



# **INTERIM BUDGET FINANCIAL YEAR 2018-19**

**MINISTRY OF FINANCE  
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## INTRODUCTION

The Financial Year 2018-19 is a special year as it marks the successful completion of the Government's tenure, witnesses the ceremonious installation of the third democratically elected Government and ushers the launching of 12FYP. In addition, the 11FYP will also be completed by the end of this month. Since this is a unique situation and to set good precedence, the Government, in consultation with key stakeholders, has formulated an Interim Budget for FY 2018-19 for consideration by the House. Unfolding of these important events will further deepen the Parliamentary democracy and strengthen good governance that will go a long way in maximizing Gross National Happiness (GNH).

The Government has implemented 11FYP to promote prosperity for all through '*Wangtse Cherphel*'. Accordingly, all efforts have been made towards fulfilling the aspiration of the Bhutanese people. Major achievements of the 11FYP include widening of the northern east-west highway, establishment of Central Schools, enhancing agriculture and livestock productivity, renovations and reconstruction of Dzongs and lhakhangs, operationalization of domestic flights and introduction of helicopter services. At the Gewog level, most of the Gewog Centre roads have been black topped, utility vehicles have been provided to Gewogs besides establishing farm shops, service centers and banking services. For the first time, Hon'ble Prime Minister presented the achievement of the 11FYP to the local leaders in all the Dzongkhags.

In terms of fiscal outcomes, against the total outlay of Nu. 215.991 billion, Government mobilized resources of Nu. 211.157 billion and contained average fiscal deficit for the 11FYP below 0.26% of GDP. Fiscal measures passed by the Parliament have boosted economic growth, created employment opportunities and generated additional revenue. With the introduction of Goods and Service Tax (GST) in India- Bhutan's largest trading partner, Government also implemented fiscal measures to stabilize price of big ticket import items, such as vehicles and fuel. Further, to broaden the tax base, Government has initiated preparatory works for possible introduction of GST in the country in near future.

The implementation of Economic Stimulus Plan (ESP) has contributed to economic growth with liquidity injected into the banks and concessional lending from the revolving funds. In addition, the cost of borrowings has been lowered with the introduction of the Minimum Lending Rates (MLR) and enhanced access to credit under the Priority Sector Lending. The Remit Bhutan, which facilitates cost effective remittance to Bhutan by Bhutanese working abroad has contributed over US\$ 3 million to the convertible currency reserves.

With the rapid pace of economic development and marked improvement in the socio-economic indicators, Bhutan has been identified to graduate from LDC status by 2021. This is a major milestone achieved within a short period of planned development and gives opportunity for all of us to pay tribute to His Majesty the Drukgyal Zhipa and His Majesty the Druk Gyalpo for their visionary and selfless leadership in guiding the country's development path.

The draft 12FYP has been formulated in close consultation with all the stakeholders. The overarching goal of 12FYP is to pursue '***Just, harmonious and a sustainable society through enhanced decentralization***' with an outlay of Nu. 336 billion. The draft 12FYP is ready for review and approval by the new Government. With the successful implementation of Gewog Development Grant and Dzongkhag Development Grant, the stage has been set for introducing Annual Grants to Local Governments during the 12FYP.

Since the Government's tenure will be completed by August 2018 and the 12FYP is to be approved by the new Government, an Interim Budget has been formulated for the FY 2018-19 mainly to maintain continuity of the Government, complete spillover activities and support critical regular activities. Accordingly, current budget has been allocated based on actual requirement of the agencies at last Fiscal Year's level except for new activities such as general election and retirement benefits for Hon'ble Members of Parliament. Similarly, capital budget is allocated only for RGoB financed spillover and critical regular activities besides on-going donor funded activities and loan repayment.

As passed by the 9<sup>th</sup> session of the 2<sup>nd</sup> Parliament, Stabilization Fund has been established as ***Bhutan Economic Stabilization Fund (BESF)*** with a seed capital of Nu. 100 million. Rules and regulations for BESF has been put in place. Further, for guiding the governance to achieve the intended objectives, draft Royal Charter has been submitted to His Majesty the Druk Gyalpo. In line with the resolution of the 10<sup>th</sup> Session of the 2<sup>nd</sup> Parliament, for ensuring continuity and buildup of the Fund, a minimum of 5% of the royalty revenue from hydropower projects shall be transferred to BESF on an annual basis starting from FY 2018-19.

The Interim Budget report briefly presents the fiscal outcome for FY 2016-17, revised budget for FY 2017-18 and the interim budget estimates for FY 2018-19 along with Budget Appropriation Bill FY 2018-19 and Supplementary Budget Appropriation Bill for FY 2017-18 for consideration by the House. In addition, the budget report also includes macro-economic performance of the 11FYP, State Owned Enterprises, status of the Trust Funds, report on hydropower development and Foreign Direct Investments.

*The Budget for FY 2017-18 is presented as follows.*

<i>Chapter I:</i>	<i>Fiscal performance/operation in FY 2015-16;</i>
<i>Chapter II:</i>	<i>Revised Budget Estimates for the FY 2016-17;</i>
<i>Chapter III:</i>	<i>Interim Budget Estimates for FY 2018-19;</i>
<i>Chapter IV:</i>	<i>Macroeconomic Performance</i>
<i>Chapter V:</i>	<i>Performance of Royal Monetary Authority</i>
<i>Chapter VI:</i>	<i>State Owned Enterprises;</i>
<i>Chapter VII:</i>	<i>Druk Holding and Investments;</i>
<i>Chapter VIII:</i>	<i>National Pension and Provident Fund (NPPF);</i>
<i>Chapter IX:</i>	<i>Trust Funds;</i>
<i>Chapter X:</i>	<i>Hydropower Development in Bhutan</i>
<i>Chapter XI:</i>	<i>Foreign Direct Investments (FDI)</i>

Given the concerted efforts made to provide interim budget for FY 2018-19, all the budgetary agencies are earnestly requested to ensure that allocated budget is optimally used to continue and complete spillover activities besides ensuring timely delivery of essential public services.





## CHAPTER 1

### FISCAL PERFORMANCE/OPERATION IN FY 2016-17

The fiscal outcome and operational result achieved for the FY 2016 -17 are as below:

- Fiscal deficit maintained at 3.3% of GDP against the revised target of 4.06% of GDP.
- Domestic revenue fully covered the recurrent expenditure.
- Revenue surplus financed 21.6% of the capital expenditure.
- Non-hydro debt was maintained at 22.7% of GDP against the target of 35% of GDP.
- Debt service was maintained at 25% of exports of goods and services.

#### 1.1. Overall fiscal performance

The original budget for the Fiscal Year (FY) 2016-17 was Nu. 49,981.584 million with an estimated resources of Nu. 41,605.862 million resulting in fiscal deficit of Nu. 8,375.722 million and resource gap of Nu. 7,631.475 million. During the FY, the budget was revised to Nu. 55,812.061 million and the resources to Nu. 48,941.674 million which reduced the fiscal deficit to Nu. 6,870.387 million and resource gap to Nu. 5,648.816 million.

However, at the close of the FY, the actual expenditure was Nu. 48,017.988 million with the total realized resources of Nu. 42,673.126 million. This resulted in improving the fiscal deficit to Nu. 5,344.862 million, which is 3.3% of Gross Domestic Product (GDP)<sup>1</sup>.

With the borrowing of Nu. 3,227.662 million and repayment of Nu. 2,703.336 million, the resource gap was reduced to Nu. 4,820.536 million or 3.0% of GDP. The resource gap was financed through the issuance of Treasury Bills (T-Bills). The principal amount of T-Bills outstanding at the end of the FY was Nu. 9,959.919 million. With the redemption of closing balance of FY2015-16 amounting to negative Nu. 4,531.634 million, the Government fund position at the close of the FY 2016-17 stood at Nu. 607.749 million, which is made of Nu. 540.740 million as bank balance and Nu. 67.009 million as cash balance.

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<sup>1</sup> GDP as per National Statistics Bureau is Nu. 159,742.599 million

The summary of fiscal performance for the FY 2016-17 is presented below:

**Table 1.1: Financing and variance as on 30th June 2017**

Particulars	Nu. in million			% variance		
	Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
<b>A. RESOURCES</b>	<b>41,605.862</b>	<b>48,941.674</b>	<b>42,673.126</b>	<b>17.6%</b>	<b>-12.8%</b>	<b>2.6%</b>
<b>1. Domestic Revenue</b>	<b>27,247.169</b>	<b>29,167.933</b>	<b>29,713.600</b>	<b>7.0%</b>	<b>1.9%</b>	<b>9.1%</b>
i. Tax	19,599.564	21,078.490	21,706.998	7.5%	3.0%	10.8%
ii. Non-Tax	7,647.605	8,089.443	8,006.602	5.8%	-1.0%	4.7%
<b>2. Other Receipts (Net)</b>	<b>20.000</b>	<b>195.469</b>	<b>(27.226)</b>	<b>877.3%</b>	<b>-113.9%</b>	<b>-236.1%</b>
<b>3. Grants</b>	<b>14,338.693</b>	<b>19,578.272</b>	<b>12,986.752</b>	<b>0.415</b>	<b>(0.142)</b>	<b>0.109</b>
i. Programme grants	1,700.000	1,700.000	2,125.000	0.0%	25.0%	25.0%
a. GoI	1,700.000	1,700.000	2,125.000	0.0%	25.0%	25.0%
ii. Project-tied grants	12,638.693	17,878.272	10,861.752	41.5%	-39.2%	-14.1%
a. GoI	9,925.441	13,686.148	7,757.572	37.9%	-43.3%	-21.8%
b. Other Donors	2,713.252	4,192.124	3,104.180	54.5%	-26.0%	14.4%
<b>B. OUTLAY</b>	<b>49,981.584</b>	<b>55,812.061</b>	<b>48,017.988</b>	<b>11.7%</b>	<b>-14.0%</b>	<b>-3.9%</b>
<b>1. Total Expenditure</b>	<b>51,884.364</b>	<b>57,714.841</b>	<b>49,966.611</b>	<b>11.2%</b>	<b>-13.4%</b>	<b>-3.7%</b>
i. Current	25,387.034	25,054.849	24,129.587	-1.3%	-3.7%	-5.0%
ii. Capital	26,497.330	32,659.992	25,837.024	23.3%	-20.9%	-2.5%
<b>2. Net Lending</b>	<b>(1,902.780)</b>	<b>(1,902.780)</b>	<b>(2,003.122)</b>	<b>0.0%</b>	<b>5.3%</b>	<b>5.3%</b>
<b>3. Advance/Suspense (Net)</b>	<b>-</b>	<b>-</b>	<b>54.499</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. OVERALL BALANCE</b>	<b>(8,375.722)</b>	<b>(6,870.387)</b>	<b>(5,344.862)</b>	<b>-18.0%</b>	<b>-22.2%</b>	<b>-36.2%</b>
<b>D. FINANCING</b>	<b>8,375.722</b>	<b>6,870.387</b>	<b>5,344.862</b>	<b>-18.0%</b>	<b>-22.2%</b>	<b>-36.2%</b>
<b>1. Net Borrowing</b>	<b>744.247</b>	<b>1,221.571</b>	<b>524.326</b>	<b>64.1%</b>	<b>-57.1%</b>	<b>-29.5%</b>
i. Borrowing	3,567.345	3,927.928	3,227.662	10.1%	-17.8%	-9.5%
a. Project-tied	920.745	1,057.921	402.753	14.9%	-61.9%	-56.3%
b. Program	2,646.600	2,870.007	2,824.909	8.4%	-1.6%	6.7%
ii. Repayment	2,823.098	2,706.357	2,703.336	-4.1%	-0.1%	-4.2%
a. External	2,813.904	2,697.163	2,694.142	-4.1%	-0.1%	-4.3%
b. Internal	9.194	9.194	9.194	0.0%	0.0%	0.0%
<b>2. Resource (Gap)/Surplus</b>	<b>(7,631.475)</b>	<b>(5,648.816)</b>	<b>(4,820.536)</b>	<b>-26.0%</b>	<b>-14.7%</b>	<b>-36.8%</b>
Treasury Bills			9,959.919			
Less: Resource Gap			(4,820.536)			
Less: Redemption of closing balance of FY 2015-16			(4,531.634)			
<b>3. Closing Balance</b>			<b>607.749</b>			
Cash			67.009			
Bank			540.740			

*Note:*  
To smoothen cash flow and finance resource gap, series of T-Bills with maturities ranging from of 30 to 180 days were issued and redeemed. T-bills outstanding at the close of the FY is Nu. 9,959.919 million which is carried forward as domestic debt stock.

## 1.2. Revenue and grants

The total domestic revenue realized during the FY was Nu. 29,713.600 million, an increase of 6% from the preceding fiscal year mainly contributed by corporate income tax, sales tax from hotels and restaurants and the excise duty refund from GoI. Tax revenue accounted for 73% of the total revenue while non-tax revenue accounted for 27% of the total.

The domestic revenue was adequate to finance 59.5% of the total expenditure. The domestic revenue accounted for 18.6% of the GDP.

**Table 1.2: Summary of revenue comparison for FY 2015-16 and FY 2016-17**

Particulars	Nu. in million		
	FY 2015-16	FY 2016-17	Increase/(decrease)
Tax Revenue	19,884.626	21,706.998	1,822.371
Non Tax Revenue	8,149.186	8,006.602	(142.583)
<b>Total</b>	<b>28,033.812</b>	<b>29,713.600</b>	<b>1,679.788</b>

During the FY 2016-17, the Government received external grants of Nu. 12,986.752 million, a decrease of 12.8% compared to preceding FY. The GoI providing 76% of grant continues to be the major source of external grant. During the FY, the external grant financed 26.0% of the total expenditure.

The summary of grants received during the FY is presented in the Table 1.3 below:

**Table 1.3: International assistance ( grants) received**

Particulars	Nu. in million		% change
	2015-16	2016-17	
<b>A. GOI</b>	<b>10,721.698</b>	<b>9,882.572</b>	<b>-7.83%</b>
1. Program Grant	1,275.000	2,125.000	66.67%
2. Project Grant	9,446.698	7,757.572	-17.88%
i. Cash	9,446.698	7,757.572	-17.88%
ii. Kind	-	-	0.00%
<b>B. Other Donors</b>	<b>4,167.913</b>	<b>3,104.181</b>	<b>-25.52%</b>
1. Program Grant	1,065.015	-	-100.00%
2. Project Grant	3,102.898	3,104.181	0.04%
i. Cash	2,554.622	2,656.948	4.01%
ii. Kind	548.276	447.233	-18.43%
<b>Total</b>	<b>14,889.611</b>	<b>12,986.753</b>	<b>-12.78%</b>

### 1.3. Expenditure

The total expenditure for the FY 2016-17 was Nu. 49,966.611 million, which is an increase of 10% from the previous fiscal year.

The total current expenditure for the FY 2016-17 was Nu. 24,129.587 million, an increase by 5.5% from the previous fiscal year and accounted for 15.1% of GDP. As required by the Constitution, the current expenditure was fully financed by the domestic revenue.

The capital expenditure for the FY was Nu. 25,837.024 million which accounted for 16.2% of the GDP. As compared to the previous FY, the capital expenditure increased by 18.5% due to incorporation of external grants and loan received during the FY besides the incorporation of supplementary budget appropriation passed by the National Assembly for Employment Facilitation Program.

The summary of the actual expenditure for the FY 2016-17 is presented below in Table 1.4.

**Table 1.4: Summary of expenditure**

Overheads	(Nu. in million)		% Change	% of GDP
	2015-16	2016-17		
<b>EXPENDITURE</b>	<b>44,688.447</b>	<b>49,966.611</b>	<b>11.8%</b>	<b>31.28%</b>
Current Expenditure	22,880.591	24,129.587	5.5%	15.11%
Capital Expenditure	21,807.856	25,837.024	18.5%	16.17%
<b>Repayments</b>	<b>3,034.163</b>	<b>2,703.336</b>	<b>-10.9%</b>	<b>1.69%</b>
Internal	183.834	9.194	-95.0%	0.01%
External	2,850.329	2,694.142	-5.5%	1.69%
<b>On Lending</b>	<b>214.889</b>	<b>42.115</b>	<b>-80.4%</b>	<b>0.03%</b>
<b>GRAND TOTAL</b>	<b>47,937.499</b>	<b>52,712.062</b>	<b>10.0%</b>	<b>33.00%</b>

### 1.4. Capital budget utilization

During the FY 2016-17, out of the total revised capital budget of Nu. 32,659.992 million, the actual expenditure reported is Nu. 25,837.024 million. Capital budget variance is Nu. 6,822.968 million excluding advances, which is about 20.9% of the total capital budget as compared to 17.9% in the previous fiscal year.

## **1.5. Total public debt**

The total public debt outstanding (domestic and external debt) as on 30<sup>th</sup> June 2017 was Nu.170,256.761 million, which is about 106.6% of GDP. The increase in debt stock is mainly contributed by the disbursement for on-going hydropower projects from the Government of India and the outstanding T-bills. Of the total, domestic debt was Nu.10,057.344 million and external debt was Nu. 160,199.417 million (US\$ 2,478.141 million). The total external debt accounts for 100.1% of GDP. The total principal loan repayment during the fiscal year was Nu. 2,703.336 million.

### **1.5.1. Domestic debt**

As on 30<sup>th</sup> June 2017, domestic debt was Nu.10,057.344 million. The domestic debt comprises of Nu. 10,000.000 million of outstanding T-Bills issued for the cash management, financing resource gap and to facilitate timely release of funds to implement the externally funded projects. It also includes Nu. 57.344 million of loan availed from the NPPF for the construction of staff quarters at Phuentsholing hospital. Domestic debt accounted for 5.9% of the total public debt.

### **1.5.2. External debt**

As on 30<sup>th</sup> June 2017, total external debt was Nu. 160,199.417 million (US\$ 2,478.141 million), accounting for 94.1 % of the total public debt. Of the total external debt, 25.6% was convertible currency debt and 74.4% was rupee debt. The rupee debt includes Rs. 7,000.000 million Standby Credit Facility availed by the RMA from GoI for meeting balance of payment obligation.

Of the total external debt, hydropower debt was Nu. 123,881.575 million accounting for 77.3% of the total external debt. The non-hydropower debt stock was Nu. 36,317.841 million accounting for 22.7% of GDP, which is below the threshold of 35% of GDP as prescribed by Public Debt Policy 2016.

## **1.6. Audited Annual Financial Statements for FY 2016-17**

The fiscal outcomes and operational result of the FY 2016-17 has been audited by the Royal Audit Authority. A copy of the audited Annual Financial Statement for FY 2016-17 is distributed along with the Interim Budget Report for FY 2018-19.

## CHAPTER 2 REVISED BUDGET OF FY 2017-18

As the final year of the 11FYP, the budget for FY 2017-18 ensured completion of priority programs and activities of the plan and facilitated the formulation of a comprehensive 12FYP.

### 2.1. Revised budget summary for FY 2017-18

The outlay for the FY 2017-18 was revised from Nu. 55,850.264 million to Nu. 56,513.499 million and total resources was revised from Nu. 51,402.893 million to Nu. 54,666.724 million. Subsequently, fiscal deficit during the FY 2017-18 improved from Nu. 4,447.371 million to Nu. 1,846.775 million or from 2.47% to 1.01% of GDP.

The increase in the outlay is attributable to incorporation of Nu. 703.956 million for activities funded by donors. Despite decline in the collection of sales tax, changes in personal income tax, the domestic revenue collected was Nu. 36,178.374 million due to increase in the Corporate Income Tax (CIT) collection, Excise Duty Refund (EDR) from India and customs tax. In addition, other receipts of Nu. 1,055.272 million contributed to the increase in the resources.

The summary of the revised budget is presented in Table 2.1

**Table 2.1: Revised budget summary for FY 2017-18 as of 31st March 2018**

Particulars	Nu. in million	
	Original	Revised (31 <sup>st</sup> March 2018)
<b>A. RESOURCES</b>	<b>51,402.893</b>	<b>54,666.724</b>
<b>I. Domestic Revenue</b>	<b>34,700.355</b>	<b>36,178.374</b>
i. Tax	24,444.478	26,173.125
ii. Non-Tax	10,255.877	10,005.249
<b>II. Other Receipts</b>	-	<b>1,055.272</b>
<b>III. Grants</b>	<b>16,702.538</b>	<b>17,433.078</b>
<b>i. Program Grants</b>	<b>1,700.000</b>	<b>1,700.000</b>
a) GoI	1,700.000	1,700.000
<b>ii. Project-tied Grants</b>	<b>15,002.538</b>	<b>15,733.078</b>
a) GoI	12,145.368	12,081.130
b) Others	2,857.170	3,651.948

Particulars	Original	Revised (31 <sup>st</sup> March 2018)
<b>B.OUTLAY</b>	<b>55,850.264</b>	<b>56,513.499</b>
I. Total Expenditure	57,915.710	58,607.276
<b>i. Current</b>	<b>28,569.671</b>	28,616.636
<b>ii. Capital</b>	<b>29,346.039</b>	29,990.640
II. Net Lending	(2,065.446)	(2,093.777)
<b>C.FISCAL DEFICIT</b>	<b>(4,447.371)</b>	<b>(1,846.775)</b>
<b>D.FINANCING</b>	4,447.371	1,846.775
i. Project-tied Borrowings	1,172.082	1,073.531
ii. Program Borrowings	1,300.000	1,950.000
Less Repayment (External)	2,810.407	2,810.407
Less Repayment (Internal)	9.914	9.914
<b>iii. Resource Gap/Surplus</b>	<b>(4,795.610)</b>	<b>(1,643.565)</b>
<b>GDP</b>	<b>180,034.690</b>	<b>182,819.850</b>
<b>Fiscal balance % of GDP</b>	<b>-2.47%</b>	<b>-1.01%</b>
<b>Resource gap % of GDP</b>	<b>-2.66%</b>	<b>-0.90%</b>

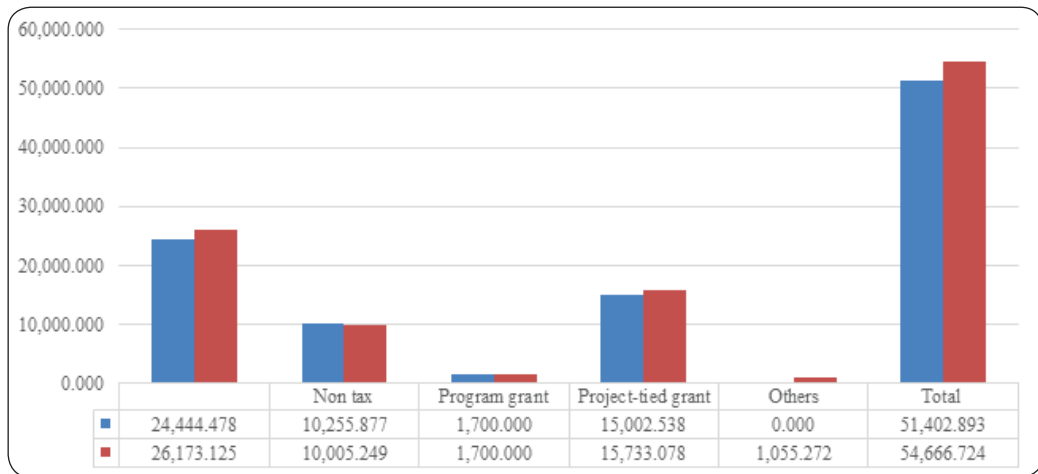
## 2.2. Total resources

Total resources increased by 6.3% from Nu. 51,402.893 million to Nu. 54,666.724 million mainly on the account of incorporation of project tied grants of Nu. 703.956 million, transfer of Nu. 169.305 million from an Escrow Account, upward revision of domestic revenue and others.

Excise duty on petrol and diesel imported to Bhutan was exempted from August 2017. However, the exemption was not effected at the same time in all the regions. In order to stabilize the price of petrol and diesel, an Escrow Account was opened to deposit the difference of prices of petrol and diesel with and without excise duty. The revised price of fuel without excise duty was announced on 11<sup>th</sup> Nov. 2017. The price differential for the period from August to November 2017 is estimated at Nu. 169.305 million, which has been transferred to Budget Fund Account to improve the fiscal deficit.

In order to improve Capital Adequacy Ratio (CAR) of the banks, liquidity was injected through the issuance of subordinated debt instrument under ESP. As the liquidity of Bank of Bhutan has improved beyond the statutory requirement, the subordinated debt of Nu. 500.000 million has been pre-maturely redeemed. In addition, Nu. 314 million has been accumulated as interest income from the subordinated debt. As the ESP fund balance was lying idle, Nu. 814.000 million has been transferred to Budget Fund Account to improve the fiscal position and reduce resource gap.

