Report and Recommendation of the President to the Board of Directors

Project Number: 51141-002
September 2018

Proposed Grants and Technical Assistance Grant Kingdom of Bhutan: Health Sector Development Program

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 10 September 2018)

Currency unit	–	ngultrum (Nu)
Nu1.00	=	$0.01387
$1.00	=	Nu72.09700

ABBREVIATIONS

ADB	–	Asian Development Bank
BHTF	–	Bhutan Health Trust Fund
CHE	–	current health expenditure
GAP	–	gender action plan
GDP	–	gross domestic product
HIS	–	health information system
MOH	–	Ministry of Health
NHP	–	National Health Policy
PAM	–	project administration manual
PHC	–	primary health care
SDP	–	sector development program
TA	–	technical assistance
WHO	–	World Health Organization

NOTES

(i) The fiscal year (FY) of the Government of Bhutan ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 30 June 2018.

(ii) In this report, “$” refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data — **Project Number:** 51141-002

Project Name	Health Sector Development Program	**Department/Division**	SARD/SAHS
Country	Bhutan	**Executing Agency**	Ministry of Health
Borrower	Kingdom of Bhutan		

2. Sector	**Subsector(s)**	**ADB Financing ($ million)**
✓ **Health**	Disease control of communicable disease	4.00
	Health care finance	10.00
	Health system development	6.00
	Total	**20.00**

3. Strategic Agenda	**Subcomponents**	**Climate Change Information**	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 4: Other regional public goods		

4. Drivers of Change	**Components**	**Gender Equity and Mainstreaming**	
Governance and capacity development (GCD)	Civil society participation	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Civil society organizations Implementation		

5. Poverty and SDG Targeting		**Location Impact**	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG3, SDG5		

6. Risk Categorization: Low

7. Safeguard Categorization **Environment:** B **Involuntary Resettlement:** C **Indigenous Peoples:** C

8. Financing

Modality and Sources	**Amount ($ million)**
ADB	**20.00**
Sovereign SDP - Program grant: Asian Development Fund	14.00
Sovereign SDP - Project grant: Asian Development Fund	6.00
Cofinancing	**0.00**
None	0.00
Counterpart	**21.22**
Government	21.22
Total	**41.22**

Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-6) in the amount of $500,000.

Source: Asian Development Bank

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed policy-based grant, and (ii) a proposed project grant to the Kingdom of Bhutan for the Health Sector Development Program. The report also describes proposed technical assistance (TA) for Capacity Development of the Health Sector, and if the Board approves the proposed grants, I, acting under the authority delegated to me by the Board, approve the TA.

2. The sector development program (SDP) will support government efforts to improve the equity, efficiency, and sustainability of Bhutan's health system, and to promote good health and well-being of its citizens towards achieving the Sustainable Development Goals. The SDP comprises (i) a project financed by a project grant, under which the Asian Development Bank (ADB) will invest in primary health care (PHC) improvements; and (ii) a program financed by a policy-based grant, under which ADB will support governance and institutional improvements in health financing and health information management. The SDP will also advance Bhutan's health security agenda through strategic support for the prevention and control of infectious diseases in line with Bhutan's commitment to the International Health Regulations (2005).[1]

II. THE PROGRAM

A. Rationale

3. Bhutan has made great strides in economic development. Its per capita gross domestic product (GDP) increased nearly fourfold from $774 in 2000 to $2,900 in 2017.[2] The government recognizes health as a critical domain of Bhutan's core development philosophy: gross national happiness. Health services are constitutionally guaranteed, and the government provides a comprehensive range of free health services to all citizens. Since the early 1990s, the country has made significant investments to develop its health system from a low base and achieved remarkable progress in health outcomes. Average health indicators vastly improved from being among the poorest in the world to mostly achieving the Millennium Development Goals.[3] Life expectancy at birth improved from 43.0 years in 1985 to 70.2 years in 2017.[4] Child immunization coverage has been sustained at more than 95% since 2010.[5] Household out-of-pocket expenditure is relatively low, implying a fair level of equity and financial protection (footnote 5). Health facility coverage is also extensive—95% of the population live within a 3-hour walk from a health facility, which is a considerable feat given Bhutan's difficult terrain.[6]

4. **Development problem.** Despite these impressive gains, Bhutan still faces considerable challenges to further improve the equity, efficiency, and financial sustainability of the health care system. Sustaining the delivery of free health services is a key challenge as health care costs continue to rise from a heavier burden of noncommunicable diseases, growing expectations of the population, and medical-technological advancements. At the same time, in view of Bhutan's economic progress, donors have increasingly withdrawn from the country, reducing the amount

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1 World Health Organization (WHO). 2005. *International Health Regulations (2005).* Geneva.
2 International Monetary Fund. DataMapper. http://www.imf.org/external/Datamapper/ (accessed 25 June 2018).
3 The maternal mortality ratio fell from 777 per 100,000 live births in 1984 to 86 per 100,000 live births in 2012. The infant mortality rate dropped from 102 per 1,000 live births in 1984 to 30 per 1,000 live births in 2012. Government of Bhutan, Ministry of Health (MOH). 2012. *National Health Survey, 2012*. Thimphu; and Sector Assessment (Summary): Health (accessible from the list of linked documents in Appendix 2).
4 Government of Bhutan, National Statistics Bureau. 2018. *2017 Population & Housing Census of Bhutan*. Thimphu.
5 WHO. 2017. *The Kingdom of Bhutan Health System Review*: *Health Systems in Transition*. New Delhi.
6 Government of Bhutan, MOH. 2012. *National Health Survey, 2012*. Thimphu.

of external grants that traditionally played a significant role in the health system.[7] These cost pressures make it imperative to review the efficiency of current health service delivery. The health system also needs to overcome the persistent regional disparities in health outcomes.[8] Rapid urbanization has led to new gaps in service coverage, leaving a growing urban migrant base underserved. Moreover, the risks of infectious diseases and to health security have increased because of growing cross-border travel and economic activities.

5. **Binding constraints.** To address the challenges, the government aims to strengthen PHC as the core of its health system. Inadequate PHC services, insufficient health financing, and fragmented health information management are among the key constraints. The government needs to improve its PHC facilities, especially in peripheral areas, to bridge regional disparities in access to health care. It needs to explore alternative funding mechanisms to finance critical PHC services, and it needs to strengthen the health information system (HIS) to facilitate patient referrals and coordinate the continuum of care between PHC and higher-level hospitals. There is also potential for improving the overall efficiency of health sector management and the disease surveillance system by streamlining fragmented health information management.

