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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT (CPSPR)

FOR

THE KINGDOM OF BHUTAN

FOR THE PERIOD FY11-14

March 28, 2013

**Bhutan Country Management Unit
South Asia Region**

**International Finance Corporation
South Asia Department**

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Currency unit = Ngultrums
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FISCAL YEAR

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ABBREVIATIONS AND ACRONYMS

10FYP	10 th Five-Year Plan	MYRB	Multi-Year Rolling Budget
11FYP	11 th Five-Year Plan	NHA	National Health Accounts
BLSS	Bhutan Living Standard Survey	PER	Public Expenditure Review
BOB	Bank of Bhutan	PEFA	Public Financial Management Accountability Assessment
BNB	Bhutan National Bank	PFM	Public Financial Management
CIB	Credit Information Bureau	PEMS	Public Expenditure Management System
CPIA	Country Policy Institutional Assessment	PPPD	Public Procurement Policy Division
CPS	Country Partnership Strategy	PRSP	Poverty Reduction Strategy paper
DHI	Druk Holding and Investments	PPP	Public Private Partnership
DPC	Development Policy Credit	QAA	Quality Assurance and Accreditation
FDI	Foreign Direct Investment	RMA	Royal Monetary Authority
FM	Financial Management	RGOB	Royal Government of Bhutan
GEF	Global Environment Facility	SAARC	South Asian Association for Regional Cooperation
GDP	Gross Domestic Product	SCS	Special Consultation Services
GNH	Gross National Happiness	SLM	Sustainable Land Management
IBRD	International Bank for Reconstruction and Development	SME	Small and Medium Enterprises
IDA	International Development Association	TA	Technical Assistance
IDF	Institutional Development Fund	UN	United Nations
MIC	Middle Income Countries	UCS	Use of Country Systems

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BHUTAN COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

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I. Introduction

1. **This Country Partnership Strategy Progress Report (CPSPR) reviews progress under the World Bank Group (WBG) program of cooperation with the Kingdom of Bhutan under the current Country Partnership Strategy (CPS) (FY11-14).** The joint Bank/International Finance Corporation (IFC) CPS was discussed by the World Bank's Board of Executive Directors on October 27, 2010. The CPSPR takes stock of results from the World Bank Group (WBG) supported program midway through the CPS period of implementation. It evaluates results achieved under each CPS area of engagement, indicates adjustments needed and describes the way forward for the remainder of the CPS period.

2. **Overall, the CPS strategy remains valid.** The CPS strategy remains closely aligned to Bhutan's 10th Five-Year Plan and the principles of Bhutan's homegrown development philosophy of Gross National Happiness (GNH). The WBG continues to support economic growth, employment generation and skills development, while simultaneously supporting the expansion and sustainability of public services in both urban and rural parts of the country.

3. **The levels and focus of financing described under the CPS are also valid, with some minor adjustments.** The Bank's programmatic focus on providing a stable and market-supporting macroeconomic framework was reinforced through the use of Development Policy Credit (DPC) operations, in part to help the Royal Government respond to earthquake damage and a shortage of Indian Rupees (to which the Bhutanese currency is pegged at par), while maintaining long-term hydropower investments. The Bank also helped to strengthen country systems, including in the areas of budgeting, poverty monitoring, procurement, auditing – consistent with the country's emerging middle income country (MIC) status. Support to both urban and rural development reflects strong areas of Bank engagement. The knowledge society agenda remains central to the CPS vision. Work in this area continues through ongoing investments, DPCs and analytic and advisory activities (AAA). However, consideration of a new 'knowledge society' investment operation has been deferred to the next CPS period owing to other priorities of RGOB for the use of Bhutan's limited IDA envelope. IFC's investment and advisory focus also remained on-track, including a \$29m equity investment in Bhutan National Bank, IFC's largest investment support to a Bhutanese institution and Bhutan's largest foreign direct investment to date.

II. Country Developments Since the Start of the CPS

Political Context

4. **Bhutan has experienced a stable political environment since 2010.** In 2008, the country undertook a transition from an absolute monarchy to a constitutional monarchy and introduced multi-party democracy. The ruling party, Druk Phuensum Tshogpa, holds 45 of the 47 seats in the National Assembly. In the absence of much opposition in the National Assembly, both the National Council and, to some extent, the media have become *de facto* fora for different views. The next elections are scheduled for Spring/Summer 2013, but are not expected to produce a significant shift in national development policies.

5. **Bhutan is slowly increasing its international exposure and presence.** The Royal Government has markedly increased the number of countries with which Bhutan has formal diplomatic ties, increasing from only 27 in 2010 to over 47 today. One offshoot of this is more focus internationally on Bhutan's unique development approach based on GNH and Bhutan's potential role

in the international effort to develop a post-MDG development framework, incorporating well-being more explicitly. In March 2012, the United Nations hosted a major conference on GNH and adopted UN Resolution 65/309 which recognized the pursuit of happiness as a fundamental human goal and provides for Bhutan convening high level experts on the theme of happiness and well-being. Bhutan has since convened a high-level panel of international experts which will make recommendations to the next two UN General Assembly gatherings in New York in 2013 and 2014.

Economic Status

6. **Bhutan's growth remains strong, with real GDP growth at an average annual rate of over eight percent over 2009-2012, in-line with the 10th Five Year Plan (FYP) target.** Nearly a quarter of GDP originates in hydropower. GDP growth from the hydropower sector (construction, generation and transmission) leveled off during FY12 due to the phasing of construction activities and fluctuations in precipitation affecting river flows. Value added in the non-hydropower sector during the 10FYP was driven mostly by manufacturing and services. The manufacturing sector benefitted from new industries attracted by the availability of power. Growth in the service sector stemmed from an increase in domestic demand and tourism. Performance in the agriculture sector was below average.

7. **During 2011-12, the Bhutanese economy showed signs of overheating,** with rapidly expanding private sector credit and a shortage of Indian Rupees given the construction phase of several hydropower plants. Annual inflation remained high, reaching 13.5 percent in the last quarter of FY12, similar to the inflation rate in India given that the Bhutanese Ngultrum is pegged to the Indian Rupee and India remains the predominant source of imports. Domestic demand pressures have fueled increases in non-tradables, such as property rents. Fiscal and monetary tightening, coupled with some foreign exchange controls since then, have helped cool the economy. Inflation has moderated to about 9 percent in the last quarter of 2012. The current account deficit persisted at a high of 20 percent of GDP in FY12, mainly due to high imports of consumer durables and hydropower investment-related imports and lackluster export performance. The overall external balance swung to a deficit of 6.4 percent of GDP with diminished external resources. There was a small drawdown of international reserves, but these remain well above levels that would cause concern.

8. **Nevertheless, the growth outlook remains overall very positive.** GDP growth is projected to continue to be strong at 7-8 percent in FY13 and remain at that level or higher in the next three years. Strong growth will be underpinned by the construction of 11 hydropower projects which are now in various stages of implementation. This will add 10,000 MW of electricity generation by 2020. The fiscal deficit is projected to be kept low at around 1.6 percent of GDP in FY13 by reining in capital (non-hydro) spending to 16 percent of GDP. The current account deficit is projected to remain at about 20 percent of GDP in FY13, but may begin to widen on account of hydropower imports and a decline in grants.

Table 1. Selected Economic Indicators

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	Act.	Act.	Act.	Act.	Estimated	Projected
Real sector	<i>(annual percentage change)</i>					
GDP growth	5.7	9.3	10.0	9.0	7.6	6.7
Hydropower GDP	15.3	39.4	35.0	31.8		
Non-hydropower GDP	8.0	4.8	5.1	3.2		
Consumer prices (period average)	6.3	5.7	8.9	9.1	7.6	7.6
Monetary sector	<i>(annual percentage change)</i>					
Broad money	24.6	30.1	21.2	-1.0		
Credit to private sector	31.1	38.6	33.2	30.1		
Fiscal sector	<i>(in percent of GDP)</i>					
Revenue with grants	40.4	46.4	35.6	37.5	31.8	30.4
Expenditure including net lending	38.6	44.7	37.8	38.3	33.4	31.4
Fiscal balance	1.9	1.6	-2.1	-0.7	-1.6	-1.0
External sector	<i>(in percent of GDP)</i>					
Current account balance	-1.39	-19.11	-25.50	-20.77	-20.95	-21.88
Trade balance	-7.92	-31.00	-32.32	-28.25	-27.00	-24.49
Overall balance	9.96	7.97	5.94	-6.44	2.61	-5.52
Gross int'l reserves (in millions of US\$)	704	792	906	770	858	902
Gross int'l reserves (months of merchandise imports)	13.9	11.2	9.5	9.6	9.4	8.3

Source: Bhutanese authorities.

9. **Bhutan continues to strengthen its governance framework.** In 2012, Bhutan moved further up on Transparency International's Corruption Perceptions Index, from 38 to 33, in recognition of additional steps it has taken to strengthen its anti-corruption legal framework, including passage of the 2011 Anti-Corruption Act, the establishment of an Anti-Corruption Commission (ACC) and further strengthening rules governing asset declaration by public servants in 2012. Indeed Bhutan's success in fighting corruption may provide lessons for other countries. Given that Bhutan's economic growth stems in significant measure from corruption-prone sectors (e.g. hydropower and construction), RGOB's focus on anti-corruption is not misplaced. A key element for improving governance has been an ambitious government-to-citizen (G2C) program to provide services electronically in a timely fashion through community centers, particularly important in light of Bhutan's significant geographical barriers. Similarly with support from IFC, the Government developed a government to business (G2B) e-portal to provide a comprehensive inventory of licenses and other information on business processes. RGOB has also prepared a well sequenced Public Financial Management (PFM) reform program based on the inputs from the recently completed Public Financial Management Accountability Assessment (PEFA) study. RGOB prioritizes PFM reforms in-line with national priorities, coordinates the actions of donors in this area and ensures a focus on further improving governance and accountability throughout the public sector. Looking forward, it would be useful to consider how to further build institutional capacity to implement transparency rules, and explore the potential for a Right to Information act to provide citizens with more information about public decisions.

10. **Public sector debt is high and needs to be closely monitored, though this is mostly for commercially viable hydropower projects.** As of June 2012, public sector debt was estimated to be 76 percent, compared to 64 percent a year earlier. It is expected to peak at 115 percent of GDP in

2014/15. Of this, more than half is owed to bilateral creditors, largely for hydropower construction. A joint World Bank/IMF 2012 Debt Sustainability Analysis (DSA) indicated that most debt thresholds have been breached in the baseline scenario putting Bhutan at a high risk of debt distress. Risks are mitigated by the concentration of debt in commercially viable hydropower projects, which are both growth-enhancing and self-liquidating. A significant increase in revenues from hydropower will begin to accrue significantly from 2017-18.

11. **In addition to debt levels, certain other pressure points require attention.** In the near term, until revenue streams come onboard from new hydropower projects, continued vigilance on monetary and fiscal policies will be required to preempt a repeat of the Rupee shortage. It will also be important to closely monitor expenditure patterns to keep tight policies from restraining social sector priorities and boosting the competitiveness of the private sector so necessary for employment. As these pressures ease, a relaxing of foreign exchange controls would be possible and desirable. Increased domestic revenue efforts will also be needed to sustain capital spending as fewer grants are received due to Bhutan's rising per capita income. In the medium term, increased efforts will be needed to further diversify the economy to reduce shocks as well as put a planning process in place so that when new revenue streams materialize, there will be a process to ensure they do not lead to overheating.

Poverty and Social Development

12. **Over the past decade, Bhutan has made strong progress in reducing poverty.** According to the US\$1.25 a day international poverty line, Bhutan's poverty rate declined by more than half between 1990 and 2008 reaching just ten percent of the population (and 23 percent using a national poverty line). The last Bhutan Living Standard Survey 2012 (BLSS) was conducted between March and July 2012. Preliminary data analysis suggests that poverty has further declined significantly, to about 12 percent led by strong growth in real per-capita GDP.

13. **Bhutan has attained or is on track to achieve most of the MDGs by 2015.** In education, 2009 net primary school enrollment and primary completion rates are 92 percent and 90.2 percent, respectively. Bhutan has already achieved the MDG of halving the proportion of people without access to improved water sources and sanitation facilities. Other MDG targets, with the exception of one pertaining to gender parity at tertiary education, are expected to be achieved.¹ Annex Table 2 presents MDG progress.

14. **Bhutan has made a tremendous progress toward gender equality.** Key indicators on gender equality show that Bhutan performs well beyond what one would expect from a country at its level of income. The ratio of male to female labor force participation rates in 2010 in Bhutan is as high as 86 percent compared to 77 percent in upper middle income countries and 74 percent in OECD countries. On health, access to modern contraceptive methods in Bhutan has increased sharply from 28 percent in 2003 to 65 percent in 2010. Gender equality in basic education has been largely achieved. Despite good progress, challenges remain mostly in agriculture and land holdings, inheritance, tertiary education, unemployment among young adults and gender gaps in employment quality.

