

ROYAL MONETARY AUTHORITY  
OF BHUTAN



ANNUAL REPORT 2001/2002

DECEMBER 2002

Postal Address

Royal Monetary Authority of Bhutan  
Post Box No. 154  
Thimphu, Bhutan

Telephone

322540/323110/323111/323112

Cable

"ROMA"

Telex

206 RMATPU BT.

Fax

(975) 2-322847

E-mail

[rmarsd@rma.org.bt](mailto:rmarsd@rma.org.bt)

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## PREFACE

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This Report is published by the Research and Statistics Division (RSD) of the Royal Monetary Authority of Bhutan (RMA). The Report reviews developments that have taken place in the Bhutanese economy up to June 2002. Commentaries on the domestic economy are based on information provided by government authorities, financial institutions, and other private sector sources. Comprehensive background data are available in the statistical section, while the annexes provide additional detailed and updated information on Bhutan's financial institutions and the power sector. An overview of events in the global economy and possible future developments is presented on the basis of the IMF World Economic Outlook, September 2002. The annual accounts of the RMA are published in accordance with the requirements stipulated in the RMA Act of 1982.

New to this edition of the Annual Report, however, are a chronology of key financial sector developments, a report on the tourism sector, an article on interest rates, and a special feature on Bhutan's external debt, all of which are contained in the annexes.

All views expressed in this Report are those of the RMA and do not necessarily represent those of the sources of data.

We thank all those who have contributed to the information contained in this Report.



## BOARD OF DIRECTORS

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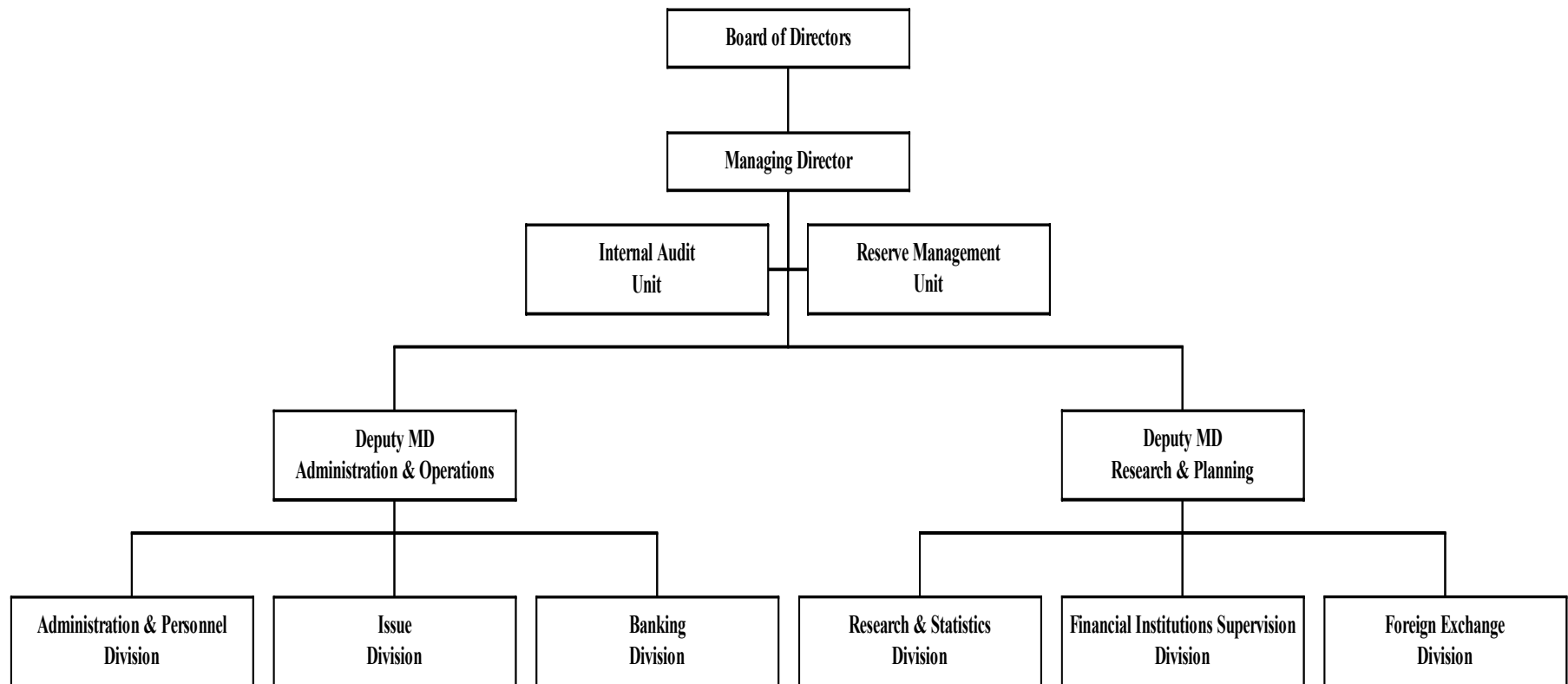
H.E. Lyonpo Yeshey Zimba Minister for Finance	Chairman
H.E. Lyonpo Khandu Wangchuk Minister for Trade, Industries & Power	Director
H.E. Lyonpo Dr. Kinzang Dorji Minister for Agriculture	Director
Dasho Ugyen Tshering Foreign Secretary	Director
Dasho Wangdi Norbu Finance Secretary	Director
Mr. Daw Tenzin Secretary, Planning Commission	Director
Mr. Sonam Wangchuk Managing Director Royal Monetary Authority	Member Secretary

## MANAGEMENT

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1. Managing Director	Sonam Wangchuk
2. Deputy Managing Director	Dechen Tshering
3. Division Head, Administration and Personnel Division	Phub Dorji Tangbi
4. Division Head, Banking Division	J.N. Pradhan
5. Division Head, Financial Institutions Supervision Division	Pema Tshering
6. Division Head, Foreign Exchange Division	Namgay Tshering
7. Currency Officer, Issue Division	Chhimi Dorji
8. Division Head, Research and Statistics Division	Penjore
9. Head, Reserve Management Unit	Sonam Lhaden
10. Head, Internal Audit Unit	Pushpa Lal Chettri
11. Chief Programmer, Electronic Data Processing Unit	Karma Sonam Dem

## Core Organization Chart of the RMA



## STATISTICAL ABBREVIATIONS AND SYMBOLS

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e	estimated
p	provisional
r	revised estimates
-	the figure is zero or less than half the final digit shown or the item does not exist or the figure is not available
.	the figure is unknown or is not meaningful or is not to be published
---	change within a time series, causing a break in continuity
+	fiscal year, July-June

Discrepancies in the totals are due to rounding

## EXECUTIVE SUMMARY

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The fiscal year 2001/2002 saw numerous developments take place on the political and economic front, with significant reforms in the Royal Government of Bhutan's continuous decentralization efforts. Drafting of the Constitution, that was embarked in September 2001, is still under preparation, while elections have commenced at the Gewog<sup>1</sup> level heralding a new era in governance for Bhutan.

Similarly, the personal income tax system took full effect from January 2002, while Bhutan's major power project, Tala, has crossed its halfway mark, and the Kurichhu and Basochu projects have completed their first phases. The additional availability of electricity will not only stimulate revenue and exports, but is expected to create new business opportunities in the country, and benefit rural communities through the expansion of rural electrification. In the light of the high significance of the power sector, and as a step toward strengthening institutional capacity, planning, and legal infrastructure, the Government in July 2002 separated the Department of Power into three agencies: the Bhutan Power Corporation, the Department of Energy, and the Bhutan Power Authority.

Bhutan continues to experience strong macroeconomic performance, with real GDP growth of 6.6 percent in 2001, and a fall in inflation to 2.7 percent, the lowest level in the last 20 years.

Cautious fiscal management by the Government helped to reduce the budget deficit by 35 percent from 2000/2001. Domestic revenue sufficiently financed current expenditure, while also meeting part of capital expenditure. Nonetheless, Bhutan still remains highly dependent on external assistance through grants and concessional loans from its development partners to finance infrastructure and capital-related projects. Grants financed 32 percent of total expenditure, while soft borrowing helped to narrow the budget deficit by 63 percent. External debt rose by 24.1 percent to USD 291.8 million, though debt servicing remains manageable at 5.1 percent of the total export of goods and services.

During 2001/2002, the economy experienced moderate monetary expansion in comparison to the past, with money supply (M2) and narrow money (M1) growing by 17.6 percent and 12.1 percent, respectively. The expansion in M2 can be attributed mostly to the rise in net foreign assets by 12.2 percent. Domestic credit maintained its upward growth during the period and increased by 12 percent over 2000/2001. Credit to the private sector grew at a slower rate of 29.3 percent, from 48.3 percent in the previous fiscal year, reflecting spill-over effects from the prevailing slump in the tourism sector. The reserve repurchase was discontinued as an instrument of monetary policy from January 2002.

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<sup>1</sup> Gewog: Block made up of several villages.

The Asian Development Bank, under its Technical Assistance Grant Facility to Bhutan, financed the *Financial Sector Review* that commenced in October 2001 and concluded in March 2002. Identified as the main constraint to the development of the financial sector was the corresponding lack of adequate development in the private sector. Key suggestions in the medium-term strategy developed from the review focused on the following: creation of an enabling environment for the private sector through appropriate macroeconomic policies; enhancement of the legal framework in the financial sector; strong financial institutions overseen by strong supervision; bridging the rural economy and financial markets; capacity-building for decision-making bodies; improved information technology; and open markets that encourage foreign investment in the private and financial sectors.

As at the end of 2001/2002, the overall balance of payments continued to record a surplus, thus taking the level of foreign exchange reserves to over USD 300 million, which is sufficient to cover 20 months of imports. The trade deficit recorded an improvement over the preceding year as a result of a small decline in imports from India. Despite substantial invisible receipts, the current account worsened to approximately 2 percent of GDP. Nonetheless, the deficit, outsized by large inflows in the financial account from foreign direct investment and concessional loans, led to a 33 percent rise in the overall balance. Notably, the Royal Government and Government of India have renewed the Bilateral Free Trade Agreement up till 2005, while there are also plans to widen the product coverage with Bangladesh under the existing Preferential Trade Agreement. These countries are the two largest markets for Bhutan's exports.

On account of a comfortable foreign exchange position in India, the foreign exchange market remained calm over most of 2001/2002, except for a brief uncertain period during mid-September 2001 after the terrorist attacks in the US. The Ngultrum depreciated by 3.8 percent against the US Dollar between June 2001 and June 2002.

With these achievements, Bhutan successfully concluded the 8<sup>th</sup> Five-Year Plan (July 1, 1997-June 30, 2002). The 9<sup>th</sup> Plan, with a budget outlay of Nu.70 billion, was launched on July 1, 2002, with emphasis on strengthening infrastructure, improvement in the quality of social services, and preservation and promotion of culture and environment. Unlike the earlier eight plans implemented by the Central Government, the implementation in the 9<sup>th</sup> Plan takes a leap in the decentralization process and is fully devolved to the local administrations. All development plans will be framed at the block level through a participatory process, whereby the local communities shall determine their own priorities and strategies.

## KEY ECONOMIC INDICATORS (+)

	1997/98	1998/99	1999/00	2000/01	2001/02 (p)
<b>GDP Growth and Prices</b> (percent change)					
Real GDP at Factor Cost (b)	7.2	6.4	7.6	5.3	6.6
Consumer Prices (a)	9.0	9.2	3.6	3.6	2.7
<b>Government Budget</b> (in millions of Nu.)					
Total Revenue & Grants	4949.3	6919.5	7859.5	8686.7	8788.1
Of which: Foreign Grants	1816.3	3262.6	3274.1	3711.0	3316.9
Total Expenditure and Net Lending	4806.0	7224.4	8624.1	11177.6	10415.4
Current Balance	505.2	478.6	883.3	540.1	806.8
Overall Balance	143.3	-304.9	-764.5	-2490.9	-1627.4
<b>Money and Credit</b> (percent change, end of period)					
Broad Money, M2	41.7	21.4	21.4	5.5	17.6
Credit to Private Sector	13.2	5.2	4.1	48.3	29.3
<b>Interest Rates</b> (end of period)					
One Year Deposits	10.0	10.0	9-10	9-10	9.0
Lending Rate	13-16	13-16	12-16	12-16	12-16
91-day RMA Bills	5.7	7.5	7.3	6.9	4.7
<b>Balance of Payments</b> (in millions of Nu.)					
Trade Balance	-951.9	-2453.7	-3087.3	-4490.4	-4371.7
With India	357.2	-738.3	-1354.5	-3085.6	-2610.4
Current Account Balance	-1787.5	-4170.1	1130.0	44.1	-406.5
(In percent of GDP)	12.8	25.9	-6.1	-0.2	1.7
With India	-981.0	-3063.5	1077.8	-341.4	-194.7
(In percent of GDP)	7.0	19.1	-5.8	1.6	0.8
Foreign Aid	3538.2	6550.8	811.4	2308.6	2762.7
Of which: India	2366.1	5030.6	592.5	1707.9	1779.2
Errors and Omissions	81.8	-245.4	-352.3	-1228.7	-777.1
Overall Balance	1742.0	1882.5	1589.1	1124.1	1665.9
(In percent of GDP)	12.4	11.7	8.6	5.3	7.0
<b>External Indicators</b> (end of period)					
Gross Official Reserves in Millions of USD	216.7	259.0	292.6	294.2	316.9
(In months of imports)	21.0	19.4	19.4	18.2	19.9
External Debt (percent of GDP)	36.9	42.8	40.9	52.1	58.4
Debt-Service Ratio (c)	6.8	10.2	4.8	4.6	5.0
<b>Memorandum Items:</b>					
Nominal GDP (in millions of Nu.)	13995.6	16080.9	18540.5	21165.6	23933.0
Ngultrum per USD (period average)	38.4	42.6	43.6	46.4	48.2
Money Supply, M2 (end of period)	6063.1	7359.2	8930.5	9419.8	11076.9
Money Supply, M1 (end of period)	2500.2	2868.4	3691.7	4477.9	5019.5
Counterparts					
Foreign Assets (Net)	9088.0	11335.9	13248.3	12788.9	14348.5
Domestic Credit	1245.6	380.9	752.1	2017.9	2280.5
Claims on Private Sector	1242.1	1306.5	1360.0	2016.6	2607.0
Components					
Currency Outside Banks	1050.3	852.8	1119.4	1483.1	1600.2
Demand Deposits	1327.1	1832.6	2474.8	2889.7	3313.6
Quasi-Money	3562.9	4490.8	5238.9	4942.0	6057.5
Reserve Money, M0, of which	3318.5	4464.0	4950.9	4710.9	6023.0
Currency Issued	1050.3	852.8	1119.4	1483.1	1600.2
Banks' Deposits	2082.7	3350.1	3686.0	3045.3	4222.9
Money Multiplier (M2/M0)	1.8	1.6	1.8	2.0	1.8
Income Velocity (GDP/M2)	2.3	2.2	2.1	2.2	2.2

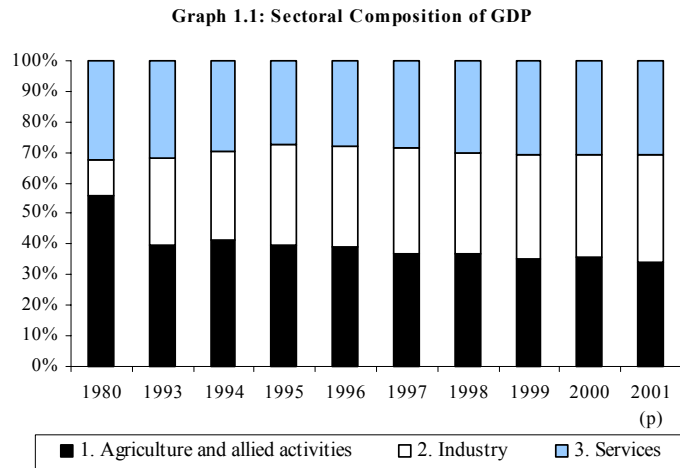
a) June. b) On a calendar year basis, e.g., the entry under 2000/01 is for 2000. c) Debt service payments in percentage of the export of goods and services.

## 1. DOMESTIC ECONOMY

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This section provides an overview of economic developments in Bhutan during 2001/2002. The economic prospects for that year are indicated on the basis of most recent preliminary estimates of the gross domestic product (GDP) data provided by the Central Statistical Organization (CSO).

The latest revision of the national accounts data suggests a lower level of economic activity in the year 2000 than was previously believed. The annual GDP growth for 2000 is now reported to be 5.3 percent against the provisional rate of 6.1 percent that was reported in our previous Annual Report. For the year 2001, the final year of the Eighth Five-Year Plan (8 FYP), real GDP is estimated to have grown at a higher pace of 6.6 percent, thus, realizing the Eighth Plan growth target of 6.5 percent. This faster growth estimate was based on the expectation of improved performance, particularly in industry, as it was expected to recover from the effects of the flood that occurred in August 2000.



Annual inflation, as measured by the consumer price index (CPI), continued to fall, reaching 2.7 percent (year-to-year rate of change) as of June 2002, in comparison to the 3.2 percent in December 2001.

### 1.1. Agriculture, Animal Husbandry, and Forestry

Estimates indicate that the output growth of the agricultural sector, consisting of the agriculture proper, livestock production, and forestry and logging, has continued to weaken to 3.2 percent in 2001, the lowest rate since 1999. The slowdown in this sector can be attributed to the slack in livestock production and the forestry and logging sector. The annual growth in livestock is estimated to have deteriorated from 3.6 percent in 2000 to 1.3 percent in the review period. The output in the forestry and logging sector almost halved from 4.5 percent last year to 2.5 percent this year. However, despite the limited opportunity for growth due to natural circumstances, activity in the agriculture proper, which consists of principal crops such as maize, rice, wheat, and major cash crops, such as apples, oranges, potatoes, ginger, and



cardamom, is expected to have, more or less, maintained the previous year's growth rate of 4 percent.

Therefore, the contribution of the agricultural sector to GDP is estimated to have fallen back to about 34 percent in 2001, after rising from 35 percent in 1999 to almost 36 percent in 2000. This sector, nonetheless, remains significant, providing occupation to about 75 percent<sup>2</sup> of the total labor force.

## 1.2. Manufacturing, Mining, and Electricity

Estimates indicate that the growth of the manufacturing, mining, and electricity sector improved from about -4 percent in 2000 to around 11 percent in 2001. This was mainly a reflection of the recovery in the sector after facing major setbacks last year due to the effects of the flood in August 2000. So also, the contribution of this sector to overall GDP increased further, reaching 23 percent in 2001, after declining from 23 percent in 1999 to about 21 percent in 2000. The electricity sector continued to maintain its contribution to GDP of about 12 percent. The annual growth in this sector is expected to have recovered to 12 percent, after contracting to -0.7 percent last year. Although the earnings from Chukha continued to be below the levels achieved in the earlier year, the commissioning of new power projects is anticipated to have made a significant contribution to the economy. A detailed description of Bhutan's power sector is presented in *Annex V*.

**Table 1.1: Real GDP Growth by Sector 1997 - 2001**

Year-to-year change in %

<i>Item</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001 (p)</i>
GDP at Factor Cost	7.2	6.4	7.6	5.3	6.6
Agriculture	3.0	2.8	5.2	4.5	3.2
Industry	3.5	8.6	11.6	2.2	13.4
Services	13.4	6.6	5.9	9.5	6.6

## 1.3. Construction

The construction sector is estimated to have picked up and grown at 18 percent, compared to 14 percent of the previous year. Meanwhile, the sector's share to nominal GDP is expected to have maintained the upward trend since 1996, accounting for 15 percent of nominal GDP in 2001, compared to 13 percent in 2000. The

<sup>2</sup> Statistical Yearbook of Bhutan 2001, CSO.

performance of this sector continued to reflect the activities related to large power projects, Tala, Kurichhu, Basochu, and to a certain extent, to construction work carried out by individuals, government departments, and autonomous entities.

During the Ninth Five-Year Plan (9 FYP) period, which began from July 2002, the economy is projected to grow at an annual rate of 8.2 percent, thereby exceeding the 6.5 percent growth of the last plan period. This optimistic projection is based on the potential direct and indirect contribution of the power projects during the plan period (Kurichhu, Basochu, and Tala) by spurring on other sectors, namely manufacturing, construction, transport, and trade.

#### 1.4. Tourism

The fiscal year 2001/2002 revealed a substantial decline in tourist arrivals by 27.8 percent to 5490 from 7609 in 2000/2001. Similarly, foreign exchange revenue for 2001/2002 dropped to USD 8 million, a 27.3 percent reduction from the previous fiscal year's earnings of USD 11 million. Figures in July and August continued to exhibit negative growth in tourist numbers as well as revenue. There was a 15 percent fall in the numbers of tourists that visited Bhutan in August 2002, as well as a 20 percent decline in foreign revenue. It has been a year since the September 11<sup>th</sup> events and the downward trend has continued its slide into the first of two tourist seasons of 2002. A brief feature on the tourism industry is provided in *Annex IV*.

**Table 1.2: Selected Tourism Indicators 1997-2001**

Item	1997	1998	1999	2000	2001
Tourist Arrivals	5363	6023	7158	7559	6393
Of which: Cultural	4617	4860	6328	6633	5925
Trekking	746	1343	830	926	468
% Change in arrivals	4.4	12.3	18.8	5.6	-15.4
Gross Receipts <sup>1</sup>	6.6	8.0	8.9	10.5	9.2
% Change in receipts	1.5	21.2	11.3	18.0	-12.4
Government Revenue	2.5	3.0	3.5	4.1	3.3
% Change in revenue	6.9	20.0	14.3	17.1	-19.5

Source: Department of Tourism. -1) Millions of USD.

For the 9 FYP, the Royal Government has marked tourism as a priority sector, allocating Nu.185 million for the promotion and development of tourism. Meanwhile, updates on foreign direct investment in the tourism sector reveal that the construction of luxury resorts has commenced for the First Phase (Paro, Thimphu and Punakha) of the joint venture between Bhutan Tourism Corporation Ltd. and Maha/Aman Resorts, Singapore. The Second Phase construction at Gangtey Gompa, Trongsa, and Bumthang is due to be completed by September 2003. There have already been

inflows of funds for the project and the total cost is estimated at USD 14 million. 10 percent of equity will be offered to the public when decided by the Bhutan Resorts Corporation Ltd.

## **1.5 Savings and Investment**

Gross Domestic Savings (GDS), which is more or less corporate savings, does not seem to indicate any clear and consistent trend in its growth – fluctuating from negative 33 percent to 47 percent in the last six years. Its share in the GDP remained over 20 percent (1993-1997), which then declined to 13 percent in 1998, before gradually picking up to reach 21 percent in 2001. In the next few years private savings are expected to improve as a result of increased economic activities envisaged in the Ninth Plan period.

GDS has consistently fallen short of the Gross Domestic Capital Formation (GDCF), requiring a net capital inflow of not less than 13 percent of GDP in the last ten years. More recently, the savings and investment gap as a percentage of GDP has risen to over 26 percent, with the latest figure being 29 percent for 2001.

The share of capital inflow in capital formation has been around 30-40 percent in the past (between 1994-1998), but recently, it has increased to around 60 percent achieving 64 percent in 2001. This however, is not an immediate cause for concern as a major part of it is public investment, funded entirely by either grants or concessional loans.

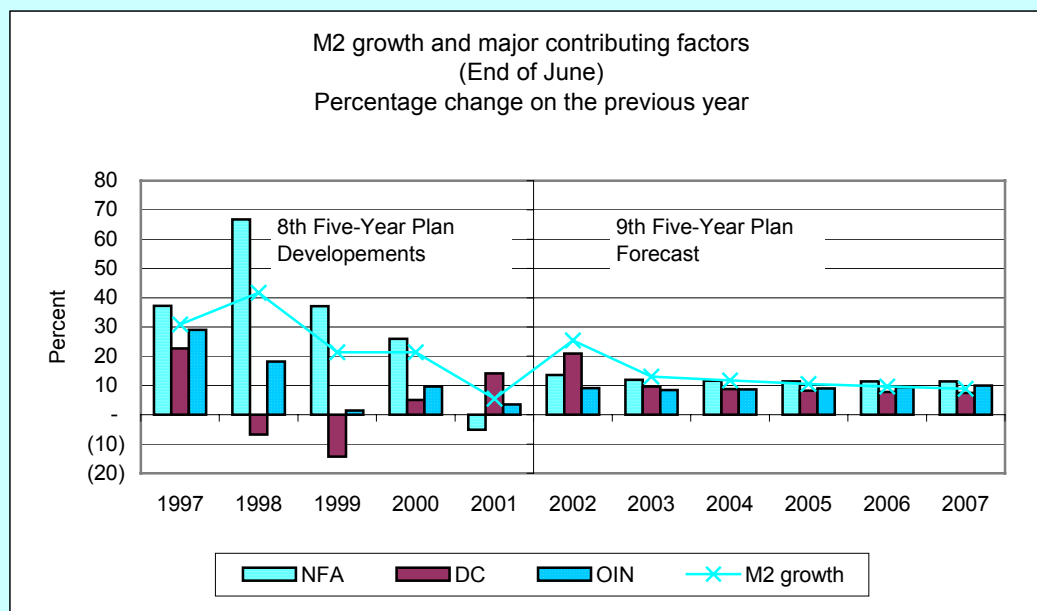
Most of the investment has been made in fixed capital formation, particularly in construction, followed by machinery and equipments. Private investment has not played a very big role so far, and is expected to improve with the implementation of the Foreign Direct Investment Act and other privatisation programs in the Ninth Plan.

## Box 1.1

### Medium-Term Macroeconomic Prospects

The Ninth Five-Year Plan (9 FYP) begins from July 2002 and in the light of preliminary estimates, macroeconomic prospects in the Plan period are favourable. The expected capital investments and the completion of three power projects during the Plan period (Kurichhu, Baosochu, and Tala) are estimated to raise economic growth from the present rate of 6.5 percent to about 8 percent. Further economic growth is envisaged to come through the broadening and strengthening of private sector activities in the economy.

With the fiscal deficit projected at about 2-3 percent of GDP and policy emphasis on private sector development, the domestic investment environment is expected to improve in the near future, relieving the financial sector of the current problem of excess liquidity. Unlike the high monetary growth experienced in the past, fuelled mainly by net foreign assets (NFA), money supply is projected to stabilize at around 11-13 per annum, well in line with the anticipated growth of nominal GDP.



1)DC: domestic credit. 2)OIN: other items net.

The external sector will continue to be dominated by close trade and exchange links with India. As more economic activities are envisaged in the 9 FYP, the current account deficit in the balance of payments is expected to widen further during the period. As an import-dependent economy, the expansion of domestic activities entails the use of foreign currency reserves, limiting the influence of the external sector on monetary expansion, which was experienced in the 8 FYP. Nevertheless, the projected capital inflow in the 9 FYP would not only be sufficient to cover the current account deficit, but it is also forecasted to allow the foreign exchange reserves to grow at about 10 percent per annum.

Sources: Department of Energy, Ministry of Trade and Industry, Royal Government of Bhutan.  
Department of Revenue and Customs, Ministry of Finance.  
Basochu, Kurichhu, and Tala Hydropower Project Authorities.  
Kuenselonline News Archives.  
Ninth Plan Document (2002-2007), Planning Commission.

## 2. MONEY, CREDIT, AND PRICES

### 2.1. Monetary and Credit Developments

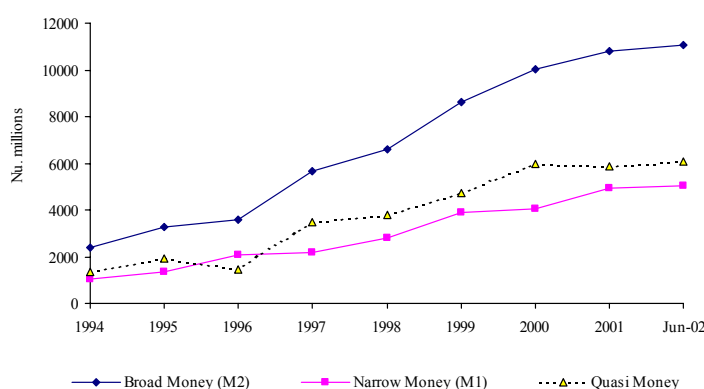
Monetary conditions remained comparatively moderate as compared to past developments during the fiscal year 2001/2002, with broad money supply (M2) growing at a rate of 17.6 percent (year-to-year change), as compared to 5.5 percent in 2000/2001. During the same period, narrow money supply (M1) exhibited a slower growth of 12.1 percent, in contrast to its 21.3 percent growth in the previous period. The chief reason for the relatively high growth in the money supply (M2) during the period under review can be attributed to the rise in net foreign assets by about 12.2 percent, of which net convertible currency assets increased by 15.3 percent, and gold (net) increased by 21 percent. While there has been an increase in all other components of foreign assets, net Rupee assets recorded a negative growth of 2.3 percent.

Among the components of M2, quasi money growth increased at an annual rate of 22.6 percent in comparison to the negative growth of 5.7 percent in 2000/2001. This was contributed by a positive increase in time deposits. And during the same fiscal period, the growth in the commercial banks' deposits with the RMA led to an increase in reserve money (M0) by 27.9 percent to Nu.6022.99 million. Therefore, the key challenge in the financial sector continues to be the addressing of excess liquidity through credit expansion and the establishment of a central bank and government securities market.

In the current period, domestic credit maintained its positive growth from the previous period, and increased to Nu.2280.5 from Nu.2017.9 as at the end of June 2001. This development was primarily on account of a significant change in the government's net position with the banking sector, combined with a positive growth in credit to the private sector. Credit to the private sector grew at slower rate of 29.3 percent, from 48.3 percent in the previous fiscal year, largely due to the recessionary trend prevailing in the tourism sector.

Graph 2.1

Money Supply  
(End of period)



**Table 2.1: Money Supply, M2 – Its Counterparts and Components**

<i>Millions of Ngultrum</i>	<i>End of period</i>				
	1997/98	1998/99	1999/00	2000/01	2001/02
<u>MONEY SUPPLY, M2</u>	6063.1	8930.5	8930.5	9419.8	11076.9
<u>MONEY SUPPLY, M1</u>	2500.2	3691.7	3691.7	4477.9	5019.5
<u>Counterparts*</u> <sup>1)</sup>					
1. Foreign Assets (Net)	9088.0	13248.3	13248.3	12788.9	14348.5
2. Domestic Credit	1245.6	752.1	752.1	2017.9	2280.5
Claims on Govt. (Net)	-648.5	-1110.6	-1110.6	-455.7	-744.5
Claims on Private Sector	1242.1	1360.0	1360.0	2016.6	2607.0
Others <sup>1)</sup>	651.9	502.7	502.7	457.0	417.9
3. Other Items (Net) <sup>2)</sup>	4258.1	4980.6	4980.6	5381.4	5552.0
<u>Components</u> <sup>3)</sup>					
4. Currency Outside Banks	1050.3	1119.4	1119.4	1483.1	1600.2
5. Demand Deposits <sup>3)</sup>	1327.1	2474.8	2474.8	2889.7	3313.6
6. Quasi-Money <sup>4)</sup>	3562.9	5238.9	5238.9	4942.0	6057.5
<u>Memorandum Item:</u>					
Reserve Money	3318.5	4950.9	4950.9	4710.9	6023.0
of which:					
Currency Issued	1113.1	1167.4	1167.4	1567.5	1694.5
Banks' Deposits	2082.7	3686.0	3686.0	3045.3	4222.9

*\*) M2 = 1 plus 2 minus 3. - +) M2 = 4 plus 5 plus 6 and M1 = 4 plus 5.- 1) Claims on Government Corporations, Claims on Joint Corporations, and Claims on Non-monetary Financial Institutions.- 2) Including Money Market Instruments (RMA Bills).- 3) Including Savings Deposits.- 4) Time Deposits and Foreign Currency Deposits.*

## **2.2. Monetary Policy Framework**

The RMA's monetary policy framework is implicit, since it is not clearly spelled out in the Act. According to the Act, Section 6 b), one of the purposes of the RMA is "to promote monetary stability", which can be interpreted as the promotion of "price stability". In many central bank acts, price stability is quantified, e.g., in the case of the European Central Bank, price stability is equivalent to a year-to-year rate of change of the CPI of less than 2 percent. The intermediate target for achieving and maintaining price stability in Bhutan is the one-to-one peg between the Indian Rupee and the Ngultrum. Targeting the exchange rate, however, implies the acceptance of India's monetary policy. In other words, an independent monetary policy in Bhutan is, more or less, precluded. As a consequence, monetary policy is confined to the support of the peg, including the following basic measures:

- a) Ensuring the sustainability of the exchange rate arrangement, i.e., always making available sufficient Rupees on demand for exchange with the Ngultrum for payments in India and provision of at least 100 percent reserve backing for all Ngultrum issued (elements of a Currency Board).
- b) Confidence-building measures for the Ngultrum (e.g. credible RMA and Government policies).
- c) Sterilizing the persistent growth in liquidity to forestall a possible build-up of inflationary pressures, a weakening of the balance of payments, and a contingent effect on the financial market.

There are various supporting factors for the existing system, the salient features of which are as follows:

- a) There are very close economic and financial relationships between India and Bhutan.
- b) There is a dual currency system, with the Ngultrum and the Rupee circulating freely side by side in Bhutan. The system can be described as an informal monetary (currency) union with India.
- c) Inflation and interest rates in the two countries are closely related.
- d) The arrangement maintains confidence and ties Bhutan to the relatively stable monetary conditions in India.
- e) The peg has also clear benefits for trade with India, since there is no uncertainty about exchange rate developments between the two trading partners.

In light of the above factors, the monetary policy decisions made in Bhutan are viewed as prudent and appropriate.

While ensuring the sustainability of the exchange rate arrangement, the Monetary Authority is also required to play an important role in monetary and credit management, largely owing to the build-up of excess liquidity in recent years. With the elimination of quantitative credit controls, it has developed and increasingly relied upon more indirect instruments of monetary management. In particular, to dampen the growth in excess liquidity in the banking system, the RMA has resorted to the increase in reserve requirements, the sale of central bank bills, and the sale of foreign exchange to banks. Through the issuance of the short-term central bank bills, the RMA also aims to establish a modest money market and to set a frame of reference for interest rates.

According to the Act, the RMA has also at its disposal various liquidity support facilities (e.g., discount of bills and secured loans), which, however, are not being used at present due to the large surplus liquidity of commercial banks.

### 2.2.1. Cash Reserve Ratio (CRR)

The CRR, set at the rate of 3 percent for all deposits with the Bank of Bhutan, was introduced in 1984. It was revised in 1994 to 15 percent for all deposit liabilities, cash in vaults being counted towards the CRR, after the introduction of RMA discount bills and Government bonds. With the conversion of the Unit Trust of Bhutan to Bhutan's second commercial bank, Bhutan National Bank, the CRR was adjusted in July 1997 to 15 percent for demand deposits only, cash in vaults being counted towards the CRR. Thereafter, in January 2000, the CRR was further adjusted to 10 percent for all deposits, cash in vaults not being counted towards the CRR. And on July 1, 2002, in a move to sterilise additional excess liquidity from the banking system, the CRR was further revised to 20 percent on total deposit liabilities, while interest payable on the balance was also amended from 2 percent to 3 percent per annum. At the end of June 2002, the instrument accounted for Nu.1029.9 million of banks' liquidity.

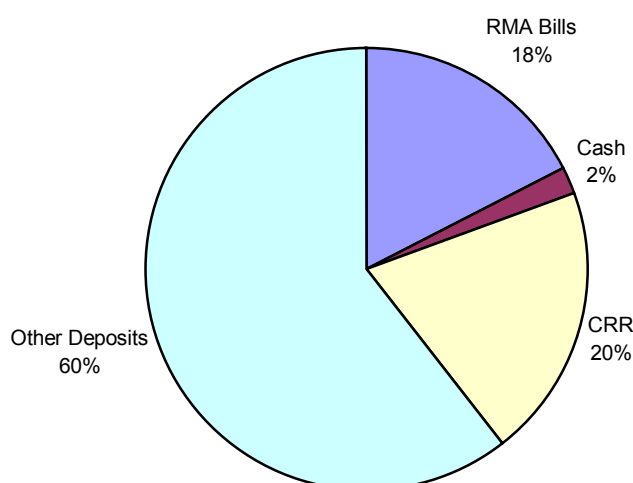
### 2.2.2. RMA Discount Bills

The RMA discount bills were introduced in December 1993. At the end of June 2002, there were Nu.910 million worth of bills (maturity of 91 days) outstanding, at a weighted discount rate of 4.5 percent.

### 2.2.3. Reserve Repurchase

This instrument was introduced in September 1996 for an amount of Nu.500 million at a coupon rate of 5 percent per annum, payable quarterly. The reserve repurchase has been rolled-over consecutively for the ninth time. The maturity period was shortened from six months to three months from the ninth issue onwards. The instrument has been discontinued with effect from January 1, 2002.

**Graph 2.2: Composition of Commercial Banks' Reserves with the RMA (June-end 2002)**



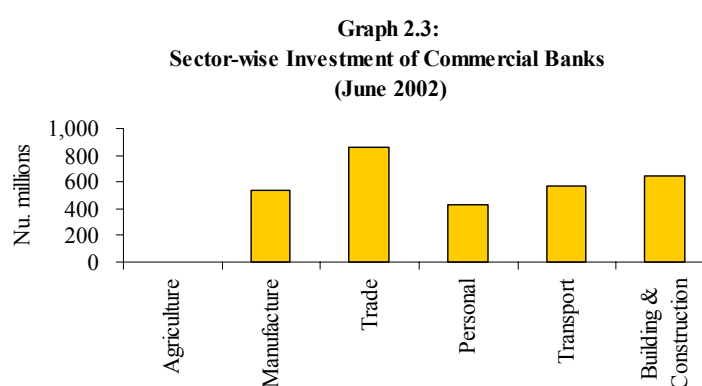


### 2.3. Review of Developments in Commercial Banking

During the fiscal year 2001/2002, total assets and liabilities of the commercial banks - Bank of Bhutan (BOB) and Bhutan National Bank (BNB) - grew at a reduced pace of 10.7 percent to Nu.13 billion, from 18.2 percent in 2000/2001. The sluggish growth in total assets was largely on account of a decrease in foreign asset holdings of the banks. Credit to the private sector achieved a slower growth of 29.3 percent as against a growth of 48 percent in the previous year. On the liability side, growth in total deposits was much higher at 14.5 percent (9 percent in 2000/2001), influenced by a higher growth in time deposits, which grew at 22.4 percent, as compared to 6.5 percent in 2000/2001.

The commercial banks' sector-wise distribution of credit indicates an overall slower growth in credit, with the largest increase going to trade and commerce (from Nu.1356 million in 2000/2001 to Nu.859.1 million in 2001/2002), followed by building and construction (from Nu.403.6 million to

Nu.641.2 million). Credit to other major sectors, such as agriculture, transport, manufacturing and, personal and consumer loans also grew, albeit at lower rates.



And as of June 2002, excess liquidity in the banking system has accumulated to Nu.3105.5 million, which adds up to about 61 percent of total banks' reserves with the RMA. Of the two operational monetary policy instruments, the use of CRR absorbed approximately 20 percent, or Nu.1029.9 million, of the remaining total banks' liquidity, while the sale of RMA bills mopped up Nu.899.6 million and sterilized about 18 percent of total banks' liquidity.

A detailed description of the development of the two commercial banks is presented in *Annex III*.

### 2.4. Review of Developments in Other Financial Institutions

Developments during the fiscal year 2001/2002 reveal that the combined assets of the two non-bank financial institutions, namely the Royal Insurance Corporation of Bhutan (RICB) and the Bhutan Development Finance Corporation (BDFC), increased by 18.2 percent due to a rise in cash in banks abroad and a 18.5 percent increase in credit to the private sector. Similarly, loans and advances to the private sector

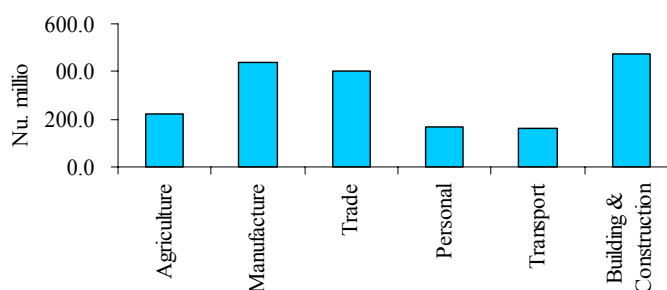
increased significantly (by 30 percent) during the fiscal year. In the case of the BDFC, its claims on the private sector through its industrial and agricultural credit programs expanded by 26.7 percent. Over 20 percent of their resources came from capital grants, while 60.1 percent were from soft term foreign borrowings.

Non-bank financial institutions, too, experienced sector-wide growth in credit during the review year, with the highest increase going to personal and other loans (from Nu.139.5 million in 2000/2001 to Nu.166.6 million in 2001/2002), followed by trade and commerce (from Nu.287.6 million to Nu.402.7 million).

However, non-bank financial institutions' credit to the private sector grew by 31 percent to Nu.1494.3 million, which was slower than the performance of the commercial banks.

A detailed description of the developments taken place for the two non-bank financial institutions is presented in *Annex III*.

**Graph 2.4:**  
Sector-wise Investment of Non-Bank Financial Institutions  
(June 2002)



At the end of 2001, 14 companies were listed on the Royal Securities Exchange of Bhutan (RSEB), with a total market capitalisation of approximately Nu.2944.4 million. This is an increase of about Nu.584.3 million, from Nu.2360 million in 2000. The total shareholder count stands at 6,610, and the government is making every effort to ensure that shares are being widely distributed to the general public. The year-wise traded volume in initial public offers (IPOs) went up to 334,032 in 2001 compared to 69,160 in 2000. In terms of percentage turnover, the IPOs constitute 62.6 percent and secondary markets 37.4 percent.

RMA Bills worth Nu.1618.4 million were traded as of December 2001. In the secondary market, securities worth Nu.112.0 million were traded compared to Nu.56.1 million in 2000. Securities of Bhutan Calcium Carbide Ltd. (BCCL) and BNB continued to trade actively compared to other companies. A key development in the capital market, however, was the floating of shares for the newly opened Bhutan Beverages Company Ltd. (BBCL) between June 1, 2002 and June 28, 2002. BBCL has a paid up capital of Nu.115.0 million and paid up shares amounting to Nu.1.2 million. With BNB Securities Limited brokering the sale, 460,000 shares have been subscribed by 4937 shareholders (institutional investors - 10 percent, and public - 30 percent), and 690,000 shares (60 percent) by the three Bhutanese promoters. BNB Securities Ltd. will have to refund over-subscribed BBCL shares of about Nu.53.1 million to investors because BNB received orders for 876,117 shares, whereas there

are only 345,000 shares available (face value of Nu.100 per share). This is a positive indication that the people are more aware of the stock market potential and are willing to take risks in the market. BBCL is not, however, listed at the moment with the Royal Securities Exchange of Bhutan.

Prior to the establishment of the NPPF, the GEPF was managed by the RICB and was available only for government employees. The benefits were limited to a gratuity and a provident fund scheme, which was paid in a lump sum after retirement. The inadequacy of the lump sum payment from gratuity and the GEPF prompted the Royal Government to initiate a formal old-age income security scheme by restructuring the GEPF scheme. With ADB assistance, the Government Working Committee in 1999, under the governance of the Board of Directors, reviewed and evaluated the UNDP's study (1997) on the **"Feasibility of Introducing a Pension Scheme in Bhutan"** and recommended an annuity-based, multi-tiered retirement plan called the National Pension and Provident Fund Plan. The National Pension and Provident Fund was thereafter established on July 1, 2002, by the Royal Government as an autonomous body under the governance of the National Pension Board.

## **2.5. Financial Sector Development Strategy**

The RMA recently completed a comprehensive review of the financial sector with technical assistance from the ADB. The report highlighted several constraints impeding the development of the financial sector, some of which are enumerated as follows:

- Lack of private sector development has been regarded as the overriding constraint to the development of the financial sector. Bhutan's mountainous and inaccessible terrain creates a high cost structure and causes geographical isolation from other countries. The domestic market is not only small, but also fragmented and scattered over the difficult terrain.
- The legal and institutional infrastructure is still weak.
- Slow development of the debt and capital market.
- Human resource development in the financial market is not adequate.

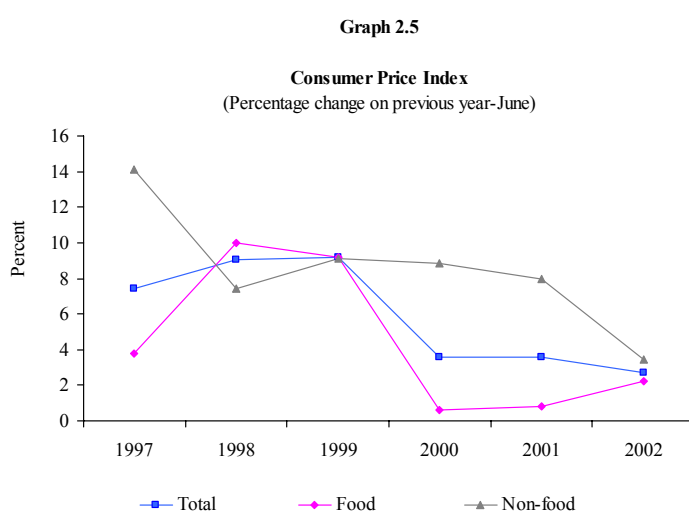
Therefore, the key challenge in the Bhutanese financial sector continues to be the need to improve market infrastructure, the legal and regulatory framework, institutional and human resources development. Emphasis is placed on reducing risk to financial institutions through the promotion of a sound market infrastructure, which includes introducing standardized accounting systems and improving corporate governance. The financial institutions themselves need strengthening in the area of management, establishing proper asset-liability frameworks, improving credit assessment capabilities, product development, and improvement in information technology.

With the assistance of the ADB, the RMA has recently conducted two series of training on Project Appraisal and Monitoring for the staff of the four financial institutions and formed a six-member Trainers Group to continue the training program in the future. The RMA also plans to establish a Financial Sector Development Training Institute at the RMA.

Encouragement to set up small and specialized non-bank financial institutions are recommended in the Report to provide a more integrated financial system with a wide array of services, such as leasing, housing finance, and insurance. The strengthening of the money and securities markets is also considered an important area for immediate focus. In this regard, in view of the small economy constraints, openness of the financial sector to foreign participation is considered as a means improve efficiency in overall financial intermediation.

Strengthening the supervisory arm of the central bank is regarded as the most important element of financial sector reform. Revising of the RMA Act is in progress and work on other important legislation on insurance activities, securities exchange, and pension will commence soon.

## 2.6. Prices

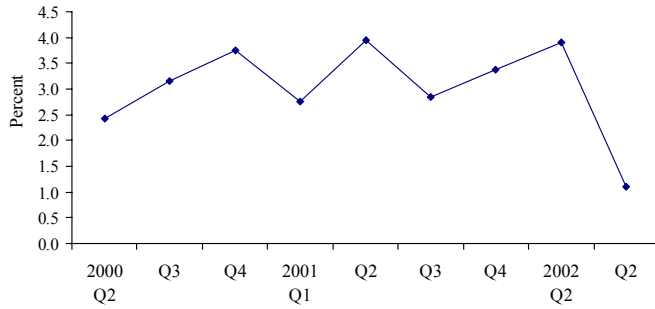


As per the consumer price index (CPI) published half-yearly by the Central Statistical Organization (CSO), annual inflation continued to decline, reaching 2.7 percent in June 2002 from 3.2 percent in December 2001, the lowest rate since 1999. Annual inflation has remained below the 20-year average of 8.6 percent in the past three years. Almost all of the major

components in the CPI basket are goods imported from India and, hence, the relatively low inflation rate prevailing in India has helped the price rise in Bhutan to remain at a reasonably low level. As regards the components of the CPI, the annual growth of non-food prices dropped from 4.9 percent (in December 2001) to 3.5 percent (June 2002), while the annual growth of food prices remained unchanged from last December at 2.2 percent.