6. **Inadequate primary health care.** The disproportionate focus on hospital care and underinvestment in PHC are a key source of cost inefficiency in Bhutan. In 2016, only 10% of current health expenditure (CHE) was at PHC facilities, compared with 63% of CHE at secondary and tertiary hospitals. Spending on preventive services is also low at 7% of CHE, compared with 74% of CHE for curative care.[9] Limited PHC services and the lack of a formal referral mechanism are prompting the population, especially in urban centers, to bypass PHC and overuse costly hospital care, which reduces the overall cost-effectiveness of the health delivery system. Furthermore, underfunded PHC facilities disproportionately affect the health access of those in rural areas and lower income groups, given the stark disparities observed in physical health access. For example, the average time to reach the nearest health facility ranges from 120 minutes for the poorest groups to 15 minutes for the richest groups, and from 75 minutes in rural areas to 18 minutes in urban areas (footnote 5). Proximity is the most common reason for visiting a health facility, and the utilization of PHC facilities is concentrated among rural residents and lower-income groups. However, many PHC facilities lack adequate facilities such as toilets, running water, and basic health equipment. Women of childbearing age and young children may be the most affected by the disparities in health access; in fact, sharp inequities are observed especially in the indicators of institutional delivery and child mortality.[10]

7. **Insufficient health financing.** The government is the predominant source of health financing in Bhutan, but the health sector has received a proportionally lower share of general government expenditure over recent years. During 2010–2014, general government health expenditure dropped from 5% to 3% of GDP, and from 11% to 8% of general government expenditure.[11] This decline has been driven by a shift in the government's investment priority to revenue-generating infrastructure projects. The outlook for Bhutan's economy is generally sound, but there are downside risks to macroeconomic stability from the high public-sector debt (109%

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[7] Footnote 5. The share of external resources as a percentage of total health expenditure dropped from 28% in 1996 to 6% in 2015.

[8] For example, the child mortality rate is 81 per 1,000 live births in rural areas and 41 per 1,000 live births in urban areas, and deliveries by skilled birth attendants are at 90% in urban areas and 54% in rural areas. Government of Bhutan, National Statistics Bureau. 2010. *Bhutan Multiple Indicator Cluster Survey, 2010.* Thimphu.

[9] Government of Bhutan, MOH. 2018. *National Health Accounts.* Thimphu.

[10] Footnote 5. Institutional delivery is 50% among the poorest and 95% among the richest. Infant mortality is three times higher in the poorest groups than in the richest groups.

[11] WHO. Global Health Expenditure Database. http://apps.who.int/nha/database (accessed 25 June 2018).

of GDP).[12] Given the macroeconomic risk, sector budgetary allocations and financing for essential PHC services may fluctuate. In this context, the need to strengthen the Bhutan Health Trust Fund (BHTF)—the sole financing facility with the mandate to sustain PHC services primarily through predictable financing of vaccines and essential drugs—is increasingly critical. In 2014, the BHTF contributed 5.14% to total health expenditure, and this share is expected to increase further as donors reduce support for vaccine procurement in the country.[13] However, the BHTF's sustainability is at risk because of insufficient capital to meet rising demand, a weak investment strategy, and limited operational capacity (footnote 13). Moreover, the equity of health financing in Bhutan needs to be given more policy emphasis, because the distribution of benefits from public health financing is only marginally pro-poor and skewed to the wealthier groups.[14]

8. **Fragmented health information management.** The management and governance of health information in Bhutan is highly fragmented.[15] A range of information systems, managed by different departments of the Ministry of Health (MOH), were independently developed over the years with wide variations in technology and data standards. The lack of a common interface and interoperability among the different systems prevent data sharing and optimal data analysis to guide key sector decisions, including analysis of gender differentials in health trends. Myriad isolated systems also create a large and often redundant reporting burden on health facilities, thereby reducing the quality and regularity of reporting to the critical national disease surveillance system. The lack of a good patient information system further makes it difficult to track and refer patients and coordinate the continuum of care between PHC and higher-level hospitals. To improve overall sector efficiency and reduce duplications in service delivery, the government's vision is to have digital, longitudinal patient information that can be accessed across all health facilities and to shift to a streamlined, interoperable national HIS.

9. **Government's sector strategy and ADB's country partnership strategy.** The National Health Policy (NHP) promotes achieving self-reliance and sustainability through efficiency in health service delivery and the realization of universal health coverage on the principles of PHC.[16] The draft 12th 5-year plan for 2018–2023 supports the medium-term implementation of the NHP through appropriate program and budgetary commitments.[17] ADB's country partnership strategy, 2014–2018 for Bhutan aligns with government priorities to achieve self-reliance and inclusive social development, including improved health outcomes.[18]

10. **Value added by ADB assistance and lessons learned.** During 2000–2002, ADB provided a policy-based loan for the Bhutan Health Care Reform Program to support health sector reforms in key priority areas, including sustainable health financing and strengthened PHC.[19] The reform program helped establish the BHTF through the Royal Charter in 2000. The proposed SDP builds on the added value and experience of previous ADB support to the sector. It will reinvigorate and deepen health reforms in support of PHC to meet the sector's evolving needs amid Bhutan's changing economic, demographic, and epidemiological contexts. The SDP design incorporates key lessons from the reform program, as well as findings from detailed technical due diligence.[20] Strong government ownership, deepening of ongoing government reform initiatives,

[12] International Monetary Fund Assessment Letter (accessible from the list of linked documents in Appendix 2).
[13] BHTF. Forthcoming. *Assessment of BHTF Sustainability.* Thimphu.
[14] Government of Bhutan. Forthcoming. *Benefit Incidence of Public Health Expenditure in Bhutan.* Thimphu.
[15] Assessment of Health Information Systems (accessible from the list of linked documents in Appendix 2).
[16] Government of Bhutan, MOH. 2011. *National Health Policy*. Thimphu.
[17] Government of Bhutan, Gross National Happiness Commission. Forthcoming. *Twelfth Five-Year Plan (2018–2023).* Thimphu.
[18] ADB. 2014. *Country Partnership Strategy: Bhutan, 2014–2018*. Manila.
[19] ADB. 2000. *Bhutan: Health Care Reform Program*. Manila.
[20] ADB. 2017. *Technical Assistance to Bhutan for Preparing the Health Sector Development Program.* Manila.

and implementation of practical and achievable reforms were among the key factors behind the reform program's *successful* rating.[21]

11. **Development coordination.** As Bhutan makes good socioeconomic progress, overall external assistance to the country has declined drastically (footnote 7). Apart from United Nations agencies, major health sector donors are the Government of India; the Japan International Cooperation Agency; the Japan Children's Vaccine Initiative; Gavi, the Vaccine Alliance; and the Global Fund to Fight AIDS, Tuberculosis and Malaria.[22] The sector is facing new challenges that will require incremental reforms. Future sector development will thus require Bhutan to strategically harness more external resources to help make the necessary adjustments. ADB's renewed health assistance is therefore timely, and ADB's partnership with the government in this sector is expected to continue well beyond the program period. ADB has coordinated the assessment and design of this SDP with relevant development partners, including the International Monetary Fund.

