

**2nd PROGRESS REPORT [Reporting period: January 2016 – June 2016]
Cottage Small and Medium Industry (CSMI) Action Plan (2015-2018)**

Note: Only activities that were or had to be implemented during that period are reported here. Activity Code as per CSMI Action Plan

Strategic Objective 2: Strengthen the Legislative Framework and Enterprise Environment		
<p><u>Activity: 2.1: Enterprise Registration Act:</u></p> <p>2.1.1. Awareness raising campaign to ensure that enterprise compliance with the ERA. 2.1.2. Educate and Train the implementing line agency (RTIOs) on ERA.</p>	MoEA: DOI	<p>The Enterprise Registration Bill was withdrawn from deliberation by National Council. Since there is no directives from the government to re-submit the bill yet, it is a dead bill until the government decides to re-submit the bill to the parliament. Therefore, the activities related to ERB in the CSMI AP 2015-18, would be considered invalid and removed.</p>
<p><u>Activity: 2.2: Registration and Licensing:</u></p> <p>2.2.1. Company Registry Division to be responsible for Enterprise Registry. 2.2.2. Integrate Company and Enterprise Registry into one database/platform, inclusive of proper reporting system.</p>	MoEA: DOI	
<p><u>Activity: 2.4: Annual CSMI Reports:</u></p> <p>2.4.1. Collect, Analyze and disseminate annual CSMI Report.</p>	MOEA:DCSI	<p>The annual Cottage and Small Industry report will be published by the end of July 2016.</p>
<p><u>Activity: 2.6: Tax Administration:</u></p> <p>2.6.1 Impact studies of the new system particularly for the CSMI, information analyses as well as direct interviews with the CSMI taxpayers have to be done.</p>	MOF:DRC	<p>The complete package of RAMIS will be launched after the development of Customs and Excise module. Thus, the impact study couldn't be undertaken for this reporting period.</p>
<p><u>Activity: 2.7: Public Procurement:</u></p> <p>2.7.1. Replace 2% EMD by securing declaration.</p>	MoF: PPPD	<p>PPPD is in the process of major revision of Procurement Rules and Regulations to enable efficient functioning of new e-GP system and the bid securing declaration is one of the agenda for the revision.</p>

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Strategic Objective 3: Facilitate Access to Finance and Incentives		
Measure(s)	Lead	Progress/ Implementation updates
<p><u>Activity 3.1: Commercial Bank Finance:</u></p> <p>3.1.2 Develop capacity building programs focusing on alternative financing methodologies).</p> <p>3.1.3. Pilot initiatives to test alternative lending methodologies.</p> <p>3.1.4. Develop CSMI credit line focusing on financial institutions.</p> <p>3.1.5. Implement CSMI finance facility targeting competitive sectors.</p>	<p>MOEA:DCSI</p> <p>MOEA:DCSI</p> <p>MOEA:DCSI</p> <p>MOEA:DCSI</p>	<p>The report titled “Improving Access to Finance to Cottage and Small Industries - the way forward. Development of alternative credit methodologies and new lending practices” was shared with relevant stakeholders for implementation of the measures that were agreed upon during the finalization of the report.</p>
<p><u>Activity: 3.2: Credit Guarantee Schemes:</u></p> <p>3.2.1. Business Mentors to effectively implement the programs supported by Credit Guarantee Programs or any other public funded programs.</p> <p>3.2.2 Capacity building of the officials in terms of Entrepreneurship delivery methodology like CEFE of <i>CEFE Net Sri Lanka and Germany</i>, <i>SIYB of ILO</i> and many others could be implemented.</p> <p>3.2.3. Create Bhutan Business Start-up Fund to have less dependency on Financial Institutions.</p>	<p>MoLHR:DoE</p> <p>MoLHR:DoE</p> <p>MoLHR:DoE</p>	<p>Entrepreneurship Division, Department of Employment, MoLHR in collaboration with Loden Foundation with the technical support from Youth Business International, UK conducted mentoring program for 15 mentors and assigned 32 mentees to each mentor for a duration of 2 to 3 years. Mentoring log book developed for each mentee to record the progress.</p> <p>TOT was conducted in Entrepreneurship Development in New Business Creation, Marketing, Financial and Business coaching for 94 members at Thimphu Techpark. The members were from TTIs, IZCs, Colleges, CSOs, Private training institutes and officials of MoLHR. The TOT was conducted with technical support from CEFE Net Sri Lanka.</p> <p>MoLHR has revolving fund of Nu. 20 million provided by Ministry of Finance after the Cabinet’s approval as Startup fund for SMEs and Overseas in May, 2016. Twenty (20) startup projects have been supported so far with maximum capital seed fund of Nu.0.5 million per project for duration of 1 year.</p>