Graph 2.6

Thimphu Food Price Index  
(percentage change on previous year)

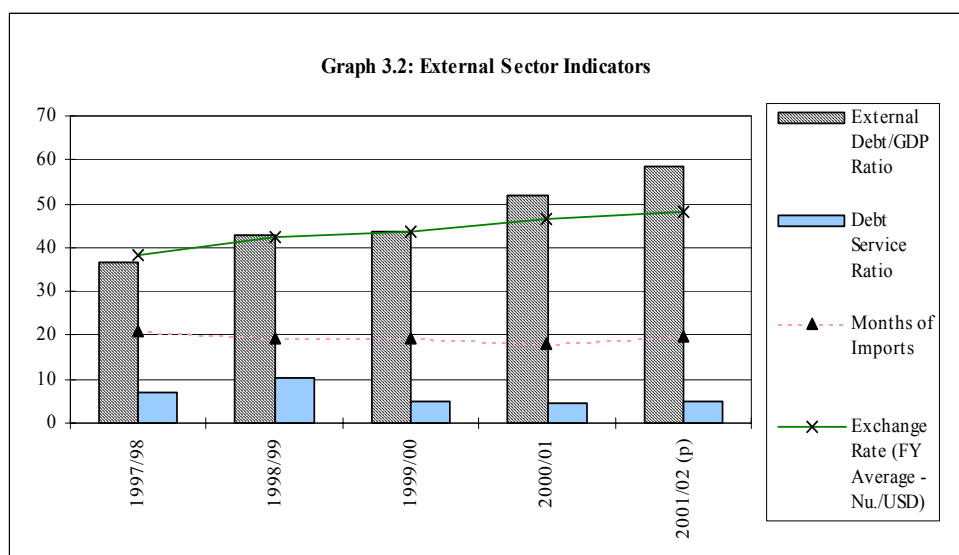
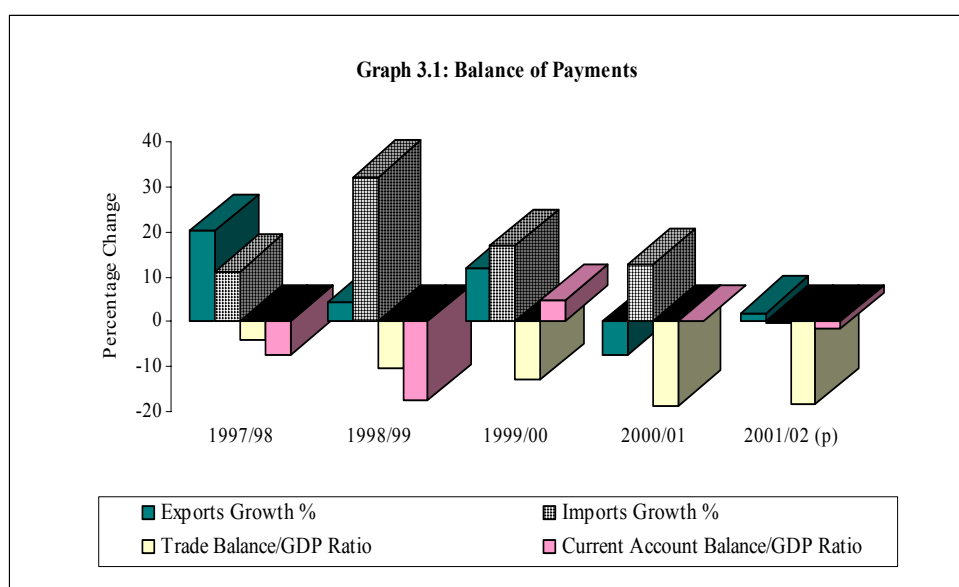


The Thimphu food price index (quarterly publication of the CSO) for the quarter ended June 2002 indicates a slower growth in prices at 1.1 percent (year-to-year rate of change) compared to 3.9 percent in the previous quarter. The annual change in prices of vegetables and fruits, which fell from 18 percent in the previous quarter to 6.7 percent in the current quarter, was one of the reasons for the low price rise. The prices of other food items continued to show

negative growth of 0.6 percent, as compared to -0.1 percent of the previous period.

### 3. EXTERNAL SECTOR

Despite a global economic slowdown, Bhutan's balance of payments recorded an overall surplus for the fiscal year 2001/2002 and its foreign exchange reserves registered an increase to USD 316.6 million, which is sufficient to finance 20 months of imports. The Ngultrum remained moderately stable against the US Dollar and depreciated by 3.8 percent during the fiscal period. The debt service ratio<sup>3</sup> has risen to 5 percent from 4.6 percent in 2000/2001. A feature on Bhutan's external debt has been attached in *Annex VII*.



<sup>3</sup> Debt Service Ratio - Debt service payments as a percentage of the export of goods and services.

### 3.1. Overall Balance of Payments

#### Trade Account

The trade account is compiled on the basis of primary trade data generated by the Department of Revenue and Customs.

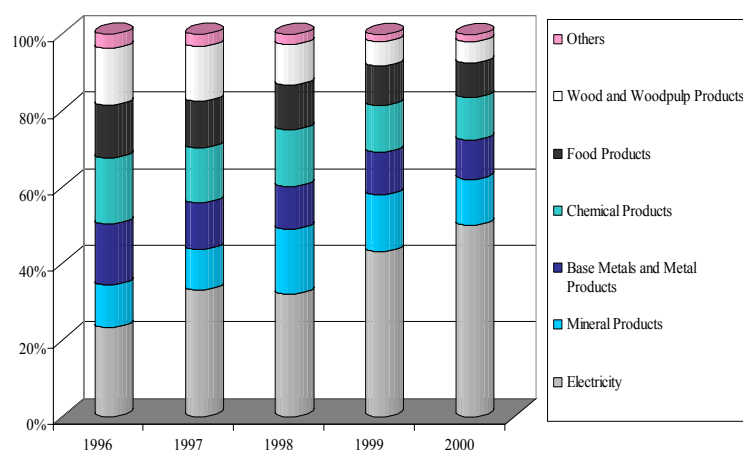
In the trade credit account, Bhutan's export performance has generally improved steadily over the years led by the export of power from the Chukha hydropower project, and now the Kurichhu project. The power tariff on Chukha exports was revised upward in 1999/2000 by 0.50 Chhetrum per unit, while the rate per unit for Kurichhu power exports has been set at Nu.1.75.

Imports at Nu.9080.3 million recorded a slight decrease by 0.3 percent from Nu.9106.3 million in 2000/2001 entirely on account of Indian imports. Import levels in previous years have always exceeded exports, as almost all consumer and capital goods need to be imported from India and abroad. The country's domestic production and industrial base is weakened by numerous cost and transportation constraints emerging from Bhutan's geography. Huge imports were the result of the construction of the major power projects in the late 1990's. Now that they are nearing completion, import levels from India have dropped and are expected to decline in the absence of new projects.

Table 3.1 Bhutan's Balance of Payments

Item	1999/00	2000/01	2001/02 (p)
	Millions of Ngultrum		
<b>A. Current Account</b>	<b>1130.0</b>	<b>44.1</b>	<b>-406.5</b>
Goods	-3087.3	-4490.4	-4371.7
Exports	4987.9	4615.8	4708.6
Imports	-8075.2	-9106.3	-9080.3
Services	-465.8	-55.2	-17.6
Credit	828.0	1570.3	1530.3
Debit	-1293.9	-1625.5	-1547.9
Income	451.9	622.8	327.2
Credit	550.4	718.5	436.3
Debit	-98.5	-95.7	-109.1
Current Transfers	4231.3	3966.9	3655.7
Credit	7547.9	7018.2	6956.9
Debit	-3316.6	-3051.3	-3301.2
<b>B. Capital and Financial Account</b>	<b>811.4</b>	<b>2308.6</b>	<b>2849.5</b>
Foreign Direct Investment	0.0	0.0	86.8
Net Official Flows	811.4	2308.6	2762.7
Other Loans	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>-352.3</b>	<b>-1228.7</b>	<b>-777.1</b>
<b>D. Overall Balance</b>	<b>1589.1</b>	<b>1124.1</b>	<b>1665.9</b>

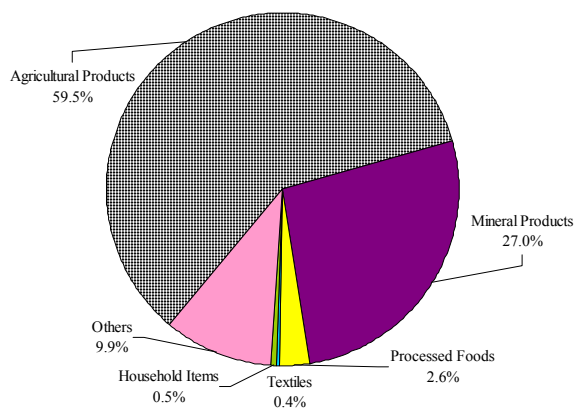
Graph 3.3: Composition of Exports to India



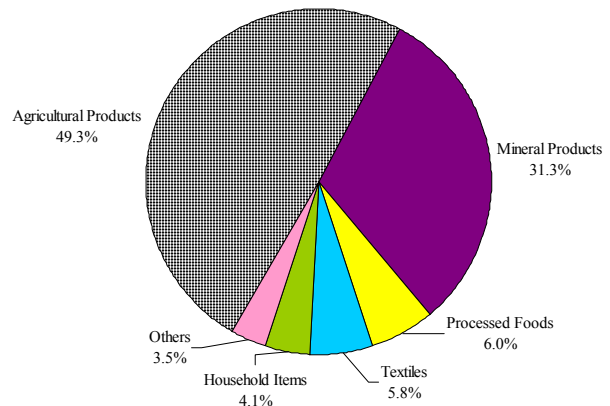
Looking at the composition of merchandise trade, India remains Bhutan's major trading partner, with the sale of electricity from the Chukha and Kurichhu projects (Kurichhu was commissioned late last year) dominating the composition of Bhutan's exports and accounting for roughly 50 percent of total merchandise trade. Electricity exports to India earned Bhutan

Nu.2189.6 million during 2000. Other major export commodities to India include agro-based, chemical, mineral, base metal and base metal products. In 2000, stone, plaster, cement and asbestos goods, and wood pulp commodities recorded the highest growth of 100 and 110 percent, respectively. Bhutan's leading exports to countries other than India (COTI) consist of vegetables and fruits, minerals, processed foods, textiles, and household commodities. Significant export performance was achieved for handicrafts, wood pulp products, and minerals with more than 100 percent growth in 2000 over the previous year.

Graph 3.4: Composition of Exports to COTI, 1996

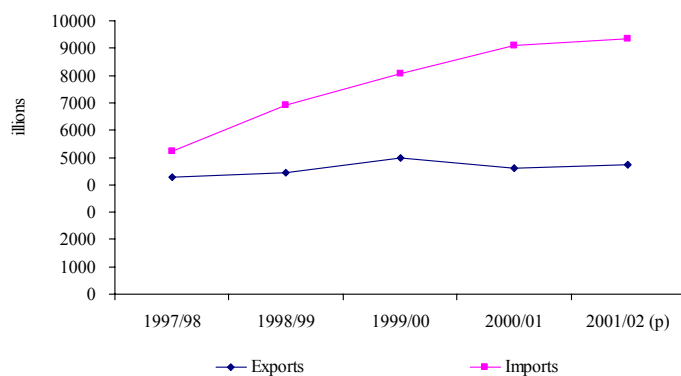


Graph 3.5: Composition of Exports to COTI, 2000



Meanwhile, in the debit trade account, major categories of imports from India include food, fuel, capital equipment, and a range of consumer products. With insufficient investment avenues and a weak manufacturing base, consumer spending is on the rise and import levels are expected to continue its ascendant trend in the near future. It has been identified that Indian cars capture 75

Graph 3.6 Foreign Trade (Overall)

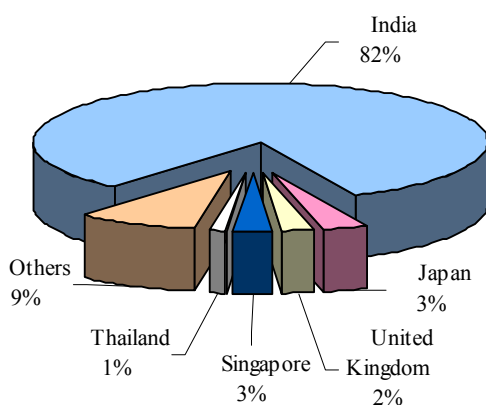


percent of the Bhutanese market after the ban was lifted in 1999 due to affordability, improved after sales services, and a number of financing schemes offered by the financial institutions. Out of the 740 cars imported from January 2000 - October 2001, almost 600 were Indian cars. With less than a few dozen vehicles in the late 60's and 70's, the number today has reached more than 19500. The highest gainers for 2000 included chemical products, wood based items and antiques that registered over 100



to 500 percent increase over 1999. Popular imports from COTI cover machinery, mechanical and electronic items along with mineral oil and fuel, and edible goods. The import of food items has doubled in 2000 in addition to other manufactured goods.

**Graph 3.7: Year 2000 Sources of Imports**



In terms of the direction of trade, it is evident that there is an extremely minimal shift in export destination away from India and Bangladesh to other countries. India presently accounts for over 90 percent of all of Bhutan's exports at Nu.4430.4 million in 2001/2002, while Bangladesh follows suit at a marginal 4 percent. As per the most recent data, exports to India decelerated for almost all categories of products in contrast to exports to other countries. On the other hand, the top 5 sources for

Bhutanese imports are now India, Japan, Singapore, United Kingdom, and Thailand.

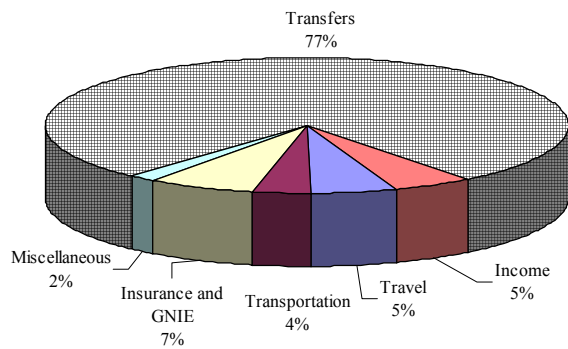
The net outcome of exports and imports ended in 2001/2002 with a marginal improvement in the trade deficit to Nu.4371.7 million on account of the very small decline in imports from India.

### **Invisibles**

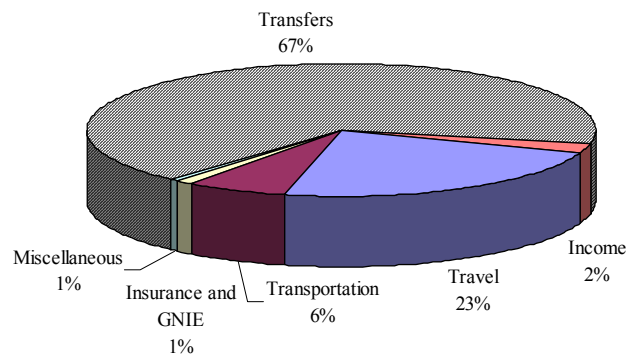
Recent adjustments have been made to Bhutan's balance of payments (BOP) compilation methodology from fiscal year 1999/2000 onwards. A re-classification exercise has been carried out to restructure Bhutan's BOP along International Monetary Fund (IMF) standards. As there were limited back records, changes can only be introduced from 1999/2000 onwards. Among other things, this has had a significant impact on the interpretation of the invisibles account that includes receipts and payments for services, income, and current transfers. *Kindly refer to Box 3.1 for definitions of the major BOP components.*

In the services account, services export receipts of Nu.1530.6 million were only marginally exceeded by imports of Nu.1547.9 million and thereby led to the net outflow of Nu.17.6 million. Despite a minor fall in export receipts from 2000/2001, there was a greater drop in import payments by 4.7 percent, which helped narrow the total deficit by 68.1 percent from Nu.55.2 million in the previous year. The largest earnings from services were derived from tourism and travel, government services, insurance, and other business services. The highest payments were incurred on travel abroad by Bhutanese and transportation imports.

Graph 3.8: Invisible Receipts: 2001/2002 (p)



Graph 3.9: Invisible Payments: 2001/2002 (p)



### Box 3.1

#### Guide to New BOP

The services account is the net outcome of receipts and payments for services rendered to and availed of non-residents. These services include transportation, travel, communications, insurance, financial, royalties and license fees, other business services, and government services.

The income account is the net result of income receipts (investment income) and payments (investment payments, debt servicing).

The current transfers account includes transactions that are quid pro quo, consisting mainly of external assistance (grants) and aid-related transfer payments. The grant component was previously grouped under the capital and financial account as foreign aid. This particular re-classification has had a significant impact on the current account. These three account heads are also referred to as "*invisibles*."

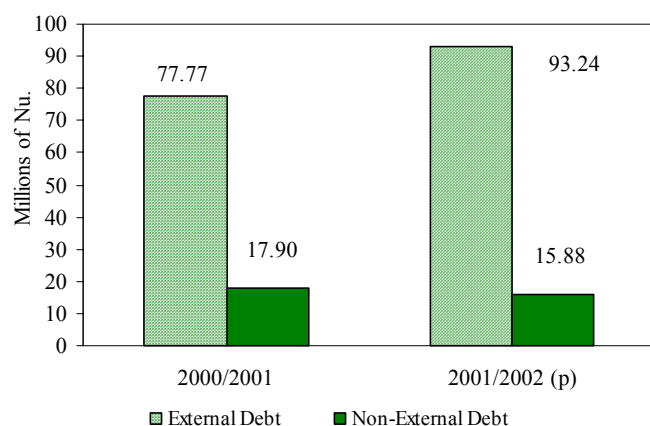
Foreign direct investment (FDI) pertains to FDI within Bhutan.

Foreign aid (net loans) includes the disbursement of loans to Bhutan, mostly to the Royal Government as being concessional or soft loans from international aid agencies and foreign governments.

Other loans refer to commercial borrowings.

There was a net inflow from income of Nu.327.2 million, which was a 47.5 percent decline from 2000/2001 earnings, on account of much lower investment receipts. 85 percent of the payments, amounting to Nu.109.1 million, were made towards debt servicing and the residual was incurred as dividend payments to direct investors. Receipts of Nu.436.3 million were earned from investment income interest of the RMA and financial institutions deposits held abroad.

**Graph 3.10: Income Payments**



Outward remittances from aid-related projects and programs are estimated at 37.5 percent of all foreign aid received by Bhutan, including concessional loans and grants. This was reflected in current transfer payments of Nu.3301.2 million during 2001/2002. Transfer payments have increased from the previous year by 8.1 percent, attributed to higher outward remittances on convertible currency aid. Nonetheless, they are supported

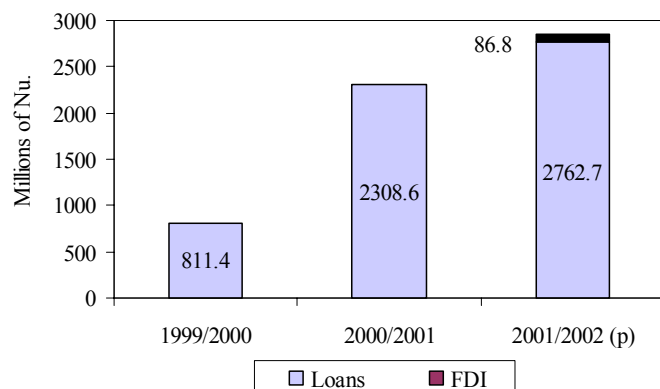
by net current transfer receipts of Nu.6956.9 million, which is a small decrease from Nu.7018.2 million in 2000/2001. Reasons for the decline point to slightly less official grants from India. Overall, a net inflow for current transfers of Nu.3655.7 million was recorded for the period under review.

### Current Account

Higher receipts in the invisibles account helped narrow the current account deficit in 2001/2002 to Nu.406.5 million. This is still a substantial deterioration in the current account in contrast to the last fiscal year's current account surplus of Nu.44.1 million. Hence, the current account deficit as a percentage of GDP for 2001/2002 is documented at 1.7 percent.

### Capital and Financial Account

**Graph 3.11: Summary of Financial Inflows**



Bhutan's financial inflows have been dominated by concessional loans provided by foreign governments and international aid agencies. Commercial borrowings are negligible and direct investment has been nil for quite some time following the State Bank of India and ADB participation in the Bank of Bhutan and Bhutan National Bank. Disbursement of loans has been fuelled in recent

years by the development of the Tala, Kurichhu, and Basochu hydropower projects.

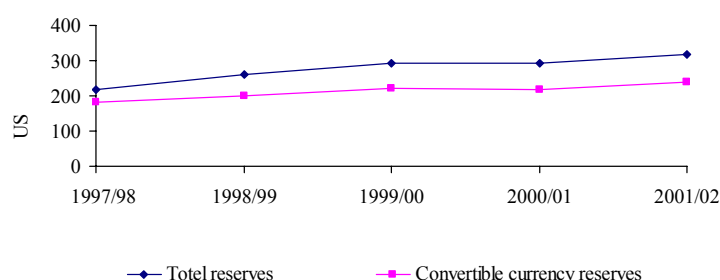
A prominent distinction this year, however, is the recording of a foreign direct investment inflow of Nu.86.8 million in the tourism sector from the joint venture partnership between BTCL and Maha/Aman Resorts. This is a promising development in Bhutan's balance of payments, especially since this could be the beginning of alternative foreign exchange inflows and corresponding improvements in the invisibles account. The Foreign Investment Policy Document is expected to be approved by the end of 2002, while work on the FDI Act is still in progress. There are also similar projects in the pipeline that will be launched sometime during the 9 FYP.

Total financial inflows for fiscal year 2001/2002 rose to Nu.2849.5 million, a 23.4 percent increase over the last year. Total disbursement of loans for the fiscal year, after deducting repayments of principal, rose by 19.7 percent to Nu.2762.7 million.

Therefore, despite trade and current account deficits, Bhutan's overall balance of payments, was alleviated by its financial inflows, and grew by 48.2 percent to Nu.1665.9 million from Nu.1124.1 million in 2000/2001.

Corresponding to this increase in overall balance of payments is the improvement in the country's international reserves to USD 316.6 million from USD 294.2 million in 2000/2001. Rupee reserves grew by approximately 3 percent to Nu.3730.6 million, whereas convertible currency reserve levels rose to USD 240.7 million, after diminishing to USD 217.2 million in 2000/2001. The sizeable growth in convertible currency reserves is mostly on account of a reclassification in the country's accounts.

**Graph 3.12**  
Gross International Reserves  
(end of period)



### Box 3.2

#### Medium-Term Prospects - External Sector

- ❖ Legislation: Business Licensing Act, Foreign Investment Act, Occupational Safety and health Act, Consumer Protection Act, and Contract Act.
- ❖ Improve road network.
- ❖ Expand air transportation (helicopter services).
- ❖ Establish a dry port facility in Phuentsholing.
- ❖ Develop five industrial estates in Chukha, Sarpang, Samdrup Jongkhar, Mongar, and Zhemgang Dzongkhags.
- ❖ Promote joint ventures and foreign investment.

(contd...)

(concl...)

The above strategies of the Royal Government will go a long way towards building a strong and transparent legislative foundation for Bhutan's economic environment. The other measures will also contribute towards regional development, and alleviate numerous constraints faced by the private sector that adversely affect their competitiveness. Being a landlocked country, Bhutanese tradesmen are continuously inundated with high transportation costs and limited modes for transporting their goods. Druk Air is the only available airfreight and the nearest functional land port is in Calcutta. Establishment of a dry port in Phuentsholing will help reduce time and cost of shipping goods.

#### Other Prospects

- ❖ Bhutan has strengthened its official ties with Bangladesh and Thailand. Bangladesh is the next largest destination for Bhutanese exports and Thailand has recently become a popular destination for imports of a wide range of consumer commodities in addition to rising Bhutanese services imports. Bhutan has also become a member of SAFTA (South Asian Federation of Trade Association).
- ❖ All three major hydropower projects will be completed this FYP period, with the giant Tala project due for completion in June 2005. This will be a landmark event in Bhutan's history, witness to the long and immensely successful Indo-Bhutan relations. Revenue generation from Tala is expected only during the 10 FYP, but power export revenue from the other projects in the 9 FYP should improve Bhutan's trade deficit. Generation of income from the power sector is expected to be the impetus towards sustainable development and the enhancement of the quality of Bhutanese life.
- ❖ Bhutan's FDI regulations are planned for release in the early part of the 9 FYP. This will help facilitate the establishment and regulation of FDI in Bhutan in contrast to the ad-hoc FDI procedures being presently followed.
- ❖ Bhutan's application to the World Trade Organisation is being processed and will be finalized by the end of the 9 FYP. This will place great importance on trade relations with countries other than India. It will also require fewer restrictions on Bhutan's capital and financial flows.

### **Box 3.3**

#### **Policy Measures in 2001/2002**

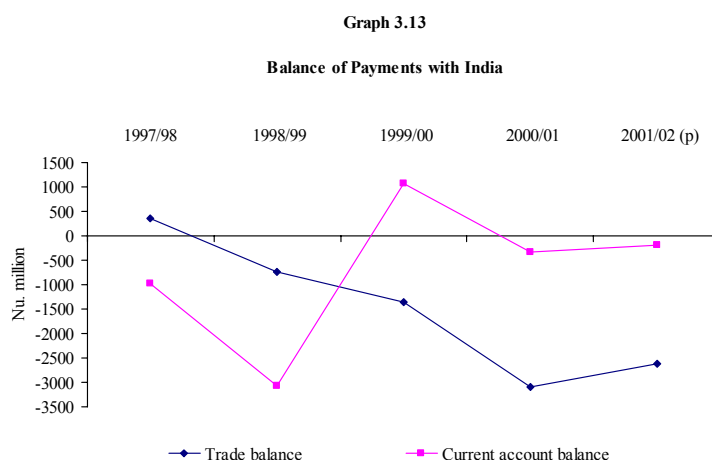
The Copy Right Act, 2001, the Industrial Property Act, 2001, and the Commercial Sale of Goods Act, 2001, were passed during the 79<sup>th</sup> Session of the National Assembly. These measures are part of the Government's efforts to create an enabling environment for Bhutan's private sector.

In keeping with these efforts, the Department of Trade has taken over the responsibility from the Royal Monetary Authority of regulating imports from countries other than India.

And with immediate effect from August 1, 2002, all cash crops are exempted from tax. This includes crops such as apples, cardamom and oranges that have large export potential to neighbouring India. Sales tax and customs duty have also been abolished on the import of a wide range of electrical appliances, computers, and passenger buses. The customs duty on yarn and sales tax on CGI sheets have been eliminated, and customs duty on all vehicle spare parts have been reduced from 30 to 10 percent. On the other hand, taxes on non-essential items have been raised and now range from 20 to 45 percent.

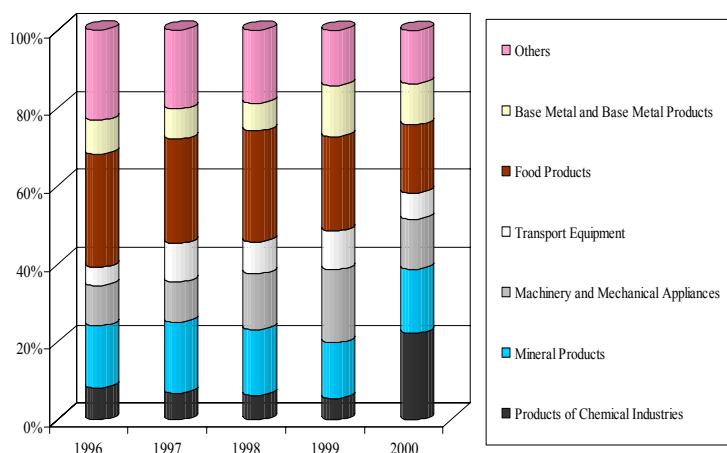
### 3.1.1. Balance of Payments with India

Imports from India experienced a decline by 5.7 percent to Nu.7040.8 million in 2001/2002. They still, however, outsized exports of Nu.4430.4 million and consequently led to the overall improvement in the trade deficit to Nu.2610.4 million from Nu.3085.6 million in 2000/2001. For fiscal year 2001/2002, the share of the trade deficit to GDP fell from 14.6 percent to 10.9 percent.



A positive net inflow in the invisibles account from net investment income receipts, and net current transfer receipts from grants, reduced the trade deficit in 2001/2002 to a current account balance deficit of Nu.194.7 million. Meanwhile, the share of the current account deficit to GDP fell from 1.6 percent to 0.8 percent for the same period.

Graph 3.14: Composition of Imports from India



In spite of prevailing deficits, the counter inflow of project-related financial aid in the form of concessional hydropower project-related loans from the Government of India in excess of the current account deficit has resulted in a favourable overall balance. This is a familiar trend correlated to the ongoing development of Bhutan's hydropower sector.

### 3.1.2. Balance of Payments with Countries Other Than India

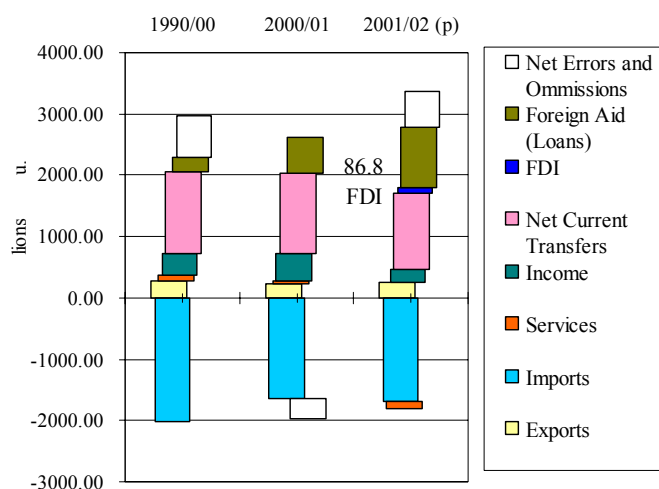
Bhutan's trade deficit with other countries recorded a growth of 25.4 percent from Nu.1404.8 million in 2000/2001 to Nu.1761.3 million in 2001/2002, with import payments approximately seven times greater than export earnings of Nu.278.2

million. As the growth of nominal GDP of 12 percent was outpaced by the growth of the trade deficit of 25 percent, the ratio of the trade deficit to the GDP increased from 6.6 percent in 2000/2001 to 7.4 percent in 2001/2002. There was also an extensive fall in invisibles earnings, especially from tourism (following September 11, 2001), and banking services, leading to the deterioration in the current account balance, from a surplus of Nu.385.5 million in 2000/2001 to a deficit of Nu.211.8 million for the period under review. The current account deficit with countries other than India in relation to nominal GDP stood at 0.9 percent in 2001/2002.

Despite the weakening of the current account, the overall balance is still positive at Nu.1552.6 million (inclusive of the USD 19 million transfer to pension fund made in 2000/2001). For the third time since the Japanese Marubeni Corporation investment in Bhutan Ferro Alloys Ltd. in 1990, and ADB's direct investment in Bhutan National Bank in 1998/1999, there has been an inflow of convertible currency funds in 2001/2002 from FDI, in the tourism sector. In addition, there has

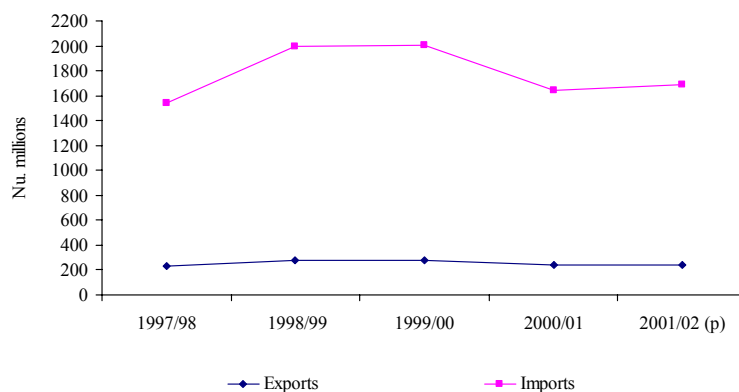
been an increased disbursement of convertible currency concessional loans to Nu.983.5 million from last year's receipt of Nu.600.8 million. A majority of these loans till date has been awarded towards developing Bhutan's energy and agricultural sector. During fiscal year 2001/2002, the top three disbursements were USD 13.4 million, provided by the ADB and Austrian Government for the energy sector, USD 3.7 million for the communications sector (roads and urban infrastructure development), and USD 2.9 million for the education sector.

Graph 3.15: Actual Share to BOP



Graph 3.16

Trade with Countries other than India



### 3.2. External Debt and Debt Service

The stock of external debt outstanding grew by 23.2 percent during fiscal year 2001/2002 to USD 291.8 million. Of this figure, 45 percent comprised of convertible currency outstanding loans amounting to USD 129.9 million, a 21.5 percent increase over the previous year. The remaining 55 percent of outstanding debt are Rupee loans of Rs./Nu.7803.6 million, which is a 29.6 percent rise from last year's outstanding balance of Rs./Nu.6024.4 million. The growth in total outstanding debt is largely attributed to a significant disbursement in the energy sector of USD 13.4 million towards the Basochu hydropower project and rural electrification programmes. In addition, Rs./Nu.1746.8 million and Rs./Nu.120 million were also mobilized for the Tala and Kurichhu hydropower projects, respectively.

Corresponding to the growth in total debt, the ratio of outstanding debt to GDP increased from 52.1 percent in 2000/2001 to 58.4 percent in the current period. Meanwhile, total debt as a percentage of gross international reserves has also risen from 80.5 percent to 92.1 percent in 2001/2002.

**Table 3.2: External Debt Indicators**

Item	End of period			
	1998/99	1999/00	2000/01	2001/02 (p)
Debt Outstanding (in millions)				
Total (USD)	161.7	173.8	236.8	291.8
Convertible Currency (USD)	98.7	98.7	106.9	129.9
Indian Rupee (Rs.)	2684.0	3277.0	6024.4	7803.6
Debt Outstanding/GDP (%) <sup>1)</sup>	42.8	40.9	52.1	58.4
Debt Service Ratio (%) <sup>2)</sup>	10.2	4.8	4.6	5.0

Source: Department of Aid and Debt Management. 1) GDP (2000/01=2000). 2) Debt service payments in percent of exports of goods and services.

At present, all external debt for Bhutan relates to soft loans or concessional debt. The only commercial loan till date was procured by the Government in 1988/89 to purchase an aeroplane. Repayments on this loan were completed in 1998/1999. Since then, all other loans have been concessional. Over 60 percent of these soft loans (both convertible currency and Rupee) have been disbursed to the power sector, while another 25 percent have been shared by the agricultural, industrial, and educational sectors of the economy.

As of June 2002, the Government of India has provided most of the soft loans to Bhutan, with cumulative gross disbursements of Rs./Nu.8693.1 million (USD 215.5



million), all towards the development of hydropower within the country, followed by the Asian Development Bank (ADB), World Bank and the Kuwait Fund for Arab Economic Development, with gross disbursements of USD 62.5 million, USD 36 million, and USD 27.7 million, respectively.

Similarly, Bhutan's largest creditor remains the Government of India (Rupee loans), with an outstanding Rupee debt of Rs./Nu.7803.6 million (USD 161.9 million), followed by the Asian Development Bank (ADB), World Bank, and the Austrian Government, with outstanding debt figures of USD 55.4 million, USD 33.2 million and USD 22.3 million, respectively.

Expenditure on Rupee debt interest and principal repayments are met in Rupees, whereas convertible currency loans are serviced by drawing on the country's convertible foreign exchange reserves. Total debt service payments on convertible currency loans amounted to USD 4 million for fiscal year 2001/2002, of which 33 percent, or USD 1.3 million, were spent on interest payments. The convertible currency debt service ratio increased from 16.8 percent to 19.7 percent at the end of June 2002, a reason for which could be the slower performance of other country exports of goods and services compared to the growth in convertible currency loans. Meanwhile, out of the total Rupee debt service on the Chukha hydropower loan of Rs./Nu.117.2 million, Rs./Nu.29.6 million were spent on interest and Rs./Nu.87.6 million on principal repayments during 2001/2002. The Rupee debt service ratio declined marginally from 2.3 to 2.2 for the period under review.

#### **Box 3.4**

##### **Medium-Term Prospects - External Debt**

Total current and capital expenditure incurred during the 8<sup>th</sup> Plan period were Nu.42247.5 million. Of this sum, 52 percent were met with domestic revenue earnings from tax, non-tax and other sources. Another 36 percent of total expenditure was financed through receipts of official grant aid, leaving behind a total deficit of Nu.5044.4 million. Concessional borrowings by the Royal Government financed 71 percent of the deficit, thereby highlighting Bhutan's dependency on external aid for its development activities. Domestic borrowing, limited to overdrafts on the Government's accounts with banks, and the occasional issue of bonds and bills to commercial banks, have been minimal and also partially due to the scarcity of investment opportunities and a young capital market.

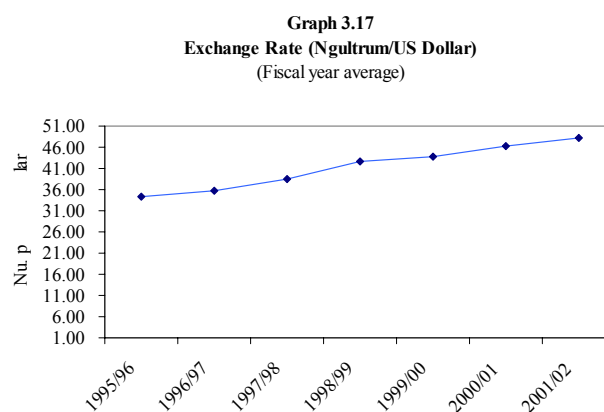
Despite improvements in the collection of domestic revenue, the Government is simply unable to support all of its development capital expenditures and will, therefore, seek external assistance in the form of grants, program and project loans (in that order of preference) to cover nearly half of the 9<sup>th</sup> FYP total outlay which is estimated at Nu.70000 million. This, in turn, has implications of bigger external debt and debt service obligations in the long-run for Bhutan.

A feature on Bhutan's external debt has been attached in *Annex VII*.

### 3.3. Exchange Rate Developments

The Ngultrum (BTN) is pegged at par to the Indian Rupee and therefore, follows changes in the exchange rate developments of the Rupee. Based on the monthly average, movements in the exchange rate of the Ngultrum vis-à-vis the US Dollar (USD) for the fiscal year (FY) 2001/2002 were within a range of Nu.47.13 – Nu.49. The Ngultrum depreciated by 3.8 percent against the US Dollar between June 2001 and June 2002.

Examining movements in the exchange rate for the fiscal year 2001/2002 as a whole, relatively significant changes can be traced to the months of August and September 2001. Following the September 11th terrorist attacks on the United States in 2001, the Indian Rupee experienced a depreciation of 1.5 percent against the USD between September 11 and



September 17, 2001. The Reserve Bank of India attributes this depreciation as resulting from uncertain foreign exchange market conditions arising from fears of the US reprisal, deceleration in foreign institutional investors (FII) inflows, and a further slowdown in India's exports. Following changes in the standing of the Indian Rupee, the exchange rate of the Ngultrum deteriorated from a monthly average of Nu.47.13 per USD in August 2001 to Nu.47.65 in September to Nu.48.02 in October, indicating a depreciation of 1.1 percent and 0.8 percent, respectively.

**Table 3.3: Monthly Movements in the BTN versus the USD FY 2001/2002**

Month	Exchange Rate		Appreciation (+) Depreciation (-) (%)
	BTN/USD	USD/BTN	
Jun-01	47.01	0.02127	
Jul-01	47.14	0.02121	-0.28
Aug-01	47.13	0.02122	+0.02
<b>Sep-01</b>	<b>47.65</b>	<b>0.02099</b>	<b>-1.09</b>
<b>Oct-01</b>	<b>48.02</b>	<b>0.02082</b>	<b>-0.77</b>
Nov-01	48.00	0.02083	+0.04
Dec-01	47.92	0.02087	+0.17
Jan-02	48.34	0.02069	-0.87
Feb-02	48.69	0.02054	-0.72
Mar-02	48.74	0.02052	-0.10
Apr-02	48.92	0.02044	-0.37
May-02	49.00	0.02041	-0.16
Jun-02	48.96	0.02042	+0.08

As against the fiscal year average of Nu.46.39 per US Dollar for 2000/2001, the exchange rate of the Ngultrum vis-à-vis the US Dollar averaged Nu.48.21 for 2001/2002. In comparison to the depreciation of 5.9 percent for the previous year, the Ngultrum depreciated by 3.8 percent against the US Dollar in 2001/2002.

**Table 3.4: Exchange Rate of the BTN against the USD (1994/1995–2001/2002)**

Year	Exchange Rate		Appreciation (+) Depreciation (-) (%)
	BTN/USD	USD/BTN	
1994/95	31.41	0.032	
1995/96	34.29	0.029	-8.40
1996/97	35.77	0.028	-4.14
1997/98	38.39	0.026	-6.83
1998/99	42.59	0.023	-9.86
1999/00	43.64	0.023	-2.41
2000/01	46.39	0.022	-5.93
2001/02	48.21	0.021	-3.78

*(Note: The exchange rates taken reflect the fiscal year average for each corresponding year)*

Among other major currencies, the Japanese Yen depreciated by 1.2 percent against the US Dollar between June 2001 and June 2002, as compared to the 13 percent depreciation for the previous corresponding period.

The Euro on the other hand, appreciated by 11.9 percent against the US Dollar for the same period. This is in stark contrast to the depreciation of 10.1 percent over the corresponding period last year.

### Box 3.5

#### Review of Exchange Rate Conditions in India: Implication for Bhutan

India's exchange rate policy has focused on managing volatility with no fixed rate target, while allowing the underlying demand and supply conditions to determine the exchange rate movements over a period, in an orderly way. The strategy of building up the foreign exchange reserves over the years, coupled with increased inflow of foreign currency through various external sources and instruments, have resulted in stable exchange rate conditions for India for the past five years or so, excepting the brief period of uncertainty following September 11, 2001.

s strategy of building up foreign exchange reserves not only in terms of import purchasing power and debt servicing, but also against liquidity risks associated with various types of capital flows, helped insulate domestic activity from external shocks and maintain stability. India's foreign exchange reserves are now, according to the Governor of the Reserve Bank of India (RBI), "very comfortable".

In the words of the Deputy Governor of RBI, "The period 1990-2002 has been a journey from agony to comfort in matters relating to forex reserves...Over the period, without adding much to the stock of external debt, there has been a quantum jump in forex reserves."

(contd...)

(concl...)

Numerous policy initiatives have also been undertaken to liberalize the movement of cross-border capital flows in the area of outward foreign direct investment, inward direct and portfolio investments from the participation of foreign institutional investors in Indian corporate entities, non-resident deposits and external commercial borrowings. The result has been a significant increase in the inflow of foreign currency.

The RBI's approach of continuous vigilance, caution, flexibility and liberalization in regard to its foreign exchange market resulted in a satisfactory external situation despite several unexpected domestic and external developments. With the continuation of this approach, and with a high and growing level of foreign exchange reserves, developments in the exchange rate over the medium term, can be expected to follow a stable trend as in the last five years.

In Bhutan, one of the primary objectives of monetary policy has been that of promoting price stability through the adoption of a one-to-one exchange rate peg with India. The adoption of this informal currency union with India, whereby both the Ngultrum and the Indian Rupee circulate freely side by side in Bhutan, has reduced the task of the actual policy objective towards ensuring the sustainability of the exchange rate peg.

Conditions in the exchange rate stability of the Indian Rupee therefore have serious implications for Bhutan. In fact, the exchange rate stability of the Ngultrum is a reflection of the changes in India's exchange rate policy and foreign exchange market conditions. In terms of this stability, Bhutan has benefited tremendously from the stable conditions in India and this trend can be safely expected to continue in the foreseeable future.

*Reference for conditions in India:*

1. *RBI Annual Report 2001-02.*
2. *"India's Foreign Exchange Reserves: Policy Status and Issues," A Lecture by Dr. Y. V. Reddy, Deputy Governor, RBI, at the National Council of Applied Economic Research, New Delhi, May 10, 2002.*

#### 4. GOVERNMENT FINANCE

Keeping in view the value of a well-educated and healthy population, the Royal Government continued to place its highest priority on the social sector when allocating the budget for financial year 2001/2002. The revised estimate for the 2001/2002 government budget increased by about 4 percent over the projected budget to Nu.10415 million. The financial year fiscal deficit was estimated at 6.8 percent of GDP in 2001/2002, whereas total expenditure and total resources as a percentage of GDP were estimated at 43.3 percent and 36.5 percent, respectively. Domestic revenue was not only sufficient to meet current expenditure, but also financed part of capital expenditure.

##### Box 4.1

##### Areas Focused on in the Financial Year 2001/2002 Government Budget

###### Social

The teaching allowance for primary school teachers was raised from 15 to 30 percent. An additional incentive of 30 to 45 percent of the basic pay for medical doctors was approved.

###### Communications

Continuation of investment on the maintenance and improvement of the East-West highway and other national and district roads.  
Initiation of programs to improve the access of rural areas to markets by constructing farm roads.  
Major rural telecommunications projects.

###### Human Settlements

Continued development of several Dzongkhag (district) towns.  
Continuation of the housing project in Thimphu and Phuentsholing.

###### Energy

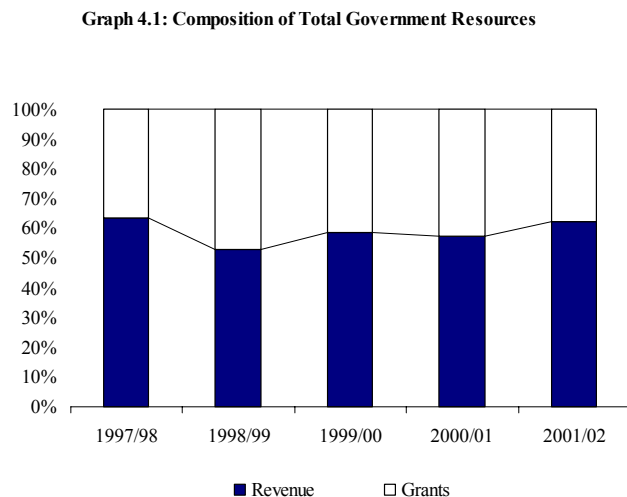
- Continuation of the Tala hydropower project.
- Continuation of several electrification project-transmission lines to distribute electricity from Kurichhu hydropower project to six eastern Dzongkhags.
- Construction of a 220 KV transmission line connecting Basochu project with the Simtokha switchyard.

###### Agriculture

- Construction of feeder roads.
- Continuation of the Second Eastern Zone Agricultural Project funded by an IFAD loan.
- Continuation of the Wang Watershed Management Project.

## 4.1. Revenue and Grants

During 2001/2002, total resources, including revenues and grants, increased marginally by 1.2 percent to Nu.8788 million. Of the total resources, total government revenue receipts accumulated to Nu.5471 million (an increase of about 10 percent over the previous year). Foreign grants, which finance a major portion of our developmental expenses, decreased from Nu.3711 million in 2000/2001 to Nu.3317 million in the review period, recording a negative growth of 10.6 percent. This decrease in foreign grants was largely due to a fall in grants from India by about 39 percent. Grants from other countries showed a significant increase of 51 percent over the previous year.



### Box 4.2

#### Revision on Sales Tax and Customs Duty

In view of the changing economic and social circumstances, a revision was made in the sales tax and customs tariff:

- ❖ The sales tax and customs duty on a wide range of domestic electrical appliances, import of computers and passenger buses, were abolished.
- ❖ The customs duty on yarn and sales tax on CGI sheets were abolished.
- ❖ The customs duty on spare parts for all types of vehicles was reduced from 30 to 10 percent.
- ❖ Taxes on non-essential items were raised and it now ranges from 20-45 percent.
- ❖ The monthly tax-deductible salary limits for companies and other businesses were increased.

Tax revenue, mostly generated through enterprise profit taxes, and taxes on goods and services, was estimated at Nu.2398 million, which is an improvement of 25 percent over the previous year. Non-tax revenue, consisting mainly of surplus transfers from public enterprises, decreased by 8.9 percent over the previous year to Nu.2420 million in 2001/2002. Tax revenue constitutes around 44 percent of total domestic revenue.

Of the total tax revenue, taxes on income and profit alone constituted more than 50 percent, followed by taxes on domestic goods at 43 percent. Revenue through corporate income tax amounted to Nu.986 million, of which Chukha Hydropower Corporation was the highest contributor with Nu.593 million, followed by Penden Cement Authority Ltd. with Nu.80 million. Direct business income tax from tour operators, contractors and other businesses amounted to Nu.316 million. Although personal income tax (PIT) was recently implemented (January 1, 2002), contributions from this source to total domestic revenue totalled Nu.30 million.