12. The SDP is the most appropriate modality since the sector requires both project investment and policy reforms to form an integrated response to the need for greater sustainability of health service delivery in Bhutan. The project grant will support removing PHC supply- and demand-side barriers, especially in underserved areas. The policy reforms will reinforce the project investment and strengthen the PHC system by supporting (i) sustainable financing of key PHC commodities through the BHTF and (ii) a more efficient HIS to underpin the management of PHC delivery and its coordination with higher-level hospital care.

B. Impacts and Outcome

13. The SDP is aligned with the following impacts: national health goals achieved, and self-reliance and sustainability in Bhutan's health service delivery achieved (footnote 16). The SDP will have the following outcome: equitable access, efficiency, and financial sustainability of the health system improved.[23]

C. Outputs

14. The SDP will have three outputs. The project grant will support output 1 for PHC service delivery improvements in selected areas. The policy-based grant will support outputs 2 and 3 for enhanced health financing and health information management.[24] In line with ADB's backing for the regional health security agenda, the SDP also integrates assistance for strengthening disease surveillance, financing vaccines through the BHTF, and improving provisions for infection prevention and control at primary health facilities.[25]

15. **Output 1: Primary health services, especially in underserved areas, improved.** This project-based output will support improvements in PHC service delivery, especially in underserved areas.[26] The emphasis on PHC will help bridge regional health disparities and

[21] ADB. 2006. *Completion Report: Health Care Reform Program in Bhutan*. Manila.
[22] Development Coordination (accessible from the list of linked documents in Appendix 2).
[23] The design and monitoring framework is in Appendix 1.
[24] The policy matrix is in Appendix 4. All first-tranche conditions have been met.
[25] ADB's support aligns with the recommendations of the Joint External Evaluation of International Health Regulations (2005) for Bhutan (Government of Bhutan and WHO. 2017. *Joint External Evaluation of International Health Regulations (2005) for the Kingdom of Bhutan, December 2017*. Thimphu).
[26] Based on poverty levels, urban peripheries of Phuentsholing and Thimphu, and eight rural districts (Dagana, Mongar, Pemagatshel, Samdrup Jongkhar, Trashigang, Trashi-Yangtse, Trongsa, and Zhemgang) are prioritized.

improve the cost-effectiveness of the overall health delivery system. Investments involve (i) constructing five PHC satellite clinics in urban peripheries; (ii) upgrading existing PHC facilities with better infrastructure for infection control and waste management; (iii) providing medical equipment for enhanced PHC service delivery, including immunization and transportation of laboratory samples; (iv) providing capacity development to roll out the Bhutan Health Standards and Quality Assurance mechanism at PHC facilities; and (v) supporting PHC advocacy and behavioral change communication through civil society organizations.

16. **Output 2: Support for health sector financing enhanced.** This policy-based output will help achieve equitable health financing and a sustainable BHTF, whose core mandate is to support PHC primarily by financing vaccines and essential medicines. The policy actions include measures to (i) bolster BHTF's operations by strengthening its capital base, capacity, and governance; (ii) make the distribution of public health financing benefits more equitable through a benefit-incidence analysis; and (iii) institute the legal basis through a health bill for governing health financing equity, efficiency, and sustainability.[27] ADB's budget support under this output will help the BHTF in mobilizing capital and diversifying its investments offshore.[28]

17. **Output 3: Disease surveillance and HIS enhanced.** This policy-based output will improve the management and governance of Bhutan's HIS to support PHC and patient management, disease surveillance for increased health security, and overall sector management efficiency. The output will facilitate Bhutan's incremental move from the currently fragmented individual systems to an interoperable national HIS. Policy actions include (i) development and adoption of a national e-health strategy, (ii) creation of an HIS governing body, (iii) development and adoption of an HIS enterprise architecture for interoperability, and (iv) development and adoption of technical standards for health data exchange. The implementation of the e-health strategy and interoperable HIS is reflected in the draft 12th 5-year plan (footnote 17). ADB's budget support under this output is expected to contribute to government spending on strategy and governance; information technology infrastructure, services, and applications; data standards for interoperability; and workforce capacity development.

D. Summary Cost Estimates and Financing Plan

18. The SDP is estimated to cost $41.22 million (summary of cost estimates in Table 1 and summary of financing plan in Table 2). Detailed cost estimates by expenditure category and by financier for the project grant (output 1) are in the project administration manual (PAM).[29]

[27] Legal provisions are needed, including for collecting health care contributions, protecting patient rights, and regulating health data exchange and data privacy.

[28] The BHTF needs to diversify its investment beyond wholly domestic assets, but current central bank regulations restrict currency conversion and transfer. ADB's budget support for the BHTF will be in United States dollars and released to an offshore account to catalyze the BHTF's offshore investing and to enhance its investment return.

[29] Project Administration Manual (accessible from the list of linked documents in Appendix 2). The PAM mainly describes the implementation arrangements for the project grant (output 1).

Table 1: Summary Cost Estimates
($ million)

Item		Amount[a]
A.	**Base Cost**[b]	
	1. Primary health services improved (including program management)	5.98
	2. Support for health sector financing enhanced	17.71
	3. Disease surveillance and health information system enhanced	17.00
	Subtotal (A)	**40.69**
B.	**Contingencies**[c]	0.53
	Total (A+B)	**41.22**

[a] Includes taxes and duties of $0.05 million. Such amount does not represent an excessive share of the project cost. The government will finance taxes and duties of $0.21 million by way of exemption.
[b] In mid-2018 prices as of 31 March 2018.
[c] Physical contingencies computed at 5% each for civil works, equipment and furniture, vehicles, training, and consulting services; and for the project management and policy support unit. Price contingencies computed at an average of 1.56% on foreign exchange costs and 5.40% on local currency costs; and includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.
Source: Asian Development Bank.

