work with local communities, which is still needed.

(vi) Improved institutional set-up for implementing disaster management through developing guidelines and sensitization

Guidelines were prepared and sensitization was carried out to help implement the new disaster



management law. The milestone selected does not measure results on the ground but only reports outputs. This outcome is rated as Achieved.

(vii) Finalized and approved national action plans for disaster management in schools and hospitals.

National action plans were finalized for schools and hospitals. This outcome is rated as Achieved.

19. According to the CPSPR, IFC was exploring several PPP operations to make urban transport more efficient. IFC was also considering support for PPP options for urban solid waste management, a dry port at the Indo-Bhutan border and a combined inter-city and intra-city bus terminal. Lastly, IFC was seeking opportunities to support agribusiness and other rural bankable projects that may enhance the country's exports. However, at the end of the CPS review period, IFC did not have a program toward achieving the above objective (with activity in one PPP being more related more to Results Cluster 1 than this one).

20. Cluster 4: Access to Quality Public Services. Five outcomes were comprised in this results cluster:

(i) Improved allocation of resources in the social sectors as evidenced by the development of Multi-Year Rolling Budgets (MYRB)

MYRB and Public Expenditure Management Systems have been rolled out in all spending agencies. Major evidence for decision making was provided by the Human Development Public Expenditures Review, the study of National Health Accounts, the costing of health services, GIS based analysis of health infrastructure and indicators, and poverty mapping. These analyses and the Nutrition Assessment and Gap Analysis point to significant gaps in effectiveness and equity in health and education expenditures still requiring actions to build on systems improvements. Such actions are incipient, indicating that results on the ground in the form of improved allocations of social expenditures are still to be realized to address issues of equity and efficiency. This outcome is rated as Mostly Achieved, subject to the actual use of MYRB for addressing these issues.

(ii) Service delivery standards and criteria in place as evidenced by annual reporting to the National Assembly

Service delivery standards have been established for all ministries, twelve autonomous agencies, and twenty districts for priority services. This outcome was Achieved.

(iii) Identification of strategic partnerships with external tertiary education institutions

Strategic partnerships were not identified as envisaged in higher education as the project originally planned was not prepared; AAA alone was insufficient to pursue the outcome, although a note on higher education provided policy options to the government. This outcome was Not Achieved.

(iv) Quality assurance system established in the Royal University of Bhutan as measured by the number of programs and degrees covered

The government prepared a framework for Quality Assurance and Accreditation based on the higher education policy note. There is no further indication of eventual actions despite their importance for responding to private sector concerns over quality of education as a constraint. This outcome is rated as Not Achieved.

(v) Raising awareness of health and nutrition issues as measured by some recommendations from the Bank's analytic work in the Government's 11th FYP



The Government's 11th FYP highlights issues in nutrition very prominently; the attention from government and media has been high in response to the findings of the Bank's analytic work on nutrition indicating the gravity of issues related to stunting and malnutrition, and the on-going programs which can be used to address them, with suitable modifications. Actions to carry out recommendations are still to be implemented. As the milestone was only awareness raising, this outcome was Achieved.

Table 1: Overview of CPSCR and IEG Ratings by Objectives

Objectives	CPSCR Rating	IEG Rating
Results Cluster 1: PSD	Satisfactory	Moderately Satisfactory
(1) Improved policies, procedures, and processes	Mostly Achieved	Partially Achieved
(2) Public/Private Partnerships	Mostly Achieved	Partially Achieved
(3) Financial inclusion policy implemented	Mostly Achieved	Partially Achieved
(4) Improved corporate governance for SOEs	Achieved	Achieved
Results Cluster 2: Employment and Skills Development	Satisfactory	Satisfactory
(5) Competency curricula – new/revised skills learning offerings in place	Mostly Achieved	Mostly Achieved
(6) Increased number of graduates trained through public-private partnerships	Achieved	Achieved
Results Cluster 3: Integrated Sustainable Rural-Urban Development	Moderately Satisfactory	Moderately Satisfactory
(7) Increased access to urban infrastructure in selected Thimphu LAPs	Mostly Achieved	Mostly Achieved
(8) Improved management of municipal services and finance	Partially Achieved	Partially Achieved
(9) Improved access to markets/rural infrastructure	Mostly Achieved	Mostly Achieved
(10) Increased share of beneficiaries with access to community infrastructure (water and sanitation)	Not Achieved	Not Achieved
(11) Increased capacity of government ministries for disaster management	Achieved	Mostly Achieved
(12) Improved institutional set-up for disaster management through guidelines and sensitization	Achieved	Achieved
(13) National action plan for DRM for schools and hospitals	Achieved	Achieved
Results Cluster 4: Access to Quality Public Services	Moderately Satisfactory	Moderately Satisfactory



(14) Improved resource allocation in the social sectors (as evidenced by use of MYRBs to achieve such improvements)	Achieved	Mostly Achieved
(15) Service delivery standards and criteria in place	Achieved	Achieved
(16) Identification of strategic partnerships with external tertiary higher education institutions	Not Achieved	Not Achieved
(17) Establishment of quality assurance system for the Royal University of Bhutan, as measured by number of programs and degrees covered	Partially Achieved	Not Achieved
(18) Raising awareness of health and nutrition issues	Achieved	Achieved

4. Overall IEG Assessment

	CPSCR Rating	IEG Rating
Overall Outcome:	<i>Satisfactory</i>	<i>Moderately Satisfactory</i>
IDA Performance:	<i>Good</i>	<i>Good</i>
IFC Performance:	<i>Good</i>	<i>Fair</i>

Overall outcome:

21. IEG rates the overall outcome of WBG support as Moderately Satisfactory. Contributions to private sector development were constrained in design and incomplete in comparison with targets. Also, while outcomes on Results Cluster 2 were Achieved, they were relatively modest in actual numbers, with remaining uncertainties on the nature of issues in demand and supply for skills and youth employment. A rating of Satisfactory is assigned to this cluster.