**Graph 2.1: Original versus revised total resources for FY 2017-18**



### 2.2.1. Domestic revenue

The revised domestic revenue estimates for the FY is Nu. 36,178.374 million. It is an increase of 21.8% from the previous year. Of the total domestic revenue, Nu. 26,173.125 million is tax revenue and Nu. 10,005.249 million is non-tax revenue.

The increase in the revenue is contributed mainly by increase in Excise Duty Refund from India amounting to Nu. 967.400 million, corporate income tax amounting to Nu. 1,804.152 million, customs duty of Nu. 105.949 million.

However, with the implementation of the GST in India and subsequent decline in imports from India by 2.4 percent, the estimates on sales and green tax revenue have been revised downward by Nu.1 ,007.178 million. In 2017, the electricity generation decreased by 4.2 percent and consequently the hydro revenue estimates is also expected to decrease by Nu. 303.080 million.

Further, Nu. 122.334 million has been adjusted in the PIT estimates to reflect the impact of the tax measure on PIT introduced in FY 2016-17.



**Table 2.2: Revised revenue summary for FY 2017-18**

Sources		Nu. in million		
		Original	Revised	% Change
<b>A</b>	<b>Tax Revenue</b>	<b>24,444.478</b>	<b>26,173.125</b>	<b>7.1</b>
<b>I</b>	<b>Direct Tax</b>	<b>14,603.074</b>	<b>16,256.405</b>	<b>11.3</b>
1	Corporate Income Tax	7,178.397	8,982.549	25.1
2	Business Income Tax	1,294.314	1,302.809	0.7
3	Personal Income Tax	1,524.894	1,402.560	(8.0)
4	Other Direct Tax Revenue	4,605.469	4,568.486	(0.8)
<b>II</b>	<b>Indirect Tax</b>	<b>9,841.404</b>	<b>9,916.720</b>	<b>0.8</b>
1	Sales Tax	4,355.614	3,802.312	(12.7)
2	Excise Duty	3,622.288	4,604.056	27.1
	2.1 Excise Duty (GoI)	3,033.600	4,001.000	31.9
	2.2 Excise Duty (Domestic)	588.688	603.056	2.4
3	Customs Duty	622.318	728.267	17.0
4	Green Tax	1,218.617	764.741	(37.2)
5	Other Indirect Tax Revenue	22.567	17.344	(23.1)
<b>B</b>	<b>Non -Tax Revenue</b>	<b>10,255.877</b>	<b>10,005.249</b>	<b>(2.4)</b>
1	Admns. Fees & charges	764.937	667.595	(12.7)
2	Capital Revenue	132.796	50.000	(62.3)
3	Revenue from Govt. Depts.	518.616	573.965	10.7
4	Dividend	4,260.454	4,132.180	(3.0)
5	Net Surplus Transfer	2,648.118	2,648.118	0.0
6	Other Non-Tax Revenue	104.914	90.000	(14.2)
7	Interest on loan from corp.	1,826.043	1,843.391	1.0
	<b>Total Revenue (A+B)</b>	<b>34,700.355</b>	<b>36,178.374</b>	<b>4.3</b>

### 2.2.2. External grants

During the FY, total grants incorporated was Nu. 1,567.579 million, of which Nu. 364.752 million is from GoI, Nu. 312.356 million is from the World Bank, Nu. 141.459 million from EU and balance from other development partners. Besides the incorporation, there was also rationalization of Nu. 863.623 million.

The summary of the incorporations made during the year is shown in the Table 2.3.

**Table 2.3: Summary of the external incorporation**

		Nu. in million
SI No	Name of the donor	Amount
1	GOVERNMENT OF INDIA	364.752
2	WORLD BANK	312.356
3	EU	141.459
4	OTHERS	128.603
5	ADB	85.610
6	UNDP/UNDP IPF	63.924
7	UNICEF	56.653
8	AUSTRALIA	55.117
9	WHO	47.946
10	BTFEC	46.223
11	US	37.272
12	ADHOC	35.241
13	GFATM	33.898
14	WWF	32.172
15	EIF/EIS	31.582
16	USF	12.380
17	UNEP	11.112
18	FAO	10.982
19	HELVETAS	10.541
20	ICIMOD	10.044
21	EURCO	9.410
22	WFP	8.976
23	UNESCO	7.334
24	UNFPA	7.133
25	DANIDA	6.859
	<b>TOTAL</b>	<b>1,567.579</b>
	<b>LESS RATIONALIZED</b>	<b>863.623</b>

### 2.3 Expenditure

Total expenditure for FY 2017-18 has been revised from Nu. 57,915.710 million to Nu. 58,607.276 million, an increase by about 1.2%.

### **2.3.1. Current expenditure**

Current expenditure for FY 2017-18 has increased from Nu. 28,569.671 million to Nu. 28,616.636 million due to incorporation of donor-funds for specific programs.

### **2.3.2. Capital expenditure**

Capital expenditure for the FY 2017-18 was revised from Nu. 29,346.039 million to Nu. 29,990.640 million. The increase of 2.2% was mainly on account of incorporation of donor funded activities. These incorporations were effected in keeping with section 60 of the Public Finance (Amendment) Act of Bhutan 2007.

## **2.4 Net lending**

The net lending for FY 2017-18 increased from Nu. 2,065.446 million to Nu. 2,093.777 million as total recoveries increased by Nu. 40.722 million. The total recovery includes Nu. 33.811 million from Drukair Corporation for the loan sanctioned by RGoB to purchase an aircraft.

## **2.5 Borrowing**

As of 30<sup>th</sup> June 2018, the external borrowing is estimated at Nu. 3,023.531 million, an increase by 22.3% from the previous fiscal year of Nu. 2,472.082 million. Although the project-tied borrowing will decrease by Nu. 98.551 million, the program borrowings will increase by Nu. 650.000 million. The increase is on account of enhancement in the amount of the Development Policy Credit from US\$ 20 million to US\$ 30 million, which is an interest free loan from the World Bank disbursed in a single tranche as budget support for improving the fiscal position.

During the FY 2017-18, T-Bills have been issued for financing the resource gap and smoothening cash flow. The domestic borrowing in the form of T-bills is estimated to be Nu. 1,643.870 million for financing the resource gap for FY 2017-18.

## **2.6 Debt and debt servicing**

The total public debt stock is estimated to be Nu. 179,405.471 million by the end of FY 2017-18, accounting for 98.1% of GDP, an increase by 5.4% from the previous fiscal year. The increase in debt stock is due to disbursement for on-going projects funded by multilateral financial institutions (ADB, WB, & IFAD) and the on-going hydropower projects.

The total debt service for FY 2017-18 is estimated to be Nu. 7,758.381 million. Of the total, debt service through budget is only Nu. 4,909.082 million, comprising of principal repayment of Nu. 2,820.321 million and interest payments of Nu. 2,088.881 million. Balance debt service is recovered from SoEs and repaid to the principle lenders.

More than 94.6% of projected total debt service is on account of the external debt. The debt service ratio is estimated to be 14.7% in the FY 2017-18.

## **2.7 Supplementary Budget Appropriation Bill**

Based on the revised resources and expenditure, total budget appropriation for FY 2017-18 is revised from Nu. 60,777.871 million to Nu. 61,481.827 million. As such, a **Supplementary Budget Appropriation Bill** for Nu. 703.956 million is submitted to the House for consideration.

## CHAPTER 3 INTERIM BUDGET FOR FY 2018-19

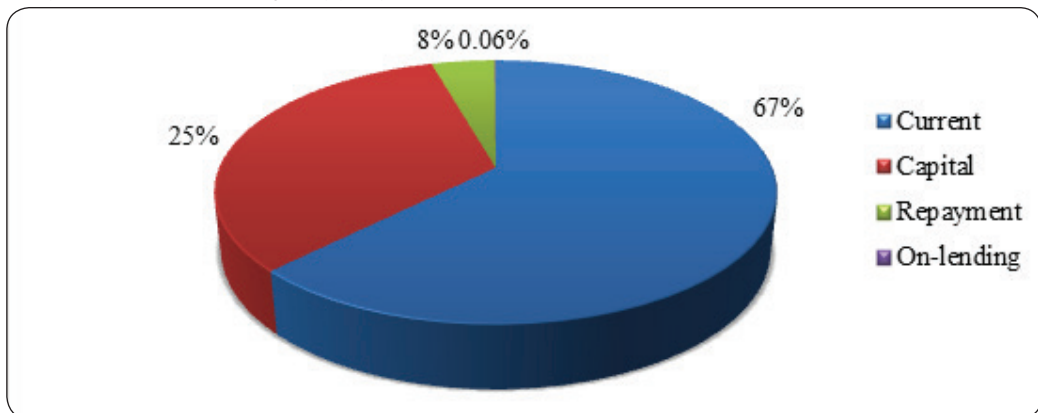
As the tenure of the Government will be completed in August, 2018 and the 12 FYP will be approved by the new Government, an Interim Budget has been formulated for FY 2018-19. The main objective of the budget is to ensure economic stability by allocating budget for spillover activities of the 11FYP and critical regular activities to ensure continued public service delivery.

Accordingly, current budget has been allocated for maintaining continuity of the Government and capital budget for continuing and completing spillover activities besides critical regular activities, on-going donor funded activities and loan repayment.

### 3.1 Total budget appropriation

The total budget appropriation for FY 2018-19 is estimated at Nu. 43,560.682 million of which current expenditure is estimated at Nu. 29,075.167 million and capital expenditure at Nu. 10,772.299 million. The total appropriation also includes Nu. 3,684.336 million for principal repayment and Nu.28.880 million for on-lending.

**Graph 3.1: Total budget appropriation**



Of the total budget appropriation, 67% is for current, 25% for capital and the balance is for repayment and on-lending as presented in graph 3.1.

The summary of the Interim Budget for FY 2018-19 is presented in table 3.1.

**Table 3.1: Interim Budget summary for FY 2018-19**

		Nu. in million
SL No.	Particulars	Amount
A	RESOURCES	40,743.065
	I. Domestic Revenue	35,854.998
	i. Tax	26,150.961
	ii. Non-Tax	9,704.037
	II. Grants	4,888.067
	i. Program Grants	150.000
	European Union	150.000
	ii. Project-tied Grants	4,738.067
	a) GoI	2,117.523
	b) Others	2,620.544
B	I. Total Expenditure	39,847.466
	i. Current	29,075.167
	ii. Capital	10,772.299
C	FISCAL BALANCE	895.599
D	FINANCING	(895.599)
	a. Net lending	1,539.973
	i. Principle loan recoveries	1,568.853
	Less Lending	28.880
	b. Net external borrowings	(767.327)
	i. Project-tied Borrowings	1,248.764
	Less Repayment	2,016.091
	c. Net Internal borrowings	(1,668.245)
	i. Internal Borrowings	-
	Less Repayment	1,668.245
	GDP	206,234.000
	Fiscal balance % of GDP	0.43%

### 3.2 Resources

Total resources estimated for FY 2018-19 is Nu. 40,743.065 million, of which domestic revenue is Nu. 35,854.998 million and external grants is Nu. 4,888.067 million.

### 3.2.1. Domestic revenue

The projected domestic revenue for the FY 2018-19 is Nu. 35,854.998 million, an increase by 4.4% as compared to the previous fiscal year. Of the total domestic revenue, Nu. 26,150.961 million is tax revenue and Nu. 9,704.040 million is non-tax revenue.

During the year, estimated revenue from royalties of hydropower, tourism, minerals and forestry services is estimated at Nu. 4,697.999 million, of which, hydropower and tourism projects are expected to contribute Nu. 2,694.290 million and Nu. 1,586.650 million respectively. The domestic revenue also includes profit transfer from Mangdechu hydropower project. The estimated Corporate Income Tax for the year is Nu. 10,818.541 million.

The revenue from indirect tax is estimated to decline by 25% as compared to previous year mainly on account of discontinuation of the practice of receiving Excise Duty Refund from GoI after the introduction of GST. The table 3.2 illustrates the details of the domestic revenue.

**Table 3.2: Revenue summary for FY 2018-19**

		Nu.in million	
Sources		Amount	Percent
<b>A</b>	<b>Tax revenue</b>	<b>26,150.961</b>	<b>73</b>
I	<b>Direct tax</b>	<b>18,798.278</b>	<b>52</b>
1	Corporate	10,818.541	30
2	Business Income Tax	1,794.900	5
3	Personal Income Tax	1,230.158	3
4	Other Direct Tax	4,954.679	14
II	<b>Indirect Tax</b>	<b>7,352.683</b>	<b>21</b>
1	Sales Tax	4,343.742	12
2	<i>Excise Duty</i>	<i>1,519.281</i>	<i>4</i>
	2.1 Excise Duty Refund from GoI	892.103	2
	2.2 Domestic Excise Duty	627.178	2
3	Green Tax	882.908	2
4	Customs Duty	588.541	2
5	Other Indirect Tax Revenue	18.211	0

Sources		Amount	Percent
<b>B</b>	<b>Non Tax Revenue</b>	<b>9,704.037</b>	<b>27</b>
1	Admin. fees & charges	684.768	2
2	Capital revenue	144.391	0
3	Revenue from Govt. Dept	621.810	2
4	Dividend	4,333.658	12
5	Profit transfer	2,563.523	
6	Other non-tax revenue	94.500	0
7	Interest receipt from corporations	1,261.387	4
<b>Total Revenue (A+B)</b>		<b>35,854.998</b>	<b>100</b>

### 3.2.2. External grants

The external grant for the FY is estimated at Nu. 4,888.067 million mainly to support the on-going externally-funded projects.

Estimated grants includes Nu. 1,550.900 million of project-tied grant from Government of India, committed as bridge financing to continue and complete on-going projects such as construction of Sarpang Dzong, Pema Gatshel Dzong, Gyaltsuen Jetsun Pema Mother and Child Hospital and Northern East-West road widening. The balance external grants is expected from EU and other external sources for ongoing projects.

The bridge financing committed by Government of India is Nu. 1,970.90 million, of which Nu. 420.00 million is on account of works executed by Project Dantak. As such, only Nu. 1,550.900 million is included in the Interim Budget.

### 3.3. Total expenditure

Total expenditure for current and capital is estimated at Nu. 39,847.466 million, excluding principle loan repayment and on-lending.

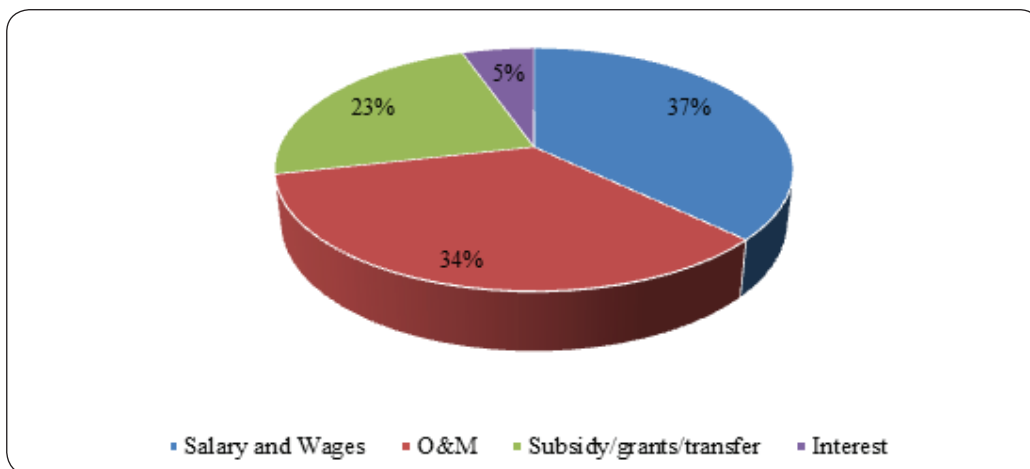
#### 3.3.1. Current expenditure

The current expenditure for FY 2018-19 is estimated at Nu. 29,075.167 million which is 1.7% increase as compared to FY 2017-18. The increase is on account of provisions for retirement benefits of Members of Parliament which is Nu.50.780 million and general elections for which Nu. 469.774 million has been provisioned.



The composition of current expenditure is presented below.

**Graph 3.2: Composition of current expenditure**



### 3.3.2. Capital expenditure

The capital expenditure for FY is estimated at Nu. 10,772.299 million.

#### 3.3.2.1. Category of capital expenditure

Capital expenditure is provided under the categories of **spillover activities**, **critical regular activities**, on-going **donor funded activities** and **loan repayment and on-lending**.

The detail of the category of capital expenditure is as follows:

##### i. Spillover Activities

**Spillover activities** are those works that are on-going either with contractual obligations or executed departmentally. It also includes provision for RGoB funded undergraduate scholarships in specialized fields of study such as MBBS, engineering, teaching and others.

Of the total capital allocation, Nu. 2,906.656 million has been provisioned for spillover activities of which Nu. 2,433.454 million is for ministries, Nu. 190.979 million for autonomous agencies, Nu. 174.403 million for Dzongkhags and the balance of Nu. 80.120 million is for constitutional bodies and Judiciary. The details of major activities are provided in sectorial allocations.

## ii. Critical Regular Activities

**Critical regular activities** are those activities that are either mandated by law or essential for public service delivery.

In view of the importance attached to the critical regular activities, Nu 2,343.690 million has been provisioned under RGoB financing. Of the total allocation, Nu. 2,102.148 million is allocated for ministries, Nu. 181.071 million for autonomous agencies, Nu. 58.471 million for constitutional offices and Nu. 2.000 million for the Dzongkhags. The details of major activities under this category is provided under sectorial allocations.

## iii. External funded on-going activities

External funded on-going activities are those activities which are funded by external donors that have all the required government approval.

From the total capital allocation, Nu. 5,521.953 million pertains to externally funded projects and programs of which Nu. 4,314.209 million is provisioned with the ministries, Nu. 848.060 million for autonomous agencies, Nu. 278.927 million for local governments and the balance of Nu. 80.757 million is for the Judiciary and constitutional offices. The details of major activities under this category is provided under sectorial allocations.

## iv. Debt servicing/on-lending

For the FY 2018-19, a sum of Nu. 3,684.336 million has been provisioned for loan repayments and Nu. 28.880 for on-lending to BPC for rural electrification.

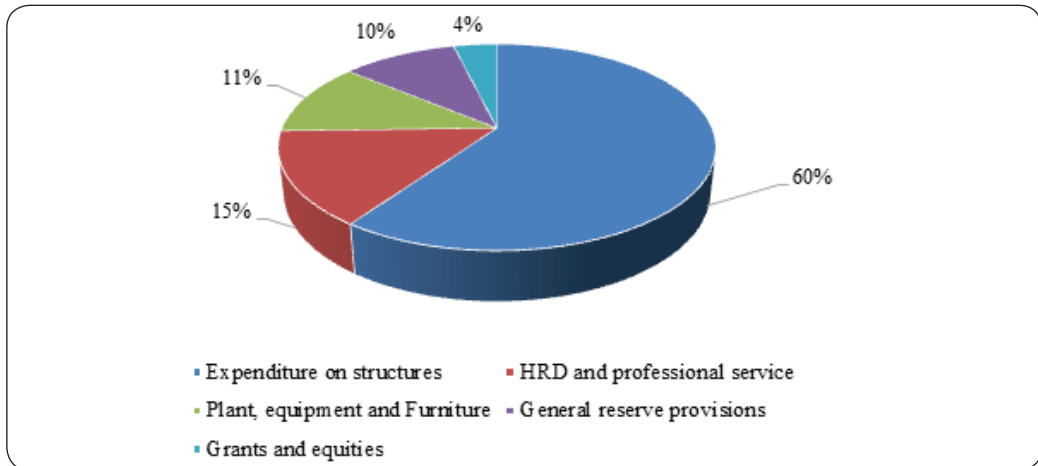
**Table 3.3: Summary of capital budget by category of agencies**

Sl. No	Agency	RGoB funded activities		Loan Repayment/ On-lending	On-going external funded activities	Total
		Spillover	Critical Regular			
1	Ministries	2,433.454	2,102.148	3,713.216	4,314.209	12,563.027
2	Judiciary	17.000	-		20.000	37.000
3	Constitutional Bodies	63.120	58.471		60.757	182.348
4	Autonomous Agencies	190.979	181.071		848.060	1,220.110
5	Dzongkhags	174.403	2.000		278.927	455.330
6	Gewogs	4.600	-		-	4.600
7	Thromdes	23.100	-			23.100
<b>TOTAL</b>		<b>2,906.656</b>	<b>2,343.690</b>	<b>3,713.216</b>	<b>5,521.953</b>	<b>14,485.515</b>

### 3.3.2.2. Composition of capital budget

In terms of composition of the capital expenditure, about 60% is for structures, 15% for human resources development, 11% for plant, equipment and furniture and balance is for general reserves and grants as given in the graph.

**Graph 3.3: Composition of capital budget**



### 3.3.3. Subsidies, equities and transfers

A total of Nu. 3,572.594 million is allocated as subsidies, equities and transfers to be provided to state owned enterprises, autonomous agencies and Thromdes. Of the total, Nu. 2,464.422 million is provided as subsidies, Nu. 145.249 million as equity and Nu. 962.923 million as transfers. The details of subsidies, equities and transfers is as shown in table 3.4.

As the Bhutan Economic Stabilization Fund (BESF) has been established, an annual minimum of 5% of the hydro royalty revenue is to be transferred to the Fund for continuity and build-up of the Fund. Based on the estimated royalty revenue for FY 2018-19, Nu.135.000 million has been allocated for BESF during the FY 2018-19.

**Table 3.4: Details of subsidies, equities and transfers**

		Nu.in million		
Sl. No	Name of Agency	Current	Capital	Total
<b>Subsidy</b>				
1	Bhutan Broadcasting Service Corporation	144.423	45.268	189.691
2	City Bus Services-Bhutan Post	48.129		48.129
3	Interest subsidy for 3rd aircraft, Drukair	128.368	-	128.368
4	Rural house insurance (RICBL)	-	16.000	16.000
5	Rural life insurance (RICBL)	65.450	-	65.450
6	Maintenance of Government quarters in Dzongkhag, NHDCL	15.000	-	15.000
7	Subsidy to NHDCL for loan availed from NPPF to construct housing complex in Phuentsholing	59.672	27.312	86.984
8	Interest subsidy on OD facility availed by FCBL to facilitate timely payment to farmers	10.500		10.500
9	Domestic power tariff- BPC	1,772.750		1,772.750
10	Bhutan Chambers of Commerce and Industries (BCCI)	10.500		10.500
11	Subsidy to BAIL (Lingmethang, Mongar) for loan availed to establish integrated agro-processing plant.	6.000		6.000
12	Subsidy to FMCL for hiring of power tillers	35.000		35.000
13	Bhutan Olympic Committee (National Sports Federation)	77.250		77.250
14	Bhutan Indigenous Games and Sports Association	2.800		2.800
<b>A</b>	<b>Total</b>	<b>2,375.842</b>	<b>88.580</b>	<b>2,464.422</b>
<b>Equity</b>				
1	To enhance paid up capital of BDBL		145.249	145.249
<b>B</b>	<b>Total</b>	<b>-</b>	<b>145.249</b>	<b>145.249</b>
<b>Transfer</b>				
1	Druk Gyalpo Relief Fund		10.000	10.000
2	Bhutan Economic Stabilization Fund		135.000	135.000
3	Endowment Fund for Crop and Livestock Conservation		20.000	20.000
3	Royal University of Bhutan	661.089		661.089
4	Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB) (FoTM & FoNPH)	64.188		64.188
5	Thimphu Thromde		17.800	17.800

6	Gelephu Thromde	19.670		19.670
7	Samdrup Jongkhar Thromde	24.780	5.300	30.080
8	Support to Alternative Dispute Resolution Centre (ARDC)	4.268	0.828	5.096
<b>C</b>	<b>Total</b>	<b>773.995</b>	<b>188.928</b>	<b>962.923</b>
<b>D</b>	<b>Grand Total ( A+B+C)</b>	<b>3,149.837</b>	<b>422.757</b>	<b>3,572.594</b>

### 3.4 Financing

For the Interim Budget, the estimated fiscal balance is surplus of Nu. 895.599 million which accounts for 0.43% of GDP. As such, no new borrowing has been included in the budget. However, provision for loan disbursement of Nu. 1,248.764 million has been kept for on-going activities funded by ADB, World Bank and IFAD as presented below.

*Table 3.5: External loan disbursement for FY 2018-19*

		Nu. in million
Lender	Amount	
ADB		435.119
World Bank		626.900
IFAD		157.865
JICA		28.880
<b>TOTAL</b>		<b>1,248.764</b>

#### 3.4.1. Internal borrowing

In order to smoothen cash flow management, T-Bills of varying maturities will be issued, which will be redeemed as and when cash inflow improves. However, no domestic borrowing has been included in the budget.

#### 3.4.2. Net lending

During the FY, the recoveries and on-lending is estimated to be Nu. 1,568.853 million and Nu. 28.880 million respectively. The net-lending is estimated at negative Nu. 1,539.973 million.