Table 2: Summary Financing Plan

Source	Amount ($ million)	Share of Total (%)
Asian Development Bank[a]		
Special Funds resources (ADF, policy-based grant)	14.00	33.96%
Special Funds resources (ADF, project grant)	6.00	14.56%
Government of Bhutan	21.22	51.48%
Total	**41.22**	**100.00%**

ADF = Asian Development Fund.
[a] Includes $13.33 million from the ADF set-aside for regional health security.
Source: Asian Development Bank.

19. **Project financing.** The government has requested a grant not exceeding $6 million from ADB's Special Funds resources (Asian Development Fund) to help finance the project. ADB will finance the expenditures for civil works, goods, consulting services, and capacity development.

20. **Program financing.** The government has requested a grant not exceeding $14 million from ADB's Special Funds resources (Asian Development Fund) to help finance the program. Program support will be in two tranches of $7 million each to be released in 2018 and 2020. The size of the policy-based grant was estimated based on a combination of (i) the BHTF's assessment of its financing sustainability and (ii) government-projected financing requirements for developing the electronic patient information system and interoperable HIS during the 12th 5-year plan. As regards the BHTF's sustainability (output 2), the financing need for augmenting the capital base was estimated to be $20 million to avert an expected BHTF revenue deficit from 2021 due to the (i) projected rise in expenditures for vaccines and essential drugs, (ii) increased cost to the BHTF to cover its own operations under its autonomous status,[30] and (iii) expected decline in revenue from a fall in the inflation-adjusted return of the BHTF's domestic investment portfolio (footnote 13). To cover the estimated financing gap, the government requested a grant of $10 million from ADB, and the government will provide Nu500 million to the BHTF. The BHTF is also expected to mobilize additional funds to bridge the remaining funding gap and to optimize its revenue through diversified investing.[31] For the HIS program under output 3, the government

[30] With its new autonomous status, the BHTF will have to cover its own operational costs from earned revenue. In the past, the general government budget covered the BHTF's overhead costs.
[31] The BHTF will mobilize funds in annual fundraising events such as lotteries and health walks; and from private individuals, companies, and foundations.

estimated an overall requirement of $17 million over the medium term.[32] Of this, ADB will provide a grant of $4 million to help finance the program, and the government is expected to fund the rest under the 12th 5-year plan budget for flagship programs.[33]

E. Implementation Arrangements

21. The implementation arrangements are summarized in Table 3 and detailed in the PAM (footnote 29).

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	September 2018–August 2023		
Estimated completion date	31 August 2023		
Estimated closing date	28 February 2024		
Project management			
(i) Oversight body	The project steering committee chaired by MOH's secretary will be the oversight body. District management committees will monitor activities in the eight focus districts.		
(ii) Executing agency	MOH		
(iii) Implementing units	BHTF; DMSHI, DPH, PPD, ICT Division, and QASD of MOH		
(iv) Management and coordination	The project management and policy support unit will be established in MOH to coordinate and manage the overall sector development program.		
Procurement[a]	Procurement from specialized agencies (international advertising)	1 contract through WHO (vehicles) 2 contracts through UNICEF (goods)	$322,030 $293,540
	Open competitive bidding (national advertising)	8 contracts (works) 12 contracts (goods)	$1,822,260 $1,907,090
	Request for quotations	3 contracts (equipment and furniture)	$84,830
Consulting services[a]	Consultants' qualification selection	2 contracts	$225,720
	Individual consultant selection	14 person-months (international) 232 person-months (national)	$204,260 $158,270
Retroactive financing and/or advance contracting	Retroactive financing will cover up to 20% of the ADB project grant for eligible expenditures incurred prior to grant effectiveness but not earlier than 12 months prior to the signing of the project grant agreement.		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) and detailed arrangements agreed between the Government of Bhutan and ADB.		

ADB = Asian Development Bank, BHTF = Bhutan Health Trust Fund, DMSHI = Department of Medical Supplies and Health Infrastructure, DPH = Department of Public Health, ICT = information communication technology, MOH = Ministry of Health, PPD = Policy and Planning Division, QASD = Quality Assurance and Standardization Division, UNICEF = United Nations Children's Fund, WHO = World Health Organization.

[a] Procurement (including consulting services) will follow the ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Source: Asian Development Bank.

III. ATTACHED TECHNICAL ASSISTANCE

22. The proposed TA for Capacity Development of the Health Sector will support program implementation. It will have two outputs to support the government in (i) bolstering health sector financing and the BHTF's institutional development, and (ii) strengthening the HIS and digital health governance. The TA is estimated to cost $600,000, of which $500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The government will provide

[32] A breakdown of the estimated program cost by component is in the Assessment of Health Information Systems (accessible from the list of linked documents in Appendix 2). The WHO will also provide technical support to the MOH for implementing the e-health strategy and digital HIS.

[33] The government introduced flagship programs as an innovation with a tentative allocation of Nu15 billion under the 12th 5-year plan. Funding under flagship programs is in addition to the line agency's allocated plan budget.

counterpart support in the form of counterpart staff, office space, workshop venues, and other in-kind contributions. The MOH will be the executing agency for the TA, which will be implemented over 2 years during the SDP implementation.[34]

IV. DUE DILIGENCE

A. Economic and Financial

23. Overall, the project (output 1) is economically viable, with an estimated economic internal rate of return of 16%. The major economic benefits of the project accrue to project beneficiaries in the form of (i) their improved productivity (estimated using disability-adjusted life years saved) and (ii) out-of-pocket health cost savings from better PHC services. The economic costs are (i) the cost of the project investment during the 5-year implementation period and (ii) operation and maintenance costs. Budget adequacy and financial sustainability of the project investments were confirmed based on (i) the country's medium-term budgetary framework and budget allocation; and (ii) government financial capacity and commitment to sustain project infrastructure, equipment, and maintenance of capital investments.[35]

B. Governance

24. The financial management risk is *moderate* mainly because the MOH has well-established systems for financial management, including computerized budgeting and expenditure management systems, but its (i) accounting staff has limited experience and capacity to implement ADB projects and (ii) internal auditing is inadequate. To mitigate these risks, the MOH agreed to an action plan to strengthen its financial management capacity, including (i) assigning dedicated accountants in the project management and policy support unit who will be trained on ADB procedures and (ii) increasing the scope and quality of the MOH's internal audits. The MOH will also engage a financial management expert to provide capacity building support to the project accounting staff. With the proposed risk mitigating measures, the MOH's financial management capacity for the project is expected to be satisfactory. ADB's procurement capacity and risk assessments further showed that the MOH can handle the procurement of works, goods, and services for the project by establishing the project management and policy support unit and through additional support from a procurement expert. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MOH. The specific policy requirements and supplementary measures are described in the PAM.