IDA Performance:

22. IEG rates IDA performance as *Good*. The CPS objectives were relevant and well-aligned to Bhutan's development priorities. Areas selected for intervention were relatively few and focused and the program started with a successful track-record in education and rural infrastructure. Financing and AAA were consistent, and other development partners' programs were considered. Knowledge services were of high quality and impact. IDA was flexible, committed to Bhutan's development, and demonstrated high responsiveness in budget support, extending closing dates, and providing additional financing. Attention to safeguard and fiduciary issues was generally good. However, there were limitations. Experience of delays because of weak technical and implementation capacity was not sufficiently reflected in design, which was ambitious in expectations and time-frame for private sector and urban development. The IFC program was taken into account, but misjudged in the scope and likely effectiveness of its support over the medium-term. The trade-off between risk and development impact was not fully appreciated with regard to the constraints imposed by Bhutan's reliance on hydropower construction/revenues and on donors for economic growth; the effects of prevailing incentives for commercial bank lending on financial sector stability, and the consequences of both these for private sector development in the medium-term. Risk mitigation was envisaged for volatility, which nevertheless led to acute and disruptive rupee shortages. The results framework

needed strengthening in the type and choice of indicators and placed excessive weight on process and outputs which limited appreciation of impact on the ground and overall contributions to strategic objectives.

IFC Performance:

23. IEG rates IFC performance as *Fair*. The main reason for IFC's performance seems to have been lack of realism in assessing Bhutan's development constraints. Even in the area of improvement in business licenses, where IFC has been most successful, the framework policy to reform current stock and new licenses has not been adopted yet by the Government. Although an IFC investee bank has not been able to meet the operational and financial targets, IFC has fulfilled an important signaling role in providing long-term capital to a systemically important bank in Bhutan, through the largest FDI so far in Bhutan's history. This needs to be recognized and placed in context as IFC's peer, the Asian Development Bank (ADB), has only a very small private sector operation. ADB has approved only one private sector project of \$0.5 million so far with \$5.1 million of trade finance guarantees in 2013.

5. Assessment of CPS Completion Report

24. The CPSCR was consistent with the CPS objectives and the results framework, but could have been strengthened in focus on consequences rather than outputs, reflecting some weakness in the original results framework. It provides thoughtful suggestions for follow-up in the Bank's forthcoming CPS. Transparency of the CPSCR would have been improved by discussion of issues for the IT Park and IFC's action plan to improve the performance of some of its key investments. This would have provided useful lessons for the next CPS in Bhutan and for IFC's future investments in economies similar to Bhutan.

6. Findings and Lessons

25. The CPSCR finds that in Bhutan: (i) programmatic budget support has unique advantages in adding value, promoting reform and as a forum for dialogue; (ii) capacity constraints must be more clearly identified and measures to address them should be more realistic, take a strategic view, and rest on greater counterpart ownership; (iii) the results framework should be more focused, realistic, and indicators selected should be relevant to the objectives, with active follow-up and modification as needed during program implementation; (iv) the choice of lending or AAA should be strategic and driven by realistic results expectations; (v) policy dialogue or TA should follow up on projects for which no further lending is planned; (vi) the Bank should carefully assess its comparative advantage given Bhutan's transition to middle-income status. IEG agrees with all these lessons. In addition, IEG concludes that in a small economy such as Bhutan which is exposed to fluctuations in a single sector (hydropower) or in aid from the largest donor (India), where the Bank is not the major player, program results would be improved by clarity on the effects of hydropower construction in the medium-term, an analysis of the financial sector's structural constraints, and greater realism in the addressing constraints in private sector development.

Annex Table 1: Summary Achievements of CAS/CPS Objectives

Annex Table 2: Planned and Actual Lending: FY11-FY14

Annex Table 3: Analytical and Advisory Work for Bhutan: FY11-FY14

Annex Table 4: Grants and Trust Funds Active in FY11-FY14 (in US\$ million)

Annex Table 5: IEG Project Ratings for Bhutan, FY11-FY14

Annex Table 6: IEG Project Ratings for Bhutan and Comparators, FY11-FY14

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Annex Table 8: Disbursements Ratio for Bhutan, FY11-FY14

Annex Table 9: Net Disbursements and Charges for Bhutan, FY11-13

Annex Table 10: Total Net Disbursement of Official Development Assistant and Official Aid

Annex Table 11: Economic and Social Indicators for Bhutan and Comparators, FY10-FY12

Annex Table 12: List of IFC's investments in Bhutan that were active during FY11-14 (US\$'000)