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<p><u>Activity: 3.3. Micro Finance Institutions:</u></p> <p>3.3.1 Seek expression of interest from the MFI promoters, detail feasibility project report (DPR), evaluate, approve and establish MFI(s).</p>	<p>RMA</p>	<p>RMA has already registered the following two companies as the Microloan Institutions in line with the regulation for establishment of the Microloan Institution (Non-Deposit Taking MFI):</p> <ul style="list-style-type: none"> - RENEW Microfinance Project - Rural Enterprise Development Corporation Limited <p>The regulation for Deposit-Taking Microfinance Institution will be put up to the board for approval by August, 2016.</p>
<p><u>Activity: 3.4: Public Private Partnerships:</u></p> <p>3.4.1 Feasibility studies on PPP (a) rural cold chains, (b) food processing and (c) business services network.</p>	<p>MoEA: DCSI</p>	<p>Based on the evaluation result of the EOI, the department at the moment requested the shortlisted national consultancy firms to submit their detailed Technical and Financial Proposals. The assignment is to be completed within a period of 120 days from the date of signing of the contract.</p>
<p><u>Activity: 3.5: CSMI Sector Incentives:</u></p> <p>3.5.1. Carry out a detailed cost benefit analysis of the tax incentives for CSMI taxpayers.</p>	<p>MoF: DRC</p>	<p>The effectiveness of tax incentives was reviewed by the department but no detail study (cost benefit analysis) of tax incentive for CSMI could be carried out.</p>
<p>Strategic Objective 4: Enhance Competitiveness and Innovation</p>		
<p>Measure(s)</p>	<p>Lead</p>	<p>Progress/ Implementation updates</p>
<p><u>Activity: 4.1: R&D/Innovation activities:</u></p> <p>4.1.1. Create awareness campaign R&D and voucher schemes concept to the CSMI.</p>	<p>MOEA:DCSI</p>	<p>Public announcements inviting applications for IVS were made. The scheme was amended - made simpler with enhanced voucher value.</p>