C. Poverty, Social, and Gender

25. Poverty continues to be a largely rural phenomenon in Bhutan—the poverty rate is 11.9% in rural and 0.8% in urban areas.[36] While Bhutan has achieved remarkable progress in key health outcomes, rural–urban disparities in the health status remain. Differences also show in the use of health services by wealth profile, in that richer people use hospitals more than the poor.[37] As Bhutan experiences rapid urbanization, attention needs to be paid to meeting the health needs of the growing urban migrant population. The SDP will contribute to government efforts to reduce poverty and disparities through (i) investments to strengthen PHC services in both rural and urban peripheries to meet the needs of the poor and underserved, and (ii) support for immunization,

[34] Attached Technical Assistance Report (accessible from the list of linked documents in Appendix 2).
[35] Financial Analysis and Economic Analysis (accessible from the list of linked documents in Appendix 2).
[36] Government of Bhutan, National Statistics Bureau. 2017. *Bhutan Poverty Analysis Report.* Thimphu.
[37] Government of Bhutan, National Statistics Bureau. 2017. *Bhutan Living Standards Survey*. Thimphu.

disease surveillance, and other health security measures that will benefit the poor, who may be disproportionately vulnerable to infectious diseases.

26. The SDP is classified as *effective gender mainstreaming.* The MOH developed a gender action plan (GAP) with clear targets, responsibilities, and resource allocation.[38] It will be implemented by the MOH and closely monitored by the MOH's gender focal person. Data on the progress of the GAP indicators will also be collected and monitored through the Gender Equality Monitoring System of the National Commission for Women and Children. The ADB gender consultant based at the Bhutan Resident Mission will also support GAP monitoring and implementation.

D. Safeguards

27. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.[39]

28. **Environment (category B)**. An initial environmental examination with an environmental management plan and an environmental assessment and review framework has been prepared.[40] The construction or upgrade of facilities is not expected to have significant or irreversible negative environmental impacts during construction or operation. Construction impacts will be site-specific and typical of small-scale construction projects and mitigated through the environmental management plan's implementation. Medical waste management during the operation of facilities will follow applicable national laws, and relevant provisions are incorporated in the project design. In the absence of appropriate national laws and regulations, international good practices in the World Bank's Environmental, Health, and Safety Guidelines will be followed.[41] Each municipality or district will prepare a medical waste management plan, and the MOH will train health staff on health care waste management and infection prevention and control measures. The MOH will further recruit an environment expert to assist with safeguard implementation, monitoring, and reporting requirements. For the policy-based grant, no significant environmental impact is anticipated.

29. **Involuntary resettlement and indigenous peoples (category C).** The project will not involve any land acquisition. New construction will be limited to five small urban clinics on vacant government land with no productive use. No physical or economic displacement will occur. No indigenous peoples live in the project areas. The policy-based grant is also not anticipated to have social safeguard impacts.

E. Summary of Risk Assessment and Risk Management Plan

30. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.[42] In addition, following the national elections during September–October 2018, there may be some risk of change in government commitment to fully implement the reforms supported by the SDP. However, this risk is *low* due to wide support for the program by a broad range of stakeholders and its close alignment with the draft 12th 5-year plan. The MOH will also proactively advocate with the new government for full

[38] Gender Action Plan (accessible from the list of linked documents in Appendix 2).
[39] ADB. Safeguard Categories. https://www.adb.org/site/safeguards/safeguard-categories.
[40] Initial Environmental Examination and Environmental Assessment and Review Framework (accessible from the list of linked documents in Appendix 2).
[41] World Bank. 2007. *Environmental, Health, and Safety Guidelines*. Washington, DC.
[42] Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

political commitment and resources to implement the sector policy reforms. Integrated benefits and impacts are expected to outweigh the costs.

Table 4: Summary of Major Risks and Mitigation Measures

Project Risk	Mitigation Measures
Financial management. MOH has insufficient internal audit staff to cover all of its programs, and internal auditing is not based on performance or risk.	MOH will engage a financial management consultant to support its capacity and use performance- and risk-based audits to improve the quality of internal auditing.
Procurement. (i) The Government of Bhutan's procurement rules, which require bidders to be registered with an appropriate authority, is intended to ensure quality products and works but may limit competition. (ii) Batches of drugs delivered are not routinely tested, and there is a risk that the drugs supplied are substandard and do not comply with a pharmacopeia.	(i) Project procurement will follow ADB policy and regulations and use ADB SBDs with relevant modifications to ensure quality and competition. (ii) The Government of Bhutan will consider modifying government SBDs to require drug suppliers to produce certificates demonstrating that all batches of drugs were tested in ISO-compliant laboratories.

ADB = Asian Development Bank, ISO = International Organization for Standardization, MOH = Ministry of Health, SBD = standard bidding document.
Source: Asian Development Bank.

V. ASSURANCES

31. The government and the MOH have assured ADB that implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursements as described in detail in the PAM and grant agreements. The government and the MOH have agreed with ADB on certain covenants for the project, which are set forth in the draft grant agreements.

VI. RECOMMENDATION

32. I am satisfied that the proposed grants would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve:

(i) the policy-based grant not exceeding $14,000,000 to the Kingdom of Bhutan from ADB's Special Funds resources (Asian Development Fund) for the Health Sector Development Program, on terms and conditions that are substantially in accordance with those set forth in the draft policy-based grant agreement presented to the Board; and

(ii) the project grant not exceeding $6,000,000 to the Kingdom of Bhutan from ADB's Special Funds resources (Asian Development Fund) for the Health Sector Development Program, on terms and conditions that are substantially in accordance with those set forth in the draft project grant agreement presented to the Board.