Annex Table 13: List of IFC's Advisory Services in Bhutan, FY11-14

Annex Table 14: IFC Net Commitment Activity for Bhutan



Annex Table 1. Summary Achievements of CPS Objectives for Bhutan

	CPS FY11-FY14: Area of Engagement 1. ECONOMIC DIVERSIFICATION, JOB CREATION AND FINANCIAL INCLUSION	Actual Results (as of current month/year)	Comments
	1. Private sector development		
Major Outcome Measures	<p>Outcome 1: Improved framework of policies, procedures and practices resulting in more efficient process of business start-up, project approval and licensing for domestic and foreign investors as measured by number of days to start a business</p> <p>Baseline: 46 days in 2010 Target: 30 days in 2014</p>	<p>As of 2014 it takes 32 days to start a business</p>	<p>Source: CPSCR and Doing Business 2014</p>
	<p>Increase in the number of FDI project approvals</p> <p>Baseline: 20 approvals in 2009 Target: 25 approvals in 2014</p>	<p>As of 2014, 32 new FDI projects have been approved which exceeded the target of 25. IFC made the largest FDI investment in Bhutan.</p>	<p>Source: CPSCR</p>
	<p>Outcome 2: Increased number of public private partnerships</p> <p><i>Baseline: 1 in 2010 Target: 3 in 2014</i></p> <p>Milestone has been revised: RGOB Public Private Partnerships Policy adopted</p>	<p>2 out of 3 PPP projects have been achieved under PPP.</p> <p>The PPP Policy has been drafted with support from the Bank. The draft is being reviewed by GNH commission and expected to be approved by FY 15. IFC completed diagnostic of some PPP projects- dry port, agri storage, bus terminal and parking. Only the parking project has been implemented.</p>	<p>Source: CPSCR</p>
	<p>Increased ratio of private credit over GDP as measured by IFS</p> <p><i>Baseline: 29.7 percent Target: 33 percent (REVISED)</i></p> <p>Outcome 3: Financial Inclusion Policy Implemented</p> <p>Baseline: No policy framework Target: 100 implementation of the policy</p>	<p>Financial Inclusion Policy was developed that draws out policy objectives, strategies and an action plan to increase financial inclusion. It was approved in principle in June 2012 until endorsement by the newly formed government. FIP is in the process of being reviewed and endorsed. The Bank's ongoing work aims to draw a financial sector strategy and master plan. It is likely that the implementation of the FIP</p>	<p>Source: CPSCR</p>



		<p>will be through financial sector strategy.</p> <p>A financial literacy program was developed and a campaign was launched using innovative channels (radio and TV drama) and aired through local cable networks in 2013.</p> <p>Electronic Funds Transfer Clearing System (EFTCS) was inaugurated in June 2010 in Thimpu and will be expanded to other regions. As of May 2013, Nu 41.51 million worth of transactions processed monthly through the EFTCS a 9.9% increase since January 2012.</p> <p>The stock exchange (RSEBL) was launched in April 2012. It has integrated six systems: Automated Trading System, Electronic Depository System, Clearing and Settlement System, Market Surveillance System, Broker's Back Office and Initial Public Offering. Data following automation show an increase in the number of shares traded in the secondary market by about 620 percent while market capitalization also reportedly increased by 42 percent.</p>	
	<p>Outcome 4: Improved corporate governance for SOEs as measured by the number of SOEs implementing new Corporate Governance Framework</p> <p><i>Baseline: 0</i> <i>Target: 5</i></p>	<p>6 out of the 17 SOE's started implementing CG codes and documents. All SOEs will progressively implement the codes over the next two years.</p> <p>59 Druk Holding Investments (DHI) companies' directors have been trained in an internationally renowned institute, against an end of project target of 33. This has made significant impact of leading the companies for improved performance and accountability. The Bank's program made significant impact on introducing more efficiency, discipline and accountability on the activities of the Board members as well as the management of running day to day operations of the SOEs.</p> <p>Development of all corporate governance documents and codes has been completed. The CG documents and codes include Ownership Policy, Board Charter, Audit Committee Charter, Code of Conduct and Company Security Charter.</p> <p>Series of dissemination workshops to the public, journalists and members of the RGoB and parliament were completed in November 2013. These workshops were</p>	<p>Source: CPSCR</p>



		aimed to raise awareness of the importance of good Corporate Governance and reforms achieved to date in Bhutan.	
2. Employment and skills development			
	<p>Outcome 5: Competency-based curricula in place as measured by number of new or revised learning offerings</p> <p><i>Baseline: 5 in 2010</i> <i>Target: 10 in 2014</i></p>	<p>A total of 9 (new and revised) learning offering were introduced. 6 new learning offers were made available to youth including arts and crafts, beauty care, bakery, culinary arts, commercial cooking, textile etc.</p> <p>3 new credit courses (academic, analytical and entrepreneurship) were launched at the Royal University of Bhutan in addition to modernization of training infrastructure through the videoconferences facilities and the Virtual Learning Environment</p> <p>Competitive selection of private training institutes accomplished (for 6 selected institutes)</p> <p>5 partnerships with private sector established.</p> <p>Challenges remain during the training period the MoLHR found that most young people are not willing to take up the skills development training. The uptake of the training has been slow and as a consequence had to motivate the youth to join and provide incentives (ex: stipends) and accepting everyone who applies (without screening)</p>	Source: CPSCR
	<p>Outcome 6: Increased number of graduates trained through public private partnerships (e.g. tourism, ICT, nursing)</p> <p><i>Baseline: 20</i> <i>Target: 1,000</i></p>	<p>1,372 secondary and tertiary graduates have been trained.</p> <p>Training for skills development through PPP has progressed well with about 100 youth trained or in training.</p> <p>Number of Bhutanese graduates working in the IT/ITES and related sectors of the economy is 1,015 which is 15 percent of the total unemployed and 29 percent of unemployed youth in Bhutan.</p>	
	<p><i>Increased access to tertiary education as measured by the number of people who transition from vocational to tertiary education programs (indicators to be determined under new project)</i></p>	Dropped	



