

EXECUTIVE SUMMARY

The recent completion of the Mid-term Review (MTR) of the 10th Five Year Plan (FYP) provided the opportunity to reflect upon the progress of the last two years and contemplate upon the necessary impetus that would be required to complete the remaining activities within the Plan period. This is important on account of the Royal Government's directives issued during the MTR to ensure that all capital activities be completed six months ahead of the end of the Plan period.

The approved budget for the Ministry of Economic Affairs (MoEA) for the last two fiscal years was Nu. 2,515 million (Current - Nu. 470 million and Capital - Nu. 2,045 million) and the total expenditures incurred were Nu. 1,789 million (Current - Nu. 368 million and Capital - Nu. 1,421 million) totaling to a financial achievement of 71%.

The MTR saw a significant revision and increase in the overall outlay of the Ministry's 10th FYP capital budget from Nu. 5,763 million to Nu. 9,299 million. The increase of Nu. 3,535 million was mainly on account of increased targets and cost escalation for rural electrification and the preparation of the Detailed Project Reports of the hydropower projects under the 10,000 MW initiative respectively.

The MTR also provided the opportunity to seek re-endorsement on key recommendations such as the establishment of a Seismology Division and the creation of an Energy Secretariat. The creation of two additional Departments for Energy as an interim measure and the establishment of a Seismology Division were endorsed by the Royal Government. Endorsement of these recommendations provides the Ministry with the necessary institutional setup and mandate to implement activities that are of national importance and necessary in achieving some of the Royal Government's accelerated development agenda.

Recognizing the potential benefits of attracting Foreign Direct Investment (FDI) into the country, a FDI Division was also established in August 2010 to facilitate and promote investments.

The Department of Cottage and Small Industry was formally established in July 2010 and is currently fully functional with three divisions. It was also designated as the key implementing agency for "Accelerating Bhutan's Socio-economic Development" programme for development of the craft sector under the culture industry.

As we enter into the fourth year of the Plan period, we find that progress is on track to achieve one of the most important targets of the Royal Government of providing electricity to all by 2013. During the course of the last fiscal year, 15,020 households were connected to the national grid. The balance 22,365 households will be electrified

during the next two years. All the necessary funds have been secured and the implementation of the rural electrification projects is under good progress. As of March 2011, 73% (64,666 households) of rural households have been electrified through on-grid and off-grid.

Under the accelerated hydropower development programme, preparation of a Detailed Project Report (DPR) for the 650 MW Kholongchu HEP has been completed. Updating the DPRs of the 180 MW Bunakha and 4060 MW Sankosh reservoir projects has also been completed. The Punatsangchhu-II Hydroelectric Project Authority has been constituted for implementation of the 990 MW Punatsangchhu-II Hydro Electric Project and the management of Punatsangchhu-I Hydroelectric Project Authority has taken charge of Punatsangchhu-II project with effect from 30th June 2010. Similarly the Mangdechhu Hydroelectric Project Authority has been constituted for implementation of the 720 MW project in Trongsa.

The mitigation of Glacial Lake Outburst Flood (GLOF) and installation of an early warning system also saw much headway in the last few years despite various challenges and setbacks. The GLOF mitigation project of lowering the water level of Thorthormi lake is underway with a target to reduce the water level by 5 meters within four years.

In line with the Economic Development Policy 2010, the Ministry is in the final stages of formulating the Renewable Energy Policy and Mineral Development Policy. The Royal Government also submitted the Consumer Protection Bill 2010 to Parliament for adoption. Other policies that are in the pipeline are the Micro, Small and Medium Enterprises Policy and Captive Power Policy. All these key policies have direct impact on achieving some of the national priorities such as economic self-reliance, alleviating poverty and achieving full employment within the next ten years. The draft Alcohol Control Regulation and draft Foreign Direct Investment Rules and Regulations are also in various stages of formulation.

As part of the Ministry's ongoing gender mainstreaming efforts, a study was initiated and completed in collaboration with the United Nations Conference on Trade and Development (UNCTAD) titled "Who is benefiting from trade liberalisation in Bhutan".

With emphasis on promoting services, the tourism sector continues to play an important role in the economy and continued to grow during the last year. The number of tourist arrivals increased from 27,636 tourists in 2008 to 40,873 in 2010 exceeding the target of 35,000 tourists for the year by 17%.

In terms of achieving some of the broad sectoral targets set in the 10th FYP, the energy sector constituted 19.3% share of the nominal GDP in 2009 already surpassing the Plan target of 15%. The energy sector is the highest contributor to national revenue among the sectors with its contribution amounting to Nu. 4,238 million in the fiscal year 2009-10 or 27% of the total national revenue and is on track to meet the Plan target of 36%.

The manufacturing sector constituted 8.2% of nominal GDP in 2009. With the adoption of the revised FDI Policy and Economic Development Policy in 2010 for providing the necessary enabling environment for economic growth, the Royal Government is on track to achieve the Plan target of 12%. The sector also employs 12,400 people or 3.9% of the total workforce as of 2010 and is expected to achieve the Plan target of increasing employment to 6% of the total workforce.

The wholesale and retail trade sector share constituted 4.8% of nominal GDP in 2009 and is expected to meet the target of increasing trade contribution to 8% of the GDP. The trade sector is the second highest contributor to national revenue among the sectors with its contribution amounting to Nu. 3,464 million in the fiscal year 2009-10. Contribution of the trade sector to the national revenue has increased from 19.5% in 2007-08 to 22% in 2009-10 and the Plan target of 25% is expected to be achieved within the remaining plan period.

The trade sector is also the second largest employer by economic activity with 30,800 people engaged in the wholesale and retail trade. This translates into 9.6% of the total workforce. The Plan target of 6% has already been surpassed and this can be mainly attributed to the various reform initiatives of the Royal Government.

Overall, the economic sectors under the Ministry contributed more than 60% of the government revenue and constituted around 50% of the GDP during the last year alone. With one of the pillars of Gross National Happiness being sustainable economic development, the Ministry of Economic Affairs will continue to play an important role given the vast potential that lies in these sectors to not only boost the economy but also to generate employment and alleviate poverty.

This report provides an overview of the progress and achievements of the various sectors under the Ministry between July 2010 and April 2011.

SECRETARIAT

1. The Office Procedure Automation system was implemented in the Ministry from September 2010. The system aims at reducing the usage of paper and maximizing on the benefits of ICT in an office environment. The system is fully operational and will be introduced soon in the regional offices.
2. The six Regional Trade and Industry Offices (RTIO) with financial support from UNDP held a total of 18 Gewog business advocacy workshops. A total of 683 people participated of which more than 60% of the participants were women.

A five day business development programme was organized in Trashiyangtse Dzongkhag targeting mainly the unemployed school dropout youth. The programme attracted 36 interested candidates comprising of 21 women and 15 men from almost all the Gewogs of the Dzongkhag. The business development programme aims at promoting small business establishments through self-employment and optimum utilization of local resources.

3. With the aim to provide business development services efficiently and effectively, support was provided for training of trainers for 17 Bhutan Chamber of Commerce and Industry (BCCI) officials and 8 officials of the Business Promotion Sections of the RTIOs. Training was provided in the fields of customer care, salesmanship, marketing, financial management, HR management, cost control measures and other business related subjects.
4. Through DANIDA support, Cleaner Technology and Environment Management (CTEM) sectoral guidelines for the wood, cement, ferro, steel, food industries and mining sector were developed including a Pasakha waste management plan in collaboration with Norwegian University of Science and Technology. The programme also provided institutional and capacity building support to the Ministry's staff and private sector in CTEM, environmental inspection and monitoring.
5. As part of the Ministry's ongoing gender mainstreaming efforts, a study was initiated and completed in collaboration with the United Nations Conference on Trade and Development (UNCTAD) titled "Who is benefiting from trade liberalisation in Bhutan". The study aimed at determining who would benefit from further trade liberalisation or facilitation in the country and in particular to analyze whether there is a gender bias in the gains from trade.

6. To promote the country as an investment destination and to highlight the opportunities offered to investors by the Royal Government following the release of the Economic Development Policy and Foreign Direct Investment Policy in 2010, the Ministry undertook “Investment Road Shows” in the last quarter of 2010 to the following countries:

- | | | |
|----------------|---------------|-------------|
| i) India | iii) Thailand | v) Norway |
| ii) Bangladesh | iv) Singapore | vi) Austria |

The investment road shows were well received attracting more than 500 potential investors and during the year, the Ministry received several enquiries on business and investment opportunities and also several business delegations visited the country from around the world. From the road shows it is quite evident that regular road shows are important in order to generate interest in investing in the country. At the same time whenever the Royal Government plans major investments particularly in the infrastructure sector, in order to ensure that we get the most competitive bids, dedicated road shows should be undertaken.