15. **Bhutan also holds itself up to a higher standard – the GNH Index.** Bhutan's GNH approach to development emphasizes both economic and material gain in equal measure with the well-being of individuals, communities and society. According to the 2010 GNH Survey, 40.9

¹ Bhutan performs less well against the UN's Human Development Index (HDI) ranking 141 out of 187, weighed down particularly by low adult literacy and schooling.

percent of Bhutanese are “happy”, according to the GNH methodology². The GNH Index is a single number index developed from 33 indicators categorized under nine domains. It is constructed based upon a robust multidimensional methodology and is decomposable by any demographic characteristic. The index is designed to create policy incentives for government, NGOs and businesses to increase GNH. Looking forward, it would be useful to explore the relationship between the poverty survey and the GNH index in the remainder of the CPS period. Also, as noted earlier, Bhutan’s experience in GNH is expected to enable it to play a role in shaping the post-MDG development paradigm. See Annex 3 for details.

III. Progress in Achieving CPS Outcomes

16. **Progress towards CPS outcomes has been satisfactory and notable advances have been made in each CPS results area.** The Results Framework in Annex 1 summarizes recent progress and updates the CPS’ targets. Although some adjustments are needed, the results matrix remains fundamentally on track. The original results matrix is still valid and has been refined and updated to better reflect expected outcomes for the remainder of the CPS period.

Results Cluster 1: Private Sector Development:

17. **Overall progress in improving the private sector environment has been substantial.** The main instruments – two DPCs, the ongoing Private Sector Development Project, investment climate support by the Bank and IFC – have all been satisfactorily implemented. Most projected outcomes have been achieved or on-track, although the ongoing PSD project has been slower to implement than anticipated (see summary table below). This includes strengthening private sector policies and procedures, increasing the number of foreign direct investment (FDI) projects, improved accounting standards and corporate governance of state-owned enterprises (SOEs), and enhanced financial sector efficiency. Under the IDA-financed Bhutan Private Sector Development Project, Bhutan established its first IT Park which is in the process of attracting investment and clients, though slower than anticipated. IFC helped strengthen the operating environment for the private sector largely in three areas. First, to create a modern and efficient business environment, IFC assisted RGOB with optimization of the company registration process and is currently working to improve the efficiency of business entry through an e-portal for business (G2B), including enterprise registration and the process for obtaining a permit to start a new business. Second, to inform the government, IFC continued to engage in the development of PPPs (urban transit) , and undertook other feasibility or diagnostic studies, including on special economic zones, power trading, and the airline sector. Third, IFC further increased its support for Bhutanese financial sector, including through additional trade guarantees (\$3.4 million), a \$29 million equity investment in BNB, and capacity building engagements with banks. Efforts were continued to create an SME venture program during the CPS period.

18. **The Results Framework has been slightly adjusted on PPPs, and on financial services based on evolving circumstances.** On PPPs, the draft policy has been prepared and is on-track. The original milestone of having a PPP unit staffed and operational has been replaced by having PPP rules and regulations approved as RGOB chose to mainstream PPP policy across government rather than in a single dedicated unit under one ministry. On financial services, private credit has grown steadily, but vulnerability remains a concern. The credit-to-deposit ratio rose from 57 percent in

² People are considered happy if they meet the criteria for at least 6 out of 9 GNH domains: psychological well-being, Health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards.

2010 to 86 percent in 2012, while NPLs have increased to 8.2 percent on a gross basis. Focus has shifted toward financial inclusion policies and efficiency, evidenced by Bhutan's first fully operational Electronic Fund Transfer Clearing System and automation of the Royal Securities Exchange of Bhutan. IFC provided policy notes on the national payment systems. A planned World Bank follow-on private sector project was postponed under the current CPS given the slower than anticipated implementation of the ongoing PSD project and the need for increased budget support. This change does not affect the Results Framework. At the request of RGOB, funding initially earmarked for a follow-on PSD project was reallocated to the recent DPC-2 to address the country's liquidity requirements.

Table 2: Results Cluster 1: Private Sector Development

CPS Outcomes/Results	Progress to Date
✓ Improved framework for policies, procedures and practices resulting in more efficient process of business start-up, project approval and licensing for domestic and foreign investors	✓ Good Progress. FDI Rules and Regulations were issued and amendments to the FDI Policy approved by Cabinet in July 2012 ✓ Number of days to start a business reduced to 36 days in 2012
✓ Increase in the number of FDI project approvals	✓ Achieved. 32 new FDI projects approved
✓ Increased number of public-private partnerships	✓ On track. The draft PPP Policy will be submitted to Cabinet. Two PPPs have been implemented. PPP will now be mainstreamed rather than through a single unit
✓ Increased ratio of private credit over GDP	✓ On track. Due to concerns on the economy overheating, the focus has shifted towards financial inclusion (Financial Inclusion Policy drafted) and on efficiency with the Electronic Fund Transfer Clearing System operational and the automation of the Securities and Exchange and IFC advisory support to the two largest banks
✓ Improved corporate governance for SOEs as measured by the number of SOEs implementing new Corporate Governance framework	✓ On track and good progress. 60 out of 65 Druk Holding Investments (DHI) company directors trained. ✓ DHI has developed a performance monitoring system for six of its companies

Results Cluster 2: Employment and Skills Development

19. **Impressive progress has been made toward improving skills development and increasing employment opportunities.** Under the on-going Private Sector Development Project, 1,034 secondary and tertiary education graduates have been trained in IT/ITES. Approximately 804 tertiary-level graduates aged 19 and 24 years, with equal representation of men and women, are now working in the IT/ITES sector, exceeding the CPS target. This represents a 17 percent share of the total unemployed Bhutanese with a school diploma in 2007. Institutional capacity has been strengthened to facilitate employment of Bhutanese youth. The draft *National Employment Policy* will soon be presented to the Royal Government for approval. It aims to strengthen employment paths and improve working conditions. This will help foster conditions for achieving full, productive employment, particularly for youth. Through six different providers, training has been provided to approximately 100 youth in the tourism and hospitality sector.

20. **The knowledge base has been strengthened through analytical work on higher education and a Human Development (HD) Public Expenditure Review (PER).** These are anticipated to inform government policy. A new formal college curriculum was launched at the Royal University of Bhutan (RUB) under the PSD project. Three new credit course offerings in analytical skills, language enhancements and entrepreneurship development are now available. In

addition, IFC’s potential investments in education are being explored. However, increased access to tertiary education has been dropped as this was to have been supported by a new knowledge economy project which has been postponed to let the first PSD project mature and yield lessons (as discussed earlier). As a result, higher education and apprenticeship outcomes were overly ambitious in light of what could be achieved through only analytic work.

Table 3: Results Cluster 2: Employment and Skills Development Progress

CPS Outcomes/Results	Progress to Date
✓ Competency based curricula in place as measured by number of new or revised learning offerings	✓ Achieved. Six new learning offerings were made available to youth. Three new credit courses introduced at the Royal University of Bhutan
✓ Increased annual number of graduates trained in institutions through public-private partnerships (e.g: tourism, ICT, nursing)	✓ Achieved. 1,034 youth trained through PPP skills development. 804 Bhutanese graduates working in the IT/ITES
✓ Increased access to tertiary education and firms providing apprenticeships	✓ Not achieved indicator dropped

Results Cluster 3: Sustainable Urban-Rural Development

21. **Progress has been made for improving urban infrastructure, despite initial delays.** Municipal finance reform is now on-track. The Bank provided international expertise to the Ministry of Works and Human Settlement (MOWHS) for finalizing the draft Municipal Finance Policy, approved in July 2012. Select priority measures are being implemented in both Thimphu and Phuntsholing, Bhutan’s two largest urban settlements. Initial work on improving services in Thimphu, including the construction of roads, piped water and sewage is underway, despite initial delays. A follow-on operation or additional financing to the current project for FY14 will be prepared to expand gains and address the country’s unabated trend of urban drift. The Bank is also planning to extend an IDF grant to help improve urban budgeting. IFC is exploring several PPP operations to make urban transport more efficient. IFC 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. However projects have been deferred currently for different reasons.

22. **Substantial progress is being made in improving rural livelihoods, with a moderately adjusted focus under the CPS.** The Bank’s support has helped improve access to irrigation, small-scale infrastructure and agricultural extension services in six project districts. These have led to better access to markets, reduced transportation costs and provided more access to agricultural services. Travel time to the nearest motorable road has been reduced by 50 percent. Access to all season feeder roads has improved 100 percent through the construction of 95 km of roads in project areas. The program is being deepened in the poorest and most remote parts of the country through the recently approved *Remote Rural Communities Development Project*. This operation focuses on the provision of rural infrastructure (e.g. roads, irrigation, water/sanitation facilities) for improving the production and marketing of agriculture products to bolster rural livelihoods. Some adjustment to the expected outcomes as described in the CPS has been made to reflect current government strategy and priorities and the actual focus, size and result targets of the new project (the project had not commenced preparation when the CPS was prepared). The Bank has provided support for the last two CAS/CPS periods to strengthen Sustainable Land Management (SLM) practices in-line with RGOB’s last two successive five-year national development plans. IFC continues to seek opportunities to support agribusiness and other rural bankable projects that may enhance the country’s exports.

23. **Good progress has been made in developing capacity for an improved system of disaster risk reduction.** The Bank’s technical assistance has contributed to capacity building for the Department of Disaster Management (DDM), Ministry of Home and Cultural Affairs, as well as other relevant counterparts through the provision of training and participation in international conferences and seminars on disaster management. RGOB prepared a draft Disaster Management Bill to improve disaster risk management and response through a systematic and streamlined approach. A draft national action plan for schools and hospitals has also been prepared.

Table 4: Results Cluster 3: Sustainable Urban Development

CPS Outcomes/Results	Progress to Date
✓ Increase access to urban services in selected Thimphu local areas plans (LAPs) as measured by access to roads, water and sewage	✓ On track
✓ Improved management of municipal services finance as measured by: (a) increased collection of property taxes; and (b) increased cost recovery of municipal services	✓ On track. Municipal finance reform is now on track. The draft municipal finance law has been finalized
✓ Improved access to markets through: (a) establishment of road user group for road maintenance as measured by the number of road users groups; and (b) the construction of new farm roads as measured by kilometers of new road	✓ On track. 95.5 km of farm roads constructed. A further 18km of new roads has been identified ✓ 100 percent targeted feeder roads constructed ✓ 100 percent of targeted feeder roads improved to all season standards
✓ Increased number of rural dwellers acquiring new skills as measured by the number of people trained	✓ Dropped
✓ Increased markets for selected agricultural products on a pilot basis	✓ Dropped
✓ Improved community-level preparedness with local communities trained and effectively implementing disaster preparedness and adaptation plans and activities	✓ Added: Increase in critical community infrastructure for water and sanitation
✓ Improved national preparedness through plans developed by vulnerable dzongkhags	✓ Indicators dropped with revised outcome which is on track

Results Cluster 4: Access to Quality Public Services

24. **Strong progress has been made toward improving country systems, including for budgeting, assessing poverty, allocating expenditures, monitoring service delivery, and procurement.** Through the DPC series, the poverty mapping exercise, the PEFA Report and the HD PER, the Bank has assisted Bhutan in better understanding and estimating poverty, expenditure trends in the HD sectors and areas where public spending may yield maximum impact. These efforts have helped RGOB develop a Multi-Year Rolling Budget (MYRB) system, fine-tune annual capital grants to districts, and prepare the 11th Five-Year Plan.

25. **An important outcome has been the development of a public expenditure and service delivery standards reporting system,** now in place for four RGOB agencies. Progress has been made in implementing recommendations of the Use of Country Systems (UCS) Assessment, which include development of a procurement users' guide, strengthening the Public Procurement Policy Division (PPPD) within the Ministry of Finance, establishing a PPPD website, creating an independent bid review body, publishing contract awards and revising Standard Bidding Documents for goods and works.

26. **Bhutan is also making efforts to further strengthen its system of public financial management (PFM).** RGOB has prepared a comprehensive PFM Reform Program to bring about improvement in the national PFM framework for improved quality of public spending. This action plan will be monitored by the PFM-Governance Group being formed by RGOB and will be used by other development partners as the basis for their engagement with RGOB to support improved PFM.

27. **Modest progress has been made in the area of tertiary education.** Completed analytic work on the tertiary education sub-sector aims to support Bhutan's goal of establishing a knowledge-based society. With support from the Bank, RGOB has prepared a Quality Assurance and Accreditation (QAA) Framework. The report will be discussed with RGOB to see how to further support this effort, including developing strategic partnerships and the rolling-out of the QAA Framework.