The detail of recoveries and on-lending is given in the table.

**Table 3.6: Net lending for FY 2018-19**

			Nu. in million
<b>I</b>	<b>On-lending</b>	<b>Lender</b>	<b>Amount</b>
1	Rural Electrification V - BPC (RREDP)	ADB	
2	Rural Electrification (RE - II)	JICA	28.880
	<b>Total on-lending (A)</b>		<b>28.880</b>
<b>II</b>	<b>Recoveries – External</b>	<b>Lender</b>	<b>Amount</b>
1	THPA	GoI	671.296
2	BDFC Loan BHU-934/1566/0088-89/512/659	ADB/IFAD/ KFAED	29.513
3	BPC - RE I/II/III (1375/1712/2009/0119/JICA-P1)	ADB/JICA	181.577
4	Green Power Development Project (2463/2464-BHU OCR/ADF)	ADB	128.126
5	Basochhu Hydropower Projects (Upper & Lower Stage)	Austria	145.325
6	Dagachhu Hydropower Project	Austria	379.206
<b>III</b>	<b>Recoveries – Domestic</b>		
1	Purchase of aircraft for Drukair	RGoB	33.811
	<b>Total Recoveries (External + Domestic) (B)</b>		<b>1,568.853</b>
	<b>Net Lending (A-B)</b>		<b>(1,539.973)</b>

### 3.5 Public debt stock

#### 3.5.1. External debt stock

Based on the planned disbursements for the ongoing projects, the external debt stock is estimated to be Nu. 189,255.290 million by the end of FY 2018-19. This accounts for 91.8% of the estimated GDP. The external debt stock is expected to grow by 12.4% on account of expected disbursement for ongoing hydropower projects (Puna I, Puna II, Nikachhu and Kholongchhu).

Hydropower debt stock is estimated at Nu. 151,171.084 million which is about 79.9% of total external debt. The non-hydro debt is estimated at Nu. 38,084.207 million mainly borrowed from multilateral development banks at highly concessionary terms. This excludes the currency SWAP arrangement for USD 100 million availed by Royal Monetary Authority for a period of 3 months (May 2018-July 2018).

### 3.5.2. Domestic debt stock

By the end of FY 2018-19, the domestic debt stock is estimated to be Nu. 10,631.751 million. Of the total, Nu. 36.815 million is for construction of staff quarter at Phuentsholing hospital. The balance is on account of the T-bills outstanding issued mainly for financing the resource gap of Nu. 5,416.015 million pertaining to 10FYP and Nu. 5,178.921 million during 11FYP .

### 3.5.3. Debt servicing

The total debt service for FY 2018-19 is estimated to be Nu. 5,448.348 million. Of the total, debt service through budget is only Nu. 5,252.333 million, comprising of principal repayment of Nu. 3,684.336 million and interest payments of Nu. 1,567.997 million. Balance debt service is recovered from SoEs and repaid to the principle lenders.

The total debt service ratio for the FY 2018-19 is estimated at 8.6% and is expected to improve due to expected increase in exports.

**Table 3.7: Statement of debt service (through budget) for the FY 2018-19**

Nu. in million				
Sl. No	Lender	Principal	Interest	Total
1	ADB	632.023	268.277	<b>900.300</b>
2	IDA	279.739	230.071	<b>509.810</b>
3	IFAD	78.152	22.203	<b>100.355</b>
4	GoA	268.710	168.337	<b>437.047</b>
5	JICA	86.171	3.692	<b>89.863</b>
6	GoI	671.296	621.857	<b>1,293.153</b>
	<b>External</b>	<b>2,016.091</b>	<b>1,314.437</b>	<b>3,330.528</b>
7	Staff quarters of P/ling hospital / internal debt stock	1,668.245	3.560	<b>1,671.805</b>
8	Interest on ways & means advances and T-bills	-	250.000	<b>250.000</b>
	<b>Domestic</b>	<b>1,668.245</b>	<b>253.560</b>	<b>1,921.805</b>
	<b>Total</b>	<b>3,684.336</b>	<b>1,567.997</b>	<b>5,252.333</b>

### 3.6 Sector allocation

Summary of sector allocation for the Interim Budget is presented below:

**Table 3.8: Summary of Interim Budget sector allocation for FY 2018-19**

Nu in million

Sector	Current	Capital	Total	Percent
<b>Social Services</b>	<b>10,719.503</b>	<b>1,928.531</b>	<b>12,648.034</b>	<b>29%</b>
Health	3,241.402	751.559	3,992.961	9%
Education	7,478.101	1,176.972	8,655.073	20%
<b>Economic &amp; Public Services</b>	<b>4,402.068</b>	<b>4,780.163</b>	<b>9,182.231</b>	<b>21%</b>
Agriculture	2,473.363	1,063.164	3,536.527	8.1%
Mining & Manufacturing	391.053	389.351	780.404	1.8%
Roads	534.460	1,558.113	2,092.573	4.8%
Housing & Community	519.374	1,356.096	1,875.470	4.3%
Communications	357.785	260.801	618.586	1.4%
Energy	126.033	152.638	278.671	0.6%
<b>Cultural Services</b>	<b>834.142</b>	<b>652.487</b>	<b>1,486.629</b>	<b>3%</b>
<b>Law &amp; Order Services</b>	<b>1,995.455</b>	<b>295.928</b>	<b>2,291.383</b>	<b>5%</b>
<b>General Public Services</b>	<b>9,556.002</b>	<b>3,115.190</b>	<b>12,671.192</b>	<b>29%</b>
<b>Debt Services</b>	<b>1,567.997</b>	<b>3,713.216</b>	<b>5,281.213</b>	<b>12%</b>
Repayment	1,567.997	3,684.336	5,252.333	12%
Lending		28.880	28.880	0%
<b>Total</b>	<b>29,075.167</b>	<b>14,485.515</b>	<b>43,560.682</b>	<b>100%</b>

#### 3.6.1. Health sector

Under health sector, a sum of Nu. 3,992.961 million has been allocated of which Nu. 3,241.402 million is for current and Nu. 751.559 million is for capital.

Of the total capital, Nu. 607.458 million is kept under the Ministry of Health for spillover activities (Nu. 43.00 million), critical regular activities (Nu. 138.690 million) and for ongoing donor funded activities (Nu. 425.768 million). The balance capital budget of Nu. 144.101 million is kept with JDWNRH, Dzongkhags and Bhutan Medical and Health Council.



Some of the major activities under health sector are provided below:

**Nu. in million**

<b>I. Spillover activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Ongoing doctors specialization program	43.000	RGoB
2	Construction of additional hospital wing, JDWNRH	30.000	RGoB
<b>II. Critical regular activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Purchase of medical equipment and spare parts.	132.000	RGoB
2	Upgradation of MRI, JDWNRH	40.200	RGoB
<b>III. Ongoing donor funded activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	National TB control and HIV/AIDS control program	15.792	GFATM
2	TB, Communicable, Non Communicable control program	40.132	WHO
3	Mother and Child Health and Nutrition program	28.642	UNICEF
4	Malaria control program	23.730	GFATM
5	Constructions of 20 bedded district hospital at Tsirang, 40 bedded district hospital at Dewathang and 150 bedded Gyaltsuen Jetsun Pema Mother and Child Hospital, Thimphu	240.327	GoI
6	Waste Management, Blood centers program	21.690	WHO
7	Construction of BHU Grade I at Dangdung, Trongsa	5.500	MHPA

### **3.6.2. Education sector**

Under education sector, a sum of Nu. 8,655.073 million has been allocated of which Nu. 7,478.101 million is for current and Nu. 1,176.972 million is for capital.

Of the total capital, Nu. 585.635 million kept under the Ministry of Education for spillover activities (Nu. 299.910 million) and for ongoing donor funded activities (Nu. 285.725 million). The balance capital budget of Nu. 591.337 million is kept with Dzongkhags, Thromdes and RUB. There is no budget allocation for critical regular activities under the Ministry of Education.

Some of the major activities under education sector are provided below:

Nu. in million

<b>I. Spillover activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Construction of Central Schools (Wanakha, Dechentsemo, Dorokha, Wangbama, Thrimshing, Menjong and Chaskar)	44.198	RGoB
2	Ongoing undergraduate scholarship	255.712	RGoB
5	Construction of 200 bedded hostels and 12 unit classrooms at Kideykhari Central School, Mongar	23.250	RGoB
6	Construction of classroom block at Kurichu LSS, Mongar	8.070	RGoB
7	Construction of 64 bedded hostel and principal's quarter at Sinchula PS, Chukha	6.000	RGoB
<b>II. Ongoing donor funded activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Ongoing Undergraduate scholarship	182.860	GoI
2	Nutrition and feeding program	39.597	WFP
3	Inclusive education program	40.820	UNICEF
4	Construction of additional facilities at Kamji Central School, Chukha	21.000	GoI
5	Construction of additional facilities at Pakshikha Central School, Chukha	15.000	GoI
6	Construction of additional facilities at Duntse Central School, Tashigang	5.500	GoI
7	Construction of 120 bedded hostel at Garpawoong, Samdrup Jongkhar	5.000	GoI

### 3.6.3. Renewable Natural Resource (RNR) sector

Under RNR sector, a sum of Nu. 3,536.527 million has been allocated, of which Nu. 2,473.363 million is for current and Nu. 1,063.164 million is for capital.

Of the total capital, Nu. 920.122 million has been kept under the Ministry of Agriculture and Forest for spillover activities (Nu. 38.196 million), critical regular activities (Nu. 3.1 million) and for ongoing donor funded activities (Nu. 878.106 million). The balance capital budget of Nu. 143.042 million is kept with Dzongkhags (RNR) and National Environment Commission Secretariat.

For compensating crop and livestock losses incurred due to wildlife depredation and natural calamities, Endowment Fund for Crop and Livestock Conservation has been established with a seed capital of Nu. 50.00 million. In view of the importance attached to the Fund, Nu. 20.000 million has been kept as RGoB's contribution to the Fund. Further, development partners will be requested to contribute to the Fund.

Some of the major activities under the sector are provided below:

**Nu. in million**

<b>I. Spillover activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Special priority projects	25.720	RGoB
2	Renovation of Biru-Sipsoo irrigation scheme, Samtse	3.000	RGoB
<b>II. Ongoing donor funded activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Land development, food security and national organic program	59.941	GEF-UNDP
2	Horticulture, food security, agriculture productivity program	141.498	W/Bank
3	Development of infrastructure, irrigation crop production and commercialization	101.170	EU RDC-CRP
4	Support to sustainable agriculture production	31.550	IFAD
5	Electric fencing and SLMP and input supply	9.000	BTFEC
6	REDD+ Program	66.700	W/Bank
7	Marketing and cooperatives development program	12.750	W/Bank

#### **3.6.4. Energy, mining and industries sector**

Under energy, mining and industries sectors, a sum of Nu. 1,059.075 million has been allocated, of which Nu. 517.086 million is current and Nu. 541.989 million is capital.

Of the total capital, Nu. 372.397 million has been kept under the Ministry of Economic Affairs and National Centre for Hydrology and Meteorology for spillover activities (Nu. 12.195 million), critical regular activities ( Nu. 4.450 million) and for ongoing donor funded activities (Nu. 355.752 million). The balance of Nu. 169.591 million is allocated under MoLHR and Tourism Council of Bhutan.

Some of the major activities under the sector are provided below:

Nu. in million

<b>I. Spillover activities</b>			
SI No.	Name of activities	Amount	Funding
1	Development of mini dry port at Phuentsholing	11.790	RGoB
<b>II. Ongoing donor funded activities</b>			
SI No.	Name of activities	Amount	Funding
1	Development of mini dry port at Phuentsholing	50.054	ADB
2	Promotion and development of indigenous crafts	18.390	GoI
3	Strengthening institutional and human capacity for trade promotion and development	50.000	EIF
4	Development of Industrial Estates (Bondeyma, Jigmeling and Dhamdum)	72.475	GoI
5	Promotion of renewable energy and energy efficiency technologies	11.506	Govt. Of Austria
6	Hydro-met services and disaster resilience regional project	52.815	W/Bank
7	DPR preparation for Kuri-Gongri Hydro electricity project	80.180	GoI/ RGoB contri.

### **3.6.4.1. Vocational training and employment**

For the vocational and training sector, a sum of Nu. 545.228 million has been kept under the Ministry of Labour and Human Resource, of which Nu. 253.483 million is for current and Nu. 291.745 million is for capital. Of the total capital, Nu. 153.532 million is for spillover activities, Nu. 45.585 million for critical regular activities and Nu. 92.628 million is for ongoing donor funded activities. Some of the major activities under the sector are given below:

Nu. in million

<b>I. Spillover activities</b>			
SI No.	Name of Activities	Amount	Funding
1	Employment guaranteed program/ implement direct employment scheme and overseas employment programs	153.532	RGoB
2	University graduates internship and pre-employment engagement programs	10.124	RGoB
3	Construction of TTI, Thimphu and expansion of TTI, Samthang, Wangdue Phodrang	10.000	RGoB Cont.
<b>II. Critical regular activities</b>			
SI No.	Name of activities	Amount	Funding
1	Industrial attachment and procurement of training materials for NIZC, VTIs and TTIs,	25.461	RGoB

<b>III. Ongoing donor funded activities</b>			
<b>SI No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Education and skills development projects	15.628	ADB
2	Construction of additional infrastructure for Jigme Wangchuck Power Training Institute	77.000	GoI

### **3.6.5. Roads and urban sector**

Under roads and urban sector, a sum of Nu. 3,968.043 million has been allocated, of which Nu. 1,053.834 million is current and Nu. 2,914.209 million is capital.

Of the total capital, Nu. 2,787.792 million is kept under the Ministry of Works and Human Settlement for spillover activities (Nu. 729.926 million), critical regular activities (Nu. 218. million) and for ongoing donor funded activities (Nu. 1,777.866 million). The balance of Nu. 126.417 million is allocated to the Dzongkhags and Thromdes.

Some of the major activities of the sectors are given below:

**Nu. in million**

<b>I. Spillover activities</b>			
<b>SI No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Construction of Namchukhola Phusuna Road	40.000	RGoB
2	Construction of Pasakha access road	21.280	RGoB
3	Construction of Northern by pass road P/ling Thromde Package I & II	24.062	RGoB
4	Construction of dalbari-dagapela SNH	100.000	RGoB
5	Up-gradation of Khamena Jenkana Roads	180.000	RGoB
6	Resurfacing of Punakha-Gasa Road	35.000	RGoB
7	Construction of Sakten GC Road	20.000	RGoB
8	Construction of integrity chekpost at Bumpagang and Rinchending	190.000	RGoB
9	Construction of water treatment plant, Sarpang	17.330	RGoB
10	Construction of drinking water supply at Dagapela, Dagana	16.337	RGoB
11	Construction of Municipal Office at Sechemthang, Sarpang	6.300	RGoB

<b>II. Critical regular activities</b>			
<b>SI No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Road resurfacing works under regional offices	85.000	RGoB
2	Monsoon Restoration Works ( DoR & Regional offices)	187.000	RGoB
<b>III. Ongoing donor funded activities</b>			
<b>SI No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	SASEC road connectivity project	406.806	ADB
2	Construction of Dalbari-Dagapela	111.260	ORIO
3	Widening of Northern East-West Highway	225.390	GoI
4	Urban Infrastructure projects	257.404	ADB
5	Bhutan Urban Development Project	626.900	W/Bank
6	Thimphu Road Improvement project	75.490	ADB
7	Construction of water supply at Kanglung, Tashigang	74.000	GoI
8	Construction of water supply at Nanglam town, Pema Gatshel	16.490	GoI

### **3.6.6. Culture sector**

Under culture sector, a sum of Nu. 1,486.629 million has been allocated, of which Nu. 834.142 million is for current and Nu. 652.487 million is for capital. Of the total capital, Nu. 586.055 million is kept under the Department of Culture and Council for Religious Affairs. The balance Nu. 66.432 million is kept with the Dzongkhags.

Some of the major activities under the sector are given below:

**Nu. in million**

<b>I. Spillover activities</b>			
<b>SI No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Reconstruction of Druk Dongkhak Tsholing Goenpa in Kathmandu, Nepal	12.500	RGoB
2	Conservation of Gasa Dzong	2.568	RGoB
3	Restoration of Tango Monastery	10.000	RGoB
4	Restoration of Wangditshe Dzong	21.000	RGoB
5	Restoration of Cheri Monastery	18.000	RGoB
6	Conservation of Drugyel Dzong	50.000	RGoB
7	Reconstruction of Wangduephodrang Dzong	22.774	RGoB/Public contri.
8	Construction of Drasha at Gasa	20.000	RGoB

9	Reconstruction of Paga Lhakhang, Chukha	9.000	RGoB
10	Construction of lhakhang and Drasha at Sakteng, Tashigang	7.000	RGoB
11	Procurement of Nangchoe/ consecration, Yongla Goenpa, Pema Gatshel	6.921	RGoB
12	Construction of Dorshong Goenpa and renovation of Khawchung Lhakhang, Lhuentse	10.800	RGoB
13	Procurement of equipment for Dungkar Naktshang	5.000	RGoB
<b>II. Ongoing donor funded activities</b>			
SI No.	Name of activities	Amount	Funding
1	Conservation of Phojoding Monastery	20.000	GoI
2	Construction of Sarpang Dzong	150.000	GoI
3	Construction of Pemagatshel Dzong	70.720	GoI
4	Construction of Wangduephodrang Dzong	150.000	GoI

### 3.6.7. Law and order services

Under law and order, a sum of Nu. 2,291.383 million has been allocated, of which Nu.1,995.455 million is for current and Nu. 295.928 million is for capital. Of the total capital, Nu. 49.790 million is allocated under the Judiciary, RBP and the Department of Law and Order. The balance is kept under the Jigme Singye Wangchuck School of Law and Bhutan National Legal Institute.

Some of the major activities are given below.

Nu. in million

<b>I. Spillover activities</b>			
SI No.	Name of activities	Amount	Funding
1	Construction of District Court, Haa	17.000	RGoB
2	Ongoing capacity development of RBP Officials	3.000	RGoB
3	Major renovation of family RBP HQ	5.032	RGoB
<b>II. Ongoing donor funded activities</b>			
SI No.	Name of activities	Amount	Funding
1	Construction of District Court, Trashi Yangtse	20.000	Govt. Of Austria

### 3.6.8. Sports sector

Under sports sector, a sum of Nu. 144.842 million has been allocated to the Bhutan Olympic Committee, of which Nu. 98.947 million is for current and Nu. 45.895 million is for capital.

Some of the major activities given below:

Nu. in million

<b>I. Spillover activities</b>			
<b>Sl No.</b>	<b>Name of Activity</b>	<b>Amount</b>	<b>Funding</b>
1	Construction of Multi-Sports Hall, Samdrup Jongkhar	14.000	RGoB
<b>II. Critical regular activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Participation in 18th Asian Games, Indonesia, Youth Olympic Games, Scholarships	6.245	RGoB
<b>III. Ongoing donor funded activities</b>			
<b>Sl No.</b>	<b>Name of activities</b>	<b>Amount</b>	<b>Funding</b>
1	Construction of Sports infrastructure	25.650	GoI

### 3.6.9. General reserves

Under the General reserves, Nu. 2,683.301 million has been kept. The allocation will be transferred to agencies on actual basis subject to fulfillment of established criteria and formalities.

Detail of the general reserves is presented in the table below.

Nu. in million

<b>Sl. No.</b>	<b>Purpose</b>	<b>Current</b>	<b>Capital</b>	<b>Total</b>
1	New appointments / establishments	200.000	30.000	230.000
2	Transfer benefits, operation & maintenance	350.000		350.000
3	Hospitality & entertainment	40.000		40.000
4	Retirement benefits	230.301		230.301
5	Ex-country travel	40.000		40.000
6	National events	100.000		100.000
7	Helicopter service	85.000		85.000
8	Ad-hoc works		398.000	398.000
9	Monsoon works/other renovations	25.000	200.000	225.000
10	Acquisition of properties		500.000	500.000
11	Rehabilitation program		40.000	40.000
12	Disaster contingency	50.000	175.000	225.000
13	Bye-election	220.000		220.000
	<b>Total</b>	<b>1,340.301</b>	<b>1,343.000</b>	<b>2,683.301</b>



### **3.7 Budget Appropriation Bill**

In order to provide for the sector allocation, loan repayment and on-lending, budget appropriation of Nu. 43,560.682 million is submitted to the House as **Budget Appropriation Bill for FY 2018-19** for consideration.

## CHAPTER 4 MACROECONOMIC PERFORMANCE

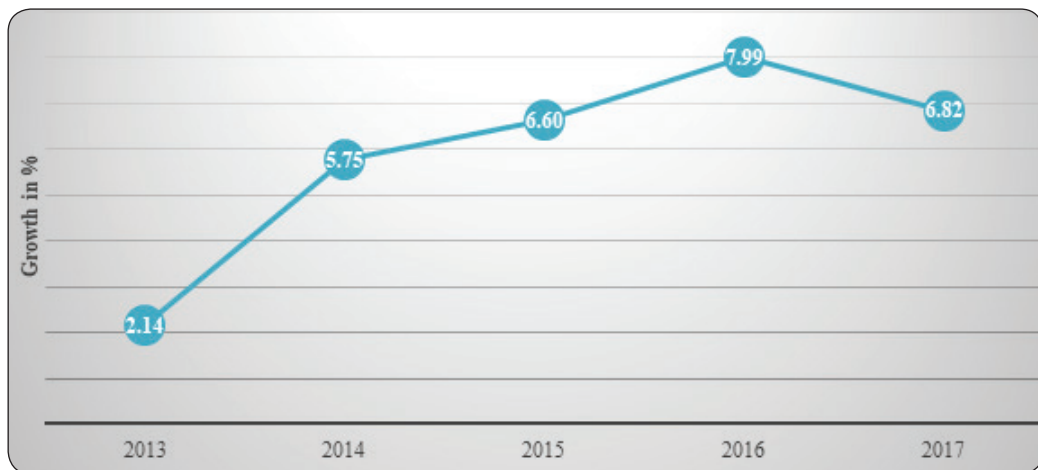
This section provides an assessment of the country's overall economic performance over the period of 5 years. Growth trends in macroeconomic indicators such as the real GDP, consumer price, employment, trade balance, etc., are analyzed to determine the macroeconomic performance for the plan period.

### 4.1 Real Sector

The economy recorded a growth rate of 7.99% in 2016 as compared to 6% in 2015 due to strong performance of service and industry sectors. There was expansion of economic activities under the transport, finance and real estate sectors while the ongoing hydropower construction induced growth in the industry sector.

With strong economic performance, growth of 6.8% is projected for 2017 mainly contributed by hydropower construction, besides increased investment in agriculture and livestock production. Indeed, the primary sector achieved an average growth rate of 4% during the plan period which is one of the highest.

**Graph 4.1: Real GDP growth**



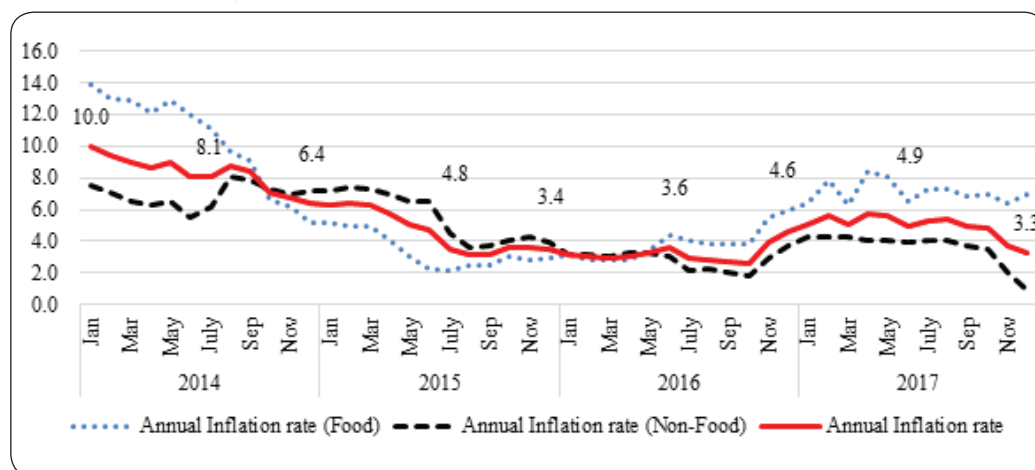
In terms of share to the GDP, the service sector constituted about 42.0%, industry sector accounted for 41.5 % and agriculture sector 16.5% of GDP in 2016. The increase in real domestic demand in 2016 was largely attributable to government construction and public consumption. The private sector led consumption decreased by around 2.6% as compared to 2015 which may be attributed to the impact of demonetization in India in 2015.