7. The Intellectual Property Division (IPD) has been compiling a list of Copyright and Related Rights works in consultation with relevant stakeholders such as the Centre for Bhutan Studies, Motion Pictures Association of Bhutan and Bhutan InfoComm and Media Authority etc. This inventory will serve as information to the general public on the categories and number of Copyright and Related Rights works currently recorded in the country.
8. A total of 580 trademark applications have been received and processed out of which 124 are from national applicants and 456 from international applicants. Revenue of Nu. 0.894 million and Swiss Franc 86,189 was generated via national and international filing of trademark applications respectively.
9. The digitization of trademark and industrial design registry has been completed. This has led to data capture in electronic form from paper based copies of documents relating to trademark and industrial design registry, thereby accelerating the process and easy review of documents. It has also helped in maintaining the documents in a central and secure repository.
10. A two-member mission from the World Intellectual Property Organization (WIPO) visited the country to conduct an in-house training on the Industrial Property Automation System (IPAS) to the IPD staff. The experts carried out the training from 28th to 31st March 2011. The IPAS is customized software that is utilized in processing Trademark and Industrial Designs applications

presently by IPD. The training focused on working system of the software including a web version of the system that will be installed in the future.

11. Revision/approval of IP legislation with related rules and regulations, completion of formalities for joining International Intellectual Property Treaties and formulation of IP Policy were carried out.
12. First draft of the guidelines for voluntary registration of Copyright and related rights has been completed.
13. Two member delegation from WIPO visited the country from 5th - 11th December 2010 to hold consultations and meeting with the relevant stakeholders and share their views/recommendations/comments to be integrated while formulating the IP Policy. The Economic Development Policy 2010 mandates the formulation of an IP Policy.
14. WIPO fielded an expert mission from 27th February - 2nd March 2011 upon the Ministry's request for legislative assistance particularly to assist in the amendment of the Copyright Act of the Kingdom of Bhutan, 2001. The mission recommended amendments and changes in the Act for consideration.
15. A consultation workshop on the amendment of the existing Copyright Act of 2001 was held on 1st March 2011 in Thimphu. Relevant stakeholders from government and private agencies participated in the workshop.
16. As a part of the awareness programme and outreach activity, a workshop on IP was conducted from 21st - 25th March 2011 to the faculty and the students of Gaeddu College of Business, College of Science and Technology and Reldri Higher Secondary School under Chukha Dzongkhag.
17. The World Intellectual Property Day is celebrated every year on 26th April. This year the Ministry organized a presentation on the importance of Intellectual Property to the students of Motithang Higher Secondary School to mark the event. Brochures, pamphlets and Acts on IP were distributed to students and the school library. A live panel discussion on the importance of IP was also organized in collaboration with the Bhutan Broadcasting Service to mark the event on that day.

COTTAGE AND SMALL INDUSTRY SECTOR

The Department of Cottage and Small Industry (DCSI) was established on 1st July 2010 and comprises of three divisions; the Programming Division, the Enterprise Development Division and the Small Business Promotion Division. The Department is currently staffed with 24 personnel.

1. Programming Division

The Programming Division is currently implementing the following sub-projects of the Asian Development Bank (ADB) funded Micro, Small and Medium (MSME) sized sector development programme.

1.1 Establishment of a Cost Sharing Facility (CSF)

1.2 Capacity building support for programme implementation and institutional building

Component 1: Formulation of MSME Development strategy and support of CSF Management and

Component 2: Capacity Building for Introduction of Regulatory Impact Assessment (RIA)

1.1 Establishment of a Cost Sharing Facility

This facility is designed to provide the necessary technical knowledge and support to MSMEs that have growth potential but faces specific constraints. The following activities have been implemented during the period.

- 1.1.1 Re-aligned and completed the design of CSF grant application forms and training materials for the CSF awareness workshops.
- 1.1.2 Completed the training of collaborating focal persons (from BCCI and RTIOs) on the disbursement of CSF grants.
- 1.1.3 A nation-wide mass awareness campaign on CSF grant conducted.
- 1.1.4 A CSF unit manager and an officer has been appointed along with recruitment of two national CSF project personnel and
- 1.1.5 Formalization of the CSF unit office and formation of CSF appraisal panel.

1.2 Capacity building support for programme implementation and institutional building

Component 1: Formulation of MSME Development strategy and support of CSF Management.

Through this component, a policy, strategy and institutional framework for promoting MSME development is to be formulated. The key achievements during the period are as follows:

- 1.2.1 Draft MSME Policy framework prepared and consulted with stakeholders.
- 1.2.2 White papers that will form the part of draft strategy were prepared and reviewed.
- 1.2.3 White paper on MSME definition, enterprise registration, cooperatives and competitiveness study were prepared and consulted.
- 1.2.4 Value chain analysis report prepared.
- 1.2.5 Enterprise survey questionnaires prepared and endorsed by the National Statistic Bureau.
- 1.2.6 Enterprise survey supervisors and enumerators were selected, recruited and trained.

Component 2: Capacity Building for Introduction of Regulatory Impact Assessment (RIA).

RIA is a key tool used to assess the likely effects of a proposed new regulation or regulatory change. The adoption of a RIA system will improve the quality of lawmaking, enhance good governance and improve the regulatory capacity and performance of the Royal Government. It will be piloted on certain business laws. The following activities have been carried out during the period:

- 1.2.7 Presented the RIA report on business registration to the Committee of Secretaries and directives to mainstream RIA in the governance system received.
- 1.2.8 The multi-sectoral RIA working group has been formed and the rules and regulations for establishing RIA system in the country were drafted as well as guidelines for preparing RIA report for any legal measures.
- 1.2.9 An institutional visit for the multi-sectoral RIA working group to Australia was organized.
- 1.2.10 Focal persons from the Policy and Planning Divisions (PPD) of the ministries and agencies were formally trained on RIA system and guidelines.
- 1.2.11 Office equipments for the RIA Unit has been purchased

2. Enterprise Development Division

2.1 Accelerating Bhutan's Socio-Economic Development (ABSD) – Culture

The Department has been identified as the key implementing agency for Accelerating Bhutan's Socio-economic Development (ABSD) programme for development of the craft sector under the culture industry.

2.1.1 The board to govern the Agency for the Promotion of Indigenous Craft (APIC) has been formed with members from relevant government agencies and private sector.

2.1.2 Recruitment of the Chief Executive Officer for APIC and other key positions has been completed. Work on the development of detailed structure for APIC has started.

2.1.3 A temporary craft 'bazaar' at the Centenary Farmers Market in Thimphu operating every Tuesdays and Wednesdays has started, with 42 registered sellers dealing only in genuine Bhutanese craft products. Work on improving the temporary craft bazaar to enable operation of the bazaar 5 days a week is underway.

2.1.4 The Department of Forests and Park Services completed the raw material inventory study of cane and bamboo in Zhemgang Dzongkhag. This will form an input to the cane and bamboo cluster that will be established there.

2.1.5 A national concept plan for development of craft cluster is being prepared. The model developed will be used for all types of cluster development in the country. Simultaneously, a detailed implementation plan for establishment of cane and bamboo craft cluster in Zhemgang is underway.

THE SIX CHARTERS OF ABSD -CULTURE

Governance -Establish an autonomous self sustaining agency equipped with specialized skills to take the lead role of executing the craft and related activities. The agency will initially be supported by the Government till it is able to generate its own revenue.

Product Innovation and design bank - It involves enhancement of product range through research and expertise, cataloguing and propagating product and design ideas to artisans/SMEs, promoting ideas on packaging etc.

Craft clusters - This requires establishment of craft clusters for integrated and organized manufacturing of craft items in the rural areas

Business enablers - Apart from having a comprehensive SME policy in place, the other components include capability building through training, entrepreneurial and business skills and raw material replenishment initiatives and bulk purchasing (raw material banks)

Enhance distribution - This component includes building craft bazaars and additional outlets at tourist sites and to recognize and incentivize products 'Made in Bhutan', and support buying consortiums

Marketing and Promotion - This charter requires promotion on various crafts and certifications/ trademarks through tourist brochures, online media esp. for targeted export markets and also external networking and participation in fairs &

- 2.1.6 The Department of Human Resources is conducting a detailed training need assessment in the craft industry to enhance the human resource capacity of all involved in the craft industry.

2.2 Rural Enterprise Development

- 2.2.1 Through the UNDP funded rural enterprise grant scheme, 11 rural based industries were supported either in starting up or in expansion/diversification. Machineries and equipments for small enterprises worth Nu. 1.53 million were provided to rural entrepreneurs.

List of Businesses Supported

Industry type	Number
Automobile Workshop	2
Incense Making Unit	2
Lime making Unit	2
Furniture making Unit	2
<i>Dapa</i> making Unit	1
Dye Supply Unit	1
Mud-block making Unit	1

- 2.2.2 To benefit rural people, chamomile plantation in a trial area of approximately three acres of land in Mongar was carried out. The extracted oil has been sent for chemical analysis .
- 2.2.3 The Ministry along with Ministry of Agriculture and Forests and the Tourism Council of Bhutan signed a memorandum of understanding with an India based microfinance company- Artisans Micro Finance Limited (AMFPL). This is a wholly owned subsidiary of Fabindia Overseas Private Limited. Through this collaboration, studies will be carried out on understanding current production practices, identification of regions for production, reviewing existing product standards against internationally prevailing standards, assessing existing supply chains and pricing structures and making specific recommendations on interventions needed to build commercially viable supply chains. Detailed business plan for setting up of the community owned companies will be developed. The study covering Gelephu, Zhemgang, Trongsa, Bumthang, Trashigang, Trashiyangtse and Pemagatshel has been completed.