	CPS FY11-FY14 Area of Engagement 2. SPATIAL PLANNING AND PUBLIC SERVICES	Actual Results (as of current month/year)	Comments
<p>Major Outcome Measures</p>	<p>3. Sustainable Urban-Rural Development</p> <p>Outcome 7: Increased access to urban services in selected Thimphu local areas plans (LAPs) as measured by access to roads, water and sewage</p> <p><u>Roads</u></p> <p>Baseline: 0 Target: 150 plots / 12km roads constructed</p> <p><u>Piped Water</u></p> <p>Baseline: 0 Target: 150 households</p> <p><u>Sewerage</u></p> <p>Baseline: 0 Target: 250 households</p>	<p>300 plots are completed which is higher than the target of 200 plots. 6.3 km of roads have been constructed.</p> <p>100 households have been connected to new piped water and sewerage connection which is lower than the target of 150.</p>	<p>Source: CPSCR</p>
	<p>Outcome 8: Improved management of municipal services and finance as indicated by (a) increased collection of property taxes as measured by the percentage of the total due to be collected, and (b) increased cost recovery for municipal services as measured by charges/costs received as a proportion of total costs incurred in the provision of municipal services</p> <p><u>Property taxes</u></p> <p>Baseline: 45 percent Target: 70 percent</p> <p><u>Municipal services</u></p> <p>Baseline: 40 percent Target: 60 percent</p>	<p>The draft Municipal Finance Policy has been approved in July 2012.</p> <p>The work on initial stages (digitization of tax and non-tax records and asset register) has been completed.</p> <p>About 6000 tax records(4,500 in Thimphu and 1,500in Phuentsholing) have been digitized in Thimphu Thormodes. Work on improving revenue administration (through specific guidelines and manuals) and re-engineering the business processes of tax collection is about to commence. Improvements of collection rates are expected to increase after both these components are implemented.</p> <p>The property tax records computerization is underway and training courses on Fiscal Decentralization have been given to the technical staff. However, much work is still needed to meet the CPS target. For example: revenue database and asset digitization is still under progress. A revenue enhancement system is now in place but there are still some technical issues to address</p>	<p>Source: CPSCR</p>



<p>Outcome 9: Improved access to markets through: (i) establishment of road user group for road maintenance as measured by the number of road user groups, and (ii) the construction of new farm roads as measured by kilometers of new roads</p> <p><u>Community groups</u> Baseline: 0 Target: 80</p> <p><u>Roads</u> Baseline: 0 Target: 80</p>	<p>95.5 km of farm roads constructed. A further 18 km of new rural roads have been identified.</p> <p>100 percent targeted feeder roads constructed.</p> <p>100 percent targeted feeder roads improved to all season standards.</p> <p>The CPS program was not clear about identifying the right indicator and did not revise the indicator during the progress report. However the Bank's ongoing program has involved communities in identifying community infrastructure. Therefore, by virtue of constructing the farm road through the CPS programs have led to better access to markets, reduced transportation costs and access to agricultural services.</p>	<p>Source: CPSCR</p>
<p><i>Increased number of rural dwellers acquiring new skills as measured by the number of people trained</i></p> <p><i>Baseline: 0</i> <i>Target: (indicator to be determined under new project)</i></p> <p><i>Increased markets for selected agricultural products on a pilot basis (indicators to be determined under new project)</i></p>		<p>Dropped in Progress Report</p> <p>Dropped in Progress Report</p>
<p>Outcome 10: Share of beneficiaries with access to critical community infrastructure increased as measured by:</p> <p>Improved source of drinking water Baseline: 66% (2012) Target: 68% (2014)</p> <p>Sanitation: Baseline: 43% (2012) Target: 45% (2014)</p>	<p>The program to achieve the outcome has recently been effective and it is too early to show any significant result.</p> <p>The project is currently undertaking participatory implementation plan to assess the need and districts where the drinking water and sanitation services intervention will be implemented</p>	<p>Source: CPSCR</p>