On the other hand, for non-tax revenue, the highest receipt, amounting to Nu.1427 million, was collected through dividends from public corporations, of which Chukha Hydropower Corporation alone contributed Nu.1248 million. The next largest receipt of Nu.498 million was received from government departments. Other sources for non-tax revenue included capital revenue (Nu.34 million), administrative fees and charges (Nu.89 million), and transfer of profits from government agencies and corporations (Nu.364 million).

## 4.2 Expenditure

Total expenditure in the financial year 2001/2002 budget stood at Nu.10415.4 million, a 6.8 percent fall from the previous year. This decrease in total expenditure was attributed to a drop in capital expenditure that resulted from a decline in grants from India.

Graph 4.2: Composition of Total Expenditure

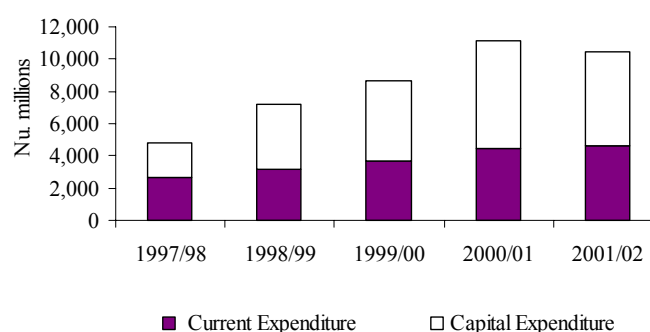


Table 4.1: Functional Classification of Current Expenditure

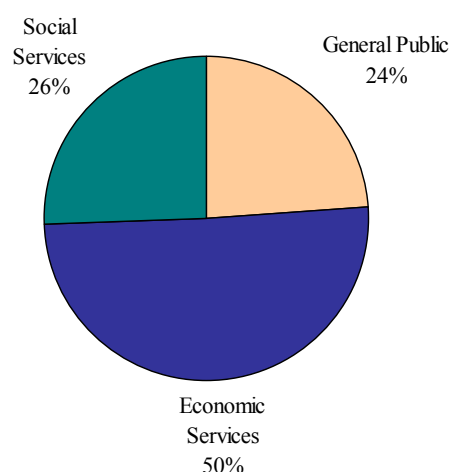
	Millions of Ngultrum				
	1997/98	1998/99	1999/00	2000/01	2001/02
<b>General Public Services</b>	<b>1156</b>	<b>1423</b>	<b>1589</b>	<b>2036</b>	<b>1936</b>
<b>Economic Services</b>	<b>733</b>	<b>852</b>	<b>882</b>	<b>1001</b>	<b>1098</b>
Agriculture and Irrigation	146	144	178	249	212
Animal Husbandry	62	102	85	94	99
Forestry	89	106	115	153	169
Industries, Mining, Trade and Commerce	25	36	38	47	56
Roads	152	142	114	156	202
Transport and Communication	78	81	99	30	34
Power	181	241	253	272	326
<b>Social Services</b>	<b>737</b>	<b>904</b>	<b>1232</b>	<b>1398</b>	<b>1631</b>
Education	428	554	717	833	971
Health	301	341	468	525	610
Urban Development & Housing	8	9	47	40	50

Current expenditure during year under review increased by 5.2 percent over the previous year to Nu.4664 million, and stood at 19.4 percent of GDP, while also recording a 44.8 percent ratio to total expenditure. The highest share of current expenditure was incurred on providing general public facilities at Nu.1936 million, followed by social services at Nu.1631 million. Education had the highest share of the total expenditure on the social sector at Nu.971 million, followed by health at Nu.610 million, and urban development and housing at Nu.50 million. Capital expenditure on economic services amounted to Nu.1098 million, reflecting a 9.7 percent increase over the previous year. Under economic services, current expenditure on power was largest at Nu.326 million, followed by agriculture/ irrigation at Nu.212 million, and roads at Nu.202 million.

The share of current expenditure on general public services, economic services and social services to the total current expenditure were estimated at 41 percent, 24 percent, and 35 percent, respectively.

While there has been a rise in current expenditure, capital expenditure decreased by 14.7 percent to Nu.5751 million during the financial year. As a sizable portion of capital expenditure is financed by foreign grants, the decrease in foreign grants from India during the year 2001/2002 resulted in lower capital investment during the year. Capital expenditure was estimated at about 24 percent of GDP, while the ratio of capital expenditure to total expenditure is estimated at 55.2 percent for 2001/2002.

**Graph 4.3: Functional Classification of Capital Expenditure(2001/02)**



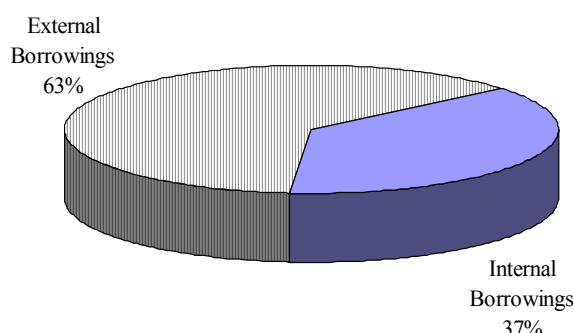
Glancing at the functional classification of capital expenditure, expenditure on economic services appeared the topmost at Nu.2901 million, although this represented only about 2/3 of the figure in 2000/2001. Though investment in the power sector (under economic services) decreased from the previous year by 63 percent to Nu.1126 million, it still topped the list. Roads with Nu.1049 million and forestry with Nu.203 million followed the power sector. Capital expenditure on general public services in 2001/2002 increased by 28 percent to Nu.1371 million, and on social services by 77 percent to Nu.1475 million over the last year. Of the total social expenditure, the highest share of Nu.630 million was invested in the education sector, followed by investment in urban development and housing of Nu.456 million. Investment in the health sector stood the lowest at Nu.388 million.



The Royal Government's stringent expenditure policy, coupled with the increase in domestic revenue, resulted in the fall of the overall 2001/2002 (final year of the 8 FYP) fiscal deficit by 34.7 percent to Nu.1627.4 million. Of the fiscal deficit, 62.6 percent (Nu.1019 million) were met through external borrowings from international

development partners, and the remaining resource gap of Nu.608.3 million was financed from domestic borrowings (ways and means advances from the commercial banks). Summing up, the year 2001/2002 fiscal budget marked the successful implementation and completion of the 8 FYP.

**Graph 4.4:  
Revised Deficit Financing for FY 2001/2002**



Reviewing the 8 FYP fiscal budget briefly, actual plan expenditure exceeded the original plan outlay by 33 percent to around Nu.40 billion, reflecting increases in both capital and current expenditure. Current expenditure of Nu.19 billion, constituting 44 percent of total expenditure, was financed by domestic revenue that had accumulated to Nu.22 billion. Capital expenditure of Nu.23 billion for the entire plan period, was partly financed by foreign grants (Nu.15 billion) leaving a fiscal deficit of Nu.5044 million. Of this deficit, Nu.3574 million were financed by external borrowings and the rest through domestic borrowings.

The overrun in capital expenditure during the 8 FYP was largely on account of major investment activities such as the low income housing-project at Thimphu and Phuentsholing, the Tashichhodzong-Babesa expressway, flood damage restoration works, Taktsang reconstruction, Punakha Dzong renovation, and increased spending on other social and physical infrastructure works. Under current expenditure, the revision of the civil service salary, increased teaching allowances and DSA/travelling allowances of civil servants, the enhancement of the national workforce wage, and a raise in the salaries of Gups<sup>4</sup>, were the chief contributors to the increase.

<sup>4</sup> Gup: Elected peoples' representative of a Gewog or Block.

### **Box 4.3**

#### **Medium-Term Prospective - Government Finance**

The Ninth Five-Year Plan (2002-2007) accords high priority to infrastructure development, improvement in the quality of social services, preservation and promotion of our culture and environment. The overall goals of the Ninth Plan are as follows:

- Improve the quality of life and income, especially of the poor;
- Ensure good governance;
- Promote private sector growth and employment generation;
- Preserve and promote cultural heritage and environment conservation;
- Achieve rapid economic growth and transformation.

The total Ninth Plan outlay is Nu.70000 million, which in real terms is about Nu.54,000 million, after adjusting the projected inflation rate of 7 percent over the entire plan period. As in the previous Plan period, domestic revenue is expected to cover current expenditure in the Ninth Plan. The corporatisation of telecommunications, postal services, and power generation and distribution, are changing the structure of government revenues and expenditures, as well as enhancing efficiency.

In addition, the introduction of personal income tax (PIT) from 1<sup>st</sup> January 2002, improvements in the tax and fee collection system, and the expansion of the tax base through increased economic activities, will result in higher tax revenues during the plan period.

The total revenue receipt of the Ninth Plan is estimated at Nu.31522 million. The regional revenue collection from Thimphu, Phuentsholing, Samtse, Samdrup Jongkhar, and Gelephu, is projected at Nu.30086.6 million, comprising a major part of total revenue. The new Kurichhu and Basochu projects alone are expected to contribute Nu.399.3 million, and much higher revenue of Nu.658.3 million from PIT is projected during the Ninth Plan. External grants are assumed to remain constant throughout the plan period at Nu.6066 million.

Of the total plan outlay of Nu.70000 million, Nu.31682 million are approximated for current expenditure, Nu.34869 million for capital investment, and Nu.3449 million for debt servicing. 55 percent of the total plan outlay will be spent for capital investment. Major investment projects, such as the Tala, Mangdechhu, and Punatsangchhu hydroelectric projects, and other major private investments have been kept outside the framework of the plan outlay. Wages and salaries of civil servants constitute the bulk of total current expenditure, estimated at about 47 percent. As for the sector-wise allocation, the Ministry of Communications is appropriated the highest budget of around 15 percent, followed by autonomous agencies with 14 percent. The Ministry of Health and Education comes in fourth with 11 percent of the total outlay.

During the Ninth Plan, the overall fiscal deficit is projected at 2-3 percent of GDP. While current expenditure will be met by domestic revenue, capital expenditure will be financed through external assistance from our development partners at concessional terms. The total resource gap of over Nu.3000 million will be financed through domestic borrowings in the form of government bonds.

## 5. WORLD ECONOMY

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Since the turn of 2001, a global recovery has been under way, after a drop to 2.2 percent growth (year-to-year), from 4.7 percent growth in 2000, led by the United States and underpinned by an increase in global industrial production and trade. Even allowing for the recent substantial downward revision of GDP growth in 2001 in the United States, the global slowdown in 2000-2001 has proved to be more moderate than most previous downturns. This is to a considerable degree the consequence of an aggressive policy response, particularly following the events of September 11, which was supported by the improvement in economic fundamentals during the 1990's. Other contributing factors included the decline in oil prices in 2001; the resilience of the global financial infrastructure to a variety of substantial shocks; and a degree of good luck, since the impact of the terrorist attacks on confidence proved surprisingly short lived. Inflation in Advanced Economies was relatively low in 2000 and 2001, while it was substantially higher in Developing Countries and Countries in Transition.

During the first quarter of 2002, economic activity was surprisingly strong, with GDP growth in a number of regions – particularly North America and emerging markets in Asia – exceeding expectations. Since that time, the pace of recovery has slowed, except in emerging markets in Asia, and incoming data have generally been weaker than expected. Domestic demand growth, so far, has been relatively weak outside North America and the United Kingdom, the cyclically most advanced of the major industrial countries, making the upturn elsewhere heavily dependent on external demand. Moreover, at present there is still limited evidence of a pickup in global investment, which will be of paramount importance to maintain the momentum of the projected upturn in the second half of 2002.

While the global recovery is expected to continue, it will be weaker than earlier expected. Global growth is projected at 2.8 percent in 2002, rising to 3.7 percent in 2003, underpinned by the turn in the inventory cycle and continued accommodative policies, with interest rate increases in the United States and the euro area now expected to be deferred to 2003. Inflation in Advanced Countries is expected to stay low during 2002 and 2003, while decreases are expected during that period for the Other Countries.

With macroeconomic policies in most industrial countries still accommodative, a shift to a more neutral stance will eventually be needed. At the same time, however, the short-term outlook has deteriorated, and the risks appear to be primarily on the downside; inflation remains relatively subdued; and anti-inflationary credibility is high. The situation varies somewhat across countries, reflecting their relative cyclical positions, as well as the relative risks associated with greater equity market and exchange rate uncertainty. However, in most cases the balance of risks appears to favor maintaining relatively accommodative policies for longer than earlier seemed necessary, and in Japan further easing is warranted. If incoming data were to suggest

the recovery is faltering, additional monetary easing would also need to be considered elsewhere.

**Table 5.1: Summary Overview of the *World Economic Outlook* Projections**

Percentage change on the previous year

Indicator	Actual		Projections	
	2000	2001	2002	2003
<b>World Output</b>	<b>4.7</b>	<b>2.2</b>	<b>2.8</b>	<b>3.7</b>
Advanced economies	3.8	0.8	1.7	2.5
Developing economies	5.7	3.9	4.2	5.2
Countries in transition	6.6	5.0	3.9	4.5
<b>Consumer Prices</b>				
Advanced economies	2.3	2.2	1.4	1.7
Developing economies	6.1	5.7	5.6	6.0
Countries in transition	20.2	15.9	11.3	8.8

*Source: World Economic Outlook, September 2002, Trade and Finance, International Monetary Fund.*

While Table 5.1 above provides an overview of world output and consumer prices, Table 5.2 next presents selected economic indicators for the SAARC region.

**Table 5.2: Selected Economic Indicators for the SAARC Region**

<b>Statistics / Indicators</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/2000</b>	<b>2000/01</b>	<b>2001/02</b>
<b>I. Exchange Rate Per USD 1/</b>					
a) Bangladesh	45.4	48.1	50.3	53.9	57.4
b) Bhutan	38.4	42.6	43.6	46.4	48.2
c) India	38.4	42.6	43.6	46.4	48.2
d) Maldives	11.8	11.8	11.8	11.8	12.8
e) Nepal	61.5	67.9	68.9	73.6	76.5
f) Pakistan	42.9	46.0	51.6	58.2	61.6
g) Sri Lanka	61.4	67.8	73.0	83.6	93.1
<b>II. Growth Rate of Real GDP @ factor cost</b>					
a) Bangladesh	5.3	5.0	6.1	5.3 (p)	
b) Bhutan 2/	7.2	6.4	7.6	5.3	6.6 (p)
c) India	4.8	6.5	6.1	4.0	5.4
d) Maldives	10.2	8.2	7.4	4.8	
e) Nepal	3.3	4.6	6.2	4.8	
f) Pakistan	3.5	4.2	3.9	2.5	3.6 (p)
g) Sri Lanka	6.3	4.7	4.3	6.0	-1.4 (p)
<b>III. Inflation - CPI % Change</b>					
a) Bangladesh (12 month average)	7.0	8.9	3.9	1.6 (p)	
b) Bhutan (June-June)	9.0	9.2	3.6	3.6	2.7
c) India (point-to-point)	8.3	8.9	4.8	2.5	5.2
d) Maldives	7.6	1.4	3.0	1.1	
e) Nepal (end-of-period)	12.0	9.0	0.6	3.4	4.2 (e)
f) Pakistan (June-June)	6.5	3.7	5.1	2.5	4.4 (p)
g) Sri Lanka (end-of-period)			0.6	8.1	13.4
<b>IV. Balance of Payments</b>					
<b>Trade Balance (US\$ millions)</b>					
a) Bangladesh 3/	-2352.0	-2694.0	-2641.0	-2887.0	
b) Bhutan	-24.8	-57.6	-70.8	-96.8	-90.7
c) India	-15507.0	-13246.0	-17841.0	-14370.0	-12703.0
d) Maldives	-214.0	-215.9	-262.4	-233.3	
e) Nepal	-695.0	-627.0	-742.0	-832.0	-843.0 (e)
f) Pakistan	-1868.0	-2085.0	-1412.0	-1269.0	-360.0
g) Sri Lanka	-1225.0	-1092.0	-1369.0	-1798.0	-1157.0 (p)
<b>Current Account Balance (US\$ millions)</b>					
a) Bangladesh 3/	-253.0	-394.0	2.0	-816.0	
b) Bhutan 4/	-46.6	-97.9	25.9	1.0	-8.4
c) India	-5500.0	-4038.0	-4698.0	-2579.0	1351.0
d) Maldives	-34.2	-23.3	-81.6	-53.0	
e) Nepal	-48.0	93.0	114.0	158.0	166.0 (e)
f) Pakistan	-1701.0	-1856.0	-217.0	326.0	2744.0
g) Sri Lanka	-393.0	-226.0	-563.0	-1066.0	-371.0 (p)

Statistics / Indicators	1997/98	1998/99	1999/2000	2000/01	2001/02
<b>V. External Debt</b>					
<b>Debt-GDP Ratio</b>					
a) Bangladesh	31.8	32.5	34.4	35.3 (e)	
b) Bhutan	36.9	42.8	40.9	52.1	58.4
c) India	24.3	23.6	22.2	22.3	20.8
d) Maldives	33.0	35.8	33.2	37.7	36.8
e) Nepal	52.8	53.7	51.8	49.9	
f) Pakistan	55.4	54.9	53.5	60.3	54.4
g) Sri Lanka*	62.3	61.0	63.2	60.8	61.8
<b>Debt Service Ratio 5/</b>					
a) Bangladesh	8.0	7.8	8.4	7.5 (e)	
b) Bhutan	6.8	10.2	4.8	4.6	5.0
c) India	19.0	17.8	16.2	17.3	14.1
d) Maldives	6.9	3.5	3.9	4.1	4.4
e) Nepal	4.7	5.0	4.7	6.0	5.2 (e)
f) Pakistan	55.4	35.3	36.5	37.3	44.1
g) Sri Lanka	13.3	13.3	15.2	14.7	13.3

1/ Data on exchange rates from International Financial Statistics, IMF. Represents the period average for July-June end.

2/ GDP growth rate for Bhutan is on calendar year basis. Entry under 1997/98 is for 1997 and so on.

3/ BOP data for Bangladesh prepared according to the 5th Manual of the IMF.

4/ BOP data for Bhutan compiled according to IMF standards from 1999/2000 onwards.

5/ Debt service payments as a percentage of export of goods & services.

(\*)Sri Lankan External Debt is inclusive of Banking Sector Liabilities.

Data for Maldives and Sri Lanka are on calendar year basis. Entry under 1997/98 is for 1997 and so on.

<b>Sources:</b>	
Bangladesh	: Annual Report 2000/2001, Bangladesh Bank [www.bangladesh-bank.org]. IMF Staff Report for the 2001 Article IV Consultation for data on external debt indicators [www.imf.org].
Bhutan	: Royal Monetary Authority of Bhutan. Central Statistical Organization, Planning Commission. Dept. of Aid and Debt Management, Ministry of Finance.
India	: Annual Report 2001-02, Reserve Bank of India.
Maldives	: Annual Report and Financial Accounts 2000, Maldives Monetary Authority.
Nepal	: Basic Socio-Economic Indicators of Nepal. IMF Document : Nepal - Staff Report for the 2002 Article IV Consultation. IMF Document : Nepal - Selected Issues and Statistical Appendix.
Pakistan	: Annual Report 2001-2002, State Bank of Pakistan.
Sri Lanka	: Annual Report 2001 [www.lanka.net/central bank]. IMF Document: Staff Report for the 2002 Article IV Consultation. IMF Document: Selected Issues and Statistical Appendix.

## 6. MANAGEMENT AND ADMINISTRATION

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The highlight of the year 2001/2002 for the RMA was its much-anticipated move to the newly constructed office complex in Kawa Jangsa towards the end of the first quarter of 2002. In addition to accommodating a significantly larger number of employees, the new building also houses a conference hall, and has provisions for a structured data and voice cable network that will enable the establishment of an internal interconnected communications system.

During the course of the year, the RMA continued to play an active role in policy matters of the Royal Government. In its endeavours to facilitate and promote financial sector soundness, the RMA revised and re-framed various regulations for the financial institutions. During the year, the Prudential Regulations 1999 were revised to the Prudential Regulations 2002, which came into effect from January 2002. The revised regulations encompass the minimum "International Best Practices," adopted by the Basel Committee for Bank Supervision, and are a step towards integrating the Bhutanese financial sector along international regulatory standards.

Moreover, with the objective of streamlining Bhutan's payments system, the RMA approved the issue of an internationally accepted credit card through one of its domestic commercial banks. Until recently, commercial banks conducted all international money transfer business within Bhutan. However, to foster healthy competition and encourage efficiency and cost effectiveness in the financial sector, the Bhutan Post Corporation was awarded a license to collaborate with the Western Union Money Transfer Company. Additionally, with effect from April 1, 2002, the RMA replaced the Weekly Exchange Rate System with a Daily Exchange Rate System (Ngultrum vis-à-vis other convertible currencies), and amended the Rules and Procedures for Authorized Moneychangers accordingly.

As in the past, the RMA played a central role in coordinating the activities of various external agencies within the country. During 2001/2002, the RMA was appointed executing agency for two ADB Technical Assistance (TA) financial sector reform projects, namely the "Financial Sector Review," and "Project Appraisal and Portfolio Management." The main objective of the Financial Sector Review was to assist the Royal Government in developing a vision of and to prepare a medium and long-term strategy for financial sector development, as well as to assist development partners and stakeholders to coordinate future support in the context of an overall Financial Sector Strategy. A team of five consultants from the New Zealand firm, Vinstar, completed the Final Report in April 2002. The second TA was aimed at enhancing the capacity of the four financial institutions in undertaking project appraisal and portfolio management in credit operations. It was officially concluded in May 2002.

In the context of local operations, new currency notes amounting to Nu.838.5 million were issued during 2001/2002, as compared to Nu.715.5 million in the previous year.

During the same period, soiled and/or damaged notes amounting to Nu.84.2 million were destroyed, while the Issue Division also developed and implemented a comprehensive Operations Manual. Plus, in line with the vastly improved infrastructure available, the RMA framed an IT Strategy to streamline its computer operations, under the guidance of an IT Manager, and is currently in the process of upgrading its IT systems. Besides that, the Financial Institutions Supervision Division (FISD) of the RMA conducted regular on-site and off-site examinations of all financial institutions. Findings from their on-site reviews were submitted to the Management and the Board of Directors of the respective financial institutions.

Due to the availability of ample office space, the RMA was in a position to recruit additional staff and thereby to further enhance its capacity to carry out the necessary functions of a central bank. In this connection, the RMA recruited 28 employees during the year, whereas during the same period 9 employees retired from service. As at the end of June 2002, the staff strength of the RMA totalled 107, including an Advisor from the German Bundesbank, a volunteer from the Japan Overseas Cooperation Volunteers (JOCV), and an Information Technology (IT) Manager, employed on contract by the RMA. Of the total staff strength, 41 were female employees. Mr. Klaus Dornseif, who was with the RMA in the early 1980's, was once again appointed as Advisor to the RMA, under the German Bundesbank's Technical Assistance Program in General Central Banking. This program is expected to be extended in the near future through the attachment of a Legal Expert from the Bundesbank to assist in the review and revision of the RMA Act, 1982.

Human resource development is accorded high priority by the RMA Management. In order to build up a capable workforce, officers and staff of the Authority are given opportunities to avail of short and long-term training within and outside Bhutan to acquire necessary exposure and skills. During 2001/2002, 18 officers and staff members participated in 30 short-term training programmes, including meetings, seminars, and workshops held abroad. The Managing Director represented the RMA in various international Fora, such as the Annual Meetings of the Asian Development Bank (ADB), the Asian Clearing Union (ACU), and the IMF-World Bank. Furthermore, the RMA also arranged several in-house courses for IT users in networking, internet applications, and the application of software packages relating to office automation. And with the backing of the ADB, the RMA organised two courses titled "Trainers Training Course" and "Project Appraisal and Portfolio Management", specially designed for credit managers of financial institutions to boost their expertise in credit appraisal and portfolio management.



## 7. ANNUAL AUDITED ACCOUNTS OF THE RMA FOR 2001/2002

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In accordance with Part 10, Section 46(3) of the Royal Monetary Authority of Bhutan Act, 1982, the audited financial statements for the year ended June 2002, consisting of the Statement of Condition and the Income and Expenditure Statement, audited by M.S. Gupta and Company, a chartered accountancy firm from Kolkatta, India, are appended (*Annexes VIII and IX*) in this issue of the Annual Report.

During the year, the RMA's operating surplus transferable to the Royal Government declined by about 55 percent to Nu.161.2 million from Nu.366.0 million in the previous year. This significant decline in the operating surplus has resulted largely from a fall in the interest income on investment due to a sharp drop in world interest rates. Total interest income was almost halved from Nu.463 million in June 2001 to Nu.251 million in June 2002. Interest expenditure – mainly on account of the use of central bank policy instruments, such as RMA bills, the reserve repurchase, and the CRR- decreased by 17 percent during the year, reflecting lower rates paid.

The paid up capital and reserves of the RMA increased by Nu.185.8 million from Nu.1829.8 million at the end of June 2001 to Nu.2015.6 million at the end of June 2002. The increase has been brought about by a significant growth in the revaluation reserves, ploughed back surplus to general reserves, and an increase in the capital reserves due to the capitalization of grants.

With regard to Ngultrum notes and coins in circulation, the rate of growth at the end of June 2002 has been 8 percent, which is significantly lower than the rate of growth of 33 percent recorded during the previous year.

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## **II. STATISTICAL SECTION**

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**TABLE 1. GROSS DOMESTIC PRODUCT AT FACTOR COST BY KIND OF ACTIVITY**

At Current Prices in Millions of Ngultrum

Sector	Year										Share of GDP in 2001 (%)
	1980	1993	1994	1995	1996	1997	1998	1999	2000	2001 (p)	
1. Agriculture, livestock, and forestry	621.4	2801.9	3427.1	3897.7	4538.0	5368.9	6057.5	6630.0	7772.5	8470.8	34.3
1.1 Agriculture proper	309.9	1526.6	1814.6	2043.2	2253.7	2506.4	2893.4	3175.1	3877.5	4213.5	17.1
1.2 Livestock production	139.2	545.9	703.5	805.5	910.2	1237.5	1374.1	1486.9	1625.0	1770.3	7.2
1.3 Forestry and logging	172.3	729.4	909.0	1048.9	1374.1	1625.0	1790.0	1968.0	2270.0	2487.0	10.1
2. Mining and quarrying	6.8	102.3	172.4	193.1	269.8	308.7	262.3	325.9	341.0	400.7	1.6
3. Manufacturing	35.8	752.3	875.2	1088.8	1444.3	1520.1	1621.8	1761.8	1719.3	1935.6	7.8
4. Electricity	2.5	560.9	574.2	1058.7	1101.6	1729.5	1940.5	2317.9	2462.4	2600.5	10.5
5. Construction	88.5	616.8	787.2	930.7	1040.0	1466.4	1687.0	2113.1	2738.8	3720.2	15.1
6. Wholesale and retail trade, restaurants and hotels	121.5	551.2	647.2	730.7	903.5	1014.4	1159.7	1281.6	1465.3	1661.6	6.7
7. Transport, storage, and communications	47.9	587.4	638.0	687.6	855.8	1022.6	1369.5	1636.7	1881.1	2141.8	8.7
8. Financing, insurance, real estate, and business services	70.2	457.7	468.2	503.0	441.9	729.2	1004.0	1042.0	1344.9	1601.3	6.5
9. Community, social & personal services (Government administration and defence)	120.4	645.0	709.2	751.4	1013.7	1362.7	1436.9	1873.1	1968.3	2137.0	8.7
Less : Imputed bank service charges	-20.0	-68.0	-148.2	-231.0	-203.0	-526.9	-458.3	-441.6	-528.0	-736.5	
<b>Gross Domestic Product</b>	<b>1095.0</b>	<b>7007.5</b>	<b>8150.5</b>	<b>9610.6</b>	<b>11405.6</b>	<b>13995.6</b>	<b>16080.9</b>	<b>18540.5</b>	<b>21165.6</b>	<b>23933.0</b>	<b>100.0</b>

Source : Central Statistical Organization of the Planning Commission. Figures of past years have been revised in 2001.

**TABLE 2. GROSS DOMESTIC PRODUCT AT FACTOR COST BY KIND OF ACTIVITY**

At 1980 Prices in Millions of Ngultrum

Sector	Year										Growth from 2000 to 2001 (%)
	1980	1993	1994	1995	1996	1997	1998	1999	2000	2001 (p)	
1. Agriculture, livestock, and forestry	621.4	1040.2	1081.2	1124.2	1197.5	1234.0	1268.8	1335.2	1395.2	1439.4	3.2
1.1 Agriculture proper	309.9	563.9	578.7	585.1	601.0	625.3	646.8	678.5	711.5	741.9	4.3
1.2 Livestock production	139.2	226.1	227.6	243.0	256.0	259.7	263.0	279.7	289.7	293.5	1.3
1.3 Forestry and logging	172.3	250.2	274.9	296.1	340.5	349.0	359.0	377.0	394.0	404.0	2.5
2. Mining and quarrying	6.8	26.2	32.7	34.8	46.2	43.7	50.8	56.2	47.9	57.2	19.4
3. Manufacturing	35.8	218.9	233.0	269.7	291.5	292.0	297.9	308.9	289.9	311.2	7.3
4. Electricity	2.5	232.0	258.8	325.0	342.6	353.6	367.2	400.6	397.8	446.9	12.3
5. Construction	88.5	178.0	221.5	243.0	243.1	266.5	322.3	393.2	448.6	527.2	17.5
6. Wholesale and retail trade, restaurants and hotels	121.5	163.8	170.2	178.0	203.1	218.2	224.5	231.8	236.6	253.6	7.2
7. Transport, storage, and communications	47.9	234.6	241.5	245.4	271.0	308.9	350.1	381.6	402.6	418.7	4.0
8. Financing, insurance, real estate, and business services	70.2	238.1	245.4	263.2	256.2	319.9	349.1	339.0	421.3	458.4	8.8
9. Community, social & personal services (Government admini- stration and defence)	120.4	266.5	293.0	330.2	334.5	360.5	362.9	409.9	430.7	458.4	6.4
Less : Imputed bank service charges	-20.0	-45.0	-61.2	-95.4	-115.8	-106.0	-90.3	-87.8	-104.1	-143.1	37.5
Gross Domestic Product	1095.0	2553.3	2716.1	2918.1	3069.9	3291.3	3503.3	3768.6	3966.5	4227.9	6.6

Source : Central Statistical Organization of the Planning Commission. Figures of past years have been revised in 2001. 1) The average rate of growth of Gross Domestic Product from 1993 to 2000 is 6.4%.

**TABLE 3. SALES OF MAJOR INDUSTRIES**

Millions of Ngultrum

Industry	Period											
	1996	1997	1998	1999	2000	2001					2002	
						I	II	III	IV	Total	I	II
(1) Army Welfare Project	198.6	232.0	237.9	234.9	255.0	80.6	60.9	62.6	79.7	283.8	71.0	58.9
Exports to India	73.4	101.7	89.6	64.6	55.7	21.9	14.2	17.8	20.1	74.0	20.6	20.2
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	125.3	130.2	148.3	170.3	199.3	58.8	46.7	44.8	59.5	209.8	50.4	38.7
(2) Bhutan Board Products Limited	348.0	428.7	383.8	257.1	228.6	67.7	85.7	64.4	76.3	294.1	-	-
Exports to India	330.4	402.6	363.4	247.6	213.9	60.4	70.1	60.2	65.0	255.8	-	-
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	17.6	26.1	20.5	9.5	14.7	7.4	15.5	4.1	11.3	38.3	-	-
(3) Bhutan Carbide & Chemicals Ltd.	561.2	560.3	583.6	569.3	474.6	168.6	172.9	163.7	170.7	675.9	155.4	186.4
Exports to India	542.6	555.2	583.6	546.8	448.0	166.0	142.0	46.6	154.8	509.4	155.4	186.4
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	18.6	5.1	0.1	22.6	26.6	2.6	30.9	117.2	15.8	166.4	-	-
(4) Bhutan Fruit Products Limited	133.2	107.2	112.3	124.9	108.8	29.1	26.5	29.9	26.1	111.6	42.7	36.6
Exports to India	119.5	90.0	95.9	104.9	89.2	24.5	19.3	21.6	21.6	87.0	37.4	28.6
Exports to Countries other than India	9.8	8.9	7.3	7.8	7.4	1.6	1.2	2.4	1.7	6.9	0.6	1.5
Sales within Bhutan	3.9	8.4	9.0	12.2	12.3	3.0	6.1	5.9	2.7	17.7	4.7	6.6
(5) Bhutan Polythene Company	25.5	24.1	15.8	26.7	21.8	8.8	7.6	10.6	19.9	46.9	8.7	15.2
Exports to India	14.1	14.4	3.7	1.0	8.6	2.3	0.3	4.7	4.3	11.5	3.8	4.3
Exports to Countries other than India(*)	4.2	0.9	0.0	9.1	-	-	-	-	-	-	-	-
Sales within Bhutan	7.3	8.7	12.1	16.7	13.2	6.5	7.3	5.9	15.6	35.3	4.9	10.9
(6) Penden Cement Authority Ltd.	209.5	265.5	564.7	684.5	696.7	231.2	207.4	146.4	178.9	763.9	187.0	222.7
Exports to India	124.2	206.8	454.4	433.7	236.0	103.7	66.5	64.0	82.2	316.5	60.3	67.7
Exports to Countries other than India	0.3	-	0.3	-	-	-	-	-	-	-	-	-
Sales within Bhutan	85.1	58.7	110.0	250.8	460.7	127.5	140.8	82.4	96.7	447.4	126.7	155.0

**TABLE 3. SALES OF MAJOR INDUSTRIES, CONTINUED**

Millions of Ngultrum

Industry	Period											
	1996	1997	1998	1999	2000	2001					2002	
						I	II	III	IV	Total	I	II
(7) Bhutan Ferro Alloys Limited	497.1	522.9	488.4	534.7	428.4	120.1	155.9	142.8	160.3	579.0	163.1	158.7
Exports to India	497.1	522.9	488.4	534.7	428.4	120.1	155.9	142.8	160.3	579.0	163.1	158.7
Exports to Countries other than India	-	-	-	-	-	-	-	-	-	-	-	-
Sales within Bhutan	-	-	-	-	-	-	-	-	-	-	-	-
(8) Bhutan Agro Industries Limited	12.4	18.1	24.7	21.4	19.7	3.7	10.2	5.4	8.6	27.9	5.2	10.8
Exports to India	7.1	5.4	14.4	14.5	8.9	1.9	4.9	1.8	4.70	13.3	2.0	2.5
Exports to Countries other than India	0.6	1.4	1.7	1.7	2.4	0.4	0.4	0.8	0.27	1.8	-	0.7
Sales within Bhutan	4.8	11.3	8.6	5.1	8.4	1.5	5.0	2.7	3.62	12.7	3.2	7.7
(9) Eastern Bhutan Coal Company	47.5	45.0	78.7	97.1	126.5	62.8	38.1	14.0	26.0	141.0	35.0	32.4
Exports to India	24.2	23.4	19.8	41.4	10.5	-	2.9	5.3	-	8.3	-	-
Exports to Countries other than India	14.5	-	18.5	26.7	47.2	28.2	9.3	6.1	6.86	50.5	10.0	10.0
Sales within Bhutan	8.7	21.6	40.5	29.0	68.8	34.6	25.9	2.5	19.19	82.2	25.0	22.3
(10) Druk Satair Corporation Limited	45.6	49.9	59.1	77.4	94.0	24.8	27.9	19.5	26.2	98.3	31.7	31.5
Exports to India	38.8	41.7	49.5	62.3	79.7	17.1	18.6	17.1	21.75	74.6	22.9	25.4
Exports to Countries other than India	-	-	0.7	1.6	7.3	1.9	4.8	0.7	1.53	8.9	1.3	0.4
Sales within Bhutan	6.8	8.3	8.9	13.5	6.9	5.8	4.4	1.7	2.92	14.9	7.5	5.7
<b>TOTAL</b>	<b>2078.8</b>	<b>2253.8</b>	<b>2549.2</b>	<b>2627.9</b>	<b>2446.5</b>	<b>797.6</b>	<b>793.1</b>	<b>659.1</b>	<b>772.6</b>	<b>3022.4</b>	<b>699.9</b>	<b>753.1</b>
Exports to India	1771.4	1964.2	2162.7	2051.4	1578.9	517.8	494.8	381.9	534.8	1929.4	465.5	493.7
Exports to Countries other than India	29.3	11.2	28.6	46.8	65.6	32.1	15.7	10.0	10.4	68.1	11.9	12.6
Sales within Bhutan	278.1	278.5	357.9	529.7	801.9	247.7	282.6	267.2	227.4	1024.9	222.4	246.9

Source : Respective Industry. - (-) Nil. -(1) Alcoholic beverages. -(2) Particle boards. -(3) Calcium carbide. -(4) Processed vegetables and fruits. -(5) High Density Polythene (HDPE) Pipe. (\*) Deemed export.-(6)Cement.-(7) Ferro Silicon.-(8) Processed vegetables and fruits. -(9) Coal . -(10) Gypsum dust & Gypsum boulders. Note: Some of the figures for 2000 have been revised.

**TABLE 4. SALES OF CHUKHA HYDRO POWER CORPORATION**

Millions of Ngultrum

Month	1998			1999			2000			2001			2002		
	Total	Export	Internal Consumption	Total	Export	Internal Consumption	Total	Export	Internal Consumption	Total	Export	Internal Consumption	Total	Export	Internal Consumption
Jan	35.7	25.8	9.9	37.0	25.6	11.3	75.0	62.0	13.0	38.0	24.7	13.2	47.9	33.4	14.5
Feb	26.2	17.5	8.7	24.9	14.9	10.0	47.3	34.8	12.5	24.8	12.8	12.1	33.4	20.7	12.7
Mar	31.6	21.0	10.6	26.5	15.6	10.8	53.3	40.3	13.0	21.7	8.9	12.8	35.1	21.6	13.5
Apr	91.4	81.9	9.5	54.1	43.6	10.5	135.2	124.1	11.1	87.8	75.8	12.0	76.5	64.1	12.4
May	152.0	118.7	33.3	104.1	93.0	11.0	221.4	209.8	11.5	174.4	162.0	12.4	157.4	144.6	12.8
June	179.2	172.5	6.7	190.6	184.6	6.0	309.0	298.3	10.7	298.4	287.0	11.4	290.8	279.2	11.6
July	233.5	203.7	29.8	339.1	329.3	9.8	328.3	317.4	10.9	336.6	326.1	10.5			
Aug	223.8	215.3	8.5	338.0	328.3	9.8	354.9	351.2	3.7	336.8	326.9	9.8			
Sept	188.3	187.2	1.1	320.2	310.6	9.6	331.3	327.5	3.9	312.3	300.4	11.9			
Oct	187.1	177.3	9.8	334.6	323.9	10.7	265.6	261.0	4.6	304.1	291.6	12.5			
Nov	88.1	77.4	10.7	248.6	237.5	11.1	124.0	114.7	9.2	156.1	146.8	9.3			
Dec	52.5	40.4	12.1	124.2	112.2	12.0	62.1	48.3	13.8	84.2	71.9	12.3			
Total	1489.6	1338.8	150.8	2141.6	2019.1	122.5	2307.4	2189.6	117.8	2175.1	2034.9	140.2	641.1	563.6	77.5

Source : Chukha Hydro Power Corporation. Note: Some of the figures for 2000 have been revised.

**TABLE 6. SUMMARY OF BUDGETARY OPERATIONS**

Millions of Ngultrum

Item	Period								
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 (r)
Revenue	1,666.3	1,877.4	2,127.7	2,424.4	3,133.0	3,656.9	4,585.4	4,975.8	5,471.1
Tax	503.3	649.8	844.2	868.9	1,246.4	1,265.8	1,977.1	1,916.9	2,397.8
Non-tax	1,064.9	1,032.1	1,086.9	1,204.1	1,743.4	2,220.0	2,355.5	2,704.9	2,465.0
Others	98.1	195.5	196.6	351.4	143.2	171.1	252.8	354.0	608.3
Grants	1,456.3	1,773.2	2,363.6	2,232.1	1,816.3	3,262.6	3,274.1	3,711.0	3,316.9
From India	607.5	728.0	1,168.9	947.6	1,045.1	1,928.5	1,927.1	2,551.2	1,565.3
Others	848.8	1,045.2	1,194.7	1,284.5	771.2	1,334.1	1,347.1	1,159.8	1,751.6
Total Revenue and Grants	3,122.6	3,650.6	4,491.3	4,656.5	4,949.3	6,919.5	7,859.5	8,686.7	8,788.1
Expenditure (1)	3,167.5	3,642.7	4,252.7	4,957.2	4,806.0	7,224.4	8,624.1	11,177.6	10,415.4
Current	1,550.9	1,906.7	1,968.2	2,341.2	2,627.8	3,178.3	3,702.1	4,435.6	4,664.3
Capital (1)	1,616.6	1,736.0	2,284.5	2,616.0	2,178.2	4,046.1	4,921.9	6,742.0	5,751.1
Budget surplus or Deficit (-)	-44.9	7.9	238.6	-300.7	143.3	-304.9	-764.5	-2,490.9	-1,627.4
Financing Transactions (2)	45.0	-7.8	-238.7	300.8	-143.3	304.9	764.5	2,490.9	1,627.4
External borrowing (Net of Principal repayments)	24.0	-6.7	-26.8	124.2	336.3	553.6	606.6	1,056.7	1,019.0
Internal Resource gap (3)	21.0	-1.1	-211.9	176.6	-479.6	-248.7	158.0	1,434.2	608.3
Internal borrowings (Net of principal repayments)	22.5	2.5	37.2	-100.0	-1.8	-	-	-	-
Cash and bank balances (4)	-1.5	-3.6	-249.1	276.6	-477.8	-248.7	158.0	1,434.2	-
Others	-	-	-	-	-	-	-	-	-

Source- Dept of National Budget and Accounts (Figures may not add due to rounding). (1) Includes lending to public and joint sector corps, net of principal repayment (2) Financing transactions by definition must equal the budget deficit or surplus on revenue/grant/expenditure which they finance. Negative financing transactions depicts net repayment of borrowings or increase in cash or bank balances (3) The Internal Resource Gap is that part of the budget deficit/surplus that has to be met from internal resources (Govt Cash and Bank balances or borrowings). A negative resource gap means net repayments of internal borrowings or an increase in Cash or Bank balance (4) Includes use + or repayment - of overdraft.

others: other receipts



**TABLE 7. SUMMARY OF THE CONSUMER PRICE INDEX (\*)**

December 1979 = 100

Item	Weight in % (1)	Period												Average Growth Rate in %	
		1997		1998		1999		2000		2001		2002			
		June	December	June	December	June	December	June	December	June	December	June			
		Index													
Food	72.31	423.1	438.1	465.3	494.5	508.1	507.3	511.2	513.9	515.5	525.2	526.9			
Non-food	27.69	646.2	666.2	694.4	737.1	757.9	795.1	825.2	871.3	891.0	913.6	921.9			
Total	100.00	484.9	501.2	528.7	561.7	577.3	587.0	598.1	612.9	619.5	632.8	636.3			
		Percentage change on the previous year												June 80-02	December 79-01
Food	72.31	3.8	3.6	10.0	12.9	9.2	2.6	0.6	1.3	0.8	2.2	2.2	7.8	7.8	
Non-food	27.69	14.1	9.6	7.5	10.6	9.1	7.9	8.9	9.6	8.0	4.9	3.5	10.2	10.6	
Total	100.00	7.4	5.7	9.0	12.1	9.2	4.5	3.6	4.4	3.6	3.2	2.7	8.6	8.7	

Source : Central Statistical Organization of the Planning Commission. -(\*) Excluding rent. -(1) 1979 Expenditure Survey.

TABLE 8. ROYAL MONETARY AUTHORITY OF BHUTAN - MONEY AND BANKING STATISTICS (\*)

Millions of Ngultrum

End of Period	Assets							
	Total	Foreign Assets			Claims on Deposit Money Banks	Claims on Govt.	Claims on Private Sector	Claims on Non-Monetary Financial Institutions
		Total	Rupee	Convertible Foreign Currency				
<b>1983</b>	51.4	51.4	2.8	48.6	0.0	0.0	0.0	0.0
<b>1984</b>	116.9	102.9	6.7	96.2	14.0	0.0	0.0	0.0
<b>1985</b>	244.0	227.8	7.2	220.6	16.2	0.0	0.0	0.0
<b>1986</b>	320.4	303.6	9.4	294.2	16.8	0.0	0.0	0.0
<b>1987</b>	506.5	482.7	15.7	467.0	23.8	0.0	0.0	0.0
<b>1988</b>	720.5	696.6	15.6	681.0	23.9	0.0	0.0	0.0
<b>1989</b>	930.6	840.7	33.2	807.5	29.5	60.4	0.0	0.0
<b>1990</b>	1418.9	1144.8	16.0	1128.8	38.6	235.5	0.0	0.0
<b>1991</b>	2457.0	2268.1	28.6	2239.5	47.7	141.2	0.0	0.0
<b>1992</b>	2241.9	2027.2	21.7	2005.5	43.7	171.0	0.0	0.0
<b>1993</b>	3126.2	2944.7	59.3	2885.4	107.8	73.7	0.0	0.0
<b>1994</b>	3595.1	3533.2	24.6	3508.6	6.9	0.0	0.0	55.0
<b>1995</b>	4395.0	4337.2	27.6	4309.5	2.8	50.0	0.0	5.0
<b>1996</b>	5602.5	5284.8	25.1	5259.7	307.8	0.0	4.9	5.0
<b>1997</b>	6126.7	6064.6	25.5	6039.0	2.5	51.0	3.7	5.0
<b>1998</b>	9218.6	8022.4	26.9	7995.5	1193.0	0.0	3.1	0.0
<b>1999</b>	10030.6	8840.5	82.3	8758.2	1187.5	0.0	2.6	0.0
<b>2000</b>	11253.8	10357.6	87.8	10269.8	892.7	0.0	3.5	0.0
<b>2001</b>								
Jan	10556.8	9544.1	100.6	9443.5	1009.1	0.0	3.6	0.0
Feb	9987.8	9188.5	90.7	9097.8	795.8	0.0	3.5	0.0
Mar	9608.6	8921.8	95.7	8826.1	683.3	0.0	3.5	0.0
Apr	9221.7	9018.5	108.8	8909.7	199.5	0.0	3.7	0.0
May	9080.2	8998.0	78.7	8919.3	78.7	0.0	3.6	0.0
Jun	9352.7	9048.0	89.4	8958.7	22.7	280.0	2.0	0.0
Jul	9418.5	9090.0	85.4	9004.6	46.6	280.0	2.0	0.0
Aug	9734.1	9429.5	104.1	9325.4	22.5	280.0	2.1	0.0
Sep	9952.6	9640.8	357.0	9283.9	29.9	280.0	1.9	0.0
Oct	10212.6	9964.5	592.6	9371.9	246.2	0.0	1.8	0.0
Nov	10604.8	10219.1	799.8	9419.3	383.9	0.0	1.8	0.0
Dec	11011.2	10716.1	1215.5	9500.6	293.2	0.0	1.9	0.0
<b>2002</b>								
Jan	11437.6	11013.6	1549.8	9463.7	421.9	0.0	2.2	0.0
Feb	10854.2	10636.2	1105.1	9531.1	215.8	0.0	2.2	0.0
Mar	11112.9	11060.2	1393.7	9666.5	50.8	0.0	2.0	0.0
Apr	11838.9	11338.8	1452.1	9886.7	498.1	0.0	2.1	0.0
May	10718.8	10663.8	644.1	10019.7	53.2	0.0	1.8	0.0
Jun	11006.2	10810.5	635.7	10174.8	67.4	127.0	1.4	0.0

Note: Since September 2001 there has been reclassification in the Rupee and Convertible Foreign Currency Assets.