3. Small Business Promotion Division

3.1 A compact on simplification of licensing and renewal of licenses for cottage and small enterprises has been signed with the G2C project and groundwork has already started. Automation and doing away with redundant procedures are the key aims.

3.2 A CSI database is being developed that will contain information such as type of business, employment, investment and related information. This database is expected to provide baseline data and information in the design of strategies and interventions for the CSI sector.

3.3 The Division continues to assist private enterprises acquire import licenses of raw materials and equipments from third countries and also approve/endorse applications such as location change of business, transfer of business ownership and leasing of government land for establishment of businesses.

4. Direct Assistance to the Private Sector

The Department provides assistance to the private sector in the development of business proposals. During the reporting period, the Programming Division and the Small Business Promotion Division assisted in the preparation of seven different detailed projects as below:

- Mud Brick Manufacturing Unit
- Private College
- Soft Drink Manufacturing Unit
- Computer Institute
- Beauty Saloon
- Handicraft Unit
- Fabrication & Re-building Unit

ENERGY SECTOR

1. Accelerated Hydropower Development

1.1 Progress towards Realizing the Royal Government's Target of 10,000 MW by 2020

Significant progress has been made towards realising the Royal Government's target of developing 10,000 MW by 2020 as follows:

- 1.11 The 4th, 5th and 6th meeting of the Empowered Joint Group (EJG) constituted to fast track the implementation of the hydropower projects under the 10,000 MW programme by 2020 was held on 10th September 2010, 21st December 2010 and 9th June 2011 respectively.
- 1.12 The Government of India (GoI) has raised concerns on the viability of the 4060 MW Sankosh Hydro Electric Project (HEP) on account of the very high cost of the project. The two governments are currently in discussions to look at different options of improving the viability including downsizing the project. For better utilization of the Kuri Gongri basin potential, the two Governments have decided to study other options instead of the current run of the river scheme of 1800 MW. This would entail delays in the completion of the DPR of the project.
- 1.13 The Joint Venture agreements for implementation of four projects (namely Kholongchhu, Chamkharchhu I, Wangchhu and Bunakha HEPs) between the Druk Green Power Corporation (DGPC) and respective Indian Public Sector Undertakings will be signed within 2011.
- 1.14 The 1200 MW Punatsangchhu-I (PHPA I) HEP project is under construction and is on schedule. The project is scheduled to be commissioned in 2015. Total number of nationals employed in PHPA I project as on 31st May 2011 is as below:
 - PHPA-I: 740 (80%) out of total strength of 935.
 - WAPCOS: 36 (30%) out of total strength of 122.
 - Indian contractors: 690 (14%) out of total strength of 4,920.
 - Bhutanese contractors: 125 (29%) out of total strength of 435.

Total nationals employed in the Project are 1,591 (about 25%) out of total strength of 6,412. The total value of works worth Nu. 2,836.4 million has been awarded to national contractors through 339 contract packages.

Further, total expenditure accrued to Bhutanese agencies and individuals for goods and services are Nu. 3,197 million (about 25%) of the total project expenditure of Nu. 12,805 million incurred as on 31st March 2011. Payment made to Bhutanese service providers and suppliers as on 31st May, 2011 was Nu. 2749.4 million. In addition, Bhutan Power Corporation (BPC) has been entrusted with transmission line deposit works worth Nu. 7,522 million.

- 1.15 The Punatsangchhu-II Hydroelectric Project Authority (PHPA-II) has been constituted for implementation of the 990 MW PHPA-II HEP. The management of PHPA-I has taken over the charge of Punatsangchhu-II project with effect from 30th June, 2010. The award of main civil works has been finalized. The infrastructure of the project such as approach roads to various components of the project, bridges, construction power lines and associated substations, contractors facilities etc. are in various stages of construction. Payment made to Bhutanese Service Providers and Suppliers amounted to Nu. 10.4 million as on 14th June 2011. As on 14th June 2011, a total of 323 nationals have been employed in the Project out of the total strength of 654.
- 1.16 The Mangdechhu Hydroelectric Project Authority (MHPA) has been constituted for implementation of 720 MW project located in Trongsa. Tendering for construction of infrastructure works and preparation of tender documents for main civil works of the project is currently underway. As on 31st May 2011, a total of 103 nationals have been employed in the Project out of the total strength of 127 and payments made to Bhutanese Service Providers and Suppliers amounted to Nu. 21 million.
- 1.17 Preparation of Detailed Project Report (DPR) for 650 MW Kholongchu HEP has been completed. Updating of the DPRs of the 180 MW Bunakha and 4060 MW Sankosh reservoir projects has also been completed. Preparation of DPRs for the 620 MW Amochhu, 670 MW Chamkharchhu-I and 600 MW Wangchhu projects are in progress.

1.2 Other Hydropower Projects

- 1.21 Construction of the Dagachhu HEP, the first trans-boundary Clean Development Mechanism (CDM) project in the country is well underway with almost 30% of the civil works completed as of March 2011. With the present rate of tunneling, almost 50% of the civil works are expected to be completed by June 2011. The project is scheduled for completion by March 2013.

- 1.22 The DGPC is carrying out DPR study of 210 MW Nikachu HEP on its own financing and the study is expected to be completed by December 2011.
- 1.23 Under NORAD assistance, pre-feasibility studies of 1230 MW Rotpashong and 360 MW Khomachhu HEPs including reconnaissance studies of 14 potential hydropower sites have been completed.

2. Electricity for All by 2013

- 2.1 The target for providing electricity to all is expected to be achieved by 2013. During the course of the last fiscal year, 15,020 households (HHs) were connected to the national grid in 18 Dzongkhags against the total revised target of 16,583 for the year 2010-11. The balance 22,365 households will be electrified during the next two years.
- 2.2 The delivery of materials for ADB Rural Electrification (RE) IV- Phase I of the project was completed by December 2010. The estimated cost for the labour works was Nu 217.7 million (Nu. 184.4 million for Phase I and Nu. 47.816 million for Phase II). BPC has awarded the civil works for all 29 packages for Phase I of the project to local contractors that are nearing completion. BPC awarded the contracts for Phase II construction works (2,484 HHs) in December 2010 and works are in full progress.
- 2.3 All the materials for JICA I Project were delivered in two phases. The estimated cost for the labour works is Nu. 480.021 million (Nu. 290.586 million for Phase I and Nu. 189.435 million for Phase-II). BPC has awarded the civil works for Phase I comprising of 51 packages (9,651 HHs) to local contractors. The contracts for Phase II (JICA I project) construction works (6,061 HHs) have been signed in April 2011 and works are underway. Approximately 92% of the construction works for Phase I have been completed.
- 2.4 With funding under ADB IV and JICA I, the total households to be electrified are 24,479 leaving a balance of 9,022 HHs for which resources had to be mobilized. The Ministry in consultation with Ministry of Finance was able to mobilize additional fund resources of USD 15.2 million from ADB for electrifying 5,075 HHs, USD 26.5 million from JICA for electrifying 3,728 HHs and Euro 0.9 million from Government of Austria for 219 HHs in Laya.
- 2.5 BPC has called tenders for supply of materials and services for ADB V project on 15th January and 5th March 2011 respectively. BPC is also preparing the

tender documents for procurement of materials for JICA II and ACB-VII (RE of Laya) projects. The ADB-V RE Grant and Government of Austria soft loan became effective on 22nd March and 25th March, 2011 respectively.

2.6 On the off-grid rural electrification through solar sets, 118 public institutions covering 14 Dzongkhags have been electrified in the current financial year against the target of 735 HHs. Balance households could not be electrified on account of delay in ADB grant effectiveness. The revised balance households to be electrified after joint verification of the applications received from various Dzongkhags with the BPC works out to 672 HHs covering 10 Dzongkhags (Chukha, Dagana, Gasa, Haa, Paro, Punakha, Samtse, Sarpang, Trongsa and Wangduephodrang). The procurement of 672 solar sets is under process. The balance 1,611 HHs for off-grid rural electrification will be completed during the next two years.

2.7 As of March 2011, 73% (64,666 HHs) of rural households have been electrified through on-grid and off-grid.

3. NORAD Phase-III Project (Institutional Strengthening of Energy Sector)

The project components include human resource development for the energy sector, support for electricity regulation to meet the challenges of accelerated hydropower development and support to the Hydromet Service Division for reliable data provision to accelerate hydropower development. All activities under the project have been implemented as per the work plan approved during the annual bilateral meeting held between the Royal Government of Bhutan and the Royal Norwegian Government on 12th May 2010.

The project has currently been extended till December 2011 and the new phase has been approved from January 2012 to December 2014 during the annual consultation between the two governments in May 2011.