<p><i>Improved community-level preparedness with local communities trained and effectively implementing disaster preparedness and adaptation plans and activities</i></p> <p><i>Baseline: 0</i> <i>Target: 9</i></p> <p><i>Improved national preparedness with disaster preparedness plans developed in vulnerable dzongkhags</i></p> <p><i>Baseline: 0</i> <i>Target: 3</i></p>		<p>Dropped in Progress Report</p> <p>Dropped in Progress Report</p>
<p>Outcome 11: Improved capacity of key RoGB agencies for DRM</p> <p>Baseline: 0 (2012) Target: 4 Ministries (2014)</p>	<p>The activities under the grant has helped improve the capacity of key DRM focal persons across all government agencies such as Ministry of Home and Cultural Affairs, Ministry of Education, Ministry of Health, Ministry of Works and human Settlement, Thimpu Thromde, National Land Commission.</p>	<p>Source: CPSCR</p>
<p>Outcome 12: Improved institutional set up for Disaster Management for the implementation of the DM bill through development of guidelines and sensitization workshops</p> <p>Baseline: 0 (2012) Target: 4 Ministries (2014)</p>	<p>Completed the first training on Basic Urban Search and Rescue to the National Search and Rescue Team and rolling out of trainings in municipalities and selected district level.</p> <p>Capacity building program for seismic engineering has been completed, including the development and piloting of a vulnerability assessment checklist for schools and hospitals.</p> <p>A technical assistance program (TAP) for piloting the use of probabilistic risk assessment has been completed.</p> <p>Completed the vulnerability assessment form for schools and hospitals and conducted the first training to the Engineers from the key agencies on the concepts and use of the form</p>	<p>Source: CPSCR</p>
<p>Outcome 13: Finalized and approved National Action Plans for schools and hospitals.</p> <p>Baseline: No action plan Target: Action plan finalized and approved.</p> <p>Completed training program</p>	<p>Capacity building program for seismic engineering has been</p> <p>A National Action Plan for both Schools and Hospitals have been completed and approved by the relevant authorities.</p> <p>The next step includes roll out of the nationwide vulnerability assessment of all schools and basic health units.</p>	<p>Source: CPSCR</p>



for national search and rescue team		
4. Access to Quality Public Services		
<p>Outcome 14: Improved allocation of resources in social sectors as evidenced by development of MYRBs</p> <p>Baseline: 0 Target: 2 sectoral MYRBs Developed</p> <p>Outcome 15: Service delivery standards and criteria in place as evidenced by annual reporting to the National Assembly</p> <p>Baseline: not reported Target: reported</p>	<p>MYRB and Public Expenditure Management Systems (PEMS) have been rolled out across all spending agencies which now capture all of RGoB budget implementation. The web based financial reporting tools for budget and expenditure (MYRB and PEMS) are now integrated and well-coordinated within the sectoral ministries.</p> <p>Service delivery standards have been developed and reported to national assembly in all ministries, twelve autonomous agencies and twenty dzongkhangs for priority services</p>	Source: CPSCR
<p>Outcome 16: Identification of strategic partnerships with outside tertiary education institutes</p> <p>Baseline: 2 Target: 6</p>	<p>This outcome was not achieved as the intended project was postponed to let the previous project mature and yield lessons. Though some work on the theme was undertaken as part of the Higher Education AAA, this outcome required much more than what could have been achieved through only analytic work.</p>	Source: CPSCR
<p>Outcome 17: Quality assurance system in RUB established as measured by the number of programs and degrees covered</p> <p>Baseline: 2 Target: 6</p>	<p>Higher Education Policy Note and the findings from the report informed the RGoB in the preparation of the Quality Assurance and Accreditation Framework. The Government found the recommendation very helpful and prepared a Quality Assurance and Accreditation Framework (QAA). The study also directly fed the Public Expenditure Review in the human development areas.</p>	Source: CPSCR
<p>Outcome 18: Raising awareness of health and nutrition issues measured by some recommendations made in the Bank's analytic work reflected in the upcoming Government's 11th 5 year plan.</p>	<p>Analytical work carried out on health and nutrition and widely discussed in the high level workshops have been well received and also attracted top levels policy as well as the country's media. The Government's 11 five year plan highlights nutrition very prominently. Actual implementation of the policy notes is only now taking place and the Bank will continue to supporting the work so far has ensured that this remained at the center stage of policy makers attention and plans.</p>	Source: CPSCR

Annex Table 2. Planned and Actual Lending for Bhutan, FY11-14

Project ID	Project name	Proposed FY	Approval FY	Closing FY	Proposed Amount	Approved Amount	Outcome rating	Comments
Projects planned under CPS -13								
P113069	DPC1	FY11	2011	2012	24.75	24.75	LIR: S	Bhutan Development Policy Credit 1
P126193	Regional Wildlife Project	FY11	2011	2017	0.75	2.25	LIR: S	Regional Project - Strengthening Regional Cooperation for Wildlife Protection in Asia."
P123820	Improving Rural Livelihoods	FY12	2013	2018	12.00	9.00	LIR: S	Remote Rural Communities Development Project
P128201	DPC2	FY13	2013	2014	20.00	36.00		BT: DPC 2
P128297	PSD/Knowledge Society SIL	FY13	2013		8.00			DROPPED
P145392	AF for Bhutan 2nd Urban Development Proj	FY14	2014		12.45	17.40		
	Total				77.95	89.40		
<i>Ongoing projects during the CAS Period</i>								
Project ID	Project name		Approval FY	Closing FY		Approved Amount	Outcome rating	
P074114	BT: Education Development Project		2004	2011		31.0	IEG: MS	
P083169	BT: HIV/AIDS, STI Prevention & Control		2004	2011		5.8	IEG: U	
P087150	BT: Decentralized Rural Development		2005	2014		7.0	LIR: S	
P078807	BT Development Policy Grant I		2006	2007		15.0	IEG: S	
P073458	BT Private Sector Development		2007	2013		8.0	LIR: S	
P100332	BT: Second Rural Access Project		2007	2013		10.0	LIR: S	
P099126	BT: Inst. Cap. Bldg. Project for Proc.		2008	2011		1.5	IEG: MU	
P110892	Additional Financing to Bhutan EDP		2008			1.6	LIR: S	
P111222	BT Development Policy Grant /Credit		2009	2010		20.2	IEG: S	
P090157	BT: Urban Development II		2010	2016		12.0	LIR: MS	
	Total					112.1		

Source: Bhutan CAS/CASPR and WB Business Warehouse Table 2a.1, 2a.4 and 2a.7 as of 4/9/14

* LIR: Latest internal rating. U: Unsatisfactory. MU: Moderately Unsatisfactory. MS: Moderately Satisfactory. S: Satisfactory. HS: Highly Satisfactory.