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<p><u>Activity: 4.3: Business Incubators</u> 4.3.1. Alternative methods of business incubation in IT Park and other Industrial Estate should be explored and implemented till the incubation center is ready for operation.</p> <p>4.3.2. Establish the assessment and monitoring system to graduate the CSMI from incubator center.</p>	<p>MOEA:DCSI</p> <p>MOEA:DCSI</p>	<p>Options were explored but Thimphu Park's infrastructure is designed to accommodate only IT related activities. Leasing of land at the existing industrial estate (Bjemeina, Pasakha) for incubation program is not feasible. Under the current practice, available plots are leased to set up industries. Conversion of the existing industrial service center, Changzamtok to an incubation centre is on-going - seven rooms have refurbished and allotted to start-ups.</p> <p>Two-year incubation tenure is allowed as per the Guideline developed for the program.</p>
<p><u>Activity: 4.4: Cooperatives, Farmers' Groups, etc.</u> 4.4.1. Support the capacity building of the cooperatives and farmers groups in marketing strategies, financial management and leadership.</p>	<p>MoAF:DAMC</p>	<p>During this reporting period, 3 Co-operatives with 67 members and 16 Farmers' Groups with 138 members have been registered. Training and awareness programs were conducted by the department on "<i>Cooperatives and Marketing aspects</i>"; where over 160 members attended the training.</p>
<p><u>Activity: 4.5: E-business / e-commerce:</u> 4.5.1 Expedite the online business systems</p>	<p>MoEA/RMA(lead):DITT (Collaborating partner)</p>	<p>ePayment Gateway:</p> <ul style="list-style-type: none"> - eCommerce assessment is completed. - Payment gateway infrastructure for service is underway and piloting will be done during the month of July and August 2016.
<p><u>Activity: 4.6: Intellectual Property Rights:</u> 4.6.1. Create IPR awareness program (measurable) relevant to CSMI</p>	<p>MoEA:IPD</p>	<p>Following awareness programs on various IP topics implemented:</p> <ul style="list-style-type: none"> - IP awareness workshop for 23 trainees of Comprehensive Entrepreneurship Course in Thimphu TechPark on 16 February 2016. - IP workshop for 28 officials from Enforcement Agencies (RBP, RRCO), RTIOs and Inventors from 27 to 29 January 2016. - IP awareness workshop for 25 employees/trainees of Athang Training Institute on 8 April 2016. - IP awareness workshop for 100 employees of Scan Café on 15 April 2016 - IP awareness workshop conducted for 22 members from Tashi Yangtsho Desho Detshen and Chortem Kora Shazo Cooperatives at Tashi Yangtsho on 10 May 2016.

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4.6.2 Promote and popularize the importance of IPR info point among the CSMI.	MoEA:IPD	The department is having discussions with few CSMI on possibilities of creating IPRs Info Point to promote and popularize the importance of IPRs.
Strategic Objective 5: Improve Market Access		
Measure(s)	Lead	Progress/ Implementation updates
<u>Activity: 5.1: Quality Standards, Testing and Compliance:</u> 5.1.1. BSB must spearhead in close consultation with the MoEA (DCSI) to identify the varieties of products, works and services to be standardized and certified to be sold both within and outside the country.	BSB	BSB is in the process of developing standards for the following areas: <ul style="list-style-type: none"> - Food and Agriculture Products; - Traditional Medicines; - Textiles; - Timber and wood products; - Graphical Symbols and; - Agriculture machinery Standards.
<u>Activity: 5.2: Brand Bhutan:</u> 5.2.1. Create awareness program among CSMI to promote “Brand Bhutan”. 5.2.2. Capacity development of strategic CSMI to promote Brand Bhutan.	MoEA: DOT MoEA:DOT	The Department has developed Brand Bhutan Strategy with financial support from the UNDP and was officially launched in January 2016 by the Hon’ble Prime Minister. To kick start the implementation process, the department organized stakeholder consultation meeting on 23 rd June, 2016, where brand governance and architecture was finalized. Brand promotion is one of the key activities in the implementation of the Brand Bhutan. The department will be developing technical criteria in coordination with the competent authorities. This will be followed by aggressive promotion of the brand. Currently, the department is in the process of setting clear timeline and planning brand promotional activities.
<u>Activity:5.3:Seal of Excellence and Quality, and the Seal of Origin:</u> 5.3.1. Promote Seals of Excellence, Origins and Quality in association with the Brand Bhutan to the targeted audiences both in Bhutan as well as in International market (both producers and buyers)	MoEA:DOT	The department handed over the Seal of Origin to the Agency for Promotion of Indigenous Crafts (APIC) for implementation. As international promotion of Brand Bhutan would require huge fund, the department is currently mobilizing donor assistance in this regard.