4. Power Transmission Programme

4.1 Construction of Deothang – Rangia (Assam) 132 kV Transmission Line

The construction of 56.46 km, 132 kV single circuit transmission line between Deothang (Samdrupjongkhar) and Rangia (Assam) was completed and commissioned in January 2009 to provide alternative power evacuation arrangement for Kurichhu power to India. The additional works like tower marking as per Defense Aviation requirements on the Indian section of the line was

completed in December 2010 while the construction of Loop-in Loop out arrangement at Motanga substation was commissioned on 14th June, 2011.

Meanwhile, discussions with the GoI through the Empowered Joint Group is underway for handing over the Indian section of the line to an Indian agency and for amendment of Kurichhu Power Purchase Agreement with PTC India Ltd. so as to enable operation of the line .

4.2 Grid Connection of the Remaining Dzongkhags

Extension of grid electricity supply to all the Dzongkhag headquarters have been completed with the commissioning of the 66 kV transmission line from Yurmoo to Bumthang, which was charged at 33kV on July 11, 2010.

4.3 Construction of Dagana-Tsirang-Jigmeling-Lodrai 220 kV Double Circuit Transmission Line

The construction of Dagana-Tsirang-Jigmeling-Lodrai 220 kV double circuit transmission line and associated sub-stations by BPC are under full progress and the overall progress achieved is around 69 %. This line is being constructed through BPC's internal funding and is scheduled for completion by August 2011. This transmission link will interconnect the Eastern and Western grids and will therefore enhance energy security of the nation.

Further, the tender for construction of 220kV substations at Tsirang and Jigmeling have been awarded in July 2010 and is scheduled for completion by October 2011 and January 2012 respectively.

4.4 Construction of Transmission Lines for Evacuation of Power from 1200 MW Punatsangchhu-I HEP

BPC has been entrusted the construction of the power evacuation lines for the 1200 MW Punatsangchhu-I HEP which involves two 400 kV double circuit transmission lines to Lhamoizingkha from Punatsangchhu-I HEP. BPC has tied up with Power Grid Corporation of India Ltd. for availing consultancy services for construction of these transmission lines. BPC awarded the contract for construction of 400KV lines in August 2010 and the work is scheduled for completion by August 2014.

4.5 Construction of 220kV Transmission Line from Malbase to Samtse and 66kV Lines from Samtse to Gomtu and Samtse to Sipsoo

The construction of these lines has been initiated through BPC's own financing with a view to make power available for upcoming industries in Samtse Dzongkhag besides improving the reliability of power for the Dzongkhag. The contract for the construction of 66kV lines from Samtse to Gomtu and Samtse to Sipsoo have been awarded in March 2011 and the works are scheduled for completion by June 2012. BPC is in the final stages of awarding the contract for the construction of 220kV line from Malbase to Samtse.

4.6 Preparation of National Transmission Grid Master Plan

A National Transmission Grid Master Plan (NTGMP) is being prepared and this will provide a comprehensive and integrated roadmap for the construction of the transmission system for smooth evacuation of surplus power to India and meeting the domestic demand with optimized right of way and costs, taking into consideration all hydroelectric projects planned to be completed under the 10,000MW plan by 2020 and beyond up to 2030. The Central Electricity Authority (CEA) was awarded the consultancy for the preparation of the NTGMP and the MoU for consultancy services was signed between DoE and CEA on 22nd December 2009. The preliminary NTGMP report was presented to the power sector agencies of the country on 22nd December 2010 in New Delhi. The CEA is presently reviewing and revising the report based on the feedback provided and the draft final NTGMP Report is expected to be completed by June 2011.

5. Rural Renewable Energy Development

The Renewable Energy Division is implementing the Rural Renewable Energy Development Project under ADB funding. The grant agreement between ADB and RGoB was signed on 13th December 2010. The project consists of the following components:

5.1 Off-grid Electrification

Details for this component have been reported under the 'Electricity for All By 2013' section.

5.2 Development of 360 kW Pilot Wind Plant

BPC is the implementing agency for the project and wind power could potentially supplement the low power season during the dry winter months and also improve

the nation's energy security through diversification. The proposed pilot wind power project consists of 1) installation of wind masts at three sites and 2) construction and operation of two 180 KW pilot wind turbines. Currently data is being collected from three sites based on which the most suitable site will be selected.

5.3 Installation of 1600 Bio-Gas Plants

The Department of Livestock, Ministry of Agriculture, is the implementing agency for this component. The proposed pilot bio-gas project will build capacity in the public and private sector to construct and operate 1,600 bio-gas plants in rural areas, thereby enabling the country to implement large scale bio-gas plants in the future. A project implementation unit has been established by the Department of Livestock and international and national experts have been recruited. The project implementation unit has framed the work plan and implementation strategy.

5.4 Framing of the National Renewable Energy Policy

The Ministry is formulating the Renewable Energy (RE) policy under the programme for Promotion of Clean Power Development supported by the ADB. The RE policy is being developed as recommended by the Sustainable Hydropower Development Policy 2008 and the Economic Development Policy 2010. The RE policy is designed to provide long term direction, implementation framework and promotional measures for promotion of renewable energy in the country. The draft RE Policy is currently in the final stages of the approval process and is expected to be endorsed within 2011.

6. Strengthening of National Hydrological and Meteorological Service

6.1 Strengthening and Expansion of Monitoring Network

Construction of new and renovation/rehabilitation of existing hydro-meteorological stations and related infrastructures for the FY 2009-2010 are being continued based on data requirement for hydropower project planning and development as well as for other purposes.

6.2 GLOF Early Warning System (EWS) along Punakha-Wangdue Valley Funded by GEF/UNDP (LDC Funding) under the Project "Reducing Climate Change-Induced Risks and Vulnerabilities from Glacier Lake Outburst Flood in the Punakha-Wangdue and Chamkhar Valleys"

Installation of sensors at Dangsa (33 km upstream of Wangdue Bridge) on Phochhu control station at Wangduephodrang and 14 siren towers in the Punakha-Wangdue valley have been completed in January 2011. The system is currently under the testing phase. GLOF EWS system in the lower region of Punakha-Wangdue valley will be operational by this monsoon. The installation of sensors and 3 siren towers in Lunana will be taken up in June 2011 and completed by August 2011. The total project cost is estimated at Nu. 50 million out of which PHPA-I have agreed to finance Nu. 10 million.

6.3 Project “Enhancing Adaptive Capacity to Climate Change - Output 5: Capacity for Hydro-meteorological Services and Climate Modeling” funded by DANIDA

A dedicated website for hydro-meteorological services (www.nhms.gov.bt) has been developed and is fully operational. Weather forecasts of 20 Dzongkhags are being uploaded on a daily basis on the website. The National Weather and Flood Forecasting Centre (NWFFWC) under the Hydromet Services Division with the required hardware and software have been established. The centre will be operated for 24/7 in future to provide hydro-meteorological services to public and related agencies. A central database for hydrological and meteorological data has also been set up. Installation of three pilot Automatic Weather Stations (AWS) at Semtokha (Thimphu), Chamkhar (Bumthang) and Kanglung (Trashigang) and two Automatic Water Level Stations (AWLS) on Mochhu (Yebesa) and Wangchhu (Tamchhu) have been completed. Real time data from these stations for weather forecasting and flood warning are being transmitted to NWFFWC using GSM/GPRS communications.

7. Institutional Arrangements

The Ministry is following up with the Royal Government the creation of a separate Energy Secretariat which had been approved in July, 2008. In the interim, the Ministry is working on establishing two additional Departments as approved by the Royal Government and seeking approval of the Royal Civil Service Commission for staffing the same.

GEOLOGY AND MINING SECTOR

1. Geological Surveys

- 1.1 Geological studies/investigations on construction materials (high grade quartzite, limestone, marble and granite) at various geographical locations have been carried out across the country to meet the demand for construction materials mainly by the hydropower projects and other major construction activities such as roads, buildings and bridges.
- 1.2 Geological study on the ferro-silicon grade quartzite was carried out and a total reserve of 15.17 million metric tons of ferro-silicon grade quartzite was determined in Kamaibhanjang, Dhamdhum, and Dipujhora area under Samtse and Piping area under Chukha. Geological study of quartzite deposit at Shiwamo in Pasakha has also been completed along with the fieldwork on occurrence of stone quarry in Chimethangka under Thimphu Dzongkhag for NRDCL.
- 1.3 Geological investigation of talc deposits in Lapchakha, Panbari and Tolabari areas in Samtse have been successfully completed. In the Gomphu area under Zhemgang, an estimated mineable reserve of 7.7 million metric tons of high grade limestone has also been proven.
- 1.4 Investigation of cement grade limestone at Bhawanikhola, Pugli Gewog, Samtse Dzongkhag was completed and 2.81 million metric tons of cement grade limestone has been proven. Investigation of cement grade limestone between Pugli hill and Uttaray in Samtse is currently being undertaken and will be completed by June 2011. Preliminary geological investigations of cement grade limestone at Dorokha in Samtse are underway and detailed geological investigation of limestone deposits in Kalamati and Digala under Zhemgang Dzongkhag are also underway.
- 1.5 Geological works have been initiated in the last one year and are currently ongoing for the toposheet wise mapping in parts of Zhemgang and Trongsa which is expected to be completed by June 2011. The importance of such an exercise is firstly to have field knowledge about the geology of any given area in the country. Secondly, most of the economic mineral deposits are located only in the course of carrying out such systematic geological mapping.
- 1.6 During the last one year, geotechnical hazard and risk assessment studies were carried out in Gelephu for an area covering 98.8 acres. The hazard and

risk assessment of new Sarpang township is completed and the geological report writing will be completed soon. Geotechnical and hazard assessment of road from Tshelingkhor to Denchi has also been completed as part of the planned activity for the fiscal year 2010-2011. In addition, several ad-hoc geotechnical studies related to developmental activities were also carried out on a deposit work basis.

