

India provides grant of Nu 759mn towards key development projects in Bhutan

For the 12th Five Year Plan, the Government of India has committed a financial support of Nu 45bn

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from Thimphu

The Government of India has released an amount of Nu 759mn to the Royal Government of Bhutan for the smooth implementation of various development projects in Bhutan.

These projects are reportedly spread over diverse sectors inter alia Education, Infrastructure Development, Agriculture and Livestock Enterprise Development.

“This grant has been made under the Project Tied Assistance (PTA) committed by the Government of India to the Royal Government of Bhutan for the 12th Five Year Plan of Bhutan,” states the press release issued on February 21, 2022 by the Embassy of India in Thimphu.



Out of this grant amount, Nu 188mn has been earmarked for the construction of the Halhalay Dorokha Namchukhola Road. The 40km road in Samtse will reduce the travel time between Halhalay and Namchukhola. Once blacktopping and resurfacing works are completed by June 2022, the road is expected to provide for continuous year-round traffic movement and help improve regional connectivity.

India is also supporting Bhutan's Education Flagship Program, which is being implemented in all 20 Dzongkhags and four Thromdes of Bhutan. This project aims to enhance ICT skills of students, supply digital devices to schools and augment trainers' competencies in computer coding. An amount of Nu 280mn has been released for this program.

Further, an amount of Nu 170mn has been dedicated to the

improvement of Puili Road in Dewathang. Under this project, road widening and pavement works are being undertaken for a stretch of 43km in Samdrup Jongkhar. Once completed, this road project is expected to provide smooth and safe movement for all types of vehicular traffic.

For the development of livestock enterprises in all Dzongkhags of Bhutan, Nu 121.028mn is being released under the grant.

This project is undertaking enterprise development in the sectors of Dairy, Egg, Broiler, Pork, Trout, Warm Water Fishery, Chevron Goat and Forage Production. The project is being implemented by the Department of Livestock and is being monitored at Dzongkhag level by the Regional Livestock Development Centres.

This Project is expected to contribute to greater food, nutrition and livelihood security of the Bhutanese people and help in poverty reduction, creation of employment and income generation opportunities.

For the 12th Five Year Plan of Bhutan, the Government of India has committed a financial support of Nu 45bn, comprising Nu 28bn of Project Tied Assistance, Nu 8.5bn of assistance towards High Impact Community Development Projects, and Nu 8.5bn of Program Grant assistance.

“The people and the Government of India stand resolutely committed to the long term well-being and prosperity of the people and the Royal Government of Bhutan,” states the press release.

▼ from page one

Economic growth projected to rebound at 5.5% in 2022: RMA

manufacturing, and hospitality sectors. The GDP growth declined significantly to negative 10.1% in 2020. At the same time, the unemployment rate rose to 5.0% in 2020 from 2.7% in 2019.

The report states that the upward revision was based on improvement in economic activities in the agriculture sector by 6.8%, due to an increase in crops and livestock production. Various measures to boost agricultural productivity have been implemented during the pandemic.

In addition, improvement in the supply chain within the country has been an ongoing effort of the government.

The total consumption, which constitutes 74.2% of total output, is expected to increase by 20.7% in 2021 due to an increase in both private and public consumption.

Further, public investment is estimated to

increase by 31.6% as part of counter-cyclical fiscal policy measures against the pandemic in the medium term. The private investment is expected to grow by 2.8%.

According to the medium-term macroeconomic outlook, though the pandemic has caused disruptions in the labor market, it has triggered the government and other agencies to make innovative and impactful interventions from both the demand and supply front in the labor market.

As such, the overall unemployment is anticipated to decrease from 5.0% in 2020 to 4.7% in 2021, particularly with the initiation of a skills development plan and foreign worker management strategy in the medium term.

The report states that with these measures, youth unemployment which was registered at 22.6% in 2020

is also expected to decline to 21.2% in 2021.

Although with rising global commodity prices and continued supply chain disruptions, the inflation is expected to remain elevated, the report states, adding with a gradual easing of containment measures and calibrated approach of central banks in tightening stance of monetary policy in the region, inflation is expected to moderate.

According to the report, the fiscal deficit is expected to remain elevated at 8.6% of the GDP in the FY 2021/22 with boosting private sector participation, generating employment, and improving aggregate demand needs to be accelerated through substantial fiscal stimulus.

It states that the fiscal balance in the FY 2022/23 is expected to be positive at 0.4% of the GDP. The domestic revenue is estimated to grow by 7.0%

from a deficit of 8.0% in the FY 2020/21.

Further, accelerated government investment activities, economic activities are anticipated to pick up in various sectors, contributing to the growth in tax revenue. The economic activities are likely to pick up including tourism receipts (SDF and Visa Fees) on account of mass vaccination and reopening of the economy in a calibrated manner.

The report also states that the tax revenue during the FY 2021/22 is expected to grow by 25.0% from -19.0% in the FY 2020/21. The sales tax collection from hotels, airport tax, corporate income tax, and business income tax from tourism and allied businesses are also expected to gradually improve.

Meanwhile, the capital expenditure is expected to grow by 39.0% in the FY 2021/22 from Nu 27,576mn in the previous year.

The total budget outlay is expected to increase by 4.4% of Nu 73,919mn in the FY 2021/22 from the previous year, with the highest allocation of capital expenditure of 32.7% of Nu 38,320mn of the plan capital outlay during the 12th FYP.

Despite the projected improvement in fiscal deficit during the FY 2021/22, the public debt is projected to grow by 116.8% of the GDP from 125.6% of the GDP in the FY 2020/21 on account of increase in borrowings for the hydropower construction, particularly the Kholongchu Hydropower Project, the report states.

The report also states that the persistent increase in the public debt stock due to delay in completion of ongoing hydropower projects combined with a sharp fall in domestic revenue base will continue to bring uncertainty over the medium-term.