

**FOR  
AGENDA**

SM/11/96  
Supplement 2

May 13, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Bhutan—Staff Report for the 2011 Article IV Consultation—  
Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2011 Article IV consultation with Bhutan (SM/11/96, 5/13/11), which will be brought to the agenda for discussion on **a date to be announced**. At the time of circulation of this paper to the Board, the authorities of Bhutan have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Guimaraes-Filho (ext. 39947) and Mr. Ding (ext. 39766) in APD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the Asian Development Bank following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

BHUTAN

**Staff Report for the 2011 Article IV Consultation**

**Informational Annex**

Prepared by the Staff Representatives for the 2011 Article IV Consultation with Bhutan

May 13, 2011

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## I. BHUTAN—FUND RELATIONS

(As of February 28, 2011)

**I. Membership Status:** Joined 9/28/1981; Article XIV

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>% Quota</b>
Quota	6.30	100.00
Fund holdings of currency (Exchange Rate)	5.28	83.81
Reserve Tranche Position	1.02	16.20

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>% Allocation</b>
Net cumulative allocation	5.99	100.00
Holdings	6.42	107.15

**IV. Outstanding Purchases and Loans:** None

**V. Latest Financial Arrangements:** None

**VI. Projected Obligations to Fund:** None

**VII. Implementation of HIPC Initiative:** Not applicable.

**VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):** Not applicable.

### **IX. Exchange System**

Since its introduction in 1974, the ngultrum has been pegged to the Indian rupee at par. Bhutan continues to avail of transitional arrangements under provisions of Article XIV, Section 2. Bhutan also maintains exchange restrictions subject to Fund approval under Article VIII, Section 2(a).

### **X. Article IV Consultation**

Bhutan is on a 24-month consultation cycle. The 2009 Article IV consultation was concluded by the Executive Board on December 15, 2009.

### **XI. Technical Assistance**

#### **Fiscal (FAD):**

1982, 1983	-	Tax policy, budgeting, and accounting
1984	-	Tax legislation

- 1984–86, 1988–89 - Technical experts assigned as General Fiscal Advisor to the Ministry of Finance
- 1987, 1989 - Tax system and public enterprises
- 1992, 2003 - Income taxation
- 2003 - Workshop on tax auditing and revenue forecast
- 2004 - Accounting (with MFD)
- 2009 - Indirect tax system, scope for VAT introduction
- 2009 - Sales tax/VAT

**Legal (LEG):**

- 1982–84 - Tax legislation
- 2004, 2005 - Central banking and financial services legislation and foreign exchange regulations (with MFD)
- 2011 - TA in Payments Law

**Monetary and Financial (CBD/MAE/MFD/MCM):**

- 1983 - Set-up the Royal Monetary Authority (RMA)
- 1980–92 - Technical experts assigned as General Advisors to RMA
- 1989 - Financial system review
- 1991 - Financial sector legislation/development of supervisory capabilities
- Technical experts assigned as Advisor for Bank Supervision
- 1992 - Issuance of government securities
- 1993–96 - Implementation of issuance of government securities
- 2003 - Monetary and exchange operations / financial systems
- 2004 - Accounting
- 2004, 2005 - Central banking and financial services legislation and foreign exchange regulations
- 2005, 2007 - Risk based internal audit policies and practices
- 2006, 2007 - Implementation of accounting reforms
- Debt management and financial markets development
- 2007 - Follow-up on excess liquidity issues
- Follow-up on reserve management
- 2008 - Foreign exchange issues

**Statistics (STA):**

- 1988 - Trade statistics
- 1990 - Statistics database
- 2004 - Multisector statistics/GDDS mission
- 2005 - Balance of payments statistics
- 2009 - Balance of payments statistics
- 2010 - GDDS: Metadata Development

2011 - Balance of payments statistics

**XII. Resident Representative/Advisor:** None.

## II: BHUTAN—RELATIONS WITH THE WORLD BANK GROUP<sup>1</sup>

(As of April 10, 2011)

### World Bank Group’s Country Partnership Strategy

**The National Assembly finalized the Tenth Five-Year Plan (10FYP) (2008/09–2012/13) in January 2009.** This is also the RGoB’s Poverty Reduction Strategy Paper (PRSP). The strategic priorities for the 10FYP are: (i) vitalizing industry; (ii) strengthening national spatial planning; (iii) synergizing rural-urban development; (iv) expanding strategic infrastructure; (v) investing in human capital; and (vi) fostering an enabling environment through good governance.