- 1.7 The chemical laboratory unit has analyzed and reported a total of 225 samples from June 2010 till April 2011 against the yearly target of 350 samples per year.
- 1.8 As part of Department of Geology and Mines (DGM) and Swiss Federal Institute of Technology (ETH)/Montpelier University collaborative project, several gravity measurements were conducted at various locations in Bhutan. A preliminary report on the gravity anomaly of Bhutan region is already completed.
- 1.9 Under the ongoing DGM-JICA/JST Project, active fault mapping of major parts of southern Bhutan have been completed. Such information will be crucial for the development of earthquake hazard maps of the country.
- 1.10 Geophysical electrical resistivity investigations were carried out to determine the stability of landslide prone areas in Phuentsholing and Tala HEP area.
- 1.11 During the current Fiscal Year, the DGM-NGI project on “Management of Risks caused by Natural Hazards for New Infrastructure Development in Bhutan, Phase –III” completed the following activities:
 - Installation of rainfall induced landslide early warning systems at Thimphu and Tala
 - On the job-training for DGM personnel on geophysical explorations methods such as seismic refraction and Ground Penetrating Radar (GPR)
 - Visit of high level delegation lead by Hon’ble Secretary, MoEA to Norway

During the Annual Meeting held on 19 May 2011 between the two Governments of Norway and Bhutan, the collaboration between DGM-NGI has been extended till 2014 with total fund approval of Norwegian Kroner 6 million. Moreover, depending on RGoB’s priority, funding possibility for Thimphu-Wangdue road tunnel feasibility study will also be considered. Besides the above works, the seismology and geophysics section also prepared several project proposals including the establishment of a Seismology Division and installation of national seismic stations. Institutional capacity

development towards earthquake risk reduction and prevention is actively being pursued following the 2009 eastern Bhutan earthquake. Establishment of a new Seismology Division, which has been endorsed by the Government during the 10th Five Year Plan Mid Term Review is underway. The Ministry is also actively engaging with other regional and international institutes for conducting earthquake related studies and installation of earthquake monitoring stations in the country.

The following includes some of the collaborative research initiatives undertaken by the Department:

- DGM-ETH Zurich, Switzerland and Montpellier University, France: Lateral variations along the Himalayan arc from Nepal to Bhutan to assess earthquake hazards.
- DGM-Norsar, Norway: Earthquake Hazard in Bhutan, A National Earthquake Hazard Mapping
- DGM-Kyoto University, Disaster Prevention Research Institute: Preliminary stage of developing collaborative research works.
- DGM-JICA/JST: Active fault mapping of major part of southern Bhutan completed through the ongoing DGM-JICA/JST project.
- DGM-University of Colorado, Boulder: Re-measurement of GPS points collected in early 2000s.

2. Glaciology Division

2.1 The GLOF mitigation project of lowering the water level of Thorthormi lake is underway with a target to reduce the water level by 5 metres within four years. During the last year, the water levels of the main lake, subsidiary lake I and subsidiary lake II were reduced by 1.37 metres, 1.2 metres and 2.3 metres respectively reducing the overall water level of the lake by 2.2 metres within two years of actual field implementation. It is unlikely that the targeted reduction will be completed within the original time frame mainly on account of the unpredictable weather conditions that did not allow the work to be undertaken as originally planned. This activity was carried out as a part of field activity under DGM-UNDP/GEF project.

2.2 Conducted field survey (landslide survey has been conducted downstream (Kinga Rabten and Zhemgang area) in Mangdechhu basin for ground checking of glaciers and glacial lakes and recovering of weather data from automated weather station. This was carried out in collaboration with JICA and the Japan Science and Technology Agency. Many ground checks for the validation of potentially dangerous glacial lakes including other glaciers and glacial lakes have been conducted within the two years of the project implementation. By

the end of 2012, an updated inventory on Glaciers, Glacial Lakes and Glacial Lake Outburst Floods will be published by the project.

- 2.3 Conducted bathymetric survey on Chubda and Phudung Tso in the head waters of Chamkhar Chu. This was also carried out in connection to ground checking of GLOF risk from these lakes under DGM-JICA/JST Project.
- 2.4 Time series monitoring of Glacier and Glacial Lakes have been carried out in the headwater of Paa Chhu (Glacier and Glacial lake situated at the base of Jichu Drakey and Jomolhari and Lingshi area).

3. Mining Division

- 3.1 Approved and issued 9 stone quarries and 4 mines between 2010 to 2011 in view of the growing demand for construction materials and mineral ore.
- 3.2 Leased three quarries to PHPA-I HEP. Three more quarries for PHPA-II HEP are under process.
- 3.3 The Ministry has completed the preparation of the draft Mineral Development Policy and is in the process of seeking Royal Government approval. The Mineral Development Policy is being prepared so as to bring changes in the mines/quarries allocation system and to have a properly planned, efficiently regulated and professionally managed mineral industry in line with the philosophy of GNH.
- 3.4 A system to fast track leasing of mines and quarries has been developed. Based on Royal Government directives, the Ministry has led the team in preparing a proposal to fast track the leasing of stone quarries. The formation of a multi-sector task force is underway following the finalization of the terms of reference. The draft regulations for Local Government Act dealing with approval of quarry sites has also been prepared and approved by the Royal Government. The first joint pre-feasibility study of the mine/quarries will start in August, 2011. The time for allocating stone quarries is expected to come down to 10 months from 17 months.
- 3.5 The public consultation guidelines were approved by the Royal Government and the guidelines are being inserted in the draft Local Governance Rules.
- 3.6 A total of 14 mining inspectors were recruited and trained in view of growing number of mines and quarrying activities in the country.

INDUSTRY SECTOR

1. Project Co-ordination Division

The Division continues to use the import management system for recording of imports by industries for raw materials, machineries, spare parts and other related imports. Towards improving delivery of public services, from the second half of 2010, service firms no longer need to route their import license application through the Department of Industry. Firms apply directly to the Department of Trade. The Division is also working with the G2C office to build a web based industrial information system for manufacturing industries in the country.

2. Company Registry Division

2.1 The Company Registry Division in 2010 had incorporated 23 companies, which comprised of four Foreign Direct Investment (FDI) private companies, two unlisted public companies, one government company and 16 domestic private companies. In 2009, 17 companies were registered and so far in 2011 only 5 companies have been incorporated.

2.2 The office also carries out periodic inspections of the incorporated companies. A corporate governance code workshop was conducted in partnership with the Royal Securities Exchange of Bhutan for the listed companies.

2.3 The initial public offerings (IPOs) of Druk Punjab National Bank and T Bank were approved in 2010 and this allowed the banks to raise funds from the market. The Royal Insurance Corporation of Bhutan's bonds was also approved for floating in the market in 2010. These developments have created wider investment opportunities for the public.

2.4 With the increasing number of both FDI and domestic companies and emerging issues related to them, the amendment of the Companies Act 2000 has become imperative. The Asian Development Bank has agreed to fund the activity and the amended bill will be ready for consultation by the end of 2011.

2.5 In another initiative with G2C, a database called CREG (Companies Registration) will be developed and will initially be used for online name clearance during incorporation and will also allow name change after incorporation. The system will also be used for recording of information and data pertaining to the registered companies and will be accessible to the public.

3. Industrial Development Division

3.1 Feasibility studies of green industry and a marketing study for water are being undertaken by consultants and these studies will be completed by first quarter of the fiscal year 2011-2012.

3.2 During the year, 27 industrial projects of various scales were processed and approved. This also included the four FDI projects.

Scale of Industry	Number approved in the year
Small	3
Medium	16
Large	4

3.3 A total of 14,191 industrial licenses were operational as on 31st December 2010 out of which 993 were issued during the last one year.

4. Environment Unit

The Unit continues with its routine environmental monitoring of air and water of the 17 listed industries and works in close collaboration with the National Environment Commission Secretariat (NECS). The Unit also issued 33 environmental clearances and forwarded 35 applications for environmental clearances to NECS.

5. Industrial Infrastructure Development Division

5.1 Pasakha Industrial Estate (PIE), Chukha

The industrial estate is spread over an area of 272 acres and the following are the main activities undertaken during the period.

