



ECONOMIC DEVELOPMENT POLICY, FOREIGN DIRECT INVESTMENT AND PRIVATE SECTOR DEVELOPMENT

September 2, 2011

Secretary

Ministry of Economic Affairs

Presentation Format

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I. Challenges

- High dependence on external aid for growth
- Weak balance of payment situation
- Increasing public debt
- Growing fiscal deficit
- Small domestic market
- High transportation costs
- Limited exports and markets
- Inadequate infrastructure
- Low value addition in manufacturing

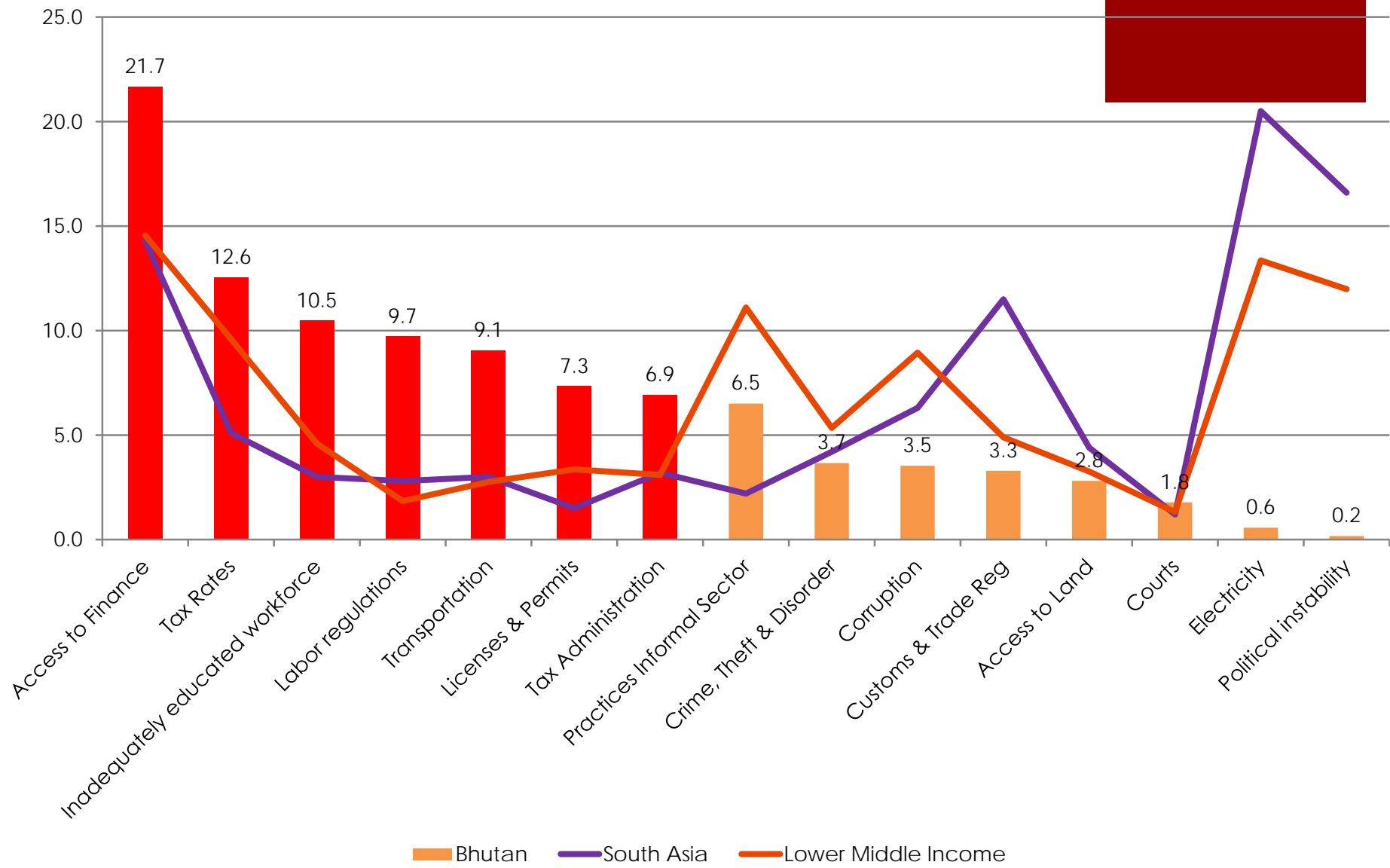
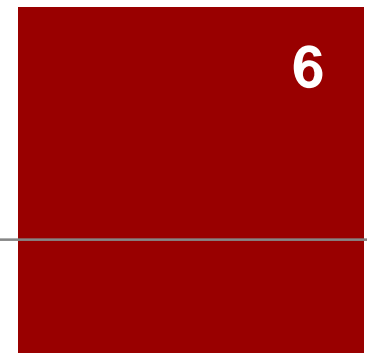
II. Strengths