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<p>5.3.2 Conduct the annual Programme of seals of excellence and quality award programme with a wider scope.</p>	<p>MoEA:DOT</p>	<p>The department conducted the 3rd round of Seal of Excellence award in 2015.</p>
<p><u>Activity: 5.4: B2B, Trade Fairs and Exhibition</u> 5.4.1: Conduct Need Analysis of the CSMI for the promotion and showcase of the products in the B2B trade fairs and exhibitions.</p> <p>5.4.2. Develop numbers of B2B, Trade Fairs, exhibitions, stalls etc. for CSMI both in and ex-country.</p>	<p>MOEA:DOT</p> <p>MOEA:DOT</p>	<p>The Department attended the 12th SAARC Trade Fair held in Lahore, Pakistan and the following products were showcased/promoted:</p> <ul style="list-style-type: none"> - Lemon grass oil and spray, Bio Soaps (different flavor) Lemon/orange/pineapple squash, Orange marmalade, Jams, Pickle, Honey and Cordeycep, Matsutake mushroom and Red rice; - Handicraft items such as bangchung, go-phub, tie, shawl, muffler; - Thingye powder, Turmeric powder and Tea (tsheringma, rutha, duetsi), Shilajit and Handmade paper (in various shapes/designs). <p>Similarly, the Department also attended the 1st International Trade Fair in Kuwait and the following products were showcased/promoted:</p> <ul style="list-style-type: none"> - Agro products such as juice/squash, pickle, jams, etc; and Herbal tea such as Tsheringma Tea and Rutra Tea, Masutake mushroom, Mountain Spring Water; - Honey and Products from traditional medicines and Lemon grass spray, Lemon grass oil, Bio Soap, Turmeric powder, Cardamom, Variety of rice and Handicraft items. <p>Regarding the exhibition showroom, the department has initiated the construction of the showroom at Changzamtog. The department anticipates that the showroom will be fully functional by December 2016; displaying all the sample products produced within country.</p>
<p><u>Activity: 5.5: Product Development and Quality Improvement:</u> 5.5.1. Providing grant to stimulate product development, design, and packaging, labeling, branding, marketing support services for both handicrafts and other indigenous products.</p>	<p>DCSI/APIC/B CCI</p>	<p>APIC developed the catalogue - “Bhutanese Paintings” during the month of May and June 2016 funded by the GOI.</p>

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5.5.2. Support for the Promotion and marketing of Bhutanese products focused both in cultural and export promotion and import substitutions products.	APIC/DOI/DO T/BCCI	To assist in direct marketing of the products, APIC during the month of February, March and April 2016 co-sponsored and facilitated for 23 artisans from Lhuentse, Pemagatshel, Trashigang, Bumthang and Kabesa, Thimphu dzongkhags to participate in the following events:
5.5.3. Expand the product development and quality improvement activities to other sectors like tourism, textiles, culture (APIC should continue as it is) and agro produce.	DCSI/APIC/T CB/RTA	To improve the quality and to diversify the products, APIC has conducted the following trainings:

Strategic Objective 6: Enhance Employment and Develop a Culture of Entrepreneurship

Measure(s)	Lead	Progress/ Implementation updates
<p><u>Activity: 6.2: Vocational Education and Training:</u></p> <p>6.2.1 Supply Entrepreneurship Training materials to TVETS.</p> <p>6.2.2 Develop a dialogue between the entrepreneurs and the trainees for both Business partnership as well as campus recruitment process.</p>	<p>MoLHR:DHR</p> <p>MoLHR: DHR</p>	<p>The entrepreneurship training materials are already developed and circulated to six technical training institutes and two institute of Zorig Chusum. All the eight institutes are implementing entrepreneurship training courses and it is included in their curriculum as one of the core subjects.</p> <ul style="list-style-type: none"> - With support from Loden foundation, all eight institutes have received Nu. 0.10m each as seed money to carry out production activities by trainees for commercial purpose to gain business ideas. - Through establishment of BIU (business incubation unit) and in partnership with NPPF, our trainees are engaged in the housing construction project at Debse in Thimphu. Series of dialogues were initiated with CDCL to provide training for our unemployed youths in the construction sector at their project sites through collaboration.