5.1.1 Integrated solid waste management studies.

Location for the development of a solid waste disposal facility has been identified within the industrial estate. Two acres has been identified for the facility. The contract for drawing and design was awarded and the consultants have finalized the detailed engineering drawings and bill of quantities for the work. Preparation of tender documents is now underway.

5.1.2 Dredging of Singhi and Barsa rivers and the clearing of drains at the estate have been completed. The planned facilities including the watch tower and staff quarters have also been completed. The improvement on the drains and roads at the

estate are in progress. In addition, restoration of damaged river protection walls, spurs, boundary walls and new water supply system will be completed by June 2011.

In order to improve the management of Pasakha Industrial Estate, the Ministry is currently studying options for the same.

5.2 Proposed Industrial Estates

For the 10th Five Year Plan, the following industrial estates have been identified for development:

- Jigmeling under Sarpang Dzongkhag
- Dhamdum under Samtse Dzongkhag
- Motanga under Samdrup Jongkhar Dzongkhag

The Royal Government plans to develop these industrial estates through the Public Private Partnership model. The Ministry has handed over the development of all the three estates (Jigmeling, Dhamdum and Motanga) to Druk Holding & Investments (DHI) under a Memorandum of Understanding signed on 18th January 2011. The Ministry is responsible for the land acquisition for these estates.

5.3 Status of the proposed industrial estates:

5.3.1 Jigmeling Industrial Estate, Sarpang

The proposed site is located along the Gelephu-Sarpang road at about 15 km west of Gelephu town under Sarpang Dzongkhag. In July 2010, the National Land Commission (NLC) approved 1185 acres of Government Reserve Forest land for the estate. Sarpang Dzongkhag was given the responsibility to carry out the survey and demarcate the area with a detailed report. The survey has been completed for 1339.01 acres, out of which 391 acres is private land. It is expected that the Ministry will complete the entire land acquisition process, including payment of land compensation and provision of land substitute by the end of 2011.

5.3.2 Motanga Industrial Estate, Samdrup Jongkhar

The proposed site is located 7 kms to the east of Samdrup Jongkhar town and falls under Deothang Gewog. The total area is about 152 acres and private land totals four acres. A topographical survey of the area has been completed by March 2011 with NLC and it is also in the process of registering the land.

5.3.3 Dhamdum Industrial Estate, Samtse

The proposed site is located to the north-west of Samtse town next to the Samtse-Sipsoo highway and adjoining the Dhamdum riverbed. The area surveyed in 2005-2006 under the World Bank assisted feasibility study was 613.78 acres. In 2009, the NEC in collaboration with the NLC and the GNH Commission carried out a Strategic Assessment of the development of the estate. The report recommends that the area surrounding the proposed estate and the current Samtse township be divided into different zones and have been identified/earmarked for various purposes including an industrial estate, a dry port and rail terminal, and urban expansion. The report also identifies an area on the other side of the Dhamdum River (towards Sipsoo) for a Special Economic Zone. The report is pending adoption by the Royal Government and the Ministry will take up the acquisition of land upon adoption of the report and further directives from the Royal Government.

5.3.4 Bondeyma Industrial Estate, Mongar

The proposed site is located between the east-west highway and between Kurichhu and Maurichu towards west of Kurichhu at Mongar. The industrial estate is spread over an area of about 110 acres. During the 10 FYP Mid-Term Review, the Ministry requested for inclusion of the development of Bondeyma Industrial Estate under Mongar Dzongkhag in the Plan which was endorsed with a budget allocation of Nu. 10.54 million. This will cover the cost of consultancy service to draw up a master plan with details on drawing, design and cost estimate for infrastructure including a bridge. The topographical survey has been completed in February 2011 and the detailed feasibility study of the estate including the master plan and design, drawing and estimates will be completed within the remainder of the Plan period

5.3.5 The approval for handing over the Phuentsholing Industrial Estate, Gelephu Service Centre and the Samdrupjongkhar Service Centre has been intimated to the respective municipal authorities. The revision of the lease agreement for plots and sheds in the industrial estates has also been finalized and approved.

5. Foreign Direct Investment Division

5.2.1 Following the approval of the FDI Policy in 2010, the revision of FDI Rules & Regulations 2005 and drafting of FDI procedures were initiated during the year. The draft final report has been received from the consultants and the revision and drafting will be completed by September 2011.

5.2.2 During the year the following four FDI projects in the manufacturing and service sectors were also approved:

- Lhaki Steels & Rolling Pvt. Ltd.
- Bhutan Hotels Pvt. Ltd.
- Manidheepa-Mohsin Hotels & Resorts Pvt. Ltd.
- Dagachhu Hydro Power Corporation Ltd.

TRADE SECTOR

The Ministry is well on track towards achieving the 10th FYP targets in this sector. Following are the key programmes and activities implemented during the year:

1. Trade Regulation and Monitoring Division

- 1.1 As of 31st March 2011, a total of 19,688 retail license, wholesale license and micro certificates have been issued. Out of which, a total of 3,920 were issued during the period July 2010 – March 2011.
- 1.2 The Ministry along with the Bhutan Agriculture and Food Regulatory Authority (BAFRA) and Bhutan Chamber of Commerce and Industry (BCCI) conducted a joint four days awareness workshop on supplementary labeling of imported pre-packaged food for importers and grocery owners in Thimphu and Phuentsholing in November and December of 2010. A total number of 363 participants attended the workshop in Thimphu and 250 participants attended in Phuentsholing.
- 1.3 The Ministry and the Institute for Management Studies conducted a one day training on skills development for 50 business people in Phuentsholing on 18th February 2011. The main objective of the workshop was to assist them in performing an elementary business analysis to help them understand the market and to make major decisions based on the financial calculations.
- 1.4 The tender documents for designing the modular roadside shop for rural marketing has been prepared and the Request for Proposal (RFP) has also been sent to Zorig Consultancy Pvt. Ltd for designing of the above.
- 1.5 A consultation on the formulation of a Competition Policy was held with various stakeholders and this is expected to lead to the formulation of a Competition Law for the country.
- 1.6 The Consumer Protection Bill 2010 was submitted to the Parliament. Presentation on the same was made to the National Council on 12th April 2011.
- 1.7 The first draft of the Alcohol Control Regulation 2011 has been completed.

2. POL Section

- 2.1 The Memorandum of Understanding (MOU) with Bharat Petroleum Company Limited (BPCL) was finalized in November 2010 during the visit of a high level delegation from the company. Similarly, the renewal of MoU with Indian Oil Company Limited has been initiated.
- 2.2 As per directives of the 74th Session of the Lhengye Zhungtshog to relocate the existing POL depot from Dechenchholing to an appropriate location, the government land at Thimchupangkha under Paro Dzongkhag has been identified and demarcated. In November 2011, BPCL submitted the Technical Consultancy Services for Relocation of POL Depot report to the Ministry. Accordingly the Ministry appointed them as the technical consultants for the relocation project.
- 2.3 In addition to the three existing POL dealers in the country, Bhutan Petroleum Pvt. Limited has been appointed as a new POL dealer in the country.
- 2.4 Guidelines for the handling of POL products at petroleum retail outlets has been framed and endorsed by the Ministry.

3. Trade Negotiation Division:

a. Bilateral Trade

- 3.1 A high level bilateral consultation on economic issues was held in Thimphu between the Royal Government of Bhutan and Government of Bangladesh on 24th November 2010. The outcome of the bilateral meeting was discussion on transit facilities that Bangladesh will offer Bhutan, particularly the access to the sea ports of Mongla and Chittagong. A Bhutanese delegation also visited Bangladesh from 21st-29th April, 2011 and visited the two seaports, discussed the renewal of transit agreements with the Government of Bangladesh and also explored the possibility of collaboration and cooperation in the small and medium scale industries in Bangladesh.
- 3.2 The Government of India was requested to consider including additional exit/entry points in India as trade routes in the Protocol to the Agreement on Trade Commerce and Transit between Bhutan and India. The following are the new trade routes to be included in the Agreement:

- i. Upper Khogha, West Bengal
- viii. Rangapani, Assam

- ii. Bokajuli, Assam
- iii. Bhutan Ghat, West Bengal
- iv. Bhairakhund, Assam
- v. Nagarkata, West Bengal
- vi. Jorlong, West Bengal
- vii. Loksan, West Bengal
- ix. Mathanguri, Assam
- x. Dalmore/Birpara, West Bengal
- xi. Kulkuli, West Bengal

3.3 The second round of bilateral trade talks between Bhutan and Nepal was held in Thimphu from 24-25 May, 2011. The discussions during the meeting were focused on the draft text of the Agreement on Trade, draft Protocol to the Trade Agreement, Rules of Origin and list of exportable items of the respective countries.

b. Regional Trade

3.4 The 19th Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Trade Negotiating Committee was held in Bangkok, Thailand from 21st-23rd February, 2011. The meetings of the working groups on Rules of Origin, Trade in Services, Investments and legal experts were also held in parallel.

3.5 The 2nd working group on reduction of the sensitive list under South Asian Free Trade Area (SAFTA) was held in Kathmandu from 28th-29th March, 2011.