Annex Table 3. Analytical and Advisory Work for Bhutan, FY11-14

Proj ID	Economic and Sector Work	Fiscal year	Output Type
P130715	BT: NUTRITION ASSESSMENT	FY14	EW/Not assigned
P133501	BT: Poverty Assessment	FY14	EW/Not assigned
Proj ID	Technical Assistance	Fiscal year	Output Type
P122771	Bhutan NLTA to ICT sector	FY11	Institutional Development Plan
P123811	BT Investment Climate Follow Up	FY11	"How-To" Guidance
P122432	BT: Poverty Monitoring	FY12	TA/IAR
P123813	BT e-Government Follow Up TA	FY12	TA/IAR
P125067	BHUTAN #10075 Strength Pensions, Prov.	FY12	TA/IAR
P125718	BT: Provision of Critical Public Service	FY12	TA/IAR
P127424	Bhutan NLTA to ICT sector	FY12	TA/IAR
P128046	Improving Capacity to implement Infr. PPP	FY12	TA/IAR
P128481	Bhutan Telecom Sector Policy Roadmap	FY12	TA/IAR
P128878	Bhutan Reform Plan - DMF	FY12	TA/IAR
P124465	BT: Bhutan Disaster Risk & Recovery Prog.	FY13	TA/IAR
P133053	BT: Policy & Reg. Assist to MOIC & ATRA	FY13	TA/IAR
P132722	PSIA of Bhutan Heritage Sites Bill	FY14	TA/IAR
P147082	Bhutan Doing Business Reform TA	FY14	TA/IAR
P150103	BT Financial Sector Review	FY14	TA/IAR

Source: WB Business Warehouse Table ESW/TA 8.1.4 as of 4/9/14

Annex Table 4. Grants and Trust Funds Active for Bhutan in FY11-14 (in US\$ million)

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount
P127490	Sustainable Financing for Biodiversity Conservation and Natural Resources Management	TF 14705	2014	2019	4,080,000
P131088	Strengthening intergovernmental fiscal systems and capacity building	TF 14439	2014	2017	290,300
P144054	Improving Resilience to Seismic Risk	TF 14121	2013	2017	1,285,500
P132231	Strengthening Public Financial Management in Bhutan	TF 13185	2013	2016	550,000
P131242	Reports to Conventions - NAP Alignment and UNCCD Reporting 2012	TF 12764	2013	2014	150,000
P130457	Thimpu Strategic Cultural Heritage and Sustainable Tourism Plan	TF 11760	2013	2014	255,000
P127490	Sustainable Financing for Biodiversity Conservation and Natural Resources Management	TF 10597	2012	2014	130,000
P125310	Strengthening the Institutional Capacity of Druk Holding and Investments to Improve Corporate Governance in Bhutan	TF 98973	2011	2014	500,000
P124904	BT: Improving statistical capacity	TF 98505	2011	2014	300,000
P087150	Decentralized Rural Development Project	TF 98827	2011	2015	5,000,000
	Total FY10-14				12,540,800

Source: Client Connection as of 4/23/14

Annex Table 5. IEG Project Ratings for Bhutan, FY11-14

Exit FY	Proj ID	Project Name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO Rating*
2011	P074114	BT: Education Development Project	35.05	MODERATELY SATISFACTORY	MODERATE
2011	P083169	BT: HIV/AIDS, STI Prevention & Control	5.33	UNSATISFACTORY	SIGNIFICANT
2011	P099126	BT: Inst. Cap. Bldg. Project for Proc.	1.42	MODERATELY UNSATISFACTORY	MODERATE
		Total	41.80		

Source: WB Business Warehouse Table 4a.5 and 4a.6 as of as of 4/7/14

* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

Annex Table 6. Project Ratings for Bhutan and Comparators, FY11-14

Exit FY	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)*	RDO % Moderate or Lower Sat (No)*
Bhutan	41.8	3	83.8	33.3	87.2	66.7
SAR	13,979.28	92	87.02	71.11	58.20	41.76
World	70,900.98	814	82.83	71.43	61.21	51.87