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<p>6.2.3. Career Guidance Services (CGS) must be intensified in the TVETs and IZCs to influence the trainees to take the path of self-employment rather seeking for safe employment.</p> <p>6.2.5. Competency based recruitment for the training should be carried out.</p>	<p>MoLHR:DHR</p> <p>MOLHR:DHR</p>	<p>- The institutes have been coordinating with private agencies for campus recruitment to provide employment to our technical graduates right after their graduation.</p> <p>A career guidance strategy is being developed with support from ADB. The strategy will provide a guide to all TVET and education institutions on implementation of career guidance in schools and institutes.</p> <p>Besides, the implementation of competency based recruitment by industries through <i>Youth employment skills (YES)</i> and <i>Graduate skill program (GSP)</i>, all our institutes have also implemented the competency based recruitment process.</p>
<p><u>Activity: 6.3: Educational and vocational boards:</u></p> <p>6.3.1. Develop Compensation Plan for Entrepreneurs participation in competency based curriculum for TVETS.</p>	<p>MOLHR:DHR</p>	<p>Compensation plan is being developed and through this the remuneration has been paid to the private technical experts who are engaged in the consultation and development of curriculum. The professional fee for payment of hiring the experts from the industry is already revised to motivate active participation from the private sectors.</p>
<p><u>Activity: 6.4: Women Entrepreneurship:</u></p> <p>6.4.2. Female entrepreneur of the year award should be continued.</p>	<p>MOEA:DCSI</p>	<p>As part of the annual Bhutan Enterprise Awards, Mrs. Kesang Choedon - M/s. Natural & Organic Food Processing Unit was awarded the “Woman Entrepreneur of the Year 2015”. She was awarded with the Certificate of Achievement and a cash prize by Hon’ble Tengye Lyopno.</p>



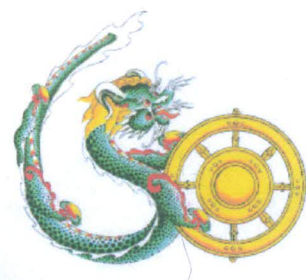
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MINISTRY OF ECONOMIC AFFAIRS

Royal Government of Bhutan

Thimphu : Bhutan



SECRETARY

MoEA/SEC/ DCSI/ 69//2016/ 282

5 July 2016

To,
Hon'ble Secretary, MOF/ MoAF/ MoLHR/ MoIC
Hon'ble Governor, Royal Monetary Authority
Director General, Bhutan Standards Bureau
Chief Executive Officer, Agency for Promotion of Indigenous Crafts

Hon'ble Dasho (s) and Sir (s),

RE: 2nd Progress Report (January 2016 – December 2016) of Cottage, Small & Medium Industry (CSMI) Action Plan (2015-2018)

We are submitting the 2nd Progress Report of the CSMI Action Plan (AP); for your kind perusal and record. To reiterate, the Department of Cottage and Small Industry (DCSI) acts as the coordinating body for implementation of the CSMI AP and reports progresses made on the activities of the AP on a six monthly basis to the heads of concern agencies.

We are pleased to inform that the activities of the action plan are being implemented in a timely manner and thus, making a good progress. We take this opportunity to express our appreciation to all the agencies for the continued support and cooperation.

With warm regards,

Yours sincerely,

Sonam P. Wangdi
Officiating Secretary

cc:

1. Director, DCSI/IPD/DOT/DOI, Ministry of Economic Affairs
2. Director, DHR/DOE, Ministry of Labour and Human Resources
3. Director, DAMC, Ministry of Agriculture and Forests
4. Director, DITT, Ministry of Information and Communication
5. Director, DRC/PPPD, Ministry of Finance

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