Given the higher economic growth in 2016, per capita income was USD 2,886 in nominal terms and it is projected to increase to USD 3,237 in 2017.

## Inflation

Average inflation in 2017 was 4.9% as compared to 3.2% in 2016. The prices of food increased by 6.97% while non-food prices increased by 0.93% only. The increase in domestic inflation remained higher than the imported inflation and the higher food price was the dominant factor in driving up the inflation for both domestic and imports.

**Graph 4.2: CPI inflation (year on year in %)**



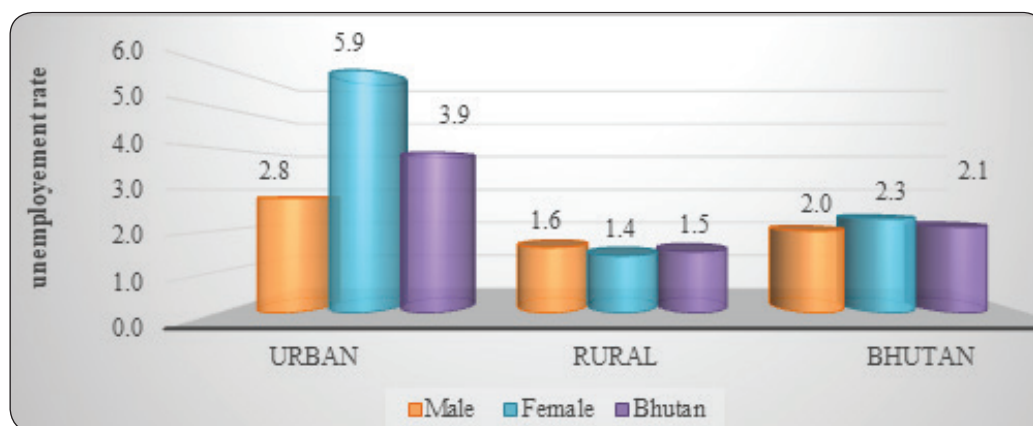
Source: NSB

## Employment

As per the Labour Force Survey 2016, the *labour force participation rate* (LFPR) in 2016 was 62.2% comprising of 53.6% for female and 71.7% for male. The agriculture sector continues to be the largest employer providing employment to 57.2% of the labour force, followed by service sector employing 34.2% and industry sector engaging 8.7% of the labour force.

Unemployment rate improved to 2.1% in 2016 from 2.5% in 2015. More women (2.3%) were unemployed than men (2.0%) and unemployment in urban areas (3.9%) was greater than rural areas (1.5%).

**Graph 4.3: Unemployment by residence**



Source: Labour force survey 2016

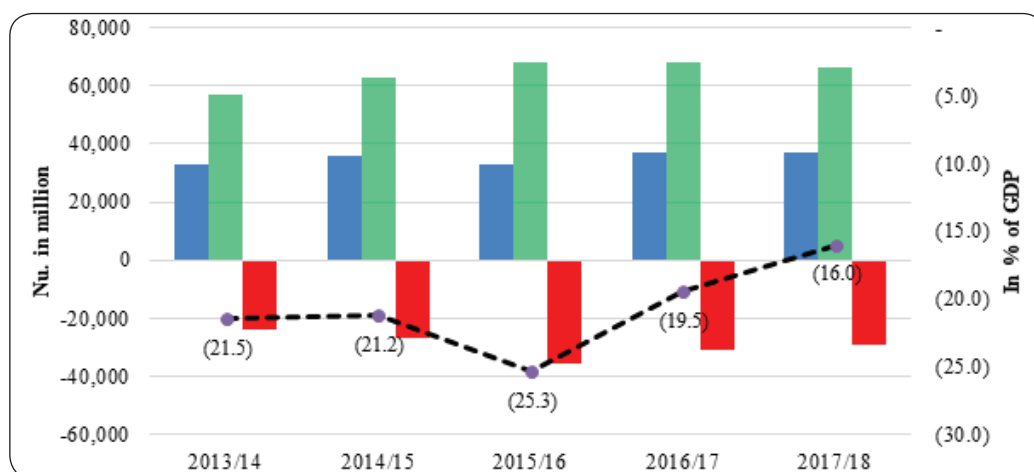
Although the overall unemployment rate decreased, youth unemployment increased from 10.7% in 2015 to 13.2% in 2016.

## 4.2 External Sector

The overall trade deficit for the FY 2016-17 improved to 19.5% of GDP as compared to 25.3% of GDP in the previous FY. It is expected to improve further to 16% of GDP by end of FY 2017-18.

Compared to the previous year, the trade balance improved significantly as exports of goods and services were comparatively higher than imports during the year.

**Graph 4.4: Trade balance**

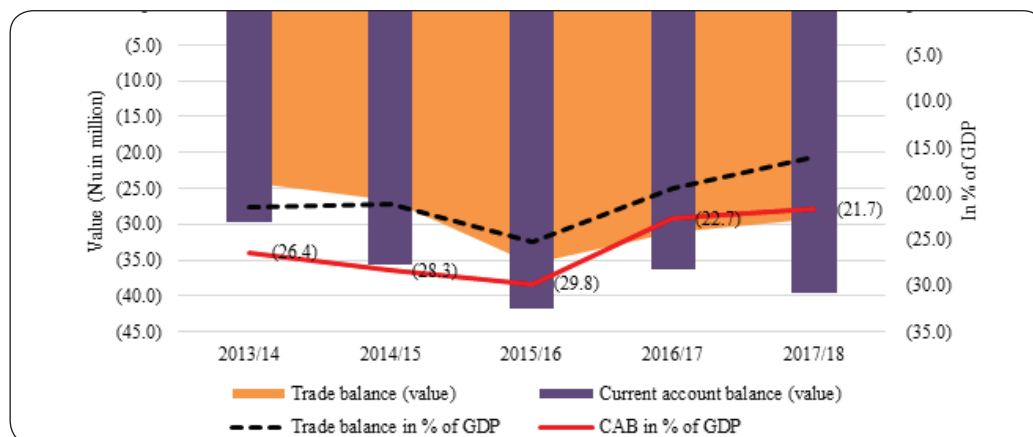


The hydropower and non-hydropower exports increased by 12.7% in FY 2016-17 while imports reduced by 0.7%. Import of services (Nu.13 billion) remained at the same level of the previous FY while the service exports (travel) increased from Nu. 9.6 billion to Nu.10.5 billion. Interest on external debt for on-going hydropower projects, GoI line of credit, and currency swap contributed to primary income deficit. Secondary income remained positive on account of the budgetary support inflows and inflow on account of the excise duty refund (EDR).

As the trade deficit remained high due to primary income deficit, the current account deficit for the FY 2015-16 was 29.8% of GDP mainly contributed by purchase of aircrafts by airlines. The current account deficit improved to 22.7% of GDP in FY 2016-17 and is estimated to improve at 21.7% in FY 2017-18.

The grant inflows on account of hydropower projects helped to increase the capital account whereas financial account comprised mostly of loans for hydropower development. Inflows of capital and financial account adequately covered the current account deficit resulting to a positive overall balance of payment which is 2.7% of GDP. This has helped in building up of the gross international reserves.

**Graph 4.5: Current account balance**

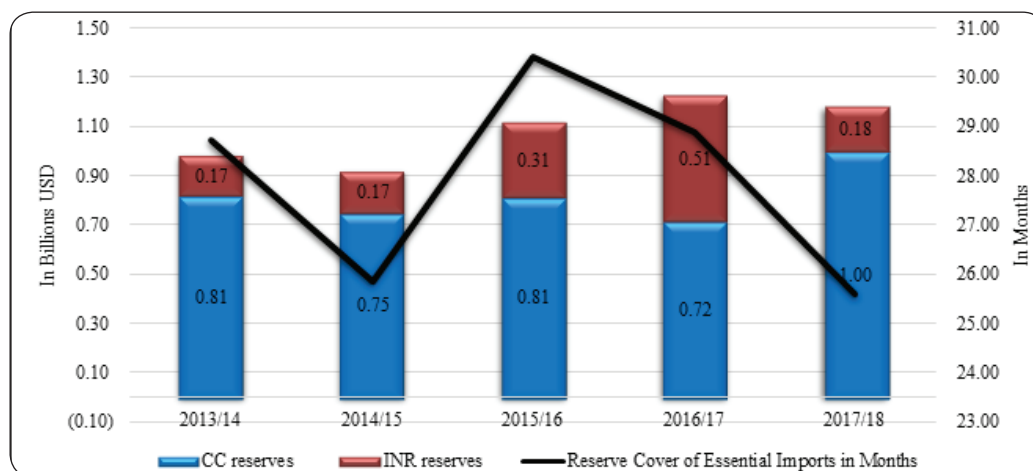


At the end of June 2017, total reserves stood at USD 1,226 million, of which USD 717 million was Convertible Currency and INR 25,155 million was in Indian rupees. The reserves adequately covered about 13.5 months of merchandise imports or 29 months of essential imports.

The gross international reserves is estimated at USD 1,182 million by end of June 2018 comprising of USD 997.400 million in Convertible Currency and INR 11.996 billion in Indian rupee. The reserves is expected to cover 13 months of merchandise imports or 26 months of essential imports.

The Ngultrum-Dollar exchange rate depreciated by 0.2 percent in FY 2016/17 as compared to the previous fiscal year.

**Graph 4.6: International reserves**



### 4.3 Monetary sector

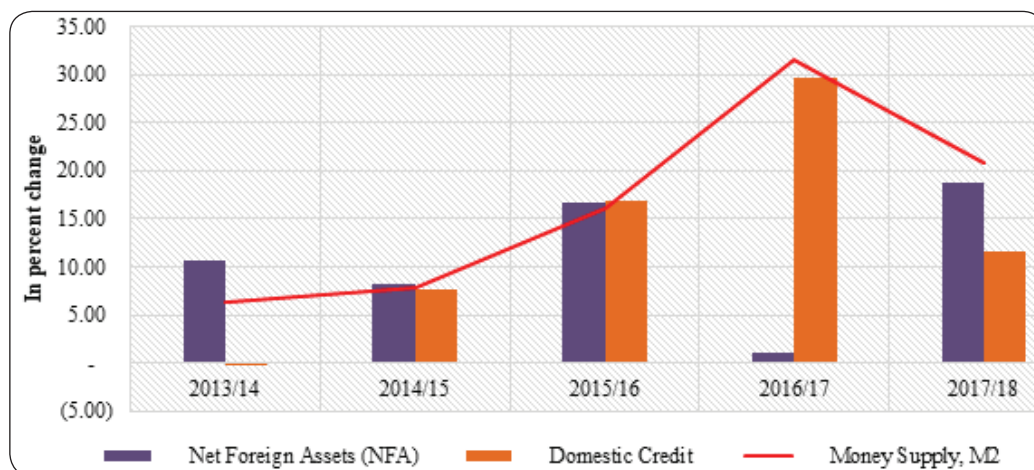
Monetary sector performance improved as the Broad Money (M2) supply growth increased from 16% in FY 2015-16 to 31.5% in FY 2016-17 largely due to increase in narrow money (M1) which is the currency in circulation outside banks and the transferable deposits.

Growth in currency deposits recorded at 42% and savings deposits at 26.9% which had contributed to the increase in M1. A notable increase in other deposits<sup>2</sup> from Nu.34.23 billion in June 2016 to Nu. 43.39 billion in June 2017 was attributed to tax waiver on interest income of time deposits.

The net domestic credit at the end of June 2017 stood at Nu.85.1 billion which was due to growth in private sector credit by 15.4%. Change in interest rate policy from Base Rate to Minimum Lending Rate (MLR) also contributed to increase in access to credit. Total credit for the year stood at Nu.76.7 billion, of which the maximum credit was availed by the housing sector (construction) amounting to Nu.18.6 billion, followed by services sector at Nu.15 billion and private consumption at Nu.11 billion.

In FY 2017-18, the growth in money supply is estimated to be largely driven by deposit of net foreign assets while domestic credit growth is expected to moderate at 12%.

**Graph 4.7: Money growth and its components**



#### 4.4 Fiscal Sector

The Budget Policy and Fiscal Framework Statement (BPFFS) is presented as per section 46 of the Public Finance Act, 2012 (Amendment) and provides the strategic priorities for allocating resources for the new fiscal year including estimates for the medium term.

As the Budget estimates for FY 2018-19 is only interim and the 12FYP is to be approved by the new government, the Budget Policy and Fiscal Framework Statement presents estimate for FY 2018-19 and for the past two years only as given below.

**Table 4.1: Fiscal framework**

		Nu. in million		
	Particulars	2016/17	2017/18	2018/19
		Actual	Revised	Budget
A	Revenue & Grants *	42,673.126	54,666.419	40,743.065
1	Domestic Revenue	29,713.600	36,178.374	35,854.997
i	Tax	21,706.997	26,173.125	26,150.961
ii	Non-tax	8,006.603	10,005.249	9,704.037
2	External Grants	12,986.752	17,433.078	4,594.759
i	GoI	9,882.572	13,781.130	2,117.523
ii	Others	3,104.180	3,651.948	2,477.236
3	Internal Grants (Trust Funds)	-	-	293.309
B	Total Expenditure **	50,021.110	58,607.276	39,847.466
1	Current	24,129.587	28,616.636	29,075.167
i	Primary Current	22,130.872	26,527.825	27,509.627
ii	Interest payments	1,998.715	2,088.811	1,565.540
2	Capital	25,837.024	29,990.640	10,772.299
C	Fiscal Balance ***	(7,347.984)	(3,940.857)	895.599
	In percent of GDP	(4.60)	(2.16)	0.43
	Financing	7,347.984	3,940.857	(895.599)
E	Net Lending (acquisition of financial Assets)	2,003.122	2,093.777	1,539.972
	Net Domestic	2,003.122	2,093.777	1,539.972
	Recoveries	2,045.237	2,148.007	1,568.852
	On-lending	42.115	54.230	28.880
F	Net Borrowing (incurrence of financial Liabilities)	5,344.862	1,847.080	(2,435.572)



	Net Domestic Borrowing	4,811.342	1,633.956	(1,668.245)
	Borrowing	4,820.536	1,643.870	-
	Repayment	9.194	9.914	1,668.245
	Net External Borrowing	533.520	213.124	(767.327)
	Borrowing	3,227.662	3,023.531	1,248.764
	Repayment	2,694.142	2,810.407	2,016.091
	Nominal GDP (Nu.in million) as on Dec2017	159,742.599	182,819.847	206,234.567
	* Revenue & Grants include other receipts. **Total Expenditure includes other payments. ***Fiscal Balance for FY 2016-17 & 2017-18 re-computed based on the revised format.			

*Source: MFCC*

## Resources

Total resources for the FY 2018-19 is Nu. 40,743.06 million of which 88% is domestic revenue and balance is grants. The total resources is about 25% lower than previous FY while total expenditure is about 32% lower.

## Domestic revenue

The domestic resource for the FY 2018-19 is estimated to be Nu. 35,854.997 million. Most of the revenue is expected from Corporate Income Tax and dividend remittances from the DHI. Revenue estimate also includes projected revenue of Nu. 2,138.55 million as profit transfer and Nu. 360.36 million as royalty from Mangdechu hydroelectric project which is scheduled to be commissioned in June 2018.

## Fiscal incentives and exemptions

The total revenue forgone for the year 2017 was Nu. 2,793.517 million which includes the tax forgone through fiscal incentives and other exemptions. Of the total, the highest tax forgone was from customs duty at 52 % followed by sales tax at 43%.

**Table 4.2: Tax exemptions and incentives**

Source	Nu. in million	
	Amount	Percent
Customs duty	1,452.743	52%
Sales tax	1,202.790	43%
BIT/CIT*	100.929	4%
Excise duty	34.786	1%
Green tax	2.269	0%
<b>Total</b>	<b>2,793.517</b>	

### **External grants**

In the FY 2018-19, the total grants is projected to be Nu. 4,594.759 million, which is 73% lower than previous FY. Of the total grants, Nu.2,117.523 million is expected from the Government of India and Nu.2,477.236 million from other development partners based on the assumptions that same level of support will be provided by the development partners. The grants projection also includes Nu.293.309 million as internal grants from trust funds.

### **Public Expenditure**

The total public expenditure in FY 2018-19, the first year of the 12FYP, is estimated to be Nu. 39,847.466 million, a decrease of 32% from the FY 2017-18.

The current expenditure is estimated to be Nu. 29,075.167 million, an increase of 1.6% from the previous FY. The capital expenditure is estimated at Nu.10,772.299 million.

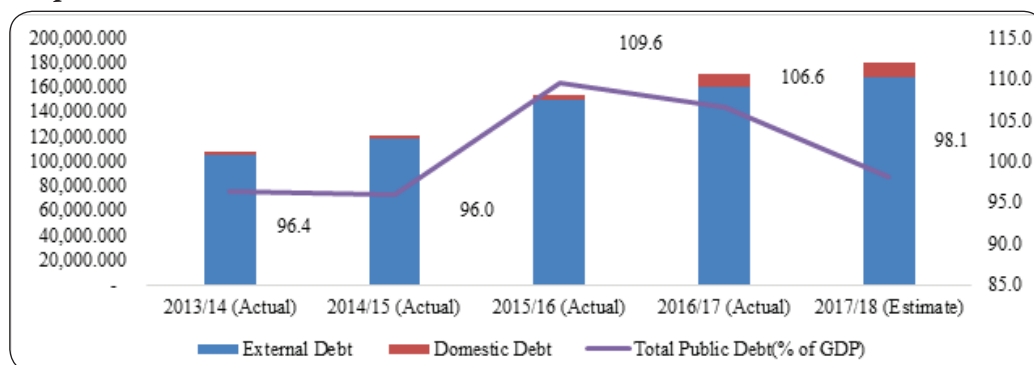
### **Fiscal balance**

As the capital budget is provided only for spillover and critical regular activities the fiscal balance for FY 2018-19 is estimated to be a surplus of 0.43% of GDP.

### **Public Debt**

By the end of the FY 2017-18, total public debt is estimated at Nu. 181,244.036 million. Of the total, 93.9% is external debt and domestic debt of 6%.

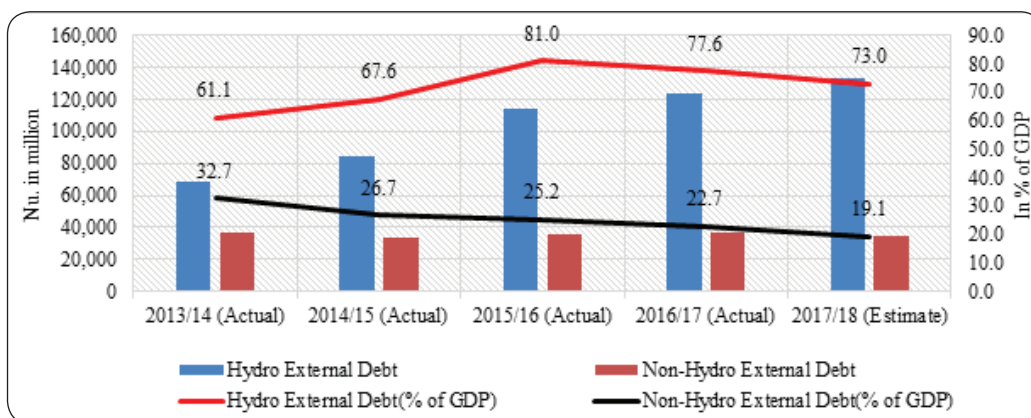
**Graph 4.8: Public debt**



Majority of external debt is on account of on-going hydropower projects that has contributed to increase in total external debt.

As of June 2018, the external debt is estimated at Nu. 170,324.486 million, accounting for 93.2% of estimated GDP. Of the total, estimated hydro debt is Nu. 133,369.428 million and non-hydro debt is Nu. 36,955.058 million. Non-hydro debt stock includes settlement of Standby Credit Facility of INR 3 billion by June 2018 and excludes currency SWAP arrangement for USD 100 million availed by RMA for a period of 3 months ( May 2018- August 2018).

**Graph 4.9: Hydro & non-hydro external debt**

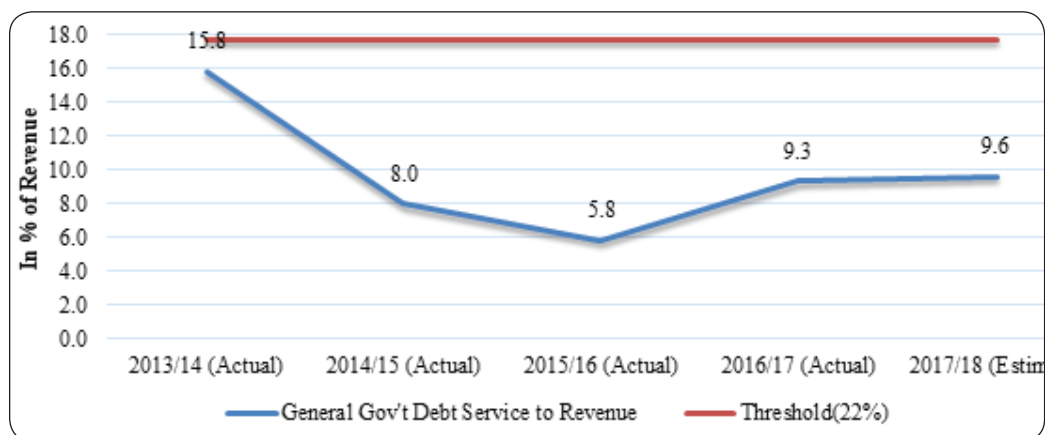


### Debt indicators and thresholds

The debt indicators in the medium term are projected to remain within the thresholds prescribed in the Public Debt Policy 2016.

During the 11FYP, on an average, the non-hydro debt (external) is expected to be 25.3% of GDP, which remains within the threshold as per Debt Policy, which is 35% of GDP. Hydropower debt constitutes major portion of the external debt and it is considered as commercially viable investment. Therefore, high debt to GDP ratio on account of the hydropower projects do not pose any risk of debt distress.

**Graph 4.10: General government debt service to revenue**



The general government debt service to revenue remained within the prescribed threshold of 22%. The indicator compares the total general government debt service, including the principle and interest payments, to the total revenue of the Government.

As shown in the graph above, the general government debt service remained within the threshold and it is estimated to be 9.6% of the revenue by the end of FY 2017-18.

### **Domestic debt**

Domestic debt comprises mainly of the Treasury Bills issued by the Government to finance resource gap and cash flow management for ensuring smooth implementation of the development projects.

By end of FY 2017-18, the domestic debt stock is estimated to be Nu. 11,043.165 million. Of the total, Nu. 36.815 million is for construction of staff quarters at Phuentsholing hospital. The balance is on account of the T-bills outstanding issued mainly for financing the resource gap of Nu. 5,416.015 million pertaining to 10FYP and Nu. 5,178.921 million for 11FYP.

## **CHAPTER 5**

### **PERFORMANCE OF ROYAL MONETARY AUTHORITY**

#### **5.1 Reform initiatives and measures**

The objectives of RMA are to reinforce stable and inclusive economic growth, and continue promoting innovative financial services and technology in the financial sector. To achieve this, RMA undertook the nationwide initiatives on financial literacy program to sensitize and educate citizens on savings, credit and digital finance. Awareness on other financial services such as agent banking, micro finance institutions and priority sector lending was also part of the financial literacy advocacy. The financial literacy program was focused on targeted groups such as local government leaders, financial services providers, education and monastic schools, officials and students of the training institutes, the non-formal education sector and general rural populace in all 20 Dzongkhags.

RMA in collaboration with MoIC, financial institutions and the G2C Office launched the Bhutan Immediate Payment Service in January 2017 to facilitate inter-bank person-to-person fund transfer, secured and real-time payments and facilitate e-payments between Citizens-to-Government, Government-to-Citizens and Business-to-Business contacts.

During the year, RMA implemented National Strategy and Action Plan on Anti-Money Laundering and Combating the Financing of Terrorism Regulations. With this, RMA established a formal network of cooperation for exchanging financial intelligence information relating to money laundering, associated predicate offences and terrorist financing both at national and international level. As of now, Bhutan has signed MoU on the AML/CFT with five countries including the People's Republic of Bangladesh and Republic of Korea.

#### **5.2 Monetary policy**

As part of the financial sector reforms, the RMA launched Priority Sector Lending from January 01, 2018. This is an integrated platform to promote access to finance to Cottage and Small Industries (CSI) sector at concessional interest rate through collaboration, coordination and consolidation of interventions of the Government and financial institutions. It is expected to catalyze the CSI sector into a growth driver through enhancement of absorptive capacity of the economy that will contribute to achieving Bhutan's overarching national goal of sustainable and inclusive socio-economic development.