**TABLE 8. CONTINUED**  
**Royal Monetary Authority of Bhutan**

Millions of Ngultrum

End of Period	Liabilities									
	Total	Reserve Money		Foreign Liabilities			Govt. Deposits	RMA Bills Outstanding	Capital Account	Other Items ( Net )
		Total	Of which: Currency Outside Banks	Total	Rupee	Others				
<b>1983</b>	51.4	39.2	22.1	0.0	0.0	0.0	13.0	0.0	0.0	-0.8
<b>1984</b>	116.9	85.2	46.2	0.0	0.0	0.0	23.9	0.0	0.0	7.8
<b>1985</b>	244.0	203.7	70.4	0.0	0.0	0.0	22.2	0.0	0.0	18.1
<b>1986</b>	320.3	259.2	90.7	0.0	0.0	0.0	19.4	0.0	0.0	41.7
<b>1987</b>	506.6	432.6	103.5	0.0	0.0	0.0	9.4	0.0	0.0	64.6
<b>1988</b>	720.5	384.3	149.1	0.0	0.0	0.0	180.3	0.0	0.0	155.8
<b>1989</b>	930.7	691.2	187.7	0.0	0.0	0.0	77.5	0.0	0.0	161.9
<b>1990</b>	1419.0	1259.6	194.1	0.0	0.0	0.0	65.0	0.0	0.0	94.4
<b>1991</b>	2457.0	1592.7	246.0	0.0	0.0	0.0	116.4	0.0	0.0	747.9
<b>1992</b>	2241.9	1256.5	345.0	0.0	0.0	0.0	20.2	0.0	0.0	965.2
<b>1993</b>	3126.3	1364.9	346.0	0.0	0.0	0.0	25.4	0.0	0.0	1736.0
<b>1994</b>	3595.1	1286.8	347.5	616.8	616.8	0.0	29.8	600.0	40.2	1021.5
<b>1995</b>	4395.0	2149.7	432.4	161.1	161.1	0.0	28.6	550.0	88.1	1417.6
<b>1996</b>	5602.6	2328.5	422.5	250.0	250.0	0.0	333.7	1000.0	78.9	1611.5
<b>1997</b>	6126.7	2545.5	720.9	250.0	250.0	0.0	27.9	681.1	48.1	2574.2
<b>1998</b>	9218.6	3954.1	768.8	250.0	250.0	0.0	1207.3	560.0	150.1	3097.2
<b>1999</b>	10030.6	4972.5	969.2	0.0	0.0	0.0	1233.5	486.5	172.5	3165.6
<b>2000</b>	11253.9	6021.6	1269.6	0.0	0.0	0.0	918.2	410.0	220.6	3683.5
<b>2001</b>										
Jan	10556.8	5277.9	1276.1	0.0	0.0	0.0	1022.6	410.0	241.8	3604.5
Feb	9987.8	4872.5	1318.5	0.0	0.0	0.0	827.4	410.0	264.5	3613.4
Mar	9608.6	4572.2	1346.4	0.0	0.0	0.0	713.8	410.0	326.3	3586.4
Apr	9221.6	4598.8	1346.8	0.0	0.0	0.0	230.0	410.0	348.3	3634.6
May	9080.3	4553.8	1349.4	0.0	0.0	0.0	58.8	410.0	424.3	3633.4
Jun	9352.7	4710.9	1483.1	0.0	0.0	0.0	60.5	410.0	449.7	3721.7
Jul	9418.5	4908.6	1432.6	0.0	0.0	0.0	60.5	260.0	459.8	3729.6
Aug	9734.1	5033.6	1408.3	0.0	0.0	0.0	60.5	410.0	455.5	3774.6
Sep	9952.6	5090.6	1407.5	0.0	0.0	0.0	60.5	410.0	459.9	3931.6
Oct	10212.6	5499.9	1441.2	0.0	0.0	0.0	272.7	410.0	110.0	3920.0
Nov	10604.8	5715.2	1596.9	0.0	0.0	0.0	429.8	410.0	157.7	3892.1
Dec	11011.2	6160.7	1609.9	0.0	0.0	0.0	337.9	410.0	161.0	3941.7
<b>2002</b>										
Jan	11437.6	6460.6	1623.7	0.0	0.0	0.0	464.4	910.0	152.8	3449.8
Feb	10854.2	6003.1	1615.5	0.0	0.0	0.0	256.8	910.0	164.1	3520.2
Mar	11113.0	6420.3	1614.7	0.0	0.0	0.0	90.7	910.0	164.9	3527.1
Apr	11838.9	6636.9	1494.2	0.0	0.0	0.0	534.0	910.0	168.4	3589.7
May	10718.8	5871.9	1512.4	0.0	0.0	0.0	99.1	910.0	210.9	3626.9
Jun	11006.2	6023.0	1600.2	0.0	0.0	0.0	114.4	910.0	254.1	3704.7

(\*) Excluding Rupees in circulation. Money and Banking Statistics revised from 30 June 1994.

**TABLE 9. AUCTIONS/TAP SALES OF RMA BILLS(\*)**

Auction/Tap Sale No.	Auction/Tap Sale date	Maturity in Days	Bids, millions of Nu.		Discount Rate (%)
			Received	Accepted	
R070	24-Jun-99	91	635.0	250.0	4.0
R071	4-Aug-99	90	625.0	150.0	6.0
R072	8-Sep-99	90	620.0	250.0	8.5
R073	17-Sep-99	90	620.0	250.0	8.5
R074	2-Nov-99	91	611.0	150.0	3.5
R075	7-Dec-99	90	520.0	110.0	6.0
R076	22-Dec-99	90	640.0	250.0	6.0
R077	1-Feb-00	92	535.0	150.0	6.0
R078	6-Mar-00	91	535.0	110.0	6.0
R079	21-Mar-00	90	570.0	250.0	8.5
R080	3-May-00	90	570.0	150.0	8.5
R081	5-Jun-00	91	540.0	110.0	8.5
R082	19-Jun-00	91	500.0	250.0	8.5
R083	1-Aug-00	92	500.0	150.0	8.5
R084	4-Sep-00	92	500.0	110.0	8.5
R085	18-Sep-00	91	500.0	150.0	9.5
R086	1-Nov-00	90	500.0	150.0	8.5
R087	4-Dec-00	91	671.0	110.0	7.5
R088	18-Dec-00	91	705.0	150.0	5.5
R089	30-Jan-01	90	520.0	150.0	6.5
R090	5-Mar-01	91	660.0	110.0	5.9
R091	19-Mar-01	91	500.0	150.0	6.0
R092	30-Apr-01	91	550.0	150.0	6.0
R093	4-Jun-01	91	700.0	110.0	5.0
R094	18-Jun-01	91	600.0	150.0	4.9
R095	31-Jul-01	90	650.0	150.0	4.0
R096	3-Sep-01	91	500.0	110.0	3.8
R097	17-Sep-01	91	500.0	150.0	5.4
R098	29-Oct-01	91	300.0	150.0	5.0
R099	3-Dec-01	91	160.0	110.0	5.0
R100	18-Dec-01	90	150.0	150.0	5.0
R101	29-Jan-02	91	770.0	650.0	5.0
R102	4-Mar-02	91	110.0	110.0	5.0
R103	18-Mar-02	92	150.0	150.0	5.0
R104	29-Apr-02	91	650.0	650.0	4.5
R105	3-Jun-02	91	110.0	110.0	4.5
R106	18-Jun-02	93	150.0	150.0	4.5

(\*) Starting from October 29, 2001, Auctions were discontinued and Tap Sales were introduced.

**TABLE 10. BANK OF BHUTAN-MONEY AND BANKING STATISTICS**

Millions of Ngultrum

End of Period	Assets								
	Total	Reserves with RMA	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector
			Total	Rupee	Others				
<b>1983</b>	453.5	9.2	320.9	284.3	36.6	23.0	57.3	0.0	43.1
<b>1984</b>	604.1	13.3	433.1	356.7	76.4	58.6	41.3	0.0	57.8
<b>1985</b>	741.8	119.3	420.9	405.0	15.9	119.6	26.6	0.0	55.4
<b>1986</b>	768.2	143.1	433.8	407.9	25.9	104.2	19.7	0.0	67.3
<b>1987</b>	1054.9	310.4	636.9	606.0	30.9	11.8	13.5	0.0	82.3
<b>1988</b>	1129.2	244.2	733.8	688.8	45.0	2.9	32.4	0.0	115.9
<b>1989</b>	1416.9	501.7	692.9	629.7	63.2	2.5	27.6	0.0	192.2
<b>1990</b>	1741.9	1009.4	460.8	409.7	51.1	2.6	53.2	0.0	215.9
<b>1991</b>	1975.1	1252.8	348.8	287.3	61.5	2.6	64.8	0.0	306.1
<b>1992</b>	2238.9	827.9	212.6	22.6	190.0	2.5	770.1	0.0	425.8
<b>1993</b>	2726.4	1001.2	434.3	129.3	305.0	6.5	795.6	0.0	488.8
<b>1994</b>	2984.1	1416.4	278.5	84.9	193.6	4.6	560.8	238.9	485.0
<b>1995</b>	3921.7	2382.4	252.5	35.4	217.0	1.5	534.6	229.2	521.5
<b>1996</b>	4962.5	2085.3	1545.4	1326.8	218.5	100.0	483.7	187.7	560.5
<b>1997</b>	5743.1	2903.5	1391.5	1153.7	237.9	200.6	449.1	213.3	585.0
<b>1998</b>	6613.3	2672.1	2732.1	2549.8	182.3	50.0	411.4	166.6	581.2
<b>1999</b>	6909.0	3418.1	2395.9	1925.0	470.9	50.0	372.1	135.2	537.7
<b>2000</b>	7813.5	4134.0	2495.2	2070.5	424.6	50.0	332.6	121.7	680.0
<b>2001</b>									
Jan	7237.5	3270.0	2622.9	2130.7	492.1	50.0	333.3	113.2	848.2
Feb	7129.3	3212.1	2534.1	2080.9	453.1	50.0	333.4	112.3	887.4
Mar	7105.6	3046.1	2636.6	2444.0	192.6	50.0	333.3	120.1	919.5
Apr	8437.8	4118.9	2923.1	2155.1	768.0	50.0	332.7	109.5	903.6
May	7932.1	3363.4	2831.7	2078.6	753.1	344.9	332.7	113.0	946.4
Jun	8379.2	3390.7	2916.2	2149.7	766.5	677.7	332.7	113.4	948.5
Jul	8825.1	3522.1	2836.2	2022.0	814.2	1099.6	312.5	105.0	949.7
Aug	8381.3	3644.3	2660.9	2022.8	638.1	655.5	309.7	113.4	997.5
Sep	8542.7	3952.8	2634.4	2009.6	624.8	489.4	317.0	115.9	1033.3
Oct	8662.7	4138.9	2815.5	2092.5	723.0	250.0	310.9	110.3	1037.1
Nov	8597.0	4096.2	2763.6	2042.7	720.9	250.0	311.1	104.5	1071.7
Dec	9137.7	4342.5	3027.0	2074.7	952.3	250.0	315.2	110.0	1093.0
<b>2002</b>									
Jan	9487.1	4811.4	3061.2	2049.9	1011.3	250.0	379.4	104.7	880.3
Feb	9386.7	4494.4	3255.7	2268.1	987.7	250.0	291.9	63.6	1031.1
Mar	9939.5	5034.9	3067.5	2129.1	938.4	366.2	297.3	129.3	1044.4
Apr	9534.3	4951.6	2879.9	1963.9	916.0	250.0	291.6	108.9	1052.5
May	9454.0	4686.3	2921.0	1975.0	946.0	375.3	292.0	63.7	1115.7
Jun	9284.0	4582.6	2884.6	1980.9	903.7	266.9	292.3	114.5	1143.1

TABLE 10. CONTINUED

Bank of Bhutan

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
1983	453.5	155.1	146.9	0.5	26.6	26.6	0.0	0.0	2.1	121.0	1.3
1984	604.1	163.6	156.7	0.5	45.8	45.8	0.0	88.7	0.0	111.1	37.7
1985	741.9	191.3	201.0	1.3	53.3	53.3	0.0	77.7	0.0	132.6	84.7
1986	768.1	186.3	212.6	9.1	37.3	37.3	0.0	117.8	0.0	150.1	54.8
1987	1055.0	213.3	223.4	12.3	42.7	42.7	0.0	307.1	0.0	175.9	80.3
1988	1129.2	263.0	289.1	22.5	46.0	46.0	0.0	221.4	0.0	176.9	110.3
1989	1416.9	358.2	415.1	15.1	87.4	87.4	0.0	201.8	0.0	229.2	110.0
1990	1741.7	345.4	515.2	24.0	118.0	118.0	0.0	299.1	0.0	240.1	199.9
1991	1975.1	503.7	622.2	26.0	137.0	136.9	0.1	314.5	0.0	236.0	135.7
1992	2238.9	495.9	691.1	55.0	357.2	357.2	0.0	200.3	0.0	533.9	-94.4
1993	2726.4	487.1	1054.9	65.2	567.8	567.8	0.0	311.3	0.0	329.6	-89.5
1994	2984.1	696.5	1266.8	84.2	0.0	0.0	0.0	139.5	0.0	323.6	473.4
1995	3921.7	889.9	1822.1	104.3	0.0	0.0	0.0	344.0	0.0	371.0	390.4
1996	4962.5	1651.6	1370.5	95.0	0.0	0.0	0.0	458.8	0.0	371.1	1015.5
1997	5743.1	1329.8	2787.1	96.4	0.0	0.0	0.0	183.6	0.0	399.3	946.8
1998	6613.3	1638.3	2842.8	183.2	0.0	0.0	0.0	257.3	0.0	410.7	1281.1
1999	6909.0	2151.4	2860.9	356.1	0.0	0.0	0.0	630.3	0.0	451.3	459.0
2000	7813.5	1998.1	3744.7	158.7	0.0	0.0	0.0	330.1	0.0	513.8	1068.0
2001											
Jan	7237.5	2100.3	2981.8	232.9	1064.4	1064.4	0.0	300.3	0.0	571.4	-13.5
Feb	7129.3	1897.7	2831.1	268.4	1258.2	1258.2	0.0	292.7	0.0	513.8	67.5
Mar	7105.6	2371.6	3462.5	176.1	134.4	134.4	0.0	387.4	0.0	513.8	59.8
Apr	8437.8	2281.5	3327.0	278.7	494.8	494.8	0.0	799.9	0.0	513.8	742.1
May	7932.1	1343.5	3103.5	282.0	825.1	825.1	0.0	779.4	0.0	513.8	1084.9
Jun	8379.2	2280.5	2817.7	201.3	1199.5	1199.5	0.0	671.6	0.0	513.8	694.8
Jul	8825.1	2553.9	3324.8	235.2	2049.2	2049.2	0.0	629.7	0.0	513.8	-481.5
Aug	8381.3	2663.1	3361.5	131.4	1292.9	1292.9	0.0	622.7	0.0	482.9	-173.3
Sep	8542.7	2425.7	3569.7	155.4	1106.3	1106.3	0.0	584.6	0.0	622.8	78.2
Oct	8662.7	2901.9	3083.5	228.0	1157.0	1157.0	0.0	549.2	0.0	649.1	94.0
Nov	8597.0	2282.5	3137.3	193.3	1377.3	1377.3	0.0	433.2	0.0	622.1	551.4
Dec	9137.7	2554.8	3407.8	209.3	973.4	973.4	0.0	731.6	0.0	654.7	606.2
2002											
Jan	9487.1	2466.9	3099.5	329.8	1519.8	1519.8	0.0	710.3	0.0	697.2	663.5
Feb	9386.7	2939.9	3537.0	308.9	644.1	644.1	0.0	620.9	0.0	679.8	656.0
Mar	9939.5	2487.9	3560.5	328.3	1480.3	1480.3	0.0	586.7	0.0	688.1	807.7
Apr	9534.0	2538.1	3172.4	299.8	1747.1	1747.1	0.0	511.1	0.0	687.6	578.0
May	9454.0	2788.2	3603.7	298.5	661.8	661.8	0.0	754.6	0.0	682.8	664.3
Jun	9284.0	2604.4	3392.5	256.5	1366.3	1366.3	0.0	601.5	0.0	698.9	364.0

(1) Demand Deposits include Saving Deposits. Money and Banking Statistics revised from 30 June 1994. From January 2001 onwards, rupee liabilities are shown separate and are not included in Other Liabilities anymore.

**TABLE 11. BHUTAN NATIONAL BANK - MONEY AND BANKING STATISTICS**

Millions of Ngultrum

End of Period	Assets								
	Total	Reserves with RMA	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector
			Total	Rupee	Others				
<b>1997</b>	914.5	104.8	135.7	77.6	58.1	0.0	0.0	10.4	663.6
<b>1998</b>	1292.2	228.7	335.9	213.6	122.3	0.0	0.0	7.5	720.1
<b>1999</b>	2736.3	256.8	1659.3	1299.6	359.7	0.0	0.0	5.0	815.2
<b>2000</b>									
Jan	2697.5	231.8	1633.3	1239.4	393.9	0.0	0.0	5.0	827.4
Feb	2875.6	308.4	1735.9	1261.8	474.1	0.0	0.0	5.0	826.4
Mar	2898.4	300.7	1765.0	1223.6	541.4	0.0	0.0	5.0	827.7
Apr	2850.1	308.1	1703.3	1153.9	549.4	0.0	0.0	5.0	833.8
May	2889.3	299.3	1737.2	1189.9	547.3	0.0	0.0	5.0	847.8
Jun	2928.2	319.3	1756.5	1191.9	564.6	0.0	0.0	5.0	847.5
Jul	3018.7	292.4	1852.1	1320.8	531.4	0.0	0.0	5.0	869.3
Aug	3225.8	295.1	2044.4	1489.5	554.9	0.0	0.0	5.0	881.3
Sept	3484.3	483.4	2094.8	1473.9	621.0	0.0	0.0	5.0	901.1
Oct	3452.1	357.4	2159.6	1492.9	666.7	0.0	0.0	5.0	930.1
Nov	3488.3	386.7	2151.9	1519.0	632.9	0.0	0.0	5.0	944.7
Dec	3702.3	535.5	2221.0	1552.9	668.1	0.0	0.0	5.0	940.8
<b>2001</b>									
Jan	3366.6	357.9	2040.2	1526.2	514.0	0.0	0.0	5.0	963.5
Feb	3434.9	428.3	2029.3	1499.8	529.5	0.0	0.0	5.8	971.6
Mar	3527.0	416.0	2111.7	1511.0	600.7	0.0	0.0	7.1	992.3
Apr	3697.0	454.3	2205.0	1531.5	673.5	0.0	0.0	7.2	1030.6
May	3743.1	635.3	2044.4	1354.8	689.6	0.0	0.0	7.2	1056.3
Jun	3764.2	666.8	2024.2	1328.3	695.9	0.0	0.0	7.2	1066.1
Jul	3933.3	660.7	2166.3	1431.1	735.2	0.0	0.0	7.2	1099.1
Aug	3899.6	593.6	2168.6	1439.2	729.4	0.0	0.0	7.4	1130.0
Sep	3698.7	616.0	1923.2	1127.9	795.3	0.0	0.0	7.4	1152.2
Oct	4139.7	707.8	2122.0	1212.8	909.2	120.0	0.0	7.4	1182.5
Nov	4055.6	479.8	2237.5	1301.2	936.3	120.0	0.0	7.4	1211.0
Dec	3975.2	581.1	2053.6	1088.3	965.3	120.0	0.0	7.4	1213.1
<b>2002</b>									
Jan	3967.6	588.6	2002.4	1037.1	965.3	120.0	0.0	7.4	1249.2
Feb	3960.6	562.3	1961.1	996.3	964.8	120.0	0.0	7.4	1309.9
Mar	4093.5	626.2	1984.7	1010.9	973.9	120.0	0.0	7.4	1355.2
Apr	4107.3	576.7	2028.8	978.1	1050.7	120.0	0.0	7.4	1374.5
May	4074.7	534.2	2005.4	1022.1	983.4	120.0	0.0	7.4	1407.7
Jun	4160.0	546.6	2019.7	1064.1	955.7	120.0	0.0	7.4	1466.3

**TABLE 11. CONTINUED**  
**Bhutan National Bank**

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
<b>1997</b>	914.5	117.4	572.2	0.0	0.0	0.0	0.0	25.4	0.0	139.7	59.9
<b>1998</b>	1292.2	222.1	755.7	4.7	0.0	0.0	0.0	64.9	0.0	157.7	87.1
<b>1999</b>	2736.3	603.6	1506.9	16.7	0.0	0.0	0.0	283.9	0.0	181.8	143.4
<b>2000</b>											
Jan	2697.5	382.6	1536.5	15.6	0.0	0.0	0.0	339.6	0.0	184.0	239.2
Feb	2875.6	463.5	1561.1	16.9	0.0	0.0	0.0	295.0	0.0	185.9	353.3
Mar	2898.4	406.6	1577.1	15.0	0.0	0.0	0.0	310.4	0.0	188.4	400.9
Apr	2850.1	390.2	1582.3	18.3	0.0	0.0	0.0	318.6	0.0	193.9	346.8
May	2889.3	435.3	1614.3	17.4	0.0	0.0	0.0	314.7	0.0	195.9	311.6
Jun	2928.2	445.7	1647.1	20.4	0.0	0.0	0.0	267.8	0.0	191.3	355.9
Jul	3018.7	523.2	1718.9	16.3	0.0	0.0	0.0	194.4	0.0	194.9	370.9
Aug	3225.8	532.9	1794.7	17.7	0.0	0.0	0.0	217.1	0.0	199.2	464.3
Sept	3484.3	676.7	1897.1	22.5	0.0	0.0	0.0	282.3	0.0	213.4	392.3
Oct	3452.1	541.5	1913.6	17.5	0.0	0.0	0.0	364.5	0.0	219.1	396.0
Nov	3488.3	585.4	1955.7	30.4	0.0	0.0	0.0	294.4	0.0	223.3	399.3
Dec	3705.3	671.3	2070.7	22.2	0.0	0.0	0.0	301.1	0.0	242.2	397.8
<b>2001</b>											
Jan	3366.6	493.9	1921.1	20.2	0.0	0.0	0.0	285.6	0.0	257.8	388.0
Feb	3434.9	499.8	2024.2	24.7	0.0	0.0	0.0	281.5	0.0	261.0	343.8
Mar	3527.0	507.5	2078.5	21.5	0.0	0.0	0.0	338.6	0.0	268.9	312.0
Apr	3697.0	487.7	2109.6	23.7	0.0	0.0	0.0	501.1	0.0	270.9	304.0
May	3743.1	530.0	2174.2	28.0	0.0	0.0	0.0	434.3	0.0	277.6	299.0
Jun	3768.0	609.2	1892.8	30.2	0.0	0.0	0.0	681.4	0.0	283.9	270.5
Jul	3933.2	640.5	2188.7	54.4	0.0	0.0	0.0	468.5	0.0	289.9	291.2
Aug	3899.6	566.9	2232.4	25.6	0.0	0.0	0.0	477.2	0.0	295.6	301.8
Sep	3698.7	580.0	2158.6	24.7	0.0	0.0	0.0	561.3	0.0	309.0	65.2
Oct	4139.7	776.6	2204.9	35.2	0.0	0.0	0.0	621.5	0.0	313.2	188.3
Nov	4055.6	726.6	2182.2	27.0	0.0	0.0	0.0	574.0	0.0	312.7	233.2
Dec	3975.2	683.4	2220.6	30.0	0.0	0.0	0.0	556.2	0.0	303.3	181.7
<b>2002</b>											
Jan	3967.6	699.4	2217.1	27.9	0.0	0.0	0.0	506.2	0.0	309.2	207.7
Feb	3960.6	595.9	2261.3	35.0	0.0	0.0	0.0	515.5	0.0	315.7	237.2
Mar	4093.5	649.9	2286.0	32.8	0.0	0.0	0.0	557.7	0.0	317.6	249.6
Apr	4107.3	605.7	2320.3	39.4	0.0	0.0	0.0	593.9	0.0	322.0	226.0
May	4074.7	621.4	2465.6	33.0	0.0	0.0	0.0	568.1	0.0	332.1	54.6
Jun	4160.0	709.2	2372.1	36.4	0.0	0.0	0.0	542.4	0.0	327.4	172.5

(1) Demand Deposits include Saving Deposits.-In January 1997, the Unit Trust of Bhutan was converted to Bhutan National Bank (the second commercial bank in the country).



TABLE 12. DEPOSIT MONEY BANKS - MONEY AND BANKING STATISTIC<sup>1)</sup>

Millions of Ngultrum

End of Period	Assets								
	Total	Reserves with RMA	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector
			Total	Rupee	Others				
<b>1997</b>	6657.6	3008.3	1527.3	1231.3	295.9	200.6	449.1	223.8	1248.6
<b>1998</b>	7905.5	2900.8	3068.0	2763.4	304.6	50.0	411.4	174.0	1298.3
<b>1999</b>	9645.2	3674.9	4055.1	3224.6	830.6	50.0	372.1	140.2	1352.9
<b>2000</b>									
Jan	10064.0	3290.6	4840.4	3879.5	960.9	50.0	372.2	149.7	1361.1
Feb	9705.6	3290.7	4505.4	3475.2	1030.2	50.0	372.1	144.8	1342.6
Mar	9714.0	3442.4	4344.1	3260.1	1084.0	50.0	372.2	143.7	1361.6
Apr	9839.7	3329.7	4607.6	3503.9	1103.7	50.0	373.0	140.6	1338.7
May	9728.0	3667.1	4150.2	3050.9	1099.3	50.0	373.5	137.0	1350.1
Jun	10258.0	4262.4	4085.4	3011.4	1074.0	50.0	353.6	146.1	1360.5
Jul	10345.4	3991.5	4429.4	3422.7	1006.6	50.0	353.5	136.6	1384.4
Aug	10606.2	4359.2	4324.8	3343.5	981.3	50.0	353.1	129.6	1389.6
Sept	11201.1	4551.8	4668.4	3549.8	1118.6	50.0	353.6	133.5	1443.9
Oct	11116.5	4403.2	4684.3	3551.5	1132.8	50.0	353.4	126.7	1498.9
Nov	11031.7	4380.2	4535.2	3507.5	1027.8	50.0	352.1	126.9	1587.2
Dec	11518.7	4669.5	4716.1	3623.4	1092.7	50.0	332.6	126.7	1623.8
<b>2001</b>									
Jan	10604.1	3627.9	4663.1	3657.0	1006.1	50.0	333.3	118.1	1811.7
Feb	10564.2	3640.4	4563.4	3580.7	982.7	50.0	333.4	118.1	1859.0
Mar	10632.7	3462.1	4748.3	3955.0	793.3	50.0	333.3	127.2	1911.8
Apr	12134.8	4573.2	5128.1	3686.6	1441.5	50.0	332.7	116.7	1934.1
May	11675.3	3998.7	4876.1	3433.4	1442.7	344.9	332.7	120.2	2002.7
Jun	12147.1	4057.4	4940.4	3478.0	1462.4	677.7	332.7	120.6	2018.4
Jul	12758.4	4182.8	5002.5	3453.2	1549.3	1099.6	312.5	112.2	2048.7
Aug	12280.9	4237.9	4829.6	3462.0	1367.6	655.5	309.7	120.8	2127.5
Sep	12241.4	4568.8	4557.6	3137.5	1420.1	489.4	317.0	123.2	2185.5
Oct	12802.4	4846.7	4937.5	3305.3	1632.2	370.0	310.9	117.7	2219.6
Nov	12652.6	4576.0	5001.1	3343.9	1657.2	370.0	311.1	111.8	2282.6
Dec	13112.9	4923.6	5080.6	3163.0	1917.6	370.0	315.2	117.4	2306.1
<b>2002</b>									
Jan	13454.7	5400.0	5063.6	3087.0	1976.6	370.0	379.4	112.1	2129.6
Feb	13347.3	5056.8	5216.8	3264.3	1952.4	370.0	291.9	71.0	2340.9
Mar	14033.0	5661.1	5052.2	3139.9	1912.2	486.2	297.3	136.6	2399.6
Apr	13641.3	5528.2	4908.3	2942.0	1966.3	370.0	291.6	116.3	2427.0
May	13528.6	5220.5	4926.4	2997.1	1929.3	495.3	292.0	71.1	2523.4
Jun	13444.0	5129.2	4904.3	3045.0	1859.4	386.9	292.3	121.9	2609.4

<sup>1)</sup>Bank of Bhutan and Bhutan National Bank.

**TABLE 12. CONTINUED**  
**Deposit Money Banks**

Millions of Ngultrum

End of Period	Liabilities										
	Total	Demand Deposits (1)	Time Deposits	Foreign Currency Deposits	Foreign Liabilities			Govt. Deposits	Credit from RMA	Capital Accounts	Other Items (Net)
					Total	Rupee	Others				
<b>1997</b>	6657.6	1447.2	3359.3	96.4	0.0	0.0	0.0	209.1	0.0	539.0	1006.6
<b>1998</b>	7905.5	1860.4	3598.4	187.9	0.0	0.0	0.0	322.2	0.0	568.4	1368.3
<b>1999</b>	9645.2	2754.9	4367.8	372.9	0.0	0.0	0.0	914.2	0.0	633.1	602.3
<b>2000</b>											
Jan	10063.6	2275.4	5002.5	342.2	0.0	0.0	0.0	740.4	0.0	635.3	1067.8
Feb	9705.6	1970.1	5065.6	317.5	0.0	0.0	0.0	766.8	0.0	637.2	948.4
Mar	9714.0	2979.5	4653.0	296.4	0.0	0.0	0.0	808.2	0.0	639.7	337.3
Apr	9839.7	2412.2	4569.7	287.9	0.0	0.0	0.0	726.8	0.0	645.2	1197.9
May	9728.0	2340.5	4558.0	258.7	0.0	0.0	0.0	819.7	0.0	647.2	1103.9
Jun	10258.0	2474.8	5016.6	222.3	0.0	0.0	0.0	698.4	0.0	642.6	1203.3
Jul	10345.4	2669.5	5466.3	244.2	0.0	0.0	0.0	644.5	0.0	646.2	674.6
Aug	10606.2	2652.0	5558.2	220.6	0.0	0.0	0.0	483.0	0.0	650.5	1041.9
Sept	11201.1	3251.0	5516.4	298.5	0.0	0.0	0.0	548.5	0.0	664.7	921.9
Oct	11116.5	2907.5	5204.9	253.0	0.0	0.0	0.0	649.9	0.0	670.4	1430.8
Nov	11031.7	2692.6	5815.7	227.3	0.0	0.0	0.0	582.9	0.0	674.6	1038.8
Dec	11518.7	2669.5	5815.4	180.9	0.0	0.0	0.0	631.2	0.0	756.1	1465.7
<b>2001</b>											
Jan	10604.1	2594.2	4902.9	253.1	1064.4	1064.4	0.0	585.8	0.0	829.1	374.5
Feb	10564.2	2397.5	4855.2	293.1	1258.2	1258.2	0.0	574.1	0.0	774.8	411.3
Mar	10632.6	2879.1	5541.0	197.6	134.4	134.4	0.0	726.0	0.0	782.8	371.8
Apr	12134.8	2769.2	5436.6	302.5	494.8	494.8	0.0	1300.9	0.0	784.7	1046.2
May	11675.2	1873.5	5277.7	309.9	825.1	825.1	0.0	1213.7	0.0	791.5	1383.8
Jun	12147.1	2889.7	4710.5	231.5	1199.5	1199.5	0.0	1352.9	0.0	797.8	965.3
Jul	12758.4	3194.3	5513.6	289.6	2049.2	2049.2	0.0	1098.2	0.0	803.8	-190.3
Aug	12280.9	3230.1	5593.9	157.0	1292.9	1292.9	0.0	1099.9	0.0	778.6	128.6
Sep	12241.4	3005.7	5728.3	180.1	1106.3	1106.3	0.0	1145.9	0.0	931.7	143.3
Oct	12802.4	3678.5	5288.4	263.3	1157.0	1157.0	0.0	1170.8	0.0	962.3	282.3
Nov	12652.6	3009.2	5319.4	220.2	1377.3	1377.3	0.0	1007.2	0.0	934.7	784.6
Dec	13112.9	3238.2	5628.3	239.3	973.4	973.4	0.0	1287.8	0.0	958.0	787.9
<b>2002</b>											
Jan	13454.7	3166.2	5316.6	357.7	1519.8	1519.8	0.0	1216.5	0.0	1006.5	871.3
Feb	13347.3	3535.8	5798.3	343.9	644.1	644.1	0.0	1136.4	0.0	995.5	893.2
Mar	14033.0	3137.9	5846.5	361.1	1480.3	1480.3	0.0	1144.3	0.0	1005.7	1057.2
Apr	13641.3	3143.8	5492.7	339.1	1747.1	1747.1	0.0	1105.0	0.0	1009.6	804.0
May	13528.6	3409.6	6069.3	331.5	661.8	661.8	0.0	1322.8	0.0	1014.9	718.8
June	13444.0	3313.6	5764.6	292.9	1366.3	1366.3	0.0	1143.9	0.0	1026.2	536.5

(1) Demand Deposits include Saving Deposits.-In January 1997, Unit Trust of Bhutan was converted to Bhutan National Bank (the second commercial bank in the country).

TABLE 13. MONETARY SURVEY

Millions of Ngultrum

End of Period	Assets									
	Total	Foreign Assets(Net)			Domestic Credit					
		Total	Rupee	Converti- ble Foreign Currency	Total	Claims on Govt. (Net)	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on NMFIs
1983	456.1	345.7	260.5	85.2	110.4	10.0	57.3	0.0	43.1	0.0
1984	535.3	490.2	317.6	172.6	45.1	-54.0	41.3	0.0	57.8	0.0
1985	697.2	595.5	359.0	236.5	101.7	19.7	26.6	0.0	55.4	0.0
1986	754.1	700.1	380.0	320.1	54.0	-33.1	19.7	0.0	67.3	0.0
1987	868.1	1077.0	579.0	498.0	-208.9	-304.7	13.5	0.0	82.3	0.0
1988	1133.8	1384.4	658.4	726.0	-250.5	-398.8	32.4	0.0	115.9	0.0
1989	1449.6	1446.2	575.5	870.7	3.4	-216.5	27.6	0.0	192.2	0.0
1990	1630.8	1487.6	307.7	1179.9	143.2	-125.9	53.2	0.0	215.9	0.0
1991	2563.7	2480.0	179.1	2300.9	83.8	-287.1	64.8	0.0	306.1	0.0
1992	3031.5	1882.5	-313.0	2195.5	1149.0	-46.9	770.1	0.0	425.8	0.0
1993	3839.2	2811.2	-379.2	3190.4	1028.0	-256.4	795.6	0.0	488.8	0.0
1994	4369.8	3194.9	-507.3	3702.2	1174.9	-164.7	560.8	238.9	485.0	55.0
1995	5397.8	4428.5	-98.0	4526.6	969.2	-321.1	534.6	229.2	521.5	5.0
1996	7129.4	6580.1	1101.9	5478.2	549.3	-692.5	484.7	187.7	564.4	5.0
1997	9286.6	7341.8	1006.8	6335.0	1944.8	14.7	449.1	223.8	1252.3	5.0
1998	11250.9	10840.4	2540.3	8300.1	410.5	-1479.4	411.4	174.0	1301.4	3.0
1999	12665.8	12895.6	3306.9	9588.8	-229.9	-2097.7	372.1	140.2	1352.5	3.0
2000	15661.0	15073.7	3711.2	11362.5	587.3	-1499.4	332.6	126.7	1624.3	3.0
2001										
Jan	13851.1	13142.7	2693.1	10449.6	708.3	-1558.4	333.3	118.1	1812.3	3.0
Feb	13456.2	12493.7	2413.2	10080.5	962.5	-1351.5	333.4	118.1	1859.5	3.0
Mar	14521.8	13535.7	3916.3	9619.4	986.1	-1389.8	333.3	127.2	1912.3	3.0
Apr	14558.1	13651.8	3300.6	10351.2	906.3	-1480.9	332.7	116.7	1934.1	3.7
May	14580.7	13049.1	2687.1	10362.0	1531.6	-927.6	332.7	120.2	2002.5	3.7
Jun	14806.8	12788.9	2367.8	10421.1	2017.9	-455.7	332.7	120.6	2016.6	3.7
Jul	14739.6	12043.2	1489.3	10553.9	2696.4	220.9	312.5	112.2	2047.0	3.7
Aug	15301.4	12966.1	2273.2	10693.0	2335.2	-224.9	309.7	120.8	2125.9	3.7
Sep	15282.6	13092.1	2388.2	10704.0	2190.5	-437.1	317.0	123.2	2183.7	3.7
Oct	15321.6	13745.1	2741.0	11004.1	1576.5	-1073.5	310.9	117.7	2217.7	3.7
Nov	15483.3	13842.9	2766.4	11076.5	1640.3	-1067.0	311.1	111.8	2280.7	3.7
Dec	16312.7	14823.3	3405.1	11418.2	1489.4	-1255.7	315.2	117.4	2308.7	3.7
2002										
Jan	15869.6	14557.4	3117.1	11440.3	1312.3	-1310.9	379.4	112.1	2128.0	3.7
Feb	16891.5	15208.8	3725.3	11483.5	1682.7	-1023.3	291.9	71.0	2339.4	3.7
Mar	16718.8	14632.1	3053.4	11578.7	2086.7	-748.8	297.3	136.6	2397.8	3.7
Apr	16067.8	14500.0	2647.0	11853.0	1567.8	-1269.0	291.6	116.3	2425.3	3.7
May	16890.1	14928.3	2979.3	11949.0	1961.8	-926.5	292.0	71.1	2521.5	3.7
Jun	16628.9	14348.5	2314.3	12034.2	2280.5	-744.5	292.3	121.9	2607.0	3.7

Note: Since September 2001 there has been reclassification in the Rupee and Convertible Foreign Currency Assets

**TABLE 13. CONTINUED**  
**Monetary Survey**

Millions of Ngultrum

End of Period	Liabilities								
	Total	Broad Money(M2)						Money Market Instrument (RMA Bill)	Other Items (Net)
		Total	Money(M1, Narrow Money)				Quasi-Money		
			Total	Currency Outside Banks	Demand Deposits	NMFI Deposits			
1983	456.1	324.6	177.2	22.1	155.1	0.0	147.4	0.0	131.5
1984	535.3	367.0	209.8	46.2	163.6	0.0	157.2	0.0	168.3
1985	697.1	464.0	261.7	70.4	191.3	0.0	202.3	0.0	233.1
1986	754.0	498.8	277.0	90.7	186.3	0.0	221.8	0.0	255.2
1987	868.1	552.5	316.8	103.5	213.3	0.0	235.7	0.0	315.6
1988	1133.9	723.7	412.1	149.1	263.0	0.0	311.6	0.0	410.2
1989	1449.5	976.2	545.9	187.7	358.2	0.0	430.2	0.0	473.4
1990	1630.6	1078.8	539.5	194.1	345.4	0.0	539.3	0.0	551.8
1991	2563.7	1397.9	749.7	246.0	503.7	0.0	648.2	0.0	1165.8
1992	3031.5	1586.9	840.9	345.0	495.9	0.0	746.1	0.0	1444.6
1993	3839.3	1953.3	833.1	346.0	487.1	0.0	1120.2	0.0	1886.0
1994	4369.7	2395.0	1044.0	347.5	696.5	0.0	1351.0	600.0	1374.7
1995	5397.8	3257.8	1331.5	432.4	889.9	9.1	1926.4	550.0	1589.9
1996	7129.5	3563.8	2098.3	422.5	1651.6	24.2	1465.5	1000.0	2565.7
1997	9286.6	5652.2	2196.5	720.9	1447.2	28.4	3455.7	10.6	3623.8
1998	11250.9	6578.3	2792.0	768.8	1860.4	162.8	3786.3	134.1	4538.5
1999	12665.8	8643.4	3902.7	969.2	2754.9	178.6	4740.7	26.2	3996.2
2000	15661.0	10035.4	4039.0	1269.6	2669.5	100.0	5996.3	115.3	5510.4
2001									
Jan	13851.1	9121.2	3965.1	1276.1	2594.2	94.8	5156.1	125.5	4604.5
Feb	13456.2	8952.1	3803.9	1318.5	2397.5	87.8	5148.3	125.5	4378.6
Mar	14521.8	10062.4	4323.8	1346.4	2879.1	98.3	5738.6	17.3	4442.1
Apr	14558.1	9955.8	4216.7	1346.8	2769.2	100.8	5739.0	17.3	4585.0
May	14580.7	9874.6	4287.0	1349.4	2837.7	99.9	5587.7	6.2	4699.9
Jun	14806.8	9419.8	4477.9	1483.1	2889.7	105.1	4942.0	5.5	5381.4
Jul	14739.6	10539.5	4736.3	1432.6	3194.3	109.4	5803.2	-144.5	4344.6
Aug	15301.4	10507.2	4756.3	1408.3	3230.1	118.0	5750.9	4.8	4789.4
Sep	15282.6	10360.9	4452.5	1407.5	3005.7	39.3	5908.4	4.6	4917.1
Oct	15321.6	10719.8	5168.1	1441.2	3678.5	48.4	5551.6	5.0	4596.8
Nov	15483.3	10234.1	4694.5	1596.9	3009.2	88.4	5539.6	5.0	5244.2
Dec	16312.7	10802.1	4934.5	1609.9	3238.2	86.4	5867.6	5.2	5505.5
2002									
Jan	15869.6	10521.7	4847.4	1623.7	3166.2	57.5	5674.4	11.5	5336.4
Feb	16891.5	11297.5	5155.3	1615.5	3535.8	4.0	6142.2	11.5	5582.6
Mar	16718.8	11028.2	4820.6	1614.7	3137.9	68.1	6207.6	-24.5	5715.0
Apr	16067.8	10578.2	4746.4	1494.2	3143.8	108.3	5831.8	10.7	5479.0
May	16890.1	11456.2	5055.5	1512.4	3409.6	133.5	6400.7	10.7	5423.2
Jun	16628.9	11076.9	5019.5	1600.2	3313.6	105.7	6057.5	10.4	5541.7

TABLE 14. ROYAL INSURANCE CORPORATION OF BHUTAN - FINANCIAL STATISTICS

Millions of Ngultrum

End of Period	Assets									
	Total	Reserves	Foreign Assets			Claims on Govt. Enterprises	Claims on Private Sector	Claims on DMBs	Claims on NMFIs	Real Estate
			Total	Rupee	Others					
1983	140.1	2.6	0.0	0.0	0.0	25.1	41.3	52.4	6.1	12.6
1984	170.1	7.0	0.0	0.0	0.0	29.0	61.0	51.2	6.8	15.0
1985	219.1	3.4	0.0	0.0	0.0	17.9	102.2	71.8	6.8	17.1
1986	269.5	2.5	0.0	0.0	0.0	18.1	150.3	71.0	7.0	20.7
1987	354.5	0.8	0.0	0.0	0.0	14.9	233.2	75.2	7.0	23.4
1988	467.8	6.1	0.0	0.0	0.0	28.6	319.2	83.6	7.0	23.4
1989	610.5	2.8	0.0	0.0	0.0	23.3	392.3	151.7	8.8	31.6
1990	769.6	2.6	0.0	0.0	0.0	24.7	514.4	190.0	2.5	35.4
1991	983.8	-16.2	0.0	0.0	0.0	20.9	672.5	272.6	0.0	34.0
1992	675.3	0.6	0.0	0.0	0.0	20.1	498.6	115.5	0.0	40.5
1993	791.3	18.2	0.0	0.0	0.0	21.7	614.5	94.6	0.0	42.3
1994	868.1	9.6	0.4	0.0	0.4	22.4	667.1	150.3	18.3	0.0
1995	1012.2	24.5	0.6	0.0	0.6	41.5	670.4	262.0	13.1	0.0
1996	1169.3	61.7	1.4	0.0	1.4	41.5	728.4	321.8	14.3	0.0
1997	1426.9	20.0	0.6	0.0	0.6	30.1	720.7	655.5	0.0	0.0
1998	1701.0	167.9	2.1	0.0	2.1	14.9	680.6	835.5	0.0	0.0
1999	2022.8	84.9	55.8	53.1	2.7	41.2	669.9	1171.0	0.0	0.0
2000	956.9	45.5	52.1	51.0	1.1	17.3	842.1	0.0	0.0	0.0
2001										
Jan	954.3	43.7	50.9	50.0	0.9	17.3	842.5	0.0	0.0	0.0
Feb	958.9	20.4	50.9	50.0	0.9	17.3	870.3	0.0	0.0	0.0
Mar	992.9	26.2	50.9	50.0	0.9	17.3	898.5	0.0	0.0	0.0
Apr	1003.5	31.6	53.7	52.8	0.9	17.3	901.0	0.0	0.0	0.0
May	1005.4	0.0	73.8	72.8	0.9	17.3	914.4	0.0	0.0	0.0
Jun	1027.3	51.5	51.3	50.0	1.3	17.3	907.2	0.0	0.0	0.0
Jul	1032.6	19.1	51.3	50.0	1.3	17.3	925.0	20.0	0.0	0.0
Aug	1032.3	12.4	51.3	50.0	1.3	17.3	919.4	32.0	0.0	0.0
Sep	1028.6	17.9	51.3	50.0	1.3	17.3	942.2	0.0	0.0	0.0
Oct	1042.5	22.2	51.3	50.0	1.3	17.3	951.8	0.0	0.0	0.0
Nov	1056.5	12.3	51.3	50.0	1.3	17.3	975.7	0.0	0.0	0.0
Dec	1077.4	30.6	55.4	50.0	5.4	17.3	974.0	0.0	0.0	0.0
2002										
Jan	1105.2	31.6	53.1	50.0	3.14	17.3	988.2	15.0	0.0	0.0
Feb	1115.9	16.3	53.1	50.0	3.14	17.3	1014.2	15.0	0.0	0.0
Mar	1127.6	22.7	53.1	50.0	3.14	17.3	1034.5	0.0	0.0	0.0
Apr	1143.0	17.5	53.1	50.0	3.14	17.3	1055.1	0.0	0.0	0.0
May	1153.1	8.8	53.1	50.0	3.14	17.3	1073.9	0.0	0.0	0.0
Jun	1187.7	39.3	55.7	50.0	5.73	17.3	1075.4	0.0	0.0	0.0

**TABLE 14. CONTINUED**  
**Royal Insurance Corporation of Bhutan**

Millions of Ngultrum

End of Period	Liabilities								
	Total	General Insu - rance Reserve Fund	Life Fund	GEPF Fund	Group Insur- ance Fund	Credit from DMBs	UTB Fund	Capital Acco- unts	Other Items (Net)
<b>1983</b>	140.1	5.8	4.8	102.5	0.0	0.0	21.3	12.0	-6.2
<b>1984</b>	170.1	9.8	5.6	119.8	0.0	0.0	36.8	12.0	-13.9
<b>1985</b>	219.1	7.6	7.4	149.2	0.0	0.0	66.0	12.0	-23.1
<b>1986</b>	269.5	6.9	9.0	171.3	0.0	0.0	92.1	12.0	-21.8
<b>1987</b>	354.5	6.9	9.2	210.8	0.0	0.0	145.4	12.0	-29.7
<b>1988</b>	467.8	10.1	12.2	254.2	0.0	0.0	209.9	12.0	-30.5
<b>1989</b>	610.5	15.9	15.1	312.8	0.0	0.0	247.6	12.0	7.1
<b>1990</b>	769.6	21.7	19.0	368.0	0.0	0.0	318.3	12.0	30.6
<b>1991</b>	983.9	58.1	21.0	407.0	0.0	0.0	402.5	12.0	83.3
<b>1992</b>	675.3	61.2	23.8	505.8	0.0	0.0	0.0	12.0	72.5
<b>1993</b>	792.0	73.6	70.0	589.0	0.0	0.0	0.0	12.0	47.4
<b>1994</b>	868.1	72.4	23.8	690.8	60.7	0.0	0.0	43.8	-23.4
<b>1995</b>	1012.2	41.6	0.0	765.1	71.0	0.0	0.0	45.1	89.3
<b>1996</b>	1169.3	43.6	0.0	886.8	80.7	0.0	0.0	63.0	95.2
<b>1997</b>	1426.9	12.3	33.5	1112.1	94.1	0.0	0.0	79.9	95.0
<b>1998</b>	1701.0	14.6	48.5	1363.5	106.4	0.0	0.0	82.6	85.3
<b>1999</b>	2022.8	21.9	34.4	1474.6	122.3	0.0	0.0	463.5	-94.0
<b>2000</b>	956.9	0.0	45.0	509.4	120.0	90.0	0.0	408.6	-216.1
<b>2001</b>									
Jan	954.3	0.0	49.7	461.2	131.1	240.0	0.0	126.3	-53.9
Feb	958.9	0.0	49.6	465.9	130.7	240.0	0.0	119.8	-47.0
Mar	992.9	0.0	49.7	476.1	131.7	240.0	0.0	125.0	-29.6
Apr	1003.5	0.0	49.6	475.4	132.4	240.0	0.0	107.6	-1.4
May	1005.4	0.0	49.1	448.8	132.2	260.0	0.0	151.7	-36.4
Jun	1027.3	0.0	50.1	682.2	133.6	260.0	0.0	155.5	-254.1
Jul	1032.6	0.0	49.9	554.3	133.5	250.0	0.0	172.4	-127.4
Aug	1032.3	0.0	50.1	338.9	133.2	600.0	0.0	139.2	-229.2
Sep	1028.6	0.0	50.1	335.9	133.4	600.0	0.0	137.1	-227.9
Oct	1042.5	0.0	50.1	338.0	133.5	600.0	0.0	166.9	-246.0
Nov	1056.5	0.0	50.3	321.2	133.5	615.0	0.0	166.8	-230.3
Dec	1077.4	0.0	44.1	360.2	153.3	595.0	0.0	156.8	-232.0
<b>2002</b>									
Jan	1105.2	0.0	44.1	440.8	153.1	600.0	0.0	155.1	-288.0
Feb	1115.9	0.0	44.1	448.1	153.0	600.0	0.0	160.6	-289.9
Mar	1127.6	0.0	44.1	410.9	152.8	650.0	0.0	159.1	-289.4
Apr	1143.0	0.0	45.6	418.8	152.1	650.0	0.0	167.7	-291.2
May	1153.1	0.0	44.1	411.3	152.5	655.0	0.0	182.2	-291.9
Jun	1187.7	0.0	44.1	418.6	155.5	675.0	0.0	187.4	-293.0

Money and Banking Statistics revised from 30 June 1994.