28. **An area that has been added to the CPS Results Framework is improving awareness in health and nutrition.** Nutrition as a new area of focus stems from the last September 2010 Round Table Meeting where alarming rates of stunting and malnutrition caused concern among Bhutan's development partners. Subsequent analytical work carried out as the Bhutan National Nutrition Assessment and Gap Analysis were presented to RGOB, describing key determinants of malnutrition, current programs, and gaps, opportunities and implementation challenges. The report has been widely disseminated and included brainstorming with key stakeholders from the health, education and agriculture sectors. Several additional pieces of analytical work in the health sector were undertaken, including Bhutan's first National Health Accounts (NHA) estimates, a costing study of health facilities and a study on selected health indicators. The HD PER also incorporates findings from these studies. Given the importance of this, an indicator has been added on increasing awareness of health and nutrition issues within the 11th 5 year plan. But this has been kept non-specific for now as the 11th plan remains a work in progress and an ongoing dialogue. When this is assessed at CPS completion, it will be important to identify specific change measures achieved as a result of the recommendations contained in the Bank's analytic work.

Table 5: Results Cluster 4: Access to Quality Public Services

CPS Outcomes/Results	Progress to Date
✓ Improved allocation of resources in social sectors as evidenced by development of MYRBs	✓ Achieved. MYRB/PEMS system is being piloted in four government agencies
✓ Service delivery standards and criteria in place as evidenced by annual reporting to the National Assembly	✓ On track. Service delivery standards online for four agencies
✓ Identification of strategic partnerships with outside institutes of higher learning	✓ Modest. Tertiary education report completed and will be discussed with RGOB
✓ Quality assurance system established as measured by the number of programs covered	✓ Modest. Quality Assurance and Accreditation (QAA) Framework prepared
	✓ Added. Increased awareness of health and nutrition issues and inclusion in the 11 th plan of some of the Bank's analytic work's recommendations.

IV. Portfolio Performance

29. **Overall performance of the portfolio is satisfactory with no problem projects or potential problem projects.** Bhutan's portfolio has become more focused, down from eight operations in FY10 to five at present with US\$56 million undisbursed. The average age of an operation has declined from 4.7 to 3.0 years. Significant progress has been made in the enhanced use of country systems. All Bank-supported operations now fully use Bhutan's FM system for budgeting, accounting, funds flow, internal control, financial reporting and auditing. The disbursement ratio has been robust at 40 percent in FY11 and 30 percent in FY12.

30. **Three IDA-investment operations in education, HIV/AIDS and institutional capacity building closed in FY11-12** with IEG ratings of moderately satisfactory, unsatisfactory and moderately satisfactory, respectively. The HIV/AIDS project helped RGOB establish a national HIV/AIDS strategy, as well as and train and educate the general populace in HIV awareness and prevention. The project's Implementation Completion Report found that the project design was overly complex, data unreliable and high risk groups difficult to reach. The main lesson learned was that in a small country with limited capacity, it is important to keep design and results targets simple, to establish baseline data, and to focus more on building country systems rather than targeting delivery to particular groups.

31. **IFC's committed and outstanding portfolio stands at \$32.5 million.** A \$29 million equity investment in BNB, the largest IFC investment and foreign direct investment in Bhutan's history, was committed in FY 2013. The portfolio also consists of a tourism investment and trade guarantees through Global Trade Finance Program, provided to two banks.

32. **The Bank Group lending activities have been complimented by significant use of trust fund resources and a robust program of analytic work.** Trust funds have been a significant part of the Bank's engagement in Bhutan. Currently, there are two large trust funds (GEF and GFDRR) and five Institutional Development Fund (IDF)-supported activities in areas such as public financial management, procurement, environmental safeguards, corporate governance and capacity building in

the Ministry of Labor and Human Resources. Annex 5 provides a list of all active Trust Funds which are fully integrated into the Bank's program. The Bank has provided knowledge to Bhutan through a combination of non-lending technical assistance (NLTA) and economic and sector work (ESW). Prominent among these have been Analytical and Advisory Activities (AAA) for poverty mapping, an Investment Climate Assessment, a higher education study, the HD PER and a financial inclusion focus group exercise.

33. **These have been complemented by IFC Advisory Services**, including for: (i) structuring PPP infrastructure projects, an urban transit system for Thimphu and Phuentsholing and a parking facility for Thimphu; (ii) improving the investment climate through, among others, FDI and licensing project approvals, environmental clearances and introducing best practices for information sharing for business permits; (iii) financial sector capacity building through policy notes on national payment systems, training on trade finance and targeted advisory assistance for the two largest banks; and (iv) feasibility or diagnostic studies on special economic zones (completed), the power trading company (completed), and a diagnostic study for the national airliner, Drukair.

34. **The Bank and IFC have also strengthened their presence on the ground.** Beginning in FY11, the Bank and the IFC opened a joint office, with a World Bank Representative and IFC Country Coordinator sharing the same office space. This facilitates dialogue with RGOB and mission planning, as well as fosters collaboration between the Bank and IFC. It is expected that Bhutan will play an important role in regional and global issues. For example, Bhutan hosts the headquarters of the recently established SAARC Development Fund for which the Bank is helping build capacity.

V. The Strategy Moving Forward

35. **The overall focus and the amount of IDA and IFC financing under the CPS remains valid.** The CPIA for Bhutan remains one of the highest in the IDA Cohort and its portfolio also remains strong. Consequently, Bhutan's IDA allocation has grown from US\$78 million, as anticipated under the CPS, to approximately US\$81 million³. The current IDA programmed allocation totals approximately US\$70.5 million, leaving just over US\$10 million to be programmed during the current IDA cycle. Although Bhutan is not yet creditworthy for IBRD, as it has exceeded the IDA GNI per capita threshold for more than three years in a row it now receives IDA on hardened IDA credit terms.⁴ It is anticipated that remaining IDA-16 financing will be used for a new urban project or additional financing to the ongoing Bhutan Urban Development Project-2 investment operation. The main change in the planned IDA program is that funds have been increased for DPC2 and the Royal Government elected not to use IDA resources for a follow-on private sector development project provides further support for private sector development. IFC continues its efforts to build a firm investment pipeline while assisting with creating a modern and sound investment climate through technical support for private sector development.

³ US\$25.5 million in FY11 plus estimated IDA-16 (FY12-14) allocations of SDR 36.9 million, which at current exchange rates is about US\$56 million. However, the IDA allocation for FY2014 is indicative only. Actual allocations will depend on: (i) the country's own performance; (ii) its performance relative to that of other IDA recipients; (iii) the amount of overall resources available to IDA; (iv) changes in the list of active IDA-eligible countries; and (v) terms of financial assistance provided (grants or loans).

⁴ 25 year maturities, a grace period of five years, and an interest rate of 1.25 percent plus the standard service charge of 0.75 percent.

Table 6: Initial and Current Estimated IDA Lending Program

Estimate in the CPS (US\$m)		Current Estimate (US\$m)	
DPC 1	24.75	DPC1	24.75
Regional Wildlife Project	0.75	Regional Wildlife Project	0.75
Rural Development	12.00	Remote Comm. Dev	9.00
DPC2	20.00	DPC2	36.00
Urban Dev 3	12.45	Urban Dev – AF	10.50*
Psd2	8.00		
Total:	78.0		81.0

*Depends on the final IDA-16 allocation. For FY14, the last year of IDA16, the amount is indicative and will depend on a number of factors including performance, as well as the potential for reallocating funds.

36. **The Bank will continue to complement this modest lending with grants and analytic work.** A GEF-financed project of about US\$4m is being prepared to support strengthening implementation of the Bhutan Trust Fund for Environmental Conservation. Several new IDF grants are also planned, including one to support improved PFM, inter-governmental finance and corporate governance of state-owned enterprises under the Ministry of Finance. New grants are also anticipated in the areas of cultural heritage, youth employment and disaster management. The Bank anticipates further analytic work in the financial sector, strengthening the macroeconomic framework and green growth.

37. **For the remainder of the CPS period, IFC will prioritize delivery of existing advisory programs** and the execution of its existing pipeline of investments, focusing on inclusiveness, clean growth and global integration. IFC has made progress in developing a pipeline of lending and equity investments, including in the financial sector (such as an SME fund) and agribusiness. Going forward, in continued collaboration with the Bank, IFC will look for investment opportunities in diverse sectors, including telecommunications, health, education and tourism, among others. Through its advisory teams in investment climate, financial inclusion and PPPs, IFC will also continue efforts to improve the private sector environment.

38. **The next CPS period will begin in July 2014.** Areas of focus are expected to be defined by the 11th Five-Year Plan currently under preparation and priorities of the next elected government. Current indications are that the expected themes of the 11th Five-Year Plan – Urban Wellbeing and Rural Prosperity – will provide continuity with the current strategy, and the main themes should continue to resonate. With regard to instruments, the bulk of IDA funds are expected to continue to be provided through development policy lending, supplemented by analytic work. The potential for greater use of results-based financing will be explored. As anticipated in the current CPS, during the next CPS period Bhutan will explore moving toward an IDA-IBRD blend status which would enable Bhutan to obtain higher levels of overall financing. This is in keeping with Bhutan’s emergence as a Middle Income Country (MIC). Close cooperation between the Bank and IFC will be continued. It is also notable that Bhutan has just become a member of MIGA, which should begin operations by the next CPS.

VI. Risks and Mitigation

39. **The CPS identifies three areas of risk which remain valid:** (i) macroeconomic; (ii) capacity; and (iii) program risks. While no major risks have been identified which are likely to derail the country program, there are some that may continue to affect implementation progress and for which mitigation measures are in place.

40. **On the macro-economic side, the main risk relates to the shortage of Indian Rupees in the Bhutanese economy.** As noted earlier, the economy showed signs of overheating in fiscal 2012 resulting in a shortage of Indian Rupee reserves. Fiscal and monetary measures to curb consumption have helped cool the economy. With adequate planning this situation should be manageable. If fiscal and monetary measures are relaxed, the inability of contractors and suppliers to access sufficient volumes of Rupees could slow crucial infrastructure activities. To mitigate this risk, the Bank will work with the Royal Government through both its economic dialogue and a series of DPCs to identify measures to insulate the economy from the impact of near term Rupee shortages as well as medium term increased Rupee earnings expected to commence over the next three to five years. Dialogue on diversifying the economy to build other areas of economic strength beyond hydropower will need to be deepened.

41. **Bhutan also faces vulnerability to external shocks, both as a small landlocked country with a heavy reliance on hydropower revenues, and to natural disasters.** On the first, this includes potential economic fluctuations in its large neighboring countries as well as energy pricing. The Bank will continue to work with Bhutan to build a sound medium-term fiscal framework through budget support operations. Economic diversification will also be important. The Bank's rural operations will help build agriculture potential to help diversify the economy. Further, Bhutan has also suffered a number of natural disasters in the last few years, including two strong earthquakes, flash floods, windstorms and forest fires. While natural disasters cannot be predicted or avoided, their impact can be mitigated by proper disaster preparedness and response measures. The Bank is providing capacity building support to the Department of Disaster Management, Ministry of Home and Cultural Affairs to help Bhutan strengthen its preparedness activities.

42. **The CPS identifies risks related to capacity constraints** given Bhutan's small human resource base and limited number of trained people with high-level managerial capacity. In light of this, the Bank is working with the Government to build the use of country systems through a limited number of Bank and IFC financed operations, coupled with continual technical support and training, particularly for fiduciary functions (i.e. financial management and procurement). It also continues to remain engaged at an analytic level as regards higher education. Given its limited staff on the ground, the Bank has combined the position of Resident Representative and Senior Economist in order to provide hands-on economic support to the Government.

43. **Finally, the CPS identifies program risks related to evolving priorities.** A key mitigating measure the CPS identifies is the frontloading of analytic work to help shape priorities in the CPS period. These have largely been delivered and there is now more clarity on the second half of the CPS. Bhutan will enter an election cycle in the first half of 2013, and a new government may introduce new priorities. The existing government is working to ensure that the introduction of the next national five-year plan, the 11th Five-Year Plan, is being prepared during the same time period and broadly covers the key drivers for development which all political parties agree on. This will form the basis for the next CPS going forward. It is expected that the political transition will be smooth and will respect commitments made for achieving the country's national development goals.