**The new Country Partnership Strategy (CPS) covering FY11–14 aligns closely with the 10FYP / PRSP.** The International Development Association (IDA) and the International Finance Corporation (IFC) have jointly prepared the CPS. It emphasizes selectivity, and envisages World Bank Group (WBG) support for development in Bhutan based on two broad areas of engagement: (i) economic diversification, job creation, and financial inclusion — with a view to increased growth and employment led by the private sector; and (ii) spatial planning and public services — with a view to enhanced living standards for increased well-being. These areas are underscored by the cross-cutting themes of capacity building for good governance, and environment. The World Bank’s Board of Executive Directors approved the CPS in November 2010. The establishment of an in-country office in FY11, with a permanent World Bank Representative and an IFC Country Coordinator, will foster information sharing and close harmonization of activities.

### International Development Association (IDA)

**Bhutan is an IDA only country, and qualifies for 100 percent credits.** In FY10, Bhutan exceeded the IDA Gross National Income per capita operational cutoff for the third year in a row, and became a "gap" country. “Gap” countries receive IDA on hardened terms and are not eligible for grants, regardless of results of Debt Sustainability Analyses.

**Bhutan received resources beyond its original indicative allocation of SDR26.2 million for the IDA 15 cycle (FY09–11).** In FY09, Bhutan had the option of cumulatively frontloading up to 80 percent of its overall IDA 15 indicative allocation for FY09-11. Bhutan chose to frontload about SDR5.7 million, to add to its original FY09 allocation of SDR8.0 million. In the aftermath of the global economic crisis, Bhutan received an additional IDA credit allocation of SDR2.3 million in two stages from the South Asia Region Pilot Crisis Response Window facility in FY10. Bhutan was impacted in 2009 by natural disasters caused by Cyclone Aila in May and earthquakes in September and December, which caused estimated losses amounting to US\$65

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<sup>1</sup> Prepared by World Bank Group staff.

million. In response to this, the World Bank sanctioned an emergency IDA credit amounting to US\$10 million for Bhutan, to be committed by end-FY11. Accounting for frontloading and the additional allocations, Bhutan received IDA 15 credits of SDR8.3 million for FY10 and SDR13.6 million for FY11. Furthermore, following its commitment to participate in a project for Strengthening Regional Cooperation for Wildlife Protection in Asia in FY11, Bhutan received US\$5 million credit from intra-regional IDA reallocations. Finally, in January 2011, Bhutan received a grant of US\$5 million from the Food Price Crisis Response Trust Fund.

**The indicative IDA 16 (FY12-14) allocation for Bhutan is approximately US\$53 million.** Starting from IDA16, Bhutan will be eligible to receive IDA credits with a 25-year maturity, 5-year grace period and 1.25 percent interest charge in addition to the standard service and commitment charges. This involves hardening of terms over FY11, during which Bhutan received credits with a 20-year maturity, 10-year grace period, and no interest charges.