**TABLE 15. BHUTAN DEVELOPMENT FINANCE CORPORATION - FINANCIAL STATISTICS**

Millions of Ngultrum

End of Period	Assets										
	Total	Reserves	Foreign Assets			Claims on Govt.	Claims on Govt. Corps.	Claims on Joint Corps.	Claims on Private Sector	Claims on DMBs (1)	Claims on other NMFIs
			Total	Rupees	Others						
<b>1992</b>	124.7	3.3	0.0	0.0	0.0	0.0	0.0	2.3	103.6	0.0	15.6
<b>1993</b>	175.2	3.8	0.0	0.0	0.0	0.0	0.0	2.8	147.5	0.0	21.2
<b>1994</b>	297.3	22.7	0.0	0.0	0.0	0.0	4.9	0.0	230.0	0.0	39.7
<b>1995</b>	349.9	19.0	0.0	0.0	0.0	0.0	4.8	0.0	301.5	9.0	15.5
<b>1996</b>	425.8	25.0	0.0	0.0	0.0	0.0	2.0	0.0	377.6	21.2	0.0
<b>1997</b>	470.5	28.2	0.0	0.0	0.0	0.0	1.8	0.0	406.1	34.4	0.0
<b>1998</b>	513.3	28.3	0.0	0.0	0.0	0.0	1.8	0.0	422.1	61.1	0.0
<b>1999</b>	566.5	28.7	0.0	0.0	0.0	0.0	1.4	0.0	450.4	86.1	0.0
<b>2000</b>	696.5	46.9	0.0	0.0	0.0	0.0	1.4	0.0	500.1	148.1	0.0
<b>2001</b>											
Jan	690.6	41.0	0.0	0.0	0.0	0.0	0.9	0.0	500.6	148.1	0.0
Feb	696.3	32.7	0.0	0.0	0.0	0.0	0.9	0.0	514.6	148.1	0.0
Mar	700.3	22.6	0.0	0.0	0.0	0.0	0.9	0.0	539.8	137.1	0.0
Apr	711.8	28.7	0.0	0.0	0.0	0.0	0.9	0.0	551.2	131.1	0.0
May	708.0	17.2	0.0	0.0	0.0	0.0	0.9	0.0	572.9	117.0	0.0
Jun	713.7	18.7	0.0	0.0	0.0	0.0	0.9	0.0	587.1	107.0	0.0
Jul	715.7	22.9	0.0	0.0	0.0	0.0	0.9	0.0	606.9	85.0	0.0
Aug	733.7	30.5	0.0	0.0	0.0	0.0	0.9	0.0	627.4	75.0	0.0
Sep	759.1	28.5	0.0	0.0	0.0	0.0	0.9	0.0	639.7	90.0	0.0
Oct	763.4	33.8	0.0	0.0	0.0	0.0	0.9	0.0	638.8	90.0	0.0
Nov	793.0	45.7	0.0	0.0	0.0	0.0	0.9	0.0	643.4	103.0	0.0
Dec	789.6	39.3	0.0	0.0	0.0	0.0	0.9	0.0	643.4	106.0	0.0
<b>2002</b>											
Jan	794.8	26.0	0.0	0.0	0.0	0.0	0.9	0.0	661.9	106.0	0.0
Feb	839.8	38.8	0.0	0.0	0.0	0.0	0.9	0.0	694.1	106.0	0.0
Mar	841.0	34.7	0.0	0.0	0.0	0.0	0.9	0.0	719.4	86.0	0.0
Apr	851.8	35.2	0.0	0.0	0.0	0.0	0.9	0.0	744.7	71.0	0.0
May	851.0	24.6	0.0	0.0	0.0	0.0	0.9	0.0	788.6	37.0	0.0
Jun	858.1	23.3	0.0	0.0	0.0	0.0	0.9	0.0	818.9	15.0	0.0

(1) Deposits other than Demand Deposits.

**Table 15. CONTINUED**  
**Bhutan Development Finance Corporation**

Millions of Ngultrum

End of Period	Liabilities							
	Total	Foreign Liabilities	Credit from RMA	Credit from DMBs	Credit from other NMFIs	Grants	Capital Account	Other Items Net
<b>1992</b>	124.7	37.3	50.0	0.0	0.0	7.9	34.4	-4.8
<b>1993</b>	175.2	75.3	20.7	24.3	0.0	14.3	39.9	0.8
<b>1994</b>	297.3	94.9	50.0	0.0	0.0	0.0	155.6	-3.3
<b>1995</b>	349.9	104.7	0.0	0.0	0.0	0.0	169.0	76.3
<b>1996</b>	425.8	141.9	0.0	0.0	0.0	0.0	230.3	53.5
<b>1997</b>	470.5	165.2	0.0	0.0	0.0	0.0	233.2	72.1
<b>1998</b>	513.3	168.9	0.0	0.0	0.0	50.0	242.5	51.9
<b>1999</b>	566.5	186.5	0.0	0.0	0.0	50.0	267.2	62.8
<b>2000</b>	696.5	285.9	0.0	0.0	0.0	50.0	254.5	106.2
<b>2001</b>								
Jan	690.5	234.9	0.0	0.0	0.0	50.0	307.1	98.5
Feb	696.3	234.9	0.0	0.0	0.0	50.0	355.5	55.9
Mar	700.3	234.9	0.0	0.0	0.0	50.0	307.7	107.7
Apr	711.8	234.9	0.0	0.0	0.0	50.0	307.1	119.8
May	708.0	228.4	0.0	0.0	0.0	50.0	308.4	121.2
Jun	713.7	228.4	0.0	0.0	0.0	50.0	308.6	126.7
Jul	715.7	228.4	0.0	0.0	0.0	50.0	308.9	128.4
Aug	733.7	227.5	0.0	0.0	0.0	50.0	310.6	145.6
Sep	759.1	240.3	0.0	0.0	0.0	50.0	330.9	137.9
Oct	763.4	240.3	0.0	0.0	0.0	50.0	331.8	141.3
Nov	793.0	267.4	0.0	0.0	0.0	50.0	334.1	141.5
Dec	789.6	267.4	0.0	0.0	0.0	50.0	346.2	126.0
<b>2002</b>								
Jan	794.8	266.5	0.0	0.0	0.0	50.0	349.4	128.9
Feb	839.8	310.6	0.0	0.0	0.0	50.0	350.5	128.7
Mar	841.0	310.6	0.0	0.0	0.0	50.0	350.7	129.7
Apr	843.8	310.6	0.0	0.0	0.0	50.0	352.4	130.8
May	851.0	304.0	0.0	0.0	0.0	50.0	353.3	143.7
Jun	858.1	304.0	0.0	0.0	0.0	50.0	356.0	148.1

Money and Banking Statistics revised from 30 June 1994.



**TABLE 16. FINANCIAL SECTOR INVESTMENT BY ECONOMIC ACTIVITY**

Economic Sector/Source	End of June									
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Agriculture</b>	<b>92.2</b>	<b>10.2</b>	<b>112.9</b>	<b>117.1</b>	<b>148.1</b>	<b>157.6</b>	<b>182.5</b>	<b>168.3</b>	<b>201.9</b>	<b>229.6</b>
Bank of Bhutan	6.0	4.9	4.5	8.2	6.5	4.6	3.7	3.1	3.2	6.2
Royal Insurance Corporation of Bhutan	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.7	0.6	0.3
Bhutan Development Finance Corporation	86.1	5.2	108.3	108.9	141.6	152.5	178.1	164.5	198.0	223.1
Bhutan National Bank	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Manufacturing</b>	<b>585.0</b>	<b>793.7</b>	<b>857.6</b>	<b>1,029.0</b>	<b>1,096.2</b>	<b>898.4</b>	<b>715.1</b>	<b>588.0</b>	<b>785.2</b>	<b>974.1</b>
Bank of Bhutan	222.6	264.5	382.4	334.6	331.4	291.3	257.0	240.3	222.4	253.8
Royal Insurance Corporation of Bhutan	151.7	240.5	163.3	317.0	392.4	237.6	182.1	111.3	202.7	256.8
Bhutan Development Finance Corporation	91.4	97.5	116.9	167.0	145.1	141.4	100.8	71.2	138.3	180.7
Bhutan National Bank	119.3	191.2	195.0	210.4	227.3	228.1	175.2	165.3	221.8	282.7
<b>Building &amp; Construction</b>	<b>518.4</b>	<b>550.3</b>	<b>526.8</b>	<b>555.9</b>	<b>583.1</b>	<b>610.1</b>	<b>565.1</b>	<b>620.3</b>	<b>718.8</b>	<b>1,113.4</b>
Bank of Bhutan	92.0	91.6	86.0	83.0	84.1	86.5	91.5	99.1	142.0	233.2
Royal Insurance Corporation of Bhutan	272.4	290.7	280.2	274.8	262.0	268.1	269.6	279.7	273.9	331.5
Bhutan Development Finance Corporation	0.8	7.8	0.0	54.3	84.4	5.8	23.1	28.4	41.3	140.8
Bhutan National Bank	153.2	160.2	160.6	143.8	152.6	249.7	180.9	213.1	261.6	408.0
<b>Trade &amp; Commerce</b>	<b>356.8</b>	<b>365.0</b>	<b>415.2</b>	<b>314.2</b>	<b>383.3</b>	<b>370.6</b>	<b>467.6</b>	<b>427.0</b>	<b>1,643.4</b>	<b>1,261.7</b>
Bank of Bhutan	168.4	196.3	198.8	184.7	268.5	223.9	234.5	259.1	1,163.3	578.2
Royal Insurance Corporation of Bhutan	137.6	119.3	134.3	90.1	70.2	62.5	105.3	62.8	118.0	146.9
Bhutan Development Finance Corporation	4.3	5.1	39.2	0.0	0.0	75.1	113.3	89.2	169.6	255.8
Bhutan National Bank	46.5	44.3	42.9	39.4	44.6	9.1	14.6	15.9	192.6	280.9
<b>Transport</b>	<b>736.0</b>	<b>663.6</b>	<b>617.7</b>	<b>581.6</b>	<b>597.6</b>	<b>610.5</b>	<b>668.1</b>	<b>598.3</b>	<b>712.0</b>	<b>729.7</b>
Bank of Bhutan	646.7	587.7	552.9	521.4	515.5	519.4	465.5	405.5	404.2	411.4
Royal Insurance Corporation of Bhutan	55.6	47.2	45.4	46.5	63.2	51.3	69.4	68.1	160.9	151.7
Bhutan Development Finance Corporation	0.0	0.7	0.9	0.0	0.0	0.0	46.0	36.9	24.0	12.5
Bhutan National Bank	33.7	28.0	18.5	13.7	18.9	39.8	87.1	87.8	122.9	154.2
<b>Personal &amp; Other Loans</b>	<b>252.5</b>	<b>269.7</b>	<b>233.9</b>	<b>246.9</b>	<b>254.2</b>	<b>328.0</b>	<b>479.3</b>	<b>691.0</b>	<b>497.0</b>	<b>598.7</b>
Bank of Bhutan	144.8	102.7	120.2	113.8	105.9	54.8	101.7	138.8	89.5	91.4
Royal Insurance Corporation of Bhutan	15.6	47.2	25.5	63.1	57.2	70.0	52.1	154.1	124.1	161.3
Bhutan Development Finance Corporation	20.7	34.8	11.6	0.0	0.0	47.6	23.6	26.5	15.4	5.3
Bhutan National Bank	71.4	85.0	76.6	70.0	91.1	155.7	301.9	371.6	268.0	340.8
<b>Total:-</b>	<b>2,540.9</b>	<b>2,652.5</b>	<b>2,764.1</b>	<b>2,844.7</b>	<b>3,062.5</b>	<b>2,975.1</b>	<b>3,077.6</b>	<b>3,092.8</b>	<b>4,558.3</b>	<b>4,907.1</b>

**TABLE 17. GROSS INTERNATIONAL RESERVES (\*)**

Item	Year									
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	<b>Millions of Indian Rupees</b>									
<b>1. Rupee reserves</b>	79.8	125.3	71.0	150.5	958.6	1517.8	2542.3	3165.0	3617.3	3730.6
Royal Monetary Authority of Bhutan	30.1	33.5	33.4	34.0	39.2	41.4	95.3	102.0	89.4	635.7
Bank of Bhutan	49.7	91.8	37.6	116.6	913.8	1404.4	1863.7	1819.5	2149.7	1980.9
Bhutan National Bank	-	-	-	-	5.7	72.0	583.3	1191.9	1328.3	1064.1
Royal Insurance Corporation of Bhutan	-	-	-	-	-	-	-	51.5	50.0	50.0
	<b>Millions of US Dollars</b>									
<b>2. Convertible currency reserves</b>	91.9	102.9	118.7	140.8	149.3	180.7	200.1	221.8	217.2	240.7
Royal Monetary Authority of Bhutan	87.5	98.7	114.4	135.5	141.5	174.6	193.5	197.7	186.1	202.6
Royal Government	-	-	-	-	-	-	-	-	-	-
Bank of Bhutan	4.4	4.2	4.3	5.3	6.9	4.0	3.0	11.4	16.3	18.5
Bhutan National Bank	-	-	-	-	0.9	2.2	3.6	12.6	14.8	19.5
Royal Insurance Corporation of Bhutan	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1
<b>3. Total reserves (1+2)</b>	94.4	106.9	120.9	145.1	176.1	216.7	259.0	292.6	294.2	316.9

(1) Includes reserve tranche position in the Fund.

**TABLE 18. OVERALL BALANCE OF PAYMENTS ESTIMATES**

Millions of Ngultrum

Item	Period								
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 (p)
<b>A. Current Account</b>	<b>-1253.6</b>	<b>-1071.5</b>	<b>-1272.5</b>	<b>-2011.9</b>	<b>-1787.5</b>	<b>-4170.1</b>	<b>1130.0</b>	<b>44.1</b>	<b>-406.5</b>
Exports, f.o.b.	1990.3	2196.7	3349.1	3553.8	4274.2	4460.0	4987.9	4615.8	4708.6
Imports, c.i.f.	-2914.2	-3053.2	-3802.3	-4697.2	-5226.1	-6913.7	-8075.2	-9106.3	-9080.3
Trade Balance	-923.9	-856.5	-453.2	-1143.4	-951.9	-2453.7	-3087.3	-4490.4	-4371.7
Services <sup>1</sup>	-329.7	-215.0	-819.2	-868.5	-835.6	-1716.4	-465.8	-55.2	-17.6
Credit	-	-	-	-	-	-	828.0	1570.3	1530.3
Debit	-	-	-	-	-	-	-1293.9	-1625.5	-1547.9
Income	-	-	-	-	-	-	451.9	622.8	327.2
Credit	-	-	-	-	-	-	550.4	718.5	436.3
Debit	-	-	-	-	-	-	-98.5	-95.7	-109.1
Current Transfers	-	-	-	-	-	-	4231.3	3966.9	3655.7
Credit	-	-	-	-	-	-	7547.9	7018.2	6956.9
Debit	-	-	-	-	-	-	-3316.6	-3051.3	-3301.2
<b>B. Capital and Financial Account</b>	<b>1939.3</b>	<b>1621.7</b>	<b>2319.0</b>	<b>2856.6</b>	<b>3447.7</b>	<b>6297.9</b>	<b>811.4</b>	<b>2308.6</b>	<b>2849.5</b>
Foreign Direct Investment	-	-	-	-	-	45.2	-	-	86.8
Foreign Aid (Loans net <sup>2</sup> )	1780.6	1692.7	2396.5	2867.4	3538.2	6550.8	811.4	2308.6	2762.7
Other Loans	158.8	-71.0	-77.5	-10.8	-90.6	-298.2	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>-293.0</b>	<b>-109.3</b>	<b>-190.8</b>	<b>-50.6</b>	<b>81.8</b>	<b>-245.4</b>	<b>-352.3</b>	<b>-1228.7</b>	<b>-777.1</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>392.7</b>	<b>440.9</b>	<b>855.8</b>	<b>794.1</b>	<b>1742.0</b>	<b>1882.5</b>	<b>1589.1</b>	<b>1124.1</b>	<b>1665.9</b>

<sup>1</sup>In all prior BOP publications (data till 2000/2001), Services, Income and Transfer Receipts and Payments (also known as 'Invisibles') were grouped as Service Transfer Receipts and Transfer Payments. This format has now been altered to match IMF BOP Standards. Therefore, from 1999/2000, Invisibles are thereafter classified under Net Services, Income and Transfers. Kindly refer to the BOP Guide included in the text.

<sup>2</sup>As above, in all prior BOP publications (data till 2000/2001), the Grant component was included in the Capital and Financial Account under Net Foreign Aid. From 1999/2000 onwards, Grants are treated as a Current Transfer receipt.

<sup>3</sup>Overall Balance is the Change in Reserves.

**TABLE 19. BALANCE OF PAYMENTS ESTIMATES WITH INDIA**

Millions of Ngultrum

Item	Period								
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 (p)
<b>A. Current Account</b>	<b>-646.3</b>	<b>-450.0</b>	<b>-205.5</b>	<b>-461.1</b>	<b>-981.0</b>	<b>-3063.5</b>	<b>1077.8</b>	<b>-341.4</b>	<b>-194.7</b>
Exports, f.o.b.	1786.0	2059.8	3079.0	3227.0	4041.9	4181.0	4711.2	4377.0	4430.4
Imports, c.i.f.	-2065.9	-2228.1	-2790.5	-3068.2	-3684.7	-4919.3	-6065.7	-7462.6	-7040.8
Tala	-	-	-	-	-28.3	-1114.4	-1479.1	-1363.7	-1363.7
Other	-2065.9	-2228.1	-2790.5	-3068.2	-3656.5	-3804.9	-4586.7	-6098.9	-5677.1
Trade Balance	-279.9	-168.3	288.4	158.8	357.2	-738.3	-1354.5	-3085.6	-2610.4
Services <sup>1</sup>	-366.4	-281.7	-493.9	-619.9	-1338.2	-2325.3	-570.0	-105.1	-102.1
Credit	-	-	-	-	-	-	281.8	817.9	822.8
Debit	-	-	-	-	-	-	-851.8	-923.1	-924.9
Income	-	-	-	-	-	-	99.1	187.6	118.0
Credit	-	-	-	-	-	-	143.4	227.3	153.6
Debit	-	-	-	-	-	-	-44.3	-39.7	-35.6
Current Transfers	-	-	-	-	-	-	2903.2	2661.8	2399.9
Credit	-	-	-	-	-	-	5778.8	5052.8	4675.4
Debit	-	-	-	-	-	-	-2875.6	-2391.1	-2275.5
<b>B. Capital and Financial Account</b>	<b>1078.9</b>	<b>805.7</b>	<b>682.1</b>	<b>1436.0</b>	<b>2366.1</b>	<b>4780.6</b>	<b>592.5</b>	<b>1707.9</b>	<b>1779.2</b>
Foreign Aid (Loans net <sup>2</sup> )	849.2	805.7	682.1	1364.2	2366.1	5030.6	592.5	1707.9	1779.2
Other Loans	229.7	0.0	0.0	71.8	0.0	-250.0	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>-387.2</b>	<b>-409.9</b>	<b>-397.1</b>	<b>-343.9</b>	<b>-714.6</b>	<b>-620.8</b>	<b>-1038.8</b>	<b>-914.1</b>	<b>-1471.2</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>45.4</b>	<b>-54.3</b>	<b>79.6</b>	<b>631.0</b>	<b>670.5</b>	<b>1096.3</b>	<b>631.5</b>	<b>452.3</b>	<b>113.3</b>

<sup>1</sup> and <sup>2</sup> Kindly refer to Overall Balance of Payments Estimates.

<sup>3</sup> Overall Balance is the Change in Reserves.

**TABLE 20. BALANCE OF PAYMENTS ESTIMATES WITH COUNTRIES OTHER THAN INDIA**

Millions of Ngultrum

Item	Period								
	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 (p)
<b>A. Current Account</b>	<b>-607.3</b>	<b>-621.5</b>	<b>-1067.0</b>	<b>-1550.8</b>	<b>-806.5</b>	<b>-1106.5</b>	<b>52.2</b>	<b>385.5</b>	<b>-211.8</b>
Exports, f.o.b.	204.4	136.9	270.2	326.8	232.2	279.0	276.6	238.9	278.2
Imports, c.i.f.	-848.3	-825.1	-1011.8	-1629.0	-1541.4	-1994.4	-2009.5	-1643.7	-2039.5
Aid-related	-378.3	-361.0	-416.5	-592.3	-473.7	-979.4	-676.7	-843.0	-1025.7
Other	-470.0	-464.1	-595.4	-1036.7	-1067.6	-1015.0	-1332.8	-800.7	-1013.9
Trade Balance	-644.0	-688.2	-741.6	-1302.3	-1309.1	-1715.4	-1732.8	-1404.8	-1761.3
Services <sup>1</sup>	36.7	66.7	-325.4	-248.5	502.6	608.9	104.2	49.9	84.5
Credit	-	-	-	-	-	-	546.2	752.3	707.5
Debit	-	-	-	-	-	-	-442.0	-702.4	-623.0
Income	-	-	-	-	-	-	352.8	435.2	209.2
Credit	-	-	-	-	-	-	407.0	491.2	282.7
Debit	-	-	-	-	-	-	-54.2	-56.0	-73.5
Current Transfers	-	-	-	-	-	-	1328.1	1305.2	1255.8
Credit	-	-	-	-	-	-	1769.1	1965.4	2281.5
Debit	-	-	-	-	-	-	-441.0	-660.2	-1025.7
<b>B. Capital and Financial Account</b>	<b>860.4</b>	<b>816.1</b>	<b>1636.9</b>	<b>1420.6</b>	<b>1081.6</b>	<b>1517.3</b>	<b>219.0</b>	<b>600.8</b>	<b>1070.3</b>
Foreign Direct Investment	-	-	-	-	-	45.2	-	-	86.8
Foreign Aid (Loans net <sup>2</sup> )	931.3	887.1	1714.4	1503.2	1172.1	1520.3	219.0	600.8	983.5
Other Loans	-70.9	-71.0	-77.5	-82.6	-90.6	-48.2	0.0	0.0	0.0
<b>C. Net Errors and Omissions</b>	<b>94.1</b>	<b>300.6</b>	<b>206.3</b>	<b>293.3</b>	<b>796.4</b>	<b>375.4</b>	<b>686.4</b>	<b>-314.6</b>	<b>694.1</b>
<b>D. Overall Balance<sup>3</sup></b>	<b>347.3</b>	<b>495.2</b>	<b>776.2</b>	<b>163.1</b>	<b>1071.5</b>	<b>786.2</b>	<b>957.6</b>	<b>671.7</b>	<b>1552.6</b>

<sup>1</sup> and <sup>2</sup> Kindly refer to Overall Balance of Payments Estimates.

<sup>3</sup> Overall Balance is the Change in Reserves.

**TABLE 21A. COMPOSITION OF TRADE WITH INDIA (IMPORTS)**

Millions of Ngultrum

	ITEMS	1994	1995	1996	1997	1998	1999	2000	Share of Imports in 2000 in %
1	Animal Products	68.3	76.5	89.9	122.9	119.1	171.9	209.9	2.8
2	Cereals, Vegetables, Fruits, Nuts, Coffee, Tea & Spices	323.7	346.5	403.3	412.7	458.1	697.4	502.4	6.7
3	Vegetables Fats and Oil	98.5	134.7	134.4	127.6	151.1	161.6	168.6	2.3
4	Prepared foodstuffs	177.2	213.5	213.1	261.2	306.6	388.6	422.2	5.7
5	Mineral Products	335.4	396.0	462.2	626.0	612.8	840.5	1,227.8	16.5
6	Products of Chemical Industries	162.1	239.6	235.5	235.7	224.4	318.3	1,659.3	22.2
7	Plastics and Rubber Products	86.5	104.2	111.8	100.2	113.0	177.6	150.3	2.0
8	Raw Hides and Skins	3.1	4.6	3.9	3.9	2.4	4.3	3.5	0.0
9	Wood and Wood Products	51.9	68.7	157.7	164.5	108.5	110.6	238.8	3.2
10	Woodpulp Products	57.4	61.5	81.4	94.0	72.9	117.6	148.2	2.0
11	Textiles	88.2	102.2	106.9	120.6	146.6	157.1	155.3	2.1
12	Footwear, Headgear and Clothing Accessories	22.7	31.0	42.4	50.9	16.4	44.6	70.6	1.1
13	Stone, Plaster, Cement and Asbestos Products	91.1	95.2	112.2	83.1	111.3	86.7	80.5	1.1
14	Precious or Semi-precious Metal Products	0.1	0.1	0.2	0.3	0.2	0.2	0.3	0.0
15	Base Metals and Base Metal Products	198.2	241.8	251.4	271.0	256.1	767.5	791.7	10.6
16	Machinery and Mechanical Appliances	176.6	355.8	298.9	359.8	520.8	1,094.4	966.9	13.0
17	Transport Equipment	63.5	111.4	136.1	341.0	295.7	579.1	503.9	6.8
18	Optical, Photographic and Measuring Equipment	18.2	18.1	25.4	41.1	59.5	63.8	76.7	1.0
19	Miscellaneous Manufactured Articles	28.5	28.8	28.4	36.9	45.6	63.7	85.6	1.1
20	Works of Art, Antiques and Special Transactions	0.0	0.0	0.9	0.4	0.0	0.0	0.1	0.0
	TOTAL	2,051.3	2,630.2	2,896.2	3,453.6	3,620.9	5,845.3	7,462.6	100.0

**TABLE 21B. COMPOSITION OF TRADE WITH INDIA (EXPORTS)**

Millions of Ngultrum

	ITEMS	1994	1995	1996	1997	1998	1999	2000	Share of Exports in 2000 in %
1	Animal Products	0.1	0.8	1.2	0.4	0.1	0.7	0.3	0.0
2	Vegetables, Fruits, Nuts, Coffee, Tea & Spices	132.4	207.5	237.0	297.4	271.8	261.8	197.7	4.5
3	Vegetables Fats & Oil	0.0	0.0	0.1	0.0	0.2		0.0	0.0
4	Prepared Foodstuffs	240.4	193.0	206.8	198.4	214.5	222.1	194.4	4.4
5	Mineral Products	346.3	362.0	364.2	425.9	700.6	695.4	527.4	12.0
6	Electricity*	519.0	721.1	747.6	1,334.4	1,338.7	2,018.4	2,189.6	50.0
7	Plastic and Rubber Products	11.4	13.4	31.8	14.4	16.6	12.7	10.8	0.2
8	Raw Hides & Skins	1.5	3.2	3.1	3.1	2.0	2.3	2.8	0.1
9	Wood and Wood Products	271.5	614.8	475.5	579.9	440.5	297.5	250.6	5.7
10	Woodpulp Products	0.1	1.1	1.8	0.2	0.1	0.1	0.2	0.0
11	Textiles	0.0	0.7	0.5	2.1	0.7	1.4	1.8	0.0
12	Footwear, Headgear and Clothing Accessories	0.0	0.3	0.0	0.0	0.0		0.2	0.0
13	Stone, Plaster, Cement and Asbestos Products	0.6	3.4	5.4	6.7	6.5	6.3	12.5	0.3
14	Base Metals and Base Metal Products	0.8	358.0	508.4	499.0	474.4	533.2	450.0	10.3
15	Machinery and Mechanical Appliances	0.1	10.5	24.0	36.9	11.5	6.5	6.4	0.1
16	Transport Equipment	0.0	1.1	0.4	0.3	0.2	0.8	1.1	0.0
17	Optical, Photographic and Measuring Equipment**	0.0	0.0	0.0	0.0	0.2		-	-
18	Miscellaneous Manufactured Articles	0.2	51.6	54.6	68.6	82.4	66.2	45.6	1.0
19	Products of Chemical Industries	421.5	536.5	562.3	574.3	614.6	565.8	485.5	11.1
20	Works of Art, Antiques, and Special Transactions	0.0	0.0	2.5	0.0	0.0		0.0	0.0
	TOTAL	1,945.8	3,078.9	3,227.0	4,041.9	4,175.6	4,691.2	4,377.0	100.0

Source: Department of Revenue & Customs.

**TABLE 22A. COMPOSITION OF TRADE WITH COUNTRIES OTHER THAN INDIA (IMPORTS)**

Millions of Ngultrum

	ITEMS	1994	1995	1996	1997	1998	1999	2000	Share of Imports in 2000 in %
1	Animal Products	0.2	0.2	0.9	0.4	2.1	1.0	2.3	0.1
2	Vegetables, Fruits, Nuts, Coffee, Cereals, Seeds	1.1	0.1	0.7	0.3	0.5	12.2	3.1	0.2
3	Vegetable Fats and Oil	5.5	5.2		6.0	20.6	13.2	6.0	0.4
4	Whiskies and Processed Food	9.7	10.1	11.0	15.2	43.8	34.4	46.1	2.8
5	Mineral Oil and Fuel	0.0	17.0	29.1	36.3	40.1	56.9	66.9	4.1
6	Products of Chemical Industries	3.3	2.0	7.2	13.5	62.8	7.5	9.1	0.6
7	Medicines and Pharmaceuticals	9.1	6.5	27.6	22.0	79.0	19.6	20.6	1.3
8	Photographic Film and Materials	0.3	0.1	1.8	1.3	33.7	0.1	0.4	0.0
9	Plastic and Rubber Products	24.9	18.8	34.3	23.6	118.8	70.3	84.6	5.1
10	Wood Products	1.0	0.0	1.0	21.9	17.3	7.0	12.5	0.8
11	Woodpulp Products	33.6	70.4	66.1	49.0	115.6	26.3	38.1	2.3
12	Textiles	1.8	5.2	10.5	26.4	51.5	35.9	43.9	2.7
13	Machinery, Mechanical Appliances, Base Metals and Electronic Items	724.5	837.8	1,407.1	1,244.8	1,157.1	1,667.9	1,268.1	77.1
14	Ceramic and Melamine Products	4.0	8.6	10.9	18.7	35.4	3.1	0.8	0.0
15	Trekking Equipment, Footwear, Carpets	4.5	2.9	7.8	4.9	33.3	7.6	5.7	0.3
16	Miscellaneous Manufactured Articles	0.0	4.0	0.4	5.5	23.8	9.1	28.1	1.7
17	Precious and Semi-precious Metals	0.0	21.1	7.2	1.6	3.3	7.8	0.5	0.0
18	Tobacco and Cigarettes	1.7	1.7	5.3	5.3	5.4	6.4	5.0	0.3
19	Personal Effects	0.0	0.0	0.0	27.8	51.3	3.3	1.8	0.1
	<b>TOTAL</b>	<b>825.1</b>	<b>1,011.7</b>	<b>1,629.0</b>	<b>1,524.4</b>	<b>1,895.4</b>	<b>1,989.6</b>	<b>1,643.7</b>	<b>100.0</b>

**TABLE 22B. COMPOSITION OF TRADE WITH COUNTRIES OTHER THAN INDIA (EXPORTS)**

Millions of Ngultrum

	Items	1994	1995	1996	1997	1998	1999	2000	Share of Exports in 2000 in %
1	Vegetables & Fruits	110.7	156.1	194.4	167.1	186.4	176.7	117.9	49.3
2	Processed Food	4.3	6.4	8.6	6.6	5.7	8.1	14.3	6.0
3	Mineral Products	13.6	85.5	88.3	44.8	63.7	60.7	74.7	31.3
4	Plastic Products	0.0	0.0	0.8	0.0	0.8	0.7	0.0	0.0
5	Photographic Film & Photographic Materials	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6	Wood Products	0.0	13.4	6.0	4.4	4.0	6.6	0.1	0.0
7	Woodpulp Products	0.0	3.1	9.9	1.6	2.9	0.3	3.2	1.3
8	Textiles	0.0	2.4	1.4	0.0	1.2	16.2	14.0	5.8
9	Coins	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
10	Base Metals & Base Metal Products	0.0	0.3	1.3	0.0	1.9	0.0	0.0	0.0
11	Machinery	0.0	0.0	1.3	1.2	9.6	6.6	4.2	1.8
12	Philatelic Products	6.8	3.0	1.0	5.6	0.0	0.0	0.3	0.1
13	Handicrafts Products	1.6	0.1	12.1	0.9	3.8	0.2	0.5	0.2
14	Household items & Personal effects	0.0	0.0	1.7	0.0	0.0	0.8	9.8	4.1
	<b>TOTAL</b>	<b>136.9</b>	<b>270.2</b>	<b>326.8</b>	<b>232.1</b>	<b>280.0</b>	<b>276.8</b>	<b>238.9</b>	<b>100.0</b>

Source: Department of Revenue & Customs.

**TABLE 23. DIRECTION OF TRADE**

*Millions of Ngultrum*

Items	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b>Exports</b>											
India	1,055.3	1,289.4	1,419.9	1,787.3	1,945.8	3,079.0	3,227.0	4,041.9	4,175.6	4,711.2	4,377.0
Bangladesh	127.8	102.3	241.0	192.2	127.6	201.1	261.7	179.4	194.7	209.5	164.8
Others	38.5	45.5	54.4	12.2	9.2	70.0	65.1	52.9	85.3	67.3	74.1
<b>Total</b>	<b>1,221.5</b>	<b>1,437.2</b>	<b>1,715.2</b>	<b>1,991.7</b>	<b>2,082.7</b>	<b>3,350.1</b>	<b>3,553.8</b>	<b>4,274.2</b>	<b>4,455.6</b>	<b>4,988.0</b>	<b>4,615.8</b>
<b>Imports</b>											
India	1,172.5	1,596.3	1,945.8	1,929.7	2,051.3	2,630.2	2,896.2	3,453.6	3,620.0	5,845.3	7,462.6
Japan	73.5	91.0	544.1	360.5	396.9	412.0	602.1	841.6	410.2	260.4	305.2
Germany	22.8	22.7	25.9	43.3	61.3	70.8	67.1	45.4	72.0	0.0	28.3
United States	17.5	22.7	25.9	10.4	36.8	12.7	23.6	30.2	42.7	22.4	34.3
United Kingdom	8.8	22.7	601.1	72.6	77.6	57.5	40.6	19.5	33.2	31.3	205.4
Singapore	14.0	0.0	0.0	35.1	38.8	194.0	344.1	140.0	398.3	997.9	251.4
Thailand*											105.8
China*											71.8
Bangladesh*											49.3
Nepal*											24.7
Others	115.5	134.2	95.9	293.7	213.6	264.7	551.5	447.6	939.9	677.6	567.6
<b>Total</b>	<b>1,424.5</b>	<b>1,889.7</b>	<b>3,238.8</b>	<b>2,745.3</b>	<b>2,876.4</b>	<b>3,641.9</b>	<b>4,525.2</b>	<b>4,977.9</b>	<b>5,516.4</b>	<b>7,834.9</b>	<b>9,106.3</b>
<b>Share in percent</b>											
<b>Exports</b>											
India	86.4	89.7	82.8	89.7	93.4	91.9	90.8	94.6	93.7	94.5	94.8
Bangladesh	10.5	7.1	14.0	9.6	6.1	6.0	7.4	4.2	4.4	4.2	3.6
Others	3.2	3.2	3.2	0.6	0.4	2.1	1.8	1.2	1.9	1.3	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Imports</b>											
India	82.3	84.5	60.1	70.3	71.3	72.2	64.0	69.4	65.6	74.6	81.9
Japan	5.2	4.8	16.8	13.1	13.8	11.3	13.3	16.9	7.4	3.3	3.4
Germany	1.6	1.2	0.8	1.6	2.1	1.9	1.5	0.9	1.3	0.0	0.3
United States	1.2	1.2	0.8	0.4	1.3	0.3	0.5	0.6	0.8	0.3	0.4
United Kingdom	0.6	1.2	18.6	2.6	2.7	1.6	0.9	0.4	0.6	0.4	2.3
Singapore	1.0	0.0	0.0	1.3	1.3	5.3	7.6	2.8	7.2	12.7	2.8
Thailand*											1.2
China*											0.8
Bangladesh*											0.5
Nepal*											0.3
Others	8.1	7.1	3.0	10.7	7.4	7.3	12.2	9.0	17.0	8.6	6.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

SOURCE: REVENUE AND CUSTOMS. \*Imports from Thailand, China, Bangladesh and Nepal are now being reported separately from 2000. In previous years, it was grouped as Others.



**TABLE 24. COVERTIBLE CURRENCY AND RUPEE LOAN DISBURSEMENTS (\*)**

Sector	Creditors	1981/82 -1995/96		1996/1997		1997/1998		1998/1999		1999/2000		2000/2001		2001/2002		Total	
		USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
<b>Concessional Loans</b>																	
<b>Agriculture</b>		<b>24.7</b>		<b>1.1</b>		<b>1.4</b>		<b>0.2</b>		<b>0.9</b>		<b>1.2</b>		<b>2.5</b>		<b>32.0</b>	
1	Small Farm Dev. Project	IFAD	4.2														4.2
2	T/gang Mongar Dev. Project	IFAD	3.4														3.4
3	Punakha Wangdi Valley Dev. Proj.	IFAD	1.7		0.3		0.6										2.6
4	1st Eastern Zone Agricultural Proj.	IFAD	2.4		0.5		0.5			0.2							3.5
5	2nd Eastern Zone Agricultural Proj.	IFAD										0.6		1.4			2.0
6	Forestry I	World Bank	5.3														5.3
7	Forestry II	World Bank	0.8														0.8
8	Forestry III	World Bank	1.0		0.3		0.4		0.2		0.7		0.5		1.1		4.3
9	Chirang Hill Irrigation Project	ADB	1.1														1.1
10	Highland Lifestock Dev. Proj.	ADB	4.8														4.8
<b>Communications</b>		<b>9.5</b>		<b>1.8</b>		<b>1.4</b>		<b>0.0</b>		<b>0.2</b>		<b>2.4</b>		<b>3.7</b>		<b>18.9</b>	
11	Earth Satellite Station	Mitsui and Co. Ltd.	1.7														1.7
12	Air Navigation Project (Paro)	EFIC (Australia)	0.8														0.8
13	Rural Access Project	World Bank										1.0		1.0			2.0
14	Urban Development Project	World Bank										0.6		0.8			1.4
15	Road Works Mechanization Proj.	ADB	5.0														5.0
16	East West Highway Maintenance	ADB	2.0		1.8		1.4										5.2
17	Urban Infrastructures Improv. Proj.	ADB								0.2				1.3			2.1
18	Road Improvement Project	ADB											0.1	0.6			0.7
<b>Education</b>		<b>14.6</b>		<b>1.2</b>		<b>1.2</b>		<b>1.5</b>		<b>1.6</b>		<b>3.6</b>		<b>2.9</b>		<b>26.6</b>	
19	Primary Education Project	World Bank	3.2		0.6		0.6										4.4
20	Second Education Project	World Bank						0.7		1.3		2.8		2.7			7.4
21	Technical and Voc. Edn. Train. Proj.	ADB	1.3		0.6		0.6	0.9		0.3		0.8					4.5
22	Basic Skills Dev. Proj.	ADB												0.2			0.2
23	Multi Project II	ADB	10.1														10.1
<b>Health</b>												<b>4.7</b>				<b>4.7</b>	
24	Health Care Reform Program	ADB										4.7					4.7
<b>Financial Sector</b>		<b>12.3</b>		<b>1.1</b>		<b>0.2</b>		<b>2.8</b>		<b>1.8</b>		<b>0.4</b>		<b>0.7</b>		<b>19.2</b>	
25	Technical Assistance	World Bank	3.3														3.3
26	Multi Project I	ADB	4.3														4.3
27	Bhutan Dev. Finance Corporation	ADB	2.4														2.4
28	Financial Sector Dev. Program	ADB						2.6									2.6
29	Dev. Finance Loan Project	ADB								0.9		0.3		0.7			1.9
30	Bhutan Dev. Finance Corporation	KFAED	2.3		1.1		0.2	0.2		0.8		0.1					4.7
<b>Industry</b>		<b>31</b>														<b>31.0</b>	
31	Bhutan Calcium Carbide Ltd.	World Bank	7.2														7.2
32	Industrial Estates Dev. Project	ADB	0.8														0.8
33	Gedu Wood Mfg. Corporation	KFAED	5.9														5.9
34	Tala Particle Board Factory Proj.	KFAED	10.4														10.4
35	Bhutan Calcium Carbide Ltd.	KFAED	6.7														6.7
<b>Power</b>		<b>0.1</b>	<b>983.6</b>	<b>3.1</b>		<b>7.0</b>	<b>590.0</b>	<b>2.4</b>	<b>1326.1</b>	<b>3.2</b>	<b>1700.0</b>	<b>3.3</b>	<b>1795.4</b>	<b>13.4</b>	<b>1866.8</b>	<b>32.5</b>	<b>8261.9</b>
36	Rural Electrification Project	ADB	0.1		3.1		2.7	0.6		0.2							6.6
37	Sustainable Rural Elect. Proj.	ADB										0.1		5.3			5.4
38	Basochhu Hydropower Project	Govt. of Austria				4.3		1.9		3.1		3.2		0.4			12.8
39	Bashochhu Hydro. Lower Stage	Govt. of Austria												7.7			7.7
40	Chukha Hydropower Proj.	Govt. of India		983.6													983.6
41	Kurichhu Hydropower Proj.	Govt. of India					350.0		316.0		440.0		768.0		120.0		1994.0
42	Tala Hydropower Proj.	Govt. of India					240.0		1010.1		1260.0		1027.4		1746.8		5284.3
<b>TOTAL (Concessional)</b>		<b>92.2</b>	<b>983.6</b>	<b>8.3</b>	<b>0.0</b>	<b>11.2</b>	<b>590.0</b>	<b>6.9</b>	<b>1326.1</b>	<b>7.7</b>	<b>1700.0</b>	<b>15.6</b>	<b>1795.4</b>	<b>23.1</b>	<b>1866.8</b>	<b>164.9</b>	<b>8261.9</b>
<b>Commercial Loans</b>		<b>22.6</b>															<b>22.6</b>
43	Loan for purchase of DAC Plane	West LB Ltd.	22.6														22.6
<b>TOTAL (Concessional + Comm)</b>		<b>114.8</b>	<b>983.6</b>	<b>8.3</b>	<b>0.0</b>	<b>11.2</b>	<b>590.0</b>	<b>6.9</b>	<b>1326.1</b>	<b>7.7</b>	<b>1700.0</b>	<b>15.6</b>	<b>1795.4</b>	<b>23.1</b>	<b>1866.8</b>	<b>187.5</b>	<b>8261.9</b>

Source: Department of Aid and Debt Management. (\*) Totals may not add up due to rounding.



**TABLE 25. DEBT SERVICING - YEAR-WISE EXPENDITURE ON EXTERNAL DEBT, CONVERTIBLE CURRENCY AND RUPEE (CONTINUED)**

In millions of USD and Rupees	1996/1997		1997/1998		1998/1999		1999/2000		2000/2001		2001/2002	
	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee	USD	Rupee
	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
Sector	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
34 Tala Particle Board Factory Proj.	0.19		0.08		0.07		0.06		0.04		0.30	
	0.68		0.66		0.67		0.66		0.66		0.67	
35 Bhutan Calcium Carbide Ltd.	0.38		0.07		0.06		0.05		0.04		0.03	
	0.40		0.40		0.40		0.40		0.40		0.40	
<b>Power</b>	<b>0.00</b>	<b>127.93</b>	<b>0.04</b>	<b>47.32</b>	<b>0.06</b>	<b>42.67</b>	<b>0.07</b>	<b>38.30</b>	<b>0.06</b>	<b>33.69</b>	<b>0.11</b>	<b>29.60</b>
	<b>0.00</b>	<b>13.86</b>	<b>0.00</b>	<b>94.28</b>	<b>0.00</b>	<b>87.55</b>	<b>0.00</b>	<b>87.55</b>	<b>0.00</b>	<b>87.55</b>	<b>0.00</b>	<b>87.55</b>
36 Rural Electrification Project	0.00		0.04		0.06		0.07		0.06		0.07	
37 Sustainable Rural Elect. Proj.											0.00	
											0.01	
38 Basochhu Hydropower Project											0.03	
											0.00	
39 Chukha Hydropower Proj.		127.93		47.32		42.67		38.30		33.69		29.60
		13.86		94.28		87.55		87.55		87.55		87.55
40 Kurichhu Hydropower Proj.		0.00		0.00		0.00		0.00		0.00		0.00
		0.00		0.00		0.00		0.00		0.00		0.00
41 Tala Hydropower Proj.		0.00		0.00		0.00		0.00		0.00		0.00
		0.00		0.00		0.00		0.00		0.00		0.00
Total ( for Concessional Loans)	<b>1.26</b>	<b>127.93</b>	<b>0.90</b>	<b>47.32</b>	<b>0.95</b>	<b>42.67</b>	<b>0.94</b>	<b>38.30</b>	<b>0.95</b>	<b>33.69</b>	<b>1.32</b>	<b>29.60</b>
	<b>2.18</b>	<b>13.86</b>	<b>2.45</b>	<b>94.28</b>	<b>2.70</b>	<b>87.55</b>	<b>2.63</b>	<b>87.55</b>	<b>2.63</b>	<b>87.55</b>	<b>2.71</b>	<b>87.55</b>
Commercial Loans												
<b>Communications</b>	<b>0.38</b>		<b>0.21</b>		<b>0.04</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
	<b>2.26</b>		<b>2.26</b>		<b>1.13</b>		<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
42 Loan for purchase of DAC Plane	0.38		0.21		0.04						0.00	
	2.26		2.26		1.13						0.00	
<b>Total (Con. + Soft Comm.)</b>	<b>1.65</b>	<b>127.93</b>	<b>1.11</b>	<b>47.32</b>	<b>0.99</b>	<b>42.67</b>	<b>0.94</b>	<b>38.30</b>	<b>0.95</b>	<b>33.69</b>	<b>1.32</b>	<b>29.60</b>
	<b>4.44</b>	<b>13.86</b>	<b>4.71</b>	<b>94.28</b>	<b>3.83</b>	<b>87.55</b>	<b>2.63</b>	<b>87.55</b>	<b>2.63</b>	<b>87.55</b>	<b>2.71</b>	<b>87.55</b>
<b>GRAND TOTAL (I+P)</b>	<b>6.09</b>	<b>141.79</b>	<b>5.82</b>	<b>141.60</b>	<b>4.82</b>	<b>130.22</b>	<b>3.58</b>	<b>125.85</b>	<b>3.58</b>	<b>121.24</b>	<b>4.03</b>	<b>117.15</b>

Source: Department of Aid and Debt Management. (\*) Totals may not add up due to rounding.