Annex 1: Bhutan CPS Results Framework – Progress to Date

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
Area of Engagement 1. ECONOMIC DIVERSIFICATION, JOB CREATION AND FINANCIAL INCLUSION				
Results Cluster 1: Privatesector development				
Country Development Goals: 1.1 : Improved environment for private sector investment				
<p>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</p> <p>Number of days to start a business (On track)</p> <p><i>Baseline: 46 days in 2010</i> <i>Target: 30 days in 2014</i></p> <p>Increase in the number of FDI project approvals (Achieved)</p> <p><i>Baseline: 20 approvals in 2009</i> <i>Target: 25 approvals in 2014</i></p>	<p>Revised FDI rules and regulations approved, in line with new FDI policy(Achieved)</p> <p>Implementation Plan of the Economic Development Policy (EDP) developed and launched. (Achieved)</p> <p>Bhutanese Accounting Standards from Phase 1 and 2 of agreed road map notified (Achieved)</p>	<p>No change in original outcomes and milestone.</p>	<p>Rules and regulations were issued and an amendment to the FDI Policy approved by Cabinet in July 2012.</p> <p>As of 2012 it takes 36 days to start a business.</p> <p>As of 2012, 32 new FDI projects have been approved which exceeded the target of 25.</p> <p>RGOB prepared EDP in April 2010. A number of policies and laws are being formulated or reviewed to implement the EDP including business licensing policy, simplification of industry etc.</p> <p>Accounting and Auditing Standards Board of Bhutan (AASBB) has issued notification to fully adopt the</p>	<p><u>Completed/Ongoing Lending:</u></p> <ul style="list-style-type: none"> • DPC1 (completed) • DPC 2 (completed) <p><u>Completed/Ongoing AAA:</u></p> <ul style="list-style-type: none"> • Investment Climate Policy Dialogue (completed) • Licensing Simplification TA (IFC) (Ongoing) • Access to Finance AAA(completed) • Poverty Mapping (Completed) • Corporate Governance TA (Ongoing) • IDF on improvement of PFM (completed) • Strengthening PFM IDF (ongoing)

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
			International Financial Reporting Standards by 2021 in phased manner and has developed Bhutanese Accounting standards for the interim period. These standards apply to Bhutanese companies in reporting financial results.	
Country Development Goals 1.2: Leveraging private sector participation for strategic infrastructure				
<p>Increased number of public private partnerships (On track)</p> <p><i>Baseline: 1 in 2010</i></p> <p><i>Target: 3 in 2014</i></p>	<p>RGOB Public Private Partnership department staffed and operational.(Revised)</p>	<p>Revised milestone:</p> <p>RGOB Public Private Partnerships Policy adopted. .</p>	<p>As of now 2 PPP partnership has been achieved. The IT Park has been a flagship and pilot for public private partnerships in infrastructure and service delivery.</p> <p>The PPP Policy has been drafted with support from the Bank and will be submitted to the Cabinet by end 2012. In addition, an institutional framework has been drafted following consultations with stakeholders.</p>	<p><u>Completed/Ongoing Lending:</u></p> <ul style="list-style-type: none"> • Bhutan Private Sector Development SIL <p><u>Completed/Ongoing AAA:</u></p> <ul style="list-style-type: none"> • Improving capacity to implement infrastructure PPPs PPPs (TA) – (Completed) • Construction Sector Assessment • Possible support for solid waste management in Thimphu (Bank-IFC) • Possible support for bus service in Thimphu (IFC) (Ongoing but changed to Transport Services) • TA- PPP Rules &

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
				Regulation(Planned) Pipeline: <ul style="list-style-type: none"> • PSD/ICT/Knowledge Society SIL (Dropped) • Possible support for telecom, hydropower, and private airliner (IFC) (Ongoing only for hydropower) • -Possible support for tourism (IFC)
Country Development Goals 1.3: Improved efficiency of and access to financial services				
Increased ratio of private credit over GDP as measured by IFS(<i>Revised</i>) <i>Baseline: 29.7 percent</i> <i>Target: 33 percent</i>	Financial literacy program developed and under implementation(On track) Electronic Fund Transfer Clearing System (EFTCS) fully operational. (Achieved)	Revised Outcome: Financial Inclusion Policy Implemented. Baseline: No Policy Framework Target: 100% implementation of the policy. New Milestone: Automation of Royal Securities of Exchange in Bhutan. (Achieved)	Financial Inclusion Policy was developed that draws out policy objectives, strategies and an action plan to increase financial inclusion Electronic Funds Transfer Clearing System (EFTCS) was inaugurated in June 2010 in Thimpu and will be expanded to other regions. As of January 2012, US\$750,000 million worth of transactions processed monthly through the EFTCS a 25% increase since September 2011.	Ongoing/Completed Lending: <ul style="list-style-type: none"> • Bhutan Private Sector Development SIL • DPC1 (completed) • Access to Finance TA to banks (IFC) (Ongoing) Ongoing/Completed AAA: <ul style="list-style-type: none"> • Access to Finance AAA (completed) • Poverty Mapping(Completed) • E-Governance TA (completed) • ICT Sector Policy TA (completed) • SME finance TA (IFC) • Possible support for SME

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
				finance (IFC) <ul style="list-style-type: none"> • Possible support for financial institutions through trade-line, credit-line and equity investments (IFC) <p>Pipeline:</p> <ul style="list-style-type: none"> • PSD/ICT/Knowledge Society SIL (Dropped) • DPC2 (Completed) •
Country Development Goals 1.4: Strengthen corporate governance of state-owned enterprises				
Improved corporate governance for SOEs as measured by (On track) The number of SOEs implementing new Corporate Governance framework <i>Baseline: 0</i> <i>Target: 5</i>	New corporate governance framework under implementation. (On track)		60 out of 65 Druk Holding Investments (DHI) companies directors have been trained in an internationally renowned institute, against an end of project target of 33. DHI has developed a performance monitoring system for six of its companies, consistent with international standards, in order to better manage their performance. DHI has initiated the development of model corporate governance documents and a Corporate Governance Code. This	<p><u>Ongoing/Completed</u></p> <p><u>AAA/NLTA :</u></p> <ul style="list-style-type: none"> • Corporate Governance IDF Grant (WB) (Ongoing) • Financial Sector Corporate Governance TA (IFC)(Ongoing)

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
			activity was postponed until after the corporate governance training, so that a quorum of directors could use their CG training to inform the discussions.	
Results Cluster 2: Employment and skills Development				
Country Development Goals 2.1: Diversify learning options to meet skills demand and enhance employability through: (a) increasing access to and choice of learning options, and (b) increasing private sector participation				
<p>Competency-based curricula in place as measured by (Achieved)</p> <p>Number of new or revised learning offerings</p> <p><i>Baseline: 5 in 2010</i> <i>Target: 10 in 2014</i></p> <p>Increased number of graduates trained through public private partnerships (e.g. tourism, ICT, nursing) (Achieved)</p> <p><i>Baseline: 20</i> <i>Target: 1,000</i></p>	<p>Promising occupations prioritized by MOLHR and institutional arrangements for curriculum development in place (Ongoing)</p> <p>Criteria defined for competitive selection of private training institutes (Achieved)</p>		<p>Competitive selection of private training institutes accomplished (for 6 selected institutes)</p> <p>5 partnership with private sector established.</p> <p>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 were launched at the Royal University of Bhutan.</p> <p>Training for skills development through PPP has progressed well with</p>	<p><u>Ongoing Projects:</u></p> <ul style="list-style-type: none"> • IDF Grant MOLHR • PSD • BUPD2 • EDP • DPC1 <p><u>Non-lending</u></p> <ul style="list-style-type: none"> • Youth Employment Study ESW (Dropped) • HE Sector Note ESW (completed) • Urbanization, Growth and Employment Study ESW (dropped) <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> • DPC2 (completed)

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
<p>Increased access to tertiary education as measured by the number of people who transition from vocational to tertiary education programs</p> <p><i>(indicators to be determined under new project)</i></p> <p>(Dropped).</p>	<p>Revised policy on tertiary level entry implemented (Dropped)</p> <p>RGOB defines incentive structure for firms to take on apprentices. (Not on track)</p>	<p>Outcome and indicator dropped.</p>	<p>about 100 youth trained or in training.</p> <p>1,034 secondary and tertiary graduates have been trained.</p> <p>Number of Bhutnese graduates working in the IT/ITES is 804 which exceeded the target of 700.</p>	<ul style="list-style-type: none"> • PSD/ICT/Knowledge Society SIL (Dropped) • BUPD3 • Possible support for the education sector (IFC)
Area of Engagement 2: Spatial Planning and Public Services				
Results Cluster 3: Integrated Sustainable Urban				
Country Development Goals 3.1: Improve urban living standards through increased access to quality services				
<p>Increased access to urban services in selected Thimphu local areas plans (LAPs) as measured by access to roads, water and sewage(On track)</p> <p><i>Roads</i></p> <p><i>Baseline: 0</i></p>	<p>Construction of water, sewerage and water infrastructure underway(On track)</p>	<p>No change in outcomes or milestones.</p>	<p>Municipal Finance reform is now on track. The draft Municipal Finance Policy has been finalized and approved in July 2012.</p> <p>Work on roads, water and sewage is ongoing with some</p>	<p><u>Ongoing Projects:</u></p> <ul style="list-style-type: none"> • BUDP2 • DPC1 <p><u>Non-lending</u></p> <ul style="list-style-type: none"> • Urbanization and Growth

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
<p><i>Target: 200 plots / 12km roads constructed</i> <u>Piped Water</u></p> <p><i>Baseline: 0</i> <i>Target: 250 households (Target has been revised to 150 households)</i> <u>Sewerage</u></p> <p><i>Baseline: 0</i> <i>Target: 250 households (Target has been revised to 150 households)</i></p> <p>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> (On track)</p> <p><i>Baseline: 45 percent</i> <i>Target: 70 percent</i></p>	<p>Property tax records computerization underway (On track)</p> <p>System of training in place (On track)</p>		<p>delay.</p> <p>Work on initial stages has been initiated. Technical work will start soon.</p> <p>Ongoing and training given to the technical staff.</p>	<p>Study ESW (Dropped)</p> <ul style="list-style-type: none"> • Rural Development Strategies ESW (Dropped) • Construction Sector Assessment ESW • Poverty Mapping TA (completed) • Disaster Management TA (Completed) • Solid Waste Management support for City of Thimphu (Bank-IFC joint) • PPP TA to support bus service in Thimphu (IFC) (Ongoing and changed to Transport Service) • Tax Administration TA <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> • BUDP3 • DPC2 (completed)

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
<p><u>Municipal services</u></p> <p>Baseline: 40 percent Target: 60 percent</p>				
<p>Country Development Goals 3.2: Increase the appeal of rural life by creating opportunities for farm and non-farm employment and income generation</p>				
<p>Improved access to markets through: (i) the establishment of community groups for road maintenance as measured by the number of community groups, and (ii) the construction of new farm roads as measured by kilometers of new roads</p> <p><u>Community groups</u></p> <p>Baseline: 0 Target: 80</p> <p><u>Roads</u></p> <p>Baseline: 0 Target: 80</p> <p>Increased number of rural dwellers acquiring new skills as measured by the number of people trained(Dropped)</p> <p>Baseline: 0 Target: (indicator to be</p>	<p>Development of reporting and monitoring system for community-based road maintenance</p> <p>Identification of new roads to be constructed(On track)</p> <p>Analytical work to inform the project design(Achieved)</p> <p>New skills development programs established in rural areas.</p>	<p>New Outcome:</p> <p>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>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><u>Ongoing/Completed Lending:</u></p> <ul style="list-style-type: none"> • DRDP • RAP2 • DPC1 • Rural Communities <p><u>Non-lending</u></p> <ul style="list-style-type: none"> • Urbanization and Growth Study ESW (Dropped) • HD PER ESW(Completed) • Youth Employment Study ESW (Dropped) • Rural Development Strategies ESW (dropped) • Poverty Mapping ESW(Completed) • Country Social Development ESW (dropped) • Disaster Management TA • Possible support for rural finance (IFC) <p><u>Pipeline:</u></p> <ul style="list-style-type: none"> • Integrated Rural

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
<p><i>determined under new project)</i></p> <p>Increased markets for selected agricultural products on a pilot basis (<i>indicators to be determined under new project</i>)(Dropped)</p>	<p>Consultations with stakeholders, including private sector, completed(Dropped)</p>			<p>Development Project (Dropped)</p> <ul style="list-style-type: none"> • Knowledge Society Project (dropped) • DPC2 • GAFSP • Possible support for agribusiness (IFC)
<p>Country Development Goal 3.3: Decrease in the loss of life and assets through institutional capacity for disaster preparedness and adaptation to climate change</p>				
<p>Improved community-level preparedness with local communities trained and effectively implementing disaster preparedness and adaptation plans and activities(Dropped)</p> <p><i>Baseline: 0</i> <i>Target: 9</i></p> <p>Improved national preparedness with disaster preparedness plans developed in vulnerable dzongkhags(Dropped)</p> <p><i>Baseline: 0</i> <i>Target: 3</i></p>		<p>New Outcomes:</p> <p>Improved capacity of key RoGB agencies for DRM</p> <p>Baseline: 0 (2012) Target: 4 Ministries (2014)</p> <p>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>Finalized and approved National Action Plans for</p>	<p>Completed the first training on Basic Urban Search and Rescue</p> <p>Completed the draft of National Action Plan for both Schools and Hospitals.</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><u>Ongoing Projects:</u></p> <p><u>Non-lending</u></p> <ul style="list-style-type: none"> • JSDF Seed Fund for “Building climate and disaster resilient communities in Bhutan” proposal. (Dropped) • Proposed JSDF project for “Building climate and disaster resilient communities in Bhutan”. (Dropped) • GFDRR TA for Bhutan Disaster Risk and Recovery Program) • GFDRR-GHI Partnership for Safe Schools and Hospitals • GFDRR “Improving Disaster