Takehiko Nakao
President

11 September 2018

DESIGN AND MONITORING FRAMEWORK

Impacts the Program is Aligned with
National health goals achieved (National Health Policy, 2011)[a]
Self-reliance and sustainability in health service delivery achieved (National Health Policy, 2011)[a]

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Equitable access, efficiency, and financial sustainability of the health system improved	**By 2024:** a. Institutional deliveries in the 8 target districts increased to 70% (2016 average baseline: 57% for 8 districts)[b] b. National immunization coverage of children, disaggregated by sex, sustained at 95% (2018 baseline: 95%) c. Population using primary-level care facilities (BHU-II and below) as first contact increased to 60% (2012 baseline: 32%) d. 100% of annual cost of drugs and required vaccines financed by the BHTF (2018 baseline: 90%)[c] e. Health facilities reporting notifiable diseases to the National Early Warning, Alert and Response Surveillance System increased to 80% (2018 baseline: 62.8%)	a. MOH annual health bulletin, National Health Survey b. MOH annual health bulletin, National Health Survey c. National Health Survey d. BHTF annual reports e. RCDC quarterly bulletins	Changes in government priorities shift resources away from health sector policy reforms and improvements.
Outputs **Project** 1. Primary health services, especially in underserved areas, improved	**By 2023:** 1a. 100% of BHU-IIs in the country met WHO and/or UNICEF standards to maintain the vaccine cold chain (2018 baseline: 0%; 0 out of 184 BHU-IIs nationwide) 1b. 100% of the BHU-II in target districts adequately equipped with health care waste management facilities per national standards (2018 baseline: 6%, 5 out of 85 BHU-IIs) 1c. 100% of BHU-II staff in target districts, at least 30% of whom are women, trained in BHSQA (2018 baseline: 0%; 0 out of 255 BHU-II staff) 1d. 5 new urban satellite clinics with gender-responsive design constructed (2018 baseline: 0) 1e. 100% of the BHU-II (staff in target districts, sex-disaggregated, trained in interpersonal communication skills and skills to identify and support victims of gender-based violence (2018 baseline: 0%; 0 out of 255 BHU-II staff)	1a. DHO and PMPSU annual health facility reports, WHO Service Availability and Readiness Assessment, UNICEF effective vaccine management reports 1b. DHO annual health facility reports; WHO Service Availability and Readiness Assessment 1c. Annual QASD training reports 1d. PMPSU progress reports 1e. Annual HPD training reports	Political considerations divert attention and resources away from primary health care strengthening.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Reform Area 2. Support for health sector financing enhanced	**Key Policy Actions** 2a. By 2018, a budget of at least Nu500 million allocated by the Government of Bhutan to the BHTF (2017 baseline: not allocated)	2a. Attested copy of the Government of Bhutan's annual budget appropriations for FY2017–2018, which include an allocation of at least Nu500 million	
	2b. By 2018, cabinet order delinking the BHTF from the RCSC issued (2017 baseline: not issued)	2b. Attested copy of the cabinet order delinking the BHTF from the RCSC	
	2c. By 2018, BIA report that includes an assessment on equity of public benefits in obstetric care approved by MOH (2017 baseline: not approved)	2c. Attested copy of the BIA report and assessment approved by MOH	
	2d. By 2020, investment strategy for the BHTF approved by the BHTF board (2018 baseline: not approved)	2d. Attested copies of the investment strategy and minutes of the BHTF's board meeting approving the investment strategy	
	2e. By 2020, 100% of BHTF technical staff, at least 30% of whom are women, signed BHTF appointment papers (2018 baseline: 0)	2e. Attested copy from the BHTF on key staff appointments	
	2f. By 2020, gender-sensitive national health bill submitted to Parliament (2018 baseline: not submitted)	2f. Attested copy of the Government of Bhutan's submission to the Parliament of the national health bill	
Reform Area 3. Disease surveillance and HIS enhanced	**Key Policy Actions** 3a. By 2018, e-health strategy, which includes health data standards for routine capturing of sex-disaggregated data, developed and approved by MOH (2017 baseline: not approved)	3a. Attested copy of the approved e-health strategy	
	3b. By 2018, executive order constituting a governing body, with at least 30% female representatives, for the national HIS issued by MOH (2017 baseline: not issued)	3b. Attested copy of the executive order issued by MOH constituting the HIS governing body and setting out the terms of reference of its members	
	3c. By 2020, enterprise architecture for HIS developed and approved by MOH (2018 baseline: not approved)	3c. Attested copy of the blueprint document for the HIS enterprise architecture approved by the HIS governing body, MOH, and MOIC	
	3d. By 2020, technical standards for health data exchange incorporated in the e-GIF of MOIC (2018 baseline: no technical standards for health data exchange in e-GIF)	3d. Attested copy of the approved technical standards for health data exchange and interoperability, and attested copy of the updated e-GIF in which these technical standards have been incorporated	

Key Activities with Milestones **1. Primary health services, especially in underserved areas, improved** 1.1 Sign memorandum of understanding with district engineers for civil works supervision (May 2018) 1.2 Award civil works and goods contracts and contracts with civil society organizations (October 2018) 1.3 Complete all civil works (December 2021) 1.4 Complete all BHU-II staff training in interpersonal communication and quality assurance (October 2021) 1.5 Complete all behavior change communication activities in the community (March 2023) 1.6 Complete training of BHU staff in BHSQA (October 2021)
Project Management Activities Establish PMPSU with MOH seconded staff (April 2018) Put in place all full-time PMPSU staff (July 2018) Conduct periodic gender action plan and environmental management plan monitoring (December 2018–onward) Conduct IEE assessment of satellite clinic sites in Debsi and Phuentsholing (December 2019)
Inputs Asian Development Bank Policy-based grant: $14.0 million (ADF) Project grant: $6.0 million (ADF) Technical assistance: $0.5 million (TASF 6) Government: $21.2 million

ADF = Asian Development Fund, BHSQA = Bhutan Health Care Standard for Quality Assurance, BHTF = Bhutan Health Trust Fund, BHU-II = basic health unit (level 2, without inpatient beds), BIA = benefit-incidence analysis, DHO = district health officer, e-GIF = electronic government interoperability framework, FY = fiscal year, HIS = health information system, HPD = Health Promotion Division, IEE = initial environmental examination, MOH = Ministry of Health, MOIC = Ministry of Information and Communications, PMPSU = project management and policy support unit, QASD = Quality Assurance and Standardization Division, RCDC = Royal Centre for Disease Control, RCSC = Royal Civil Service Commission, TASF = Technical Assistance Special Fund, UNICEF = United Nations Children's Fund, WHO = World Health Organization.