### IDA Lending and Nonlending Assistance

Project Name	Committed in USD	Percent Disbursed	Board Approval
<b>IDA</b>			
Education Development Project	32.60	107.0%	8/21/2003
HIV/AIDS and STI Prevention	5.77	94.3%	6/17/2004
Decentralized Rural Development	7.00	97.1%	3/1/2005
Second Rural Access Project	10.00	84.7%	4/10/2007
Private Sector Development Project	8.00	48.5%	6/20/2007
Institutional Capacity Building Project for Procurement	1.50	74.8%	6/10/2008
Urban Development II	12.01	16.3%	4/29/2010
Bhutan Development Policy Credit 1	24.75	0.0%	11/30/2010
<b>Pipeline</b>			
Strengthening Regional Cooperation for Wildlife Protection in Asia	2.25		TBD
Improving Rural Livelihood	12.00		5/22/2012
<b>Non-Lending (non-IDA)</b>			
Sustainable Land Management (GEF)	7.66	73.4%	1/17/2006
Introduction of Multi-Year Rolling Budgets (IDF)	0.33	68.8%	5/13/2007
Avian Influenza Control	2.50	76.8%	7/19/2007
Strengthening Institution Capacity for Implementation of Environmental Safeguards (IDF)	0.40	20.0%	4/16/2008
Strengthening of Public Procurement Policy Division (IDF)	0.48	31.3%	4/7/2009
Institutional Strengthening of Ministry of Labour and Human Resources (IDF)	0.49	28.0%	5/1/2010
Bhutan Disaster Risk and Recovery Program (GFDRR)*	0.30	45.2%	11/17/2010
First Grant Developing and Strengthening the Regulatory Framework	0.12	7.7%	11/28/2010
Trust Fund for Statistical Capacity Building	0.30	0.0%	12/3/2010
Strengthening the Institutional Capacity of Druk Holding and Investments to Improve Corporate Governance (IDF)	0.50	0.0%	2/1/2011

\*The total Grant is US\$ 600,000, of which US\$ 300,000 has been received.

**Note:** Data is as of March 31, 2011, for all active and pipeline operations in Bhutan obtained from the Business Warehouse database. Percent disbursed is as share of original project

commitment at Board approval, and does not take into account any additional financing that may have subsequently been processed.

## **Lending Program**

**During the IDA 14 cycle, covering FY06–08, more than SDR32 million in grants were committed to Bhutan.** The IDA 14 allocation financed: (i) a US\$15 million *First Development Policy Grant* approved in May 2006; (ii) a US\$10 million *Second Rural Access Roads Project* approved in April 2007; (iii) a US\$12 million *Second Development Policy Grant* approved in June 2007; (iv) a US\$8 million *Private Sector Development Project* approved in June 2007; (v) a US \$1.5 million *Institutional Capacity Building Project for Procurement* approved in June 2008; and (vi) US\$1.5 million in additional financing to the ongoing *Education Development Project*.

**The Bank’s Board of Executive Directors approved the following operations during the IDA 15 cycle, covering FY09–11.**

- The Board approved the US\$20.22 million **Development Policy Financing for Institutional Strengthening** in May 2009. The overarching objectives of the operation are to strengthen institutions to: (i) promote good governance through sound fiscal and public financial management and procurement, and strong accountability institutions; (ii) foster dynamic labor markets, ensure skills match, and generate employment; and (iii) expand access to infrastructure in an environmentally sustainable manner. This operation closed in March 2010, and has satisfactorily achieved its development objectives.
- The Board approved the US\$12 million **Second Urban Development Project** in April 2010. The project development objectives are to: (i) support Bhutan’s municipal reform program by strengthening municipal finance and management systems in Thimphu and Phuentsholing; and (ii) improve infrastructure services in northern Thimphu where no formal services are currently available. The first objective supports the RGoB’s municipal reform agenda and helps implement the country’s new legal framework for urban local governments through a series of technical assistance, policy support, training programs, and studies. The project also aims to help establish an effective intergovernmental fiscal transfer system. The second objective addresses an urgent need for serviced urban land in rapidly growing Thimphu City, given the already substantial and increasing migrant population settling in the peripheries of Thimphu.
- The Board approved the US\$24.75 million **First Development Policy Credit** in November 2010. This is designed as the first in a new programmatic series of budgetary operations, in support of the RGoB’s medium term reform agenda as articulated in the 10FYP. The overarching objectives of DPC1 are to strengthen institutions to: (i) promote government efficiency and effectiveness through sound fiscal and public financial management and procurement, and strong public administration; (ii) foster private sector

development by improving the policy environment and facilitating productive employment opportunities; and (iii) expand access to infrastructure in a sustainable manner.