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
		<p>schools and hospitals.</p> <p>Baseline: No action plan Target: Action plan finalized and approved.</p> <p>Completed training program for national search and rescue team.</p>		<p>Management Capacity in Bhutan</p> <ul style="list-style-type: none"> • Japan Policy and Human Resources Development (PHRD) TA Program to Support Disaster Reduction and Recovery.
Results Cluster 4: Access to Quality Public Service				
Country Development Goals 4.1: Improved access to and quality of social services through evidence-based resource allocation and management				
<p>Improved allocation of resources in social sectors as evidenced by development of MYRBs(Achieved)</p> <p><i>Baseline: 0</i> <i>Target: 2 sectoral MYRBs developed</i></p> <p>Achieved</p> <p>Service delivery standards and criteria in place as evidenced by annual reporting to the National Assembly</p> <p><i>Baseline: not reported</i> <i>Target: reported</i></p>	<p>Completion of public expenditure review(Achieved)</p> <p>Completion of the second phase of poverty mapping exercise(On track)</p>	<p>No change in original outcomes and milestones.</p>	<p>MYRB/PEMS system is being piloted in four government agencies.</p> <p>HD Public Expenditure Review has been completed. Several sector studies including National Health Accounts, Costing of Public Health services and GIS based study on health infrastructure and indicators were undertaken for the first time and have provided much needed evidence for informed policy making.</p> <p>Completed. Local level indicators have been used increasingly for planning and</p>	<p><u>Ongoing/Completed Lending:</u></p> <ul style="list-style-type: none"> • DPC1 • <u>Ongoing/Completed AAA</u> • Poverty Mapping ESW(completed) • HD PER ESW (completed) • HE Sector Note ESW (completed) • Rural Development Strategies ESW • Construction Sector Assessment ESW • Poverty Mapping ESW • Management of Hydropower Revenues TA • MTFF and MYRB TA • Public Financial Management Report ESW

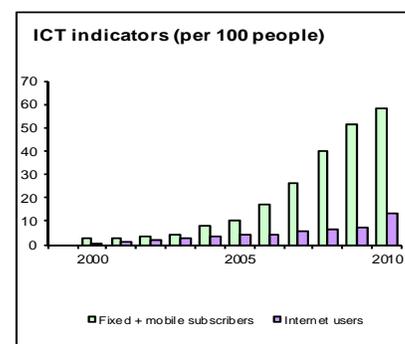
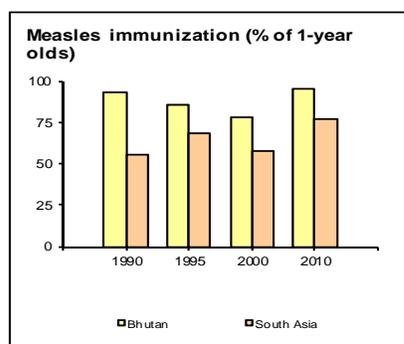
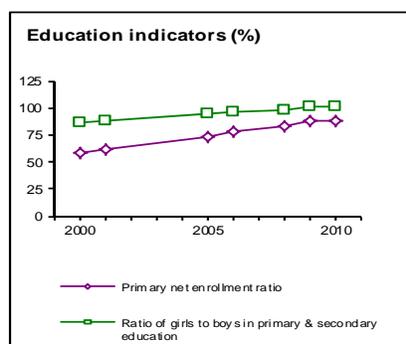
Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
	Service delivery standards online for 50 percent of agencies		<p>resource allocation purposes of RGOB and the poverty maps at the gewog (sub-district) level have been used to determine allocations under the annual capital grant. The second phase of poverty mapping exercise provided a broader range of disaggregated indicators at the gewog level, through the Bhutan Map Portal, which is hosted and maintained by the NSB.</p> <p>Service delivery standards online for four agencies.</p>	<ul style="list-style-type: none"> • Bhutan National Nutrition Assessment and Gap Analysis <p>Pipeline:</p> <ul style="list-style-type: none"> • Knowledge Society Project (Dropped)
Country Development Goals 4.2: Expanded and diversified system of higher education				
<p>Identification of strategic partnerships with outside tertiary education institutes (Not on track) <i>Baseline: 2</i> <i>Target: 6</i></p> <p>Quality assurance system in RUB established as measured by the number of programs</p>	<p>Roundtable with stakeholders to discuss the results of the study (On track)</p> <p>Expressions of interest and familiarization visits to/from international institutes (Dropped)</p>		<p>Higher Education Sector Note has been completed and will be discussed with the RoGB soon.</p> <p>RoGB with the technical assistance from the WB has prepared a Quality Assurance and Accreditation (QAA)</p>	<p><u>Ongoing/Completed Lending:</u></p> <ul style="list-style-type: none"> • EDP <p><u>Ongoing/Completed AAA:</u></p> <ul style="list-style-type: none"> • HD PER(Completed) • HE Sector Note(completed)

Original CPS Outcomes & Indicators	Original CPS Milestones	Revised CPS Outcomes and Milestones	Progress to Date (As of Nov, 2012)	Bank Program and Partners
and degrees covered <i>Baseline: 2</i> <i>Target: 6</i>	Establishment of Bhutan Accreditation Council(Achieved)		Framework.	Pipeline: <ul style="list-style-type: none">• DPC2(Completed)• Possible support for the education sector (IFC)
Country Development Goals 4.3 nutrition and health issues				
		Added: Raising awareness of health and nutrition issues measured by some recommendations made in the Bank's analytic work reflected in the upcoming Government's 11 th 5 year plan.	Analytical work carried out on health and nutrition and widely disseminated.	<i>Bhutan National Nutrition Assessment and Gap Analysis</i> HD PER Health analytic pieces including Bhutan's first National Health Accounts (NHA) estimates, a costing study of health facilities, and a study on health indicators.

Annex 2: Progress Towards Meeting MDG Goals

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Bhutan			
	1990	1995	2000	2010
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$ 1.25 a day (PPP, % of population)	..	..	..	10.2
Poverty headcount ratio at national poverty line (% of population)	..	..	..	23.2
Share of income or consumption to the poorest quintile (%) ^{a/}	..	..	..	6.6
Prevalence of malnutrition (% of children under 5)	34.0	..	14.1	12.7
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	58	89
Primary completion rate (% of relevant age group)	19	29	51	95
Secondary school enrollment (gross, %)	..	..	41	66
Youth literacy rate (% of people ages 15-24)	..	..	..	74
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	86	102
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	..	27
Proportion of seats held by women in national parliament (%)	2	2	2	9
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	139	111	89	56
Infant mortality rate (per 1,000 live births)	96	79	65	44
Measles immunization (proportion of one-year olds immunized, %)	93	85	78	95
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	940	670	430	180
Births attended by skilled health staff (% of total)	..	15	24	65
Contraceptive prevalence (% of women ages 15-49)	..	19	31	66
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.1	0.1	0.1	0.2
Incidence of tuberculosis (per 100,000 people)	308	308	253	151
Tuberculosis case detection rate (% of all forms)	67	81	79	120
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	..	86	96
Access to improved sanitation facilities (% of population)	..	..	39	44
Forest area (% of total land area)	64.6	..	78.4	84.6
Terrestrial protected areas (% of land area)	14.2	26.4	28.3	28.3
CO2 emissions (metric tons per capita)	0.2	0.5	0.7	1.0
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	16.8	..	..	11.8
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.3	1.0	2.5	3.6
Mobile phone subscribers (per 100 people)	0.0	0.0	0.0	54.3
Internet users (per 100 people)	0.0	..	0.4	13.6
Computer users (per 100 people)	..	..	0.58(2001)	2.3(2008)



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

^{a/} Figures based on a 2007 household survey; ^{b/} Figure based on 2010 Bhutan Multi Indicators Survey Development Economics, Development Data Group (DECDG).

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Annex 3: Results of the Latest GNH Survey

Background: Gross National Happiness is a term coined by His Majesty the Fourth King of Bhutan, Jigme Singye Wangchuck in the 1970s. The concept implies that sustainable development should take a holistic approach towards notions of progress and give equal importance to non-economic aspects of wellbeing. GNH consists of four pillars: (1) good governance; (2) sustainable socio-economic development; (3) cultural preservation; and (4) environmental conservation. The four pillars have been further classified into nine domains: (i) psychological wellbeing; (ii) health; (iii) education; (iv) time use; (v) cultural diversity and resilience; (vi) good governance; (vii) community vitality; (viii) ecological diversity and resilience, and (ix) living standards. The domains refers to fulfilling conditions of a ‘good life’ as per the values and principles laid down by the concept of Gross National Happiness. The Gross National Happiness Index is a single number index developed from 33 indicators categorized under the nine domains.

The GNH Index is constructed based upon a robust multidimensional methodology known as the Alkire-Foster method. The GNH Index is decomposable by any demographic characteristic and so is designed to create policy incentives for the government, NGOs and businesses of Bhutan to increase GNH. The 33 indicators under the nine domains aim to emphasize different aspects of wellbeing and different ways of meeting these underlying human needs. The 33 indicators are statistically reliable, normatively important, and easily understood by large audiences.

The 2010 GNH Survey: The most recent GNH Survey was carried out in 2010 with representative samples taken at district and regional levels administered using the GNH questionnaire gathering data from 7,142 respondents. The survey started in April, 2010 and ended in December, 2010 taking nearly nine months to complete the survey. It took on average three hours to complete a questionnaire. One of the major reasons for the extensive field time was the scattered population of the villages, which made it difficult for enumerators to interview more than one person in a day.

The methodology provides three types of results: (a) headcount; (2) intensity; and (3) overall GNH index⁵.

- *Headcount* = 40.8 percent – This means that 41 percent of Bhutanese have sufficiency in six or more of the nine domains and are considered ‘deeply or extensively happy’. Of the rest, 47.8 percent are considered ‘narrowly happy’ and 10.4 percent are ‘unhappy’
- *Intensity* = 43.4 percent -The 59 percent of Bhutanese who are not considered ‘happy’ lack sufficiency in 43 percent of the domains. Nine domains times 0.43 = 3.87. Thus unhappy Bhutanese on average *lack* sufficiency in just under four domains and *enjoy* sufficiency in just over five domains.
- *GNH Index* = 0.743 – the GNH Index ranges from 0 to 1. A higher number is better. It reflects the percentage of Bhutanese who are happy and the percentage of domains in which not-yet-happy people have achieved sufficiency (headcount and intensity).

Other findings of the GNH Survey 2010:

- Men are happier than women on average.
- Of the nine domains, Bhutanese have the most sufficiency in health, then ecology, psychological wellbeing, and community vitality.
- In urban areas, 50 percent of people are happy; in rural areas it is 37 percent.

⁵ Headcount refers to the percentage of Bhutanese who are considered happy, and intensity is the average sufficiency enjoyed by the Bhutanese.

- Urban areas do better in health, living standards and education. Rural areas do better in community vitality, cultural resilience, and good governance.
- Happiness is higher among people with a primary education or above than among those with no formal education, but higher education does not affect GNH very much.
- The happiest people by occupation include civil servants, Buddhist monks/nuns, and GYT/DYT members. The unemployed are happier than corporate employees, housewives, farmers or the national work force.
- Unmarried people and young people are among the happiest.
- There is quite a lot of equality across dzongkhags, so there is not a strict ranking among them. The happiest dzongkhags include Paro, Sarpang, Dagana, Haa, Thimphu, Gasa, Tsirang, Punakha, Zhemgang, and Chukha.
- The least happy dzongkhag was Samdrup Jonkhar.
- The ranking of dzongkhags by GNH differs significantly from their ranking by income per capita. Sarpang, Dagana, and Zhemgang do far better in GNH than in income.
- In terms of numbers, the highest number of happy people live in Thimphu and Chukha – as do the highest number of unhappy people.
- Thimphu is better in education and living standards than other dzongkhags, but worse in community vitality.

The Royal Government of Bhutan has also developed a ‘GNH Screen Tool’ for all development projects and activities in the country. The main objective of this tool is to systematically assess impacts of policies and projects on GNH, thereby simultaneously selecting GNH enhancing policies and projects and rejecting projects and policies that adversely affect key determinants of GNH. The GNH screening tool forces project sectors to consider GNH dimensions in project formulation process. As the screening tool requires all policies and projects, including those externally financed, to be assessed in terms of other dimensions of life (e.g. culture, community vitality, etc.). This aims to ensure a holistic approach to project development. Scoring is done by a heterogeneous group from across the Royal Government with diverse occupational backgrounds as a means of achieving consensus on likely or possible project impact(s).