Source: WB Business Warehouse as of 4/7/14*

*With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

Annex Table 7. Portfolio Status for Bhutan and comparators, FY11-14

Fiscal year	2011	2012	2013	2014	Total
Bhutan					
# Proj	6	5	6	6	23
# Proj At Risk	1	0	0	0	1
% Proj At Risk	16.7	-	-	-	4.3
Net Comm Amt	50.0	43.0	31.8	49.1	173.9
Comm At Risk	12.0	-	-	-	12.0
% Commit at Risk	24.0	-	-	-	6.9
South Asia					
# Proj	234	249	269	273	1,025
# Proj At Risk	45	32	53	62	192
% Proj At Risk	19.2	12.9	19.7	22.7	18.7
Net Comm Amt	38,124.8	37,874.7	38,316.1	43,012.3	157,327.9
Comm At Risk	5,306.8	5,604.6	9,642.2	7,834.7	28,388.3
% Commit at Risk	13.9	14.8	25.2	18.2	18.0
World					
# Proj	2,059	2,029	1,965	2,049	8,102
# Proj At Risk	382	387	414	412	1,595
% Proj At Risk	18.6	19.1	21.1	20.1	19.7
Net Comm Amt	171,755.3	173,706.1	176,206.6	192,614.1	714,282.1
Comm At Risk	23,850.0	24,465.0	40,805.6	40,933.5	130,054.1
% Commit at Risk	13.9	14.1	23.2	21.3	18.2

Source: WB Business Warehouse Table 3a.4 as of 9/3/14

Annex Table 8. Disbursement Ratio for Bhutan, FY11-14

Fiscal Year	2011	2012	2013	2014	Overall Result
Bhutan					
Disbursement Ratio (%)	40.04	30.82	40.14	38.41	37.67
Inv Disb in FY	11.92	5.06	4.45	7.66	29.10
Inv Tot Undisb Begin FY	29.78	16.43	11.10	19.93	77.23
SAR					
Disbursement Ratio (%)	23.05	16.46	16.17	18.99	18.41
Inv Disb in FY	4,505.88	4,078.96	4,080.59	4,715.67	17,381.10
Inv Tot Undisb Begin FY	19,547.42	24,777.11	25,240.55	24,829.71	94,394.79
World					
Disbursement Ratio (%)	22.38	20.79	20.60	20.79	21.12
Inv Disb in FY	20,933.51	21,048.75	20,509.01	20,756.34	83,247.62
Inv Tot Undisb Begin FY	93,516.54	101,239.14	99,582.39	99,848.44	394,186.51

Source: BW disbursement ratio table as of 9/3/14

Annex Table 9. Net Disbursement and Charges for Bhutan, FY11-13

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2011	36.27	1.71	34.55	-	0.84	33.71
2012	4.52	1.70	2.82	-	1.01	1.81
2013	40.65	1.67	38.97	0.12	1.09	37.77
Total (FY10-FY13)	81.44	5.09	76.35	0.12	2.94	73.29

Source: WB Loan Kiosk, Net Disbursement and Charges Report as of 4/23/14

Annex Table 10. Total Net Disbursements of Official Development Assistance and Official Aid for Bhutan

Development Partners	2010	2011	2012	2009-2012
<i>Bilaterals</i>				
Australia	7.55	7.75	15.60	30.90
Austria	3.31	3.88	1.81	9.00
Belgium	..	..	..	0.00
Canada	0.25	0.91	0.09	1.25
Denmark	13.08	12.66	11.80	37.54
Finland	0.26	0.26	0.39	0.91
France	0.18	0.22	0.11	0.51
Germany	0.38	0.58	0.37	1.33
Japan	43.23	31.88	41.64	116.75
Korea	0.35	0.84	0.41	1.60
Netherlands	2.66	2.78	2.57	8.01
New Zealand	0.04	..	..	0.04
Norway	1.88	2.74	0.98	5.60
Spain	..	0.01	..	0.01
Switzerland	2.31	4.39	4.36	11.06
United Kingdom	..	..	0.01	0.01
United States	0.62	2.66	0.30	3.58
<i>DAC Countries, Total</i>	76.10	71.56	80.44	228.10
<i>Multilaterals</i>				
AsDB Special Funds	34.14	22.57	28.82	85.53
EU Institutions	1.79	1.01	5.28	8.08
GAVI	0.04	0.19	0.17	0.40
GEF	1.78	2.80	1.66	6.24
Global Fund	1.38	1.08	1.06	3.52
IBRD	..	..	..	0.00
IDA	7.19	34.21	36.99	78.39
IFAD	4.04	2.50	0.53	7.07
IFC	..	..	..	0.00
UNAIDS	..	0.06	0.01	0.07
UNDP	1.45	1.33	1.28	4.06
UNFPA	1.00	1.27	1.53	3.80
UNICEF	1.01	1.38	0.96	3.35
WFP	0.36	0.52	0.12	1.00
WHO	..	1.55	1.40	2.95
<i>Multilateral, Total</i>	54.18	70.47	79.81	204.46
<i>Non-DAC Countries</i>				
Israel	..	0.01	..	0.01
Kuwait (KFAED)	..	0.01	0.05	0.06
Thailand	0.72	0.39	0.98	2.09
<i>Non-DAC Countries, Total</i>	0.72	0.41	1.03	2.16
All Development Partners Total	131.00	142.44	161.28	434.72