**TABLE 26. FOREIGN DEBT INDICATORS FOR CONVERTIBLE CURRENCY LOANS**

Millions of US Dollars

Items	Period											
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02(p)
<b>Debt Outstanding</b>	77.8	79.5	79.9	80.3	80.9	80.2	84.0	90.4	89.9	98.7	106.9	129.9
<b>Debt Service Payments</b>	4.7	5.0	7.0	6.5	6.3	9.0	6.1	5.8	4.8	3.6	3.6	4.0
Principal	2.9	3.3	5.1	4.7	4.7	7.1	4.4	4.7	3.8	2.6	2.6	2.7
Interest	1.8	1.7	1.9	1.8	1.6	1.8	1.7	1.1	1.0	0.9	1.0	1.3
<b>Debt Service Ratio (%)</b>	26.9	34.2	30.8	33.3	35.6	38.9	26.6	20.7	16.7	18.9	16.8	19.7
Interest Payments/Convertible Currency Exports of Goods and Services.	10.5	11.5	8.5	9.1	9.2	7.7	7.2	4.0	3.4	5.0	4.4	6.5
Principal Repayments/ Convertible Currency Exports of Goods and Services.	16.4	22.7	22.3	24.2	26.3	31.2	19.4	16.8	13.3	13.9	12.3	13.2
<b>Debt Outstanding/GDP (%)</b>	30.1	38.5	202.7	35.9	36.3	33.7	31.3	30.4	27.3	26.8	26.8	29.6

Source: Department of Aid and Debt Management.

**TABLE 27. RUPEE DEBT INDICATORS**

Millions of Indian Rupees

Items	Period											
	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02(p)
<b>Debt outstanding</b>	986.22	1271.51	1,784.03	1,841.62	1,734.82	1,256.74	1,243.83	1,715.50	2,684.04	3,276.95	6,024.41	7,803.61
Chukha Hydel Project	983.64	983.64	1,340.04	1,263.66	1,171.11	1,078.56	993.83	875.50	787.50	700.45	612.85	525.30
Dungsam Cement Project	2.58	1.87	1.16	0.45	0.02							
Amex Bank		95.00	95.00									
Citibank		191.00										
GOI Credit Line			100.00	250.00	250.00	178.18	250.00	250.00				
SBI Overdraft			247.83	327.51	313.69							
Tala Hydel Project								240.00	1,230.54	1,470.50	3537.56	5284.33
Kurichu Hydel Project								350.00	666.00	1,106.00	1874	1993.98
<b>Debt Service Payment</b>	0.92	6.78	232.65	329.51	203.51	556.39	151.40	159.13	394.80	125.84	121.25	117.15
Principal	0.71	0.71	191.71	95.71	14.25	385.53	13.86	94.28	337.55	87.55	87.55	87.55
Interest	0.21	6.07	40.94	233.80	189.26	170.86	137.54	64.85	57.25	38.29	33.7	29.60
<b>Debt Service Ratios</b> (in percent)												
Interest payments/export of goods & services	0.07	0.40	13.50	16.39	8.87	19.51	4.39	3.52	8.44	2.52	2.33	2.23
Principal repayments/exports of goods & services	0.02	0.36	2.38	11.63	8.25	5.99	3.99	1.43	1.22	0.77	0.65	0.56
<b>Debt outstanding/GDP</b> (in percent)	20.34	23.80	28.88	26.28	21.28	11.99	10.91	15.04	19.18	20.38	32.49	36.87

Source: Department of Aid and Debt Management.

**TABLE 28. THE ROYAL SECURITIES EXCHANGE OF BHUTAN, INFORMATION ON LISTED COMPANIES**

Company*/ year of Listing	Year	Paid Up Capital Nu.in Mill	No.of shareholders	Market Price (Nu)		Market Capitalization Nu.in Mill.	Profits Nu. in Mill.	Reserves Nu. in Mill.	Book Value Nu.	Earnings Per Share Nu.	PE Ratio	Dividend (%)	Dividend Yield (%)	Return on Capital (ROC)
				High	Low									
<b>BCCL 1993</b>	1995	100.0	277	2,000.0	1,700.0	200.0	102.2	145.9	2,447.1	1,022.4	2.0	30.0	1.2	0.4
	1996	100.0	272	2,500.0	2,000.0	250.0	132.2	241.7	3,417.4	1,321.6	1.9	35.0	1.0	0.4
	1997	100.0	268	3,000.0	3,000.0	300.0	120.8	262.9	3,629.2	1,208.4	2.5	101.0	2.8	0.3
	1998	100.0	267	3,750.0	3,100.0	375.0	126.2	204.4	3,403.7	1,262.2	3.0	150.0	4.4	0.4
	1999	100.0	267	3,750.0	3,750.0	375.0	100.5	240.8	3,407.6	1,004.6	3.7	100.0	2.9	0.3
	2000	100.0	266	4,001.0	4,001.0	400.1	43.4	283.7	3,836.5	433.6	9.2	-	-	0.1
	2001	100.0	266 (p)	5,000.0	4,000.0	500.0	101.5	284.4	3,844.0	1,015.3	4.9	100.0	2.6	0.3
<b>RICB 1993</b>	1995	12.0	205	1,000.0	1,000.0	12.0	14.0	33.1	3,761.7	1,170.0	0.9	30.0	0.8	0.3
	1996	24.0	205	2,500.0	2,500.0	60.0	15.7	40.2	2,674.6	652.0	3.8	15.0	0.6	0.2
	1997	24.0	205	2,500.0	2,500.0	60.0	21.7	55.9	3,329.2	905.0	2.8	25.0	0.8	0.3
	1998	24.0	200	3,700.0	2,800.0	88.8	22.9	133.0	6,540.0	955.4	3.9	40.0	6.1	0.2
	1999	24.0	260	3,700.0	3,700.0	88.8	24.2	143.1	6,963.3	1,009.6	3.7	30.0	0.4	0.1
	2000	48.0	2543	4,702.0	2,350.0	196.8	21.9	69.6	2,449.0	455.2	9.0	15.0	0.6	0.2
	2001	48.0	2543 (p)	4,100.0	4,099.0	196.8	34.8	103.9	3,165.0	724.1	5.7	20.0	0.6	0.2
<b>PCAL 1993</b>	1995	200.0	851	2,000.0	1,000.0	453.3	88.4	161.0	1,710.5	390.0	5.1	20.0	1.2	0.2
	1996	226.7	901	2,000.0	2,000.0	453.3	30.0	163.8	1,722.8	132.4	15.1	12.0	0.7	0.1
	1997	226.7	901	2,500.0	2,000.0	566.7	30.7	164.0	1,723.4	135.3	18.5	13.5	0.8	0.1
	1998	226.7	835	3,000.0	2,500.0	680.0	89.1	185.0	1,816.4	393.0	7.6	30.0	1.7	0.2
	1999	226.7	1630	3,000.0	1,725.0	680.0	166.0	260.4	2,148.9	732.5	4.1	40.0	1.9	0.3
	2000	226.7	1630	4,500.0	3,000.0	906.7	170.5	317.6	2,400.9	752.1	6.0	50.0	2.1	0.3
	2001	226.7	1630 (p)	4,500.0	4,000.0	906.7	183.8	388.0	2,711.6	810.7	4.9	50.0	1.8	0.3
<b>BFAL 1995</b>	1995	150.0	56	120.0	100.0	180.0	31.3	-	-	20.9	5.8	-	-	-
	1996	150.0	56	120.0	100.0	180.0	60.9	271.9	281.3	40.6	3.0	15.0	5.3	0.1
	1997	150.0	56	120.0	100.0	180.0	55.0	304.4	302.9	36.7	3.3	10.0	3.3	0.1
	1998	150.0	48	120.0	100.0	180.0	(14.1)	273.8	282.5	(9.4)	(12.8)	-	-	(0.0)
	1999	150.0	44	130.0	120.0	195.0	50.3	323.1	315.4	33.6	3.9	20.0	6.3	0.1
	2000	150.0	42	135.0	135.0	202.5	0.7	293.8	295.8	0.4	306.8	-	-	-
	2001	150.0	42 (p)	140.0	140.0	210.0	46.8	110.4	173.6	31.2	4.8	10.0	5.8	0.8
<b>BBPL 1993</b>	1995	101.4	602	100.0	100.0	101.4	36.6	36.9	136.3	36.1	2.8	18.0	13.2	0.3
	1996	101.4	474	100.0	100.0	101.4	19.9	38.5	137.9	19.6	5.1	18.0	13.1	0.1
	1997	101.4	474	100.0	100.0	101.4	23.9	44.1	143.5	23.6	4.3	18.0	12.6	0.2
	1998	101.4	475	106.0	100.0	107.5	14.7	48.9	148.2	14.5	7.3	10.0	6.1	0.1
	1999	101.4	489	106.0	100.0	106.5	(36.7)	12.0	111.9	(36.2)	(2.9)	-	-	(0.3)
	2000	140.0	489	103.0	103.0	144.2	(9.4)	2.7	101.9	(6.7)	(15.4)	-	-	(0.1)
	2001	140.0	489 (p)	103.0	103.0	144.2	4.6	7.3	105.2	3.3	31.0	-	-	0.03
<b>BTCL 1994</b>	1995	20.9	84	1,060.0	1,000.0	20.9	2.4	7.5	1,359.6	111.0	9.5	-	-	0.1
	1996	20.9	88	1,000.0	1,000.0	20.9	1.7	8.9	1,425.5	79.8	12.2	-	-	0.1
	1997	20.9	87	1,050.0	1,000.0	22.0	3.3	9.3	1,445.1	155.7	6.7	15.0	1.0	0.1
	1998	20.9	87	1,000.0	1,000.0	20.9	3.6	9.2	1,437.9	171.4	5.8	15.0	1.0	0.1
	1999	20.9	89	1,050.0	1,050.0	22.0	4.0	12.8	1,609.5	192.9	5.4	-	-	0.1
	2000	20.9	89	1,050.0	1,050.0	22.0	4.9	16.9	1,806.1	233.0	4.6	-	-	0.1
	2001	20.94	89 (p)	1,050.0	1,050.0	22.0	2.8	15.5	1,740.4	132.5	7.9	-	-	0.1

**TABLE 28. THE ROYAL SECURITIES EXCHANGE OF BHUTAN, INFORMATION ON LISTED COMPANIES, CONTINUED.**

Company*/ year of Listing	Year	Paid Up Capital Nu.in Mill	No.of shareholders	Market Price (Nu)		Market Capitalization Nu.in Mill.	Profits Nu. in Mill.	Reserves Nu. in Mill.	Book Value Nu.	Earnings Per Share Nu.	PE Ratio	Dividend (%)	Dividend Yield (%)	Return on Capital (ROC)
				High	Low									
<b>BDL</b> <b>1994</b>	1995	2.5	88	100.0	100.0	2.5	(1.5)	-	100.0	(58.0)	(1.7)	-	-	(0.6)
	1996	2.5	89	100.0	100.0	2.5	(2.4)	-	100.0	(194.0)	(1.1)	-	-	(0.9)
	1997	2.5	89	100.0	100.0	2.5	-	-	100.0	-	-	-	-	-
	1998	2.5	96	100.0	100.0	2.5	-	-	-	-	-	-	-	-
	1999	2.5	96	100.0	100.0	2.5	(1.9)	-	100.0	(76.6)	(1.3)	-	-	(0.8)
	2000	5.0	96	100.0	100.0	5.0	(0.2)	-	100.0	(4.4)	(22.8)	-	-	(0.0)
	2001	2.5	96 (p)	100.0	100.0	2.5	0.8	-	100.0	33.2	3.0	-	-	0.3
<b>DPCL</b> <b>1995</b>	1997	4.3	79	100.0	100.0	4.3	0.3	0.9	121.5	6.8	14.8	-	-	0.1
	1998	4.3	80	100.0	100.0	4.3	(1.3)	-	100.0	(29.4)	(3.4)	-	-	(0.3)
	1999	4.3	80	100.0	100.0	4.3	(1.5)	-	100.0	(35.6)	(2.8)	-	-	(0.4)
	2000	4.3	80	100.0	100.0	4.3	0.3	-	100.0	5.5	18.3	-	-	0.1
	2001	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>DSML</b> <b>1995</b>	1996	3.3	59	100.0	100.0	3.3	(0.4)	-	100.0	(10.8)	(9.3)	-	-	(0.1)
	1997	3.3	59	100.0	100.0	3.3	(1.1)	-	100.0	(33.6)	(3.0)	-	-	(0.3)
	1998	3.8	59	100.0	100.0	3.8	(1.0)	-	100.0	(25.7)	(3.9)	-	-	(0.3)
	1999	3.8	64	100.0	100.0	3.8	(0.6)	-	100.0	(16.9)	(6.0)	-	-	(0.2)
	2000	3.8	64	100.0	100.0	3.8	(0.7)	-	100.0	(19.7)	(5.1)	-	-	(0.2)
	2001	3.8	64 (p)	100.0	100.0	3.8	(0.5)	-	100.0	(13.6)	(7.3)	-	-	(0.1)
<b>BNB</b> <b>1996</b>	1996	59.5	429	225.0	165.0	130.9	25.5	67.2	212.9	42.9	5.1	-	-	0.2
	1997	59.5	411	225.0	196.0	133.9	21.0	80.2	234.8	35.2	6.4	20.0	8.5	0.2
	1998	59.5	406	240.0	220.0	142.8	47.8	98.2	265.1	80.3	3.0	50.0	18.9	0.3
	1999	59.5	407	250.0	190.0	148.8	47.9	122.3	305.5	80.4	3.1	40.0	13.1	0.8
	2000	59.5	407	700.0	450.0	416.5	102.9	195.4	428.5	173.0	4.1	50.0	11.7	1.7
	2001	59.5	407 (p)	1,500.0	439.0	862.8	78.1	243.8	504.7	131.3	11.1	50.0	9.8	0.3
<b>BPCL</b> <b>1997</b>	1997	10.8	54	100.0	100.0	10.8	-	-	-	-	-	-	-	-
	1998	10.8	54	100.0	100.0	10.8	2.6	0.2	101.9	24.4	4.1	15.0	14.7	0.2
	1999	12.5	78	100.0	100.0	12.5	9.9	5.1	140.7	79.0	1.3	40.0	28.4	0.6
	2000	24.9	78	100.0	100.0	24.9	8.1	8.8	135.4	32.6	3.1	35.0	25.9	0.3
	2001	24.9	78 (p)	100.0	100.0	24.9	6.6	10.4	141.8	26.4	3.8	20.0	14.1	0.2
<b>STCB</b> <b>1997</b>	1997	20.0	132	100.0	100.0	20.0	2.6	0.2	100.8	12.8	7.8	12.0	12.0	0.1
	1998	20.0	132	100.0	100.0	20.0	14.3	9.4	147.1	71.3	1.4	25.0	17.0	0.5
	1999	20.0	133	100.0	100.0	20.0	11.8	15.2	176.2	59.1	0.6	30.0	17.0	0.3
	2000	20.0	133	130.0	130.0	26.0	29.8	37.0	284.9	148.8	0.9	40.0	14.0	0.5
	2001	20.0	133 (p)	130.0	130.0	26.0	8.6	40.5	302.7	42.7	3.0	25.0	8.3	0.1
<b>DSCL</b> <b>1998</b>	1998	6.8	1201	100.0	100.0	6.8	8.7	9.7	243.1	128.9	0.8	115.0	47.3	0.5
	1999	10.1	1201	100.0	100.0	10.1	13.4	14.6	244.1	132.0	0.8	50.0	20.5	0.5
	2000	10.1	1201	100.0	100.0	10.1	17.4	25.2	265.8	171.8	0.6	50.0	18.8	0.5
	2001	30.4	1201 (p)	100.0	100.0	30.4	17.0	11.5	136.2	56.0	1.8	15.0	29.4	0.4

**Total Market Capitalization : 2,930.07**

Source: Royal Securities Exchange of Bhutan

Formula used :-

1- Book Value = Capital + Reserves/ No. of Shares. 2-EPS = Net Profit/ No. of Shares. 3-PE = Market Price/ EPS. 4-Return on Capital = Net Income/ (Equity + Reserves). 5-Dividend Yield = Dividend X 100/ Book Value Per Share.

(\*) BCCL - Bhutan Carbide and Chemicals Ltd.; RICB-Royal Insurance Corporation of Bhutan; PCAL-Penden Cement Authority Ltd.; BFAL-Bhutan Ferro Alloys Ltd.; BBPL-Bhutan Board Products Ltd.; BTCL-Bhutan Tourism Corporation Ltd.; BDL-Bhutan Dairy Ltd.; DPCL-Druk Petroleum Corporation Ltd.; DSML-Druk Stones and Mining Ltd.; BNB-Bhutan National Bank; BPCL-Bhutan Polythene Company Ltd.; STCB-State Trading Corporation of Bhutan; DSCL-Druk Satair Corporation Ltd. The figure for Market Capitalisation has been revised.

**TABLE 29. EXCHANGE RATE, NGULTRUM/US DOLLAR**

Period Average

Period	Year						
	1996	1997	1998	1999	2000	2001	2002
Jan	35.77	35.87	39.36	42.51	43.55	46.54	48.34
Feb	36.61	35.89	38.91	42.46	43.61	46.52	48.69
Mar	34.45	35.87	39.50	42.44	43.59	46.62	48.74
Apr	34.24	35.82	39.65	42.73	43.64	46.79	48.92
May	34.99	35.81	40.37	42.77	43.97	46.92	49.00
June	34.99	35.81	42.25	43.14	44.69	47.01	48.96
July	35.52	35.74	42.51	43.29	44.78	47.14	
Aug	35.69	35.93	42.76	43.46	45.69	47.13	
Sept	35.73	36.42	42.52	43.54	45.89	47.65	
Oct	35.64	36.23	42.35	43.45	46.35	48.02	
Nov	35.74	37.15	42.38	43.40	46.78	48.00	
Dec	35.84	39.22	42.55	43.49	46.75	47.92	
Calendar year average	35.43	36.31	41.26	43.06	44.94	47.19	
Fiscal year average (+)	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	34.29	35.77	38.39	42.59	43.64	46.39	48.21

Source : International Financial Statistics, IMF.



**TABLE 30. EXCHANGE RATE, JAPANESE YEN / US Dollar**

Period Average

Period	Year								
	1994	1995	1996	1997	1998	1999	2000	2001	2002
Jan	111.51	99.75	105.84	118.02	129.45	113.18	105.16	117.10	132.66
Feb	106.21	98.24	105.73	123.01	126.00	116.66	109.31	116.04	133.52
Mar	105.14	90.79	105.82	122.64	128.69	119.78	106.71	121.12	131.20
Apr	103.53	83.67	107.46	125.51	131.67	119.81	105.48	123.83	131.07
May	103.73	85.10	106.45	118.99	135.00	122.11	108.11	121.93	126.48
June	102.72	84.53	108.86	114.20	140.57	120.90	106.23	122.15	123.60
July	98.50	87.22	109.32	115.16	140.73	119.86	107.90	124.65	
Aug	99.85	94.55	107.75	117.90	144.65	113.40	108.07	121.61	
Sept	98.81	100.49	109.75	120.75	134.59	107.57	106.75	118.98	
Oct	98.42	100.65	112.36	121.06	121.30	105.97	108.36	121.28	
Nov	97.96	101.92	112.26	125.27	120.58	104.60	108.89	122.31	
Dec	100.12	101.81	113.76	129.38	117.62	102.68	112.21	127.36	
Calendar year average	102.21	94.06	108.78	120.99	130.90	113.88	107.77	121.53	
Fiscal year average (+)	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	106.17	94.65	102.23	115.63	126.74	124.33	107.92	114.53	126.23

Source : International Financial Statistics, IMF.

**TABLE 31. EXCHANGE RATE, EURO/US Dollar**

Period Average

Period	Year			
	1999	2000	2001	2002
Jan	0.8615	0.9867	1.0659	1.1324
Feb	0.8924	1.0170	1.0851	1.1494
Mar	0.9189	1.0370	1.0999	1.1419
Apr	0.9343	1.0654	1.1214	1.1290
May	0.9410	1.1040	1.1442	1.0906
June	0.9636	1.0537	1.1722	1.0470
July	0.9663	1.0644	1.1622	
Aug	0.9432	1.1062	1.1108	
Sept	0.9524	1.1469	1.0978	
Oct	0.9340	1.1698	1.1041	
Nov	0.9668	1.1678	1.1259	
Dec	0.9891	1.1149	1.1207	
Calendar year average	0.9386	1.0862	1.1175	
Fiscal year average (+)		1999/00	2000/01	2001/02
		1.0013	1.1216	1.1176

Source : IFS, IMF.

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### **III. ANNEXURES**

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## THE ROYAL MONETARY AUTHORITY OF BHUTAN:

### Functions, Organization Structure, and Future Plans

#### **Functions of the RMA**

According to the Act, the basic functions of the RMA are as follows:

- a) Achievement and maintenance of price stability. For that purpose an exchange rate target was chosen, i.e., the one-to-one peg between the Ngultrum and the Indian Rupee, in view of the close economic relationships between India and Bhutan.
- b) Bank of Issue.
- c) The Bankers' Bank.
- d) The Government's Bank.
- e) The Advisor to the Government.
- f) The Guardian of the Country's External Reserves.
- g) Supervision of Banks and other Financial Institutions.
- h) Promotion of Financial Sector Development.

#### **Organization Structure**

While all the major central banking and administrative decisions are taken by the Board of Directors (*please see page 2*), the day-to-day management of the RMA is the responsibility of its Managing Director. According to the Act, the Board should meet "not less frequently than once every two months".

The organization structure of the RMA, recently approved by the Board of Directors, is in the process of being implemented. The basic responsibilities of the organization units shown in the organization chart, apart from those of the Board of Directors and the Managing Director, can be summarised as follows:

- a) The Deputy Managing Director/Administration and Operations reports directly to the Managing Director and is responsible for the overall management of the Administration and Personnel Division, the Issue Division, and the Banking Division. He advises the Managing Director on all issues related to his particular area.
- b) The Deputy Managing Director/Research and Planning reports directly to the Managing Director and is responsible for the Research and Statistics Division, the Financial Institutions Supervision Division, and the Foreign Exchange Division. He advises the Managing Director on all issues related to his particular area.

- c) The Administration and Personnel Division is generally responsible for administrative matters and human resources development.
- d) The work of the Issue Division involves the printing of new notes, the supply of notes to banks (currency chest) and the public (RMA counters), and the supply of coins. Furthermore, soiled notes are sorted into re-issuable and non-re-issuable notes, while non-re-issuable notes are destroyed.
- e) The Banking Division maintains the Government account, the financial institutions' accounts, the foreign exchange accounts, the administrative accounts, and the central accounts, and is responsible for transactions pertaining to the Clearing House.
- f) The Research and Statistics Division is responsible for Research and Statistics, advice to Management and Government, information on Government and the public, and library services.
- g) The Financial Institutions Supervision Division supervises on a regular basis all financial institutions by means of on-site and off-site inspections with regard to internationally accepted financial sector practices, licenses new institutions, issues and monitors regulations, and monitors money laundering.
- h) The Foreign Exchange Division monitors the foreign exchange regulations, releases foreign exchange, and provides information on exchange rates.
- i) The Reserve Management Unit, which is directly responsible to the Managing Director, manages Bhutan's convertible currency and Rupee reserves (the management of the latter is in the process of being taken over from the two commercial banks) with regard to safety, liquidity, and profitability, in that order.
- j) The Internal Audit Unit, which reports directly to the Managing Director, is responsible for ensuring the efficient use of resources and compliance with policies, plans, procedures, laws, and regulations.

### **Future Plans**

Concerning the future role of the RMA, it is worth mentioning that the RMA was established as a "transitional central banking institution", which over time was expected to develop into a "full-fledged central bank". After 18 years of central banking development, during which the RMA's central banking capacity was gradually built up and the capability of the financial sector was strengthened, the RMA appears to be ready now for take-off as a "full-fledged central bank". In support of the RMA becoming a full-fledged and most effective central bank, the following basic steps appear to be necessary in the near future:

- a) Revision of the RMA Act, which was quite appropriate at its inception, is now outdated due to new developments and findings in central banking all over the world and financial sector developments in Bhutan. For example,

improvements appear to be necessary in the following areas: increased RMA independence, better timing and increased frequency of board meetings, enhancement of the status of the RMA, clear specification of the primary objective, and specification of the general monetary policy framework.

- b) Further development of the RMA's monetary policy framework and the strengthening of the monetary policy tools (at present only applicable to the maintenance of the one-to-one peg between the Indian Rupee and the Ngultrum).
- c) Streamlining of the RMA's organization structure and management procedures.
- d) Further strengthening of the RMA's staff capability through training and staff recruitment.
- e) Establishment of a computerised time series database for economic time series.
- f) Acquisition of more computers, provision of more computer training, and establishment of a well-designed local area network (LAN). Development of an overall information technology plan, together with a data-flow system.
- g) Further enhancement of financial sector development (e.g., improvement of payment systems, increased competition, and improvement of the professional expertise of the staff of financial institutions).
- h) Improvement of the RMA's corporate image.

**CHRONOLOGY OF IMPORTANT FINANCIAL SECTOR DEVELOPMENTS**

- ❖ In August 1982, the RMA Act was passed by the National Assembly during its fifty-sixth session. With effect from November 1983, the RMA started its actual operations.
- ❖ In 1983, the RMA took over the issue of the national currency, the management of external reserves, and foreign exchange operations.
- ❖ In 1984, the cash reserve ratio was implemented for the purpose of liquidity control and for prudential purposes.
- ❖ In March 1988, the RMA took over the additional function of banker to the Government, by holding the bulk of Government deposits, and to provide means for financing the Government, whenever necessary.
- ❖ In November 1992, the Financial Institutions Act was passed by the National Assembly to provide the RMA with the legal framework to issue licences for financial institutions and to regulate, supervise, and inspect their operations.
- ❖ The RMA organised the establishment of the Royal Securities Exchange of Bhutan (RSEB) in 1993 to begin a small capital market for the purpose of facilitating public participation in the holding of securities of public and private companies.
- ❖ In 1993, RMA discount bills were introduced as an instrument of central bank policy.
- ❖ For the purpose of improving the RMA's liquidity management, the RMA introduced the reserve repurchase in September 1996 as its second debt instrument.
- ❖ To enhance competition in the banking sector, the Unit Trust of Bhutan (UTB) was converted into a full-fledged commercial bank, called Bhutan National Bank (BNB) in January 1997.
- ❖ Until 1997, interest rates on both deposits and advances were directly administered by the RMA, thereby providing insufficient flexibility to financial institutions for setting their rates on the basis of the actual cost of funds. Since this arrangement was not conducive to the long-term growth of the financial sector and the economy, the RMA liberalised interest rates with effect from October 1997, allowing each institution to determine the rates on the basis of the prevailing market conditions.

- ❖ In line with the Government's programme of liberalising trade and industrial policies, the RMA Board approved the new Foreign Exchange Regulations 1997, removing various restrictions on foreign exchange transactions. The aim is to eventually move towards current account convertibility.
- ❖ Check clearing facilities were established in the country (the first in Thimphu in 1997 and the second in Phuentsholing in 1999), in order to provide an efficient system through which the country's commercial banks could settle their claims against each other for checks and other negotiable demand items. The facilities are also envisaged to enhance the payments and settlement system through the use of negotiable instruments.
- ❖ As part of the financial sector reform programme, the Government Employees Provident Fund (GEPF) was transferred in 2000 from the Royal Insurance Corporation of Bhutan to the newly created National Pension and Provident Fund (NPPF).
- ❖ One of the causes for sluggish credit activity in the country has been the inadequate legal framework for loan recovery and the high collateral requirements. For the purpose of dealing effectively with that problem, the Government passed in 1999 the Moveable and Immovable Property Act and the Bankruptcy Act. Furthermore, in order to provide legal support for the Check Clearing Houses and the use of negotiable instruments in the payments and settlement system, the Negotiable Instruments Act was passed in the 78<sup>th</sup> session of the National Assembly in July 2000. Nevertheless, more important legislation needs to be drafted and passed in the financial sector. In that regard, an insurance and a securities law are very urgent, with efforts being made towards the drafting of such legislation, and it is also necessary to draw up legislation for the NPPF. Furthermore, there is an urgent requirement to revise the RMA Act of 1982, which has become out of date.
- ❖ The Financial Sector Review, funded by the ADB, was concluded in March 2002, identifying weaknesses and formulating a medium-term strategy for financial sector development in Bhutan.
- ❖ An offspring from the Financial Sector Review, the RMA launched a comprehensive IT Strategy to strengthen its institutional capacity and to develop an integrated operations and information system. The RMA website was recently made available.
- ❖ Two series of trainings in 2002 were conducted by the RMA for the Financial Institutions on Project Appraisal and Portfolio Management as a step towards establishing an Institute for Financial Sector Development (IFSD) in the RMA.



- ❖ In 2002, the RMA made arrangements with the Reserve Bank of India (RBI) to participate in the auctions of Government of India Securities to invest Indian Rupee reserves.
- ❖ Following a resolution adopted by the RMA's Board of Directors during its 32<sup>nd</sup> meeting, a Monetary Operations Committee (MOC) was established in June 2002. On behalf of the Board, the MOC will basically be responsible for the formulation and implementation of policy instruments, the achievement and maintenance of sound conditions in the financial sector, and the management of the country's reserves.
- ❖ Work on the revision of the RMA Act of 1982 is in progress.

## FINANCIAL INSTITUTIONS

The financial sector in Bhutan consists of the Royal Monetary Authority of Bhutan, two commercial banks, the Bank of Bhutan and the Bhutan National Bank, two non-bank financial institutions, the Royal Insurance Corporation of Bhutan and the Bhutan Development Finance Corporation. Bhutan also has a small stock exchange and a Government pension system, namely, the Royal Securities Exchange of Bhutan and the National Pension and Provident Fund. Recent developments that have taken place in the financial institutions are outlined below.

### **Bank of Bhutan (BOB)**

Bank of Bhutan, which was established on May 28, 1968, is the oldest and largest financial institution in the country. Initially however, due to the non-convertibility of our local currency, "Tikchung", the desired level of monetization and banking services did not take place. To solve this problem, a collaboration agreement was signed with the State Bank of India (SBI) on October 7, 1971, providing the SBI's participation in the capital and management of the Bank of Bhutan. Under the arrangement, the SBI held 40 percent of the bank's shares, while 60 percent were held by the ROGB. After a long and successful collaboration with the State Bank of India, a new agreement was made on June 27, 1997, extending the collaboration period to December 31, 2001. After that date, the management of the bank was handed over to Bhutanese nationals. At present, the ROGB holds 80 percent of the bank's shares, while the remainder is held by the SBI. BOB was opened with a capital of Nu.2.5 million, and a reserve fund of the same amount. As of December 2000, the bank's capital stood at Nu.100 million, and its reserve fund at Nu.407.4 million.

In order to serve better the country's growing needs for banking services, the BOB entered into a series of arrangements with foreign banks. From 1975 onwards, the bank started contributing to the earnings of foreign exchange by financing and facilitating export transactions. During 2000, the bank's foreign exchange transactions amounted to Nu.10.4 million, a substantial increase from Nu.4.2 million in 1999.

In 1989, in an attempt to improve its banking culture, BOB introduced customer education in rural areas on its services, deposit mobilization, and follow-up on loans. Thereafter, in 1986, the bank conducted a door-to-door survey in rural areas to introduce lending and deposit schemes to the rural community. So as to boost credit, the BOB reduced its interest rate on selected loan schemes from 1<sup>st</sup> July 2000. Since its inception, the branch expansion program was given top priority and there are presently 25 branches and two extension counters, covering 20 districts within Bhutan.

2000 marked another successful year, with 33 years of operations and a year-end profit before tax of Nu.122.7 million. While profits had improved by Nu.22.6 million, compared to the previous year, it had for the first time been outdone by the four-year-old Bhutan National Bank (see below). At the end of 2000, BOB's total workforce stood at 438, comprising 87 Officers, 208 Clerks and 143 Subordinates.

The year 2001 marked another success story. The bank, with the prudent management of funds, sound investment policies, and expenditure control recorded an all time high gross profit of Nu.243.8 million. This was a substantial increase by 98.7 percent compared to the previous year despite excess liquidity and poor investment avenues, and the concurrent increase in the operation network expansion costs (BOB had opened its 27<sup>th</sup> branch in Trashiyangtse. Thereafter, the BOB's staff totaled 452, comprising of 95 Officers, 219 Clerks, and 138 Subordinates. During the year, major policy changes led to the reduction of its deposit and lending rates.

### **Bhutan National Bank (BNB)**

In 1980, the Unit Trust of Bhutan (UTB) was established as a division of the Royal Insurance Corporation of Bhutan (RICB), jointly owned by the Royal Government and the RIBC. In 1992, it started functioning as an independent financial institution to promote and mobilize small domestic savings, and to channel capital to productive sectors in the economy. With the overall goal of deepening the financial system to generate broader and competitive banking services, the Royal Government, with assistance from the ADB, converted the UTB into the Bhutan National Bank on December 5, 1996.

The new bank's equity capital base was increased from Nu.42.5 to Nu.59.5 million through a public offer in July 1996, with 429 individuals subscribing to its shares. Since 1998/1999, the Government holds only 27 percent of BNB ordinary shares, while the public holds 28.6 percent, financial institutions own 4.2 percent, and its foreign investors, the ADB and Citibank, jointly maintained 40 percent of the share capital. Judging by the key financial indicators published by the Royal Securities Exchange of Bhutan on Listed Companies (2000 Annual Report), BNB's shares are the most active securities traded in our emerging capital market and its price appreciated by a record high of 15 times till date.

BNB's assets as a percentage of the total assets of both commercial banks have risen to 30.5 percent, as compared to 14.2 percent in 1997. And in relation to its deposits, BNB now possesses 35.6 percent of the total deposits in the country, while its loan portfolio accounts for 44.4 percent of total advances between the two banks. These developments reflect an overall expansion in the Bhutanese banking culture and the emergence of competition in the financial sector.

The year 2000 was favorable for the BNB in terms of asset growth, profitability, and market response. Total assets grew by about 36 percent, of which 40 percent continue to be in the form of Indian Rupee investments abroad. Loans and advances illustrated improvement over the previous year, recording a growth of about 16 percent. As was evident from the composition of assets or investments, much of the bank's profit for the year under review came from the fixed-term Rupee deposits in India, i.e., Nu.144 million, representing over 52 percent of the bank's total interest income. BNB closed its books in 2000 with a profit before tax of Nu.150.1 million, the highest profit in its four-year history. Its staff strength totaled 144.

At the end of 2001, BNB earned a profit after tax of Nu.111.6 million that was lower by 25.7 percent as compared to the previous year. The main reason for the fall in profits was attributed to the United States' September 11<sup>th</sup> disaster in 2001. The decrease in deposit rates from 6 to 2 percent on US Dollar deposits adversely affected the bank's profitability by Nu.10-12 million. It also lost a major portion of revenue from commissions and exchange due to travel cancellations, and had to forego approximately Nu.37 million of its interest income from INR deposits that were transferred to the RMA and the BOB as per the RMA directive. Another key factor that led to the decrease in its profitability was the increase in interest expenses on deposits, without a corresponding increase in interest income (reduction in lending rates without decreasing the deposit rates). By the end of the year, the staff strength stood at 165, an increase of 16 percent. During the year, the Citibank divested its share holdings in the BNB to the NPPF and the Bhutan Trust Fund.

And with effect from April 1, 2001, BNB reduced its lending rate from 16 percent to 15 percent on the overdraft facility and business loans.

### **Bhutan Development Finance Corporation (BDFC)**

BDFC was established in 1988 with assistance from the Asian Development Bank, equity participation of the RGOB, the BOB, the RICB, and the RMA, to primarily assist the private sector by providing financial and technical assistance for industrial, agricultural, and commercial projects. It is funded by international multilateral agencies and is not a deposit-taking institution. The ongoing UNCDF/IFAD Agricultural Credit Programme, which was initially implemented by the RMA, was transferred to the BDFC in March 1988, along with all assets and staff of the former Agricultural Credit Division of the RMA. To finance small entrepreneurs, the BDFC joined the Entrepreneurial Development Program (EDP); its share in the EDP is Nu.20 million.

Industrial lending activities dominate BDFC's profitability, while agricultural lending, particularly micro-financing, is its main responsibility. In October 1998, the BDFC issued Nu.50 million worth of 10-year rural credit bonds for the purpose of providing

micro-credit to rural borrowers. The principal goal is to assist small farmers to increase production and income, and ultimately improve their quality of living.

The Government holds 87 percent of BDFC's paid-up capital, while the other three financial institutions share the remaining 13 percent equally. The main sources of funds for BDFC are external concessional loans and grants from international agencies, such as the UNCDF, HELVETAS, KFAED, SDC, and ADB.

BDFC ended the year 2001 by earning a high profit (before tax). The consolidated profit for the year was Nu.24.4 million, an increase of Nu.3.7 million from Nu.20.7 million in 2000 (profit for the year 2000 includes the windfall gain of Nu.7.1 million from the sale of the Peling Hotel building). However during 2001, its entire profit had been earned through normal operations. The Industrial Lending Department contributed Nu.18.5 million (75.7 percent) and the Agricultural Lending Department, Nu.6.0 million to the overall profit of the corporation. Total assets grew by 12.7 percent from Nu.718.6 million in 2000.

At present, BDFC has 21 offices in the country, covering all the districts and has recently introduced a mobile banking facility at the grassroots level. It has also established a **Simplified Lending System** to reduce the processing time of loans and simplified the forms to ensure that the clients procure their loans within one month after application. At the end of 2001, BDFC's total staff stood at 125 - 28 in the Industrial Lending Department and 97 in the Agricultural Lending Department -, as compared to 131 staff in 2000. The year 2001 marked the termination date for the UNCDF-SNV Project "Strengthening Capacities for Sustainable Micro-Finance" in the Agricultural Lending Division.

### **Royal Insurance Corporation of Bhutan (RICB)**

The RICB commenced operations as the first and only insurance institution in 1975 under the Royal Charter with 61 percent Government participation and 39 percent held by the public. The company is incorporated under the Companies Act of Bhutan 1989 and registered under the Financial Institutions Act of Bhutan 1992. It commenced with a paid up capital of Nu.1.00 million in 1975, which had increased to Nu.48 million as of December 2000.

Under the Royal Charter, the mandate of the RICB is to underwrite all types of insurance business emanating from Bhutan and also to finance various commercial undertakings and development projects. The main lines of business of the RICB can be categorized into insurance and finance, besides real estate and credit cards. The services provided by the RICB under insurance and finance are life insurance, general insurance, rural housing insurance, and the group insurance cum saving scheme.

Right from its inception, the RICB has not only met the insurance needs of the country, but also contributed towards the country's economic development by facilitating finance. In this connection, the Credit and Investment Department was set up to act as an investment body for all funds. With the investment of these funds in the economy, the house construction and transportation activities in the country were taken up by the private sector on a large scale. Almost 75 percent of the houses in Thimphu, Phuentsholing, and other towns were financed by the RICB. Besides, housing and transportation loans, the RICB also invested a considerable amount in the development of industrial units and trading activities. The Government Employees Provident Fund (GEPF), which was managed by RICB since 1976, was transferred to the National Pension and Provident Fund from April 2000, when the Company had to part with assets worth Nu.1.2 billion (that accounted for over 80 percent of the RICB's assets). The separation of the GEPF did not have any adverse effect on the overall performance of the RICB. Instead, it helped to resolve the long-standing problem of excess liquidity and enabled the corporation to concentrate on its core business.

On December 17, 1997, RICB pioneered the use of credit cards by launching a three-category credit card: Diamond, Gold, and Silver. The RICB also introduced the Classic Card, with a drawing facility of up to Nu.30000, with the objective of reaching out to the lower and middle income groups. Thereafter, on June 2, 1999, to mark the auspicious occasion of His Majesty the King's 25<sup>th</sup> coronation jubilee, RICB launched two new policies, namely, the "Money-back Policy" and the "Double Cover Endowment Plan". Apart from its existing loan schemes, RICB initiated a Contractors Revolving Credit Scheme and a Preferential Financing Scheme (January 7, 2000). The Popular Preferential Financing Scheme, which finances private (light) vehicles, has been temporarily suspended to clear the backlog of pending orders and also to allay the explosion of vehicle registrations in the country. Since January 2000, RICB has financed the purchase of 698 vehicles, of which only 24 were imported from third countries, while others were from India. Although, this scheme was initially started to facilitate the purchase of light and medium vehicles, it aims to expand to include the financing of service/construction, household, and office equipment.

The overall financial scenario of the corporation as at the end of 2001 reveals a growth in profit and total assets. Profit for the year amounted to Nu.49.7 million as against Nu.34.6 million in 2000, an increase by Nu.15.09 million (43.6 percent). The increase came about as a result of improvement in income receipts from investment (net) and under-writing profits, which had increased from Nu.24.3 million to Nu.40.7 million (68 percent), and from Nu.19.9 million to Nu.34.7 million (74.3 percent), respectively.

Human resources, being one of the vital factors for any organization, led to the corporation's greater emphasis on the development of its staff, and during the year, RICB trained a number of its staff in India and other countries in the field of insurance, computer, finance, and accounts. Total staff strength stood at 153 at the close of the year. The Corporation is presently in the process of developing client

server base technology under an Oracle platform, which is expected to be fully operational by January 2003.

### **National Pension and Provident Fund (NPPF)**

Prior to the establishment of the NPPF, the GEPF was managed by the RICB and covered only government employees. The benefits were limited to a gratuity and a provident fund scheme, which were paid as a lump sum after retirement. However, the inadequacy of the lump sum payment from the gratuity and the GEPF prompted the Royal Government to initiate a formal old-age income security scheme by restructuring the GEPF scheme aimed to provide:

- Post service retirement benefits to its members;
- Income security in the event of permanent disability;
- Social support to spouse(s) and dependent children in the event of the death of a member; and
- Compulsory savings plan for salaried employees.

The ADB Project and the Government Working Committee in 1999, under the governance of the Board of Directors, reviewed and evaluated the UNDP's study (1997) on the "**Feasibility of Introducing a Pension Scheme in Bhutan**" and recommended an annuity-based, multi-tiered retirement plan called the National Pension and Provident Fund Plan (NPPFP). Thereby, the Royal Government formally established the National Pension and Provident Fund (NPPF) as an autonomous body on July 1, 2002, under the governance of the National Pension Board. The NPPFP consists of two integral separate but linked tiers:

- 1) The National Pension Plan (NPP)<sup>1</sup>: and
- 2) The Provident Fund Plan (PFP)<sup>2</sup>.

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<sup>1</sup> The NPP, titled Tier 1 of the NPPFP, is a defined benefit plan under which monthly pension benefits will be provided to a member upon retirement and in addition it also provides disability benefit to a member and benefit to survivor (s).

<sup>2</sup> The PFP, titled Tier 2, is a defined contribution provident fund plan under which lump sum benefit equivalent to all the contributions credited to a member's Tier 2 account, together with returns will be paid on the date of his/her retirement or death while in service.

Membership criteria for the NPPFP- All national GEPF members, except the members of armed forces, whose services are regular, will automatically become the simultaneous members of Tier 1 and 2. Non-national regular employees will become members only of Tier 2, and a separate scheme titled The Armed Forces Pension, **and Provident Fund Scheme** has been formulated.

On July 3, 2000, the NPPF took over GEPF and Real Estate operations from the RICB worth Nu.1.97 billion in the form of fixed deposits, cash and real estate assets. Since then its assets have grown to over Nu.2.4 billion, with a net inflow of funds at around Nu.25 million a month, thus making it the largest institutional investor in the country.

During the financial year 2001, the NPPF earned a gross revenue of Nu.187.3 million, of which 62.1 percent came from investments, 29 percent from the interest subsidy, and the balance from rental income, dividends, etc. Net revenue before the interest subsidy amounted to Nu.114.3 million, which is equivalent to approximately 5 percent of the GEPF fund. Upon taking over of GEPF operations that commenced from July 1, 2000, the NPPF assumed the fiduciary role of the GEPF and its investment has grown from Nu.1966.7 million (as on June 31, 2000) to Nu.2306.1 million (as at the end of June 30, 2001). Details of the investment for NPPF during 2000 and 2001 are as follows:

**Details of NPPF Investment:**

Items	Millions of Ngultrum	
	As of 30/6/2000	As of 30/6/2001
Equities	15.24	15.24
Cash	32.00	0.00
Foreign Investments	0.00	981.92
Real Estate	84.62	86.93
Deposits with Banks/RICB	1834.94	1222.00
<b>Total</b>	<b>1966.70</b>	<b>2306.08</b>

As reflected in the above table, most of the GEPF funds (93 percent) were initially kept with the BOB, BNB, and the RICB, where the returns are relatively low. Given Bhutan's sluggish investment environment, excess liquidity in the financial sector, and the underdeveloped capital market, the Pension Fund's sustainable rate of 8.25 percent compelled the NPPF to seek alternative investment avenues that would enable it to generate returns above the cost of keeping the funds.

Due to the limited opportunities for domestic investment, the Royal Government permitted the institution to invest funds amounting to USD 25 million in the United States and appointed 1838 Investment Advisor as the Investment Manager, and First Union National Bank as Custodial Bank (operations commenced from January 15, 2001). Till date, the NPPF has transferred USD 21 million, and will transfer the residual USD 4 million at a later time. Its main objective is to earn a return of 5 percent above the US CPI over an Investment period of 5 years, and, in order to achieve its objective, the investment has been placed in a globally balanced portfolio



consisting of equities, fixed income assets and, money market funds, as outlined below:

**Forex Investment Portfolio:**

Millions of USD			
Cash & Equivalent	Fixed Income	Common Stock	Accrued Interest
0.78	12.94	7.14	0.15

Other chief investment schemes for the Fund include real estate development projects and this accounts for about 4.5 percent of the total investment portfolio. As of the close of the financial year 2001, NPPF owned 504 flats worth Nu.82.11 million, located in four major Bhutanese towns. Attached is a table highlighting the major events that took place after the establishment of the NPPF in March 2000.

Date	Event	No. of Meetings
Since 2000	Government Working Committee	24
Since 2000	Interim Board of Directors Meeting	6
Since 2001	National Pension Board Meeting	7
May 25, 2001	Pension Plan submitted to the Committee of Secretaries	▪
March 12, 2002	Pension Plan submitted to the Council of Ministers	▪
April 30, 2002	Public awareness campaign in Thimphu, Trashigang, and Phuentsholing	▪
July 1, 2002	Inauguration of the National Pension and Provident Fund Plan	▪

**The Royal Securities Exchange of Bhutan (RSEB)**

The RSEB is incorporated under the Companies Act and licensed under the Financial Institutions Act. Its initial authorised capital of Nu.2 million was provided by the four financial institutions, whose subsidiary units, brokerage firms, are licensed to serve as brokers. The board of directors consists of the Managing Director of the RMA as

chairman, the CEO's of the four brokerage firms, the president of the Bhutan Chamber of Commerce and Industry (BCCI), and the CEO of the RSEB as member secretary. As the Exchange is still at an early stage of development, the RMA, which acts as a securities commission, provides budget grants for its operations.

The trading system is fully automated and linked by a local area network to the trading floor. Since the volume of trading is relatively low, the Exchange conducts trading only twice a week on Tuesdays and Fridays. To eliminate delays in the registration of physical transfers of shares and to ensure the safety of such documents, a central depository (CD) was established along with the RSEB. However, due to the lack of a proper legal framework governing the CD, only about 25 percent of the securities outstanding are deposited with it.

There are approximately 5000 shareholders in Bhutan and every effort is being made by the Government to ensure that shares are being distributed as widely as possible to the general public. Recently, lured by high dividends declared by most of the public limited companies, there has been a significant flow of savings to the equity market. In that regard, it has to be mentioned that the demand for equities is expected to grow further in the future.

Within the ongoing financial sector reform process, the existing Securities Exchange Regulations (1993) need to be upgraded to a modern legislation, the Financial Institutions Supervision Division in the RMA is required to commence the supervision of the RSEB and the capital market, while a substantial institutional strengthening of the RSEB will be necessary. The Exchange began with four listed companies and a total market capitalisation of Nu.393 million, and, since then, investment in securities has increased dramatically. As at the end of June 2, 2002, 14 companies are listed on the Exchange, with a total market capitalisation of about Nu.2944.4 million.

Notably during 2001/2002, shares of the newly established Bhutan Beverages Company Ltd., (BBCL) were floated and brokered by BNB Securities Ltd. Due to a high demand for the shares, BBCL will have to refund over-subscribed shares of about Nu.53.1 million as only 345,000 shares are available (face value of Nu.100 per share). BBCL at present is not listed with the RSEB.

