

SM/11/96
Supplement 2
Correction 1

May 31, 2011

To: Members of the Executive Board

From: The Secretary

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

The attached correction to SM/11/96, Sup. 2 (5/13/11) has been provided by the staff:

Typographical Error

Page 14, para. 7, Balance of payments, line 3: for “compilation of trade data on a calendar year basis” read “compilation of trade data on a quarterly basis”

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

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This correction 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.

Att: (1)

Other Distribution:
Department Heads

Bhutan: Ongoing Loans and Grants

(As of March 31, 2011)

Project	Year of Approval	Project Amount (\$ million)	Disbursements (\$ million)
LOANS			
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
GRANTS			
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	----

IV. BHUTAN —STATISTICAL ISSUES APPENDIX	
As of March 15, 2011	
I. Assessment of Data Adequacy for Surveillance	
General: Data provision has some shortcomings, but is broadly adequate for surveillance. Most affected areas are: national accounts, balance of payments, and fiscal data.	
Real sector: 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.	
National Accounts: 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.	
Price statistics: 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.	
Government finance statistics: 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.	
Monetary statistics: 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: http://fsi.imf.org/ .	
Balance of payments: 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 <u>quarterly</u> 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.	
II. Data Standards and Quality	
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.