- The Board approved US\$5 million additional financing to the ongoing **Decentralized Rural Development Project** in January 2011. This was made available from the Global Food Crisis Response Program Multi-Donor Food Price Crisis Response Trust Fund. The original project development objective is to improve market access and increase agricultural output for rural communities in selected areas of Bhutan. The additional Grant will help finance the costs associated with scaled-up activities and address the impact of the continuing high prices associated with essential food commodities. While the project development objective remains the same, the additional financing will focus on increasing support to the rehabilitation of irrigation canals, and to rice, potato, and maize as crops which have the best potential to address food insecurity in Bhutan.

In addition, a regional project for **Strengthening Regional Cooperation for Wildlife Protection in Asia** is under preparation towards Board approval in FY11. The project development objective is to assist the participating governments to build or enhance shared capacity, institutions, knowledge and incentives to collaborate in tackling illegal wildlife trade and other select regional conservation threats to habitats in border areas. The RGoB proposes to access regional IDA funding for US\$1.5 million, in addition to utilizing US\$0.75 million of its IDA country allocation. Hence, the RGoB will seek IDA support in the form of a Credit of US\$2.25 million.

### **Nonlending Program**

The Bank provides analytical and advisory services, aiming to help the Government build capacity in the areas of macroeconomic and fiscal analysis, public expenditure management, financial management, procurement, private sector development, statistics, and education quality. During FY06-09, the Bank approved several grants supporting these efforts. A US\$7.6 million **Sustainable Land Management Project**, and a US\$2.5 million **National Influenza Preparedness and Response Project** were both financed from global trust funds. A Trust Fund for **Statistical Capacity Building** (US\$250,000) was approved in FY07, and has subsequently closed. Institutional Development Fund (IDF) Grants to support **Introduction of Multi-Year Rolling Budgets** (US\$330,000), **Improving Public Financial Management** (US\$290,000),<sup>2</sup> **Strengthening Institution Capacity for Implementation of Environmental Safeguards** (US\$400,000), and **Strengthening of the Public Procurement Policy Division** (US\$484,000) became effective during this period.

The Bank approved five new Grants for Bhutan in FY10 and FY11.

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<sup>2</sup> This Grant has closed.

- A US\$498,500 IDF Grant for **Institutional Strengthening of Ministry of Labor and Human Resources** was approved in May 2010. The objective of the Grant is to strengthen the institutional capacity of the Ministry of Labour and Human Resources (MoLHR) to facilitate employment and labor market entry of Bhutanese youth. This consists of the following sub-components: (i) developing a National Employment Policy and reviewing Occupational Health and Safety regulations; (ii) developing innovative Public Private Partnerships (PPP) for skills development training for disadvantaged youth; and (iii) building the capacity of regional Labour and Employment offices to promote employment and labor services.
- A US\$600,000 **Bhutan Disaster Risk and Recovery Program** was approved in November 2010, funded by the Global Facility for Disaster Reduction and Recovery (GFDRR). Activities under this trust fund will help the RGoB's Department of Disaster management (DDM) strengthen its disaster management capacity. The Grant's development objective is reducing disaster risk and strengthening the RGoB's capacity in better responding to disasters. Particularly, the Grant supports: (i) a multi-hazard risk and vulnerability assessment and development of a risk atlas; (ii) capacity building for seismic resistant building design and construction techniques; (iii) strengthening emergency communications and disaster response; and (iv) conferences focusing on cultural heritage in the context of disaster management.
- A US\$123,000 First Initiative Trust Fund for **Developing and Strengthening the Regulatory Framework for Pension, Provident Fund, and Other Such Schemes in Bhutan** was approved in November 2010. The objectives of the Grant are to: (i) review the National Pension Policy, if needed; (ii) redraft the Pension Act and the regulations to make it consistent with the Employment and Labor Act of 2007 and the National Pension Policy of 2010; (iii) review investment policies and opportunities for private pensions.
- A US\$300,000 **Trust Fund for Statistical Capacity Building (TFSCB)** was approved in December 2010. The Grant's development objective is to strengthen capacity of the National Statistics Bureau (NSB) in priority areas according to Bhutan's National Statistics Development Strategy (NSDS). Particularly, the Grant will support measures to improve: (i) the National Accounts and price statistics, (ii) data infrastructure, (iii) data dissemination; and (iv) research and data analysis capacity at the NSB. This Grant aims to enable Bhutan to address the data needs of the country for planning, decision-making, and monitoring purposes.
- A US\$500,000 IDF Grant for **Strengthening the Institutional Capacity of Druk Holding and Investments to Improve Corporate Governance in Bhutan** was approved in February 2011. The objective of this Grant is to improve Corporate Governance (CG) among State Owned Enterprises (SOEs) in Bhutan by providing technical assistance to Druk Holding and Investments (DHI) to support CG capacity