[a] Government of Bhutan, MOH. 2011. *National Health Policy*. Thimphu.

[b] Government of Bhutan, Gross National Happiness Commission. 2013. *Eleventh Five Year Plan Volume I: Main Document, 2013–2018—Self-Reliance and Inclusive Green Socio-Economic Development*. Thimphu. The 2016 baseline is measured from the average of eight districts: Dagana (57%), Mongar (62%), Pemagatshel (64%), Samdrup Jongkhar (49%), Trashigang (52%), Trashi-Yangtse (55%), Trongsa (65%), and Zhemgang (49%).

[c] The required vaccines to be financed by the BHTF exclude donor-funded vaccines. The BHTF's share of financing for vaccines is 27% in 2017–2018, and the remainder is donor-funded.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/RRPs/?id=51141-002-2

1. Grant Agreement: Program Grant
2. Grant Agreement: Project Grant
3. Sector Assessment (Summary): Health
4. Project Administration Manual
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Financial Analysis
8. Economic Analysis
9. Country Economic Indicators
10. International Monetary Fund Assessment Letter
11. Summary Poverty Reduction and Social Strategy
12. Risk Assessment and Risk Management Plan
13. List of Ineligible Items
14. Attached Technical Assistance Report
15. Gender Action Plan
16. Initial Environmental Examination
17. Environmental Assessment and Review Framework

Supplementary Documents

18. Financial Management Assessment
19. Procurement Capacity Assessment
20. Program Impact Assessment
21. Health Financing Assessment
22. Assessment of Health Information Systems

DEVELOPMENT POLICY LETTER

MINISTRY OF HEALTH
ROYAL GOVERNMENT OF BHUTAN
THIMPHU : BHUTAN

Minister

29th June 2018

Development Policy Letter

Mr. Takehiko Nakao
President
Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila
Philippines.

Subject: **[Health Sector Development Program]**

Dear Mr. Nakao

The Royal Government of Bhutan (RGOB) recognizes good health of its citizens as a prerequisite for greater economic and social development, poverty reduction, and the road to Gross National Happiness. Health services are provided free as enshrined in the Constitution of Bhutan, and the Government provides comprehensive services to citizens through various levels of care, including referral of patients abroad for life saving treatments, which are beyond the clinical capacity and facilities available in Bhutan.

The health system in Bhutan is predominantly managed by the government and has progressed considerably over the past several decades. Despite difficult geographical terrain, physical access to health services increased remarkably, now reaching an average of 3.5 health facilities per 10 000 population, and 96% of the population living within 3 hours walk from a nearest health facility. Life expectancy increased to 70.2 years in 2017 from a mere 32.4 years in 1960, making Bhutan one of the top global achievers in life expectancy gains. The targets of MDGs 4 and 5 were met and immunization levels have maintained over 95% since 2010. Leprosy, iodine deficiency disorders and measles have also been eliminated.

Despite these gains, our health system today is facing challenges to sustain and continue the momentum. While communicable diseases remain a substantial burden, noncommunicable diseases (NCDs), such as cancers, diabetes and hypertension, are increasing and significantly driving up our costs of healthcare. To sustain free health services, there is a need to explore diversification of financing sources, as well as mechanisms to reduce cost pressures and increase service delivery efficiency. Improving health equity further requires important attention as considerable regional disparities exist in access to and utilization of health services as well as in health outcomes. Monitoring of quality and safety in health services also needs attention. In general, our health policies have evolved from an initial emphasis on expanding coverage to recent measures to strengthen quality of care, improve equity and financing sustainability.

The National Health Policy (NHP, 2011) sets the policy agenda and provide general direction to guide the government in achieving the national health goals, with a focus on self-reliance and sustainability. The NHP calls for measures to improve efficiency in service delivery and health financing, including (i) instituting effective health information system to support decision making, reduce duplication of services, and facilitate referral system; (ii) maximizing population benefit of public expenditure on health and

Minister

MINISTRY OF HEALTH
ROYAL GOVERNMENT OF BHUTAN
THIMPHU : BHUTAN

exploring alternative strategic options for efficient, affordable and sustainable financing of health care services (including strengthening the Bhutan Health Trust Fund [BHTF] as a key source for health financing); and (iii) increasing to access to equitable and quality basic health services. As signatory to the International Health Regulations 2005 (IHR), the NHP also emphasized investments to strengthen effective public health interventions in the prevention and control of infectious diseases. The program and financial outlay of the draft 12th Five Year Plan (2018 – 2023), with a total budget outlay of Nu 300 billion, supports the realization of this NHP through, among others, commitments to improve health information, health financing, and strengthened primary health care delivery in peripheral areas. Financing from ADB under the HSDP will be used to implement policy reforms and improvements in the following areas aligned with the draft 12th Five Year Plan.

Enhanced disease surveillance and health information systems: The Government is committed to leverage information and communication technology (ICT) as an enabler in improving healthcare services to its citizens. The financing will support government's development and implementation of e-health strategy and an interoperable HIS structure as reflected in the draft 12th FYP. The support is expected to help catalyze overall transformative changes for improved health sector efficiency and servicing routine data needs beyond individual fragmented systems. It will support development and implementation of strategy and common interoperable technology for improved disease surveillance and enhanced health security; patient safety and continuity of care and reduced duplication of services; and more effective monitoring of various public health programs and sector objectives.

Enhanced health sector financing: The Government recognizes the need to explore diversification of financing sources to sustain free health services in the country. In this context, the BHTF is becoming increasingly important considering declining external assistance and soaring healthcare costs. BHTF is an innovative financing mechanism established by the Royal Charter with the objective to sustain primary health care, including through uninterrupted supply of vaccines, which is an essential element of health security. Ways and means need to be constantly explored to build the BHTF corpus of capital fund and for its appropriate investment to maximize returns. With ADB's support, BHTF will be able to mobilize additional funds, operate more efficiently, and better manage its investments. In addition, ADB's financing will also be used to support the government with review of and improving the equity of health financing in Bhutan, especially to maximize the population benefit of public expenditure on health. The Ministry of Health will also review overall financing strategy for the sector and address gaps and improvements in the draft National Health Bill underway.