Annex 4: Gender in Bhutan

This annex summarizes the main findings of the Gender Policy Note (under preparation) and in doing so (i) updates the gender annex in the CPS FY11-14, and (ii) provides additional analysis on gender issues in Bhutan to inform the remaining CPS implementation period. A full Poverty Assessment will be prepared by the end of the CPS Period to inform the next CPS.

Status of Bhutanese women

Bhutan's culture fosters gender equality. Bhutan's matrilineal inheritance systems grant women access to land, as well as ownership and thus provides for a degree of financial autonomy. The tradition is more matrilineal in the west and central and more patriarchal in the south and east. An estimated 60 per cent of rural women have land registered in their names.

The level of gender equality in Bhutan is relatively high and, in many areas, comparable to high income countries. Key indicators on gender equality show that Bhutan performs well beyond what one would expect from a country at its level of income. While there are gender gaps in Bhutan the nature of gender inequality in Bhutan is similar to those in higher-middle income or in OECD countries. For example, the ratio of female to male labor force participation rates in 2010 in Bhutan is as high as 86 percent, compared to 77 percent in upper middle income countries and 74 percent in OECD countries.

Over the past few decades, **Bhutan has made a tremendous progress toward gender equality.** Its performance in a number of human development sectors has lifted women to be on par with men. These figures are even more remarkable when looking at historical trends, where the *ratio* of female to male labor force participation increases from 63 percent in 1990 to 86 percent in 2010.

On **health issues**, access to modern contraceptive methods in Bhutan has increased sharply from 28 percent in 2003, to 65 percent in 2010, higher than the South Asia and Lower-middle income country averages of about 50 percent. The differences in use by rural versus urban residences are minimal. As a result, the Total Fertility Rate (TFR) has declined from 4.7 births per woman in 2000 to 2.5 in 2005. In the education area, gender equality in basic **education** has been largely achieved. The ratio of female to male primary enrollment has reached 102 percent, and there is equality in secondary education where the ratio of female to male enrollment stands at 103 percent in 2010. Moreover, gender parity has nearly been achieved at the higher secondary level (Grades 11-12) where females comprise 46 percent of enrollments.

The preliminary diagnostics of gender equality reveal that Bhutan performs remarkably, yet challenges remain. Currently, few Bhutanese women are active participants in the national and local political process. During the recent local elections in 2011, out of 1,102 candidates (in all positions), only 76 were women. As a result, only one among 205 Gups (sub-district heads) is a woman. The situation is similar at the national level, where only 10 out of 72 members of Parliament are female.

Remaining gender gaps and the Gender Policy Note

In order to address the remaining gender gaps, the RGOB sought guidance from the Bank through the **Gender Policy Note (GPN)**. The GPN attempts to provide such guidance by examining patterns related to economic empowerment of both men and women. Recommendations from the GPN are intended to inform Bhutan's government policy aimed at improving key economic outcomes for men and women, as well as the country's next 5-year development plan, which will cover the 2013 – 2018 period.

The work of the Gender Policy Note focuses primarily on the following gender gaps: (i) agricultural land holding and inheritance practices, (ii) gender gaps in tertiary-level education, (iii)

unemployment among young adult females, (iv) gender gaps in employment quality, and (v) gender and happiness. Some of the initial findings are:

(a) Gender Gap in Tertiary Education

Parity in primary and secondary education has been achieved, but there is still a gap at the tertiary level. Female enrollment at the tertiary level in Bhutan is only at 50-60 percent of male students, which is lower than the South Asian average (70 percent). The three main reasons for women's non-enrolment in or dropout from tertiary education, as reported from youth focus group discussions are: the burden of household chores among female youth; teenage pregnancy; and early marriage.⁶

Time use data indicates that female youth spend about 50 percent more time on household chores than male youth, (6.5 hours per day for female vs. only 4.2 hours for male youth). Moreover, the adolescent fertility rate (number of births per 1,000 of women ages 15-19) in Bhutan is higher than in other comparable countries. The rate for Bhutan is 47, compared to 40 for Thailand, and 20 for the East Asia average. Additionally, there is a large regional variation in Bhutan, where the eastern region has a higher adolescent fertility rate than the western region.

(b) Unemployment among female youths

Despite gradual decrease in the overall youth unemployment over the years, female youth employment is still a great concern of the Royal Government of Bhutan (RoGB). The Labor Force Survey 2011 reveals a large gender gap in youth unemployment, with an unemployment rate of 12 percent among women age 20-24 (compared to 7 percent among male youth). Such large gaps are a common phenomenon in many countries. The higher unemployment rates among youth are attributed to: (i) the transition from school to work, (ii) frequent job turnover early in adulthood, (iii) lack of skills and (iv) a queuing problem—waiting for preferred jobs. Female youth unemployment tends to be higher as women face more challenges in types of jobs and mobility.

Initial findings have identified several causes of female unemployment in the Bhutan context. Female youth tend to have longer job searches than male youths, and thus a higher unemployment rate, because they tend to: (i) look for jobs that are close to home; (ii) have limited mobility, partly due to land ownership in cases of matrilineal land inheritance practices; and (iii) lack skills that are required by the job market.

(c) Gender gaps in employment quality

Female labor force participation in Bhutan is high with a gap in employment quality, namely wages and earnings, occupations, and career advancement. A significant earnings gap exists between men and women, particularly in urban areas where women earn 34 percent less than men.

What explains these gaps? Econometric analysis of earnings data reveals a significant gender gap after controlling for workers' characteristics such as age, education level, experience with technical and vocational education and training (TVET), and job type. Gender-based employment segregation, which usually coincides with *inferior* female occupations — low pay, low skills, little decision-making authority, and few opportunities for promotion. For example, in the education sector, men account for 73 percent of higher education and 61 percent of secondary school teachers while women are concentrated in the lower-skilled “other teaching professionals” jobs, accounting for 69 percent of this occupation.

CPS activities and way forward

The CPS addresses gender issues both in the context of lending and non-lending activities. As suggested in the CPS, a gender-informed Economic and Sector Work—the Bhutan Gender Policy

⁶ Rapid Qualitative Assessment conducted in Bhutan for the WDR 2012 between December 2010 and January 2011.

note—is being completed in partnership with the National Commission for Women and Children. A full Poverty Assessment will be prepared by the end of the CPS.

Policy reforms under the DPC address the gender gaps in a way that is consistent with empirical analyses from the GPN. The improved road network will reduce travel time from home to workplace and lower barriers for young women to take jobs that are situated farther from their homes. The job-matching services under the reforms will also address the gender gap and the training programs that cater to low-paid employees will enhance labor market opportunities of these workers. Among technical training courses, a significant portion of trainees are women, even in trades not traditionally favored by women such as electrical engineering, plumbing, etc.

Women are also expected to benefit from the reforms to improve access to finance. A recent survey on financial inclusion shows that women represent an opportunity to extend financial access because they are increasingly integrated into family business and are more willing to embrace new technology. Additionally, attempts to leverage traditional matrilineal property rights would extend financial access among women and could promote gender equality, especially in rural areas where land and property markets are still developing.

Annex 5: Active Recipient and Bank Executed Trust Funds

Recipient Executed

Trust Fund #	Trust Fund Name	Project Name	Grant Effective Date	Grant Closing Date	Net Grant Amount (In thousand)	Fund Disbursement to Date
TF010597	Sustainable Financing for Biodiversity Conservation and Natural Resource Management	BT; Biodiversity Conservation	3/21/2012	1/3/2013	130	73.40
TF055967	GEF FSP-Bhutan: Sustainable Land Management	BT; Sustainable Land Management	1/1/2006	6/30/2013	7,660	7,496
TF094360	Bhutan Strengthening of the Public Procurement Policy Division	BT: Strengthening of PPPD	5/28/2009	5/27/2013	484	275.84
TF097102	IDF: Bhutan: Institutional Strengthening of the Ministry of Labor and Human Resources	BT: Institutional Strengthening of MoLHR	7/7/2010	7/7/2013	498.50	436.54
TF098505	Bhutan: Improving Statistical Capacity	BT: Improving Statistical Capacity	5/19/2011	10/31/2013	300	58.71
TF098827	Additional Financing for Bhutan Decentralized Rural Development Project	BT: Decentralized Rural Development	4/26/2011	12/30/2013	5,000	289.12
TF098973	Strengthening Institutional Capacity of Druk Holding and Investments to Improve Corporate Governance of State-Owned Enterprises in Bhutan	BT: Corporate Governance TA	7/4/2011	5/17/2014	500	432.11

Bank Executed

Trust Fund #	Trust Fund Name	Project Name	Grant Effective Date	Grant Closing Date	Net Grant Amount (In thousand)	FY Disbursement
TF011421	Mainstreaming Map Portal for the Local Development Planning and Service Delivery	BT: Poverty Monitoring	12/9/2011	6/30/2013	85	31.19
TF011607	Bhutan Gender Policy Note	Social Development and Cultural Heritage	1/11/2012	4/30/2013	120	98.79
TF011758	Thimpu Strategic Cultural Heritage and Sustainable Tourism Plan and Implementation of Priority Actions	Thimpu Cultural Heritage and Tourism	2/3/2012	6/30/2013	45	4.01
TF012082	PPIAF BHUTAN: Pre-Feasibility Assessment of Infrastructure Projects under a Public Private Partnership (PPP) Model	Bhutan PPP	2/27/2012	3/13/2013	70.90	37.13
TF012082	Bhutan National Nutrition Assessment	BT: Nutrition Assessment	3/18/2012	3/13/2013	148.20	54.96
TF013466	Bhutan Diversification of Rural Livelihoods for Youth	BT: Remote Rural Communities Development	11/1/2012	6/30/2013	50	0
TF013492	Bhutan-BETF: Improving Disaster Management Capacity in the Kingdom of Bhutan (GFDRR)	Bhutan Disaster Risk and Recovery Program	10/29/2012	6/30/2014	440	37.29
TF098351	Bhutan Disaster Risk and Recovery Program (GFDRR: Track III TA-SAR Task)	Bhutan Disaster Risk and Recovery Program	11/17/2010	3/31/2013	300	230.26

Annex 6: Summary of Consultations

Stakeholder consultations were held in-country in two rounds during the period October 2012-January 2013 to ensure that a wide range of stakeholder views were accounted for.

A first round in the form of a Country Portfolio Review was held with the Royal Government of Bhutan on October 15, 2012. Participants included all Royal Government ministries and agencies involved in World Bank-supported activities in Bhutan. The Royal Government and the Bank made presentations on the overall portfolio status, issues, challenges and opportunities. This was followed by round-table discussion to solicit suggestions on how to improve implementation during the remainder of each project period, and the accuracy of and need to update the results framework.

A second round of in-country consultations was carried out with key development partners and non-governmental organization on January 9, 2013 at the World Bank Group Bhutan Country Office. The consultation started with a presentation outlining the scope and objectives of the CPSPR, as well as an update on the analysis and findings of the progress report and updated results framework.

Discussions during the second round touched upon the following points:

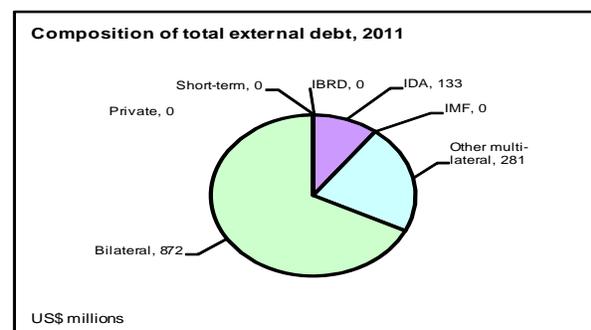
- (i) Foreign Direct Investment (FDI): Participants supported the Bank's efforts to increase foreign direct investment and noted that the Government has prioritized areas for FDI in Bhutan.
- (ii) Financial Inclusion: Participants appreciated the World Bank Group's assistance to the Royal Monetary Authority (RMA). This report has been used in formulating the draft financial inclusion policy of the country.
- (iii) Tourism – There was strong interest in the World Bank supporting tourism development. Currently, there are only a few grants from The World Bank Group which are directly for tourism development. IFC is exploring areas of collaboration in areas related to eco-tourism and tourism-related SMEs.
- (iv) Development Partner Coordination: It was noted that there are several development partners working in similar areas of engagement with RGOB. While the World Bank Group works very closely with the other development partners in Bhutan, there is room for further efforts to make sure that there is no duplication and to align complementary activities.
- (v) Nutrition: The Bank's nutrition agenda in Bhutan was appreciated. The World Bank is concerned on stunting of children in Bhutan and fielded a mission to closely examine this issue.
- (vi) DPC: There was appreciation for the need for the Government to meet critical reforms in advance of the DPC and the inclusion of service standards tracking as part of the DPC series.
- (vii) Gender: Although it was noted that the Bank attaches importance to gender as a development priority, the impact of specific projects on gender could be evaluated and further enhanced where relevant.