### **5.3 Financial performance**

The total asset and liabilities of the RMA for the year 2017 was Nu.74.18 billion, a decrease by 7.39% from Nu.80.10 billion in 2016. The total operating income of the RMA improved by 30.56% from Nu.1.50 billion in 2016 to 1.95 billion in 2017, mainly owing to higher interest earnings from the Rupee investment, which recorded a growth of 41.56% followed by increased earnings of interest on foreign investment as well as gains on the sale of foreign currencies.

However, royalties from commemorative coins and income from other sources experienced a decline in the same period. The total operating expenses grew by 43.20% from Nu.269.05 million in 2016 to Nu.385.28 million in 2017. This increase was contributed by the RMA's equity contribution of Nu.51.00 million to the Financial Institutions Training Institute and Credit Information Bureau, which was treated as grant and assumed as expenses during the year.

### **5.4 Profit transfers to the Government**

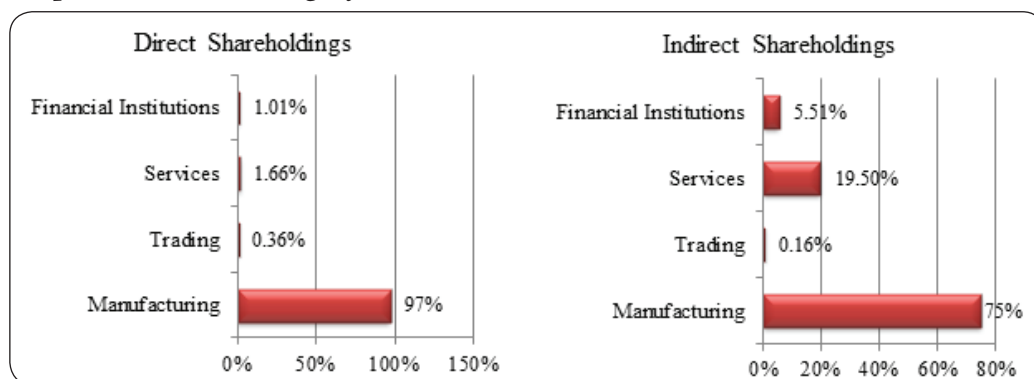
RMA posted 27.78% growth in surplus amounting to Nu. 1,568.06 million during the year 2017 of which a net surplus of Nu. 1,068.93 million was transferred to the Government after making adjustment for operational expenses including the cost of the monetary policy operations.

## CHAPTER 6 PERFORMANCE OF STATE OWNED ENTERPRISES

### 6.1 Portfolio overview

The Royal Government of Bhutan has the mandate to manage investments in State-Owned and controlled Enterprises (SOEs) to ensure efficiency and productivity and to ensure public mandates are carried out by SOEs. SOEs in Bhutan constitute a vital component of the economy and play strategic roles in providing infrastructure and public services. SOEs operate in the key strategic sectors of the economy, largely in manufacturing sectors, consisting mainly of hydropower.

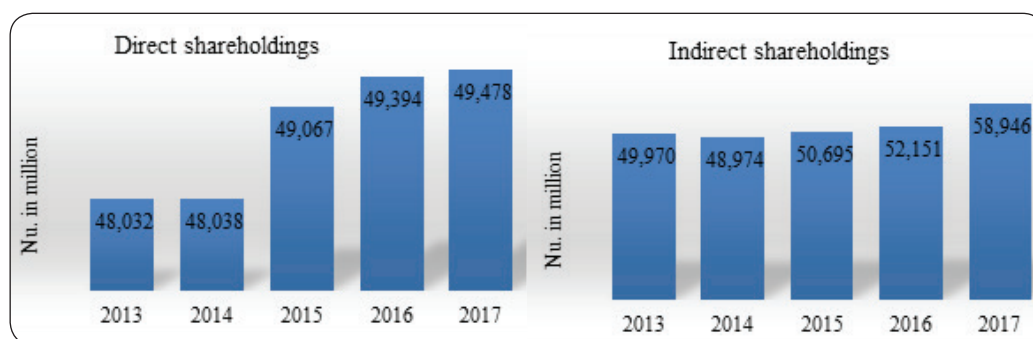
*Graph 6.1: Shareholdings of SOEs*



The Government portfolio of SOEs consists of 38 companies, of which 19 are held directly by Ministry of Finance (MoF) and 19 through Druk Holding and Investments (DHI).

In 2017, total paid-up capital of SOEs with direct shareholding under MoF was Nu. 49,478 million and the total value of paid-up capital of DHI portfolio companies was Nu. 58,946 million.

**Graph 6.2: Value of state investments**



## 6.2 SOEs' role in socio-economic development

SOEs' contribution in the economy and its impact on the socio-economic development of the country are commendable. SOEs constitute major part of the economy operating in the key strategic sectors including the hydropower.

The combined asset value of SOEs has now reached Nu. 260,733 million which is 143% of GDP and more than 68% of the domestic revenue comes from SOEs, mainly from hydropower sector. Therefore, volatility in the performance of SOEs and especially in the hydropower sector will have direct impact on the Government revenue.

During the year, due to poor hydrology, revenue earnings of DGPC and BPC dropped by more than 9% due to which tax contribution to the Government also decreased by 9.25% and dividend contribution to DHI by Nu. 452.52 million.

Besides being the major source of revenue, SOEs are instrumental in delivering essential services like rural electricity, promoting financial inclusion, priority lending to youth for education and skills development, universal postal services, public transport in Thromdes, etc. The Bhutan Telecom and Tashi InfoCom combined have achieved more than 99% mobile coverage and the BPC, through rural electrification, has electrified over 99% of rural households. Bhutan Development Bank Limited (BDBL) now operates 201 Community Centers (CCs) providing essential services like G2C and Gewog Banking Services (GBS).



More than 95% of the country now has access to banking and financial services with 195 gewog banks established by BDBL. Similarly, to ensure access to essential food items in remote communities, 158 farms shops were established by FCBL across the country. Royal Bhutan Helicopter Services Limited (RBHSL) since its establishment played an important role in connecting remote communities and providing emergency services. Till date, RBHSL has conducted 276 medical evacuations and 10 disaster relief operations such as fighting forest fires.

As of 31<sup>st</sup> December 2017, BDBL and REDCL combined have financed more than 1,284 SME projects across the country amounting to Nu. 723 million which has helped create employment opportunity for more than 2,206 youth representing 17% of total SOE employment.

During the year, financial institutions lowered their minimum lending rates and introduced priority lending which have contributed towards credit growth from Nu. 86,600.00 million in June 2016 to Nu. 95,060.00 million in June 2017.

SOEs, however, continue to face challenges in-terms of limited resources, capacity and market.

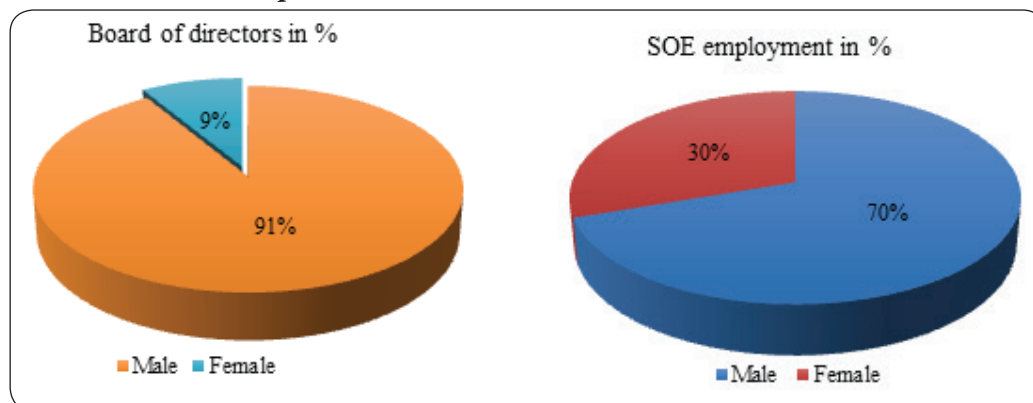
### **6.2.1. Employment generation**

Employment generation has been the central policy objectives of the Government, and SOEs have been instrumental in creating jobs. By the end of 2017, SOEs provided employment to more than 12,892 people (4% of total employment<sup>3</sup>). SOEs also act as the pioneer in the promotion of gender equality with high proportion of women employees, including in decision making positions. Out of total employment, 30% consist of women and more than 9% of members in the SOE boards are women.

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3 *BLSS 2017 Total employment (300,831)*

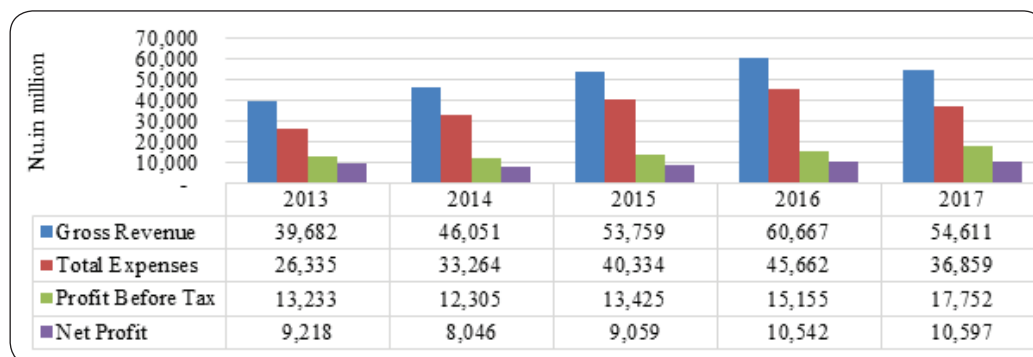
**Chart 6.1: Gender representation in SOE**



### 6.2.2. SOE revenue and profitability

In 2017, SOEs generated gross revenue of Nu. 54,611 million which is 30% of GDP and posted total profits before tax of Nu. 17,752 million. Manufacturing sector including hydropower continues to be significant contributor to the economy generating revenue of around Nu. 8,900.00 million accounting for about 31% of the total domestic revenue in 2017. Similarly, the shareholder's fund grew by 3% from Nu. 97,967.00 million in 2016 to Nu. 101,219.00 million in 2017 which is more than 55% of GDP.

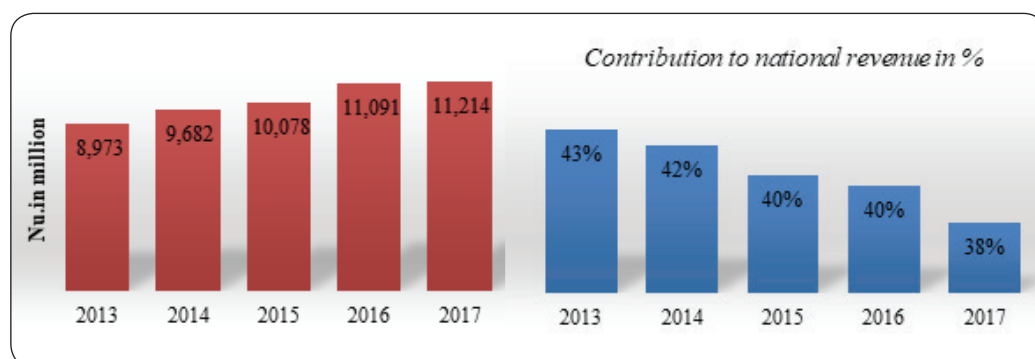
**Graph 6. 3: Summary of revenue, expenses and profitability of SOEs.**



However, gross revenue declined by Nu. 6,056.00 million in 2017 from Nu. 60,667.00 million in 2016 to Nu. 54,611.00 million mainly due to lower earnings by Druk Green Power Corporation (DGPC) and Bhutan Power Corporation (BPC) on account of poor hydrology during the year.

In 2017, BDBL posted net loss of Nu. 909 million mainly due to impairment loss of Nu. 1,259 million on account of issues associated with system migration to new computerized accounting system. This is however expected to be resolved and would return to positive once the system corrections are complete which is currently under progress. Dungsam Cement Corporation Ltd. (DCCL) posted reduced net loss of Nu.514 million in 2017 compared to Nu. 539 million of 2016.

**Graph 6.4: Revenue contribution from SOEs**

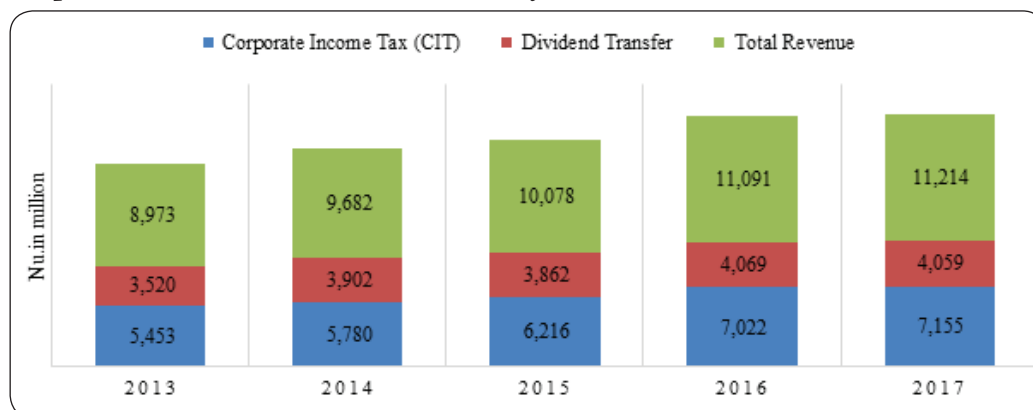


### 6.2.3. Dividends and taxes

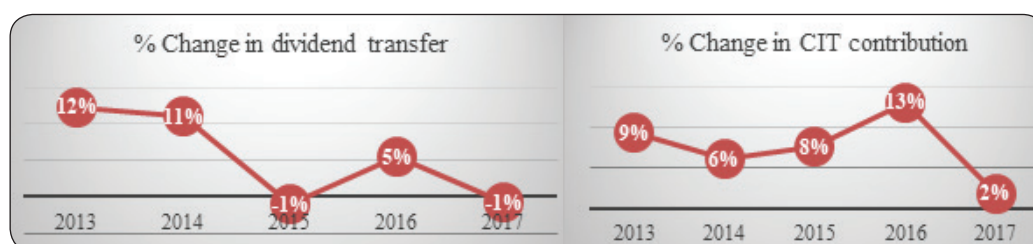
Contributions from SOEs constitute a major source of revenue for the Government. In 2017, SOEs contributed 38% of the total domestic revenue which was Nu. 11,214 million in the form of dividend and taxes (dividend Nu. 4,059 million and taxes Nu. 7,155 million). This was 4% increase from 2016 mainly due to increase in tax payment. However, there was 0.4% decrease in dividend transfer from DHI on account of fall in revenue of DGPC and BPC

Dividend transfers from SOEs include Nu. 4,021 million from DHI and Nu. 37.54 million from Bhutan Duty Free Limited, RBHSL, Bhutan Lottery Ltd., Kuensel Corporation and Bhutan Postal Corporation. During the year, Bhutan Duty Free Limited within the 2<sup>nd</sup> year of its establishment, contributed Nu.20 million (more than 17% return on paid-up capital) which was one of the highest among the SOEs. Similarly, Bhutan Lottery Limited contributed Nu. 6.16 million (13% return on paid-up capital) and the Royal Bhutan Helicopter Service Ltd, within three years of its establishment, contributed Nu. 6.19 million as dividend to the Government.

**Graph 6.5: Tax and dividend contribution from SOEs**



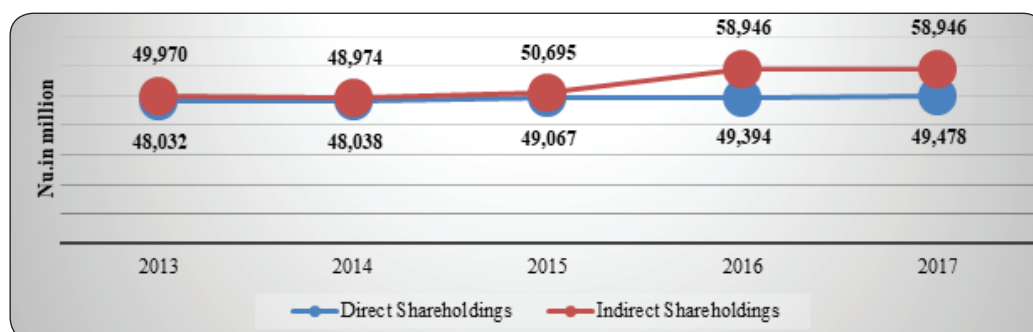
**Graph 6.6: Trend of dividend transfer from SOEs**



### 6.3 Growth in SOEs portfolio

The total value of government shareholding in SOEs grew by Nu. 93.03 million from Nu. 49,394.00 million in 2016 to Nu. 49,478.00 million in 2017 mainly on account of transfer of shares in Credit Information Bureau Limited (CIBL) and Financial Institutions Training Institute Limited (FITIL) from RMA to the Ministry of Finance. However, there were no changes in the shareholdings through DHI.

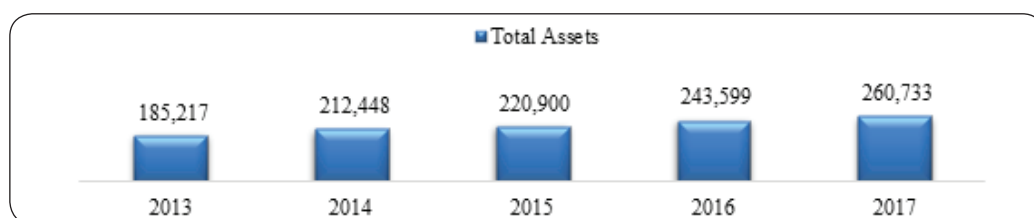
**Graph 6.7: Growth in the portfolio value**



## 6.4 Asset and investment growth of SOEs

The combined asset value of SOEs grew by 7% from Nu. 243,599.00 million in 2016 to Nu. 260,733.00 million which accounts for about 143% of GDP. The growth was mainly due to incorporation of newly established SOEs like Farm Machinery Corporation Limited (FMCL), share transfer of CIBL and FITIL and additional investments in Bhutan Agro-Industries Ltd. (BAIL), REDCL, Bhutan Ferro Alloys Ltd.(BFAL) and Construction Development Corporation Ltd. (CDCL).

**Graph 6.8: SOE asset overview**

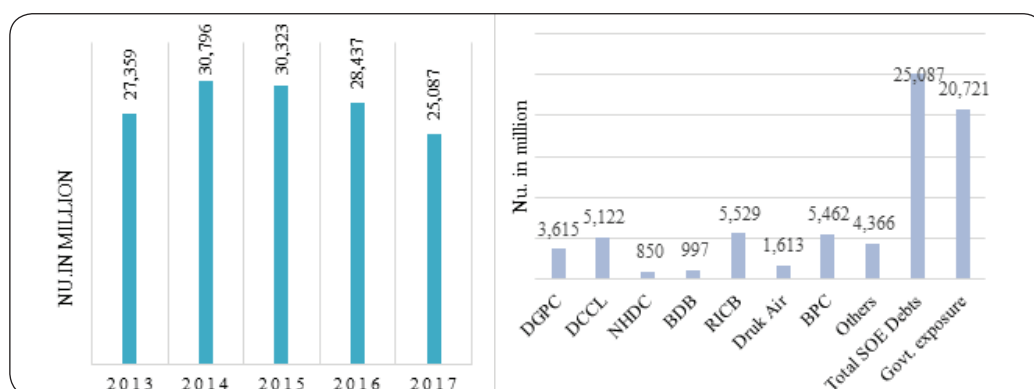


## 6.5 SOEs' long term debt

The overall borrowings of SOEs and linked companies declined by 12% from Nu. 28,437.00 million in 2016 to Nu. 25,087.00 million in 2017. The decline in the borrowings is attributed mainly due to the reduction in long term borrowings of DGPC by Nu. 1,683.00 million for Tala Hydroelectric project's repayment. In terms of exposure, 82.59% of the total SOE debts amounting to Nu. 20,721.00 million pertains to the Government based on the shareholding pattern.

Of the total SOE debts, 22.04% pertains to RICB (Nu. 5,529 million) followed by BPC with 21.77% of the total (Nu. 5,462 million), 20% pertains to DCCL (Nu. 5,122 million), and DGPC with 14% (Nu. 3,615 million).

**Graph 6.9 SOE long term debts and government exposure**



## 6.6 Subsidies to the SOEs

The Royal Government provided subsidies to SOEs amounting to Nu. 2,434.00 million in FY 2017-2018. Of the total subsidy, Nu. 198.00 million was in terms of interest subsidies to the Drukair Corporation Ltd. for purchase of aircraft A319, to NHDCL and to BAIL as provided in the table 6.1. BBSC alone received Nu. 133.00 million as an operational subsidy and capital grant from the Government in 2017. To promote regional connectivity and balanced development, Drukair restarted domestic flights to Gelephu and Yongphula with effect from November 2017 for which the Royal Government provided Nu. 17.70 million (2017-2018) as subsidy to make the domestic air operation viable.

**Table 6.1: Summary of subsidies provided to SOEs**

State Owned Enterprises (SOEs)	Nu. million
Bhutan Broadcasting Service Corporation (BBSC)	133
Bhutan Postal Corporation Ltd.- City Bus Service	43
Drukair Corporation - Interest Subsidy for 3rd Aircraft	147
RICBL - Rural House Insurance	16
RICBL - Rural Life Insurance	53
NHDCL - Maintenance of Government quarters in Dzongkhags	25
NHDCL - Development housing complex in Phuntsholing	42
FCB - Interest subsidy for OD facility	8
BPC - Domestic power tariff	1,928
BAIL - Establishment of integrated agro-processing plant at Lingmathang, Mongar	9
FMCL - hiring of Power Tillers	30
<b>Total Subsidy</b>	<b>2,434</b>

In addition, support through tax exemptions and guarantees were also provided to SOEs which have social mandates. In 2017, BDBL alone received a tax holiday amounting to Nu. 89.28 million.

The Royal Government has also provided sovereign guarantees to SOEs to enable them to obtain funds at cheaper rates for financing in priority sectors like rural credits, construction of affordable housing, establishment of agro-based industry, etc., as detailed below:

**Table 6.2: Statement of Sovereign Guarantee issued by Government as of 31st December, 2017**

Name of the beneficiary	Date of issue	Issued to	Purpose of issue	Original guaranteed amount (million Nu.)	Validity	Balance amount (million Nu.)
Bhutan Development Bank Ltd.	2nd April 2008	NPPF	Rural Credit including SME	400.00	10 years	100.000
National Housing Development Corporation Ltd.	11th September 2017	NPPF	Financing for Affordable Housing Project in Phuntsholing	890.00	20 years	612.688
Bhutan Agro Industries Ltd.	5th June 2017	BDBL	Financing for set up of an integrated agro based industry in Lingmethang, Mongar.	166.00	20 years	10.500
<b>Total</b>				<b>1,456.00</b>		<b>723.188</b>

## 6.7 Corporate governance

As part of SOEs' continuing effort to strengthen and promote good corporate governance and management, annual performance compact was implemented and performance management systems were introduced in the SOEs.

During the year, overall, as per the audited reports, no material risks were reported that would have significant implications on the operation and going concern of the SOEs and companies with Government shareholdings. In case of BDBL, irregularities and misappropriations were observed because of which the bank has incurred losses due to large provisioning for bad debts amounting to Nu. 436.164 million. The case has been referred to the Royal Court of Justice and is currently under trial.

## CHAPTER 7 PERFORMANCE OF DRUK HOLDING AND INVESTMENTS

### 7.1 Financial and operational highlights

Druk Holding and Investments (DHI) is fully-owned Government holding company with Ministry of Finance as its sole shareholder. The DHI portfolio consist of 19 companies operating in energy, manufacturing, trading, services and financial sectors. The Royal Charter mandates DHI to hold, manage and enhance national wealth through prudent investments. It is also mandated to enhance the performance of its portfolio companies by cultivating a performance-driven and customer-oriented culture.

Total Government shareholding in DHI is Nu. 45,087.59 million which is 91% of the total shareholding in SOEs. In 2017, DHI's total assets grew by 4.05%, an increase of about Nu. 2,206.02 million due to transfer of land from DHI subsidiaries, equity injection in Kholongchu HPP, SMCL, CDCL and TTPL.