3.6 Officials from the Ministry attended the sixth meeting of the expert group on SAARC Agreements on Trade in Services held in Kathmandu from 30th-31st March, 2011.

3.7 A Bhutanese delegation lead by the Minister, Ministry of Economic Affairs attended the 5th Meeting of the SAFTA Ministerial Council in Male, Maldives on 13th June, 2011. The officials also attended the 6th meeting of the SAFTA Committee of Experts and the 6th Meeting of SAFTA Sub-group on Non-Tariff Measures from 11th-12th June, 2011.

4. Export Promotion Division

4.1 The 5th edition of Exporter's Directory was updated and distributed to the RTIOs, embassies and missions abroad for further distribution to interested foreign importers.

- 4.2 The Ministry participated in the 30th India International Trade Fair held in New Delhi from 14th-27th November, 2010.
- 4.3 The Ministry organized and coordinated the participation of 20 Bhutanese firms and enterprises in the 10th SAARC Trade Fair held in Kathmandu from 15th-19th December, 2010.
- 4.5 A total of 10 Bhutanese firms participated in the 24th India Industrial Fair held at Kolkata from 24th December-2nd January, 2011.
- 4.6 The Ministry organized and conducted the second regional awareness workshop on Bhutan SEAL from 24th and 27th September 2010 in Trongsa and Mongar respectively. The workshops were aimed at educating rural artisans and producers about the Bhutan SEAL and to encourage their participation in future awards.
- 4.7 Feasibility study of a Tax Free Zone as per the Economic Development Policy 2010 has been initiated and will be completed by June 2011. The initiative is intended to study direct and indirect impact of the existing taxes on trade in goods and services in Phuentsholing and accordingly recommend necessary policy intervention and measures.
- 4.8 As part of the export promotion and trade facilitation programme, awareness workshop on Generalized System of Preference (GSP) and SAFTA Rules of Origin (ROO) was conducted in Phuentsholing and Gelephu on 11th and 15th April, 2011.
- 4.9 The affected landowners in the mini dry port area in Phuentsholing have been allocated substitute land by National Land Commission.
- 4.10 The Terms of Reference/Request for Proposal for establishment of warehousing and distribution complex in the area under Build Own Operate and Transfer (BOOT) mode is being drafted.
- 4.11 A two day training on marketing skills and export management designed specifically for the Bhutanese exporters and potential exporters was organized in Phuentsholing from 29th - 30th December, 2010.
- 4.12 Enhanced Integrated Framework (EIF)

The Pre-Diagnostics Trade Integration Study (DTIS) funded by EIF Secretariat has been successfully completed in February, 2011. Pre-DTIS project will facilitate the implementation of Diagnostics Trade Integration Study, which will identify priority

actions of the Royal Government in order to mainstream and expand trade. Under the EIF Pre-DTIS project, a meeting for the EIF National Steering Committee was organised in Kathmandu from 24th-27th February, 2011 to share experiences and discuss issues related to EIF implementation with the EIF national implementation unit in Kathmandu. The meeting also aimed at establishing networks and better working relations with the key officials of the EIF programme in Nepal.

On May 4, 2011, DTIS launching workshop was organized in Thimphu and a Pre-mission on DTIS was in the country from 2nd-11th May, 2011 to identify preliminary issues and challenges constraining trade in country.

4.13 Imports

A total of 22,628 import licenses were issued as of 31st March 2011, out of which a total of 1,881 import licenses were issued from July 2010 –March 2011. Summary of import licenses issued from July 2010 –March 2011 are as follows:

Importer Type	Number of Import Licenses issued
Commercial Trading	1055
Services & Manufacturing unit	595
Government Agencies	102
International Agencies	11
National Personnel	21
International Personnel	4
Contractors (Power Projects)	93
Total Import licenses issued	1881

4.14 The Department of Trade signed a compact on 6th August 2010 with G2C project office to deliver the following specified service delivery standards and the process leaning implementation plan for the Department.

The specified services identified under the Department for automation are as follows:

- i. Issuance of Micro Trade Registration Certificate
- ii. Renewal of Micro Trade Registration Certificate
- iii. Issuance of Retail License
- iv. Renewal of Retail License
- v. Issuance of Wholesale License
- vi. Renewal of Wholesale License
- vii. Import House registration Certificate

viii. Issuance of Import License.

The preliminary automation works for the above services has been completed and will be presented to the Ministry for necessary approval and implementation.

TOURISM SECTOR

1. During the recent 10th Plan MTR review, the Royal Government decided that the MoEA will be the line Ministry for Tourism. With emphasis on promoting services, the tourism sector continues to play an important role in the economy and continued to grow during the last year. The number of tourist arrivals increased from 27,636 tourists in 2008 to 40,873 in 2010 exceeding the target of 35,000 tourists for the year by 17%. Gross earnings increased from USD 38.82 million in 2008 to USD 90.5 million in 2010, contributing a royalty of USD 11.6 million to the national treasury. As of April 2011, total number of jobs generated both direct and indirect was 21,289. This exceeded the target of 18,000 jobs for 2011. The total target of generating 25,000 jobs in the tourism sector by 2012 is on track and achievable within the next two years given the various initiatives being taken to promote tourism in the country.
2. The Royal Government launched the advertisement slogan for tourism- 'Bhutan: Happiness is a place' in March 2011. The logo with the national flower Blue Poppy captures the very essence of the country, its living culture, pristine environment and birthplace of the Gross National Happiness philosophy.
3. Facilities for accepting more credit cards were introduced and cash withdrawal by foreigners from automated teller machines (ATM) were launched for the first time in the country.
4. Procedures have been simplified e.g online visa, online payments etc and the negative list for areas, lhakhangs and religious sites restricted to tourist has been approved and announced to the stakeholders. The requirement of special and route permits has also been done away with.
5. Manas was officially opened and the park authorities are developing five campsites with eco lodges by July 2011. FDI options are also being considered for high end accommodations.
6. Tourists have already started visiting Merak and Sakteng. All the development of infrastructure will be completed by June 2011. As per the decision of the Royal Government to open Merak Sakteng to tourism, a comprehensive

proposal has been developed for implementation and the following works have been carried out:

- Construction of campsites in Merak (Damnongchu & Merak) and Miksarteng (Miksarteng, Sakteng and Joenkhar)
 - Renovation of guest houses in Merak and Sakteng
 - Construction of caretakers quarter (Damnongchu, Miksarteng & Joenkharteng)
 - Water supply to Merak and Sakteng guesthouses and
 - Procured sample horse saddles and handed over to the Dzongkhag Administration.
7. Star rating completed for 124 hotels out of which 41 hotels were rated 3 stars and above. Total of 50 hotels have signed MoUs to upgrade their hotels to 3 star level.
 8. Fiscal incentives were launched in January 2010 to encourage existing tourist accommodation to upgrade and establishment of new high end hotels.
 9. Increased awareness of Bhutan as a preferred destination being raised through intensive marketing and promotion efforts in the main as well as new source markets. This has been achieved, inter-alia, participation in road shows, travel fairs and in collaboration with various prominent TV companies, magazines and newspapers.
 10. Joint marketing initiatives being executed with multiple international tour operators in partnership with their Bhutanese counterparts to increase arrivals.
 11. The Indian online tour company, Make My Trip is chartering Druk Air flights from Delhi and Mumbai for the summer months for a target arrival of 2,700 Indian tourists and is expected to generate approximately Nu. 90 million to the economy through Druk Air charters and tour package sales.
 12. 798 MICE (meetings, incentives, conferences and exhibitions) visitors were received.
 13. The Tourism Council of Bhutan (TCB) in partnership with COOPRENA, Costa Rica has developed a project titled '*Sustainable Tourism Development Strategy in Zhemgang, Bhutan and Rio San Juan Basin, Costa Rica*' under the Programme for South-South Co-operation. The overall objective of the project is to better position Zhemgang Dzongkhag and selected communities in the Rio San Juan Basinas as a sustainable tourism destination so that communities have

direct employment and benefits from tourism to supplement their livelihood while conserving nature and preserving culture. The project component for the Bhutan part includes the development of a Dzongkhag Tourism Development Plan, A Tourism Product Development Strategy and a pilot Heritage Village. All construction has been completed and the management has been handed over to the community/Dzongkhag.

14. The Tourism Council of Bhutan along with the private sector developed a trekking trail from Dorokha to Nub Tshona Patta. The trek route has been developed and report has been submitted to TCB. Furthermore, the Haa summer festival is scheduled to be held from July 9-10, 2011. This festival is developed in collaboration with Haa Dzongkhag.

15. A traditional spa in two hotels (Hotel Terma Linca and Hotel Zhiwaling) in collaboration with NITMS was piloted. Regulations/guidelines on meditation instructors/spiritual tourism in consultation with Dratshang Lhentshog were drafted. Surveys with the hoteliers to determine demand for traditional spa raw materials, supply logistics and training needs are completed. Proposals for development of meditation center and hot spring have been received and are being processed.

16. Development of new tourism products

16.1 Orchid Tours in the East

Survey completed and campsites and routes identified. Information on orchid tours disseminated to the stakeholders and promotion being carried out.