building. The Grant will focus on: (i) enhancing DHI policies, developing CG norms, and improving performance monitoring for DHI companies; (ii) improving the capacity of DHI and its holdings through training directors of DHI companies; and (iii) raising awareness through seminars for media and other stakeholders on the importance of CG.

### **International Finance Corporation (IFC)**

Since Bhutan joined IFC as a member country in 2003 and IFC made its first investment (supporting the first Foreign Direct Investment) in the country, IFC has been cementing its presence and support to develop the private sector in Bhutan, including opening an office in Thimphu with a dedicated staff since November 2009. In the market where the public sector remains dominant in key sectors, IFC has been providing much needed advisory support to the RGoB and private sector to lay the ground for building a business-enabling environment while providing investment support as opportunities arise. In the context of IFC's South Asia Regional Strategy and WBG's CPS in Bhutan, IFC's support in Bhutan centers on three strategic pillars, including: (i) inclusive growth; (ii) climate change mitigation and adaptation; and (iii) global / regional integration. Reflecting these pillars, IFC is providing support to develop the private sector through investment climate improvement, financial sector modernization, real sectors and infrastructure development, and assistance with Public-Private Partnerships (PPPs) and linkages. IFC's advisory support is geared toward strengthening four areas: investment climate; financial sector infrastructure, including financial inclusion; PPPs; and skills development and the Small and Medium Enterprises (SME) sector. South Asia Enterprise Development Facility (SEDF), established in partnership with DFID and NORAD, has been at the center of IFC's advisory support for Bhutan.

In order to help facilitate healthy *investment climate*, IFC (through SEDF) assisted the RGoB in upgrading the FDI Policy and welcomed improved clarity and attractiveness of the revised Policy that came into effect in June 2010. Working closely with the World Bank, IFC assisted the RGoB with optimization of the company registration process, and now through its Licensing Simplification Project is working to improve the overall efficiency of business entry. It will improve regulatory procedures to obtain permits and licenses and establish e-License Portal. This, along with the adoption of the Enterprise Registration Act drafted with assistance from IFC to will reduce administrative burden to establishing or expanding a business and help facilitate trade and access to land.

To support *financial sector* development, IFC has provided Bank of Bhutan and Bhutan National Bank with four trade line facilities totaling US\$1.8 million under Global Trade Finance Program (GTFFP) since FY2009. The financial support was combined with advisory support, such as on risk management and Information Technology (IT) strategy. IFC is committed to continued development of the financial sector in Bhutan and is keen to explore further opportunities, including support for non-bank financial institutions (such as for SME finance, rural finance, trade finance) and commercial banks (such as with credit lines and participation in equity). Building on the diagnostic study conducted jointly with the World Bank, IFC is prepared to

support further modernization of payment systems in Bhutan. IFC is exploring possible support through both investment and advisory services to expand the availability of financial services, including payments and leasing for Micro, Small and Medium Enterprises.

In addition, IFC is interested in supporting the development of Bhutanese ***tourism, agribusiness, education and infrastructure***, especially through its investment business but also advisory engagements focusing on ***linkages and PPPs***. Opportunities are arising in Bhutan to develop and strengthen niche export markets, such as organic agriculture, which IFC is keen on opening up in order to support rural development. IFC successfully supported Association of Bhutan Women Entrepreneurs to scale-up initiative that introduced commercial agriculture to women in remote villages. In infrastructure, IFC remains interested in supporting people's increased access to services in ***ICT, hydropower and transport*** (including bus and aviation) through investments and PPP advisory services. To this end, IFC's PPP advisory team continues to explore opportunities to strengthen Bhutan's infrastructure provision and advise the RGoB on bankable PPP options to involve private sector. Presently, building on its regional and global expertise as PPP transaction advisor, IFC is in discussion with RGoB, support to bring in private sector players to participate in city's bus service operation and solid waste management. IFC also completed an operational and financial diagnostic review of Druk Air, the national airline, and a preliminary assessment of two sites proposed for development of industrial estates or potential Special Economic Zones (SEZ).