**Bank of Bhutan - Selected Financial Indicators, 1997-2001**

Particulars	End of December				
	1997	1998	1999	2000	2001
<b>Millions of Ngultrum</b>					
Total Assets/Liabilities	6260.8	6999.1	7417.7	8743.4	9574.5
Share Capital	50.0	50.0	100.0	100.0	100.0
Reserves	311.7	360.7	351.3	407.4	548.2
Deposits	4397.0	4921.5	5998.7	6274.6	6979.7
Balances with RMA	1573.9	1539.2	2173.3	2677.2	2877.0
Balances with other Banks	1433.2	2713.2	2387.2	2657.6	3013.4
Loans & Advances	1566.8	1230.7	1126.4	1186.6	1531.4
Interest Income	220.2	297.4	362.2	378.1	563.1
Interest Expenses	205.9	273.4	292.9	338.0	379.4
<b>Net Interest Income</b>	14.2	24.0	69.2	40.1	183.8
Profit Before Tax	55.8	98.2	100.1	122.7	243.8
<b>Percentage Change</b>					
Total Assets/Liabilities	.	11.8	6.0	17.9	9.5
Deposits	.	11.9	21.9	4.6	11.2
Loans & Advances	.	-21.4	-8.5	5.3	29.1
Interest Income	.	35.1	21.8	4.4	48.9
Interest Expenses	.	32.8	7.1	15.4	12.2
Profit Before Tax	.	76.0	2.0	22.5	98.7
<b>Memorandum Items</b>					
No. of Branches	25.0	25.0	25.0	25.0	26.0
No of Employees	411.0	412.0	426.0	438.0	452.0
No. of Shareholders	2.0	2.0	2.0	2.0	2.0
Share Holding Pattern in Percent:					
<i>RGOB</i>	80.0	80.0	80.0	80.0	80.0
<i>SBI</i>	20.0	20.0	20.0	20.0	20.0

Source: Financial Statements of the BOB.

**Bhutan National Bank - Selected Financial Indicators, 1997-2001**

Particulars	End of December				
	1997	1998	1999	2000	2001
<b>Millions of Ngultrum</b>					
Total Assets/Liabilities	1033.3	1402.8	2816.1	3831.5	4124.2
Share Capital	59.5	59.5	59.5	59.5	59.5
Reserves	80.2	98.2	122.3	195.4	243.8
Deposits	767.4	1110.9	2489.9	3376.1	3610.2
Balances with RMA	79.9	135.4	228.2	534.2	464.2
Rupee Investment in India	79.4	210.4	1131.0	1534.1	1047.6
Loans & Advances	687.0	732.1	819.6	948.8	1208.3
Interest Income	103.8	121.0	170.7	275.1	310.5
<i>of which interest from Rupee Deposits</i>	3.8	10.7	54.6	144.0	146.9
Interest Expenses	56.8	61.0	88.9	155.8	196.4
<b>Net interest Income</b>	47.0	60.0	81.8	119.4	114.1
Gross Operating Income	59.7	81.6	110.3	189.6	170.1
Operating Expenses	28.9	30.2	38.0	49.8	50.2
<b>Net Operating Income</b>	30.7	51.4	72.3	139.8	120.0
Profit before Tax	21.0	68.3	68.4	150.1	111.6
<b>Percentage Change</b>					
Total Assets/Liabilities	.	35.8	100.8	36.1	7.6
Deposits	.	44.8	124.1	35.6	6.9
Loans & Advances	.	6.6	12.0	15.8	27.4
Interest Income	.	16.6	41.1	61.1	12.9
Operating Expenses	.	4.6	25.7	30.9	0.8
Profit Before Tax	.	225.8	0.2	119.6	-25.7
<b>Market Highlights*</b>					
No. of Shareholders	411.0	406.0	407.0	407.0	405.0
Year-End Closing Price Per Share(Nu.) (Face value of Nu. 100)	225.0	240.0	250.0	700.0	1400.0
Dividend(%)	20.0	50.0	40.0	50.0	50.0
Earning per Share(Nu.)	35.2	80.3	80.4	173.0	131.3
PE Ratio	6.4	3.0	3.1	4.1	9.9
Dividene Yield(%)	8.5	18.9	13.1	11.7	3.8
Return on Capital	0.2	0.3	0.8	1.7	0.2
<b>Memorandum Items</b>					
No. of Branches	1.0	1.0	1.0	1.0	1.0
No. of Employees	113.0	125.0	135.0	144.0	165.0
Share Holding Pattern in Percent:					
<i>ADB</i>	0.0	0.0	20.1	20.1	20.1
<i>Citibank</i>	0.0	0.0	19.9	19.9	0.0
<i>RGOB</i>	67.2	67.2	27.2	27.2	27.2
<i>RICB PF</i>	4.2	4.2	4.2	4.2	2.1
<i>Public</i>	28.6	28.6	28.6	28.6	28.6
<i>BTF</i>	.	.	.	.	9.95
<i>NPPFB</i>	.	.	.	.	12.05

Source: Financial Statements of the BNB and \*the RSEB Annual Report 2001.

**Bhutan Development Finance Corporation - Selected Financial Indicators, 1997-2001**

Particulars	End of December				
	1997	1998	1999	2000	2001
<b>Millions of Ngultrum</b>					
Total Assets/Liabilities	488.0	557.3	614.7	718.6	809.7
Share Capital	100.0	100.0	100.0	100.0	100.0
Reserves	88.1	91.2	107.1	123.6	141.0
Balances with BOB/BNB in Current/Saving A/c	24.7	24.6	26.4	43.4	31.3
Loans Receivable	406.1	422.1	450.4	500.1	642.5
Interest on Loans	46.9	50.2	54.1	66.3	69.5
Operating Expenses	21.9	21.8	27.7	25.6	25.9
Profit for the Year	0.8	6.3	8.8	12.9	24.1
<b>Percentage Change</b>					
Total Assets/Liabilities	.	14.2	10.3	16.9	12.7
Loans Receivable	.	3.9	6.7	11.1	28.5
Interest on loans	.	7.1	7.8	22.5	4.8
Operating Expenses	.	-0.6	27.0	-7.5	1.2
Profit Before Tax	.	662.2	40.8	46.3	86.9
<b>Memorandum Items</b>					
No of Employees	117.0	114.0	128.0	131.0	125.0
No. of Branches	20.0	20.0	20.0	20.0	21.0
Share Holding Pattern in Percent:					
<i>RGOB</i>	87.0	87.0	87.0	87.0	82.0
<i>Financial Institutions</i>	13.0	13.0	13.0	13.0	18.0

Source: Financial Statements of the BDFC.

## Royal Insurance Corporation of Bhutan - Selected Financial Indicators, 1997-2001

Particulars	End of December				
	1997	1998	1999	2000	2001
<b>Millions of Ngultrum</b>					
Total Assets/Liabilities	1500.6	2077.9	2452.6	1336.9	1530.1
Share Capital	24.0	24.0	24.0	48.0	48.0
Reserves	55.9	133.0	143.1	69.6	103.9
Call Deposit with RMA	0.2	0.2	0.0	0.0	0.0
Foreign Currency Deposit	0.6	2.1	2.7	1.1	5.4
Loans & Advances	697.9	654.6	666.9	815.4	947.3
Interest Income	175.1	169.4	160.4	139.9	126.3
Interest Expenses	8.1	9.1	10.3	11.7	79.7
Gross Operating Income	116.4	43.2	40.7	47.5	107.9
Operating Expenses	34.8	10.4	6.1	79.5	47.5
Profit before Tax	31.0	32.8	34.6	34.6	49.7
<b>Percentage Change</b>					
Total Assets/Liabilities	.	38.5	18.0	-45.5	14.5
Call Deposit with RMA	.	11.1	-100.0	0.0	0.0
Loans & Advances	.	-6.2	1.9	22.3	21.6
Interest Income	.	-3.2	-5.3	-12.8	-9.7
Operating Expenses	.	-70.0	-41.8	1209.6	-40.3
Profit Before Tax	.	5.6	5.7	-0.1	43.6
<b>Market Highlights*</b>					
No. of Shareholders	205.0	200.0	260.0	2550.0	2155.0
Year End Closing Price Per Share(Nu.) (Face value of Nu. 100)	0.0	0.0	3700.0	4100.0	4100.0
Dividend(%)	25.0	40.0	30.0	15.0	20.0
Earning per Share(Nu.)	905.0	955.4	1009.6	455.2	724.0
PE Ratio	2.8	3.9	3.7	9.0	5.7
Dividend Yield(%)	0.8	6.1	0.4	3.7	4.9
Return on Capital	0.3	0.2	0.1	0.2	0.2
<b>Memorandum Item</b>					
No. of Branches#	2.0	2.0	2.0	2.0	9.0
No. of Employees	185.0	195.0	203.0	172.0	153.0
Share Holding Pattern in Percent:					
<i>RGOB</i>	61.0	61.0	61.0	39.2	39.3
<i>Private</i>	24.3	24.3	23.5	23.5	23.5
<i>Public</i>	14.7	14.7	16.2	37.2	37.2

Source: Financial Statements of the RICB and \*the RSEB Annual Report 2000.

#2: Branches and 7 Development Centres.

## TOURISM

The first official tourists to Bhutan were a group of Americans led by Lars Eric Lindblad of Lindblad Travel New York after the Royal Coronation in 1974. Thereafter, the Bhutan Tourism Corporation was responsible for all tourist operations up till 1991, when the tourism industry was privatised. It was then that the Tourism Authority of Bhutan (TAB) was established as a regulatory body, which in 2000 was re-instituted as the Department of Tourism in a Royal Government restructuring exercise.

Since its inception, the development of the tourism industry is consistently guided by its policy of "high quality, low volume," in an effort to ensure the preservation of Bhutan's environment, its traditional culture, and values. The very elements of Bhutan's natural and cultural wealth are now being upheld even more strongly as the foundation for current and future development of tourism in Bhutan. The enormous possibilities in the marketability of eco-tourism products will soon alter the overriding principle for the industry from "high quality, low volume" to "high quality, low impact." (*Bhutan National Eco-Tourism Strategy, Department of Tourism, September 2001*)

In a span of 27 years, tourist arrivals have risen from 287 in 1979 to 6393 in 2001. The tourism sector continues to be recognized for its considerable potential as a major source of income for the Government, and as a private sector employer to part of Bhutan's growing working population. Tourism is the Kingdom's largest source for convertible currency earnings excluding Rupee exports of electricity. Tourism receipts to the Government consist of royalties and taxes collected from tour operators. As at the end of the FY 2000/2001, Government receipts from tourism stood fourth at 4.2 percent of total national revenue, recording a substantial increase from 1999/2000 by 31.7 percent to Nu.196.2 million. It is projected as second only to hydropower in the 9FYP.

Analysis of Daily Fee Breakdown (USD)	
<b>HIGH SEASON</b>	
Client pays per day	200.00
Less 10 % commission to overseas agent	20.00
So Bhutan receives	180.00
Less 35% agreed royalty to RGOB	65.00
Less 2% withheld tax to RGOB	3.60
Received by tour operator	111.40
<b>LOW SEASON</b>	
Client pays per day	165.00
Less 10% commission to overseas agent	16.50
So Bhutan receives	148.50
Less 35% agreed royalty to RGOB	55.00
Less 2% withheld tax to RGOB	3.00
Received by tour operator	90.50

*Source: Department of Tourism.*

According to the Planning Commission's document, Bhutan 2020, by the end of the 10 FYP (2012), tourism will constitute 25 percent of GDP and revenues will have increased by 100 percent, while by the end of the 11 FYP (2017), tourism revenues will have risen by 150 percent.

The primary source for tourism statistics is the Department of Tourism; however the Ministry of Foreign Affairs also maintains records of other foreign guests. Statistics on visitors from Bangladesh, India, and the Maldives, who do not

require visas to enter the country and are yet to be captured at this stage.

Liberalization of the licensing process had been initiated in early 1999, following a unanimous response from Bhutanese entrepreneurs to dilute the monopoly of early operators. Licenses for tour operators had been limited to 33 for a number of years prior to the liberalization. This has not, however, changed the fact that as at the end of 2001 the top 6 tour agencies accounted for over 50 percent of all tourists who visited Bhutan. As of September 2001, there were a total of 94 registered tour operators providing direct employment for over 500 Bhutanese nationals and 2000 temporary workers.

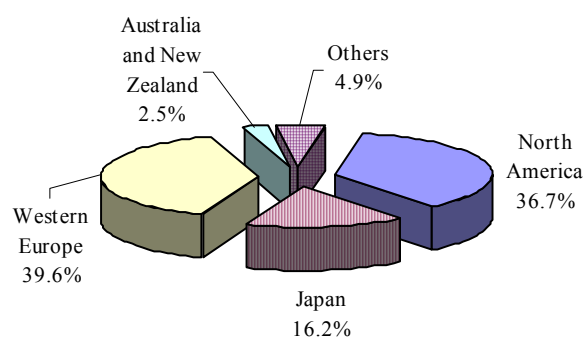
Meanwhile in 1996, there were a total of 32 hotels, lodges, and guesthouses to accommodate visiting travellers. By 2001, those figures grew to 57 approved establishments, with a total of 1,013 rooms in major towns across the country, functioning with over a 1000 staff, approximately 10 percent of which were non-nationals. Approval for a further 19 hotels with 243 rooms have now also been awarded for Indian visitors to Bhutan.

Selected Tourism Indicators 1997-2001					
Item	1997	1998	1999	2000	2001
Tourist Arrivals	5363	6023	7158	7559	6393
Of which: Cultural	4617	4860	6328	6633	5925
Trekking	746	1343	830	926	468
% Change in arrivals	4.4	12.3	18.8	5.6	-15.4
Gross Receipts <sup>1</sup>	6.6	8.0	8.9	10.5	9.2
% Change in receipts	1.5	21.2	11.3	18.0	-12.4
Government Revenue	2.5	3.0	3.5	4.1	3.3
% Change in revenue	6.9	20.0	14.3	17.1	-19.5

Source: Department of Tourism. -1) Millions of USD.

From the beginning, the Bhutanese tourism market has been largely dominated by the section of North Americans and Europeans. These two segments alone accounted for over 70 percent of all visitors to Bhutan in 2001. The Japanese came in third with a share of 16 percent that year.

Source of Total Arrivals for 2001



#### Post September 11<sup>th</sup> and the Fiscal Year 2001/2002

The month of September 2001 itself saw an increase in tourist numbers and earnings by 27.1 and 51.8 percent, respectively. Following the terrorist attacks in the United States, overall tourist figures and convertible currency



revenue fell considerably. For the first time in over a decade, Bhutan experienced a negative growth in total arrivals by 15.4 percent to 6393 arrivals from 7559 in 2000. Correspondingly, revenue diminished by 12.4 percent to USD 9.2 million, as compared to the 18 percent growth in earnings in 2000 to USD 10.5 million.

The Paro Tsechu, one of the major tourist attractions held in March 2002, suffered a major setback of 37 percent. A total of only 661 tourists attended the Tsechu in contrast to 1050 in 2001. Tour operators believe that the adverse impact of September 11<sup>th</sup> attacks on America were compounded by India's communal problems, Japan's economic slump, the Maoist insurgency in Nepal, and the overall unstable situation in the international economy.

And the fiscal year 2001/2002 revealed a substantial decline in tourist arrivals by 27.8 percent to 5490 from 7609 in 2000/2001. Similarly, foreign exchange revenue for FY 2001/2002 dropped to USD 8 million, a 27.3 percent reduction from the previous fiscal year's earnings of USD 11 million. Despite expectations of improvements in tourism indicators towards the end of 2002, in July and August 2002, visitor arrivals to Bhutan fell by 14.2 percent, as compared to the figures for July and August 2001, while convertible currency revenue dipped by 9.3 percent against the previous year. This clearly indicates that the downward trend has continued its slide into both seasons of 2002.

As we enter the Ninth Plan, the Royal Government has marked tourism as a "priority sector" allocating funds of Nu.185 million for tourism development. Among these, Department of Tourism officials report that part of the budget will be used in setting up a hotel management and training institute in Thimphu in addition to the development and promotion of new tourism products. The Bhutan National EcoTourism Strategy, a collaboration between the Department of Tourism and members of the Association for Bhutan Tour Operators (ABTO), was published in November 2001 as a guide to entrepreneurs and a report on the strategies to be adopted by the Government in the tourism sector.

The Aman-Bhutan project, a joint venture between Bhutan Tourism Corporation Ltd. (BTCL) and Maha/Aman Resorts, Singapore, was registered as Bhutan Resorts Corporation Ltd. (BRCL), in August 2001. BRCL will be establishing small luxury resorts in Paro, Thimphu, Punakha, Gangtey Gompa, Trongsa, and Bumthang with a total of 72 rooms. Construction work has already commenced on Phase I of the project covering Paro, Thimphu and Punakha and is expected to be completed and operational by April 2003. Phase II including Gangtey Gompa, Trongsa and Bumthang is due to be completed by September 2003.

Total project cost has been estimated at USD 14 million with a proposed capital structure of USD 6 million equity and USD 8 million debt. AmanResorts will contribute to 60 percent of the equity, BTCL will contribute 30 percent and 10 percent of equity will be floated to the public when decided by the Company. Debt financing

is being sought from local financial institutions, leaving external financing as a final resort. The joint venture project is a significant step in the early stages of building an enabling foreign direct investment (FDI) environment within the country that will boost the local economy through inflows of technology, foreign exchange, and creation of employment. Other cases of FDI within the country include the State Bank of India's participation in the Bank of Bhutan's initial establishment in 1968, and the ADB's equity contribution during the setting up of Bhutan National Bank in 1997.

AmanResorts caters to a select affluent segment of world travellers and was founded in 1988. It now has 11 resorts over five continents with just over 400 rooms.

### Tourist Arrivals and Convertible Currency Revenue<sup>1</sup>

Period	2000		% Change		2001		% Change		2002		% Change	
	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.	No.	Rev.
Jan	65	0.1	-56.1	-63.8	185	0.2	184.6	219.9	55	0.1	-70.3	-66.7
Feb	223	0.2	-30.7	-10.0	355	0.4	59.2	68.4	269	0.2	-24.2	-34.9
Mar	1066	1.3	-6.9	-10.3	553	0.8	-48.1	-35.6	862	1.1	55.9	33.3
Apr	995	1.4	64.7	62.8	1632	2.3	64.0	70.2	683	1.1	-58.1	-50.9
May	415	0.6	5.1	51.2	276	0.4	-33.5	-32.6	296	0.4	7.2	-3.8
June	187	0.2	73.1	53.5	146	0.1	-21.9	-25.5	79	0.1	-45.9	-7.7
July	162	0.2	22.7	23.0	129	0.1	-20.4	-23.5	114	0.1	-11.6	8.8
Aug	307	0.3	-11.8	-13.1	252	0.2	-17.9	-10.9	213	0.2	-15.5	-19.6
Sept	683	1.0	21.1	-33.2	868	1.5	27.1	50.8				
Oct	2247	3.7	18.4	37.6	1308	2.1	-41.8	-41.3				
Nov	996	1.5	12.1	39.7	517	0.8	-48.1	-47.1				
Dec	213	0.2	12.1	123.8	172	0.2	-19.2	-9.5				
Total	7559	10.5	5.6	18.0	6393	9.2	-15.4	-12.4	2571	3.4	-	-

1) USD million.

#### Ninth Plan Strategy - Reduce Seasonality and Boost the Tourism Sector

- ❖ Support the gaining popularity of bird watching and catch and release fly-fishing activities, while also introducing new sightseeing places and trekking routes.
- ❖ Rural eco-tourism products based on traditional occupations (weaving, handicraft, farming, village life) have immense potential to attract visitors, while at the same time benefiting local communities.
- ❖ Bhutan's pristine environment, rich in fresh air, herbal remedies, and hot springs, could be developed for health-based tourism products. Bhutan's Buddhist philosophies and values, and sacred religious sites have already attracted religious study groups. Combined together, this could be a potential area for promotion, while taking care not to undermine our Buddhist principles.
- ❖ Develop a wide range of adventure tourism activities, such as river-running, mountain biking, rock climbing, and day hikes, or combining them with cultural visits.
- ❖ Efforts shall also be made towards promoting domestic tourism by first reviewing present trends and improving public facilities and services at possible places of visit.

**Tourism Arrivals by Nationality and Activity 1995-2001**

Country of Origin	1995	1996	1997	1998	1999	2000	2001	Change over 2000 (%)
USA	865	963	910	1471	2122	2754	2149	-22.0
Japan	1192	1211	1173	1032	1102	875	1038	18.6
Germany	500	722	533	520	574	662	414	-37.5
United Kingdom	418	358	642	686	646	595	681	14.5
France	338	331	229	366	236	399	287	-28.1
Netherlands	100	131	234	370	362	359	180	-49.9
Canada	55	57	89	82	149	194	197	1.5
Australia	142	71	121	64	131	179	138	-22.9
Taiwan		32	83	135	179	175	44	-74.9
Italy	202	242	186	218	276	156	192	23.1
Spain	22	49	33	109	118	141	73	-48.2
Switzerland	220	161	186	170	296	137	170	24.1
Austria	200	156	156	270	197	131	128	-2.3
Belgium	79	77	75	95	107	95	76	-20.0
Thailand	57	181	140	19	71	92	36	-60.9
Israel				81	80	68	78	14.7
Finland	8	15	21		5	60	17	-71.7
Nepal		15	32	23	23	50	14	-72.0
Sweden	45	7	18	58	37	48	28	-41.7
Mexico					49	37	7	-81.1
Turkey					49	34	30	-11.8
Singapore		45	78	77	26	31	15	-51.6
New Zealand				28	22	31	25	-19.4
Others	322	314	424	329	301	256	376	46.9
<b>TOTAL ARRIVALS</b>	<b>4765</b>	<b>5138</b>	<b>5363</b>	<b>6203</b>	<b>7158</b>	<b>7559</b>	<b>6393</b>	<b>-15.4</b>
Trekking		1851	746	1343	830	926	468	-49.5
Cultural		3287	4617	4860	6328	6633	5925	-10.7

**Source of Total Arrivals (%)**

Sector	1995	1996	1997	1998	1999	2000	2001
North America <sup>1</sup>	19.3	19.9	18.6	25.0	31.7	39.0	36.7
Japan	25.0	23.6	21.9	16.6	15.4	11.6	16.2
Western Europe	45.6	45.6	44.8	50.3	43.9	40.1	39.6
Australia and New Zealand	3.0	1.4	2.3	1.5	2.1	2.8	2.6
Others	7.1	9.6	12.4	6.5	6.9	6.6	4.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1)USA and Canada.

Source: Department of Tourism, Royal Government of Bhutan.

## **THE POWER SECTOR IN BHUTAN<sup>i</sup>**

Bhutan's hydropower potential is estimated to be over 30,000 MW and at the end of the 8<sup>th</sup> Five-Year Plan, approximately 1.4 percent of that potential has been utilized. The first hydroelectric plant in Bhutan was built in the capital Thimphu, producing 360kW of electricity. When the Chukha hydropower project (336 MW) was commissioned in 1986, Bhutan began exporting over 90 percent of generated electricity. The energy sector continues to be the largest source of revenue earnings for the Royal Government, covering 45 percent of total national revenue while accounting for about 11 percent of GDP.

In the fiscal year 1999/2000, the Chukha hydropower project alone contributed Nu.1696.2 million to national revenue. At the end of the fiscal year 2000/2001, the Chukha hydropower project earned the country Nu.1818.5 million, registering an upward growth of 7.2 percent over the previous year and also was the highest single source of revenue for the government (38.9 percent of total national revenue), followed by the Royal Monetary Authority and Division of Power. The latest revision in Chukha power tariffs with the Indian government was made during 1999/2000 from Nu.1 per unit to Nu.1.5. It is projected that by the year 2006, Bhutan will export over 6,400 million units of power per annum and total gross national revenue will then achieve Nu.15 billion annually. As for the Ninth Plan period, domestic revenue from Basochu and Kurichhu is projected at Nu.382.1 million and Nu.17.2 million, respectively, out of the total revenue of Nu.31522 million.

Annual domestic consumption in Bhutan has been growing at an average rate of 9.5 percent over the past 5 years. Domestic demand for electricity is now over 90 MW per annum, and more than 30 percent of Bhutanese households have access to electricity. By 2005, when the Tala and Basochu Lower Stage Projects are commissioned, Bhutan will have 1485 MW of hydropower capacity and about 5 percent of its total hydropower potential will have been developed. This industry will also contribute about 60 percent of total annual revenue generation for the country.

In the continuous effort to tap Bhutan's vast hydropower potential, the Royal Government has sent two project reports to the Government of India on the 360 MW Mangdechhu and the 870 MW Puna Tsangchhu hydropower projects to consider financing along the Kurichhu and Tala modalities. The Mangdechhu project is estimated to cost USD 349 million and the Puna Tsangchhu project USD 813 million. In addition, three feasible micro-hydel sites have also been identified at Sengor, Sakten, and Tang.

- ❖ As of July 1, 2002, a notable development in the Ministry of Trade Industry and Power is the separation of the Department of Power into the Bhutan Power Corporation (BPC), Department of Energy (DoE), and the Bhutan

Electricity Authority (BEA). While the BPC will function as a government-owned corporation, the DoE and the BEA (established within the DoE) will remain as government departments responsible for policy, planning, and regulation in the energy sector. This restructuring has been implemented in pursuance of provisions in the Electricity Act 2001. The mandate of the BPC is to provide reliable and affordable electricity for all Bhutanese by the year 2020.

- ❖ Mr. Ganardhana Puranik Narayana Rao, chief engineer and managing director of the Chukha Hydropower Project Corporation upon its establishment in 1991, passed away on July 24, 2002. Mr. Rao had received the Druk Thuksey Medal on June 2, 1999, and the Padmashri National Award from the Government of India in 1992 for his outstanding and valuable contribution to Indo-Bhutan Relations, and the development of hydropower in Bhutan.

### **THE TALA HYDROELECTRIC PROJECT (1020 MW)**

The Tala Project was embarked upon following the successful implementation of the Chukha Hydropower Project. It is the largest hydropower project assisted and undertaken by India in any country. The contract for the Tala project was signed on March 5, 1996 and works on the project began in October of 1997. It was approved at the estimated cost of Rs./Nu.14080 million (1993 price level) and was scheduled to be completed in 8 years, inclusive of the first two years of infrastructure development. The revised envisaged cost is now Rs./Nu.37250 million and the expected date of completion is June 30, 2005.

Upon completion, Tala will be capable of generating 5000 GWh (million units) of energy in an average year and provide 1020 MW of peaking power throughout the year, more than double of Chukha's present power generation capacity.

Over 80 km of land has been used in the construction of the Tala project and settlement colonies have been set up at Gedu, Wangkha, Tala and Sinchekha. For hydropower purposes itself, the project is envisaged to utilize 860 metres fall available by about 22 km length of tunnels beginning at the head race tunnel from down stream of the Chukha power house up to the Tala power house. The Tala project has in fact helped to generate business and employment for people of these towns, as well as introduce better public services in the form of roads, hospitals, schools, water treatment facilities, mostly financed by the Tala Hydroelectric Project Authority.

Fiscal Year 2001/2002

- ❖ November 2001 - Progress of the Tala project is reviewed. The project has reached a physical progress of 40 percent and expenditure till date was Nu.10500 million out of the estimated completion cost.

- ❖ January 2002 - The chairman of the Tala Hydropower Project Authority (THPA), Lyonpo Khandu Wangchuk expressed his satisfaction with the progress of the work after a three-day inspection visit to the project.
- ❖ March 2002 - Bhutan's private sector benefits from the Tala project. It was reported that out of the estimated cost (on completion of the project), a total of 280 works worth Nu.1070 million were awarded to Bhutanese contractors. Approximately 150-170 Bhutanese construction companies shared these works relating to infrastructure.
- ❖ June 2002 - 15<sup>th</sup> Project Meeting - The Tala project is on schedule and will be operational by June 2005. Heavy rains and landslides in 2000 had caused massive damages on the project and had brought all activities to a standstill for many months. By March 2001, the project was 18 months behind schedule. However, the Acceleration Programme adopted in April 2001 helped regain lost time.

### **THE KURICHHU HYDROPOWER PROJECT (60 MW)**

The Kurichhu project, like the Tala project, is being constructed with the assistance of the Government of India. The contract between the two governments was signed on February 18, 1994, and construction commenced on September 27, 1995.

The First Phase (3 units of 45 MW) was completed in September 2001. Commercial operations on Phase I commenced on November 1, 2001. As of now, Kurichhu has already generated 28 million units of electricity. The project is exporting power at a per unit tariff of Nu.1.75 to the Damodar Valley Project in West Bengal, the West Bengal Electricity Board, and the State of Jarkhand. Within Bhutan, eight Dzongkhags will be recipients of Kurichhu power including Mongar, Samdrup Jongkhar, Sarpang, Trashigang, and Trashiyangtse.

Financial assistance from the Government of India is provided in the form of 60 percent grant and 40 percent loan. The initial estimated cost of the project was Rs./Nu.2560 million. However, in June 2002, the Kurichhu Project Authority (KPA) conveyed India's approval of the completion cost of Nu.5600 million, out of which Nu.5263 million was to be awarded to the main contractor, National Hydro Power Corporation (NHPC) of India as final settlement. The balance Nu.327 million will be spent on infrastructure building, consultancy charges and establishment of the project management. The final phase of the Kurichhu project (1 unit of 15 MW) is scheduled for completion by the end of December 2002.

## **THE BASOCHU HYDROPOWER PROJECT (62.2 MW)**

His Majesty the King identified the Basochu as a potential energy source in the early 1970's, but it was only in 1989 that the Austrian Government took an interest in the project and financed the pre-feasibility study. In 1993 and 1994 a preliminary design of the project was carried out by a team of Austrian engineers, and on April 14, 1995, the financing agreement was signed between the RGOB and the Government of Austria. This project is by far the single-largest Austria-Bhutan undertaking and also the first time that Bhutanese have been involved at all levels of planning, construction, operation, and maintenance.

### Phase I: Upper Stage Basochu Project (22.2 MW)

The Basochu project, divided into two stages, is located in Wangdue Phrodrang and taps the Basochu stream above the Basochu waterfall using 2.6 km length of a headrace tunnel and a 1.368 km length penstock. Expected average annual power generation is 107 GWh, which at the present domestic selling price of Nu.0.70 per KWh will earn gross revenue of Nu.74.9 million. However, no tariff has yet been established for power sale, though the first stage was commissioned in October last year. Transmission lines are still under construction and available power from the project will be primarily supplied for internal consumption in the western dzongkhags.

The initial disbursement of funds from the Government of Austria comprised ATS 350 million, of which ATS 180 million was the grant component and ATS 170 million was a soft loan, the repayment period of which was 20 years (grace period of 10 years).

An additional budget of ATS 73.1 million, half of which is a soft loan from the Government of Austria, is being used for the project. The second amount of ATS 44.9 million was approved at the Steering Committee Meeting held in Thimphu on July 4, 2001. The total terms of loan finance from the GoA therefore stands at ATS 229 million.

The upper stage of the Basochu project was commissioned in October 2001, and jointly inaugurated in Wangdue Phrodang in January 2002 by the Minister of the Ministry of Trade and Industry, Lyonpo Khandu Wangchuk, and Director-General of the Development Cooperation in the Austrian Foreign Ministry, Mr. Georg Lenkh. The cost on completion of the project was Nu.1600 million, of which Nu.1200 million were contributed by the Government of Austria in the form of a grant and an interest-free loan.

## Phase II: Lower Stage Basochu Project (40 MW)

The lower stage Basochu hydropower project is the final stage of the Basochu hydropower project and is financed under an Official Austrian Export Promotion Scheme (OAEPS) loan of Nu.1289.6 million. The Government of Austria will also provide technical assistance (TA) of Nu.39.8 million to the Basochu Project Authority by fielding various experts to strengthen supervision and quality control of the contract works. Bhutan will make a further contribution of approximately Nu.92.4 million for infrastructure to transmit power to Semtokha. Works on the lower stage were launched in March this year.

Besides utilizing water released by the upper stage, the lower stage will also make use of the additional flow tapped from the nearby Rurichhu. An 820 metre long tunnel will convey water from Rurichhu to a reservoir, to be constructed in front of the upper stage powerhouse, from where it will be taken to the powerhouse downstream through a 2.53 km penstock pipe. The lower stage powerhouse will be constructed near the confluence of Rurichhu and Puna Tsangchu along the Wangdue-Tsirang highway. Upon completion in March 2005, the lower stage will have an installed capacity of 40 MW (2 units of 20 MW).

With an overall capacity of 62 MW power generation upon completion, electricity from the Basochu project will be used to meet electricity requirements of the seven western dzongkhags. Once the final stage is commissioned, its eventual goal during the Ninth Plan, besides connecting to the Simtokha sub-station, will be to transmit power to Gelephu, where it will combine with the Kurichhu project and therein form an integrated national transmission grid covering the entire country.

### **Medium-Term Prospective - Power Sector**

For the Ninth Plan, the electricity sector average annual rate of growth is forecast at 12.2 percent, compared to the Eighth Plan achievement of 9.3 percent growth, while the sector share to GDP at the end of the Ninth Plan is projected at 14.6 percent (9.9 percent actual sectoral composition of electricity to GDP at the end of the Eighth Plan).

#### **Ninth Plan Strategies for the Power Sector**

##### **Creation of an Enabling Environment**

This includes formulating hydropower policy guidelines to encourage possible participation of local power producers and operators, development of private sector skills for the execution of rural electrification works, and exploring possibilities for community and private sector participation in electricity supply services.

##### **Rural Electrification**

Rural electrification is being accorded the highest priority to stimulate socio-economic development in rural areas and to improve the quality of life alongside improving urban electricity supply services. The goal is to achieve 100 percent rural electrification by 2020, while targeting 15,000 households during the Ninth Plan period. A comprehensive Rural Electrification Master Plan and investment study is being formulated for the 20 dzongkhags.

(contd...)



(concl...)

**Construction of Transmission Grid**

The construction of extensive inter-connected transmission grids is planned for this period, linking Tingtibi to Trongsa to Bumthang, Wangdue Phodrang to Tsirang/Dagana and to Gelephu. Grid power extensions are also proposed for power supply to un-electrified dzongkhags and dungkhags (sub-districts), such as Gasa, Bhangtar in Samdrup Jongkhar and Lhamoizingkha in Sarpang.

**Strengthening Institutional Capacity**

The Department of Power was segregated into the Department of Energy, Bhutan Power Corporation and the Bhutan Electricity Authority in July 2002 with the enactment of the Bhutan Electricity Act 2001.

**Automation of Generation, Transmission, and Distribution of Electricity**

Automated mechanisms will increase the efficiency and reliability of power operations, such as the use of SCADA (Supervisory Control and Data Acquisition).

**Determination of Tariff System**

The tariff system will be fixed for the internal and external sale of electricity, taking into consideration prevailing prices, trends, and opportunities.

**Preparation of Energy and Water Resources Master Plan**

The preparation of the Energy Master Plan, Water Resources Management Master Plan, and the revision of the Hydropower Master Plan Inventory will be undertaken to ensure the systematic and sustainable management of renewable natural resources. Feasibility studies of 2000 MW hydropower project sites at lower Bumthang Chhu (Diglai project in Zhemgang), Kholongchhu in Trashiyangtse, and Punatsangchhu Stage II in Wangdue Phodrang are proposed to be carried out in the Ninth Plan.

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<sup>1</sup> Sources: Department of Energy, Ministry of Trade and Industry, Royal Government of Bhutan.  
 Department of Revenue and Customs, Ministry of Finance.  
 Basochu, Kurichhu and Tala Hydropower Project Authorities.  
 Kuenselonline News Archives.  
 Ninth Plan Document (2002 - 2007), Planning Commission.

**SUMMARY OF OPERATIONS OF MAJOR HYDROPOWER PROJECTS IN BHUTAN**

	TALA*	KURICHHU*	UPPER STAGE BASOCHU*	LOWER STAGE BASOCHU**
Date Contract was signed	March 5, 1996	February 18, 1994	November 6, 1997	September 13, 2001
Donor	GOI	GOI	Govt. of Austria (GoA)	Official Austrian Export Promotion Scheme (Govt. of Austria)
Commencement of construction	October 1, 1997	September 27, 1995	December, 1997	March 20, 2002
Expected date of completion	June 30, 2005 (compressed) September 30, 2005 (Scheduled)	First Phase (3 units of 45 MW): September 26, 2001 Second Phase (1 unit 15 MW): December 31, 2002	December 31, 2001	March 2005
Energy capacity upon completion	1020 MW	60 MW	22.2 MW	40 MW
Terms of Finance	60% Grant 40% Loan (9% interest)	60% Grant 40% Loan (10.75% interest)	37.34% Grant 48.96% Loan 13.69% RGOB	2.80% TA (GoA) 90.70% Soft Loan (GoA) 6.50% RGOB
Initial Budget outlay and estimated cost	Rs./Nu.14,080.00 million at 1993 price levels	Rs./Nu. 2,560 million	ATS 350 million	Nu.1421.8 million at 2000 price level
Envisaged escalated cost	Rs./Nu.37,250 million	Rs./Nu. 5,600 million (as revised in June 2002) - GOI Additional RGOB contribution of Rs./Nu. 40 million	ATS 482 million	-
Grant amount disbursed till date	Rs./Nu.8,409.50 million	Rs./Nu. 3,404.02 million	ATS 180 million	Nu.14.45 million
Loan amount disbursed till date	Rs./Nu.5,552.34 million	Rs./Nu. 2,133.88 million	ATS 219 million	Nu.322.50 million
Total funds utilised till date	Rs./Nu.13,961.84 million	Rs./Nu. 5,501.48 million - GOI Rs./Nu. 31.25 million - RGOB Total - Rs./Nu. 5,532.73 million	ATS 456 million	Nu.347.21 million

\*Position as of August 2002.

\*\*Position as of September 2002.

Source: Dept.of Energy, Ministry of Trade and Industry, Tala Hydroelectric Project Authority, Kurichhu Project Authority, Basochu Hydropower Corporation.

## INTEREST RATES

Given the close financial and economic links with India, and the Ngultrum pegged at par with the Indian Rupee, interest rates and inflation trends in Bhutan are a reflection of similar developments taking place in India.

The possibility of liberalizing interest rates had been propounded during the IMF Mission in 1992 during their study of the feasibility of introducing a Government Securities market. Prior to the introduction of government securities and the RMA Bills that year, the RMA used the interest rate structure as a means to influence the allocation of investments by financial institutions. The structure of interest rates prevailing in January 1992 is provided in *Table I*.

Until 1997, interest rates were administered by the RMA, providing little flexibility to the financial institutions to set their own deposit and lending rates on the basis of their cost of funds, risk of default, operating expenses, and yield on assets. The RMA Board of Directors seeing that the controlled and administered rates would not create an environment conducive to the growth of the financial system, decided to liberalize the rates on September 2, 1997, whereby financial institutions were allowed to determine their own deposit and lending rates.

The first revision in interest rates was recorded in August 1994 when rates were cut by 1 percent on deposits and most categories of loans and advances. The rationale behind the reduction in the rates had been corresponding reduction of interest rates in India. Thereafter, interest rates were liberalized in 1997 with 'a spread system' - allowing the banks to determine their own deposit and lending rates while maintaining the overall spread of a maximum of six percentage points. However, in April 1999, to encourage competition, the RMA did away with the spread system, and now the interest rates on both loans and advances are completely liberalized.

However, the financial institutions took a while to act on this policy change. There were no movements in interest rates until July 1, 2000, when the Bank of Bhutan took the first initiative and lowered their interest rates on selected loan schemes. A wider effect of the liberalization is now being reflected through interest rate changes undertaken by the financial institutions.

When BNB reduced their lending rates on April 1, 2002, by 1 percent on industries, construction, personal loans, and on all deposits, BOB and RICB followed suit on May 1, 2002, while BDFC reduced its lending rates with effect from June 1, 2002. The reduction of 1 percent applies to general trade, manufacturing/mining industry, tourism, handicraft, and house construction, and does not reflect changes in agricultural lending rates due to the high operational costs (*Table II*).

Interest rates as an instrument of monetary policy in India were activated in the 1990s with the financial sector reforms, and since then, monetary management has been

increasingly relying upon the use of indirect instruments, such as interest rates and open market operations (OMPs) including repos. During the last decade, in India, the deposit interest rates structure has, by and large, been deregulated, except for the saving deposit rate, which is currently prescribed by the RBI. During the year July 1999-June 2000, there was a general softening in interest rates, mainly on account of the easing of monetary measures announced by the RBI. Following the RBI announcement in April 2000 of a reduction in the bank rate, the CRR (in two stages), and the repo rate by 1.0 percentage point each, there has been a general reduction in the domestic deposit rates of most of the scheduled commercial banks across all maturities, with the degree of moderation being higher for longer-term deposits. Interest rates on saving accounts continue to be regulated and the rate was reduced from 4.5 to 4.0 percent. For public sector banks, deposit rates in all maturities softened to 4.25-8.75 percent by March 2002, and further to 4.25-8.25 percent by July 2002 from 4.00-10.50 percent in March 2001. The long-term domestic deposit rates (over 3 years) of public sector banks declined from 9.5-10.5 per cent in March 2001 to 8.0-8.75 percent by March 2002, and further to 7.5-8.25 percent in July 2002.

On the lending side, there was only a marginal decline in the prime lending rates (PLRs) of the public sector banks (PSB). The PLRs of the public sector banks declined by only 50 basis points, compared with the softening of the long-term deposit rate by 150-175 basis points during 2001/2002. As at the end of July 2002, the PLRs of PSBs were in the range of 10.00-12.50 percent, as against 10.00-13.00 percent in March 2001.

#### **Movements in Deposit and Lending Rates**

	July '02	March '02	October '02	March '01
<b><u>Domestic Deposit Rates</u></b>				
<b>Public Sector Banks</b>				
a) Up to 1 year	4.25-7.00	4.25-7.50	4.25-7.50	4.00-8.00
b) 1-3 years	7.00-7.5	7.25-8.50	7.75-9.00	8.00-9.50
c) Over 3 years	7.50-8.25	8.00-8.75	8.50-9.25	9.50-10.50
<b>Private Sector Banks</b>				
a) Up to 1 year	4.00-8.75	5.00-9.00	5.00-9.50	5.00-10.25
b) 1-3 years	7.25-9.50	8.00-9.50	8.00-10.50	9.00-11.00
c) Over 3 years	7.75-9.50	8.25-10.00	8.25-10.50	9.25-11.50
<b>Foreign banks</b>				
a) Up to 1 year	4.25-9.75	4.25-9.75	4.25-10.00	4.25-10.00
b) 1-3 years	5.50-10.00	6.25-10.0	5.75-10.50	7.25-10.75
c) Over 3 years	5.50-10.00	6.25-10.0	7.25-10.50	7.25-10.50
<b><u>Prime Lending Rates</u></b>				
Public Sector Banks	10.00-12.50	10.00-12.50	10.00-12.50	10.00-13.0
Private Sector Banks	9.50-15.50	10.00-15.50	10.50-15.50	10.25-15.5
Foreign Banks	7.90-17.50	9.00-17.50	8.80-17.50	9.00-17.5

*Source: Annual Report 2001-2002, Supplement to RBI Bulletin, September 2002.*

**Table I. Structure of Interest and Lending Rates (January 1992)**

<b>Deposit Rates</b>			
Deposit			Rate of Interest (% p.a)
I. Savings			5
II. Fixed Deposit			
a) 3-6 months			8
b) 6-12 months			9
c) 12-24months			10
d) 24-36 months			11
e) More than 36 months			13
<b>Lending Rates</b>			
Sector	Term Loan (% p.a.)	Working Capital (% p.a.)	Repayment Period
1. Trade			
a. General trade	17	17	3
b. Export trade (3rd Country)	13	13	1
2. Transport			
a. Trucks, buses & lorries	15	15	5
b. Light vehicles (two wheelers)	17		5
3. Agriculture and Animal Husbandry	14	14	10
4. Manufacturing			
a. upto Nu. 5,000,000	13	15	10
b. Above Nu. 5,000,000-Nu. 20,000,000	14	15	10
c. Above Nu. 20,000,000	15	15	10
5. Housing and Construction	15	15	20
6. Tourism and Other Services	15	15	5
7. Consumer Loans	17		5
8. Equity Finance (*)	14		5
9. Overdraft Against Fixed Deposit - 2% above the Deposit Rate			

(\*) Financing for purchase of publicly floated shares.

**Table II. Financial Institutions' Prevailing Deposit and Lending Rates (Interest rates % p.a.)**

**DEPOSIT RATES**

Deposit	BOB		BNB	
	Old Existing Rates	Old	Old	Revised w.e.f. 1/4/02
I. Savings	5	7		6
II. Fixed Deposits				
a) 3 months to less than 1 year	7	8		7
b) 1 year to less than 3 years	9	10		9
c) More than 3 years	10	11		10

**LENDING RATES**

Loan by purpose	BOB		BNB		RICB		BDFC	
	Old	Revised w.e.f. 1/5/02	Old	Revised w.e.f. 1/4/02	Old	Revised w.e.f. 1/5/02	Old	Revised w.e.f. 1/6/02
1. General Trade	15.5	15	15	15	15-16	15	16	15
2. Export Finance (Convertible currency areas)								
a) From date of 1st disbursement to 60 days after the date of last disbursement	13	13						
b) More than 60 days after the last disbursement	15.5	15						
3. Manufacturing Industry								
Term Loan	13	12			13	12	13	12
Working Capital	13.5	13	14	13	14	13	15	13
4. Service Industries (includes tourism, contract services, and other service activities)	13	13	13	12			13	12
5. Transport								
a) Truck & buses			13	13	13	13	13	13
i. Term Loans	13	13						
ii. Working capital	15.5	15						
b) Other Passenger vehicles (Light)	15.5	15	13-16	13-16	13-16	13-16	16	16
6. Agriculture & livestock	13	13			13	13	13-15	12-15
7. Housing	14	13	14	13	14	13	14	13
8. Equity finance	13	13	14	14	14	14	13	13
9. Personal loan	15	15	16	15	16	15	16	15
10. Small loan to Government employees	12	12	16	16				

## BHUTAN'S EXTERNAL DEBT<sup>3</sup>: A STATUS REPORT

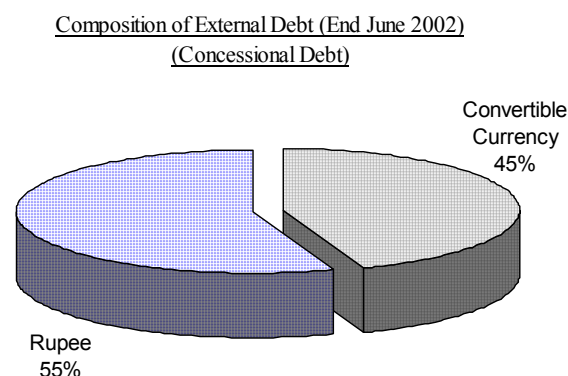
### 1. EXTERNAL DEBT STOCK

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#### Total External Debt<sup>4</sup>

Bhutan has amassed its external debt over the years to fund a range of infrastructure and social service works. The outstanding stock of external debt stood at USD 291.8 million at the end of June 2002. 45 percent of outstanding debt was convertible currency loans and the remaining 55 percent, Rupee loans. These were all concessional debt, since the only commercial loan was taken in 1988/1989, to purchase the Druk-Air aero plane, and repaid in 1998/1999.

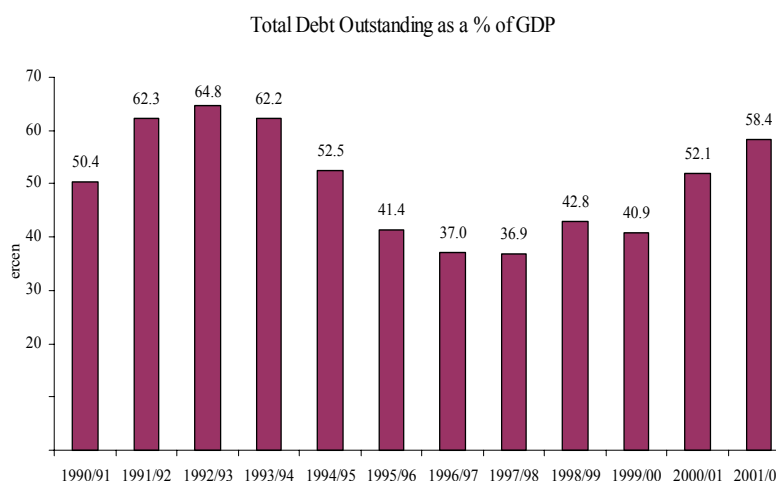
The present stock of external debt comprises of convertible currency debt of USD 129.9 million and Rupee debt of Rs.7803.6 million. The increase in debt stock can mostly be attributed to a substantial disbursement of USD 13.4 million, as compared to USD 3.3 million in 2000/2001 from the ADB and the Government of Austria towards energy development in Bhutan. There was also greater mobilization of funds for the communications and agricultural sector, with disbursements of USD 3.7 million and USD 2.5 million, respectively. In the Rupee account, with Kurichhu near completion, there was a lower disbursement of funds for the project, as compared to a considerable release of Rupee loan for the Tala Project of Rs./Nu.1746.8 million, which is a 70 percent increase over 2000/2001.



