

| Currencies | EXCHANGE RATE | | | |
|------------|---------------|--------|--------|--------|
| | Notes | | TT | |
| | Buy | Sell | Buy | Sell |
| USD | 80.70 | 83.25 | 81.69 | 82.30 |
| GBP | 100.45 | 103.30 | 101.81 | 102.54 |
| EUR | 87.90 | 90.40 | 89.11 | 89.74 |
| JPY (100) | 61.30 | 63.05 | 62.15 | 62.62 |
| AUD | 53.95 | 55.45 | 54.68 | 55.08 |
| SGD | 60.60 | 62.35 | 61.43 | 61.92 |

03 From policy reviews, tourism and agriculture, Dagana NC candidates have pledges galore

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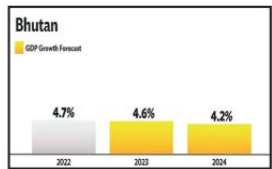
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His Majesty The King with the President of India Droupadi Murmu at the Rashtrapati Bhavan in New Delhi

His Majesty's India visits ends on a high note

STAFF REPORTER
Thimphu

At the invitation of the President of India, Droupadi Murmu, His Majesty The King paid an official visit to India from 03-05 April. His Majesty was accompanied by Lyonpo Dr. Tandi Dorji, Minister of Foreign Affairs and External Trade, and senior officials of the Royal Government of Bhutan.

During the visit, His Majesty The King met with the President of India Droupadi Murmu and held talks with the Prime Minister Narendra Modi. The External Affairs Minister Dr. S.Jaishankar and senior officials also called on His Majesty The King.

India and Bhutan share an exemplary bilateral relationship characterized by trust, goodwill and mutual understanding at all levels, strong bonds of friendship and close people-to-people contacts.

During the visit, His Majesty The King and Prime Minister of India held discussions on the entire gamut of bilateral cooperation and on regional and global issues of mutual interest. The two leaders

expressed satisfaction on the manner in which India and Bhutan assisted each other in the fight against the COVID pandemic. They agreed to closely work together for progress and development in the region as economies recover from the pandemic.

His Majesty The King shared valuable perspective and insights on the significant reforms process underway in Bhutan. His Majesty conveyed appreciation for the invaluable support that the Government of India continues to provide for Bhutan's socio-economic development. He expressed satisfaction on Bhutan's expanding partnership with India, including in the new frontiers of space, startups and STEM education.

In his interaction with His Majesty, the Prime Minister reaffirmed India's deep commitment to unique ties of friendship and cooperation with Bhutan and reiterated continued and full support to the socio-economic development in Bhutan based on the priorities of the government and as per the vision of His Majesty.

The meeting between His Majesty The King and the President of India was held in a warm and cordial

atmosphere, reflecting the spirit of the exceptionally close and friendly ties between India and Bhutan.

His Majesty interacted with Indian business leaders and explored new avenues for expanding economic and commercial ties between India and Bhutan.

Guided by the philosophy of Gross National Happiness, and in consonance with the priorities of the people and Royal Government of Bhutan, both sides recognized that the long-standing Bhutan-India development partnership, is reflective of strong ties of friendship and cooperation based on trust and mutual understanding.

To take this exemplary development partnership forward, the Indian side agreed to step up support for Bhutan's 13th Five Year Plan which was welcomed by the Bhutanese side.

The Bhutanese side also noted with satisfaction the timely flow of funds from GOI to ensure smooth and uninterrupted progress of projects under the 12th Five Year Plan with about 90

ADB projects economic growth to slightly slow in 2023 and 2024

KARMA CHIMI
Thimphu

The Gross Domestic Product (GDP) of the country is projected to slightly decline for the years 2023 and 2024 according to the Asian Development Bank (ADB) Outlook April 2023.

The latest forecast by ADB hints at a decline caused by emerging domestic macro-economic issues, national elections in December 2023, and a transition to a new government five-year plan.

The projection says that growth is expected to slow from 4.7% in 2022 to 4.6% in 2023 and 4.2% in 2024.

While the recovery in tourist arrivals has been slow due to the increase in the sustainable development fee, total tourist arrivals in 2023 will be considerably higher than in 2022 and boost foreign reserves and services according to the outlook.

Nevertheless, a return to normal hydropower production after 2 years of decline will underpin growth in 2023, while expected production from two newly commissioned hydropower plants in 2023; Nikachhu and Punatsangchhu-II will help sustain growth in 2024. The outlook points out that these plants are expected to raise GDP by 3 percentage points.

While tourism is expected to remain well below its 2019 level, accommodation, and food services are expected to grow by 4.3%.

Wholesale and retail trade, however, is forecast to contract as import restrictions are sustained to reduce pressure on foreign exchange reserves.

Likewise, growth in agriculture is forecast at 3.2% in 2023 and 2.6% in 2024

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percent of India's committed plan assistance to Bhutan already released.

The Bhutanese side expressed appreciation to the Indian side for extending standby credit facility at reduced interest rate and extended settlement period, and for providing an additional currency swap support of USD 200 Million.

The Indian side agreed to positively consider Bhutan's request to extend an additional Standby Credit Facility (SCF) for a period of five years.

Hydropower cooperation has been the cornerstone of India-Bhutan bilateral economic partnership. It has been a productive arrangement for both countries whereby Bhutan receives steady stream of revenue from the sale of power from hydropower plants which have been jointly developed and India benefits from the assured supply of energy. The role of hydropower projects in helping the Bhutanese economy during the COVID-19 induced global economic slowdown was noted in this context.

Both sides reviewed various elements of bilateral hydropower cooperation and expressed satisfaction that projects totaling 2136 MW, which have been jointly set up, are functioning well. Both sides also welcomed

the recent handing over of 720 MW Mangdechhu HEP to Bhutan.