STANDARD CPS ANNEXES

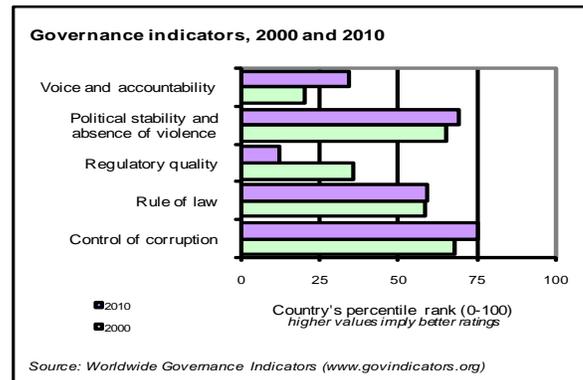
Annex A2: BHUTAN AT A GLANCE

Balance of Payments and Trade	2000	2011
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	100	648
Total merchandise imports (cif)	187	1,127
Net trade in goods and services	-87	-524
Current account balance as a % of GDP	-43	-406
	-9.4	-23.5
Workers' remittances and compensation of employees (receipts)	..	5
Reserves, including gold	216	897
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	41.2	39.2
Tax revenue	14.7	15.5
Current expenditure	17.5	19.9
Overall surplus/deficit	-3.6	-3.5
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	204	1,287
Total debt service	7	87
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	47.6	74.4
Total debt service (% of exports)	4.6	12.8
Foreign direct investment (net inflows)	3	12
Portfolio equity (net inflows)	0	0



Private Sector Development	2000	2011
Time required to start a business (days)	-	36
Cost to start a business (% of GNI per capita)	-	7.2
Time required to register property (days)	-	92
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2010
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	110	..
Bank capital to asset ratio (%)	..	10.1



Technology and Infrastructure	2000	2010
Paved roads (% of total)	62.0	..
Fixed line and mobile phone subscribers (per 100 people)	2	58
High technology exports (% of manufactured exports)	0.5	0.1

Environment		
Agricultural land (% of land area)	14	13
Forest area (% of land area)	78.4	84.6
Terrestrial protected areas (% of land area)	28.3	28.3
Freshwater resources per capita (cu. meters)	133,658	109,295
Freshwater withdrawal (billion cubic metres)	1,225.2	1,607.3
CO2 emissions per capita (mt)	0.70	1.0
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	..	118
Energy use per capita (kg of oil equivalent)	..	354

World Bank Group portfolio	2000	2011
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	26	133
Disbursements	4	0
Total debt service	0	2
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	0	4
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	3
MIGA		
Gross exposure	-	-
New guarantees	-	-

Note: Figures in italics are for years other than those specified.
.. indicates data are not available. - indicates observation is not applicable.

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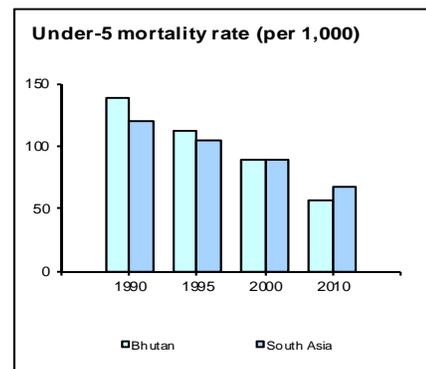
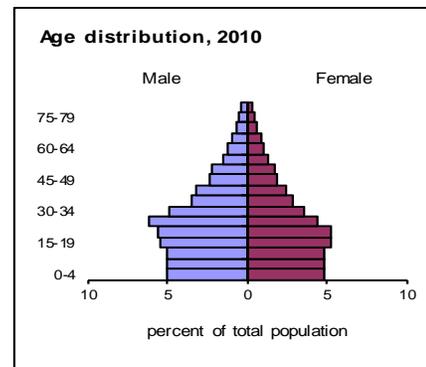
Key Development Indicators

(2011)

	Bhutan	South Asia	Lower middle income
Population, mid-year (millions)	0.73	1633	2,519
Surface area (thousand sq. km)	38	5,131	23,579
Population growth (%)	1.7	1.4	1.5
Urban population (% of total population)	37	30	39
GNI (Atlas method, US\$ billions)	1.5	2,151	4,458
GNI per capita (Atlas method, US\$)	2,070	1,299	1,760
GNI per capita (PPP, international \$)	5,480	3,314	3,832
GDP growth (%)	7.7	8.1	6.9
GDP per capita growth (%)	5.8	6.6	5.3

(most recent estimate, 2004–2010)

Poverty headcount ratio at \$1.25 a day (PPP, %)	10	36	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	30	71	..
Life expectancy at birth (years)	67	65	65
Infant mortality (per 1,000 live births)	44	52	50
Child malnutrition (% of children under 5)	13	33	25
Adult literacy, male (% of ages 15 and older)	65	73	80
Adult literacy, female (% of ages 15 and older)	39	50	62
Gross primary enrollment, male (% of age group)	110	113	110
Gross primary enrollment, female (% of age group)	112	107	104
Access to an improved water source (% of population)	96	90	87
Access to improved sanitation facilities (% of population)	44	38	47



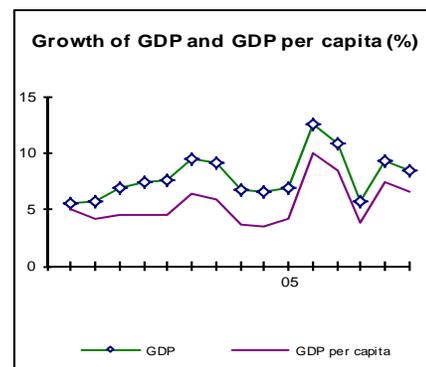
Net Aid Flows

	2000	2011
(US\$ millions)		
Net ODA and official aid	53	131
Top 3 donors (in 2010):		
Japan	7	43
Denmark	8	13
Australia	1	8
Aid (% of GNI)	13.1	9.2
Aid per capita (US\$)	93	181

Long-Term Economic Trends

Consumer prices (annual % change)	4.0	9.1
GDP implicit deflator (annual % change)	3.9	5.3
Exchange rate (annual average, local per US\$)	46.4	50.3
Terms of trade index (2000 = 100)	..	..

Population, mid-year (millions)	0.6	0.7
GDP (US\$ millions)	455	1,730
	(% of GDP)	
Agriculture	26.7	14.9
Industry	37.0	42.6
Manufacturing	8.5	9.0
Services	36.3	38.6
Household final consumption expenditure	52.6	416
General gov't final consumption expenditure	20.4	22.0
Gross capital formation	48.2	60.8
Exports of goods and services	30.5	34.6
Imports of goods and services	51.3	55.1
Gross savings	34.8	44.4



1995–2000 2000–11
(average annual growth %)

	1.9	2.4
	6.4	8.5
	3.2	1.7
	7.0	10.7
	4.7	10.8
	9.8	9.4
	..	5.9
	..	8.6
	..	9.7
	..	22.7
	..	14.2

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

**Annex B2 -
Selected Indicators* of Bank Portfolio Performance and Management**

Indicator	2010	2011	2012	2013
Portfolio Assessment				
Number of Projects Under Implementation ^a	8	5	4	5
Average Implementation Period (years) ^b	3.9	4.2	4.7	3.0
Percent of Problem Projects by Number ^{a, c}	0.0	20.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	26.9	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	20.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	26.9	0.0	0.0
Disbursement Ratio (%) ^e	39.9	40.0	30.8	12.0
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	16	4
Proj Eval by OED by Amt (US\$ millions)	151.9	63.0
% of OED Projects Rated U or HU by Number	25.0	50.0
% of OED Projects Rated U or HU by Amt	14.8	10.7

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3: IDA Indicative Program Summary

Actual and Proposed IDA Base-Case Lending Program

<i>Fiscal year</i>	<i>Proj Name</i>	<i>US\$(M)</i>
<u>Actual</u>		
2011	DPC1	24.75
	Regional Wildlife	0.75
2012		
2013	DPC2	36.0
	Remote Community Dev	9.0
<u>Proposed</u>		
2014	Urban Development –AF	10.5
Overall Result		81.0

Annex B3: IFC Investment Operations Program

	2010	2011	2012	2013*
<u>Original Commitments (US\$m)</u>				
IFC and Participants	0.68	0.99	1.26	29.4
IFC's Own Accounts only	0.68	0.99	1.26	29.4
<u>Original Commitments by Sector (%)- IFC Accounts only</u>				
FINANCE & INSURANCE	100	100	100	100
Total	100	100	100	100
<u>Original Commitments by Investment Instrument (%) - IFC Accounts only</u>				
Guarantee	100	100	100	11
Equity	0	0	0	89
Total	100	100	100	100

*as of March 11, 2013

Annex B4: Summary of Non-Lending Activities (planned vs actual)

FY	Planned	CPS Progress Report	New AAA/NLTA
2011	HD Public Expenditure Review	Delivered FY 13	NLTA to ICT Sector
	Bhutan Investment Climate Follow-Up	Delivered	PFM Improvement (IDF) (Delivered)
	Higher Education Policy Note	Delivered FY 13	
	Solid Waste Management in Thimpu (IFC)	Deferred	
	Poverty Mapping (TA)	Initiated FY12	
	Advisory on Licensing Simplification (IFC)	Ongoing	
	E-Governance (TA)	Delivered FY12	
	JSDF Seed Fund for 'Building Against Disasters and Climate Change'	Under consideration	
	Bus Service in Thimphu TA (IFC)	Ongoing	
	Access to Finance TA to Banks (IFC)	Ongoing	
	SME/Finance TA (IFC)	Ongoing	
	Disaster Risk and Recovery Program (GFDRR grant)	Ongoing	
2012	Youth Employment Study ESW	Not Delivered	Telecom sector roadmap
	DPC 2 related AAA	Various delivered	Developing and strengthening the regulatory framework for Pension, Provident Fund and other such schemes in Bhutan (Delivered)
	Access to finance advisory (WB-IFC)	Ongoing	
	Building Public-Private Partnerships (TA) The name changed to "Improving the Capacity of the government to implement infrastructure PPPs.	Delivered	
	Rural Development Strategies (ESW)	Dropped	
	Medium-Term Fiscal Framework	Part of DPC2	
	ICT Sector Policy and Regulatory Issues	Delivered	
	Country Sustainable Development Analysis	Not yet	

	Auditing and Accounting (TA)	Ongoing IDF	
	Decentralization and Sub-National Strengthening (TA)	Ongoing IDF	
2013	Public Procurement (IDF)	Ongoing. Will be delivered in FY13	Financial Inclusion Survey (just in time AAA) (Delivered)
	Poverty Assessment (ESW)	Delivered	Gender Policy Note (Ongoing)
	Construction Sector (ESW)	Dropped	Improving Statistical Capacity (TA) (Ongoing)
	National Transport Plan (ESW)	Transport TA provided under DPC2	Social Development & Cultural Heritage (Ongoing)
	Disaster Risk Management TA	Ongoing	Bhutan Disaster Risk & Recovery (Ongoing)
	Tax Administration (TA)	Dropped	Policy & Regulatory Assistance to MOIC
	Urbanization and Growth Study (ESW)	Planned Green Growth study	Strengthening of PFM (IDF) (Ongoing)
	JSDF support for ' Building Resilience of Communities Against Disasters and Climate Change'	Dropped	PPP Rules and Regulations -TA (Planned)
2014	Management of Hydropower Revenues	Possible	Institutional Strengthening of the Ministry of Labor and Human Resources. Ongoing.
	Decentralization	IDF approved	Bhutan National Nutrition & Gap Analysis (ESW) (Ongoing)
	Corporate Governance	Ongoing.	
	Environmental Safeguards (IDF)	Delivered FY12	