- Stable political environment
- Peace and security
- Vibrant and living culture
- Pristine and natural environment
- Low levels of corruption
- Strategic geo-economic location with open access to regional markets
- Reliable and competitively priced energy
- Brand Bhutan

III. Investment Climate Assessment (ICA) 2010

- Bhutan does better than the region on aspects of investment climate that only long-term policies can improve, while impediments that remain can be addressed in the short to medium term.
- Successful use of natural resources to promote socio-economic development in pursuit of GNH.
- Challenges remain

III. Firm Perception of Business Constraints (ICA)



IV. Doing Business 2011

- Ranking 142 out of 183 economies
- Removed “easing of employing worker” indicator- country doing well, lost 16 rankings from 126 to 142 in overall ease of doing business.
- Top one-third across the world for 1) *Enforcing Contracts (33)* and 2) *Registering Property (48)*
- Low ranking in seven other indicators- *closing a business, getting credit.....*

V. Economic Development Policy 2010

Vision

To promote a green and self reliant economy sustained by an IT enabled knowledge society guided by the philosophy of GNH.

Objectives

- Achieve economic self-reliance
- Full employment (97.5%)

Apex Policy to guide economic development & reforms

V. Areas of Economic Opportunities

- High quality green services
- Agro and forest based products
- Energy
- Information and cultural industry
- Natural resources
- Transport and related services
- Construction
- Water
- Waste management
- Other manufacturing

VI. Foreign Direct Investment 2010

1) Revised Policy Highlights:

- *Negative & Priority List*
- *100% investment allowed in priority sectors.*
- *Local partners allowed to capitalize land as equity contribution.*
- Policy provides for fast tracking of priority projects

2) FDI Performance:

- *Total of 22 projects approved till date & 10 new applications.*
- *Total investment- US\$ 330 million*

VII. Hydropower Development

- Potential ~30,000 MW.
- Developed so far ~ 1488 MW (5% only).
- Contribution to Economy (2009/10):
 - ✓ More than one third of annual govt. revenue
 - ✓ 19% of GDP
 - ✓ Major export item for Bhutan ~ 39.2% (2010)
- Accelerated Hydropower Initiative.

VII. Hydropower Development

- Highlights of Hydropower Initiative:
 - ✓ 10 projects totalling 11,470 MW
 - ✓ Over US\$ 10 billion investment required
 - ✓ 3 projects under construction and rest under advance DPR studies
 - ✓ Construction of all projects to start by 2012/13

VIII. Private Sector Development

- Private Sector Development Committee Reconstituted
- Pro-business policies, incentives & administrative reforms
- Private sector growing but still small
- Contribution to national revenue- 6%
- Support to Bhutan Chamber of Commerce & Industry

VIII. Private Sector Development

Accelerating Bhutan's Socio-Economic Development:

- 1) **Agriculture:** *organic farming and commercialisation*
- 2) **Tourism:** *100,000 arrivals, new markets, new products/circuits*
- 3) **Culture:** *Agency for Promotion of Indigenous Craft*
- 4) **ICT:** *data centres, BPOs, redundancy network*
- 5) **Construction:** *larger packages, innovative point based system*

IX. Way Forward

- Implement Economic Development Policy & to be embedded in 11th Plan.
- Promote private sector growth
- GDP growth of 9% annually for next 10 years
- Achieve full employment by 2020- 97.5%
- LDC IV Istanbul Plan of Action: *1) Productive Capacity, 2) Agriculture & 3) Trade*

Thank You !!