As of February 2011, IFC's portfolio stood at US\$6.9 million, consisting of a hotel project committed in FY2004 and trade guarantees under the GTFP.

### **III: BHUTAN—RELATIONS WITH THE ASIAN DEVELOPMENT BANK**

Bhutan became a member in 1982 and ADB began its lending operations to the country in 1983. Bhutan is classified under group “A” with a 50:50 mix of ADF loan and ADF grant assistance since 2011 and 80 percent cost-sharing limit for project financing.

ADB’s work has followed closely Bhutan’s Tenth Five-Year Plan, 2008–2013, and is guided by ADB’s Country Strategy and Program (CSP), approved in September 2005, and its country operations business plan, 2011–2013. The country assistance program evaluation, conducted in 2010, concluded that the strategy of poverty reduction through program and project assistance in four core sectors (transport, energy (including rural electrification and renewable energy), urban sector development, and finance and private sector development) is closely aligned with the development priorities articulated in the government’s Tenth Five-Year Plan 2008–2013 and Strategy 2020, ADB’s Long-Term Strategic Framework, 2008–2020.

The CSP is being implemented in coordination with other development partners to avoid duplication. Examples of effective partnerships include ADB’s rural electrification loans following the Rural Electrification Master Plan, which was developed with assistance from the Government of Japan. Similarly, development partners are using the Road Sector Master Plan, which was developed with ADB assistance. ADB has maintained close cooperation with other multilateral and bilateral funding agencies in capacity building.

The indicative cumulative value for the period 2011–2013 is \$55 million. A project on urban infrastructure has been programmed for 2011. Domestic airport development and rural road infrastructure projects are on the pipeline for 2012. Urban infrastructure development project is on the pipeline for 2013. A nonlending program of \$1.7 million per year has been programmed for 2011–2013.

## Bhutan: Ongoing Loans and Grants

(As of March 31, 2011)

Project	Year of Approval	Project Amount (\$ million)	Disbursements (\$ million)
<b>LOANS</b>			
Road Network Project	2005	27.3	24.799
Financial Sector Devt Program (Program Loan)	2006	11.0	8.312
Financial Sector Devt Program (Project Loan)	2006	2.0	0.951
Urban infrastructure development	2006	24.6	6.477
Green Power Development Project (OCR Loan)	2008	51.0	36.774
Green Power Development Project	2008	29.0	19.589
<b>GRANTS</b>			
Micro, Small & Medium-sized Enterprise Sector Devt Program	2007	6.0	2.000
Micro, Small & Medium-sized Enterprise Sector Devt Program	2007	9.0	3.249
SASEC Information Highway Project	2007	4.7	0.074
Green Power Development Project	2008	25.3	19.014
Road Network Project II	2009	38.8	0.968
Rural Renewable Energy Development Project	2010	21.6	----