Annex B6: Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	19.2	19.0	18.7	17.5	15.9	15.1	13.7	13.1	12.4
Industry	45.4	44.5	43.2	44.6	43.9	44.7	47.9	47.8	48.6
Services	35.4	36.5	38.1	37.9	40.2	40.2	38.4	39.0	39.0
Total Consumption	62.1	67.3	68.9	60.8	53.5	55.2	57.2	58.6	57.2
Gross domestic fixed investment	37.5	36.5	37.8	47.3	53.2	57.3	64.7	66.2	67.5
Government investment	12.1	11.6	10.5	13.1	9.0	9.3	10.0	10.0	10.1
Private investment	25.4	24.9	27.3	34.2	44.2	48.0	54.8	56.2	57.4
Exports (GNFS) ^b	52.2	44.0	41.9	36.5	32.8	30.5	28.6	26.9	27.1
Imports (GNFS)	-54.4	-54.5	-56.9	-53.6	-49.9	-50.5	-51.2	-52.0	-50.9
Gross domestic savings	37.9	32.7	31.1	39.2	46.5	44.8	42.8	41.4	42.8
Gross national savings ^c	45.2	39.3	38.9	46.9	51.8	48.0	44.8	44.1	43.5
Memorandum items									
Gross domestic product (US\$ million at current prices)	1260	1332	1381	1729	1935	1940	2135	2378	2671
GNI per capita (US\$, Atlas method)	1720	1800	1910	2090	2310	2610	2960	6370	6920
Real annual growth rates (% , calculated at 2000 prices)									
Gross domestic product at market prices	10.8	5.7	9.3	10.0	9.0	7.6	6.7	7.4	7.6
Gross Domestic Income	14.2	-1.4	6.8	9.3	5.3	6.1	5.8	6.7	8.9
Real annual per capita growth rates (% , calculated at 2000 prices)									
Gross domestic product at market prices	8.7	3.8	7.3	8.0	7.1	5.7	4.9	5.6	5.9
Total consumption	22.5	9.5	8.1	9.5	-1.2	6.7	10.0	7.9	4.1
Private consumption	31.9	9.9	7.7	10.9	-0.3	6.0	8.9	8.1	2.3
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	633.5	653.5	572.6	613.4	747.1	735.2	766.2	835.5	905.4
Merchandise FOB	573.3	598.8	516.1	544.5	665.3	648.2	669.2	720.9	770.2
Imports (GNFS) ^b	583.8	764.6	682.0	933.7	1301.5	1258.9	1288.9	1501.8	1792.7
Merchandise FOB	526.6	671.2	606.6	843.2	1184.7	1126.5	1125.2	1305.2	1555.4
Resource balance	49.8	111.1	109.4	320.3	-554.4	-523.6	-522.7	-666.3	-887.3
Net current transfers	95.7	117.2	125.8	238.9	224.4	239.3	178.4	82.9	161.9
Current account balance	145.2	-28.1	-13.9	142.2	-410.8	-406.3	-467.1	-725.4	-904.1
Net private foreign direct investment	74.0	3.1	6.5	19.0	16.4	11.5	10.9	10.9	10.9
Long-term loans (net)	16.9	39.2	73.2	107.5	368.1	383.2	331.3	366.3	738.8
Official	16.9	39.2	73.2	107.5	368.1	383.2	331.3	366.3	738.8
Private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other capital (net, incl. errors & omissions)	121.7	46.3	48.8	122.3	125.0	99.8	148.9	264.4	312.3
Change in reserves ^d	114.4	-60.6	114.7	106.6	-98.7	-88.2	-24.0	83.7	-157.9
Memorandum items									
Resource balance (% of GDP)	4.0	-8.3	-7.9	-18.5	-28.6	-27.0	-24.5	-28.0	-33.2

Bhutan - Key Economic Indicators

(Continued)

Indicator	Actual				Estimate	Projected			
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public finance (as % of GDP at market prices) ^e									
Current revenues	22.2	23.7	24.2	23.4	22.9	22.9	20.7	18.8	17.8
Current expenditures	16.8	18.7	19.1	19.3	19.2	19.9	17.8	16.9	16.2
Current account surplus (+) or deficit (-)	5.4	5.0	5.2	4.1	3.6	2.9	2.8	1.9	1.6
Capital expenditure	16.6	19.1	17.0	19.3	19.2	23.6	15.9	11.1	10.8
Foreign financing	14.4	9.1	10.6	16.3	14.4	14.0	12.9	2.8	7.1
Monetary indicators									
M2/GDP	52.1	58.5	68.0	69.9	58.8	..	..	..	..
Growth of M2 (%)	2.3	24.6	30.1	21.2	-1.0	..	..	..	..
Private sector credit growth / total credit growth (%)	37.4	31.1	38.6	33.2	30.1	..	..	..	..
Price indices(YR 2000 =100)									
Merchandise export price index	132.0	136.4	151.0	157.0	163.3	169.8	176.6	183.7	191.0
Merchandise import price index	132.0	143.8	159.5	165.9	172.5	179.4	186.6	194.0	201.8
Merchandise terms of trade index	100.0	94.9	94.7	94.7	94.7	94.7	94.7	94.7	94.7
Real exchange rate (US\$/LCU), base 2005. ^f	..	102.7	99.1	94.2	97.4	98.6	..	..	..
Real interest rates									
Consumer price index (% change)	5.1	6.8	6.3	5.7	8.9	9.1	7.6	7.6	7.6
GDP deflator (% change)	4.1	3.4	5.3	5.5	5.7	5.3	4.8	4.5	4.6

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

G. "2007"= FY2007/2008

Annex B7: Key Exposure Indicators

Indicator	Actual				Estimated		Projected			
	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Total debt outstanding and disbursed (TDO) (US\$m) ^a	803.0	695.0	761.0	907.0	1035.0	1159.6	1360.9	1657.1	1986.9	
Net disbursements (US\$m) ^a	10.0	-22.0	48.0	132.0	219.0	186.6	149.6	381.7	561.6	
Total debt service (TDS) (US\$m) ^a	32.2	81.5	75.5	84.2	84.7	80.7	82.3	84.5	84.9	
Debt & debt serv indicators (%)										
TDO/XGS ^b	122.4	101.2	128.7	145.2	136.1	163.9	179.5	201.9	224.4	
TDO/GDP	67.1	55.3	60.2	57.2	59.8	69.8	71.8	76.7	82.3	
TDS/XGS	4.9	11.9	12.8	13.5	11.1	11.4	10.9	10.3	9.6	
Concessional/TDO	39.1	46.2	47.8	44.7	..	..	..	..	..
IBRD exposure indicators (%)										
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%) ^c	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	..	..	..	..	..	..	..	..	..
IBRD TDO (US\$m) ^d	..	..	..	..	..	..	..	..	..
Of which present value of guarantees (US\$m)	..	..	..	..	..	..	..	..	..
Share of IBRD portfolio (%)	..	..	..	..	..	..	..	..	..
IDA TDO (US\$m) ^d	87.5	94.3	113.9	112.3	138.1	133.5	173.0	175.0	177.5	
IFC (US\$m)										
Loans		0.1	0.6	0.7	1.0	1.3	0.5			
Equity and quasi-equity /c					0	0	28.9			
MIGA										
MIGA guarantees (US\$m)										

- a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
- b. "XGS" denotes exports of goods and services, including workers' remittances.
- c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
- d. Includes present value of guarantees.
- e. Includes equity and quasi-equity types of both loan and equity instruments.

ANNEX B8 Operations Portfolio
(IBRD/IDA and Grants)
(As of March 5, 2013)

IBRD/IDA

Total Disbursed (Active)	11.02
of which has been repaid	0.00
Total Disbursed (Closed)	195.94
of which has been repaid	10.74
Total Disbursed (Active + Closed)	206.96
of which has been repaid	10.74
Total Undisbursed (Active)	18.39
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	18.39

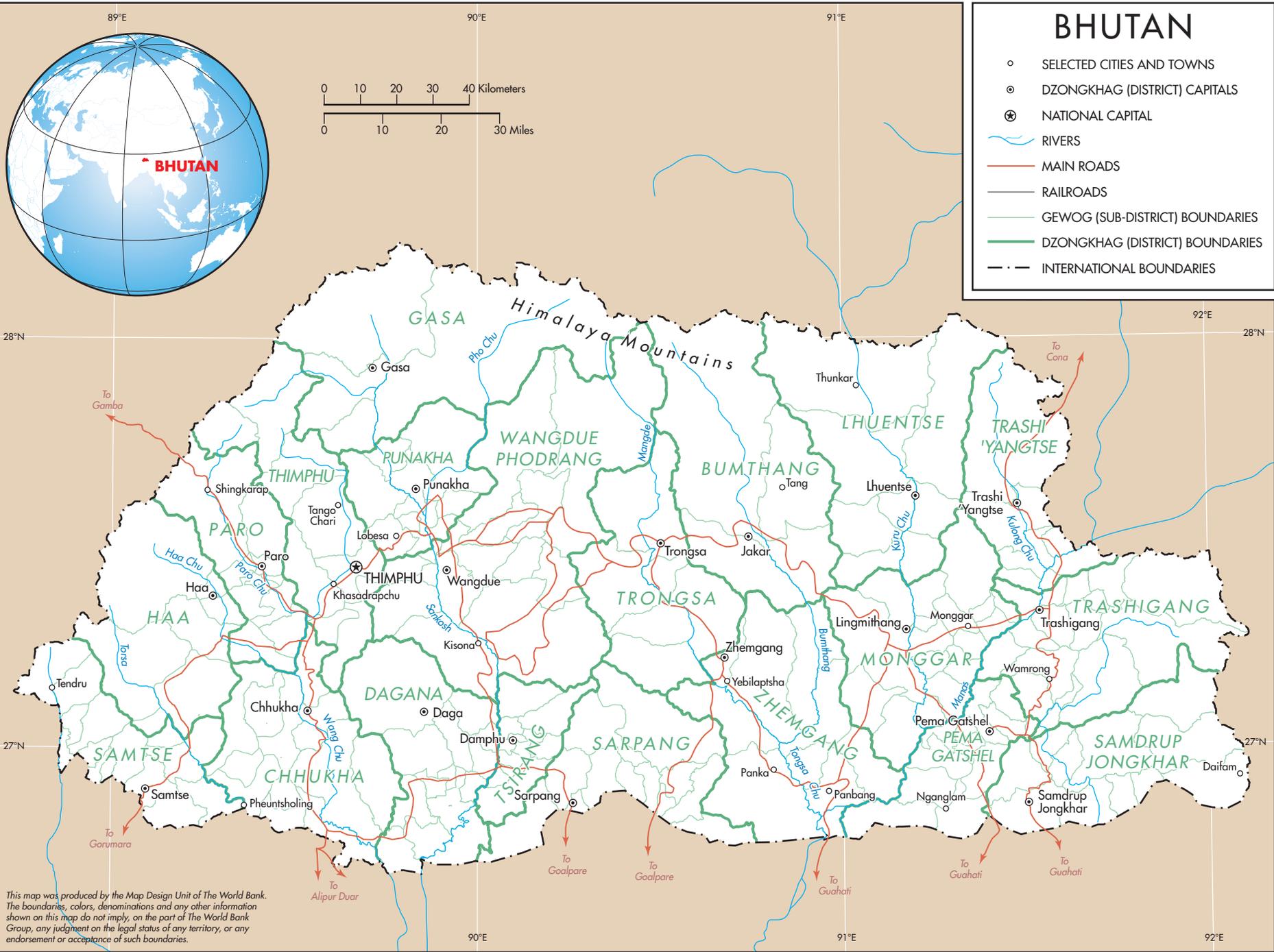
Active Projects		Last PSR			Original Amount in US\$ M					Difference Between Expected and Actual Disbursements ^a	
		Supervision Rating		Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
Project ID	Project Name	Development Objectives	Implementation Progress								
P073458	Private Sector Dev.	S	S	2007		8			0.335418	0.0403943	
P123820	Remote Rural Communities	S	S	2013		9			9.21918	0.15	
P087039	Sustainable Land Management	S	S	2006			7.66		0.163892	0.1448916	
P090157	Urban Development II	S	MS	2010		12.0075			8.830498	-3.062181	
Overall result						29.0075	7.66		18.54899	-2.726895	

^a Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex B8: IFC Committed and Disbursed Outstanding Portfolio

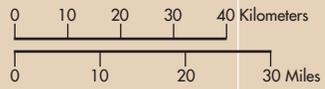
<u>FY Approval</u>	<u>Company</u>	<u>Committed</u>					<u>Disbursed Outstanding</u>				
		<u>Loan</u>	<u>Equity</u>	<u>*Quasi Equity</u>	<u>GT/RM</u>	<u>Participant</u>	<u>Loan</u>	<u>Equity</u>	<u>*Quasi Equity</u>	<u>GT/RM</u>	<u>Participant</u>
2008/ 2009/ 2010/ 2011/ 2012/ 2013	BNB	0	28.43	0	0.48	0	0	28.43	0	0.46	0.00
2004	BRPL	3.64	0	0	0	0	3.64	0	0	0	0.00
Total Portfolio		3.64	28.43	0	0.48	0	3.64	28.43	0	0.46	0.00

* Quasi Equity includes both loan and equity types



BHUTAN

- SELECTED CITIES AND TOWNS
- ⊙ DZONGKHAG (DISTRICT) CAPITALS
- ⊕ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- GEWOG (SUB-DISTRICT) BOUNDARIES
- DZONGKHAG (DISTRICT) BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



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APRIL 2012

IBRD 33373R2