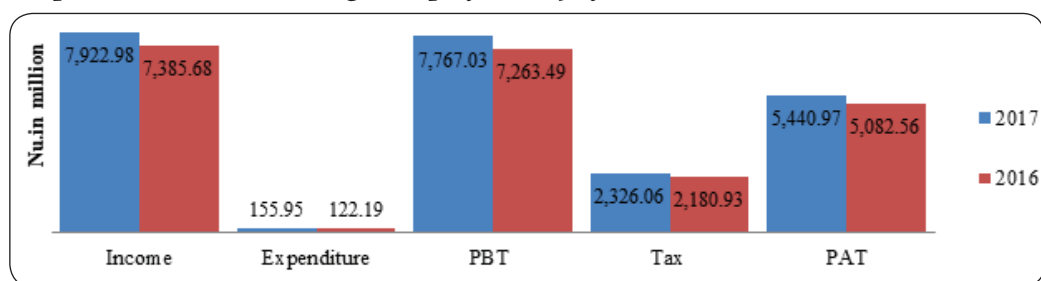
**Table 7.1: Financial performance of DHI**

Particulars	Nu. in million		
	2017	2016	Variance
Total assets	56,724.52	54,518.50	4.05%
Net worth	54,832.30	52,294.01	4.85%
Income	7,922.98	7,385.68	7.27%
Expenditure	155.95	122.19	27.63%
PBT	7,767.03	7,263.49	6.93%
Tax	2,326.06	2,180.93	6.65%
PAT	5,440.97	5,082.56	7.05%

The net worth also grew to over Nu. 54,832.3 million in 2017 from Nu. 52,294.01 million in 2016, an increase of 4.85%.



**Graph 7.1: Revenue earnings and profitability of DHI**



Total income for 2017 registered a growth of about 7.27% from Nu. 7,385.68 million in 2016 to Nu. 7,922.98 million. The growth was mainly on account of increase in dividend income from subsidiaries, higher brand management fees and growth in interest income by Nu. 51.94 million from inter-company loans.

**Table 7.2: Dividend transfer from DHI Companies**

Dividend transfer from subsidiaries	2017	2016	Variance
Bhutan Board Products Ltd.	-	5.35	
State Trading Corporation of Bhutan Ltd.	20.38	13.76	48%
Bank of Bhutan Ltd.	344.71	131.04	163%
Bhutan Telecom Ltd.	751.59	490.81	53%
Druk Green Power Corporation Ltd.	4,905.35	5,104.36	-4%
Druk Air Corporation Ltd.	108.00	-	
Natural Resources Development Corporation Ltd.	-	-	-
Bhutan Power Corporation Ltd.	1,028.14	1,281.66	-20%
Bhutan Ferro Alloys Ltd.	38.60	15.44	150%
Bhutan National Bank Ltd.	61.90	57.56	8%
Penden Cement Authority Ltd.	95.91	47.99	100%
Royal Insurance Corporation of Bhutan Ltd.	-	44.20	
State Mining Corporation Ltd.	21.96	-	
<b>Total</b>	<b>7,376.54</b>	<b>7,192.15</b>	<b>3%</b>

Total expenditure in 2017 also grew from Nu. 122.19 million to Nu. 155.95 million. During the year, PAT increased by 7.05% from 5082.56 million to Nu. 5,440.97 million in 2017.

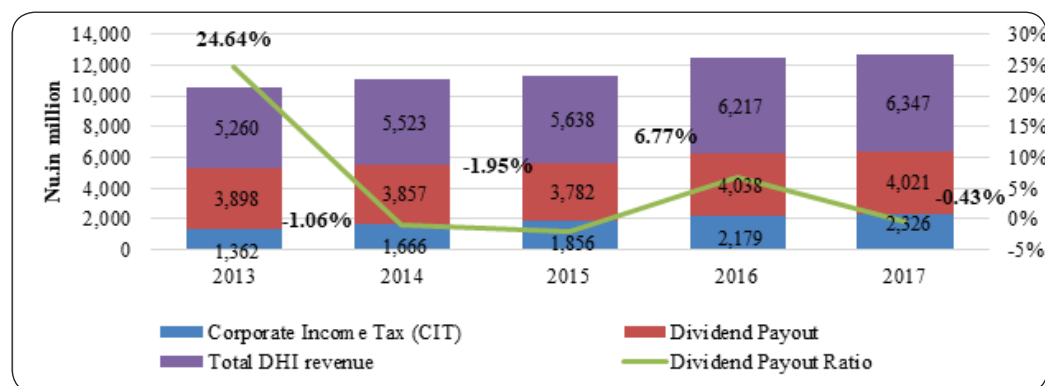
## 7.2 Dividends and taxes

The total revenue from DHI in the form of tax and dividend contributed to the Government amounted to Nu. 6,347 million which was Nu. 130 million increase as compared to Nu. 6,217 million in 2016.

During the financial year 2017, DHI remitted a dividend of Nu. 4,021 million to the Government which was Nu. 17 million or 0.43% less than dividend payout in 2016. The decrease was mainly due to lower earnings by Druk Green Power Corporation Ltd.(DGPC) and Bhutan Power Corporation Ltd.(BPC) because of the poor hydrology during the year.

However, DHI's tax contribution for FY 2017 increased by 6.65% to Nu. 2,326 million in 2017 from Nu. 2,179 million in 2016.

**Graph 7. 2: Tax and dividend payout of DHI**



**Table 7.3: Tax and dividend contribution from DHI**

Particulars	Amount in Nu. million					Variance
	2013	2014	2015	2016	2017	
Corporate Income Tax (CIT)	1,362	1,666	1,856	2,179	2,326	6.75%
Dividend Payout	3,898	3,857	3,782	4,038	4,021	-0.43%
Percentage share to Domestic Revenue	25%	24%	22%	22%	21%	

## **CHAPTER 8**

### **REPORT ON NATIONAL PENSION AND PROVIDENT FUND**

The National Pension and Provident Fund (NPPF) manages pension and provident schemes with a total member of 53,998 from civil service, public corporations and the armed forces. The pension and provident fund was introduced as mandatory savings scheme to provide income security. The benefit payment has become one of the main sources of household income and played a significant role in ensuring well-being of the members and their families.

The NPPF also manages the funds accumulated from the pension and provident fund contributions. The corpus of the fund has reached to Nu. 27,431.58 million and it has become the third largest institutional investor in the country.

#### **8.1 Financial and operational performance**

As of June 30, 2017, the total members recorded was 53,998, with a growth of 3% compared to previous year and total members represented about 6.92% of total population. The average age of the members was 36 years with an average service of 15 years for armed forces and 11 years for the civil service and corporations, indicating a young workforce. The overall dependency ratio was 10.85%. A high proportion of beneficiaries are member pensioners indicating an increasing share of pensioners compared to active working members.

The main sources of financial asset are investment incomes and contribution made by employers and employees. The total fund size accounted for 18.45% of GDP indicating an increasing share of financial assets relative to GDP.

NPPF made significant progress in building up investment portfolio. The portfolio grew by 16% compared to previous year which are invested in various asset classes such as deposits, loans, equity, bonds and real estate and declared annual rate of 8.3% to members against the inflation of 4.94% measured by consumer price index. NPPF achieved 13.23% of gross revenue growth from Nu. 1,877.21 million in the previous year to Nu. 2,125.58 million in 2017.

## **8.2 Key achievements**

NPPF adopted the Corporate Strategic Plan identifying key plan of actions and strategies for the next three years. As part of realigning business process, NPPF adopted revised Performance Management System which is more comprehensive and a robust system.

The ICT plays a strategic role as service enabler for smooth functioning of business operation, transformation of operations and improvement of service delivery. NPPF completed assessment of current ICT application and infrastructure for upgrading into integrated solution to transform NPPF business as social security provider.

NPPF revised eligibility condition for Member Loan Scheme and made it collateral free. It also implemented revised interest rates under the RMA's MLR policy making the loan schemes more affordable to the members and competitive with other financial sector.

NPPF actively pursued awareness campaign on the retirement schemes, loan products and services by visiting the Dzongkhags and individual organizations. NPPF also participated in the Retirement Planning Initiative and Induction Programme organized by RCSC and RMA's Financial Literacy Programme in creating awareness of the products and services.

NPPF, in collaboration with GNHC, RMA, MoF(lead role), RCSC and other relevant stakeholders finalized the National Pension and Provident Fund Policy. The policy intends to guide development of pension and provident fund scheme in the country that is affordable, sustainable, accessible and robust in the labour market.

## **8.3 Challenges and opportunities**

NPPF has been able to maintain the growth of fund size by more than 15%, investment portfolio of 16% and real rate of return of 3.36% during the year 2016-17. One of the challenges that NPPF is facing today is the lack of investment opportunities within the country and overseas. Further, it faces long-run asset-liability mismatch due to growing pension liabilities without commensurate contribution and proper funding system and policies.

Pension and provident fund schemes have major economic and social implications through their effect on benefit payments and intergenerational transfers. Therefore, there is considerable scope for improvement of the current system through adoption of clear policy and legislation.

## CHAPTER 9 TRUST FUNDS

Trust Funds are established for designated purposes deemed necessary by the Government by setting aside stock of monies, securities or real property and held in trusts to ensure uninterrupted funding. Such Trust Funds are established as per Royal Charters and provisions of related laws such as the Public Finance Act 2007 and amendments thereof.

There are currently four Trust Funds and some Endowment Funds to promote activities in the areas of preservation and promotion of cultural heritage, protection and conservation of environment, enhancing access to rural telecommunication, ensuring provision of primary health services and quality education in the country.

As required by the Public Finance Act, a brief status of each of Trust Fund is provided in the sections below.

### **9.1 Trust Funds**

#### **9.1.1 Cultural Heritage Trust Fund**

The Cultural Heritage Trust Fund managed by the Department of Culture is for projects related to culture. The Trust Fund was established in 1999 with an initial fund of Nu. 31.267 million. As per the Royal Charter, no expenditure is to be incurred from the Trust Fund till the initial fund reaches USD 5.00 million. Therefore, there has been no expenditure from the Fund till date.

The fund is currently invested in fixed deposit with the Bhutan National Bank Limited at an interest rate of 7% per annum with a deposit tenure of 365 days. The fixed deposit will mature in October, 2018 earning an interest amount of Nu. 4.469 million. The total fund position as of March, 2018 is Nu. 72.825 million.

#### **9.1.2 Bhutan Trust Fund for Environment Conservation (BT FEC)**

The Bhutan Trust Fund for Environment Conservation was established in 1992 with an initial fund of USD 20.00 million. The BT FEC aims to promote social welfare through conservation of forests, flora, fauna, ecosystems and diversity of Bhutan. The fund balance as of 28<sup>th</sup> February, 2018 is USD 52.844 million which is an increase of 1.7% over the previous year.

During the year, the Fund earned an income of USD 2,369,637.970. Of the total income, USD 177,645.490 was interest income, USD 325,066.390 was dividend, USD 1,407,768.410 as capital gains, money market income of USD 3,072.250 and miscellaneous income of USD 2,491.430. The Global Environment Facility contributed USD 453,594.010 during the period.

The Fund spent USD 1,480,018.000 during the period for program activities (USD 1,212,594.000) and operating expenses of the secretariat (USD 267,424.000). The program activities include 29 projects on environmental conversations in the country. The Fund also floated request for proposal for environmental conservation projects in March of 2018.

The Fund invests 93% of their total portfolio in mutual funds in the United States and remaining 7% is invested in shares and bonds in the domestic market.

### **9.1.3. Universal Service Fund for ICT**

The Universal Service Fund was established in March, 2007 with an initial fund of Nu. 194.250 million to promote rural mobile and internet connectivity. The Fund is managed by Bhutan Information Communication Media Authority (BICMA). The fund balance as of 15<sup>th</sup> March 2018 at Nu. 279.475 million, has grown by 15.4% as compared to the fund balance of Nu. 212.711 million in June 2017. The increase was due to contribution in the form of annual fee from Tashi InfoCom for the year 2017, amounting to Nu. 48.562 million.

On the expenditure side, the Fund made an expense of Nu. 5.500 million to Bhutan Telecom Ltd., for establishment of microwave link in Lunana.

The Bhutan Information Communication Media Authority (BICMA) also manages the Media Development Fund (MDF) which is primarily used for development of media in the country. The fund balance as of 31<sup>st</sup> March, 2018 is Nu. 32.471 million compared to fund balance of Nu. 36.075 million as of 30<sup>th</sup> June, 2017. The decline in fund was on account of the expenditure during the year 2017 amounting to Nu. 7.124 million, while the Fund could generate an income of only Nu. 3.521 million.

The Fund received an income of Nu. 3.521 million from international and national film producers as filming permit fee (including the refundable security deposit), while the expenses were incurred for carrying out advocacy programmes, human capacity development for the Authority and expenses for review of films including refund of security deposits.

#### **9.1.4. Bhutan Health Trust Fund (BHTF)**

The Bhutan Health Trust Fund was launched on 12<sup>th</sup> May, 1998 at the World Health Organizations' Headquarters in Geneva and the Secretariat was established in April, 2000 in Thimphu with an initial fund of USD 1,922,871.460. As the Government has committed to double up the Trust Fund, following initiatives were taken during the FY 2017-18:

1. RGoB contributed Nu. 500.000 million,
2. Collected health contribution of Nu. 106.377 million,
3. Generated income from investments (bonds, fixed deposits and saving deposits) of Nu. 1,664.639 million,
4. Received income of Nu. 0.018 million from investment in Foreign Currency.
5. Mobilized donations of Nu. 10.721 million, and
6. Received income of Nu. 27.561 million from Lottery.

As a result, the fund balance increased to Nu. 3,900.351 million as of 31<sup>st</sup> March 2018, which is an increase of 57.04% over the previous year. Further, the ADB has committed a grant of USD 10 million under the project 'Strengthening of Health System'.

During the FY, expenditure from the Fund is Nu. 196.734 million of which Nu.7 6.00 million is on vaccines and Nu. 120.734 million on essential drugs.

## **9.2 Endowment Funds**

In order to promote research and support cultural preservation, the Government established endowment funds namely in education, research and art & culture. The endowment funds are implemented by relevant agencies based on the Operational Guidelines approved by the Government.

### **9.2.1. Sherig Endowment Fund**

The Sherig Endowment Fund (SEF), earlier referred to as the Bhutan Education Endowment Fund, was established with a seed money of Nu. 10 million on 2<sup>nd</sup> December 2013. The Fund's primary objective is to promote action research among schools to address challenges related to quality of teaching and learning, school management and emerging youth issues.



Since June, 2017, the Fund has spent Nu. 0.754 million on the research projects and received an interest income of Nu. 0.480 million. The Fund balance as of March, 2018 is Nu.9.555 million.

The Fund is implemented as per the Operational Guidelines for Endowment Fund.

### **9.2.2. Art and Culture Endowment Fund**

The Art Endowment Fund's seed money of Nu.10.00 million is currently deposited in the Bank of Bhutan and the earnings are used to support local film producers and the Bhutan Film Association.

### **9.2.3. National Research Endowment Fund**

This Fund was established for research initiatives based in Bhutan for which a budget of Nu.10 million was allocated in the FY 2017-18. The Royal University of Bhutan has been now entrusted to the implement the Fund to promote researches. A Governing Board for the Fund has been established under the Royal University of Bhutan

## **9.3 Other Funds**

### **9.3.1. The Bhutan Economic Stabilization Fund**

Bhutan Economic Stabilization Fund (BESF) has been established with a seed capital of Nu. 100 million based on the resolution of the 10<sup>th</sup> Session of the 2<sup>nd</sup> Parliament. The main objectives of BESF are to ensure macroeconomic stability and long term fiscal sustainability, support counter-cyclical measures during business cycle fluctuation and economic crises, smoothen fiscal path through savings during high revenue inflows and rationalize expenditure during downturns. In view of the importance, a draft Royal Charter for the governance of BESF has been submitted to His Majesty the Druk Gyalpo.

In keeping with the resolution of the 10<sup>th</sup> Session of the 2<sup>nd</sup> Parliament, for continuity and buildup of the Fund, a minimum of 5% of the royalty revenue from hydropower shall be transferred to BESF on an annual basis. For the FY 2018-19, based on the royalty revenue projection, Nu. 135.000 million has been provisioned for the Fund.

The RMA shall manage the Fund under a Board based on the rules and regulations issued by the Government.

### 9.3.2. Endowment Fund for Crop and Livestock Conservation

Endowment Fund for Crop and Livestock Conservation Fund has been established with seed capital of Nu. 50.00 million. Rules and regulations for the day-to-day management of the Fund has been drafted and draft Royal Charter has been submitted to His Majesty the Druk Gyalpo.

For continuity and buildup of the Fund, Nu. 20 million has been kept as RGOB contribution to the Fund and development partners will be invited to contribute to the Fund.

**Table 9.1: Position of Funds**

Nu. in million

Sl No.	Name of the Fund	Opening Balance as of June, 2017	FY 2018-19			
			Actual Income	Actual Expenditure	Fund Balance (31 <sup>st</sup> March, 2018)	% increase
1	Cultural Heritage Trust Fund	68.355	4.469	Nil	72.825	6.5
2	Bhutan Trust Fund for Environmental Conservation (USD in million)	51.955	2.369	1.480	52.844	1.7
3	Universal Service Fund for ICT	236.413	48.562	5.500	279.475	15.4
	a) Universal Service Fund b) Media Development Fund	32.463	3.521	7.124	28.860	-12.4
4	Bhutan Health Trust Fund	1,591.035	2,309.31	196.734	3,900.351	57.04
5	Sherig Endowment Fund	10.306	0.480	1.231	9.555	-7.2
6	Art Endowment Fund	10.00			10.00	-
7	National Research Endowment Fund	Nu.10.00 with secretariat being established under Royal University of Bhutan.				
8	Bhutan Economic Stabilization Fund	Nu.100.00 million in FY 2017-18, Nu, 135 million in FY 2018-19				
9	Endowment Fund for Crop and Livestock Conservation	Nu. 50.00 million FY 2017-18 and Nu. 20.00 million in FY 2018-19.				

## CHAPTER 10. HYDROPOWER DEVELOPMENT IN BHUTAN

### 10.1 Current situation

This chapter highlights the current status of the hydropower sector and its development. Hydropower is one of the largest sectors and the main driver of the Bhutanese economy. Given its contribution to the overall socio-economic development and to achieve the national aspiration of economic self-reliance, the Government continues to explore the possibilities of harnessing the hydropower potential of the country. Bhutan has an estimated hydropower potential of 30,000 MW out of which 23,760 MW is techno-economically feasible.

Currently, the country has tapped total hydroelectric generation capacity of 1,614 MW through Chhukha (336MW), Kurichhu (60MW), Basochhu I and II (64MW), Tala (1,020MW), Dagachhu (126MW) and some mini/micro hydropower plants (8MW) which accounts for about 5.38% of the total estimated potential.

The projects that are under construction and in the pipeline will harness another 6,243 MW of hydropower which will account for 20.81% of the estimated potential when they are fully commissioned, as shown in the table below:

**Table 10.1: Hydropower projects under construction and in the pipeline.**

Sl. #	Project	MW	Year of construction	Year of completion
1	Punatsangchhu-I	1,200	2008	2022/23
2	Punatsangchhu-II	1,020	2010	2020/21
3	Mangdechhu	720	2010	2018
4	Kholongchhu	600	2015	2023/24
5	Nikachhu	118	2015	2020
6	Sankosh	2,585	2019/20	2027/28
<b>Total</b>		<b>6,243</b>		

The construction start dates and completion dates are updated based on the actual progress of the on-going projects and the implementation discussions (Sankosh Project).

## 10.2 Financing modality

The hydropower projects involve huge investments and are implemented outside the purview of Five Year Plans and the annual budgets. However, the loan disbursements for hydropower projects are recorded in the total debt stock and reported to the Parliament through the audited Annual Financial Statements.

The financing modality for the Inter-Governmental (IG) and Joint Venture (JV) projects are defined in the bilateral agreements between the implementing governments. The bilateral agreement empowers the respective project authorities to implement the projects and disburse funds as per the work progress. The funds are directly disbursed to the project by the partner government (GoI). As per the bilateral agreement, projects developed under the IG mode are to be handed over to the RGoB by the project authority within two years of commissioning of the projects whereas the JV projects are to be developed on a concessionary basis and will be operated by the JV company for 30 years period from the commercial operation date after which the plants shall be reverted to RGoB in a good running condition at no cost. Other modes of development of hydropower are also being initiated by diversifying the financing sources, e.g. Nikachhu.

The existing projects being implemented are financed through Inter-Governmental (IG), Joint Venture and other mode as given in the table below:

**Table 10.2: Funding modality of the hydropower projects.**

Sl.	Project	MW	Funding Modality
1	Punatsangchhu-I	1,200	40% Grant and 60% Loan from GoI
2	Punatsangchhu-II	1,020	30% Grant and 70% Loan from GoI
3	Mangdechhu	720	30% Grant and 70% Loan from GoI
4	Kholongchhu	600	30% Equity and 70% Loan (JV between DGPC and SJVNL, DGPC's equity share given as grant by GoI)
5	Nikachhu	118	35% Equity and 65% Loan from ADB
6	Sankosh *	2585	30% Grant and 70% Loan (IG mode of development)

*\*Project implementation under discussion with GoI.*

### **10.3 Financial progress of on-going projects**

Currently, there are five hydropower projects that are at various stages of construction namely the Punatsangchhu-I, Punatsangchhu-II, Mangdechhu, Kholongchhu and Nikachhu hydroelectric projects.

Brief financial progress of each project is as follows:

#### **i. Punatsangchhu - I Hydroelectric Project**

Punatsangchhu-I hydroelectric project (1,200MW) started in Nov. 2008 and is scheduled to be commissioned in 2022/23.

The cost estimate for the project has been revised to Nu. 93,756.00 million mainly due to numerous geological issues. As on January 2018, Nu. 74,693.00 million has been disbursed and 83.74% of the works have been completed.

#### **ii. Punatsangchhu - II Hydroelectric Project**

Punatsangchhu - II hydroelectric project (1,020MW) started in Dec. 2010 and is scheduled to be commissioned in 2020/21. The cost estimate for the project has been revised to Nu. 72,906.20 million in July 2016.

As of January 2018, total of Nu. 42,037.23 million has been disbursed and 74.06% of the works of the project has been completed.

With the two projects being delayed due to geological challenges, the RGoB is constantly pursuing with GOI to expedite on the finalization and implementation of the remedial measures.

#### **iii. Mangdechhu Hydroelectric Project**

Mangdechhu Hydroelectric Project (720 MW) started in August 2010 and is scheduled to be commissioned in October/November 2018. The cost estimate for the project has been revised to Nu. 46,723.80 million (March 2016 PL). The cost of completion is projected to be within the approved 2<sup>nd</sup> RCE costs except for cost escalation on account of inflation. However, the actual completion cost will be known only after completion of the project and closing of all contracts.

As of January, 2018, total of Nu. 41,730 million has been disbursed and 92.52% of the works has been completed.

#### **iv. Kholongchhu Hydroelectric Project**

Kholongchhu hydroelectric Project (600MW) is the first joint venture between DGPC and a public sector undertaking (PSU) of India. The total cost of the project is estimated to be Nu. 31,436.39 million (March, 2011 PL).

As on January 2018, the project has spent Nu. 1,904.647 million, out of which GoI has released RGoB's equity component of Nu. 996.595 million for DGPC and Nu. 996.595 million was released by SJVNL.

#### **v. Nikachhu Hydroelectric Project**

The Nikachhu hydroelectric project (118 MW) is being implemented by Tangsibji Hydro Energy Limited (THyE), a 100% subsidiary company of Druk Green Power Corporation Limited (DGPC), which was incorporated on 25<sup>th</sup> April 2014 as a special purpose vehicle. The project is scheduled to be completed in April 2020. The project cost is estimated to be Nu. 11,964.587 million with 35% equity and 65% loan arrangement from the ADB.

As on January 2018, the project has spent Nu. 2,098.33 million and has achieved a physical progress of 11.4%.

### **10.4 Hydropower revenue**

The gross revenue of the hydropower sector comprises of revenue from the sale of electricity through exports and domestic consumption. After meeting their operating expenses and debt repayments, the net contribution to the Government comes in the form of corporate tax, dividend, profit transfers, royalty and interest receipts. On an average, the hydropower sector contributes around 45% of the gross revenue to the Government. This contribution accounts for about 25% of the government's total domestic revenue.

#### **10.4.1. DGPC performance**

The total hydroelectricity generation in 2017 was 7,248.92 Million units (MU), a decrease of 4.2% from the 2016 generation. The electricity revenue was Nu. 12.277 billion in 2017 as compared to Nu. 12.883 billion in 2016, a decrease of 4.71%.

The electricity revenue decreased by 4.71% to Nu. 12.277 billion in 2017 from the 2016 revenue of Nu. 12.883 billion. In 2017, tax has been assessed at Nu. 2,137.48 million, earned a net profit of Nu. 5,176.48 million, a decrease of 7.2% from 2016 and contributed royalty revenue of Nu. 2,275.58 million compared to Nu. 1,560.19 million in 2016.

The decrease in electricity revenue by 4.71% in 2017 was mainly on account of decrease in generation compared to 2016, increase in domestic demand and remitting royalty revenue assessed at highest export tariff to RGoB.