In terms of ongoing projects, both sides reiterated their commitment to find a technically sound and cost-effective way forward for Punatsangchhu-I HEP.

Both sides expressed satisfaction with the progress in construction of the 1020 MW Punatsangchhu-II HEP and looked forward to its commissioning by early 2024. Both sides noted that the tariff discussions had been initiated and agreed to expeditiously conclude the tariff protocol for this project.

On the periodic revision of tariff of Chhukha HEP, the Bhutanese side welcomed India's offer to revise the tariff to Nu 3 per unit, which represents a 17% increase, over the earlier tariff.

The Bhutanese side thanked India for enabling the import of power from India to meet Bhutan's energy deficit during the winter months. The Indian side agreed to positively consider Bhutan's request for sale of power into the Indian Energy Exchange for the 64 MW Basochhu HEP.

Both sides reiterated the importance of cooperation in hydropower sector and the urgent need to review and finalize modalities for new projects including

Sankosh HEP.

The Indian side assured consideration on Bhutan's request for access to financing and market for power sale for new and upcoming hydropower projects in Bhutan.

It was also agreed to extend India-Bhutan energy partnership in the area of non-hydro renewable such as solar and wind as well as in green initiatives for e-mobility. The Indian side assured necessary technical and financial assistance for projects in these areas.

On the proposed trilateral hydropower cooperation among Bhutan, Bangladesh and India, both sides expressed their commitment towards greater sub-regional cooperation, including in the energy sector, which would lead to increased inter-linkages between the economies for mutual benefit of all stakeholders.

The two sides welcomed the growing strength of bilateral trade and economic ties.

To further expand bilateral cooperation on trade, technology, cross-border connectivity, and mutual investments, it was agreed upon to work on long-term sustainable arrangements for export of agricultural commodities from Bhutan and import of essential agricultural commodities from

India, to explore long-term bilateral arrangements for assured supply of critical commodities to Bhutan such as petroleum, fertilizers, and coal.

The consideration for setting up the first integrated check post along India-Bhutan border near Jaigaon and Phuntsholing, which is the busiest trading point between India and Bhutan, through GOI support along with development of mirror facilities on the Bhutanese side to be looked into.

It was also decided to take forward the project on the proposed cross border rail link connecting Kokrajhar in Assam to Gelephu in Bhutan through GOI support in consultation with the Bhutanese side based on the engineering and technical survey completed by Indian Railways. This will be a historic project as it will be the first ever rail link between India and Bhutan and will enhance the regional connectivity infrastructure as well.

It was also decided to expedite the operationalization of the third international internet gateway for Bhutan, for which, GOI is extending a concessional rate to reduce the cost of operations of the gateway.

The consideration to take forward development of inland waterways connect-

tivity to enhance bilateral and regional trade and to work towards opening of additional foreigners check posts between Bhutan and Assam to facilitate the entry and exit of third country nationals between India and Bhutan by land route was also discussed.

In terms of new areas of partnership which now encompass Startups, Space and STEM education, both sides welcomed the exceptional progress made in the space sector cooperation, including the recent launch of the first satellite jointly developed by India and Bhutan and the inauguration of the satellite's ground earth station in Thimphu, and agreed to deepen the partnership in the space technology sector by finalizing a Joint Plan of Action expeditiously; and to strengthen cooperation on skill development and education, keeping the future of youth at the heart of bilateral cooperation.

The visit of His Majesty The King reinforced the longstanding tradition of regular high-level exchanges between the two countries. His Majesty's visit also provided an opportunity for both countries to review the entire gamut of bilateral cooperation and to advance our close bilateral partnership.

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ADB projects economic growth to slightly slow in 2023 and 2024

as the government continues to invest in agricultural infrastructure, value chain creation, and contingency measures to address the rising issue of human-wildlife conflict.

Mining and quarrying are also subjected to be hampered by changes in export policy. Moreover, growth in the large construction industry will slow as work winds down and nears completion on the 1,020-megawatt Punatsangchhu-II hydropower plant and the smaller Ninkachhu plant.

In 2024, growth in electricity output from the commis-

sioning of these two plants will underpin a 5.4% expansion in the industry growth.

Services are expected to continue to grow in 2024, but with accommodation and food services remaining below their 2019 level as tourist arrivals continue to lag, in part because the sustainable development fee charged to international tourists has risen steeply.

On the demand side, aggregate consumption expenditure will drive growth. It is forecast to expand by 25.4% in 2023 and 12.3% in 2024, mainly on strong private consumption, as is

consistent with the experience of past government election cycles.

Public consumption is expected to grow by 5.6% in 2023 and 5.0% in 2024.

Transition to a new government and a 5-year plan will slow growth in fixed investment as arrangements are made for newly selected projects and financing.

The outlook even projects a widening fiscal deficit and declining foreign exchange reserves will remain key concerns for the government.

If reserves continue to decline at the 2022 rate, it is stated that the country will

likely breach the constitutionally mandated requirement that they be sufficient to cover 12 months of essential imports.

Moreover, the expected cessation of large information technology imports by mid-2023 is expected to keep the reserve position from deteriorating at such a rapid clip.

Inflation is projected to remain elevated at 5.5% in 2023, driven mainly by moderating but still relatively high global prices for petroleum, food, and other commodities caused by the Russian invasion of

Ukraine.

Given the government's food security drive, domestic food prices are expected to remain low, offsetting some imported inflation.

Moderation of inflation in India, to 5.0% in 2023 and 4.5% in 2024, will help contain inflation in Bhutan as imports from India constitute about half of the consumer price index.

With improvements to the global supply chain and the geopolitical situation, and with the moderation of inflation in India, average inflation in Bhutan is forecast at 5.1% in 2024.