**Bhutan development bank institutional strengthening plan**

**key milestones and performance benchmark targets**

| **Milestones** | **Timeline** |
| --- | --- |
| * + 1. BDB forms a board sub-committee to monitor and supervise the BDB Operational Restructuring Plan implementation, and assigns focal staff at departments to a unit, which directly reports to the CEO, to implement the BDB Operational Restructuring Plan and monitor progress achieved
		2. BDB evaluates annually, by the end of each FY from 2021 to 2024, progress in implementing the BDB Operational Restructuring Plan, including progress against benchmark targets
 | By December 2020FY2021-FY2024 |
| a. Strategic Planning |
| * + 1. BDB conducts a BDB FY2015–FY2019 business plan evaluation with the analysis of achievements, and unmet targets
		2. BDB develops a FY2021–FY2024 business plan with operational targets and financial projections
		3. BDB conducts, annually by the end of each FY from 2021 to 2024, a business plan evaluation, including analysis of achievement, unmet targets and corrective measures
 | By December 2020By December 2021FY2021-FY2024 |
| b. Corporate Governance |
| * + 1. BDB adopts TOR of a deputy CEO responsible for the credit operation
		2. BDB’s Board approves appointment of a deputy CEO with the qualification and experience in banking and finance
		3. MOF recommends at least two individuals to serve on BDB’s Board, in accordance with the Corporate Governance Rules and Regulations on RMA and with professional background in banking and finance
		4. BDB facilitates an independent compliance review on RMA’s Corporate Governance Rules and Regulations of 2018
		5. BDB conducts training on bank and financial management and rural finance to the members of BDB’s Board
 | By December 2020By December 2021ByDecember 2021 By December 2021By December 2021 |
| c. Human Resources and Training |
| * + 1. BDB develops a staff redeployment and recruitment plan to attain number of active accounts per credit officer not more than 270 across branches
		2. BDB evaluates annually, by the end of each FY from 2021 to 2024, the implementation of the staff redeployment and recruitment plan
 | By December 2021FY2021-FY2024  |
| d. Information Technology |
| * + 1. BDB reviews CBS system data, reconcile discrepancies, and fills the bank data fields
		2. BDB conducts annual IT audit
 | By June 2021By December 2021 |
| e. Internal Audit and Fraud Control |
| * + 1. BDB places a compliance focal person at each branch
		2. BDB develops comprehensive internal control and compliance framework
 | By December 2021By December 2021  |
| f. Risk Management |
| * + 1. BDB risk management division adopts the new reporting template including branch analysis, asset liability maturity mismatch and scenario analysis
 | By December 2021 |
| g. Loan Products |
| * + 1. BDB conducts a loan product review exercise and rationalizes its number of loan products so as to align with BDB’s corporate vision and mission
 | By December 2021 |
| h. CSI Outreach |
| * + 1. BDB creates a dedicated unit to promote gender inclusive group-based loans
		2. BDB revises group loan manuals
		3. BDB develops a group loan operational plan with outreach and financial targets as well as social mobilization and financial literacy targets
		4. BDB introduces POS or tablet banking at category A and B branchesa
 | By December 2021Dy December 2021By December 2021By December 2021 |
| i. Portfolio Quality |
| * + 1. BDB creates a dedicated unit on NPL resolution
		2. BDB adopts new credit appraisal templates which are tailored for different types of products and sectors as well as based on risk and cash flow
		3. BDB adopts a comprehensive NPL resolution framework
		4. BDB revises its credit manual and initiates a risk-based scoring system and interest rate setting methodologies for different loan products
 | By December 2020By December 2020By June 2021By December 2022 |

ADB = Asian Development Bank, BDB = Bhutan Bank Development, CAR = capital adequacy ratio, CBS = core banking system, CEO = chief executive officer, FY = fiscal year, IT = information technology, MIS = management information system, MOF = Ministry of Finance, POS = point-of-sale, RMA = Royal Monetary Authority, TOR = terms of reference.

a Category A and B branches are defined based on BDB’s branch categorization parameters, and largely defined as category A branches are branches with credit accounts of more than 6,000 and credit portfolio of more than Nu700 million; category B branches are branches with credit accounts of more than 3,000 and credit portfolio of more than Nu600 million, but below category A branches.

Source: ADB.