The reform initiatives will be linked with a complementing investment component to support and key objectives the Twelfth Five Year Plan. The project investment will help improve equity of health financing, focussing more on peripheral areas; and more service delivery and financing efficiency focus on prevention and primary health level, especially in context of rising costs.

The Government confirms that the Program is the right approach to transformational changes required in health system. We would like to thank the ADB for working closely with the Government to develop this program and helping lay the foundations of 12th FYP program framework and key interventions. I also confirm that the policy matrix that accompanies this letter reflects the priority sector reform areas and institutional development agenda of the government.

ཞབས་Minister

MINISTRY OF HEALTH
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The Government would like to take this opportunity to thank the ADB for its timely renewed support to the health sector. We greatly welcome the reengagement following nearly two decades of ADB's previous assistance to the health sector supporting policy reforms, including the establishment of the BHTF, and hope to continue expanding this partnership well into the future.

We would like to thank the Asian Development Bank for the close collaboration with the Royal Government of Bhutan in developing this Program and would like to confirm our commitment to its successful implementation.

Please accept, Mr. President, the assurance of my highest consideration.

Sincerely

(Tandin Wangchuk)

Cc:

1. Hon'ble Minister, Ministry of Finance, Royal Government of Bhutan

POLICY MATRIX

Policy Objective	A. Actions Prior to First Tranche Release (August 2018)	B. Actions Prior to Second Tranche Release (August 2020)	Verification Document and Responsible Agency
Output 2: Support for health sector financing enhanced			
1. BHTF is strengthened as a self-sustaining financial entity and can finance essential drugs and required vaccines on a sustainable basis	1.A.1 (i) BHTF has finalized a report on its financial sustainability, and the recommendations set out in the report have been approved by the BHTF's board; and (ii) the Government of Bhutan has allocated a budget of at least Nu500 million to strengthen BHTF's financial position	1.B.1 (i) BHTF has developed and the Cabinet has approved a strategy to mobilize funds required for BHTF's operations including best practice guidance for such fund mobilization, and (ii) BHTF has developed and approved an investment strategy for prudent investment of BHTF's funds	1.A.1(i) Attested copies of BHTF's financial sustainability report and the minutes of BHTF's board meeting approving the recommendations set out in the report RA: BHTF 1.A.1(ii) Attested copy of Government of Bhutan's annual budget appropriations for FY2017–2018 which includes the allocation of at least Nu500 million RA: MOF 1.B.1(i) Attested copies of BHTF's fund mobilization strategy approved by the BHTF and endorsed by the Cabinet RA: MOH, BHTF 1.B.1(ii) Attested copies of investment strategy and the minutes of BHTF's board meeting approving the investment strategy RA: MOH, BHTF
	1.A.2 (i) BHTF has become autonomous from the RCSC to facilitate self-sustainability and management efficiency; and (ii) BHTF has developed an OM to strengthen, amongst others, its operational procedures, financial and investment management, and human resource policies, and the OM has been approved by BHTF's board	1.B.2 (i) BHTF has appointed all key staff members including director, investment manager, and accountant; and (ii) BHTF's board has been appointed in accordance with BHTF's by-laws and includes representatives from the private sector	1.A.2 (i) Attested copy of the Cabinet order delinking BHTF from the RCSC RA: Government of Bhutan, BHTF 1.A.2 (ii) Attested copy of the OM issued and minutes of BHTF's board meeting approving the OM RA: MOH, BHTF

Policy Objective	A. Actions Prior to First Tranche Release (August 2018)	B. Actions Prior to Second Tranche Release (August 2020)	Verification Document and Responsible Agency
			1.B.2 (i) Attested copy of annual reports from BHTF describing the manner in which the OM is being implemented by BHTF RA: BHTF 1.B.2 (ii) Attested report from BHTF on the key staff appointments and composition of BHTF's board RA: BHTF
2. Benefits from public financing for health in Bhutan is more pro-poor and equitably distributed	2.A.1 MOH has conducted a BIA to determine the distribution of benefits from public financing for health care among different population groups desegregated by income, socioeconomic, gender, and geographic factors	2.B.1 The Government of Bhutan has finalized, approved, and submitted to the Parliament of Bhutan, a National Health Bill to improve health financing equity, efficiency, and sustainability, and enable MOH to establish a regulatory framework for health data exchange and interoperability	2.A.1 Attested copy of the BIA and assessment approved by MOH RA: MOH 2.B.1 Attested copy of Government of Bhutan's submission to the Parliament of Bhutan of the National Health Bill RA: Government of Bhutan
Output 3: Disease surveillance and health information system enhanced			
3. A strong and interoperable national HIS established that meets Bhutan's data needs, including for effective disease surveillance and patient management	3.A.1. MOH has developed and approved an e-health strategy which includes a road map for interoperability among different HIS	3.B.1. MOH has developed and approved the enterprise architecture for the HIS which defines the technology and system requirements and exchange formats for interoperability	3.A.1 Attested copy of the approved e-health strategy RA: MOH, PMPSU 3.B.1 Attested copy of the blueprint document for the HIS enterprise architecture approved by the HIS governing body, MOH, and MOIC RA: MOH, MOIC
	3.A.2. MOH has constituted a governing body for the national HIS which includes members responsible for the health data exchange and interoperability standards among different information systems	3.B.2 MOH has developed and approved the technical standards for health data exchange and interoperability, and MOIC has incorporated these technical standards in the updated e-GIF	3.A.2 Attested copy of the executive order issued by MOH constituting the HIS governing body and setting out the terms of reference of its members RA: MOH, PMPSU 3.B.2 Attested copy of the approved technical standards for health data exchange and

Policy Objective	A. Actions Prior to First Tranche Release (August 2018)	B. Actions Prior to Second Tranche Release (August 2020)	Verification Document and Responsible Agency
			interoperability, and attested copy of the updated e-GIF in which these technical standards have been incorporated RA: MOH, PMPSU, MOIC

BHTF = Bhutan Health Trust Fund, BIA = Benefit-Incidence Analysis, e-GIF = electronic government interoperability framework, HIS = health information system, MOF = Ministry of Finance, MOH = Ministry of Health, MOIC = Ministry of Information and Communication, OM = operations manual, PMPSU = project management and policy support unit, RA = responsible agency, RCSC = Royal Civil Service Commission.
Source: Asian Development Bank.