Source: OECD DAC Online database as of 5/6/14

Annex Table 11. Economic and Social Indicators for Bhutan, FY10-12

Series Name	Bhutan			Bhutan	South Asia	World
	2010	2011	2012	Average 2010-2012		
Growth and Inflation						
GDP growth (annual %)	11.7	8.6	4.6	8.3	6.8	3.1
GDP per capita growth (annual %)	9.8	6.7	2.9	6.5	5.4	1.9
GNI per capita, PPP (current international \$)	6,140.0	6,680.0	6,960.0	6,593.3	4,493.0	13,176.3
GNI per capita, Atlas method (current US\$) (Millions)	1,446.3	1,636.9	1,793.2	1,625.5	2,156,893.3	67,733,366.7
Inflation, consumer prices (annual %)	7.0	8.8	10.9	8.9	8.9	4.1
Composition of GDP (%)						
Agriculture, value added (% of GDP)	17.5	16.9	18.1	17.5	18.7	3.1
Industry, value added (% of GDP)	44.5	42.5	41.9	43.0	26.3	26.7
Services, etc., value added (% of GDP)	38.0	40.6	40.0	39.5	55.0	70.2
Gross fixed capital formation (% of GDP)	51.6	66.5	64.0	60.7	28.5	21.1
Gross domestic savings (% of GDP)	33.7	36.4	35.4	35.2	26.2	21.8
External Accounts						
Exports of goods and services (% of GDP)	39.8	40.1	36.0	38.7	22.0	29.9
Imports of goods and services (% of GDP)	58.4	69.8	64.5	64.2	28.4	29.9
Current account balance (% of GDP)	-20.4	-28.6	-20.5	-23.2		
External debt stocks (% of GNI)	60.6	60.6	87.1	69.4	20.6	
Total debt service (% of GNI)	5.6	4.7	7.2	5.8	1.6	
Total reserves in months of imports	11.7	6.6	8.5	9.0	6.4	13.4
Fiscal Accounts ¹						
General government revenue (% of GDP)	46.3	35.6	35.2	39.0		
General government total expenditure (% of GDP)	44.7	37.7	36.5	39.6		
General government net lending/borrowing (% of GDP)	1.6	-2.1	-1.3	-0.6		
General government gross debt (% of GDP)	67.5	73.7	86.0	75.7		
Social Indicators						
Health						
Life expectancy at birth, total (years)	67.0	67.5	67.9	67.5	66.4	70.6
Immunization, DPT (% of children ages 12-23 months)	91.0	95.0	97.0	94.3	76.0	83.3
Improved sanitation facilities (% of population with access)	44.9	45.9	46.9	45.9	39.0	63.3
Improved water source (% of population with access)	94.4	95.9	97.3	95.9	88.1	80.9
Mortality rate, infant (per 1,000 live births)	38.2	36.9	35.7	36.9	48.3	36.0
Education						
School enrollment, preprimary (% gross)	2.4	5.5	9.3	5.7	54.1	51.7
School enrollment, primary (% gross)	110.5	112.2	112.3	111.7	110.4	108.4
School enrollment, secondary (% gross)	66.3	69.7	73.9	70.0	61.8	72.1
Population						
Population, total	716,939.0	729,429.0	741,822.0	729,396.7	1,628.2	6,963,751,996.7
Population growth (annual %)	1.7	1.7	1.7	1.7	1.3	1.2
Urban population (% of total)	34.8	35.6	36.3	35.6	31.0	52.1

Source: WDI Central updated 7/1/2014

¹ WEO Data as of April 2014

Annex Table 12. List of IFC's investments in Bhutan that were active during FY11-14 (US\$'000)

Project ID	Cmt. FY	Closure FY	Project Status	IFC Sector Primary	IFC Sector Explntry	Project Size	Net Loans	Net Equity	Total Net Commitment
Investments approved pre-FY11, but active during FY11-14									
21587	2004		Active	MAS	Hotels, Aman	26,700	10,000		10,000
26402+	2008		Active	Fin & Ins	Trade Fin, BNB	500	500		500
27462	2009		Active	Fin & Ins	Trade Fin, BoB	1,000	1,000		1,000
Subtotal						28,200	11,500	0	11,500
Investments approved in FY11-14									
+30510	2013		Active	Fin & Ins	Comm. Bank, BNB	28,933		28,933	28,933
Subtotal						28,933	0	28,933	28,933
Grand Total						57,133	11,500	28,933	40,433

Source: IFC, April 2014- The list does not cover the regional projects. + are linked investments in the two periods.

*MAS: Manufacturing, Agriculture, and Services

Annex Table 13. List of IFC's Advisory Services in Bhutan, FY11-14

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
Advisory Services operations approved pre-FY11, but active during FY11-14						
	None					0
Subtotal:						0
Advisory Services operations approved in FY11-14						
584127	Bhutan Urban Transport System	2011	2014	Closed	PPP	490,385
577347	Bhutan Licensing	2011	2014	Active	IC	552,364
599164	Thimpu Parking	2013	2015	Active	PPP	620,000
599522	TA to BNB	2014	2016	Active	A2F	165,000
600073	Bhutan Doing Business	2014	2016	(Active)	IC	270,000
Subtotal:						2,097,749
Grand Total						2,097,749

Source: IFC, April 2014

*A2F: Access to Finance; IC: Investment Climate; PPP: Public-Private Partnerships; (Active) = Implementation to start in June-14

Annex Table 14. IFC Net Commitment Activity for Bhutan

	2011	2012	2013	2014	Total
Financial Markets	-	-	28,430,653	-	28,430,653
Trade Finance (TF)	991,750	1,264,119	654,687	152,382	3,062,938
Total	991,750	1,264,119	29,085,340	152,382	31,493,591

Source: IFC MIS Cube as of 05/8/14