<sup>3</sup> Bhutan's external debt statistics are published quarterly for four reference periods in a year, viz., for end-March (in the RMA Selected Economic Indicators (SEI)), end-June (SEI), end-September (SEI), and end-December (SEI). The annual fiscal position of External Debt statistics is thereafter published in the RMA Annual Report that is distributed at the end of each calendar year. The Department of Aid and Debt Management (DADM) in the Ministry of Finance is the RMA's primary source for such statistics.

<sup>4</sup>The **Gross External Debt of Bhutan** is the outstanding amount of those current, and not contingent, liabilities that require payment(s) of interest and/or principal at some point(s) in the future and that are owed to non-residents by residents of the Bhutanese economy. In the case of Bhutan, regulations permit only the General Government and Monetary Authority to borrow from external sources and, therefore, external debt comprises of government liabilities to non-resident creditors from concessional and commercial borrowings. The surveillance of external debt is crucial being the requirement, or obligation, to make future payments.

External debt levels (in US Dollars) have been relatively lower for the first half of the last decade. The shift in trend towards larger outstanding debt took place in the later part of the 1990's with the construction of the Tala, Kurichhu and Basochu hydropower projects. Notwithstanding the increase in debt stock, Bhutan's external debt is



still manageable with a debt service ratio of 4.4 percent of current receipts<sup>5</sup> in 2001/2002, a slight increase from 4 percent in 2000/2001. This implies that less than 10 percent of current receipts were needed during both fiscal years to finance the country's debt-service obligations. Similarly the debt service ratio (as a percentage of the export of goods and services) has slightly worsened to 5 percent in 2001/2002. A study of the debt to GDP ratio reveals that debt as a percentage of domestic output had been declining, while only in recent years has been making a gradual climb; yet it is still lower than it was during the early 1990's. This reflects that the development of the power sector has been highly responsible for the direct and indirect relationships established between growing outstanding debt and domestic production.

#### Bhutan - Key External Debt Indicators

Year	Debt Service/ Current Receipts	Interest Pay./ Current Receipts	Debt/ Current Receipts	Debt/ GDP	(In Percent)		
					Convertible Currency Debt/ Total Debt	Rupee Debt/ Total Debt	Debt Service Ratio
1990-91	5.3	2.0	145.2	50.4	59.6	40.4	5.3
1991-92	6.5	2.4	160.2	62.3	61.8	38.2	6.5
1992-93	18.1	4.0	169.9	64.8	55.4	44.6	18.1
1993-94	20.3	11.0	166.2	62.2	57.8	42.2	20.3
1994-95	14.2	8.5	150.9	52.5	59.4	40.6	14.2
1995-96	20.8	5.6	95.9	41.4	68.4	31.6	20.8
1996-97	8.5	4.5	97.2	37.0	70.5	29.5	8.5
1997-98	6.8	1.9	92.1	36.9	66.7	33.3	6.8
1998-99	10.2	1.7	116.7	42.8	61.0	39.0	10.2
1999-00	4.2	1.2	112.8	40.9	56.8	43.2	4.8
2000-01	4.0	1.1	151.2	52.1	45.2	54.8	4.6
2001-02 (p)	4.4	1.3	199.1	58.4	44.5	55.5	5.0

#### Notes:

1. Figures for Debt Service and Interest Payments are calculated on cash payment basis.
2. Current receipts exclude Official and Private Transfers.
3. Debt-GDP figures are calculated using the lower GDP figure i.e. 1990 GDP figure for Fiscal Year 1990/91. Debt-GDP figures are derived using Ngultrum figures.
4. Debt Service Ratio is the calculation of Total Debt Service Payments as a percentage of the total Exports of Goods and Services.

<sup>5</sup> Current receipts include receipts from the export of goods and services, income and current transfers, excluding official and private transfers.

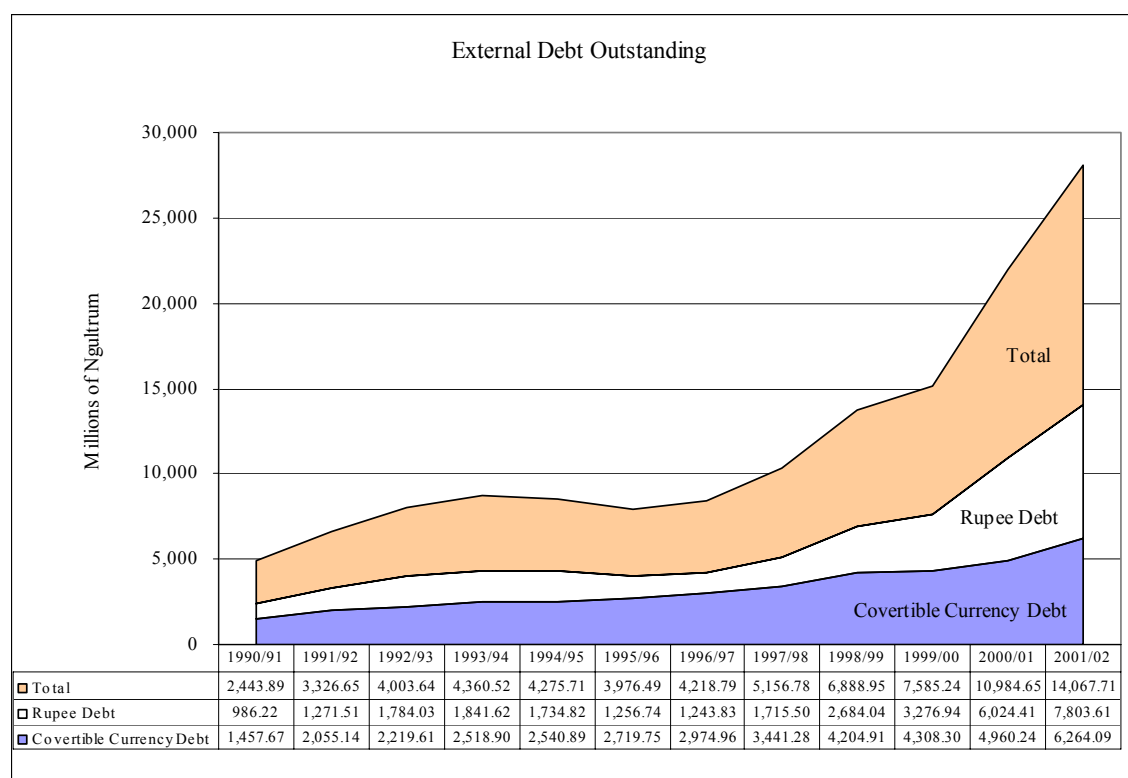


## Bhutan's External Debt - Fiscal Year Position

Item	Rupee/Ngultrum million				US \$ million			
	1998/1999	1999/2000	2000/2001	2001/2002	1998/1999	1999/2000	2000/2001	2001/2002
<b>1. Government Borrowing</b>								
<b>Concessional</b>	4204.91	4308.30	4960.24	6264.09	<b>98.73</b>	<b>98.73</b>	<b>106.93</b>	<b>129.94</b>
a. World Bank	1023.62	1048.78	1282.56	1599.90	24.03	24.03	27.65	33.19
b. IFAD	541.78	555.10	579.52	659.99	12.72	12.72	12.49	13.69
c. ADB	1841.29	1886.56	2197.16	2671.31	43.23	43.23	47.37	55.41
d. KFAED	334.98	343.22	300.48	246.57	7.86	7.86	6.48	5.11
e. EFIC Australia	20.19	20.68	17.59	13.71	0.47	0.47	0.38	0.28
f. Govt. of Austria	443.06	453.96	582.93	1072.62	10.40	10.40	12.57	22.25
<b>2. Commercial Borrowing</b>					<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
a. Druk-Air Corporation					0.00	0.00	0.00	0.00
<b>3. Rupee Debt</b>	<b>2,684.04</b>	<b>3,276.95</b>	<b>6,024.41</b>	<b>7,803.61</b>	63.02	75.09	129.88	161.87
a. Chukha Hydropower Project	787.50	700.45	612.85	525.30	18.49	16.05	13.21	10.90
b. Kurichhu Hydropower Project	666.00	1,106.00	1874.00	1993.98	15.64	25.34	40.40	41.36
c. Tala Hydropower Project	1,230.54	1,470.50	3537.56	5284.33	28.89	33.70	76.26	109.62
<b>4. Gross Total</b>	<b>6888.95</b>	<b>7585.25</b>	<b>10984.65</b>	<b>14067.71</b>	<b>161.74</b>	<b>173.82</b>	<b>236.81</b>	<b>291.81</b>
Convertible Currency Debt					98.73	98.73	106.93	129.94
As a % of Total Debt					<b>61.04</b>	<b>56.80</b>	<b>45.16</b>	<b>44.53</b>
Rupee Debt	2,684.04	3,276.95	6,024.41	7,803.61				
As a % of Total Debt	<b>38.96</b>	<b>43.20</b>	<b>54.84</b>	<b>55.47</b>				
<b>Exchange Rate</b>								
Ngultrum to 1 USD	42.59	43.64	46.39	48.21				

Notes:

1. Based on the Fiscal Year period : July to June end.
2. Outstanding Debt = (Total Disbursement - Principal Repayment).
3. Exchange rate used for conversion is based on the Fiscal Year Average.

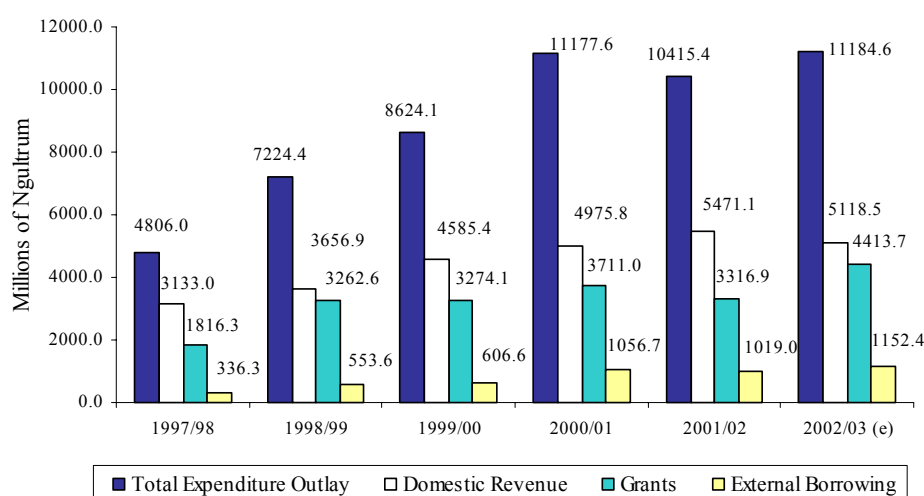


## 2. EXTERNAL DEBT AND THE BUDGET

The Royal Government till date has followed a cautious fiscal approach to development, relying heavily on external assistance (concessional aid and grants) to finance development-related activities. In the 2001/2002 revised Budget, total outlay was marked at Nu.10415 million. Of this, current expenditure accounted for roughly 45 percent, while capital expenditure filled the residual 55 percent of Nu.5751 million. Domestic revenues from tax, non-tax and other sources were sufficient to meet current expenditures and even a portion of capital expenses. However, the Government was compelled to rely on grant aid from India and Other Countries, to finance a further 67 percent of capital expenditure. With a Budget Deficit of Nu.1627 million, the Royal Government once again resorted to external borrowing from international aid agencies at concessional rates to meet 63 percent of the Deficit (Nu.1019 million), and used Nu.608 million to close the Internal Resource Gap.

During the presentation of the National Budget at the 80<sup>th</sup> Session of the National Assembly, the Budget Outlay for the financial year 2002/2003 has been estimated at Nu.11184 million, which is a 7 percent increase over the previous year's outlay. Total resources were approximated at Nu.9532 million, of which domestic revenue will only meet 46 percent of total expenditure and grant aid will supplement it by meeting another 40 percent. Of the resulting Deficit of Nu.1652 million, 70 percent is expected to be covered through external project-tied loans, leaving Nu.500 million to be financed through domestic borrowing. Debt service payments during 2002/2003 are estimated at Nu.372 million, which is 3 percent of total expenditure and nearly double that of the previous period. In 2001/2002, total debt service payments amounted to Nu.311.4 million (Nu.93.7 million in interest payments and Nu.217.7 million for principal repayment).

Composition of 8FYP Financing and 2002/2003



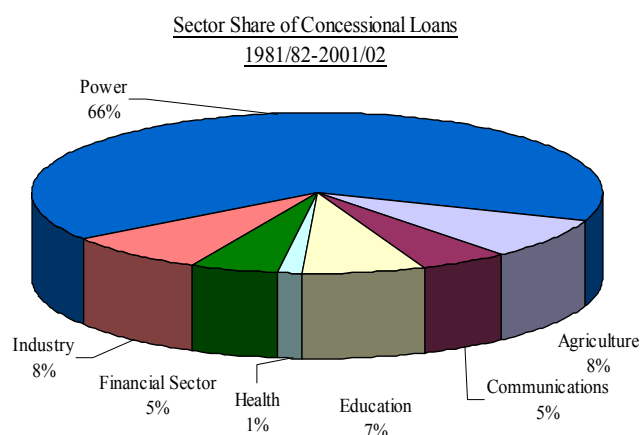
All this clearly indicates an increase in Bhutan's external debt. However, given the fact that the magnitude of external assistance granted to Bhutan has largely come in the form of grants (gifts in cash and kind) that entail no repayment, and bilateral and multilateral concessional loans (which have long maturity and low interest rates), the Royal Government has not been pressured by high debt servicing. Concessional loans with interest rates ranging from 0.75 to 1.5 percent impose low periodical payments over periods as long as 40 years. On the other hand, the amount of commercial loans availed of by the Government has been negligible, with the only such loan taken by Druk-Air in 1988/1989, and repaid in 1998/1999.

Sector Allocation: 2002-2003 Budget (estimates)

Sector	Millions of Nu.	
	Amount	Percent of Total
Health and Education	2863.5	25.6
Agriculture	1242.6	11.11
Human Settlements	693.4	6.2
Communications	211.6	1.89
Roads	1260.1	11.27
Energy (excluding mega projects)	1068.6	9.55
General Public Services	2696.9	24.11
Concessional Debt Service	372.2	3.33
Others	775.7	6.94
<b>TOTAL</b>	<b>11184.6</b>	<b>100.0</b>

### 3. CLASSIFICATION OF EXTERNAL DEBT

#### 3.1. Sectoral Disbursements



The first concessional loan can be traced to 1981/1982 with the first SDR loan disbursement from the International Fund for Agricultural Development (IFAD) to the Royal Government for the development of the Small Farms Project. Debt service payments are still being made on this loan. Since then, USD 380.5 million in concessional loans (excluding the Druk-Air commercial loan) have been disbursed to Bhutan by various foreign governments,

international multilateral, and bilateral agencies. Of this amount, 66 percent have been mobilized for the power sector, with the agricultural sector following in second at 8.4 percent, and industrial development third at 8.1 percent.

For fiscal year 2001/2002, the power sector was the highest recipient of loan funds of USD 13.4 million and Rs.1866.8 million. It was followed by the communications sector with disbursements of USD 3.7 million, the education sector with USD 2.9 million, USD 2.5 million for agriculture, and USD 0.7 million towards the financial sector.

#### Creditors Ranked by Cumulative Disbursement : 1981/82-2001/02

In Millions of USD

	Agency	Sector							Total
		Agriculture	Communications	Education	Health	Financial Sector	Industry	Power	
1	Government of India*							215.5	215.5
2	Asian Development Bank	5.9	13.0	14.9	4.7	11.2	0.8	12.0	62.5
3	World Bank	10.4	3.4	11.7		3.3	7.2		36.0
4	KFAED					4.7	23.0		27.7
5	Government of Austria							20.4	20.4
6	IFAD	15.7							15.7
8	Mitsui & Co. (Japan)		1.7						1.7
7	EFIC Australia			0.8					0.8
8	Total	32.0	18.9	26.6	4.7	19.2	31.0	248.0	380.5

\* The exchange rate used for conversion is based on the FY average, and also the simple average of FY averages for the 15 year group (1981/82-1995/96).

### 3.2. Creditor Classification

#### External Debt Outstanding by Creditor Categories

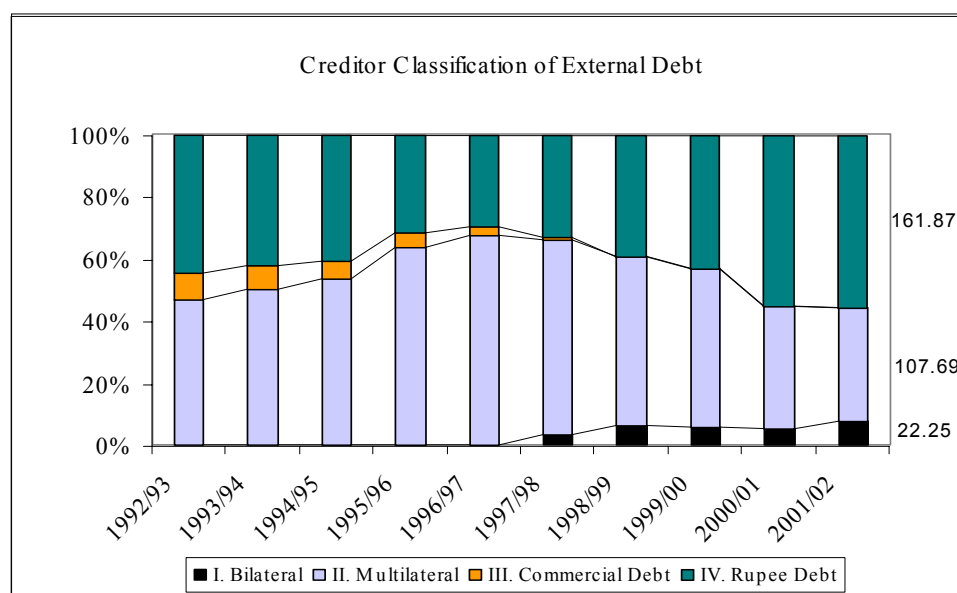
Creditor Category	<i>In millions USD</i>									
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
I. Bilateral	0.00	0.00	0.00	0.00	0.00	4.28	10.40	10.40	12.57	22.25
II. Multilateral	67.49	70.11	72.81	74.50	80.58	85.03	88.32	88.32	94.37	107.69
III. Commercial Debt	12.44	10.18	7.91	5.65	3.39	1.13	0.00	0.00	0.00	0.00
IV. Rupee Debt	64.24	58.71	55.24	36.65	34.77	44.68	63.02	75.09	129.88	161.87
<b>Total External Debt</b>	<b>144.17</b>	<b>138.99</b>	<b>135.96</b>	<b>116.80</b>	<b>118.75</b>	<b>135.12</b>	<b>161.74</b>	<b>173.82</b>	<b>236.81</b>	<b>291.81</b>
	<i>Percentage Share of Total External Debt</i>									
I. Bilateral	0.0	0.0	0.0	0.0	0.0	3.2	6.4	6.0	5.3	7.6
II. Multilateral	46.8	50.4	53.6	63.8	67.9	62.9	54.6	50.8	39.8	36.9
III. Commercial Debt	8.6	7.3	5.8	4.8	2.9	0.8	0.0	0.0	0.0	0.0
IV. Rupee Debt	44.6	42.2	40.6	31.4	29.3	33.1	39.0	43.2	54.8	55.5

A creditor-wise breakdown of Bhutan's external debt is provided in the top and bottom tables. At the end of June 2002, the total multilateral debt (ADB, EFIC, IFAD, KFAED, IDA) stood at USD 107.7 million and accounted for 37 percent of total external debt. Its share has been gradually declining since 1997/98, with the bilateral loan for Basochu hydropower project and increasingly growing Rupee debt also associated with hydropower. Correspondingly, bilateral debt (Government of Austria) and Rupee debt (Government of India) grew by 77 and 30 percent, respectively, for the fiscal year end 2001/2002. Commercial Debt remains nil as of 1998/99.

#### External Debt Outstanding by Individual Creditor Categories

Creditor Category	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	<i>(In millions of USD and Rupees/Ngultrum)</i>									
<b>I. Convertible Currency Debt</b>	<b>79.9</b>	<b>80.3</b>	<b>80.7</b>	<b>80.2</b>	<b>84.0</b>	<b>90.4</b>	<b>98.7</b>	<b>98.7</b>	<b>106.9</b>	<b>129.9</b>
I. Multilateral										
Asian Development Bank	24.3	25.9	28.3	31.2	36.3	40.4	43.2	43.2	47.4	55.4
EFIC (Australia)	0.8	0.8	0.8	0.8	0.8	0.7	0.5	0.5	0.4	0.3
IFAD	8.6	9.2	9.8	10.9	11.4	12.2	12.7	12.7	12.5	13.7
KFAED	17.1	15.9	14.5	11.1	10.9	9.6	7.9	7.9	6.5	5.1
World Bank (IDA)	16.7	18.3	19.4	20.5	21.3	22.1	24.0	24.0	27.6	33.2
II. Bilateral										
Government of Austria	0.0	0.0	0.0	0.0	0.0	4.3	10.4	10.4	12.6	22.2
III. Commercial Debt										
West LB Ltd (Druk Air Loan)	12.4	10.2	7.9	5.7	3.4	1.1	0.0	0.0	0.0	0.0
<b>II. Rupee Debt</b>	<b>1,784.0</b>	<b>1,841.6</b>	<b>1,734.8</b>	<b>1,256.7</b>	<b>1,243.8</b>	<b>1,715.5</b>	<b>2,684.0</b>	<b>3,277.0</b>	<b>6,024.4</b>	<b>7,803.6</b>
Government of India	1,441.20	1514.1	1421.1	1256.7	1243.8	1715.5	2684.0	3277.0	6024.4	7803.6
State Bank of India	247.83	327.5	313.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amex Bank	95.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>(In percent of Total Convertible Currency/ Rupee Outstanding Debt)</i>									
<b>Convertible Currency Creditors</b>										
ADB	30.4	32.3	35.1	38.9	43.2	44.7	43.8	43.8	44.3	42.6
EFIC	1.0	1.0	1.0	1.0	0.9	0.7	0.5	0.5	0.4	0.2
Government of Austria	0.0	0.0	0.0	0.0	0.0	4.7	10.5	10.5	11.8	17.1
IFAD	10.7	11.5	12.2	13.6	13.5	13.5	12.9	12.9	11.7	10.5
KFAED	21.4	19.8	18.0	13.9	13.0	10.7	8.0	8.0	6.1	3.9
World Bank	20.9	22.7	24.0	25.6	25.3	24.4	24.3	24.3	25.9	25.5
West LB Ltd.	15.6	12.7	9.8	7.1	4.0	1.3	0.0	0.0	0.0	0.0
<b>Rupee Creditors</b>										
Government of India	80.8	82.2	81.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State Bank of India	13.9	17.8	18.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amex Bank	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The Government of India is Bhutan's largest creditor with over 50 percent of total debt outstanding. However, in terms of convertible currency debt, the ADB is the largest creditor with 43 percent of total debt outstanding, followed by the World Bank at 26 percent, and the Government of Austria standing in third at 17 percent.



Bhutan joined the ADB as a member in 1982. For the past 18 years, the ADB has been actively involved in Bhutan's development, focusing on development activities in the areas of road improvement, rural electrification, urban infrastructure, financial sector reform, and human resources development. On October 23, 2001, the ADB and Royal Government signed a partnership agreement aimed at addressing poverty reduction by improving living standards and promoting social equity. A Household Living Standard survey is also planned for 2004 to establish a poverty line for Bhutan.

Breakdown of Cumulative ADB Lending to Bhutan as at the end of 2001			
(USD million)			
Sector	Loans Awarded	Loan Amount	% Share
Social Infrastructure	5	33.1	32.5
Transport and Communications	3	19.3	19.0
Energy	2	17.5	17.2
Multisector	2	12.4	12.2
Finance	3	10.5	10.3
Agriculture and Natural Resources	2	7.8	7.7
Industry and Nonfuel Minerals	1	1.2	1.2
<b>TOTAL</b>	<b>18</b>	<b>101.8</b>	<b>100.0</b>

Source: ADB Annual Report 2001.

No new loans have been allotted by the ADB for 2002, however, two TA's have been granted for the energy, finance, and industry sectors. This includes the USD 700,000 grant for the Rural Electrification Network Project from the ADB Special Fund of the Government of Japan. The other TA of USD 300,000 is being provided towards financial sector development and is a follow up to the findings of the ADB Financial

Sector Review completed early this year. In its Country Program Update covering 2003-2005, ADB assistance is estimated at USD 40 million, with priority projects in rural and private sector development, and plans also to help expand the electricity sector. Notably, an ADB-wide reduction in TA resources has resulted in a substantial reduction in the TA program for Bhutan, from USD 2.2 million to USD 1 million per year.

### 3.3. External Debt by Currency Composition

Bhutan's external debt is dominated heavily by the Indian Rupee due to increasingly large loans from the Government of India (56 percent of total external debt at the end of 2001/2002). On the other hand, the shares of the SDR and US Dollar denominated debt have declined over the years from 56 and 1.3 percent at the end of June 1997/1998 to 35 and 0.1 percent at end-June 2002, respectively. Other important currency components of external debt are the Kuwaiti Dinar and Euro.

#### Currency Composition of External Debt

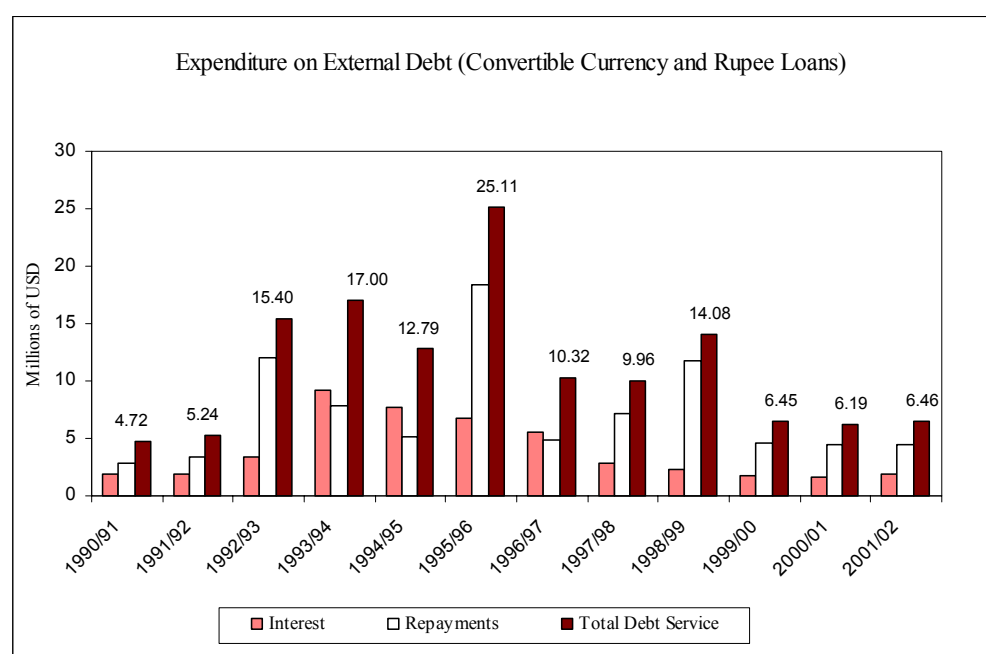
Currency	<i>(In percentage of Total External Debt)</i>				
	1997/98	1998/99	1999/00	2000/01	2001/02
SDR	55.6	49.5	46.5	37.2	35.1
US Dollar	1.3	0.3	0.3	0.2	0.1
Indian Rupees	33.3	39.0	42.6	54.5	55.5
Euro*	3.2	6.4	6.0	5.3	7.6
Kuwait Dinar	7.2	4.9	4.6	2.8	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*: Euro includes currencies denominated in Euro and all Euro area denominated currencies.

## 4. DEBT SERVICE<sup>6</sup>

### 4.1. Actual Debt Service Payments (Historical)

Debt service payments peaked in 1995/1996 at USD 25.1 million. Since then, debt service has declined to USD 10 million in 1997/1998, before increasing to USD 14.1 million in 1998/1999. During 2001/2002, debt service payments increased to USD 6.5 million, a 4.4 percent rise over the previous period. The graph below provides a year-wise breakdown of debt service payments since 1990/1991 for interest and principal repayments.



Debt service payments as a ratio of current receipts measure the capacity to service debt obligations. The debt service ratio (as a percent of total export of goods and services) has fluctuated from a low 5.3 percent in 1990/1991 to 20.8 percent in 1995/1996 and a manageable 5 percent in 2001/02. This is a slight increase over the last year's ratio of 4.6 percent. Similarly, the debt service to current receipts is another measure of debt service capacity. As at the end of June 2002, this ratio stood at 4.4 percent. In spite of its growing debt, this asserts that, Bhutan's ability to service its debt obligations has exceeded its capability 10 years ago (*see key external debt indicators in Section 1*). Meanwhile, the Interest Payments to Current Receipts Ratio and Debt Service to Gross International Reserves have also exhibited substantial improvement over time, declining to 1.3 and 2 percent respectively, at the end of the period under review.

<sup>6</sup> Debt service projections are not disclosed here due to unavailability of information.



## Bhutan's Debt Service Payments

Creditor Category	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest	Interest
	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
<i>(In Millions of USD)</i>										
I. Multilateral	0.88	0.88	0.92	1.22	1.26	0.90	0.95	0.94	0.95	1.30
	2.82	2.47	2.41	4.86	2.18	2.45	2.70	2.63	2.63	2.71
II. Bilateral	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III. Commercial Debt	1.06	0.90	0.72	0.55	0.38	0.21	0.04	0.00	0.00	0.00
	2.26	2.26	2.26	2.26	2.26	2.26	1.13	0.00	0.00	0.00
IV. Rupee Debt	1.47	7.45	6.03	4.98	3.85	1.69	1.34	0.88	0.73	0.61
	6.90	3.05	0.45	11.24	0.39	2.46	7.93	2.01	1.89	1.82
Total	3.42	9.23	7.66	6.75	5.49	2.80	2.34	1.82	1.68	1.94
	11.98	7.78	5.12	18.36	4.83	7.16	11.76	4.64	4.51	4.52
<b>Total Debt Service</b>	<b>15.40</b>	<b>17.00</b>	<b>12.79</b>	<b>25.11</b>	<b>10.32</b>	<b>9.96</b>	<b>14.09</b>	<b>6.46</b>	<b>6.19</b>	<b>6.46</b>
<i>(Ratios)</i>										
Debt Service Ratio*	18.1	20.3	14.2	20.8	8.5	6.8	10.2	4.8	4.6	5.0
Debt Service/Current Receipts**	18.1	20.3	14.2	20.8	8.5	6.8	10.2	4.2	4.0	4.4
Interest Payments/Current Receipts	4.0	11.0	8.5	5.6	4.5	1.9	1.7	1.2	1.1	1.3
Debt Service/Gross Reserves	16.3	15.9	10.6	17.3	5.9	4.6	5.4	2.2	2.1	2.0

\*: Debt service payments as a percentage of total exports of goods and services.

\*\* : Current Receipts include receipts from trade, services, income and transfers excluding official and private transfers.

Inconsistencies may occur due to rounding.

## 4.2. Debt Service by Creditor Categories

The table above provides a breakdown of debt service payments by creditor categories that correspond to the creditor-wise debt outstanding provided in Table 4. The share of multilateral debt in total debt service was 62 percent for the year ending 2001/2002. Collectively, multilateral and bilateral debt payments accounted for 63 percent of total debt service in 2001/2002. Rupee debt payments constituted the remaining 37 percent of total debt service.

## 5. GRANT ASSISTANCE

Grant aid is anticipated to support 40 percent of budget expenditure in 2002/2003 (estimates). In the last fiscal year, grant aid supplemented domestic income to meet 32 percent of capital expenditure. Therefore, grants constitute an essential portion of total revenue for the government. Bhutan has received over Nu.25000 million in program and project-related grant aid since 1990/1991. The Government of India is Bhutan's largest grant donor followed by DANIDA, JICA, the Netherlands Government, and the UNDP.

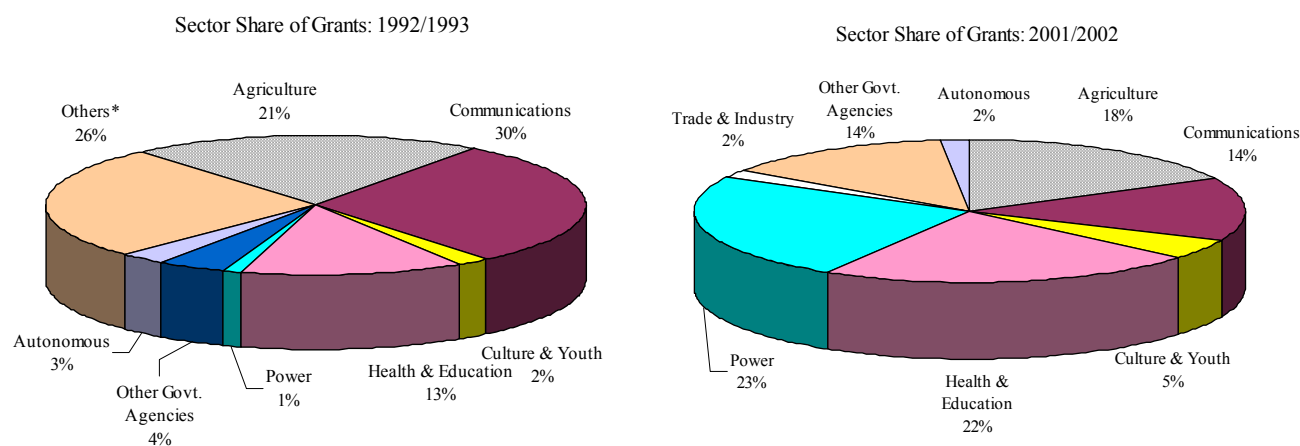
Of the total grants of Nu.2697 million received in 2001/2002, 35 percent were contributed by the Government of India (Nu.945.3 million), followed by DANIDA with Nu.534.8 million (20 percent), Nu.274.5 million from the Government of Netherlands (10 percent) and Nu.132.7 million from the UNDP (5 percent of total grants). On the whole, there has been an average positive increase in grants over the years, although a 27 percent reduction was recorded this fiscal year. In other developments, the Asian Development Bank in an ADB-wide reduction of TA resources has reduced its yearly grant fund to Bhutan from USD 2.2 million to USD 1 million.

Individual Grant Donors: 1992/1993 - 2001/2002

		In Millions of Ngultrum									
Agency	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	
1 Govt. of India	363.31	607.46	721.44	1168.86	947.65	1045.13	1928.51	2187.92	2551.24	945.28	
2 DANIDA	100.26	141.29	173.01	155.34	218.21	135.64	385.17	318.72	394.84	534.78	
3 JICA	380.60	225.82	313.39	0.00	474.98	0.00	0.00	7.08	0.00	4.15	
4 Govt. of Netherlands	0.20	14.92	60.57	253.56	84.02	66.76	88.79	74.36	147.56	274.45	
5 UNDP	20.70	47.22	18.45	21.92	44.50	100.32	122.07	140.85	51.44	132.73	
6 Govt. of Austria	1.28	26.05	45.79	1.86	22.04	85.29	170.72	142.95	174.19	44.16	
7 HELVETAS	73.41	80.91	26.14	105.97	18.12	15.04	147.25	75.85	94.30	0.00	
8 Swiss Dev. Cooperation	0.00	27.70	42.03	29.89	62.20	49.50	200.58	106.20	66.82	62.58	
9 EEC	40.87	45.04	60.43	107.78	33.48	57.11	35.10	29.90	18.02	112.53	
10 UNCDF	7.47	30.68	85.03	43.89	118.23	88.45	37.44	10.61	27.18	26.92	
11 Others	242.05	209.13	198.45	464.95	208.71	173.07	146.95	179.70	185.42	559.33	
<b>SECTOR TOTAL</b>	<b>1230.12</b>	<b>1456.22</b>	<b>1744.72</b>	<b>2354.02</b>	<b>2232.13</b>	<b>1816.31</b>	<b>3262.58</b>	<b>3274.14</b>	<b>3711.00</b>	<b>2696.90</b>	
Percentage Change over Previous Year											
<b>SECTOR TOTAL</b>	<b>56.53</b>	<b>18.38</b>	<b>19.81</b>	<b>34.92</b>	<b>-5.18</b>	<b>-18.63</b>	<b>79.63</b>	<b>0.35</b>	<b>13.34</b>	<b>-27.33</b>	

Of all the sectors, health and education has been the maximum recipient of grant aid since 1990/1991, with a share of 15.4 percent, or Nu.3885.8 million. Next are the agriculture, power, and communications sectors with shares of 15.2, 12.4, and 11.8 percent, respectively. The general pattern of grant aid has not shifted over the years, though in recent years, there has been a tremendous growth in power grants and rising

aid for the promotion of culture and youth development, trade and industrial development, as well as capacity building of other government agencies.



\*:Others: Program grants from GOI.

During fiscal year 2001/2002, the power sector received the highest grant amount of Nu.654 million, followed by the health and education and agriculture of Nu.600 million and Nu.475 million, respectively. This was a marked increase across all major sectors from 2000/2001. In the previous year, the health and education sector received the largest aid of Nu.422.4 million, followed by communications (Nu.363.6 million) and power (Nu.323 million).

#### Sector-Wise Classification of Grant Assistance: 1990/1991 - 2001/2002

In millions of Nguntrum

Period	Sector									Total
	Agriculture	Communications	Culture & Youth	Health & Education	Power	Trade & Industry	Other Govt. Agencies	Autonomous	Others*	
1990/1991	205.73	21.34	0.76	54.91	25.87	1.18	7.49	10.19	425.25	752.71
1991/1992	249.60	120.69	2.55	155.52	30.15	9.04	8.80	27.29	182.25	785.89
1992/1993	258.82	359.63	24.22	163.39	14.59	0.00	51.71	32.77	325.00	1230.11
1993/1994	427.94	108.85	28.56	187.78	130.76	0.64	271.70	0.00	300.00	1456.22
1994/1995	487.12	291.19	15.34	251.72	228.76	7.52	169.61	0.00	293.47	1744.72
1995/1996	543.92	194.38	33.64	305.72	675.79	4.19	296.56	0.00	300.00	2354.19
1996/1997	361.59	421.10	68.26	457.41	109.18	28.04	511.55	0.00	275.00	2232.13
1997/1998	80.38	229.30	23.27	267.25	85.28	7.60	323.22	0.00	800.00	1816.30
1998/1999	316.92	138.47	83.99	652.76	410.54	27.92	808.12	23.87	800.00	3262.58
1999/2000	238.47	357.22	57.55	367.38	458.02	28.04	951.83	15.62	800.00	3274.13
2000/2001	212.38	363.57	69.14	422.35	322.97	12.09	1486.19	21.32	800.00	3710.01
2001/2002	475.14	378.99	128.24	599.64	653.55	47.85	371.42	42.08	0.00	2696.90
<b>Sector Total</b>	<b>3857.99</b>	<b>2984.72</b>	<b>535.52</b>	<b>3885.82</b>	<b>3145.47</b>	<b>174.13</b>	<b>5258.18</b>	<b>173.13</b>	<b>5300.97</b>	<b>25315.90</b>
<i>Percentage Share of Total Grant Aid</i>										
<b>Sector Total</b>	<b>15.24</b>	<b>11.79</b>	<b>2.12</b>	<b>15.35</b>	<b>12.42</b>	<b>0.69</b>	<b>20.77</b>	<b>0.68</b>	<b>20.94</b>	<b>100.00</b>

**ROYAL MONETARY AUTHORITY OF BHUTAN**  
**STATEMENT OF CONDITION**  
**BANKING DIVISION**

( Amount in Nu. )

ASSETS	June 30,2002	June 30,2001
<b>1.Cash and Bank Balances</b>	<b>58,188,855.03</b>	<b>3,335,957.80</b>
Local Currency in Hand	3,072.00	27,110.00
Balances with Domestic Banks	58,185,783.03	3,308,847.80
<b>2.Foreign Assets</b>	<b>8,867,542,855.35</b>	<b>7,276,838,888.28</b>
Foreign Currencies in Hand	35,855,247.31	21,194,444.92
Bank Balances	1,262,741,222.98	608,321,281.31
Time Deposits	4,677,592,048.05	4,070,291,636.54
Short Term Deposits	1,079,302,251.15	835,034,665.31
Investment with Asset Managers	1,734,885,000.00	1,669,920,000.00
Reserve Tranche at IMF	63,340,743.65	60,495,518.43
SDR Holding at IMF	13,826,342.21	11,581,341.77
<b>3.Gold and Precious Metals</b>	<b>254,836,519.94</b>	<b>210,684,536.00</b>
Gold	254,597,425.24	210,684,536.00
Silver	239,094.70	-
<b>4. Advance to Government</b>	<b>127,000,000.00</b>	<b>280,000,000.00</b>
Advance against net operating surplus	127,000,000.00	280,000,000.00
<b>5. Staff Loans</b>	<b>1,398,006.23</b>	<b>1,969,000.43</b>
<b>6. Earmarked Assets Against Fund</b>	<b>9,202,369.32</b>	<b>81,528,878.66</b>
HQ Building Current a/c	3,366,030.32	13,754,174.14
HQ Building- Suspense account	-	7,384,169.48
Premises Under Construction ( at cost )	-	54,733,734.04
Gratuity Deposit Accounts	5,836,339.00	5,656,801.00
<b>7. Net Fixed Assets</b>	<b>86,489,349.02</b>	<b>12,963,312.65</b>
Gross Block	95,160,629.68	21,678,527.74
Accumulated Depreciation	8,671,280.66	8,715,215.09
<b>8. Commemorative Coins ( at cost )</b>	<b>23,793,492.87</b>	<b>24,067,269.93</b>
Gold	18,778,854.95	18,901,997.97
Silver	3,463,492.96	3,608,607.80
Others	1,551,144.96	1,556,664.16
<b>9. Other Assets</b>	<b>105,049,242.74</b>	<b>24,628,955.15</b>
Interest accrued on foreign investments	42,695,095.66	17,628,292.24
Sundry Assets	5,357,718.18	7,000,662.91
Temporary Advance to Bhutan National Bank	56,996,428.90	-
	<b>9,533,500,690.50</b>	<b>7,916,016,798.90</b>

**ROYAL MONETARY AUTHORITY OF BHUTAN  
STATEMENT OF CONDITION  
BANKING DIVISION**

( Amount in Nu. )

LIABILITIES	June 30,2002	June 30,2001
<b>1. Capital &amp; Reserves</b>	<b>2,015,673,006.05</b>	<b>1,829,827,273.78</b>
<b>2. Fund Balances</b>	<b>82,379,146.53</b>	<b>81,722,165.75</b>
Building Fund	75,298,785.13	75,298,785.13
Clearing Fund	391,366.40	481,605.62
Gratuity Fund	6,688,995.00	5,941,775.00
<b>3. Income and Expenditure Statement</b> (Surplus payable to Government )	<b>161,215,821.45</b>	<b>365,983,213.28</b>
<b>4. Government Deposits</b>	<b>206,175,818.11</b>	<b>139,417,300.01</b>
Refundable Deposit Account	51,096,188.30	-
Reserve Tranche at IMF	63,340,743.65	60,495,518.43
ADB Credit Line	24,579,504.58	78,921,781.58
Foreign Currency Accounts	67,159,381.58	
<b>5. Commercial Banks Deposits</b>	<b>4,279,855,311.18</b>	<b>3,545,275,762.75</b>
Bank of Bhutan	3,865,779,311.18	2,930,711,260.74
Bhutan National Bank	414,076,000.00	614,564,502.01
<b>6. Deposits of other Financial Institutions</b>	<b>20,324,492.01</b>	<b>26,149,015.27</b>
Asian Reinsurance Corporation.	20,324,492.01	19,563,415.27
Asian Clearing Union	-	6,585,600.00
<b>7. International Institutions' Deposits</b>	<b>3,371,464.97</b>	<b>9,335,326.69</b>
IMF Account - 1	978,151.51	934,213.57
IMF Account - 2	24,407.21	23,310.86
IBRD Account "A"	1,829,714.22	1,829,714.22
IDA Account "A"	517,938.04	517,938.04
ADB Account A	21,253.99	6,030,150.00
<b>8. RMA Discount Bills</b>	<b>910,000,000.00</b>	<b>410,000,000.00</b>
<b>9. Other Liabilities</b>	<b>1,854,505,630.20</b>	<b>1,508,306,741.37</b>
Sundry Deposits	7,954,041.90	26,029,418.76
Others	1,846,551,588.30	1,482,277,322.61
	<b>9,533,500,690.50</b>	<b>7,916,016,798.90</b>

This is the Statement of Condition of Banking Division referred to in our report of even date.

**M/s Gupta & Company**  
**Chartered Accountants**  
**Kolkata, India**

**ROYAL MONETARY AUTHORITY OF BHUTAN  
STATEMENT OF CONDITION  
ISSUE DIVISION**

( Amount in Nu. )

ASSETS	June 30, 2002	June 30, 2001
1. Short term deposits held outside Bhutan in Foreign Currencies	1,601,427,656.00	1,471,150,156.00
2. Indian Rupees held in Bhutan	93,023,750.00	89,351,710.00
	<b>1,694,451,406.00</b>	<b>1,560,501,866.00</b>

( Amount in Nu. )

LIABILITIES	June 30, 2001	June 30, 2001
1. Notes in Circulation	1,694,448,334.00	1,560,474,756.00
2. Notes held in Banking Division	3,072.00	27,110.00
	<b>1,694,451,406.00</b>	<b>1,560,501,866.00</b>

**This is the Statement of Condition of Issue Division referred to in our report of even date.**

**M/s Gupta & Company  
Chartered Accountants  
Kolkata, India**

**ROYAL MONETARY AUTHORITY OF BHUTAN  
INCOME AND EXPENDITURE STATEMENT**

(Amount in Nu.)

Particulars	June 30, 2002	June 30,2001
<b>INCOME</b>	<b>251,497,552.37</b>	<b>463,404,330.47</b>
Amount brought forward	-	-
Interest, Discount, Exchange, Commission etc.	251,497,552.37	463,404,330.47
<b>EXPENDITURE</b>	<b>88,631,759.11</b>	<b>97,421,117.19</b>
Interest	64,552,761.84	77,373,842.79
Security Printing & Minting	-	634,952.62
Establishment	12,843,619.67	11,543,262.68
Remittance of Treasure	170,817.00	111,111.00
Agency & Contractual Services	992,500.00	757,020.00
Stationery & Supplies	655,223.32	449,272.88
Printing and Publications	139,357.60	242,675.00
Postage & Telecommunications	1,475,314.75	760,449.02
Rent, Taxes and Insurance	246,109.51	791,180.00
Power, Water etc.	95,418.00	31,339.60
Auditors' Fees & Expenses	178,353.15	204,923.50
Directors' Fees & Expenses	51,788.00	37,287.00
Depreciation and Repairs	4,089,693.46	2,687,418.29
Staff Superannuation Funds	1,630,366.00	921,660.00
Miscellaneous	1,510,436.81	874,722.81
<b>Available Balance</b>	<b>162,865,793.26</b>	<b>365,983,213.28</b>
<b>Less :</b>		
Transfer to General Reserve	1,500,000.00	-
Prior Period Adjustments	149,971.81	-
Applied to redemption of Government Securities	-	-
<b>Surplus Payable to Government</b>	<b>161,215,821.45</b>	<b>365,983,213.28</b>

This is the Income and Expenditure Statement referred to in our report of even date.

**M/s. Gupta & Company**  
**Chartered Accountants**  
**Kolkata, India**