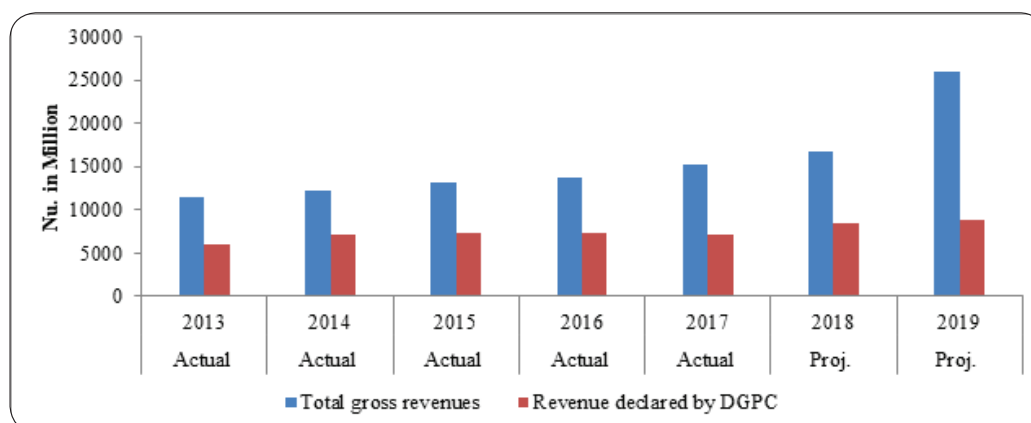
#### **10.4.2. BPC Performance**

The total domestic electricity sale in 2017 was 2,185.75 MU which generated revenue of Nu. 6,627.18 million, which is an increase of 38.10% from 2016. The purchase of power for the year is Nu. 3,699.27 million as compared to Nu. 1,408.26 million in 2016.

The variance is due to increase in purchase of power price effective from January 1, 2017. BPC serves more than 185,130 customers with addition of 7,979 new connections during 2017 and has achieved over 99.98% rural electrification. In 2017, tax has been assessed at Nu. 564.60 million and earned a net profit of Nu. 1,327.96 million, a decrease of 15.77% from 2016.

With commissioning of Mangdechhu hydropower project in 2018, the revenue contribution to Government is expected to increase by 10.62%. The revenue forecast will undergo changes if the underlying assumptions such as date of commissioning of the pipelined projects changes.

**Graph 10.1: Contribution of revenue from hydropower to Government revenue**



	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.
Year	2013	2014	2015	2016	2017	2018	2019
Gross revenue	11484.2	12276.2	13112.7	13680.5	15208.3	16699.8	25952.4
Revenue declared by DGPC	6022.87	7050.78	7307.09	7388.40	7042.82	8428.21	8760.08

The hydropower sector not only generates revenue for the government but also invigorates the economy by boosting other economic sectors and related activities in the domestic economy. The impact of hydropower sector on the overall economy is enormous and it is important to harness the potential while taking into account of other macroeconomic impacts of increased hydropower sector investment.

### 10.5 Up-coming hydroelectric projects

The following are identified pipeline hydropower projects on which studies have been initiated:

- i. The DPR studies for Nyera Amari-I&II (442 MW) (integrated) is under progress and is expected to complete soon,
- ii. The DPR for Dorjilung Hydroelectric Project (1,125 MW) has been completed and submitted to RGoB for implementation decision,
- iii. The DPR study of Kuri-Gongri Hydroelectric Project which was suspended in 2014 has been reinstated by GoI and the DPR works have been resumed from June, 2016 and is expected to be completed by mid-2019.



- iv. The DPR study of Sankosh Hydroelectric Project has been approved by Central Electricity Authority, GoI in August 2017 at estimated cost Nu. 157,095.90 million (April 2016 PL) which includes interests during construction & the financing charges.

In efforts to build national capacity, the Government has engaged CDCL in the construction of drifts/adits/tunnels of Nyera Ameri and Nikachhu projects. A part of the HRT construction in Kholongchhu hydroelectric project will also be awarded to CDCL.

To diversify hydropower value chain, the RGoB approved establishment of hydropower components manufacturing unit and joint venture for manufacturing automation & SCADA systems. The DGPC will be investing over Nu. 337.242 million for establishing the manufacturing units. The BHSL in Jigmeling, Gelephu, for the first time, will be manufacturing one of the Francis runners for the 180 MW Bajoli Holi project in Himachal Pradesh, India. Besides, import substitution, such units will, in a long run, build local competencies.

Considering the size of hydropower investments with respect to the size of Bhutanese economy and its macroeconomic implication, the Government continues to be mindful of the adverse impacts of hydropower development and investments on the economy.

## CHAPTER 11 FOREIGN DIRECT INVESTMENT

### 11.1 Overview

The chapter outlines status of Foreign Direct Investments (FDI) and its trends in Bhutan. FDI, in addition to the conventional positive impacts of inflow of capital, skills and technology, can also impact the economy positively through employment generation and enhancing competition in the domestic economy.

FDI in Bhutan are guided by relevant policies such as the FDI policy and the Economic Development Policy mainly to achieve the following objectives:

- i. Development of green and sustainable economy;
- ii. Promotion of socially responsible and ecologically sound industries;
- iii. Promotion of culturally and spiritually sensitive industries;
- iv. Investments in services that promote Brand Bhutan;
- v. Creation of knowledge society;

As of 31<sup>st</sup> December 2017, Bhutan has around 57 active projects; 40 under operation and 17 under construction, spread across the sectors as given in the table below.

**Table 11.1: FDI in Bhutan**

Sector	No of Projects
Diary, Agro, Water bottling and Beverage projects	8
Financial Services	4
Hotels	22
Other Manufacturing sector	14
Other Services	9
Total	57

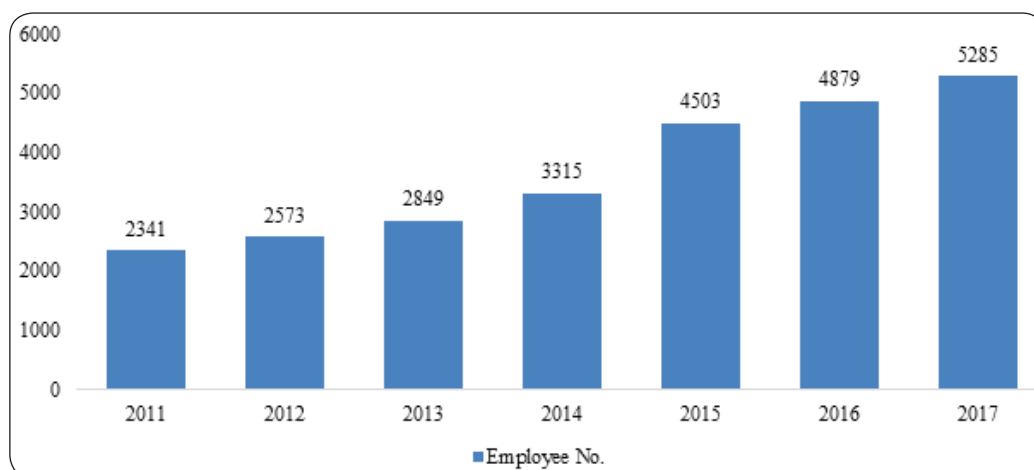
Out of the total of 57 FDIs in Bhutan, 68% have come from Asia with FDI from India accounting for the majority. The next highest inflows are from North America with around 17% followed by Europe and Oceania with 9% and 5% respectively. Some of the leading countries investing in Bhutan are India, Singapore, British Virgin Island and Thailand.

## 11.2 Macroeconomic contribution of FDI

### 11.2.1. Employment

As of December 2017, a total of 5,285 people are employed by the FDI projects which increased by 8% as compared to 2016. In 2017, 406 more people were employed in the six companies; 55 in the two companies that are under operation and 351 in the four companies that are under construction.

*Graph 11.1: Employment in the FDI projects*



Apart from employment generation, the FDI companies contribute to the society through development of human resource capacity. In 2016, 24 FDI companies provided skills development to around 1,255 Bhutanese employees.

## 11.3 Revenue to Government

Total tax contribution made by the FDI companies during 2016 was Nu. 1,580.68 million which comprised of corporate income tax of Nu. 970.28 million and Nu. 610.4 million from other indirect taxes.

### 12.3.1 FDI's contribution to the foreign exchange reserve build –up

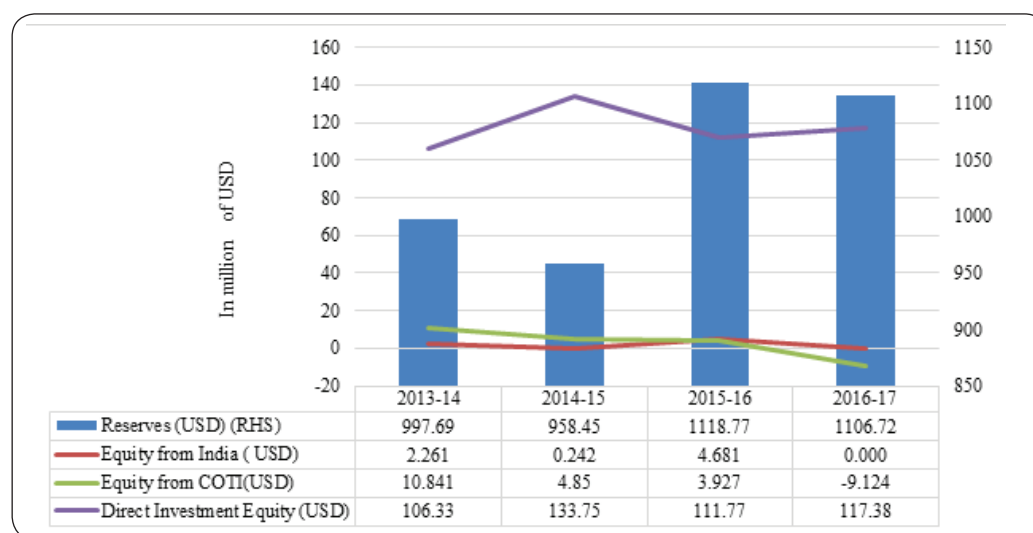
Inflow of foreign currency through the FDI helps the country finance its current account deficit and also build up reserves. Although growth in FDI initially may increase imports, there will be long-run positive impact in the economy as it will improve productivity and enhance export potential.

The total stock of FDI flows during the FY 2016-17 was USD 117.38 million. Since January 2014, the average inflow of capital in the form of FDI equity amounts to around USD 0.805 million.

The net flow of equity capital in 2016-17 was negative of USD 9.124 million indicating outflow of capital from the economy. The negative net inflow was on account of the divestment of IFC equity worth USD 13 million from Bhutan National Bank Ltd. An inflow of USD 5 million during the same year reduced the net inflow.

The flow of capital on account of the FDIs has minimal impact on the accumulation of reserves as most of the FDIs drive imports inducing trade deficits which in turn offsets surplus of capital and financial account. However, FDIs give other benefits to the country such as employment and technology transfer.

**Graph 11.2: FDI impact on reserves**



## CONCLUSION

FY 2018-19 is a special year as Government's tenure will complete by August 2018 and the 12FYP is to be approved by new Government. Since this is a unique situation and to set good precedence, an Interim Budget has been submitted to the House for consideration.

The Interim Budget is very important for ensuring economic stability and maintaining continuity of the Government as capital budget has been allocated for spillover activities, critical regular activities, ongoing donor funded activities and loan repayment.

However, as there is limited spillover and critical activities at the Local Government level, most of the Dzogkhags, Gewogs and Thromdes will receive minimal capital allocation under the Interim budget. This is mainly due to the fact that the Dzongkhags, Gewogs and Thromdes have completed all 11FYP activities. With respect to the critical regular activities, support will be provided by the relevant central agencies for ensuring timely delivery of mandatory and essential public services. As such, it will be important to make optimal use of the allocated budget at every level.

The Government is confident that the Hon'ble Members will find the Interim Budget for FY 2018-19 acceptable and pass the Budget Appropriation Bill for FY 2018-19 and Supplementary Budget Appropriation Bill for FY 2017-18 expeditiously.

The Royal Government, on behalf of the people, pay tribute to His Majesty the King and His Majesty the Drukgyal Zhipa for their continued guidance and concern for the welfare of the people of Bhutan.

May the guardian deities of the glorious Palden Drukpa forever protect the nation and people for peace, prosperity and happiness.

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## ANNEXURES

### *Annexure 1. Agency wise list of Spillover , Critical/ regular, Loan repayment and ongoing donor funded activities*

Nu. in million

Sl. No	AGENCY	RGOB funded activities		Loan Repayment/ On-Lending	On-going external funded activities	Total
		Spillover	Critical regular			
<b>Ministries</b>						
1	Ministry of Education	299.910	-		285.725	585.635
2	Ministry of Health	43.000	138.690		425.768	607.458
3	Ministry of Agriculture and forests	38.916	3.100		878.106	920.122
4	Ministry of Home and Cultural Affairs	158.568	-		418.628	577.196
5	Ministry of Finance	938.175	1,595.457	3,713.216	60.963	6,307.811
6	Ministry of Labour and Human Resources	153.532	45.585		92.628	291.745
7	Ministry of Economic Affairs	12.195	4.450		295.025	311.670
8	Ministry of Information and Communication	56.732	34.866		79.500	171.098
9	Ministry of Works and Human Settlement	729.926	280.000		1,777.866	2,787.792
10	Ministry of Foreign Affairs	2.500	-		-	2.500
<b>Total of Ministries</b>		<b>2,433.454</b>	<b>2,102.148</b>	<b>3,713.216</b>	<b>4,314.209</b>	<b>12,563.027</b>
1	Judiciary	17.000	-		20.000	37.000
<b>Total of Judiciary</b>		<b>17.000</b>	<b>-</b>		<b>20.000</b>	<b>37.000</b>
1	Royal Civil Service Commission	30.854	28.245		33.117	92.216
2	Election Commission of Bhutan	-	30.226		-	30.226
3	Royal Audit Authority	5.911	-		27.640	33.551
4	Anti-Corruption Commission	26.355	-		-	26.355
<b>Total of Constitutional Bodies</b>		<b>63.120</b>	<b>58.471</b>		<b>60.757</b>	<b>182.348</b>
1	National Environment Commission				16.580	16.580
2	National Statistics Bureau				-	-
3	Bhutan Narcotic Control Authority	-	-		-	-
4	Drug Regulatory Authority	-	-		0.350	0.350
5	National Commission for Women and Children	-	-		12.585	12.585

Sl. No	AGENCY	RGOB funded activities		Loan Repayment/ On-Lending	On-going external funded activities	Total
		Spillover	Critical regular			
6	Khesar Gyalpo University of Medical Sciences of Bhutan	-	14.000		21.625	35.625
7	Jigme Dorji Wangchuck National Referral Hospital	40.000	77.550		-	117.550
8	Construction Development Board	-	-		-	-
9	Bhutan Medical and Health Council (BMHC)	-	1.300		-	1.300
10	National Assembly of Bhutan	-	-		1.109	1.109
11	National Council of Bhutan	-	25.280		-	25.280
12	Council for Religious Affairs	1.000	20.000		15.918	36.918
13	Cabinet Secretariat	-	-		-	-
14	Bhutan Olympic Committee	14.000	6.245		25.650	45.895
15	Dzongkhag Development Commission	-	-		-	-
16	National Land Commission	-	-		-	-
17	Gross National Happiness Commission	-	-		82.866	82.866
18	Bhutan Infocom and Media Authority	-	-		89.703	89.703
19	Tourism Council of Bhutan	-	1.100		2.340	3.440
20	HM Secretariat	-	-		-	-
21	HM Secretariat (4th King)	-	-		-	-
22	Royal Institute of Management	-	10.546		10.882	21.428
23	Royal University of Bhutan	28.196	12.700		266.627	307.523
24	Royal Education Council	-	-		-	-
25	Bhutan Council for School Examination and Assessment	-	-		-	-
26	Bhutan Standard Bureau	-	0.600		-	0.600
27	Jigme Singye Wangchuck School of Law	-	5.040		237.465	242.505
28	Bhutan National Legal Institute	-	-		3.633	3.633
29	National Centre for Hydrology and Meteorology	-	-		60.727	60.727

Sl. No	AGENCY	RGOB funded activities		Loan Repayment/ On-Lending	On-going external funded activities	Total
		Spillover	Critical regular			
30	Centre for Bhutan Studies and GNH Research	107.783	-		-	107.783
31	Office of The Attorney General	-	-		-	-
32	Royal Privy Council	-	6.710		-	6.710
<b>Total of Autonomous</b>		<b>190.979</b>	<b>181.071</b>		<b>848.060</b>	<b>1,220.110</b>
<b>Dzongkhags</b>						
1	Bumthang	-	-		2.361	2.361
2	Chukha	16.000	-		36.000	52.000
3	Dagana	20.343	-		-	20.343
4	Gasa	20.000	-		-	20.000
5	Haa	-	-		-	-
6	Lhuntse	15.800	-		17.504	33.304
7	Mongar	31.320	-		28.177	59.497
8	Paro	2.000	-		-	2.000
9	Pema Gatshel	10.921	-		33.060	43.981
10	Punakha	1.600	-		-	1.600
11	Samtse	-	1.200		-	1.200
12	Samdrup Jongkhar	1.000	-		24.594	25.594
13	Sarpang	27.463	-		4.684	32.147
11	Thimphu	6.501	-		-	6.501
14	Trashhi Yangtse	5.000	-		17.699	22.699
15	Trongsa	3.455	-		12.050	15.505
16	Trashigang	7.000	-		97.113	104.113
17	Tsirang	-	0.500		1.000	1.500
10	Wangdue	6.000	0.300		-	6.300
5	Zhemgang	-	-		4.685	4.685
<b>Total of Dzongkhags</b>		<b>174.403</b>	<b>2.000</b>	<b>-</b>	<b>278.927</b>	<b>455.330</b>
<b>1</b>	<b>Gewogs (205)</b>	<b>4.600</b>	<b>-</b>		<b>-</b>	<b>4.600</b>
1	Thimphu Thromde	17.800	-		-	17.800
2	Gelephu Thromde	-	-		-	-
3	Phuentsholing Thromde	-	-		-	-
4	Samdrupjongkhar Thromde	5.300	-		-	5.300
<b>Total of Thromdes</b>		<b>23.100</b>	<b>-</b>		<b>-</b>	<b>23.100</b>
<b>Grand Total</b>		<b>2,906.656</b>	<b>2,343.690</b>	<b>3,713.216</b>	<b>5,521.953</b>	<b>14,485.515</b>



## Annexure 2: Economic classification of expenditure

Nu. in million

I -CURRENT EXPENDITURE				
Sl. No	Economic Classification	Amount	% of total current expdt	% of the total Expdt
1	Pay and Allowances	9,086.730	31.25%	22.80%
2	Other Personnel Emoluments	968.853	3.33%	2.43%
3	Medical Benefits - In country	10.632	0.04%	0.03%
4	Medical Benefits - Outside Bhutan	368.921	1.27%	0.93%
5	Special Allowance	69.066	0.24%	0.17%
6	Special Allowance - Kidu/Pensioners	5.287	0.02%	0.01%
7	Stipends	590.458	2.03%	1.48%
8	Travel - In country	1,811.945	6.23%	4.55%
9	Travel - Outside Bhutan	195.658	0.67%	0.49%
10	Utilities -Telephones, Telex, Fax, E-mail, Internet	299.765	1.03%	0.75%
11	Utilities -Telegram, Wireless Transmission, Postage	35.765	0.12%	0.09%
12	Utilities - Electricity, Water, Sewerage	241.017	0.83%	0.60%
13	Utilities - Fuelwood	57.743	0.20%	0.14%
14	Rental of Properties - Buildings	206.506	0.71%	0.52%
15	Rental of Properties - Vehicles	11.265	0.04%	0.03%
16	Rental of Properties - Others	0.398	0.00%	0.00%
17	Rental of Properties - Furniture, Equipment & Land	3.993	0.01%	0.01%
18	S & M - Office Supplies, Printing, Publications	302.189	1.04%	0.76%
19	S & M - Medicines & Laboratory Consumables	752.940	2.59%	1.89%
20	S & M - Fertilizers, Chemicals, Manures, Inoculants	17.949	0.06%	0.05%
21	S & M - Seeds, Seedlings	24.914	0.09%	0.06%
22	S & M - Animal Feeds	104.770	0.36%	0.26%
23	S & M - Uniforms, Extension Kits, Linens	153.109	0.53%	0.38%
24	S & M - Text Books, Library Books, Stationeries & Sports Item	206.638	0.71%	0.52%
25	S & M - Patient Diet	36.060	0.12%	0.09%
26	S & M - Diet	162.633	0.56%	0.41%
27	Maintenance of Property - Buildings	165.981	0.57%	0.42%
28	Maintenance of Property - Vehicles	316.745	1.09%	0.79%
29	Maintenance of Property - Roads	328.910	1.13%	0.83%

30	Maintenance of Property - Bridges	8.960	0.03%	0.02%
31	Maintenance of Property - Equipment	163.909	0.56%	0.41%
32	Maintenance of Property - Plantations	18.732	0.06%	0.05%
33	Maintenance of Property - Computers	37.314	0.13%	0.09%
34	Maintenance of Property - Water supply, Sewerage, Playfield	8.935	0.03%	0.02%
35	Op. Exp. - Advertising	48.282	0.17%	0.12%
36	Op. Exp. - Taxes, Duties, Royalties, Fees, Handling Charges, Bank Charges	53.345	0.18%	0.13%
37	Op. Exp. - Transportation	104.044	0.36%	0.26%
38	Op. Exp. - Energy/Propulsion Charges	0.880	0.00%	0.00%
39	Op. Exp. - Items for Processing/Manufacturing	10.455	0.04%	0.03%
40	Op. Exp. - In country Meetings and Celebrations	660.152	2.27%	1.66%
41	Op. Exp. - Survey/Census	63.702	0.22%	0.16%
42	Hospitality & Entertainment	68.788	0.24%	0.17%
43	Current Grants - Individuals/Non-profit Orgs.	5,796.466	19.94%	14.55%
44	Current Grants - Sungchop	389.139	1.34%	0.98%
45	Current Grants - Rural Life Insurance Scheme	1.896	0.01%	0.00%
46	Current Grants - Financial Institutions	65.450	0.23%	0.16%
47	Current Grants - Non-Financial Institutions	332.697	1.14%	0.83%
48	Subscriptions to International Organization	91.531	0.31%	0.23%
49	Contributions - Provident Fund	758.483	2.61%	1.90%
50	Retirement Benefits	260.798	0.90%	0.65%
51	General Provisions	2,026.372	6.97%	5.09%
52	Interest Payment - Internal	253.560	0.87%	0.64%
53	Interest Payment - External	1,314.437	4.52%	3.30%
<b>A: TOTAL CURRENT EXPENDITURE</b>		<b>29,075.167</b>	<b>100.00%</b>	<b>72.97%</b>
<b><i>CAPITAL EXPENDITURE</i></b>				
1	Training - Human Resource Development	444.933	4.13%	1.12%
2	Training - Others	1,022.105	9.49%	2.57%
3	Exp. on Structure - Buildings	2,721.665	25.27%	6.83%
4	Exp. on Structure - Roads (incl.culverts,drns)	1,678.076	15.58%	4.21%
5	Exp. on Structure - Bridges	175.892	1.63%	0.44%
6	Exp. on Structure - Irrigation Channels	232.842	2.16%	0.58%
7	Exp. on Structure - Drainage Systems	1.500	0.01%	0.00%
8	Exp. on Structure - Water Supply & Sanitation	910.951	8.46%	2.29%
9	Exp. on Structure - Plantations	115.481	1.07%	0.29%

10	Exp. on Structure - Others	242.789	2.25%	0.61%
11	Plant & Equipt. - Power Generation	7.889	0.07%	0.02%
12	Plant & Equipt. - Telecommunications	20.660	0.19%	0.05%
13	Plant & Equipt. - Agricultural Machineries	4.600	0.04%	0.01%
14	Plant & Equipt. - Livestock	79.427	0.74%	0.20%
15	Plant & Equipt. - Hospital/Lab. Equipment	249.259	2.31%	0.63%
16	Plant & Equipt. - General Tools, Instruments	306.959	2.85%	0.77%
17	Purchase of Vehicles	94.000	0.87%	0.24%
18	Furniture	25.227	0.23%	0.06%
19	Office Equipment	12.703	0.12%	0.03%
20	Computers & Peripherals	12.099	0.11%	0.03%
21	Professional Services	523.952	4.86%	1.31%
22	General Provisions	1,373.226	12.75%	3.45%
23	Capital Grants - Individuals/Non-Profit Orgs.	280.257	2.60%	0.70%
24	Capital Grants - Financial Institutions	16.000	0.15%	0.04%
25	Capital Grants - Non-Financial Institutions	74.558	0.69%	0.19%
26	Acquisition of Equities/Shares	145.249	1.35%	0.36%
<b>B: TOTAL CAPITAL EXPENDITURE</b>		<b>10,772.299</b>	<b>100.00%</b>	<b>27.03%</b>
<b>Total Expenditure (A+B)</b>		<b>39,847.466</b>		<b>100.00%</b>
<b>LENDING EXPENDITURE</b>				
1	Loans - Enterprises	28.880		
<b>TOTAL LENDING EXPENDITURE</b>		<b>28.880</b>		
<b>REPAYMENT EXPENDITURE</b>				
1	Repayment of Debt Principal - Internal	1,668.245		
2	Repayment of Debt Principal - External	2,016.091		
<b>TOTAL REPAYMENT EXPENDITURE</b>		<b>3,684.336</b>		
<b>TOTAL BUDGET APPROPRIATION</b>		<b>43,560.682</b>		