16.2 Textiles Tours in the East

Routes identified and product inventory have been carried out during the reporting period.

16.3 Development of Tourism in Mongar

New trekking routes and cultural sites identified and promoted. Brochures developed and distributed. TCB organized FAM tour to Mongar to familiarize the local tour operators to new products.

16.4 Nomads Festival in Nangsephel 23rd-25th February 2011

The festival was developed by TCB in collaboration with the Park Management and other stakeholders. The plan and budget was supported by the Council. Promotion of the festival for next year is being carried out.

16.5 Takin Festival at Tsari Jathang, Jigme Dorji Wangchuk National Park 9-10, June 2011

The Park Management, TCB and other stakeholders jointly developed the festival and TCB supported the plan and budget. Brochure developed and promotion of the festival is being carried out.

17. Implementation of Tourism Master Plan (Austrian assisted project)

17.1 Standardization and Classification of Hotels and Restaurants in Bhutan

Following the completion of the development of a new system for the classification and standardization of accommodation in the country, a team of Hotel Classification Assessors were identified, comprising of six members; three representatives from TCB and one member each from HAB (Hotel Association of Bhutan), ABTO (Association of Bhutanese Tour Operator), BCCI (Bhutan Chamber of Commerce and Industry). The main responsibility of the team was to make onsite visits to all the tourist accommodation providers that were registered with the TCB and assess the properties as per the new star rating system.

The team has made assessment of 119 hotels and other accommodation types out of the 128 tourist registered hotels with the TCB. As of date, 37 hoteliers/accommodation providers out of the 84 (1 and 2 star) have signed the MOU with TCB for up gradation and 11 accommodations have already started the up gradation process.

18. Development of Tourism Infrastructure

18.1 Renovation/maintenance of Thongdrozam

The TCB initiated the renovation of Thongdrozam on the Jumolhari trek route located between Shana and Thangthanka campsites. The work was carried out by Paro Dzongkhag administration. The renovation has been completed by end of May 2010.

18.2 Renovation/maintenance of Rodhuphu guest house

The Tourism Council also initiated the renovation of Rodhuphu guest house and the work was carried out by Gasa Dzongkhag. The renovation was completed in June 2010 and a sum of Nu. 552,207 was incurred for the renovation works.

18.3 Maintenance of Koina and Tongchudrak bridges

TCB has handed over the renovation of Koina and Tongchudrak bridges to Gasa Dzongkhag. These will benefit travelers between the Laya Gasa trek and Snowman trek. The work will be completed by June 2011.

18.4 Maintenance of Tongshing bridge

The renovation work of the Tongshing bridge located above Dhur hot springs, Chhokhortoe, Bumthang has been handed over to Wangchuck Centennial Park and it has been already completed by 30th February, 2011.

19. Development of Road Side Amenities

19.1 Construction of Restroom facility at Nobdhing under Wangduephodrang Dzongkhag

The Tourism Council has been in the process of identifying suitable sites along the East – West Highway for construction of Road Side Amenities (RSA) for construction of cafeteria/restroom facilities for convenience of both international and domestic travelers. The Council has floated the tender and awarded the work for construction of restroom facility at Nobdhing under Wangdue Dzongkhag.

19.2 Cafeteria at Sengor, Mongar

The construction is ongoing and 50% of the work is expected to be completed by June 2011.

19.3 Construction of Bird watching campsite at Norbugang under Mongar Dzongkhag

Tendering works has started and work is expected to be completed by June 2011.

19.4 Development of managed campsite at Gasa

Construction work is ongoing and 50% of the work is expected to be completed by June 2011.

19.5 Construction of Restroom facility at Tango

The tender has been floated and 30% of the work is expected to be completed by June 2011.

20. Trainings for the guides and clean up campaign are being conducted as and when required.

21. Marketing and Promotion

21.1 Promotional materials

Promotional materials (brochures, flyers) are being regularly designed, updated, published and distributed through visitors, embassies, during travel fairs and road shows. These promotional materials are also translated into languages other than English to ensure a better reach to the target source markets. Brochures on the various product circuits as well as some stand alone products like Merak and Sakteng, the Haa Folk festival, the Nomad festival, Takin festival, Media Kits (CDs and DVDs) have

been developed in collaboration with the respective organizers and being distributed through all channels.

Other souvenirs such as T-Shirts, passport holders, visiting card holders, bags with tourism logo etc., are also being developed. In addition, a magazine that features articles on various aspects of Bhutanese culture and tradition written by eminent authors from both within and outside is developed and produced every year. The TCBS Secretariat (TCBS) is also working on a pictorial coffee table book featuring prominent attractions in Bhutan that would serve as an excellent visual introduction to the country as a destination.

21.2 Website and digital marketing

In keeping with the changing times and trends, a more comprehensive and interactive website has been developed to ensure better reach and information dissemination. The website accommodates user generated comments (UGC); receipt of feedback and inquiries that are being responded to on a regular basis. Social media sites for TCBS has been created and information being disseminated through those as well. With increasing popularity of the internet and its strength to disseminate information, TCBS is working on increasing brand awareness through social media by collaborating with online influential/travel writers/bloggers as part of digital marketing.

21.3 Branding

One of the major activities of the tourism initiatives under the ABSD was the decision to develop a brand identity for Bhutan tourism. As reported earlier, the new Bhutan logo and tagline “Happiness is a place” has been developed by a reputed creative agency- Ogilvy and Mather. This brand is now being promoted through the media and at various international travel events.

21.4 PR and marketing campaigns

TCBS has identified a PR agency each in the US, Germany and Russia with the objectives of targeting selected foreign tour operators, prominent media personnel and travel writers for coverage of Bhutan as a preferred destination. The PMB in New York City and the embassies in Brussels and Geneva are also helping to facilitate this effort. TCBS has also worked and facilitated the production of a BBC World History Unit’s series showcasing Bhutan’s wildlife and culture that was aired in September 2010 as a three part series of one hour each. TCBS also facilitated a Bhutan Event at the Dragon’s Gift exhibition in museum Rietberg Zurich. A nine member delegation from Bhutan participated in a weeklong event in Schoenberg in Germany celebrating Happiness as a theme that was organized and sponsored by the City of Schoenberg. The TCBS along with a cultural troupe will also participate in the Second Annual Week of Happiness from 16th through 26th July 2011.

In addition, the TCBS organized a weeklong Bhutan Food Festival in New Delhi followed by a road show in India covering five cities. TCB for the first time organized two events in the US along with 14 tour operators followed by participation in the United States Tour Operators Association conference to raise awareness of Bhutan as a destination to the American travel trade and media.

21.5 Promotion and Awareness

TCBS together with 78 tour operators and hoteliers have participated in major travel fairs in the world namely, JATA in Japan, WTM in England, ITB Asia in Singapore, SAARC Trade Fair in Nepal, Industrial Trade Fair in Kolkata, ITB Berlin 2011 in Germany, MITT in Russia, GITF in China, Taipei International Book Exhibition in Taiwan, SATTE, OTM and a MICE event in Mumbai in India.

Upon invitation by the Tour Operators Association of Bangladesh, Bhutan participated in the Bangladesh Tourism and Travel Fair 2010 with a delegation led by the Minister of Economic Affairs.

21.6 Key Account Managers

In order to strengthen the capacity to achieve the arrival targets, key account managers for the major source markets of Japan, Europe South East Asia, Pacific and India have been recruited.

21.7 Micro marketing ventures

As part of the initiatives to push arrival numbers up, the TCBS has been reaching out to premium international tour operators to explore joint marketing activities. Through this effort, TCBS has signed contracts with 9 international tour operators to promote Bhutan as a destination as well as increase numbers through various marketing activities. An RFP inviting local tour operators to submit proposals has also been floated.

21.8 Collaboration with media personnel

To be cost effective and generate interest in the world about the country, TCB supports tour operators in hosting media personnel of various high end publications and TV channels. The TCBS waives off royalty for such media personnel with the tour operator providing local hospitality. From July 2010 till April 2011 a total of 45 travel writers, photographers, filmmakers and other media personnel representing 20 publications/TV/radio channels from 10 countries have been hosted.

21.9 FAM visits by international tour operators and travel agents

From July 2010 till April 2011, a total of 343 international tour operators, travel agents and promoters from 25 countries have been granted FAM visit status by the

TCBS. This is promoted by waiving off the royalty by the Royal Government and tour operators hosting the overseas travel agents.

21.10 Newsletter

In its effort to disseminate information on the progress and happenings in the tourism industry, the TCBS brings out two issues of a newsletter “Tashel” every year. These two issues are being published regularly. The frequency will be raised to four issues from the next financial year.

21.11 Photography archive

Since photographs are required for various promotional publications, the archive is being updated on a regular basis with newer photographs. The TCBS has been facilitating the provision of required pictures for tour operators, embassies, travel agents and other promoters of the country.

21.12 Seasonality workshop

A workshop to strategize on increasing arrivals during the lean seasons was organized in March 2011 amongst a selected group of stakeholders including tour operators, hoteliers, guides and Druk Air.