<b>IV. BHUTAN —STATISTICAL ISSUES APPENDIX</b> As of March 15, 2011	
<b>I. Assessment of Data Adequacy for Surveillance</b>	
<b>General:</b> Data provision has some shortcomings, but is broadly adequate for surveillance. Most affected areas are: national accounts, balance of payments, and fiscal data.	
<b>Real sector:</b> As part of a Japan-funded technical assistance project for the Implementation of the System of National Accounts and the International Comparison Project that will take place over the next three years, the Statistics Department of the IMF (STA) will provide technical assistance to improve the national accounts and develop a producer price index.	
<b>National Accounts:</b> The accuracy and reliability of the data are affected by inadequate source data. Key shortcomings include heavy reliance on production data collected by line ministries, which often lack quality control, long lags in providing estimates, large revisions of historical data and, in certain cases, ad hoc estimation procedures. Lack of reliable data on expenditure components hampers estimation of national savings and domestic investment. The key factors contributing to the data deficiency are the shortage of qualified personnel and facilities. The National Statistical Bureau (NSB) is also constrained by the absence of a Statistics Act.	
<b>Price statistics:</b> Starting in 2004, the consumer price index (CPI) is compiled on a quarterly basis, the number of commodity prices has been greatly expanded, and the geographical scope broadened. An STA technical assistance mission planned for April 25–May 6, 2011 will assist with the development of a producer price index.	
<b>Government finance statistics:</b> Despite recent improvements in the quality of government finance statistics (GFS), the fiscal data are subject to frequent and substantial revisions, particularly in the expenditure area. The compilation and dissemination of budget execution data and GFS are very limited. Only annual budget execution data are compiled and disseminated, but with a long lag. No GFS are disseminated nationally. Sub-annual data on budget execution are not available. There are inconsistencies between the fiscal and monetary data with regard to bank financing, stemming from differences in the definition of government.	
<b>Monetary statistics:</b> While monetary statistics are generally consistent with the Fund’s guidelines, there is room for improvement in a number of areas, specifically: (i) the valuation of financial assets is based on purchase price while market or market-price equivalents would be preferable; (ii) to avoid misclassifications, a list of government units and nonfinancial public enterprises should be prepared and shared with the reporting financial institutions; During the technical assistance mission on <i>Monetary and Financial Statistics</i> (MFS) in March 2010, the authorities and STA improved the timeliness of data reporting to STA to be in line with national publications. As part of the mission objectives, the Royal Monetary Authority (RMA) has also submitted to STA the Financial Soundness Indicators (FSI) for Bhutan on a quarterly basis, which have been published on the IMF’s FSI website: <a href="http://fsi.imf.org/">http://fsi.imf.org/</a> .	
<b>Balance of payments:</b> Despite recent improvements, external statistics continue to be affected by shortcomings. These include: (i) limited coverage of services’ transactions in the current account, (ii) compilation of trade data on a calendar year basis, while other external transactions are compiled on a fiscal year basis. Consequently, errors and omissions in the balance of payments presentations are large and preclude a more accurate assessment of external flows.	
Building on the technical assistance mission in June 2009, a mission in March 2011, in conjunction with the RMA, developed the International Investment Position for Bhutan and a plan for improvement in balance of payments statistics. It includes a quarterly business survey, improved estimation methods, and increased timeliness. The RMA advised that they plan to compile and disseminate quarterly balance of payments data in the future. Bhutan began supplying balance of payments data for publication in <i>IFS</i> in November 2010.	
<b>II. Data Standards and Quality</b>	
Bhutan participates in the General Data Dissemination System (GDDS), and posted metadata for the first time on the Fund’s Dissemination Standard Bulletin Board (DSBB) in May 2010.	No data ROSC is available.

## Bhutan—Table of Common Indicators Required for Surveillance

As of March 28, 2011

	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of Publication <sup>6</sup>
Exchange rates	02/2011	3/2011	D	D	D
International reserve assets and reserve liabilities of the Monetary Authorities <sup>1</sup>	06/2009	10/2009	M	M	M
Reserve/base money	12/2010	3/2011	M	M	M
Broad money	11/2010	3/2011	M	M	M
Central bank balance sheet	11/2010	3/2011	M	M	M
Consolidated balance sheet of the banking system	11/2010	3/2011	Q	Q	Q
Interest rates <sup>2</sup>	09/2009	10/2009	M	M	M
Consumer price index	Q2/2010	2/2011	Q	Q	Q
Revenue, expenditure, balance and composition of financing <sup>3</sup> – general government <sup>4</sup>	2007/08	10/2009	A	A	A
Revenue, expenditure, balance and composition of financing <sup>3</sup> – central government	2007/08	10/2009	A	A	A
Stocks of central government and central government-guaranteed debt <sup>5</sup>	2007/08	01/2009	A	A	A
External current account balance	2009	10/2010	A	A	A
Exports and imports of goods and services	2009	10/2010	A	A	A
GDP/GNP	2008	10/2009	A	A	A
Gross external debt	06/2009	10/2009	Q	Q	Q
International investment position <sup>6</sup>	06/2009	10/2009	Q	Q	Q

<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).