### Annexure 3: Direct and indirect shareholding in SOE and linked companies

Direct shareholdings						
Sl. No	Corporations	Shareholding as on 31/12/2017				
		% Holding	No. of shares	Value (Mill. Nu.)	Reserves (Mill. Nu.)	Total Equity (Mill. Nu.)
1	Druk Holding & Investments Ltd	100%	459,462,029	45,946.20	7,401.10	53,347.30
<b>I</b>	<b>Manufacturing</b>			<b>87.60</b>	<b>1,438.59</b>	<b>1,526.18</b>
2	Army Welfare Project	100%	25,200	25.20	1,229.88	1,255.08
3	Bhutan Agro Industries Limited	100%	290,636	29.06	203.56	232.62
4	Bhutan Livestock Development Corporation Ltd	100%	3,333,300	33.33	5.15	38.49
5	Menjong Sorig Pharmaceuticals Corporation Ltd.					
<b>II</b>	<b>Trading</b>			<b>176.54</b>	<b>329.41</b>	<b>505.95</b>
6	Food Corporation of Bhutan	100%	15,000	15.00	318.50	333.50
7	Bhutan Duty Free Ltd	100%	1,155,441	115.54	11.66	127.21
8	Royal Bhutan Lottery Ltd	100%	460,000	46.00	-0.75	45.25
<b>III</b>	<b>Services</b>			<b>3,729.19</b>	<b>901.38</b>	<b>4,630.57</b>
9	Bhutan Postal Corporation	100%	235,952	23.60	140.87	164.47
10	Bhutan Broadcasting Service Limited	100%	1,308,351	130.84	408.09	538.93
11	Royal Bhutan Helicopter Services Ltd	100%	6,000,000	600.00	71.34	671.34
12	Green Bhutan Corporation	100%	330,000	33.00	0.00	33.00
13	Farm Machinery Corporation Ltd	100%	333,000	33.30	0.00	33.30
14	National Housing Development Corp	100%	27,279,610	2,727.96	92.25	2,820.21
15	Financial Institutions Training Institute Ltd.	100%	13,000,000	130.00	11.33	141.33
16	Credit Information Bureau of Bhutan Ltd.	100%	2,500,000	25.00	20.28	45.28
17	Kuensel Corporation	51%	255,000	25.50	157.22	182.72
<b>IV</b>	<b>Financial Institutions</b>			<b>500.35</b>	<b>1,898.13</b>	<b>2,398.48</b>
18	Bhutan Development Bank	96%	4,853,502	485.35	1,928.02	2,413.37
19	Rural Enterprise Development Corporation	100%	150,000	15.00	-29.89	-14.89
	<b>TOTAL</b>			<b>50,439.88</b>	<b>11,968.61</b>	<b>62,408.49</b>

<b>Indirect shareholdings through DHI</b>						
<b>Sl. No</b>	<b>Corporations</b>	<b>Shareholding as on 31/12/2017</b>				
		<b>% Holding</b>	<b>No. of shares</b>	<b>Value (Mill. Nu.)</b>	<b>Reserves (Mill. Nu.)</b>	<b>Total Equity (Mill. Nu.)</b>
<b>I</b>	<b>Manufacturing</b>			<b>7,075.99</b>	<b>(1,494.33)</b>	<b>5,581.66</b>
1	Penden Cement Authority Limited	44.74%	1,521,163	152.12	479.36	631.48
2	Bhutan Board Products Limited	47.74%	668,367	66.84	33.01	99.84
3	Bhutan Ferro Alloys Limited	25.73%	3,859,500	38.60	401.05	439.64
4	Natural Resource Development Corporation Ltd.	100%	450,000	45.00	483.73	528.73
5	Dungsam Cement Corporation	100%	63,739,479	6,373.95	(2,900.39)	3,473.56
6	Dungsam Polymers	51%	4,218,899	42.19	(52.76)	(10.57)
7	Koufuku International Pvt. Ltd	80%	400,000	40.00	(41.72)	(1.72)
8	State Mining Corporation	100%	2,439,900	243.99	51.86	295.85
9	Wood Craft Center Ltd	100%	733,177	73.32	51.53	124.85
<b>II</b>	<b>Energy</b>			<b>39,770.81</b>	<b>19,871.25</b>	<b>59,642.06</b>
10	Druk Green Power Corporation	100%	30,712,866	31,545.69	14,401.57	45,947.26
11	Bhutan Power Corporation	100.00%	25,000	8,225.12	5,469.68	13,694.80
<b>II</b>	<b>Trading</b>			<b>91.80</b>	<b>132.19</b>	<b>223.99</b>
12	State Trading Corporation of Bhutan	51.00%	9,180,082	91.80	132.19	223.99
<b>III</b>	<b>Services</b>			<b>4,295.26</b>	<b>4,034.46</b>	<b>8,329.72</b>
13	Druk Air Corporation	100.00%	22,252,111	2,225.21	675.07	2,900.28
14	Bhutan Telecom Corporation	100.00%	854,082	854.08	3,380.00	4,234.08
15	Thimphu Tech Park Ltd.	100.00%	2,254,045	222.90	20.53	243.44
16	Construction Development Corporation Ltd	100.00%	993,061	993.06	(41.14)	951.92
<b>IV</b>	<b>Financial Institutions</b>			<b>3,849.57</b>	<b>3,271.50</b>	<b>7,121.07</b>
17	Bhutan National Bank Ltd.	11.50%	37,857,264	378.57	363.10	741.68
18	Bank of Bhutan Ltd.	80.00%	24,000,000	3,000.00	2,319.34	5,319.34
19	Royal Insurance Corporation of Bhutan Ltd.	39.25%	47,100,000	471.00	589.06	1,060.06
	<b>TOTAL</b>			<b>55,083.43</b>	<b>25,815.08</b>	<b>80,898.51</b>

#### Annexure 4: Revenue and profitability of SOEs

(Nu. in million)

Corporation	Year	Gross Revenue	Op. Expense	Profit Before Tax	Net Profit
DHI	2013	4756.16	218.09	4538.07	3176.42
	2014	5744.67	191.81	5552.86	3887.36
	2015	6291.27	112.75	6178.53	4322.76
	2016	7383.74	120.25	7263.50	5082.80
	2017	7922.98	155.95	7767.03	5440.97
<b>Manufacturing</b>					
AWP	2013	926.71	687.84	208.59	142.82
	2014	1177.66	892.45	254.67	174.11
	2015	1319.97	962.58	357.39	250.17
	2016	1591.73	1180.81	410.93	274.43
	2017	1545.95	1033.69	412.26	288.58
BAIL	2013	122.41	103.34	15.21	10.27
	2014	144.81	121.64	17.89	12.03
	2015	166.58	129.37	30.48	21.72
	2016	191.00	144.81	47.11	33.16
	2017	197.58	154.77	42.81	29.99
BBPL	2013	331.17	287.83	55.89	45.71
	2014	329.94	321.04	8.89	6.22
	2015	340.72	330.11	10.61	7.50
	2016	333.10	322.07	11.04	7.57
	2017	288.81	303.84	-15.12	-19.19
BFAL	2013	2298.54	2134.07	164.47	115.79
	2014	2025.09	1739.33	285.76	189.35
	2015	2053.41	1957.32	96.09	66.52
	2016	1892.07	1888.98	3.09	2.05
	2017	2475.41	2172.56	302.85	211.59
BLDCL	2017	3.39	14.20	-10.80	-10.80
DCCL	2014	1598.43	2728.20	-1129.70	-1129.70
	2015	2600.83	3655.16	-1054.30	-1054.30
	2016	3387.22	4142.41	-755.18	-538.81
	2017	3412.63	4128.12	-715.48	-715.48

Corporation	Year	Gross Revenue	Op. Expense	Profit Before Tax	Net Profit
DPL	2013	81.45	93.26	-24.90	-24.90
	2014	105.35	133.43	-28.00	-28.10
	2015	145.99	151.53	-5.50	5.54
	2016	160.02	179.84	-19.82	-20.02
	2017	146.10	152.69	-6.59	-6.26
Koufuku International Ltd.	2015	0.59	26.65	-26.00	-26.00
	2016	2.67	32.77	-30.10	-30.10
	2017	35.80	31.78	4.01	4.01
MSPCL	2017	0.00	0.00	0.00	0.00
NRDCL	2013	409.08	366.23	42.85	30.83
	2014	396.60	387.22	9.38	7.08
	2015	428.38	401.18	27.20	18.53
	2016	431.68	394.87	36.81	20.52
	2017	459.01	150.60	-44.27	-44.27
PCAL	2013	1937.54	1516.08	421.46	272.04
	2014	1747.24	1438.36	308.88	208.01
	2015	1635.22	1478.67	173.73	118.82
	2016	1803.78	1539.38	264.40	183.30
	2017	1631.09	1461.33	206.74	151.06
SMCL	2015	0.28	11.63	-11.35	-11.39
	2016	63.70	66.93	-3.23	-3.99
	2017				
WCCL	2013	72.13	63.07	7.17	4.21
	2014	80.41	70.87	9.54	6.10
	2015	79.36	73.39	5.97	4.36
	2016	87.98	78.83	9.15	6.50
	2017				
<b>Energy</b>					
DGPCCL	2013	13051.66	5533.95	7526.47	5254.19
	2014	13905.77	6686.26	7219.51	5031.38
	2015	14258.09	6855.54	7402.55	5150.95
	2016	14624.05	6665.28	7958.77	5548.17
	2017	12470.75	5200.75	7270.01	4983.32

Corporation	Year	Gross Revenue	Op. Expense	Profit Before Tax	Net Profit
BPCL	2013	6420.29	5047.84	1372.46	963.27
	2014	7275.06	5681.97	1593.09	1002.97
	2015	9769.65	7798.03	1971.62	1380.74
	2016	11757.02	9546.49	2210.53	1547.98
	2017	11507.14	9614.59	1892.55	1327.96
<b>Services</b>					
Bhutan Postal Corporation	2013	125.53	103.42	21.72	15.74
	2014	115.40	109.60	8.32	4.42
	2015	131.18	124.61	6.57	4.64
	2016	152.26	141.83	10.43	7.11
	2017	157.07	139.90	17.17	10.56
Bhutan Telecom Ltd.	2013	2328.43	1654.64	675.25	420.97
	2014	2401.47	1701.63	697.03	474.74
	2015	2717.14	1967.66	748.69	516.00
	2016	3067.83	1789.21	1278.62	862.70
	2017	3203.81	1955.72	1248.09	838.98
Druk Air Corporation Ltd.	2013	2985.46	2889.24	217.30	124.89
	2014	2895.64	3040.41	-102.80	-135.90
	2015	2697.75	2745.46	-21.50	-21.50
	2016	3056.13	2947.49	108.64	99.02
	2017	3526.45	3024.74	540.07	348.62
CDCL	2013	526.19	523.40	2.79	1.95
	2014	402.54	401.79	0.75	-1.90
	2015	475.39	435.05	40.34	28.24
	2016	495.16	523.20	-28.04	-28.04
	2017	689.13	696.70	-7.56	-7.49
DHI Infra	2013	27.49	16.93	10.56	7.36
	2014	84.09	78.98	5.11	3.29
	2015	11.41	21.98	-10.50	-7.30
	2016	17.95	19.35	-1.40	-1.24
Thimphu Tech Park Ltd.	2013	5.04	29.58	-24.50	-24.50
	2014	13.00	19.75	11.26	11.26
	2015	16.26	14.50	13.35	13.35
	2016	32.32	27.28	5.04	13.44
	2017	48.72	31.48	17.24	26.54



Corporation	Year	Gross Revenue	Op. Expense	Profit Before Tax	Net Profit
BBSCCL	2013	291.22	293.40	-2.90	-2.90
	2014	290.01	293.28	-3.40	-3.40
	2015	307.01	347.35	-40.60	-40.60
	2016	298.42	299.27	-0.93	-0.93
	2017	293.20	296.29	-3.14	-3.14
Kuensel Corporation Ltd.	2013	184.32	177.44	6.21	6.02
	2014	199.94	172.80	25.69	17.93
	2015	228.20	189.55	38.58	27.13
	2016	214.78	177.42	37.31	25.36
	2017	213.99	183.46	30.26	19.78
RBHSL	2015	11.55	12.49	-0.93	-0.93
	2016	135.12	88.80	46.32	31.00
	2017	162.64	73.71	61.40	41.28
NHDCL	2013	74.33	61.61	12.71	12.71
	2014	106.39	99.86	6.52	5.37
	2015	130.72	123.98	6.73	5.62
	2016	136.48	106.72	29.75	17.05
	2017	160.92	102.01	26.11	14.20
FMCL	2016	6.79	17.98	-11.20	-11.20
	2017	341.60	304.89	30.86	30.86
<b>Financial</b>					
BoBL	2013	2176.40	1219.13	957.27	673.22
	2014	2430.41	1405.58	1180.67	750.33
	2015	2673.41	1582.82	1136.56	827.57
	2016	3013.98	1823.50	1340.80	934.07
	2017	3346.61	1975.35	1019.47	707.52
BDBL	2013	1021.27	742.00	279.27	279.27
	2014	1374.53	432.57	281.96	284.04
	2015	1831.62	1439.09	392.53	392.53
	2016	2203.71	1906.10	297.60	297.60
	2017	2193.42	3102.07	-879.76	-908.65
BNBL	2013	2216.91	1305.52	704.73	482.73
	2014	2344.24	1287.40	1056.84	742.71
	2015	2648.62	1362.00	1286.62	785.88
	2016	2996.11	1984.05	1012.06	702.50
	2017	3040.13	1927.45	1213.69	828.90

Corporation	Year	Gross Revenue	Op. Expense	Profit Before Tax	Net Profit
RICBL	2013	562.17	40.51	521.66	365.16
	2014	2894.23	2323.35	570.88	401.78
	2015	3727.30	3009.34	731.34	510.65
	2016	4652.29	3898.39	753.90	472.69
	2017	686.72	82.56	604.17	395.01
REDCL	2016	2.24	7.04	-4.81	-4.81
	2017	4.26	36.16	-31.90	-31.90
<b>Trading</b>					
FCBL	2013	955.52	903.21	52.43	36.31
	2014	996.16	990.95	5.21	3.97
	2015	1054.43	1050.83	3.59	1.11
	2016	1151.26	1147.06	4.20	2.21
	2017	0.00	0.00	0.00	0.00
STCBL	2013	550.68	541.77	8.91	4.59
	2014	716.19	704.91	11.28	7.97
	2015	2298.04	2195.37	102.68	71.82
	2016	2613.52	2495.53	117.99	81.70
	2017	2285.79	2167.95	117.83	81.26
BDFL	2016	69.89	52.67	16.66	11.66
	2017	158.36	105.50	52.85	37.00
BLL	2016	25.12	25.90	-0.78	-0.75
	2017	105.54	84.59	20.95	14.64

## Annexure 5: Summary of Assets, Liabilities and Net-Worth of SOEs and linked companies

### Direct Shareholdings

(Nu. in million)

SL no.	Corporations	Total Assets		Total Liabilities		Net Assets	
		2016	2017	2016	2017	2016	2017
<b>I</b>	<b>Manufacturing</b>	<b>58,465.36</b>	<b>63,386.35</b>	<b>3,069.30</b>	<b>3,497.55</b>	<b>55,396.06</b>	<b>59,888.79</b>
1	Army Welfare Project	2,056.95	2,237.69	912.81	469.43	1,144.14	1,768.26
2	Bhutan Agro Industries Limited	206.89	317.45	27.06	84.83	179.83	232.62
3	National Housing Development Corp Ltd	3,117.11	3,772.77	328.06	952.57	2,789.05	2,820.21
4	Kuensel Corporation	290.82	299.68	93.92	92.46	196.91	207.22
5	Druk Holding & Investments Ltd	52,793.59	56,724.52	1,707.45	1,892.22	51,086.13	54,832.30
6	Bhutan Livestock Development Corp. Ltd	-	34.23	-	6.05	-	28.18
7	Menjongsorig Pharmaceutical Corp. Ltd	-	-	-	-	-	-
<b>II</b>	<b>Trading</b>	<b>661.71</b>	<b>82.28</b>	<b>282.97</b>	<b>12.42</b>	<b>378.75</b>	<b>69.86</b>
8	Food Corporation of Bhutan	610.19	-	276.69	-	333.50	-
9	Bhutan Lottery Ltd	51.53	82.28	6.28	12.42	45.25	69.86
10	Bhutan Duty Free Ltd	-	-	-	-	-	-
<b>III</b>	<b>Services</b>	<b>1,908.21</b>	<b>2,224.23</b>	<b>407.52</b>	<b>467.86</b>	<b>1,500.69</b>	<b>1,756.37</b>
11	Bhutan Postal Corporation	375.33	322.44	220.85	155.58	154.48	166.86
12	Bhutan Broadcasting Service Limited	636.32	637.83	93.67	98.91	542.65	538.93
13	Royal Bhutan Helicopter Services Ltd	670.53	754.67	40.47	76.29	630.06	678.39
14	Farm Machinery Corporation Ltd	28.89	202.30	0.04	59.33	28.85	142.97

SL no.	Corporations	Total Assets		Total Liabilities		Net Assets	
		2016	2017	2016	2017	2016	2017
15	Green Bhutan Corporation Ltd	0.76	57.00	0.76	14.37	0.01	42.63
16	Financial Institutions Training Institute Ltd.	148.14	169.95	44.22	28.63	103.92	141.33
17	Credit Information Bureau	48.23	80.04	7.51	34.76	40.72	45.28
<b>IV</b>	<b>Financial Institutions</b>	<b>22,795.63</b>	<b>24,383.99</b>	<b>19,306.50</b>	<b>21,718.25</b>	<b>3,489.13</b>	<b>2,665.75</b>
18	Bhutan Development Bank Ltd	22,649.24	24,148.23	19,304.42	21,712.89	3,344.82	2,435.34
19	Rural Enterprise Development Corporation	146.39	235.76	2.08	5.35	144.31	230.41
	<b>TOTAL</b>	<b>83,830.92</b>	<b>90,076.85</b>	<b>23,066.29</b>	<b>25,696.07</b>	<b>60,764.63</b>	<b>64,380.78</b>

## Shareholding through DHI

(Nu. in million)

Sl. No	Corporations	Total Assets		Total Liabilities		Net Assets	
		2016	2017	2016	2017	2016	2017
<b>I</b>	<b>Manufacturing</b>	<b>73,255.11</b>	<b>73,349.09</b>	<b>20,361.96</b>	<b>18,293.81</b>	<b>52,893.15</b>	<b>55,056.95</b>
1	Penden Cement Authority Limited	1,966.78	1,865.17	472.09	453.74	1,494.69	1,411.43
2	Bhutan Board Products Limited	319.23	273.66	28.75	17.45	290.48	256.21
3	Bhutan Ferro Alloys Limited	1,440.65	2,028.15	568.68	319.47	871.97	1,708.68
4	Natural Resource Development Corp.	694.25	742.04	102.36	213.30	591.89	528.73
5	Dungsam Cement Corporation Limited	11,726.66	11,231.05	7,537.62	7,595.99	4,189.04	3,635.06
6	Dungsam Polymers	163.67	150.48	178.14	171.21	(14.47)	(20.73)
7	Druk Green Power Corporation	55,311.23	54,943.37	10,891.02	8,776.27	44,420.21	46,167.10

Sl. No	Corporations	Total Assets		Total Liabilities		Net Assets	
		2016	2017	2016	2017	2016	2017
8	Koufuku International Pvt. Ltd	89.25	79.07	95.42	81.22	(6.17)	(2.15)
9	Construction Development Corp. Ltd	1,247.18	1,521.01	434.89	569.09	812.29	951.92
10	Wood Craft Centre Limited	146.12	149.75	24.41	26.57	121.71	124.85
11	State Mining Corporation Ltd	150.10	365.35	28.58	69.49	121.51	295.85
<b>II</b>	<b>Trading</b>	<b>998.16</b>	<b>950.89</b>	<b>607.85</b>	<b>511.69</b>	<b>390.31</b>	<b>439.20</b>
12	State Trading Corporation of Bhutan	998.16	950.89	607.85	511.69	390.31	439.20
<b>III</b>	<b>Services</b>	<b>38,938.06</b>	<b>40,816.22</b>	<b>18,193.31</b>	<b>19,985.37</b>	<b>20,744.74</b>	<b>20,830.85</b>
13	Druk Air Corporation	5,620.46	5,986.50	3,069.51	3,318.23	2,550.95	2,668.27
14	Bhutan Telecom Corporation	5,036.19	5,495.82	953.34	1,271.48	4,082.85	4,224.35
15	Bhutan Power Corporation	27,963.65	28,964.16	14,035.09	15,269.36	13,928.56	13,694.80
16	Thimphu TechPark Ltd.	317.76	369.75	135.38	126.31	182.38	243.44
<b>IV</b>	<b>Financial Institutions</b>	<b>100,477.32</b>	<b>112,264.71</b>	<b>86,282.11</b>	<b>97,214.80</b>	<b>14,195.21</b>	<b>15,049.91</b>
17	Bhutan National Bank	37,086.24	40,166.52	30,939.47	33,716.57	6,146.77	6,449.95
18	Bank of Bhutan	44,773.37	51,132.28	39,267.18	45,233.11	5,506.19	5,899.17
19	Royal Insurance Corporation of Bhutan Ltd	18,617.71	20,965.90	16,075.46	18,265.12	2,542.25	2,700.79
	<b>TOTAL</b>	<b>213,668.64</b>	<b>227,380.92</b>	<b>108,152.57</b>	<b>136,005.67</b>	<b>90,726.33</b>	<b>91,376.91</b>

### Annexure 6: Long term borrowings of SOEs

Sl. No.	SOE	Government Shareholding		Total Holdings	Borrowings	
		Direct	Indirect		2017	Govt. Share
1	DGPC	100%	0%	100%	3,615	3,615
2	BFAL	26%	14%	40%	43	11
3	DCCL	100%	0%	100%	5,122	5,122
4	DPL	51%	0%	51%	110	56
5	NRDC	100%	0%	100%	53	53
6	Bhutan Telecom	100%	0%	100%	649	649
7	TTPL	51%	49%	100%	19	10
8	NHDC	100%	0%	100%	850	850
9	BDB	94%	4%	97%	997	932
10	BNB	12%	18%	29%	850	98
11	RICB	39%	2%	41%	5,529	2,170
12	Druk Air	100%	0%	100%	1,613	1,613
13	BPC	100%	0%	100%	5,462	5,462
14	STCBL	51%	0%	51%	101	51
15	BAIL	100%	0%	100%	11	11
16	KIL	30%	0%	30%	64	19
	<b>Total</b>				<b>25,087</b>	<b>20,721</b>

**Annexure 7: Profit after tax effect**

<b>Sl. No.</b>	<b>Direct Shareholdings</b>	<b>2017</b>
1	AWP	289
2	BAIL	30
3	KCL	20
4	BLDCL	(11)
5	BLL	15
6	BDFL	37
7	RBHSL	41
8	FMCL	31
9	BDBL	(909)
10	REDCL	(32)

<b>Sl. No.</b>	<b>DHI Companies</b>	<b>2,017</b>
1	BBPL	(15)
2	BFAL	212
3	DCCL	(514)
4	DGPC	5,087
5	DAC	349
6	BTCL	829
7	BPC	1,328
8	BNB	873
9	BOB	708
10	RICB	395

**Annexure 8:** Dividend contributions from MoF SOEs

<b>Sl. No.</b>	<b>Government Shareholdings</b>	<b>Nu. in million</b>
1	Kuensel Corporation Ltd.	4.34
2	Druk Holding & Investments Ltd.	4,021.00
3	Bhutan Lottery Ltd.	6.16
4	Bhutan Duty Free Ltd.	20.00
5	Bhutan Postal Corporation Ltd.	0.85
6	Royal Bhutan Helicopter Services Ltd.	6.19
<b>Total dividend</b>		<b>4,058.54</b>